



# PAYMENTS IN THE EU

Building better user experience through  
open banking & SEPA Instant

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# Executive summary

Significant time, resources, and political capital are being dedicated to finding a European payments champion that can rival US card companies and Big Tech.

We believe that Europe has laid the foundation of a domestic alternative in payments: that foundation is open banking, a low cost, interoperable, competitive payment type built on open APIs.

With open banking rules in PSD2, the EU has elevated ‘payment initiation’, a marginal technology enabling account-to-account payments, to an established payment method that can compete with cards and direct debits.

Open banking provides a platform for the mass adoption of real time payments, and promises to drive huge volumes through the EU’s newest payment infrastructure, SEPA Instant.

But more work is needed to ensure open banking payments are adopted by EU consumers and businesses. A major part of this work centres on **user experience**.

## **Mass adoption of open banking payments depends on great user experience.**

Our [user research](#) shows that consumers value security, trust, speed and convenience.

Businesses accepting payments [value](#) conversion, cost of acceptance, speed of settlement, and coverage.

This report looks at the role of existing and future regulation in achieving great user experience for open banking payments. We focus on **5 building blocks** for a great user experience — **security, low friction, speed, low cost and pan-EU coverage**.

# Open banking and instant payments in the EU

## In this section we discuss:

- Why instant payments need open banking

## A new platform for account-to-account payments

Through SEPA Credit, **tens of billions of euro payments are made each year**. However, these transactions can take up to three business days to be executed.

In 2017, SEPA Instant Credit Transfer (SCT Inst or SEPA Instant) was introduced to provide a pan-European system for credit transfers that make the funds available to the payee within seconds. It enables payments to be sent instantly, anywhere in the EU.

Uptake of SEPA instant has been steadily growing since then, but it has not become the new normal. In February 2023, SEPA Instant was still **only 14.2%** of all SEPA Credit transactions.

The main consumer use of SEPA Instant until recently has been bank transfers, where customers manually instruct their bank to make an instant transfer.

With open banking technology, instant credit transfers can be moved from the online banking portal to the merchant's checkout screen. It allows businesses to accept instant bank transfers, without cumbersome manual entry by the consumer. Consumers can simply select their bank account at the checkout to pay by SEPA Instant rather than card.

## Open banking in PSD2

Before PSD2, a handful of payment initiation service providers (PISPs) operated in Europe, but their activities were not covered by regulation. These providers enabled consumers to make payments directly from their bank accounts to pay businesses, but relied on the user sharing their online banking credentials to do this.

In PSD2, the EU established a common set of rules for how PISPs should interact with banks in order to initiate payments on behalf of their customers. It gave consumers the right to use PIS through licensed and regulated PISPs. Previously, PISPs could be blocked by banks from accessing their users' accounts.

Bringing this emerging industry under PSD2 has given consumers more control and choice in securely using their payment accounts and their payment accounts data.

## The importance of user experience

Open banking has opened the door for SEPA Instant to be adopted much more widely as a payment method. But to compete with incumbent methods, it needs to be appealing to both businesses and consumers. User experience is key to this.

In the next chapters we examine the building blocks of good user experience:

1. Security
2. Low friction
3. Speed
4. Low cost
5. Pan-EU coverage

We examine how user experience can be further enhanced by upcoming payments legislation like the Payment Services Regulation (PSR) or the Instant Payments Regulation (IPR).

### **The Payment Services Regulation (PSR)**

Announced by the European Commission in June 2023, the PSR will update the rules for digital payments currently laid out in PSD2. It includes more detailed rules for open banking, among other changes.

### **Instant Payments Regulation (IPR)**

Proposed EU regulation introduced in October 2022 which will increase the coverage of SEPA instant, and lower the price for consumers to make SEPA instant payments.

# 1. Security

## In this chapter we discuss:

- The importance of security in the payments experience
- Open banking's built-in security measures
- The benefits of biometric authentication for secure, user friendly payments
- What the draft PSR does to improve security

## Why is it important?

Consumers prioritise security in online payments more than any other factor. **64% of consumers** see security as the most critical factor in making a payment.

PSD2 recognised this and focused on protecting consumers and bolstering payment security, with strong customer authentication (SCA). According to the **PSD2** definition, SCA is:

**“Authentication based on the use of two or more elements categorised as knowledge (something only the user knows), possession (something only the user possesses) and inherence (something the user is) that are independent, in that the breach of one does not compromise the reliability of the others, and is designed in such a way as to protect the confidentiality of the authentication data.”**

It means that consumers need to take extra steps to pay online in order to prove that they are who they say they are (and not a fraudster using the payment instrument without authorisation). SCA applies to several forms of payment in the scope of PSD2, including open banking.

SCA has had an overall positive impact on fraud rates across all payment methods, estimated to be worth roughly €900 million per year<sup>1</sup>, and has led to an overall safer single market for users of digital payments.

## Are open banking payments safe and secure?

### Safe by design

Open banking payments are **safe by design**. With open banking payments, no sensitive details are shared with the merchant – there is nothing to intercept, steal or leak that could lead to unauthorised payments.

Instead, open banking providers securely communicate with the customer's bank to pass on payment instructions in the background and initiate the payment.

Open banking also has other safeguards against fraud built into it. When customers choose to pay a business using open banking, they don't need to enter any payee details. This removes human error, and the risk of customers being tricked into sending the money to a fraudster. The open banking provider controls where the money goes: to a safe merchant with which they have a contractual relationship and that has passed due diligence checks.

### SCA as standard

In open banking, SCA applies each time a user accesses their payment account online, initiates an electronic payment transaction, or carries out any action which may imply a risk of payment fraud or other abuse. It is built into open banking payments, and is always performed by the bank with which the user has a payment account.

SCA allows modern, user-friendly security methods to be used such as biometric authentication (such as fingerprint or facial recognition).

<sup>1</sup> **CEPS, DG FISMA, VVA**: "A study on the application and impact of Directive (EU) 2015/2366 on Payment Services (PSD2)", 2023, page 14.

## The benefits of biometric authentication for user experience



### Increased security

Fingerprints or facial recognition are more secure than traditional authentication methods like one time passwords or PINs. Biometrics data is unique to each individual and cannot be easily duplicated, stolen, or transmitted as part of a scam.



### User friendly

It reduces the need for users to remember complicated passwords or PINs. Inputting these manually can be time-consuming and error-prone, and often results in legitimate payments being abandoned.



### Fraud prevention

It can help prevent fraud and unauthorised payments. If a mobile device is stolen, biometric authentication can help prevent unauthorised payments.

According to the [EBA](#), banks that support authentication using biometrics in online or mobile banking should also support these authentication methods when the user is using an open banking provider.

In practice, the lack of effective enforcement of the rules has meant that SCA continues to involve less secure and less user-friendly methods. One-time passwords, for example, are less user friendly as they involve more work on behalf of the consumer, and are increasingly targeted by criminals in [SIM swap fraud](#).



## How can the EU help increase security?

### What does draft regulation say?

- The draft PSR maintains the SCA requirements from PSD2.
- It also requires banks to provide the same SCA methods for open banking as they do to their customers directly in mobile and online banking. Where banks offer biometrics for SCA to their customers directly, they will be required to offer it via open banking, too.
- It will also empower the EBA to develop Regulatory Technical Standards (RTS) on SCA, taking into account “the need to ensure an appropriate level of security for payment service users and payment service providers, through the adoption of effective and risk-based requirements”.

### How can regulation help increase security?

- The PSR should maintain and reinforce the strong security foundations for open banking from PSD2.
- It should encourage the use of biometric methods of authentication, which will improve the overall security of payments without compromising on user experience.
- Even more emphasis should be put on upgrading SCA from older methods such as card readers or one time passwords to biometrics.
- More enforcement and supervision from national authorities will be needed to ensure open banking SCA journeys are consistently enabling good user experience.

## 2. Low friction

### In this chapter we discuss:

- The importance of a low-friction payment experience
- What a frictionless payment looks like
- Examples of friction and other obstacles which discourage use
- What the draft PSR can do to create smoother payment experiences

### Why is it important?

In a recent TrueLayer [survey](#), 73% of respondents said that slow or frustrating payment experiences will make them abandon the transaction and try elsewhere.

Consumers have become accustomed to payment experiences that involve minimal friction such as clicks and manual input. Single-click checkouts using stored payment details are increasingly widespread and set the standard that consumers expect in all payment experiences.

### Friction in SCA

There are some cases where “positive friction” can add reassurance and help build trust. This can take the form of a payment summary screen which lets the consumer review how much they are paying, to what merchant, and for what good or service. Some consumers may want to pause before making a large payment.<sup>2</sup>

However, many cases of friction or obstacles in payment journeys still seen in open banking are unnecessary and make consumers frustrated and less likely to complete legitimate transactions. The SCA stage causes [more drop-offs than any stage](#) in the payments process, with 24% of payment failures happening at this step.

<sup>2</sup> However, the vast majority (>91%) of EU instant payments are under € 1.000 in value, according to the European Payments Council.

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## Are open banking payments low friction?

Open banking relies on the customer's bank's own authentication procedures. When the authentication journey includes errors, unclear instructions, or outdated methods such as having to use a card reader, the user experience suffers and the customer is less likely to complete the transaction or use open banking again.

This hurts the competitiveness of open banking payments at checkout. SCA implemented well minimises friction and strikes the right balance between security and convenience.

### Other obstacles in the payment journey

According to Article 32 of the [SCA regulatory technical standards](#) complementing PSD2, banks must provide “at all times the same level of availability and performance, including support” for open banking as they do for their users who access payment accounts online directly.

This means open banking payment journeys should not include additional steps, or obstacles that are not present in online banking payment journeys. Such obstacles range from blocking access to the dedicated interface entirely to introducing unnecessary requirements in the payment or account connection journey which would prevent the user making the payment.

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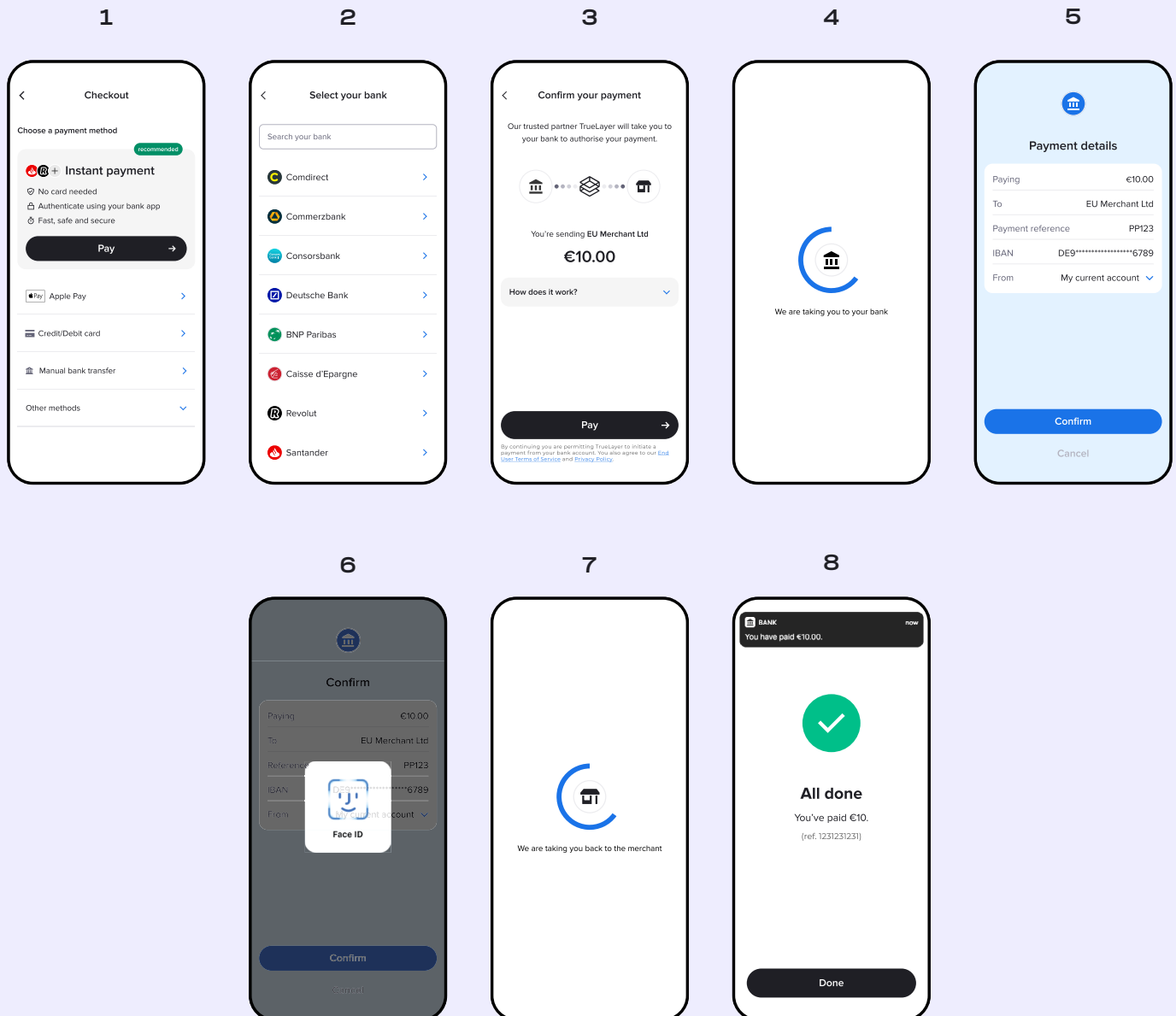
## What does the ideal payment journey look like?

The rise in mobile payments has made app to app best practice in authentication methods, providing the best possible combination of seamless user experience and security.

App to app is a process of redirection facilitated by open banking APIs. It enables the merchant's app to redirect, via a PISP, to the user's own banking app, to perform Strong Customer Authentication using bank-issued credentials.

App to app redirection lets consumers initiate payments safely and securely with no or minimal manual input, as their information is securely handled between the PISP and bank.

## Best practice: app to app with biometric authentication



**3** All the relevant information about the payment that the user needs to provide consent, including information about the PISP.

**4** The user is now automatically redirected to their trusted bank app, without need for manual inputs.

**5** The payment order details are pre-populated by the TPP, with whom Generic EU Merchant has a business relationship. The TPP has conducted due diligence as

part of the onboarding process. The risk of the payment being misdirected to a fraudulent party is minimised. This process provides the equivalent safeguards to IBAN verification services.

**6** The user authenticates using the most secure methods biometrics like facial recognition or fingerprint ID

**7** The user is automatically redirected back to the merchant's app to finish the checkout process.

#### The process usually works like this:

- The consumer selects the open banking payment option during checkout (sometimes called instant bank payment, or easy bank transfer).
- They are redirected to their own banking app to complete the transaction.
- The banking app prompts them to confirm the payment, either through biometrics or by entering a pin or a one time password (OTP).
- Once the payment is confirmed, the user is redirected back to the merchant's app, which displays a payment confirmation message.

## Are open banking payments frictionless?

The application of SCA is a key part of the payment journey and an important indicator of the overall use experience. It varies significantly between banks and between Member States, and significant obstacles remain in place. This leads to users defaulting to more familiar methods like cards, which continue to drive up costs for merchants.

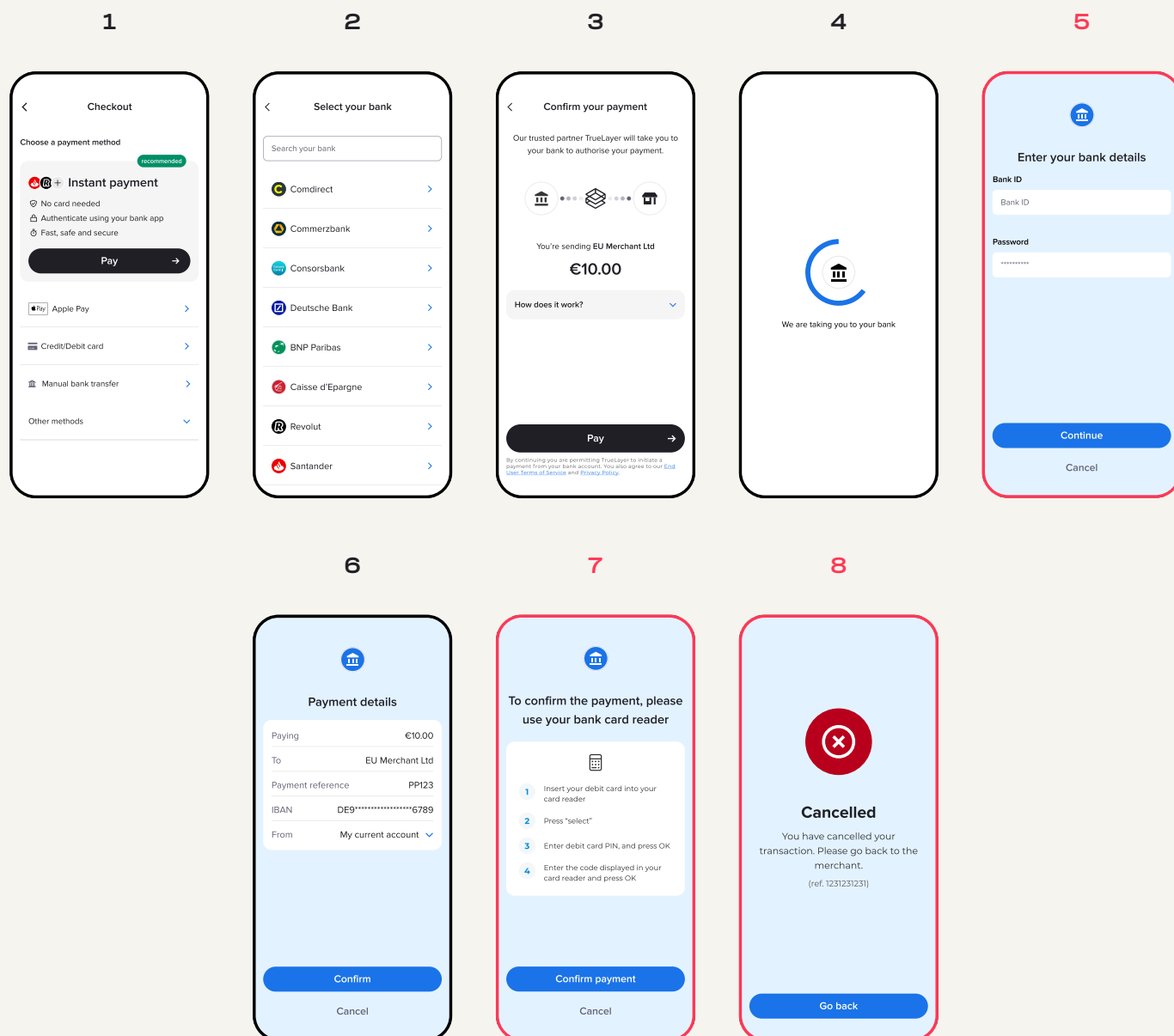
Many open banking journeys in the EU continue to require unnecessary manual input (for example, consumers having to type in their own name or IBAN), numerous consent screens, and even multiple authentications. This discourages use and limits overall adoption.

## What are some common examples of friction or obstacles?

In June 2020, the European Banking Authority (EBA) issued an Opinion ([OP/2020/10](#)) which contained examples of existing SCA practices which it considered were obstacles under PSD2<sup>3</sup>. Several other obstacles were identified in subsequent EBA Q&A answers. Examples include:

<sup>3</sup> [Opinion of the European Banking Authority](#) on obstacles under Article 32(3) of the RTS on SCA and CSC, 4 June 2020.

The consumer is forced to go through significantly longer authentication journeys with more manual input than they do when they complete a manual bank transfer

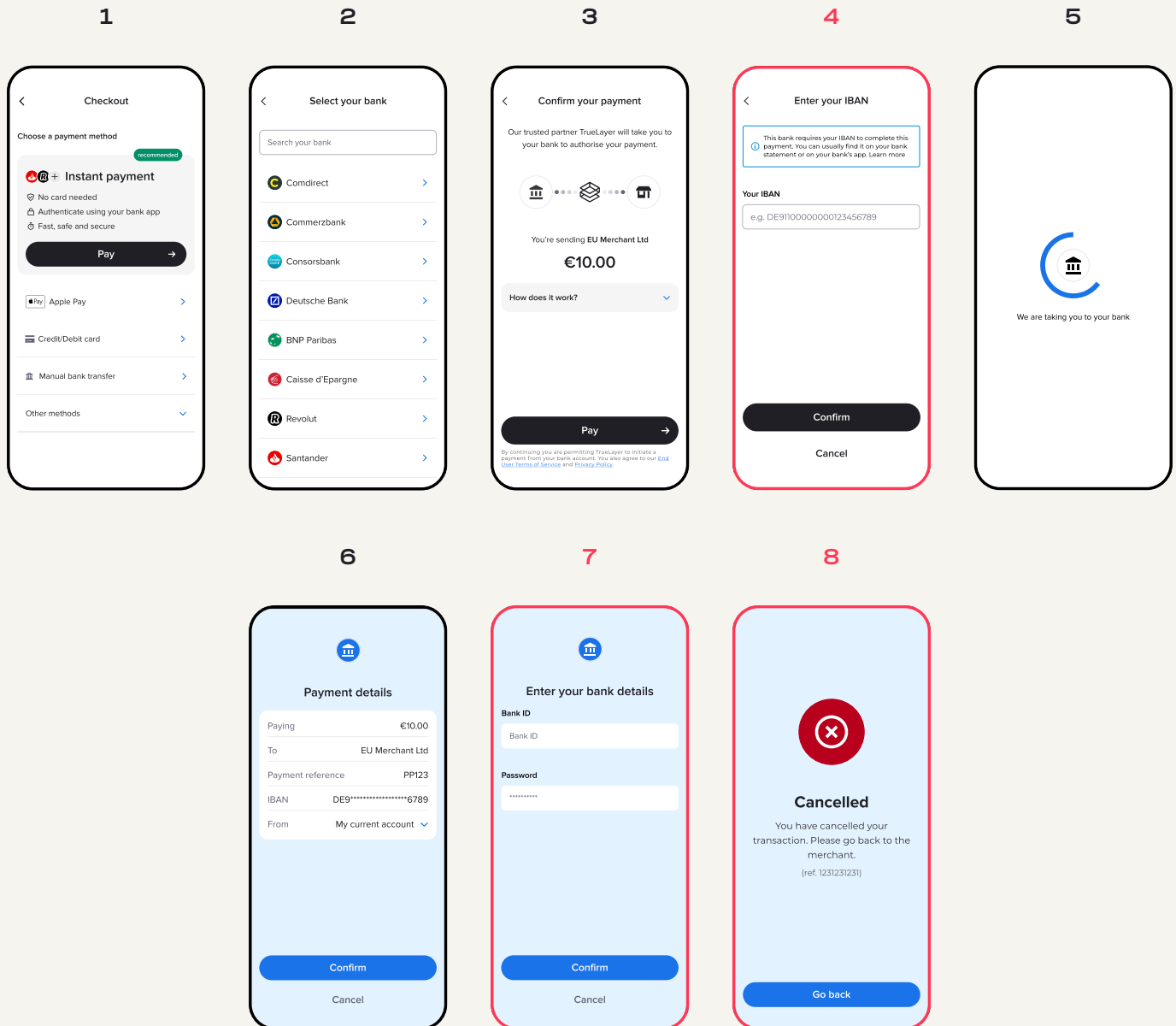


5 First SCA to enter the bank app using manual input.

7 Many banks have not yet enabled the use of biometric authorisations for open banking. Some user

journeys involve the use of a bank card reader, which leads to a significant proportion of users abandoning or cancelling the payment at this stage.

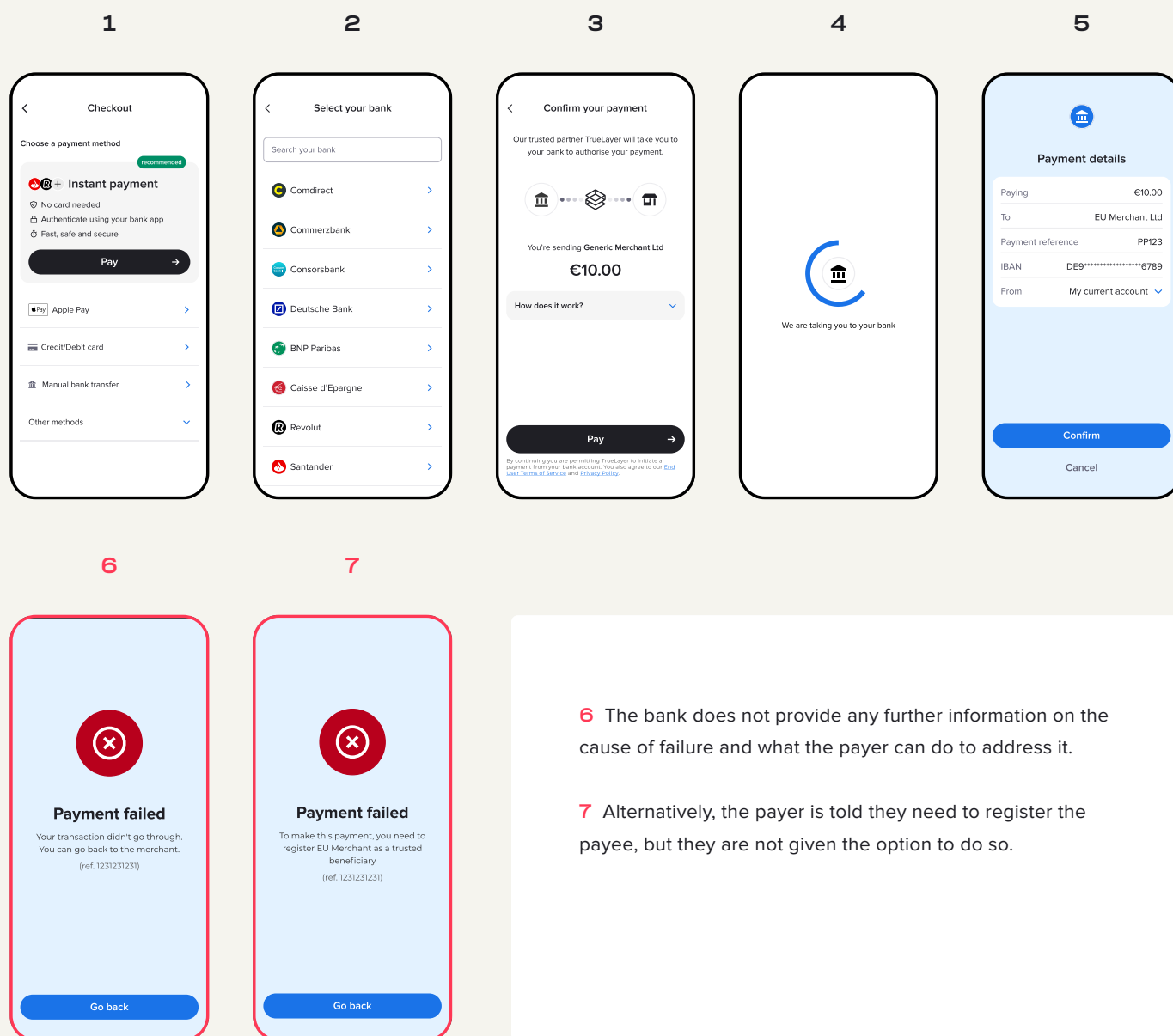
The consumer is asked to type in their own IBAN to initiate a payment or connect their accounts



**4** The prompt for the user to type in their own IBAN leads to high payment abandonment or cancellation rates.

**7** If consumers did not abandon the payment after the IBAN input screen, a second manual input screen (bank credentials or OTP) can lead to frustration and often payment abandonment or cancellation.

Payments are only allowed if the recipient is on the payer's trusted beneficiaries list



6 The bank does not provide any further information on the cause of failure and what the payer can do to address it.

7 Alternatively, the payer is told they need to register the payee, but they are not given the option to do so.

The EBA indicated that National Competent Authorities were to monitor and supervise the removal of the obstacles identified in the June 2020 Opinion.

Unfortunately, some of these obstacles continue to exist today and they continue to limit the uptake of open banking payments.



# How can the EU help reduce friction?

## What does draft regulation say?

- The draft PSR prohibits the obstacles to open banking services which the EBA previously identified, and it requires all SCA methods that banks make available directly to their customers to also be enabled for open banking.
- The PSR also empowers the EBA to create more detailed SCA rules in future Regulatory Technical Standards (RTS), which place more emphasis on user experience than PSD2 has. One of the considerations for the updated technical standards will be “the need to allow for the development of user-friendly, accessible and innovative means of payment.”<sup>4</sup>
- The PSR also empowers the EBA and national authorities to intervene to remove obstacles and impose sanctions or fines in cases of non-compliance.

<sup>4</sup> Proposal for a Payment Services Regulation, Art. 89, 2 (e).

## How can regulation help reduce friction?

- The draft PSR should go further than PSD2 in setting out good user payment experiences.
- It should go further to encourage the use of redirection with biometrics as an authentication method.
- It should also define what good SCA practice looks like and emphasise the need for payment journeys to be user-friendly.
- The PSR should prohibit unnecessary obstacles in the open banking payment journey. The list of obstacles in the PSR should be non-exhaustive.
- It is important that national authorities conduct active and effective supervision so that open banking requirements are implemented and the obstacles to provision of open banking services are overcome.

## 3. Speed

### In this chapter we discuss:

- The importance of speed for good user experience
- The challenges with SEPA Instant
- How the Instant Payments Regulation promises to address the issues

### Why is it important?

The digitalisation of society has led consumers to expect real time availability and delivery of services. Fast payments are key for businesses to meet this expectation.

#### For consumers

European consumers want payments that are instant and user friendly. They are also more likely to trust businesses that process payments instantly. In industries like wealth management, half of consumers are likely to switch to a competitor that offers instant payments and **one in three would consider spending more** if they knew they could take out their money instantly.

All consumer organisations and an overwhelming **majority of individual consumers (88%)** who responded to the European Commission's public consultation on instant payments expect credit transfers to be executed in real time.<sup>5</sup>

For open banking payments to be widely adopted and become a competitor in retail payments, they need to be fast.

<sup>5</sup> [European Commission](#), *Instant payments impact assessment*, 26.10.2022, page 7.

## For businesses

For businesses, instant payments mean instant settlement, and this means better real-time visibility of cash and an improved cash flow.

Countries which have taken a lead in open banking have done so by combining good user experience with instant payments — for example the UK's widely available Faster Payments System has **powered** the growth of open banking from almost 0 at the start of 2021 to over 11.5 million monthly payments today. Open banking's success in the UK is closely tied to the availability and use of instant payments.

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## Are open banking payments fast?

When combining SEPA Instant with open banking, the result is a fast and secure payment method that can be integrated into the merchant's checkout page.

However, there are some remaining challenges with SEPA Instant which are holding back this potential.

## SEPA Instant coverage

Introduced in 2017, SEPA Instant was meant to enable faster and easier cross-border payments by giving customers a way to transfer euros in real time.

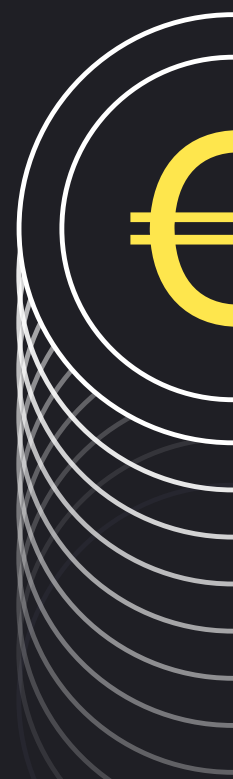
But SEPA Instant is still optional. EU banks don't have to provide it, and little more than half do. Even though it's been around for over six years, adoption has been slow. In some countries, **virtually no one** is able to take advantage of instant payments, with coverage as low as 4% in Denmark or 6% in Ireland.

## Access to payment systems

Only banks are legally allowed access to payment systems infrastructure in Europe. Fully licensed payment institutions like TrueLayer do not have this option and must instead rely on banking partners to process payments.

This means that payment firms depend on the choices made by banks such as whether to offer instant payments at all or not, or at what cost.

88% of  
consumers  
expect  
real time  
payments



# What can the EU do to make payments faster?

## What does draft regulation say?

- The draft IPR will require credit institutions that offer non-instant credit transfers to their customers to also offer instant credit transfers.
- The draft PSD3 includes an amendment to the Settlement Finality Directive (SFD) which will give non-bank payment service providers (PSPs) the legal right to access payment systems.<sup>6</sup>
- The draft PSR also includes rules for payment system operators (PSOs), which will complement the legal right given to non-bank PSPs. It requires PSOs to have in place objective, non-discriminatory, transparent, and proportionate rules on access to payment systems, to fully enable non-PSP access.

## How can regulation help increase speed?

- The draft IPR requiring credit institutions to offer instant payments will significantly improve SEPA Instant coverage across Europe and give many more consumers access to instant payments powered by open banking.
- The draft IPR should also amend the Settlement Finality Directive to give non-bank payment services providers the legal right to access payment systems. The draft IPR could come into effect sooner than PSD3 and could speed up access to payment systems for non-bank PSPs and uptake of instant payments.
- However, if the SFD is amended via the IPR, the IPR will also need to include rules for PSOs prohibiting restrictive or discriminatory rules which keep non-bank PSPs out without justification.

<sup>6</sup> Proposal for a Payment Services Regulation, Art. 31, 1.

## 4. Low cost

### In this chapter we discuss:

- Why open banking payments:
  - ▶ Are low cost by design
  - ▶ Impacted by high instant payments fees
- What the EU's instant payment changes can do to help

### Why is it important?

For widespread adoption of open banking payments, they need to be priced attractively for both businesses accepting them, and consumers using them.

#### For consumers

Consumers are sensitive to the pricing of digital payments — the higher the charges per transaction, the less likely they are to complete the payment and instead they will turn to free alternatives. Cards often bear no fees at the point of sale. Similarly, instant account to account payment methods such as iDeal or Bizum are free for the consumer at the point of use.

87% of consumers **consider** fees an important factor when deciding whether to use instant payments, and 67% would not be willing to pay a premium fee for them.

#### For merchants

Merchants are also sensitive to the pricing of payment methods. When they pay lower fees per transaction, it directly impacts their profit margins and makes their business operations more cost-effective.

EU merchant organisations **estimate** that merchant service charges — scheme fees, interchange fees, and acquirer margins — increased by € 876 million between 2015 and 2020.<sup>7</sup>

These service charges can represent up to 3% of transactions — not including the costs of chargebacks and other costs of accepting cards.

## Are open banking payments low cost?

Open banking payments are inherently more cost effective than other payment types.

Under PSD2, banks are required to provide access to their customers' payment accounts to regulated PISPs at no cost and without needing a contract between the bank and the PISP.<sup>8</sup>

This model has stimulated competition and market entry, and has kept the cost base for open banking providers low. In turn these providers offer cost-effective payment initiation services to businesses.

Secondly, open banking payments are cheaper because there are fewer intermediaries and costly processes involved.

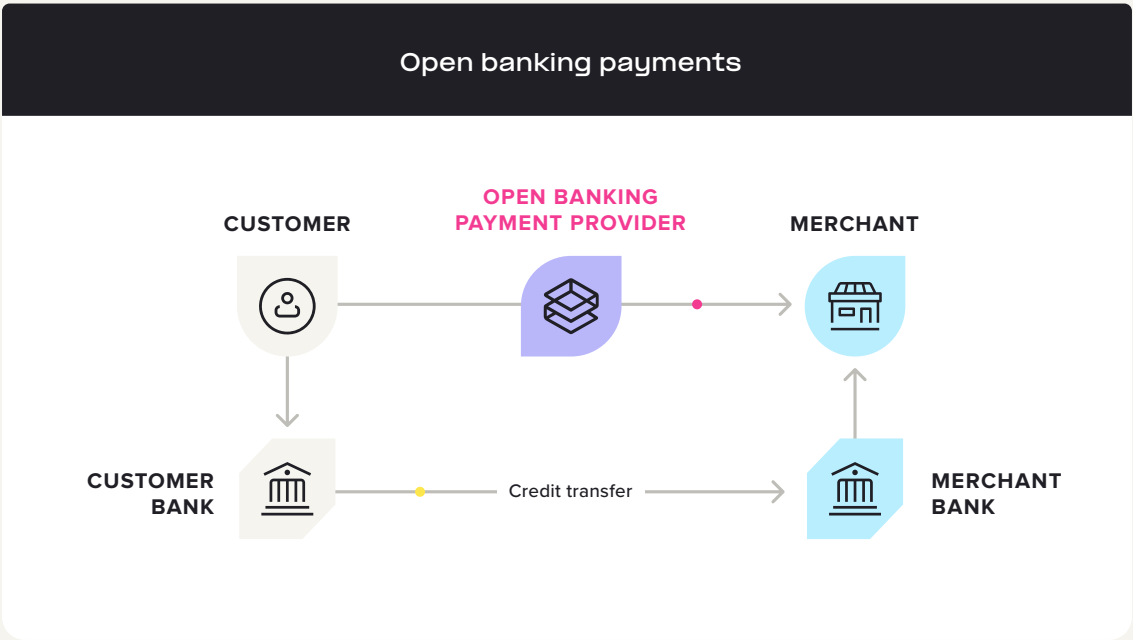
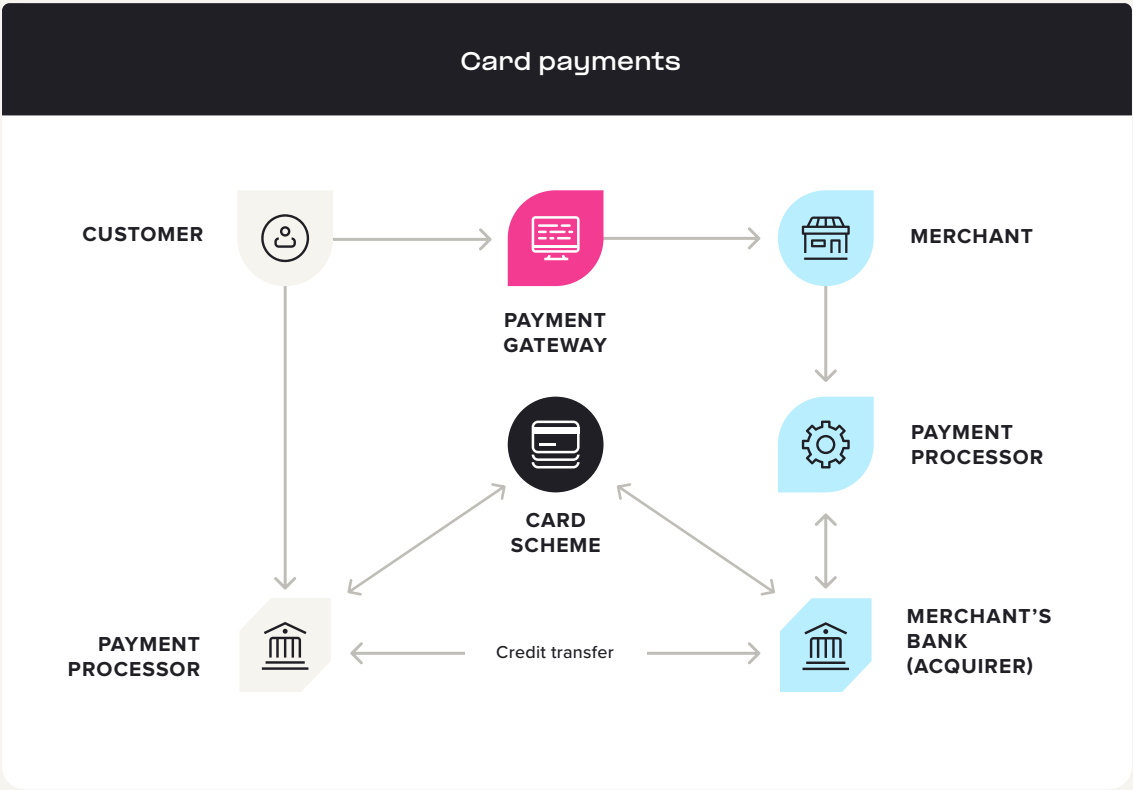
Compared to cards, open banking involves fewer intermediaries. The payment is initiated by the open banking provider and is executed between the customer's and the merchant's banks.

This streamlined process results in lower costs, which play a considerable role in driving merchant demand. Open banking payments can cut merchant fees by half compared to cards.

<sup>7</sup> Impact Assessment Report accompanying the instant payments regulation, European Commission, 2022, page 12.

<sup>8</sup> The Revised Payment Services Directive (PSD2) 2015/2366, Article 66 paragraph 5.

# The four-party payment model for card payments vs open banking payments





## High fees for instant payments

Many EU banks currently charge their customers for making or even receiving SEPA Instant payments. When these customers initiate payments via open banking, they can be faced with a significant charge.

The fees for SEPA Instant can **vary** by bank and from country to country. They range from flat-fees to basis-point fees. In France, a consumer can be charged between €0.8 and €1 per transaction, while in Germany every transaction costs the consumer an additional €0.6 on average. In Spain, the flat fee can be as high as €12 or even **€30 per transaction** - but instant payments are offered for free to customers of Bizum, a closed mobile payment system operated by banks.

As a result, instant transfers remain only a small fraction of all SEPA credit transfers, at **14.2%**.

In Member States where the pricing of instant and non-instant credit transfers is the same, there is healthy growth in instant payments uptake compared to Member States where they are priced at a premium.

For example, in Estonia all PSPs which offer instant credit transfers do so at the same price as non-instant (usually free). As a result, instant credit transfers represent 67% of all Euro credit transfers, far above the EU average.<sup>9</sup>

<sup>9</sup> **Impact Assessment Report** accompanying the instant payments regulation, European Commission, 2022, page 19.

# What can the EU do to make payments low cost?

## What does proposed regulation say?

- The draft PSR reinforces the PSD2 approach to open banking which requires banks to provide access for basic open banking payment services and functionality at no cost (by prohibiting contracts).
- The draft IPR requires banks to provide instant credit transfers at the same cost as non-instant.
- The European Parliament also proposed a non-circumvention clause in Article 5 of IPR, which would prohibit raising non-credit transfer fees to allow for high instant transfer fees.
- The draft IPR also includes a 'review clause' which requires the EBA to submit a report on how the pricing requirements have been applied, four years after the IPR has entered into force.

## How can regulation help lowering the cost?

- The prohibition of contracts in PSD2 should be continued in PSR. Beyond the baseline open banking services outlined in the PSR, there is ample room for industry collaboration towards added-value, commercial services, both bilaterally and via multilateral forums like the SPAA scheme.
- The IPR should ensure instant credit transfers are not priced at a premium.
- The IPR should also ensure that non-instant credit transfer charges are not raised to allow for high instant fees.
- A four-year review from the EBA can provide a helpful benchmark, but the EBA and national authorities should actively supervise implementation to ensure that the objectives around instant charges are achieved.



## 5. Pan—European

### In this chapter we discuss:

- Why open banking payments need to work across EU borders
- What IBAN discrimination is and how it applies in open banking
- How the PSR can help create a single market for open banking payments

### Why is it important?

The EU's internal market for retail payments is based on being able to make and receive cross-border payments within the EU as easily as domestic payments. Merchants should be able to operate across borders, and consumers be able to find and use the best products no matter where they are in Europe.

### Are open banking payments borderless?

Open banking payments within the Single Euro Payments Area (SEPA) should already be borderless. [The SEPA Regulation](#) requires credit transfers between EU Member States to be as easy to make as domestic transfers.

Most European open banking providers operate across borders. They are licensed in a Member State and from there they can legally passport their payments services across the EU.

When they are prevented from providing payment services to consumers in other Member States, both consumer and merchant rights and options are restricted.

Wider adoption of cross-border and instant payments is necessary to develop open banking into a retail payments solution that works at a pan-European level.

## IBAN discrimination

PSD2 has helped create a more consistent set of rules for the payments market, but IBAN discrimination remains widespread and impacts the success of open banking.

IBAN discrimination takes the form of various barriers to making cross-border SEPA payments imposed by banks, which adversely affect an open banking provider's ability to provide the consumer service of initiating cross-border SEPA payments.

These obstacles together create considerable barriers for EU consumers and undermine the rollout of open banking as a pan-European payment solution.

Common examples of cross-border obstacles are:

### — **Payment failure to non-domestic SEPA account**

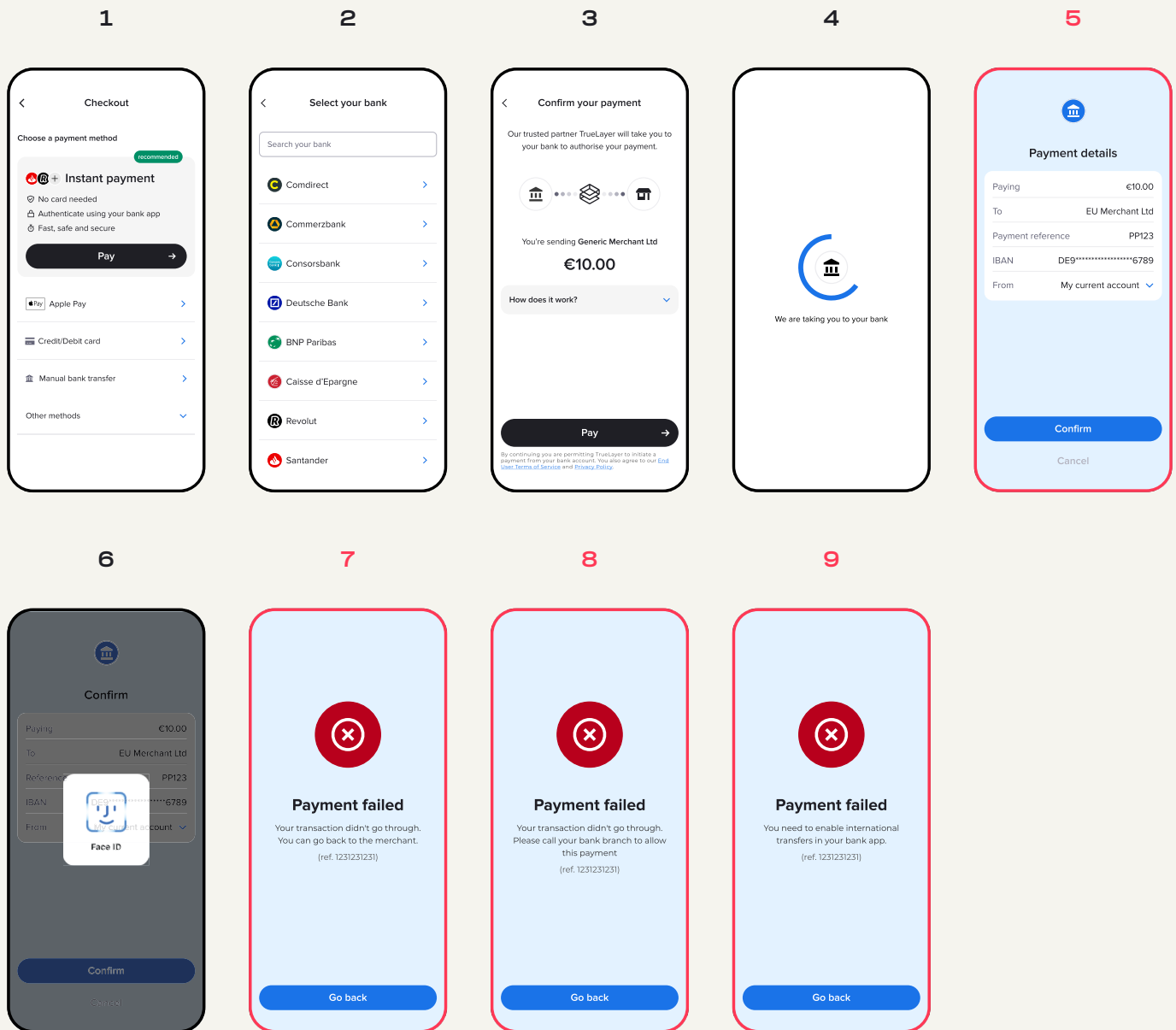
Open banking payments across SEPA borders tend to fail at higher rates than domestic payments.

In many cases, the customer is also not provided the right information about the reasons for failure, which creates confusion and discourages use.

### — **Extra steps for cross-border SEPA payments**

Some banks require the customer to go through additional steps such as having to type in their bank credentials in order to complete a cross border SEPA payment. According to the SEPA Regulation, there should be no discrimination in how easy it is to pay someone from a different Member State.

## Payment failure to non-domestic SEPA account



**5** The payee's IBAN is from a different EU Member State than the payer.

**7** The payer is not given any further information as to the cause of failure and what they can do to address it.

**8** The payer is told to leave the payment flow to

phone their local bank branch to enable this payment. This deters payers from making legitimate payments.

**9** The payer has to leave the current payment to enable EU cross border payments in their banking app. This can frustrate consumers and make it less likely to use open banking in the future.

## Extra steps for cross-border SEPA payments

1

Checkout

Choose a payment method

**Instant payment** recommended

- No card needed
- Authenticate using your bank app
- Fast, safe and secure

**Pay** →

Apple Pay

Credit/Debit card

Manual bank transfer

Other methods

2

Select your bank

Search your bank

- Comdirect
- Commerzbank
- Consorsbank
- Deutsche Bank
- BNP Paribas
- Caisse d'Epargne
- Revolut
- Santander

3

Confirm your payment

Our trusted partner TrueLayer will take you to your bank to authorise your payment.

You're sending Generic Merchant Ltd

**€10.00**

How does it work?

**Pay** →

By continuing you are permitting TrueLayer to initiate a payment from your bank account. You also agree to our [Full User Terms of Service and Privacy Policy](#).

4

We are taking you to your bank

5

Payment details

Paying €10.00

To EU Merchant Ltd

Payment reference PP123

IBAN DE9\*\*\*\*\*6789

From My current account

**Confirm**

Cancel

6

Enter your bank details

Bank ID

Bank ID

Password

\*\*\*\*\*

**Confirm**

Cancel

7

For additional security we have sent you the 6 digits code by SMS

SMS-TAN

Enter 6 digit code

**Confirm payment**

Cancel

8

**Cancelled**

You have cancelled your transaction. Please go back to the merchant.

(ref. 1231231231)

**Go back**

6 The payer is forced to go through additional steps for EU cross-border payments which can lead to high rates of cancellation or abandonment.

# How can the EU make open banking payments borderless?

## What does proposed regulation say?

- The draft PSR prohibits IBAN discrimination. It lists “restricting payment initiations to or from domestic unique identifiers only” as one of the examples of prohibited obstacles in open banking.
- The draft PSR also empowers national authorities to supervise and take regulatory action when PSR requirements are not observed. This includes the requirements on open banking.

## How can regulation help make open banking payments borderless?

- The PSR should explicitly prohibit IBAN discrimination in open banking.
- The PSR should also account for more subtle instances of IBAN discrimination, where payment journeys are significantly more difficult to complete than for domestic payments.
- Active supervision by national and European authorities is required, so that cases of IBAN discrimination are easily identified and eliminated.

# OPEN BANKING 2.0

## HOW TO ACHIEVE GREAT USER EXPERIENCE

Open banking is shifting from the initial stage of technical implementation and minimal compliance with regulation, to delivering the level of user experience that will encourage faster growth and adoption.

While the main benefits to merchants (lower and more predictable costs) have already generated demand, the single most important way to encourage user adoption is to ensure great payment experience.

Open banking payments are great when they are:

- Secure
- Low friction
- Fast
- Low cost
- Borderless



| What should the EU do?   | Is it covered in legislation? | Is there more action needed?   |
|--|-------------------------------|--|
| Encourage the use of biometric authentication and app2app redirection in SCA journeys.                     | PSR                           | PSR and its technical standards should define best practice in SCA, and phase out old methods like one time passwords or card readers.   |
| Remove SCA and other payment journey obstacles to ensure a minimum functionality and good user experience. | PSR                           | PSR can provide detailed guidance on what constitutes best practice in payment journeys.   |
| Ensure full coverage of instant payments   | IPR                           | Non-bank PSPs should also be granted the right to access payment systems, and be allowed to join them on a proportionate, objective, and non-discriminatory basis.   |
| Ensure low cost of instant payments for consumers  | IPR                           | The EU should ensure that non-instant credit transfers fees are not raised to allow for charging higher instant fees. More competitive pressure via non-bank PSPs having direct payment systems access should also keep instant payments fees low. |
| Eliminate IBAN discrimination  | PSR                           | PSR should explicitly prohibit IBAN discrimination in open banking, including instances of discrimination via obstacles in the payment journey compared to a domestic payment.   |
| Better supervision and enforcement of the rules  | PSR, IPR                      | European and national regulators need to take an active role in supervising how strictly the open banking and instant payments changes are implemented.  |

# HOW OPEN BANKING PAYMENTS CHALLENGE CARDS

When implemented well, paying by open banking is simple, convenient, and secure. The payer does not need to manually type in payment details such as IBANs and BICs, as these are managed by the PISP. The payer is automatically redirected between the merchant's app or website and the banking app, for an easy to use and secure authentication experience. With biometrics like facial recognition or fingerprints, they are offered the highest level of security while maintaining convenience.

The Payment Services Regulation can take significant steps towards addressing the challenges that open banking user experience faces today, by focusing on streamlining authentication and removing existing obstacles from that process.

The Instant Payments Regulation will complement the upgrades to open banking by making SEPA Instant widely available at low or no cost for consumers.

Both sets of rules should be actively supervised by national and European authorities to ensure they are implemented effectively and without delay.

The combination of changes to open banking and instant payments will create a compelling pan-European account-to-account payment method, and **ensure that the EU remains competitive and at the forefront of payments innovation**, driving economic growth and prosperity across the region.



# About us

TrueLayer is Europe's leading open banking payments network. We power smarter, safer and faster online payments by combining real-time bank payments with financial and identity data. Businesses big and small use our products to onboard new users, accept money and make payouts in seconds, and at scale.