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Managing your risks

Payments Industry

February 2021

How Deloitte can help keeping your business under control

The payments industry got a boost with the introduction of the second Payment Services Directive (PSD2) and many new players are entering the market. At the same time, payment service providers (PSP) face a broad spectrum of challenges. Deloitte can support payment service providers to optimise business performance while keeping the business under control and in conformity with regulatory expectations.

Setting the scene: challenges for payment service providers

Segregation of assets

In accordance with articles 42 and 194 of the Belgian Law of 11 March 2018 transposing PSD2, different requirements apply to funds received from payment service users (for example related to accounting, administrative, operational and investment domains).
If applicable, these requirements, which are also a priority for the supervisory authority, should be on your radar.

Outsourcing

Institutions remain responsible for the fulfilment of all their obligations of outsourced functions, activities or operational tasks. In particular, outsourcing may not lead to the quality of internal control being compromised, nor to any unnecessary increase in operational risk. In line with this, the European Banking Authority (EBA) issued a set of guidelines on outsourcing which were implemented in Belgium by the Circular of 19 July 2019, which is applicable to all payment institutions and electronic money institutions.

Strong Customer Authentication (SCA)

SCA is a requirement of PSD2 on payment service providers within the European Economic Area (EEA). The requirement ensures that electronic payments are performed with multi-factor authentication (inherence, possession or knowledge elements of SCA), to increase the security of electronic payments.

Common and Secure Communication standards (CSC)

Account servicing payment service providers that offer online services should develop open interfaces for intermediation services and make these interfaces available to other payment service providers. Main attention points for CSC relate to the crucial role of the merchants as well as the cross-border nature of the e-commerce market.

Open banking – access to payments accounts

The regulatory technical standards (RTS) on SCA & CSC provide two avenues for account servicing payment service providers (ASPSPs) towards establishing access for third-party providers (TPPs) to their online available payment accounts:

01. establishment of a dedicated interface;
02. use of an adapted customer interface.

When an ASPSP opts for a dedicated interface, it must provide a contingency mechanism in case its dedicated interface fails.
In case the dedicated interface meets four requirements listed in the RTS, an ASPSP can be exempted by its competent authority from the requirement to foresee a contingency mechanism.

Anti – money laundering (AML) / counter terrorism financing (CTF)

The AML/CTF requirements remain high on the agenda of the Belgian supervisory authorities. As entities subject to the preventive AML – law, smaller PSPs also need to be compliant with the requirements in the field of AML/CTF, which are under increased supervisory scrutiny. Smaller PSPs also need to be able to comply with the very large number of requirements, which are not always straightforward and clear.

General Data Protection Regulation (GDPR)

As part of their activities, payment service providers process (sensitive) client data. Payment service providers need to ensure that the processing activities occur in line with GDPR requirements, guaranteeing that there are sufficient grounds for the processing activities.

Fraud

The accelerated digitalisation of payments stemming from recent COVID-19 responses exposes payment service providers to higher and more complex fraud risks. As such, these trends lead to higher costs to cover for fraud losses as well as to more important investments in technology, such as real-time fraud management capabilities.

Regulators are also paying more attention to fraud. In accordance with PSD2 and EBA Guidelines, the NBB requires payment service providers in Belgium to provide twice a year statistical data on fraud relating to different means of payment (by end of April for reporting date 31/12 and by end of October for reporting date 30/06).

Cybersecurity

PSD2 requires payment service providers to grant third party access to their most critical systems. The business need for interconnection renders the traditional perimeter defence strategy unmanageable, effectively putting identity and data at the center.

A broad spectrum of services to support PSP

Internal audit

Deloitte offers a full spectrum of internal audit services that can help management to better understand and monitor the performance of critical operations and key support functions and help achieve a suitable level of control. Our array of internal audit services includes mainly: internal audit outsourcing, internal audit co-sourcing, internal audit methodologies and tools, internal audit training, internal audit function setup, internal audit strategic plan development, internal audit function optimisation, risk-based audit planning and topical audits such as risk management process reviews, corporate governance consulting, Information technology (IT) risk and IT control assessments, business operations audits and security audit.

Financial & prudential reporting

Financial reporting serves as the basis for management to follow up on the financial performance of the company. Institutions active in the payments industry are also required to provide a quarterly prudential report to the regulator. As regulation and accounting standards are changing rapidly, Deloitte can assist you with your questions with respect to financial and prudential reporting and offers services such as assistance in implementation of new accounting standards, complex accounting, preparing reporting for use of management, how to interpret prudential reporting regulations, etc.

External audit

Most institutions are required by law to appoint an external auditor for the verification of their financial statements as well as the prudential reports for the National Bank of Belgium. Having multiple years of experience with external audits within the payments industry at various types of institutions, Deloitte can serve as your partner for your external audit, bringing valuable insights to your organisation.

Internal controls

Having profound internal controls in place helps the company in creating a sound and well-established internal control environment, which ultimately ensures a framework that meets financial, operational and legal requirements. Deloitte can assist you in, amongst other, reviewing and redesigning of internal controls, attestation services (ISAE), etc.

Regulatory compliance

Deloitte offers a full spectrum of services aimed at supporting PSP in meeting the many regulatory requirements that apply to them. Services can include ad hoc topical support, gap analysis and recommendations, performing the AML enterprise-wide risk assessment (EWRA), remediation of client files and outsourcing of a selection of the activities of the compliance function. Outsourcing of compliance activities can cover regulatory watch, compliance monitoring, writing and reviewing of policies and procedures, rendering advice, preparation of compliance reporting, etc.

Fraud

Whether it comes to fraud prevention, detection or reporting, Deloitte can help payment services providers with the set-up of their fraud programmes, or provide rapid resilient responses when things unfortunately have gone wrong. Deloitte offers services covering analytics advisory, discovery and digital forensics, investigation and remediation, dispute & litigation advisory and reporting and visualization.

Technology

Deloitte can help payment services providers in shaping their digital Identity strategy, rethinking their security architecture and optimising their API security to conquer this new PSD2 reality. Moreover, Deloitte can help with continuous monitoring and mature incident management capabilities in order to swiftly respond to cyber threats as is required with this shift towards an open architecture.

SWIFT Customer Security Programme

Every institution connected to SWIFT has to perform yearly self-attestation. As from 2021 this has to be based on an independent assessment. Deloitte can assist you in both preparing your internal control environment to comply with the SWIFT CSP and perform the independent assessment. We also have experience in simplifying your control environment and assessing your internal controls against set of regulatory requirements like PSD2, SWIFT CSP, Target 2 at once.

Risk related to critical infrastructure

Increasing complexity of your payments related infrastructure brings security and operational risks. We can assist you with assessment of your internal controls and security of your critical payments related infrastructure.

Meet the team

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