



# Why is the implementation of the PSD being delayed?

PSE's Second EU Survey of  
PSD Readiness

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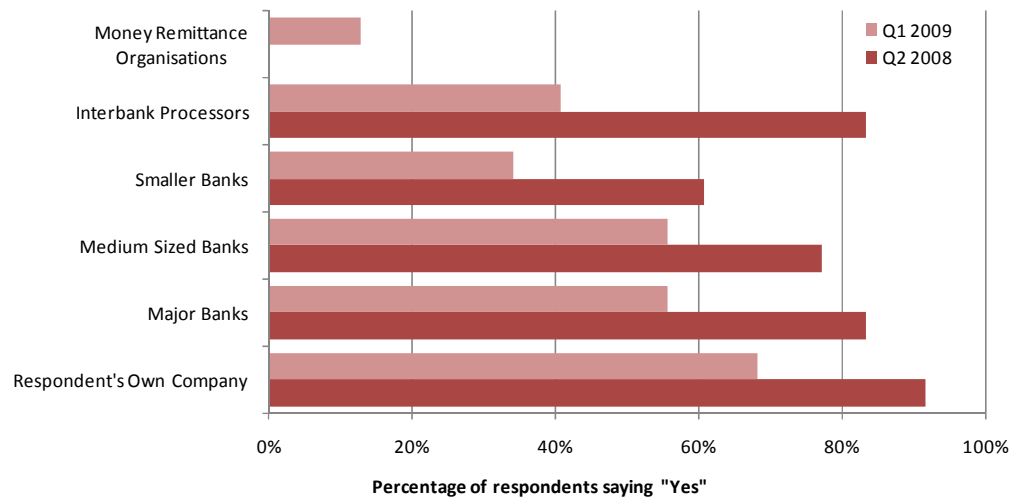
The late implementation of the PSD is now almost a certainty, however it is not the credit crisis causing the delay but national regulators dragging their feet

Please contact PSE Consulting for additional detail  
on the survey responses

**PSE Consulting's most recent Payment Services Directive (PSD) survey has highlighted that national regulators are frustrating the implementation of the Directive by delaying the transposition of the Directive into local law, not allowing sufficient time for compliance and failing to provide guidance on key areas of uncertainty.**

Last week the UK was the first European nation to pass the PSD into national law. Within the context of this milestone, PSE has carried out a second survey of European EU players designed to assess the current status of implementation and understand what is causing payment service providers concern. The survey was completed by 37 senior personnel from across the EU and encompassed a wide range of institutions from banks to money remittance organisations and banking associations.

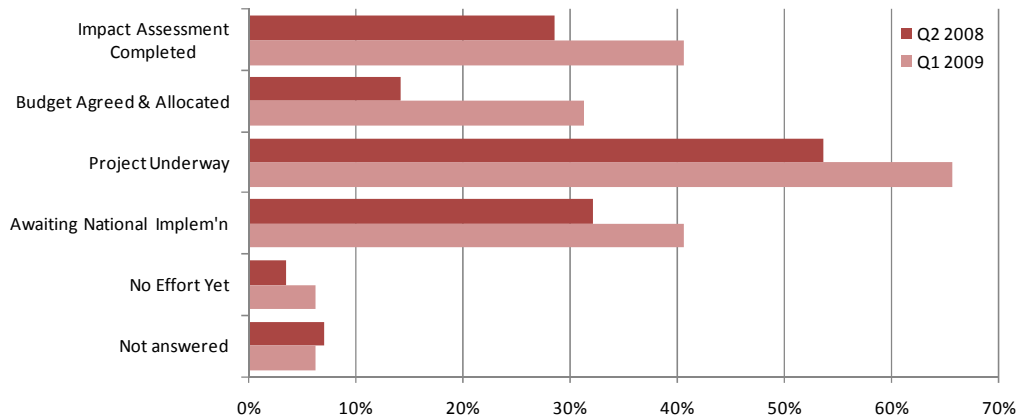
The clearest conclusion from the survey is the growing concern over implementation timelines. Figure 1 illustrates how institutions of all shapes and sizes are increasingly uncertain of their ability to be compliant by 1<sup>st</sup> November 2009. They are now substantially less sure the market will be compliant than they were in June 2008. Not only do almost 25% of survey respondents think they are unlikely to be ready by November 2009 (in June 2008 98% of respondents were confident of being ready) but there are increasing concerns over smaller institution's ability to deliver.



**Figure 1: Likelihood of Institutions being PSD Compliant by 1st November 2009**

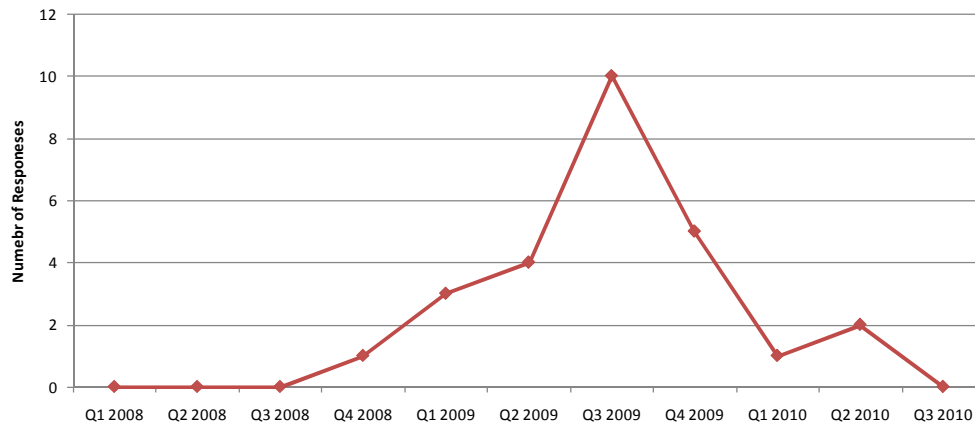
This reassessment may reflect a reduction in confidence as the details of the PSD are analysed (i.e. a more realistic view as the deadline approaches) or the result of changes in the external market. Some commentators point to the credit crunch and the deepening economic recession as causes for this delay. Indeed there is some evidence that national banking federations in Southern Europe have argued with the Commission that this is a reason to delay. However PSE's research does not support this analysis. In the most recent survey PSE asked to what extent the current economic climate was affecting their timetables. 85% responded that it would have little or no impact on their

plans. In addition (see Figure 2) the majority interviewed have projects underway, with around 40% having completed an impact assessment and over a third with a budget allocated.



**Figure 2: Current Status of PSD Implementation Effort**

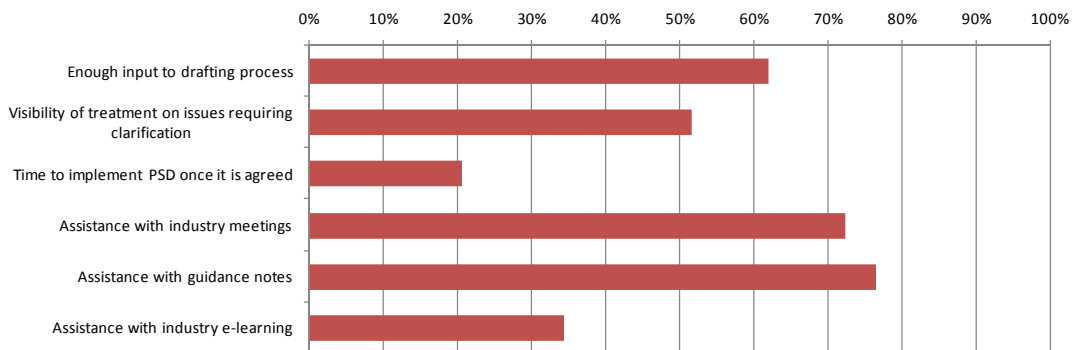
So what is causing players to reassess the likelihood of achieving the deadline? Why is the market stalling with only eight months to go? Figure 2 above provides an early indication – with almost 40% of respondents indicating that they are awaiting national implementation. More light is cast on this topic by looking at respondents’ views on when the final legislation may be in place (see Figure 3 below).



**Figure 3: Likely Date for PSD Final Legislation**

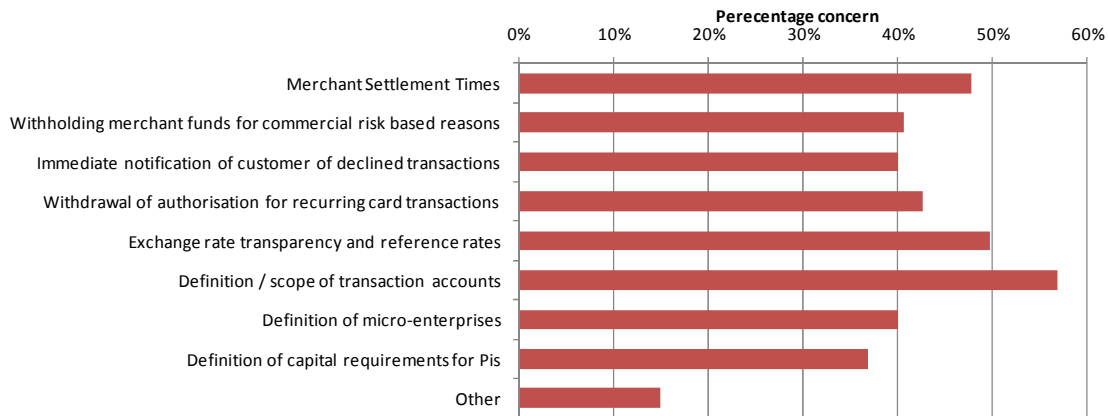
Almost 70% of those questioned believed that the legislation will not be available until after Q3 2009. Thus it appears that local regulators are creating much of the delay as local players wait for legislation to be finalised. Figure 4 below indicates that although regulators are providing support with guidance notes and input to drafting, only 20% of those questioned thought they would be given sufficient time to implement the PSD. In addition, almost half did not believe that their organisation had been given sufficient clarification on key issues by the regulators. National

regulators have had the PSD documents since December 2006. Many are likely to take over 18 months to transpose the Directive, leaving payment providers with less than six months to comply.



**Figure 4: Remaining Areas of Uncertainty**

Worries over the implementation timetable are also linked to a number of key questions which are still causing payment service providers concerns. Figure 5 indicates some of the vital topics that remain unresolved.

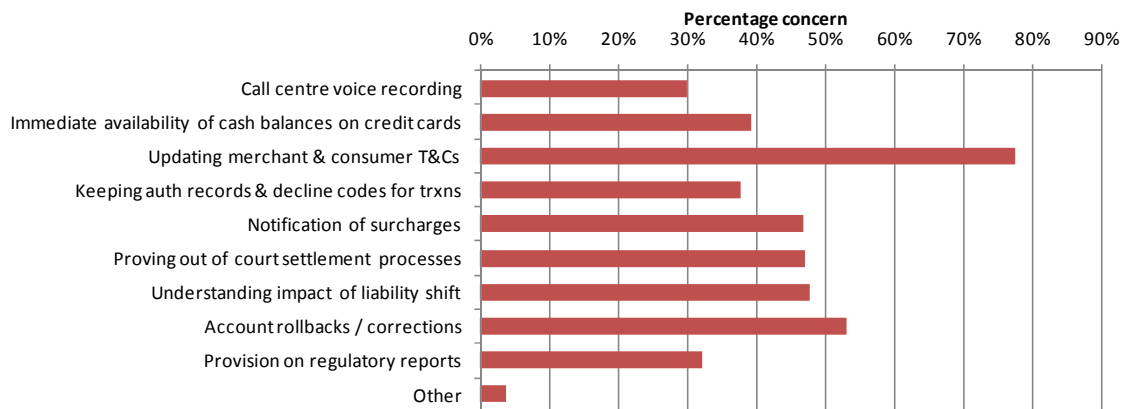


**Figure 5: Vital Topics Remaining Unsolved**

Scope and definition of transaction accounts, merchant settlement times and the treatment of exchange rates are still a major area of uncertainty for over half of those who participated. It is vital that all EU regulators become more proactive in their support of payment service providers if they wish the market to be ready in time.

Given the uncertainty, what actions can payment service providers take? PSE has worked with a wide range of institutions across all of Europe’s major markets looking at the implementation and strategic opportunities presented by the PSD. As a result we have developed a comprehensive understanding of implementation best practice. Figure 6 below highlights some of the respondents’ areas of greatest concern which support our assessment of the main issues that need to be

addressed. Updating merchant terms and conditions and the ability to correct errors on accounts are two of the most important and complex tasks that need to be actioned.



**Figure 6: Areas in Greatest Need for Change**

Underlying many of the respondents' concerns is the need to update IT and Operational infrastructure. This was highlighted by over a quarter of respondents as their most important issue. Given the long IT lead times, there are a number of key systems questions that players should ask internally:

- Which components of your platform are batch or real time and can they support immediate value dating and funds availability upon receipt of funds?
- Can your branch, ATMs, call centres and online channels support immediate funds availability for cash deposits and in-house transfers?
- Does your platform record the transaction details and the authorisation (which may be via PIN, voice, signature, etc)? How long is data retained, how easily can data be retrieved, analysed and stored?

As well as focussing internally it is also vital to ensure that suppliers are equally well prepared for PSD implementation. Questions suppliers should answer are:

- When will they be fully compliant? What commitments to delivery and service provision are provided?
- Do they have a PSD compliance programme in place? What support will they provide during the compliance process? Who will co-ordinate with your PSD plans?
- Who will fund the costs of compliance and implementation programmes?

In conclusion, there is still much to do to prepare for the PSD. It is, however, vital that local regulators speed up the process of implementation. Given the attention currently focussed on topics such as interchange, regulators first need to fulfil their PSD responsibilities before claiming the industry is not compliant in other areas of European legislation. PSE would strongly recommend that all players should lobby their regulator to ensure they accelerate the local transposition of the Directive.

### Survey Methodology

The analysis included in this article is based on survey completed by PSE during January and February 2009. It included the responses from 37 institutions across all the EU's major payments markets and includes both banks, foreign currency providers, money transmitters and interbank associations.

This survey is the second that PSE has carried out in the European market – the first being carried out in June 2008 which was based on the responses from 30 major financial institutions and payment sector specialists across Europe.

### About PSE Consulting

PSE Consulting is a leading European payment business and technology consulting organisation. The company was founded in 1991 and operates from offices in London.

PSE Consulting is a founder member of the European Payments Consulting Association (EPCA), an association of like consultancies operating in six European nations.

PSE Consulting provides independent advice to many of the European institutions mentioned within this article and to many other players who are currently shaping the European debit market place.



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