

# Payment Services Directive 2

## Frequently Asked Questions

September 2019



**BNY MELLON**

## Definitions and Abbreviations

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| BNY Mellon | This is the corporate brand of The Bank of New York Mellon Corporation and may be used as a generic term to reference the corporation as a whole and/or its various subsidiaries generally |
| RTS        | Regulatory Technical Standards   |
| PSD2       | The second Payment Services Directive  |
| SCA        | Strong Customer Authentication   |
| TPP        | Third-Party Provider   |
| API        | Application Programming Interface  |

## Background

The second Payment Services Directive (PSD2) is an EU Directive, which seeks to improve the existing EU rules for electronic payment services. It takes into account emerging and innovative payment services, for example, internet and mobile payments, and sets the requirements for firms that provide payment services. PSD2 aims to introduce Europe wide standards of protection for clients, to make payment processing more secure and reduce fraud. Within PSD2, Article 98 requires the implementation of regulatory technical standards (RTS) for strong customer authentication and common and secure open standards of communication.

### 1. Is this a regulatory requirement?

Yes. The EU Payment Services Directive (2015/2366) (PSD2) addresses payment services. The directive sets out the requirements concerning strict security requirements for electronic payments and account access, enabling safe authentication and reducing the risk of fraud. It also addresses other issues relating to payment services including the rights and obligations of users and providers of payment services.

### 2. What is BNY Mellon proposing?

In order to comply with PSD2 requirements, payment service providers in the EEA will have to implement changes in the way their online users access payment account information and initiate payment instructions. As a client of BNY Mellon, you will be required to use a token and PIN to log on to the BNY Mellon online portal.

BNY Mellon will also be enhancing the security features on the systems that you use to transact with us. These include the introduction of Dynamic Linking for payment transactions. This will involve using codes for specific transaction amounts and payees, which will be sent to you via encrypted emails. Online systems will also move to a timeout after 5 minutes of user inactivity as an added security feature.

If you wish to initiate online payment transactions, the use of secure emails is required. The two methods to facilitate this are through Transport Layer Security (TLS) or via Secure Messaging.

TLS is BNY Mellon's preferred method of email encryption but requires you to obtain a certificate from an approved issuer before you can receive emails. Secure Messaging aims to provide email encryption whenever TLS is not established.

Additionally, BNY Mellon is developing TPP Application Programming Interfaces (APIs) to allow TPPs access to payment accounts on behalf of our clients, whilst having the appropriate Strong Customer Authentication controls and Dynamic Linking.

### 3. Will the way I access the systems change because of PSD2?

Yes. The use of a token and PIN will be mandatory when logging onto BNY Mellon portals .

### 4. What if I do not wish to use a token and PIN?

You will not be able to log on to the online portals to access PSD2 accounts from September 14, 2019 without strong customer authentication via the use of a token and PIN.

## 5. When will I receive my token and PIN?

You will receive your Token by the end of August 2019. If you have not received your token by September 3, 2019, please contact your BNY Mellon Representative.

## 6. What if I already have an existing token?

You can continue to use your existing token that is linked to your online User ID. If your token is not setup for online access, please contact your BNY Mellon representative.

## 7. What changes will affect me?

If you are an online user and you have a token, the changes will be the following:

- You will be asked to start using your PIN and token code when logging onto the BNY Mellon online portals from September 14, 2019.
- When you initiate a payment using a BNY Mellon online payment service, you will receive an email containing a code that you will need to enter into the BNY Mellon portal from September 14, 2019.
- After you have logged on, the duration of inactivity within the system before you are logged out will reduce from 20 minutes to 5 minutes with a warning after 4 minutes from September 14, 2019.

## 8. Will the implementation of this regulation and the action BNY Mellon is proposing change the way in which I am serviced?

There will be no impact on the level of service received or functions available to you. This regulation will enhance the level of authentication when you access BNY Mellon portals, reduce the inactivity idle time before logoff and introduce payment information by Dynamic Linking to reduce the risk of fraud.

## 9. What is Strong Customer Authentication (“SCA”)

Strong Customer Authentication (SCA) is the authentication process that validates the identity of the user of a payment service. Under PSD2, SCA is based on the use of two or more elements categorised as knowledge (something only the user knows, e.g. a password or a PIN), possession (something only the user possesses, e.g. the card or an authentication code generating device) and inherence (something the user is, e.g. the use of a fingerprint or voice recognition) to validate the user. These elements are independent (the breach of one element does not compromise the reliability of the others) and designed in such a way as to protect the confidentiality of the authentication data.

SCA will provide increased payment protection for clients.

## 10. What is Dynamic Linking (“DL”)?

Where a customer performs SCA in connection with an electronic payment (like an online payment), PSD2 requires banks to link that instance of SCA to the details of the relevant payment transaction. This process is referred to as Dynamic Linking. Dynamic Linking is something that BNY Mellon will do automatically when you initiate payments either via an online platform or if you use a TPP.

### *Online Platforms*

When you instruct us to make a payment via a BNY Mellon platform, a code will be sent to you via an encrypted email that you must enter into a BNY Mellon platform as part of the SCA process. This code will be linked to the transactions you are seeking to make and will be valid for 20 minutes for that payment only. It must be entered into the BNY Mellon platform for the payment to proceed.

### *TPPs*

For payments initiated via Payment Initiation Service Providers you will be sent a notification email with the payment details and a link specific to your payment. By following the link, you will access a BNY Mellon portal that requires you to authenticate yourself using SCA through the use of your Token and PIN.

## **11. What is Transport Layer Security (TLS)?**

Transport Layer Security (TLS) is the primary and preferred method of email encryption and referred to as TLS encryption. This method of encryption allows email to be automatically secured with no additional steps required by the sender and recipient.

TLS requires our external partner organizations to have both a TLS capable infrastructure and a valid X.509v3 digital certificate issued by a Certificate Authority prior to being able to send and receive encrypted email.

Once established, this method is the most convenient for all users and provides seamless encryption for email and attachments.

## **12. Does BNY Mellon issue TLS certificates?**

No. BNY Mellon does not issue the certificates. Please refer to the following for [more information](#) on how to obtain a TLS certificate.

## **13. What is Secure Messaging?**

Secure Messaging Portal encryption is a supplementary method to encrypt email to ensure secure transportation of sensitive information via email whenever TLS is not available. This encryption process is initiated by the sender at the time the message is sent. Triggers are available for senders via Outlook and mobile devices. Secure Messaging encryption can be utilised via Outlook and on mobile devices (iOS and Android). Further information within the Secure Messaging user guide can be found [here](#).

## **14. What are hard and soft tokens?**

The term hard token refers to a physical device that will generate a one-time code every 30 seconds. The term soft token refers to an online application that can be downloaded. This application will generate a one-time code every 30 seconds.

## **15. If I only need access to reports, do I still require a token and PIN?**

Yes. PSD2 requires SCA for anyone accessing a payment account online.

**16. Whom do I contact if I need further information?**

Please contact your BNY Mellon Representative.

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