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**French Banking Federation Answer to EBA Consultation Paper on the implementation of its guidelines on the Security of Internet Payments (EBA/CP/2014/31)**

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

The FBF welcomes the opportunity to comment on the Consultation Paper on the implementation of its guidelines on the Security of Internet Payments (EBA/CP/2014/31).

**Consultation Question: Entry into force of the EBA Guidelines:**

*Do you prefer for the EBA Guidelines*

1. *to enter into force, as consulted, on 1 August 2015 with the substance set out in this consultation paper, which means they would apply during a transitional period until stronger requirements enter into force at a later date under PSD 2 (i.e. a two-step approach); or*
2. *to anticipate these stronger PSD 2 requirements and include them in the final guidelines under PSD 1 that enter into force on 1 August 2015, the substance of which would then continue to apply under PSD 2 (i.e. a one-step approach).*

**Answer:**

The FBF favors a two-step approach (option a) and thinks that the EBA guidelines better enter into force on 1 August 2015 as set out in this consultation paper, and then, **once EBA issues its draft technical standards resulting from the entry into force of the DSP2, and once the Commission has validated and published them,** stronger security requirements shall enter into force.

**General comment:**

The FBF welcomes the acceleration of the cooperation of the European Banking Authority (EBA) and European Central Bank (ECB) to increase the security of retail payments which lead the EBA to take over the content of the final SecuRe Pay recommendations.

**Detail of the reasoning**

Option b “one-step approach” aiming at anticipating PSD2 requirements

Although the FBF understands the advantages of the “one- step approach” (On one hand, the PSD2-based requirements will benefit the whole community as they aim at increasing the overall security. Moreover, theoretically the cost of driving one change appears to be overall less than the potential budget of the management of two changes), the FBF would like to raise some concerns regarding this option.

While strengthening the overall security of payments for the consumers, the PSD2-based requirements will impact deeply both the consumer user’s experience and internal industrial processes. Banks will need to perform impact assessment, to review internal procedures, to optimize the user experience for a better adoption of these security measures before developing, testing and implementing any technical changes.

First, certain security measures consistent with the guidelines would need to be adopted by consumers, as well as implemented by both PSP and PSP’ customers such as e-merchants. Likewise, the industry will face the challenge of combining both performance and compliance with strong authentication procedures, all together with a constrained and long-term investment planning. The most important fact is that the PSD2-based security requirements are still under negotiation within the Council, and so far many texts have been amended for review during the latter weeks, clearly lacking from consistency from one version to the other.

Although confident that the state members will reach ultimately a global consensus on overall Security principles, as the one step approach relies on DSP2-based requirements that still need to be debated both at Council and trilogue levels and then specified in terms of technical standards**, the FBF firmly believes that if the “one step approach” (option b) was to be chosen, meeting the stated requirements in terms of both contents and deadline would be challenging, if not impossible, to achieve**.

Option a “two-step approach”

The FBF reckons that this option may potentially present a few shortcomings, such as a risk of a risk of implementations of the first step not being totally compliant with future DSP2-requirements of the second step, imposing unnecessary hypothetically rework costs to payment service providers, and induce confusion/inconvenience to consumers.

Nevertheless, banks have already allocated significant resources and investments to ensure compliance with 2013 final SecuRe Pay recommendations which are the basis for EBA guidelines. Consequently, they are on tracks with the first-stage requirements which are PSD1-based requirements.

As described below, the PSD2-based requirements will impact deeply both the consumer user’s experience and internal industrial processes. Banks will need to perform impact assessment, to review internal procedures, to optimize the user experience for a better adoption of these security measures before developing, testing and implementing any technical changes.

In conclusion

**Taking into consideration the below observations, the FBF recommends that**

* **the EBA guidelines should better enter into force on 1 August 2015 as set out in this consultation paper,**
* **and then, once EBA issues its draft technical standards resulting from the entry into force of the DSP2, and once the Commission has validated and published them, stronger security requirements shall enter into force.**