

# PSD2: VERIFICATION OF PAYMENT SERVICES REGULATION

Technological innovation in the financial sector and the increasing volume of online payments and payment instruments means that the regulations are constantly evolving. The European Union has adopted its second Payment Services Directive, which significantly affects the obligations of banks, payment institutions and other financial entities. Under the new regulation, banks must pass on their users' data and learn a new way of entering payments. Other changes include stronger security and transparent data management or simplified communication between payment institutions and their clients.

## WHAT IS PSD2?

The new European Payment Services Directive, also known as PSD2, has replaced the first directive on the regulation of payment services in the internal EU market. The aim of this regulation is to set strict rules for communication, identity check of the customer and improvement of the relationship with them, as well as the protection, security and transparency of payments. PSD2 has been in force since 23 December 2015 and has been introduced through a phased implementation over time. The regulation became mandatory on 14 September 2019 and regulated companies are audited by the Czech National Bank. Performing an audit will provide you with assurance that your practices are compliant.

## WHAT AREAS DOES PSD2 VERIFY?

The strict rules for securing and working with data of financial service providers focuses on a few key areas:

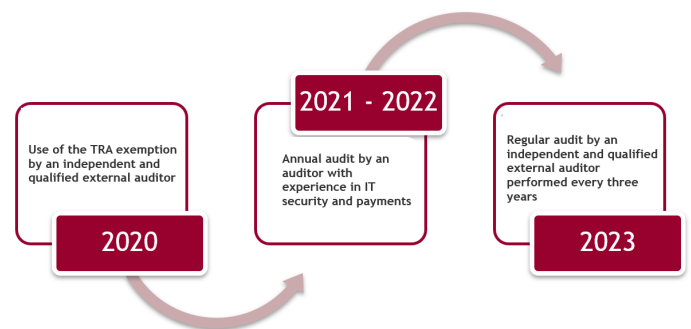
- ▶ Protecting and securing customer and payment data
- ▶ Transaction Risk Reduction (TRA)
- ▶ Strong Customer Authentication (SCA)
- ▶ Transparent data to increase collaboration between banks and other payment institutions called third parties in the use of new payment services

- ▶ Simplifying, speeding up and improving open communication with customers (RTS)

## WHEN DO I NEED AN AUDIT?

Among the obligations based on the RTS SCA is the audit of security measures. All payment service providers have this obligation.

An audit of security methods must be carried out by an independent auditor at a similar frequency to a financial audit. There are additional obligations in case the exemption from the application of the SCA is applied based on the TRA. In this case, the methodology must be audited in the first year and at least once every three years thereafter.



## WHAT IS THE VERIFICATION PROCESS?

**Plan:** In collaboration with you, we will verify the scope of the planned controls and establish the audit plan and schedule.

**Understanding:** We will examine your data security, the level of security of the authentication process, communication and transparency of shared data.

**Documentation:** We will recommend areas and processes to improve based on our assessment of each part and process. Of course, we will advise you and recommend the best solutions.

**Detailed final report:** In the last phase of the audit, we will submit a draft report verifying the PSD2 requirements for management review. The audit report is then available on request to the controlling authorities.

Choosing the right auditor is a key element of the success of any PSD2 regulated organisation. At BDO, we have designed our assurance services according to the stringent requirements of PSD2 to meet the high standards of our clients in a cost-effective way. We draw on our extensive experience in verification. We provide the balanced assessments, support and advice you need to make sure your organisation has the best solutions and standards for securing and working with data for efficiency and cost-effectiveness.

## BE PSD2 COMPLIANT

BDO offers a range of audit services to check compliance with current regulations.

We offer:

- ▶ Preliminary audit and recommendations
  - Verification that your procedures comply with regulatory requirements
  - The output is an audit report describing your compliance with regulatory requirements and any deficiencies
- ▶ Internal audit of security compliance with PSD2 regulations
  - We provide internal audit support in the form of periodic verification of compliance with defined measures
- The output is an audit report in accordance with your procedures
- ▶ External audit of transactional risks - TRA audit
  - Verification of the methodology for calculating the fraud rate
- ▶ External audit of security measures
  - Regular verification of security measures based on the SCA RTS
  - Verification of any exceptions to the SCA
  - Verification of the setup of open banking standards
- ▶ Advisory and support
  - We provide advisory services in implementing the requirements of the regulation. We also provide our IT experts in this area, who have competencies ranging from cybersecurity to systems integration