

What's on the horizon for the payments industry in 2021?



Risk rating
Potential impact





Immediate impact

- Changes to the Wire Transfer Regulations
- The identification of TPPs (in the UK)



Short to medium impact

- Changes to the Online Dispute Resolution Platform
- Changes to the amended Cross-border Payments Regulation
- Application of SCA to e-commerce transactions in the UK
- Call for Input on Open Finance
- Consultation on changes to FCA rules
- The FCA's safeguarding review
- Card acquiring market review
- Consultation on solvency changes for payment institutions and electronic money institutions
- Consultation on the CRM Code
- Revised Guidelines on major incident reporting under PSD2
- Central bank digital currencies
- Consultation on access to cash in the UK
- HM Treasury's payment landscape review



On the horizon

- What's next for Confirmation of Payee?
- Faster Payments consumer protection
- The PSR's new strategy
- European Commission retail payments strategy
- The EU's proposed digital operational resilience regulation

| Legal issue/risk | Links | Next steps / action required |
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| <p>Changes to the Wire Transfer Regulations</p> <p>Following the end of the transition period for Brexit:</p> <ul style="list-style-type: none"> for money transfers from the UK to the EU (or to any non-EU country), the payer's PSP in the UK will need to request more information from their customer (the payer); and for money transfers from the EU (or any non-EU country) into the UK, the payee's PSP in the UK will need to have procedures and systems in place so as to detect whether the fuller information is included in the transfer message. | <p>UK Legislation</p> | <p>PSPs will need to ensure that they are collecting (or checking) the following information for the transfer of funds from the UK to the EU:</p> <ul style="list-style-type: none"> the name of the payer; the payer's payment account number (or unique transaction number where the transfer is not made to or from a payment account); the payer's address, official personal document number, customer identification number or date and place of birth; the name of the payee; and the payee's payment account number. |
| <p>The identification of TPPs (in the UK)</p> <p>Following the end of the transition period for Brexit, ASPSPs will need to accept at least one other electronic form of ID issued by an independent third party (in addition to an eIDAS certificate). The additional ID must:</p> <ul style="list-style-type: none"> be a digital certificate issued by an independent third party upon identification and verification of the PSP's identity; be revoked as soon as the TPP is no longer authorised to conduct TPP activities; and include the name of the TPP, details of the national competent authority the TPP is authorised or registered with and the TPP's firm reference number. | <p>FCA Policy Statement</p> | <ul style="list-style-type: none"> TPPs will need to have an alternative certificate in place as soon as possible. ASPSPs will need to select which alternative certificate(s) they will accept. ASPSPs will also need to consider whether their systems require any change to accept their chosen alternative certificates and implement any such changes as soon as possible. PSPs should meet these requirements as soon as possible and, in any event, before the end of the FCA's transitional arrangement on 30 June 2021. |



| Legal issue/risk | Links | Next steps / action required |
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| <p>Changes to the Online Dispute Resolution Platform</p> <p>Following the end of the transition period for Brexit:</p> <ul style="list-style-type: none"> UK consumers and traders are no longer able to use the EU Online Dispute Resolution platform; and UK traders are no longer required to provide consumers with a link to the EU Online Dispute Resolution platform. | <p>UK Legislation</p> | <p>UK traders should:</p> <ul style="list-style-type: none"> update their terms and conditions to remove any references to the EU Online Dispute Resolution Platform or to EU based Alternative Dispute Resolution entities; and remove any such links or references from their websites. |
| <p>Changes to the amended Cross-border Payments Regulation ("CBPR2")</p> <p>Following the end of the transition period for Brexit:</p> <ul style="list-style-type: none"> the existing requirements under article 3 of CBPR2 have been omitted from UK law; the transparency requirements in force under articles 3(a) and 3(b) CBPR2 have been retained under UK law; and there has been a policy decision to omit the requirements to send an electronic message under articles 3(5) and (6) CBPR2. | <p>UK Legislation</p> <p>Explanatory Memo</p> | <ul style="list-style-type: none"> PSPs should continue to comply with the transparency requirements for card-based payments and credit transfers. PSPs are no longer subject to the equalisation rule which meant that charges for cross-border payments within the EEA had to be equivalent to charges for corresponding domestic payments in sterling. PSPs are no longer required to implement measures to send an electronic message with the currency conversion charges. |
| <p>Application of SCA to e-commerce transactions in the UK</p> <ul style="list-style-type: none"> The FCA will begin enforcement of the application of SCA to e-commerce transactions from 14 September 2021. Any non-compliance after 14 September 2021 will be subject to the FCA's full supervisory and enforcement action. | <p>FCA Website</p> <p>UK Finance's Roadmap</p> | <ul style="list-style-type: none"> Firms should actively engage in the various deadlines set out in UK Finance's roadmap to ensure they become SCA compliant by 14 September 2021, at the latest. |



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| <p data-bbox="161 277 837 341">FCA Consultation on changes to its Approach Document, Handbook and the SCA-RTS</p> <ul data-bbox="161 373 882 1117" style="list-style-type: none"> <li data-bbox="161 373 882 501">▪ The FCA has launched a consultation regarding changes to its Approach Document, Handbook and the SCA-RTS. Some of the key proposed changes include: <ul data-bbox="215 533 882 1117" style="list-style-type: none"> <li data-bbox="215 533 882 660">❖ a new exemption so that ASPSPs do not need to require their customers to apply SCA every 90 days when the customer accesses their account through an AISP; <li data-bbox="215 692 882 852">❖ a new rule so that TPPs need to re-confirm customers' consent every 90 days if they intend to continue accessing data without the customer actively requesting the information (up to 4 times a day); <li data-bbox="215 884 882 979">❖ an increase in the thresholds for exempting contactless payments from the application of SCA; and <li data-bbox="215 1011 882 1117">❖ a new rule which will see dedicated interfaces mandated for certain accounts offered to consumers and SMEs. | <p data-bbox="904 277 1102 341">FCA Consultation</p> | <ul data-bbox="1124 277 1814 756" style="list-style-type: none"> <li data-bbox="1124 277 1814 437">▪ It will be important for stakeholders to engage with the FCA on this consultation, particularly on some of the key new proposed rules which could impact a number of institutions across the market. <li data-bbox="1124 453 1814 549">▪ Stakeholders should review the consultation in detail and provide feedback to the FCA on each of the proposals. <li data-bbox="1124 564 1814 676">▪ The deadline for providing feedback on the proposal to increase the thresholds for exempting contactless payments from the application of SCA is 24 February 2021. <li data-bbox="1124 692 1814 756">▪ The final deadline for providing feedback on the other proposed changes is 30 April 2021. |



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| <p>Call for Input on Open Finance</p> <ul style="list-style-type: none"> The FCA has launched a Call for Input regarding the development of Open Finance. Open Finance is an extension of Open Banking data sharing principles to enable third party providers to access customers' data across a broader range of financial sectors and products (e.g. savings, mortgages, pension funds, investments, insurance policies and many more). The Call for Input closed on 25 November 2020 and we can expect an update in 2021. | <p>FCA Call for Input</p> | <ul style="list-style-type: none"> Open Finance will enable firms to extract and analyse more data to offer customers new services and products (e.g. broader product switching services and personal financial management dashboards). Firms will also be able to use Open Finance to support their back office functions (e.g. the use of new data sets will help improve acceptance of credit, reduce paper and speed up on-boarding processes). Although there are many benefits to Open Finance, it will also be important for stakeholders to engage with the FCA, to challenge its findings (where appropriate), and to help shape its final conclusions. |
| <p>The FCA's safeguarding review</p> <ul style="list-style-type: none"> We expect that the FCA will continue its review into the effectiveness of the safeguarding measures across the market during the course of 2021. This follows the publication of the FCA's "Dear CEO" letter in July 2020 asking institutions to attest that they were compliant with the safeguarding requirements of the EMRs and/or the PSRs. | <p>FCA's Dear CEO Letter FCA Website</p> | <ul style="list-style-type: none"> PIs and EMIs should continue to review their end-to-end processes and take measures to follow the FCA's action points set out in the "Dear CEO" letter. Firms may also need to undertake remediation work in respect of their existing measures (e.g. confirming accounts are designated for safeguarding and identifying whether any co-mingling arises and the time periods of such co-mingling). |



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| <p>Card acquiring market review</p> <ul style="list-style-type: none"> ▪ The PSR published its interim report in relation to its market review of the supply of card acquiring services. ▪ The report identifies three features of the market which restrict the ability and willingness of merchants to switch and 'secure a better deal': <ul style="list-style-type: none"> ❖ the complexity, and resulting cost, of comparing prices offered by acquirers and independent sales organisations; ❖ the indefinite duration of merchant contracts for card acquiring services; and ❖ the long initial terms and / or automatic renewal of acquirer and ISO point of sale terminal contracts. | <p>Interim Report ES Website</p> | <ul style="list-style-type: none"> ▪ The PSR is in the process of considering written responses to the interim report and intends to carry out a programme of stakeholder engagement (e.g. roundtable events) in 2021. ▪ It will be important for stakeholders to engage with the PSR, to challenge its findings where appropriate, and to help shape its final conclusions and remedies, in particular to avoid unworkable remedies or unintended consequences. |
| <p>Consultation on solvency changes for payment institutions and electronic money institutions</p> <ul style="list-style-type: none"> ▪ HM Treasury proposes to introduce bespoke Special Administration Regulations for PIs and EMIs based on the Investment Bank Special Administration Regulations 2011. | <p>HM Treasury Consultation ES Website</p> | <ul style="list-style-type: none"> ▪ Subject to certain exclusions, HM Treasury proposes that the SAR regime should apply to all PIs and EMIs and have limited application to small PIs and small EMIs. ▪ Under the current proposal, a special administration may also be ordered by the court on the application of a range of applicants including the firm itself, any directors of the firm, any creditors of the firm and the FCA. |



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| <p>Consultation on the effectiveness of the CRM Code</p> <ul style="list-style-type: none"> The Lending Standards Board (LSB) has launched a consultation reviewing the implementation of the Contingent Reimbursement Model (CRM) Code to assess the effectiveness of the Code and its impact on consumers and the industry. | <p>LSB Consultation</p> | <ul style="list-style-type: none"> PSPs should engage with the LSB on this consultation as the implementation of the Code continues to be a challenge for many institutions. The consultation closed in 2020 and we can expect an update on the outcome of the consultation in 2021. |
| <p>Revised Guidelines on major incident reporting under PSD2</p> <ul style="list-style-type: none"> The EBA launched a public consultation proposing changes to the Guidelines on major incident reporting under PSD2 following a review of their effectiveness. The proposals aim to improve and simplify the reporting process, capture additional relevant security incidents, reduce the number of operational incidents that will be reported and improve the meaningfulness of the incident reports received. | <p>EBA Consultation</p> | <ul style="list-style-type: none"> The EBA's key proposals relate to: <ul style="list-style-type: none"> ❖ changes to incident classifications; ❖ increased thresholds; ❖ new calculation methods for the criteria of transactions affected; and ❖ new calculation methods for the number of payment services users affected. <p>It is anticipated that the changes could standardise the reporting requirements and reduce the number of reports which institutions are required to complete.</p> |
| <p>Central bank digital currencies</p> <ul style="list-style-type: none"> Discussions and reports have revealed multiple models for the issuance and distribution of a retail CBDC (including CBDCs issued directly by a central bank to retail customers, as well as hybrid models whereby central banks could outsource various functions including issuance and distribution and/or KYC to commercial banks or other PSPs). | <p>BOE Website</p> | <ul style="list-style-type: none"> CBDCs are destined to have a significant impact on the existing payment ecosystem including e-money, stable coins, payment systems and card payment schemes. It will be important for PSPs as well as data service providers, POS providers, and payments processors to monitor the development of CBDCs to understand the threats and opportunities which they may provide to their existing business models and markets. |



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| <p>Consultation on access to cash in the UK</p> <ul style="list-style-type: none"> ▪ The UK government intends to introduce legislation to guarantee cash access to communities in the UK and ensure that the UK's cash infrastructure is sustainable in the long-term. ▪ The two key proposals made by the UK government include: <ul style="list-style-type: none"> ❖ making widely available cashback services without the need to purchase product/services from retailers of all sizes in local communities; and ❖ making the FCA responsible for ensuring the cash system benefits consumers and SMEs. ▪ HM Treasury issued a Call for Evidence in October 2020 seeking views on key considerations for the future of the UK's cash system. | <p>Gov.UK Call for Evidence</p> | <ul style="list-style-type: none"> ▪ Participants in the cash supply model should be reviewing their current arrangements to understand how pricing is calculated and how and when they may be terminated for convenience. ▪ Participants should also consider whether they wish to become more or less active in this space as these changes to the current supply model become apparent. ▪ The consultation period closed on 25 November 2020 and we can expect an update on the outcome of the consultation in 2021 when the Government will set out its next steps for its work on cash access. |



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| <p>HM Treasury's payment landscape review</p> <ul style="list-style-type: none"> ▪ HM Treasury published a Call for Evidence to review the UK payments landscape in summer 2020. ▪ As part of this consultation, HM Treasury identified several key drivers of change in the payments landscape. These include: <ul style="list-style-type: none"> ❖ the introduction of a liability regime for Faster Payments; ❖ the enhancement of Open Banking, a review of the regulatory perimeter for institutions such as payment gateway providers and e-money institutions; ❖ innovation to improve the ability to receive faster, cheaper, more transparent and inclusive cross-border payment services; ❖ the implementation of cryptoassets, stablecoins and central bank digital currencies; and ❖ the continued development of the New Payments Architecture. | <p>HM Treasury Call for Evidence</p> | <ul style="list-style-type: none"> ▪ As a result of Brexit, there will now be a significant focus on the UK payments landscape. ▪ It will, therefore, be important for all firms in the payments space to monitor the development of the Government's plans, to understand the threats and opportunities which they may provide to their existing business models and markets and to engage in the consultation processes throughout. |



| Legal issue/risk | Links | Action required |
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| <p>What's next for Confirmation of Payee?</p> <ul style="list-style-type: none"> Pay.UK announced in summer 2020 that the next phase would not be extended to include BACS as it wants to potentially bring a wider category of institutions into scope. We expect the next phase of CoP to be rolled out in 2021 and for it to include extensions to the scope of CoP. | <p>Pay.UK Website</p> | <ul style="list-style-type: none"> PSPs who weren't directed to implement CoP in 2020, or haven't voluntarily implemented CoP, should keep the implementation of CoP at the forefront of the agenda as it seems likely that the regulator will want to progress these plans at some point in 2021. |
| <p>Faster Payments consumer protection</p> <ul style="list-style-type: none"> The PSR plans to review the consumer protections available in relation to the Faster Payments system in light of its increased use for retail payments and its use by PISPs. | <p>PSR Website</p> | <ul style="list-style-type: none"> We expect the PSR will publish a consultation in relation to the minimum level of consumer protection in 2021 to assess whether a change is deemed necessary and any options for implementation. |
| <p>The PSR's new strategy</p> <ul style="list-style-type: none"> The PSR is in the process of developing its future strategy. The strategy intends to define clear high-level target outcomes that it wants to see in the payment sector, namely: <ul style="list-style-type: none"> ❖ innovation and future payment methods; ❖ competition across all levels of the payment chains; and ❖ choice and availability of payment methods. | <p>PSR Website</p> | <ul style="list-style-type: none"> The PSR is keen to consider the industry's views on its strategy and plans to open a formal public consultation in early 2021. In the meantime, the PSR will continue to engage with the industry informally and draw on feedback it has through 'virtual' roadshows and on social media. |



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| <p data-bbox="159 277 797 341">Consultation on the Eurosystem oversight framework</p> <ul data-bbox="159 352 902 544" style="list-style-type: none"> <li data-bbox="159 352 902 544">The ECB has launched a public consultation on a proposed new draft oversight framework for electronic payment instruments, payment schemes and payment arrangements. The consultation closed on 31 December 2020 and we expect to receive an update during the course of 2021. | <p data-bbox="936 277 1128 341">ECB Consultation</p> | <ul data-bbox="1160 277 1850 748" style="list-style-type: none"> <li data-bbox="1160 277 1850 437">The consultation primarily targets organisations having oversight responsibility for payment firms and recommends a longer and more prescriptive set of principles than the harmonised oversight framework. <li data-bbox="1160 448 1850 608">Based on current proposals, it is also likely to impact a wide range of firms providing payment and e-money services across Europe, regardless of whether these services constitute the firms' main business(es). <li data-bbox="1160 619 1850 748">Firms should read the Framework documentation carefully to ascertain its impact on their current business models and regulatory compliance functions. |



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| <p>European Commission retail payments strategy</p> <ul style="list-style-type: none"> ▪ The European Commission recently launched a consultation on a retail payments strategy for Europe. Responses to the consultation were published in September 2020 and the EU subsequently updated its strategy to reflect the outcomes of the consultation. ▪ As part of the strategy, the European Commission will focus on a number of initiatives during the course of 2021, including: <ul style="list-style-type: none"> ❖ a comprehensive review of the application and impact of PSD2; ❖ a review of whether it is appropriate to propose legislation requiring PSPs to adhere to the requirements of the SEPA Instant Credit Transfer; ❖ implementation of the ECB’s measures to ensure that there is full interoperability between these clearing and settlement mechanisms; ❖ a review of the acceptance and availability of cash within the euro area; and ❖ the full uptake of instant payments in the EU by end-2021. | <p>EU Consultation</p> <p>EU Retail Strategy</p> | <ul style="list-style-type: none"> ▪ The EU’s strategy includes some significant plans for 2021, including a review of both the application and impact of PSD2. It will, therefore, be important for all firms in the payments space to monitor the development of these initiatives throughout the upcoming year. |



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Additional Resources

- View our Payment Matters Hub (**here**) where you can find copies of our “Payment Matters” articles throughout the year.
- You may also be interested in our Financial Crime Horizon Scanning tool which is available **here**.

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