

# FCA Consultation:

Changes to the SCA-RTS and to the guidance in  
'Payment Services and Electronic Money – Our  
Approach' and the Perimeter Guidance Manual

What does it mean for  
Payment Services Firms?

11 March 2021



COMPLIANCE SERVICES  
INFORMING ACTION . INSPIRING CONFIDENCE

# Speaker Biography – John Burns



**John Burns -**  
Technical Director  
for Payment  
Services

John is one of the UK's foremost compliance experts in payment services, and he is Technical Director in our Payment Services team.

He provides technical support helping Banks, Payment Institutions and E-money Institutions manage their compliance and plan their commercial strategies in the light of changing regulations. John assists a vast portfolio of payment services clients and has been awarded for his efforts, winning the award of Best Compliance Consultant 2019 from the Compliance Register Platinum Awards.

Before joining Compliancy Services in 2015, John was Senior Manager, Compliance Advisory, for Global Transaction Banking at Lloyds Bank where he also acted as subject matter expert on payments. Prior to that he was the FSA's (Financial Services Authority, predecessor to the Financial Conduct Authority) Technical Specialist on Payments where he dealt with the UK implementation of the 1st Payment Services Directive and the 2nd E-Money Directive.

He was the first editor of the FSA's PSR Approach Document and assisted with the development of PERG 15 in the Handbook, as well as assisting HM Treasury with the drafting of the UK legislation. At EU level he was a member of the European Commission's Payments Committee, the ECB's Forum on the Security of Retail Payments and the EBA's Standing Committee on Consumer Protection and Financial Innovation.

# Agenda

1. Welcome and Introductions
2. FCA View of the Payment Sector
3. The Consultation
  - a. SCA RTS & Approach Document Proposals
  - b. Approach Document Proposals
    - i. Safeguarding
    - ii. Prudential Risk Management
    - iii. Wind-down plans
  - c. BCOBS
  - d. PERG
4. Questions

# FCA View of the Payments Sector



COMPLIANCY SERVICES  
INFORMING ACTION . INSPIRING CONFIDENCE

# FCA View

In their 2020/2021 Business Plan, the FCA identified the payments sector as a priority for the next 3 years. Aiming to make sure:

- consumers transact safely with payment firms; payment firms meet their regulatory obligations while competing on quality and value;
- and consumers and SMEs have access to a variety of payment services.

Payment Supervision Department now 30+ people and very active.

# Consultation CP21/3



COMPLIANCE SERVICES  
INFORMING ACTION . INSPIRING CONFIDENCE

# Consultation

“

CONSULT, V.I.:

To seek another's disapproval of  
a course already decided on.

”

Ambrose Bierce – The Devil's  
Dictionary

# Deadlines for responses

- For questions relating to contactless payments (Q5 & Q6) – 24 February 2021 Already gone – and announced by the Chancellor in last week's budget
- For all other aspects of the consultation – 30 April 2021



# SCA RTS & Approach Document Proposals (1)

- Creates a new exemption from strong customer authentication (SCA) in Article 10A so that customers do not need to reauthenticate every 90 days when accessing account information through an Account Information Services Provider (AISP).
- Mandates the use of dedicated interfaces (such as application programming interfaces (APIs)), rather than modified customer interfaces (MCIs), by Account Servicing Payment Service Providers (ASPSPs)
- Changes the requirements for publishing interface technical specifications, availability of testing facilities, and fallback mechanisms by account providers. The FCA proposes that the technical specifications and testing facility only be made available to TPPs from the launch of new products and services, rather than six months in advance. Also, the requirement for a fallback interface should only take effect six months after launch. This would allow account providers time to develop such an interface or request an exemption to the requirement to have one.

# SCA RTS & Approach Document Proposals (2)

- 'dynamic linking' where the amount is not known in advance. SCA would not need to be reapplied where the final amount is <20% higher than the original amount authorised.
- Payee's PSP should be liable where it triggers an exemption and the transaction is carried out without applying SCA. This means that the payer's PSP would refund the customer and would then be entitled to be reimbursed by the payee's PSP, other than where the payer has acted fraudulently.
- Fraud rate calculations for transaction risk analysis exemption should only include unauthorised or fraudulent remote electronic transactions for which the PSP was liable.
- The corporate exemption will be applicable to (physical or not) corporate only card payments.
- Continuous payment authorities exempt from SCA, except for setting up or amending.

# Safeguarding

- Acknowledgment letter from bank must confirm account meets requirements – template letter provided.
- Documentation of reconciliation process, with accompanying rationale.
- Annual Safeguarding Audit unless firm has exemption under Companies Act 2006 re audit of annual accounts. NB EMI's are specifically excluded from this exemption so must have audit done.
- Safeguarding by insurance:
  - Payment ASAP after insolvency event;
  - Amount of cover exceeds expected safeguarding amount
  - No minimum level
  - Period and renewal – process important
  - Insurers understand no grounds for dispute on insolvency

# Prudential Risk Management

- Requirement to carry out liquidity and capital stress testing. This should analyse the firms' exposure to severe business disruptions and assess the potential impact, using internal and/or external data and scenario analysis.
- Firms should accurately calculate their capital requirements and resources on an ongoing basis and report these correctly to the FCA when required.
- Best practice for firms to deduct any assets representing intra-group receivables from their own funds
- FCA expects firms not to include uncommitted intra-group liquidity facilities. Firms should have in place adequate liquidity risk-management procedures.

# Wind-down plans

- Requirement for firms to have a wind-down plan to manage their liquidity and resolution risks. The plan should consider the winding down of the firm's business under different scenarios, including a solvent and insolvent scenario.

# BCOBS and Principles for Businesses

- The extension of the FCA's Principles for Businesses for payment services and e-money firms; the application of certain communication rules and guidance in the Banking Conduct of Business Sourcebook (BCOBS) to communications with payment service and e-money customers; and guidance on the communication and marketing of currency transfer service

# PERG 15

- Expectations on notifications under the Electronic Communications Exclusion (ECE) and the Limited Network Exclusion (LNE) are clarified. This includes adding more detail on the types of information it expects to see as part of a firm's notification and the types of firms that may be able to benefit from the LNE. This will also include amendments to PERG 15 to provide additional guidance on ECE and LNE.

# Questions?



# Contact Details



**JOHN BURNS**

Payment Services Technical Director

+44 (0)20 3457 3173

[john.burns@compliance-services.co.uk](mailto:john.burns@compliance-services.co.uk)

[Download v-card](#)

2nd Floor, 1 West Smithfield, London, EC1A 9JU

**Tel:** 020 7060 4499

**Email:** [info@compliance-services.co.uk](mailto:info@compliance-services.co.uk)

[www.compliance-services.co.uk](http://www.compliance-services.co.uk)



**COMPLIANCE SERVICES**  
INFORMING ACTION . INSPIRING CONFIDENCE

© Compliance Services Ltd