

# Unlocking the Future of Payments

## Strengthening Innovation, Competition, and Consumer Trust with PSD3 and PSR

**MARCH 2025**

The Third Payment Services Directive ([PSD3](#)) and the Payment Services Regulation ([PSR](#)) present a crucial opportunity for policymakers to build on the progress of the Second Payment Services Directive ([PSD2](#)), reaffirming their commitment to fostering competition and innovation while addressing its shortcomings. The Commission's new proposals mark a pivotal moment to strengthen Europe's payments infrastructure and shape a forward-looking policy framework that meets the evolving needs of both merchants and consumers in the digital economy.

### Definitions of agents: Ensuring greater EU harmonisation

While PSD2 has been largely successful, challenges persist due to inconsistencies in its enforcement across different Member States. This has led to a fragmented landscape that undermines fair competition across Europe. Many EUTA members operate in multiple EU markets and aim to expand further across Europe. However, the fragmentation of payment rules creates unnecessary barriers to growth, hindering both competition and innovation.

This fragmentation also restricts the growth potential of innovative European companies with business models designed for a pan-European market. We, therefore, welcome the transition from key elements of PSD2 to a clearly defined regulation under the new Payment Services Regulation. This transition is crucial for establishing standardised practices that ensure the uniform application of rules across the EU and reinforce regulation as a driver of innovation.

To further support this objective, we strongly advocate for greater harmonisation, particularly in the definition of agents within the PSD framework.

### Enhancing harmonisation in the use of payment service provider (PSP) agents for platforms and marketplaces

To achieve greater harmonisation in the use of PSP agents, particularly in platform operating payments, the PSR should prevent national authorities from applying subjective assessments to different agent models. This would reduce legal uncertainty for thousands of European platform businesses and help limit regulatory fragmentation, enabling European platforms to scale and fully benefit from the EU Digital Single Market.

Furthermore, it should be explicitly clarified that when platforms rely on a regulated PSP to handle payments, they are not by default (and shouldn't have to be) considered agents of the PSP. Requiring platforms to act as PSP agents would not only impose an unnecessary regulatory burden on European businesses but also introduce additional complexity for regulators and supervisors overseeing platform payment flows.

### **Increased obligations under the Commercial Agent Exemption: Misaligns with risks and lacks business-model neutrality**

The proposed changes to the Commercial Agent Exemption in PSD3 and PSR place excessive focus on the scope of an agent's authority (in this case, the platform or marketplace) to negotiate the underlying sales agreement, as well as the other party's (buyer's or seller's) negotiation leverage. However, these factors do not influence the payment-related risks to which the agent's principal (buyer or seller) is exposed. As such, these factors should not be the defining criteria for applying the exemption.

Instead, a more effective approach would be to ensure that platforms do not hold funds for the benefit of both buyers and sellers simultaneously, thereby providing clarity on when debt settlement occurs. Additionally, it is crucial that the principal has the ability to make an informed decision regarding any payment-related risks associated with an agency setup. Overemphasising the "scope of negotiation power" criterion leads to arbitrary discrimination between business models, despite them presenting the same risks from a consumer protection standpoint. Consequently, this change would compel intermediary marketplaces to transfer their payment activities under a licence, even though resale marketplaces may operate in exactly the same manner and entail identical risks.

If the regulation continues to use the "scope of negotiation power" criterion, it is essential to recognise that marketplaces often play an active role in supporting sellers. This includes facilitating buyer-seller matching, maintaining marketplace traffic, and helping sellers optimise their earnings or service efficiency. To avoid discriminatory treatment compared to other agency models, these activities should be recognised as sufficient to meet the "scope of negotiation power" criterion.

From European tech companies' perspective, PSD3 and PSR should apply a consistent approach to comparable risks. Linking the exemption criteria to the agent's negotiation power or the counterparty's negotiation leverage is not an indicator of actual risk exposure. Resale marketplaces, for example, can be structured in ways that present the exact same risks as intermediary marketplaces. Additionally, the definition of a Commercial Agent should be harmonised through European Banking Authority (EBA) regulatory guidelines. The current reference to [Directive 86/653/EEC](#) in the draft text does not resolve the issue, as the Directive has been transposed differently across member states. Instead, there should be a distinct, harmonised definition, further clarified through EBA regulatory guidelines, focusing solely on criteria that genuinely impact payment-related risks.

Furthermore, given the significant operational and legal changes required due to the limitation of the exemption, affected businesses should be granted an appropriate transition period to ensure compliance with the PSR. Based on the experience of EUTA members, large global marketplaces will

require a minimum of two years to transition their EU activities under a payment services licence, given the complex and lengthy process of obtaining regulatory approval. We therefore strongly recommend that the commercial agent exemption provision [Article 2(2)(b)] apply only 24 months after the publication of the EBA regulatory guidelines, allowing both businesses and national regulators sufficient time to adapt.

## Merchant Initiated Transactions: Focus on fraud prevention

### Merchant-Initiated Transactions (MITs) Should Not Grant an Unconditional Right to a Refund

When considering the extension of the unconditional refund right from SEPA Direct Debit (SDD) to merchant-initiated transactions (MITs), it is crucial to recognise the fundamental differences between these payment methods. MITs are widely used in online business models, including e-commerce and digital content, making them more susceptible to fraud and abuse under the proposed refund rules. For instance, chargebacks could be exploited after consuming online services, causing significant harm to merchants.

We are particularly concerned about the PSR proposal (Article 62), which grants an unconditional refund right for MITs for up to eight weeks, mirroring SEPA Direct Debit. Today, the majority of digital subscriptions, “Buy Now Pay Later” (BNPL) schemes, and instalment payments in the EU rely on MITs. Unlike SDDs, MITs facilitate a much broader range of online transactions, creating greater incentives for abuse if an unconditional refund right were introduced.

Concrete examples from EUTA Members:

- **Content Platforms:** An unconditional refund right would allow users to sign up for digital services, consume large amounts of content over two months, and then request a full refund, potentially repeating the process indefinitely. Many platforms already offer free trials, enabling consumers to test services before committing. Experience shows that up to 30% of users exploit free trials without intending to subscribe, often by reducing available credit card balances. Additionally, in some cases, copyright royalties remain payable to rights-holders for consumed content, even when refunds are issued.
- **eCommerce:** Under the proposed rules, customers could request a refund after receiving products through “Buy Now Pay Later” or instalment payments, making it difficult to recover goods in their original condition. This increases the risk of fraud, a growing concern for e-commerce businesses.

The European Parliament has already adopted amendments to remove the unconditional refund right for all MITs, recognising the risks of opportunistic refund requests and the lack of legal necessity. We recommend that the Member States take the same path.

## Strong Customer Authentication (SCA): An updated approach to online authentication

### SCA rules should be adapted to better meet the needs of European businesses

Currently, businesses are subject to the same Strong Customer Authentication (SCA) requirements as consumers when logging into accounts or making payments. While SCA enhances security for consumers - for example, by requiring reauthentication after five minutes of inactivity - It does not align with the needs of businesses that rely on corporate authentication methods such as single sign-on, which offer significantly higher security.

The scale of this discrepancy between B2B and B2C transactions is considerable, given that the majority of payments occur in a business-to-business context. Global B2B payments exceed [\\$120 trillion annually](#) - six times the value of consumer payments - highlighting the urgency of revising corporate payment authentication. Addressing this issue would also remove unnecessary regulatory friction, supporting the growth and competitiveness of European businesses.

To resolve this, EUTA recommends that Articles 85 and 89 of the PSR mandate the EBA to distinguish between consumer and corporate payers when revising its regulatory technical standards for SCA. This would better reflect the different risk environments of businesses and allow them to use security protocols that are fit for purpose.

### Maximising Strong Customer Authentication (SCA) exemptions for seamless payment experiences

SCA exemptions have not been implemented consistently or comprehensively, creating unnecessary friction in the payment process. This lack of application harms both merchants and consumers: consumers are deprived of a frictionless experience without justification, while merchants face higher payment abandonment rates or are pressured by PSPs to subscribe to additional paid services to access exemptions already permitted under PSD2. Furthermore, PSPs often fail to inform merchants why exemption requests have been declined.

While reducing fraud and outstanding debts is important, this does not compensate for the significant increase in consumer dropouts before completing payments. To address this, the Payment Services Regulation (PSR) should harmonise SCA exemption rules, ensuring they serve their intended purpose of benefiting users where SCA does not add security value.

### Ensuring Mandatory and Fair Application of SCA Exemptions

To create a more effective framework, it is essential to mandate the application of SCA exemptions when conditions are met, particularly the Transaction Risk Analysis (TRA) exemption for low fraud rates, as well as the implementation of measures for the trusted beneficiary exemption. Additionally, fraud rates should be calculated at the beneficiary level rather than at the payment service provider (PSP) level, ensuring that merchants with consistently low fraud rates are rewarded rather than penalised.

## Encouraging Delegated SCA Authentication

SCA delegated authentication should be actively encouraged, allowing merchants to control the payment process without compromising security. To facilitate this, an independent body (e.g., the European Banking Authority or national regulators) should certify the security and reliability of service providers. This would incentivise PSPs to accept delegation, improving security and convenience while maintaining compliance with SCA requirements.

Just as PSD2 opened the market for open banking, PSR could create the conditions for reliable third parties to contribute to secure and user-friendly authentication solutions. We therefore strongly encourage policymakers to explore cooperation models with third parties, such as certification processes for secure SCA technologies used by third-party providers.

## Proportionate fraud prevention responsibilities for digital platforms in line with the Digital Services Act (DSA)

We fully support robust fraud prevention measures to protect consumers and uphold the integrity of the payment ecosystem. At the same time, EUTA is concerned that certain provisions in the adopted Parliament text unintentionally place excessive liability on digital platforms that primarily function as intermediaries.

### Overly broad fraud mitigation requirements for digital platforms

The European Parliament requires all providers within the fraud chain, including digital platform service providers, to prevent and mitigate fraud “in all its configurations”. This overlooks a key reality. Intermediary platforms facilitate connections between buyers and sellers, with most transactions occurring off-platform. Unlike platforms that process payments directly, intermediaries have limited visibility into these transactions and may not even be aware when they take place. Expecting them to monitor and police all forms of fraud is therefore unworkable.

Moreover, intermediary platforms are already subject to obligations under the DSA to address illegal and fraudulent content upon notification. Introducing an additional, independent duty to prevent and mitigate fraud, without clear definitions, would not only be disproportionate but also risk regulatory duplication.

For these reasons, EUTA does not support the European Parliament’s [Article 59\(5b\)](#) and urges the Council to ensure that its General Approach maintains a balanced allocation of responsibilities for all actors in the value chain, including digital platforms.

### PSR-DSA Alignment

To safeguard Europe’s competitiveness and allow European companies to thrive within the Single Market and globally, it is essential that regulatory frameworks interlock seamlessly, like pieces of a puzzle. The PSR must align with the DSA and not extend beyond what has already been agreed, as this would create legal uncertainty and regulatory overlap.

The European Parliament's [Recital 81a](#) risks disrupting this alignment. We urge the Council to ensure that its General Approach maintains legal clarity by fully aligning with the DSA and avoiding inconsistencies. The inclusion of language such as "without prejudice to the DSA" only adds to the confusion. Any clarifications should explicitly state that they are "in line with the DSA" to ensure coherence and regulatory certainty.

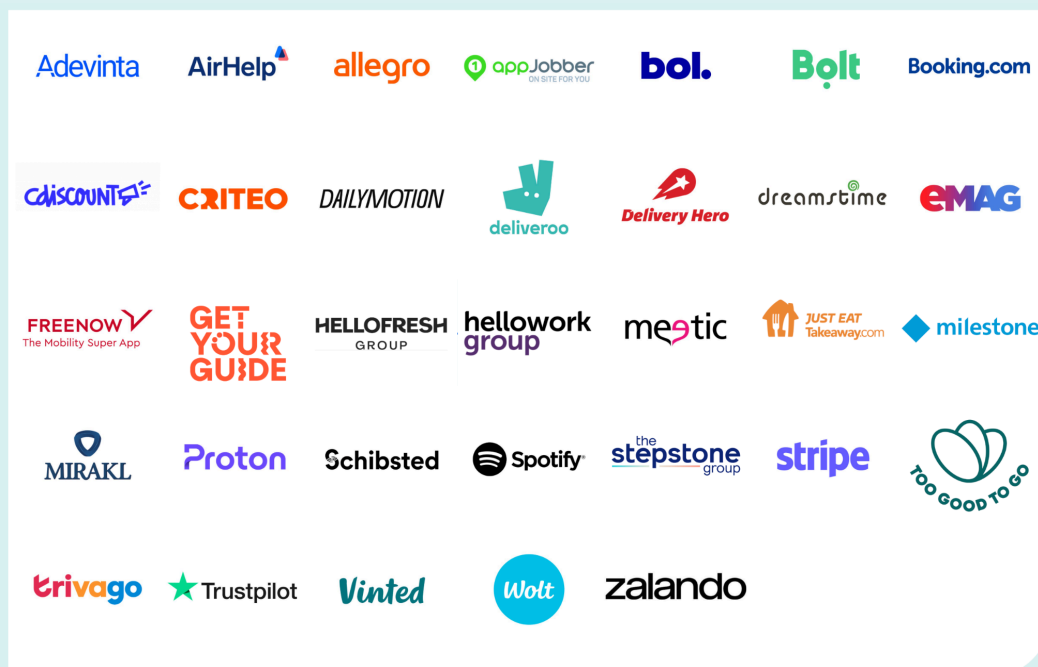
## About the European Tech Alliance

EUTA represents leading European tech companies that provide innovative products and services to more than one Billion users<sup>1</sup>. Our 33 EUTA member companies from 15 European countries are popular and have earned the trust of consumers. As companies born and bred in Europe, for whom the EU is a crucial market, we have a deep commitment to European citizens and values.

With the right conditions, our companies can strengthen Europe's resilience and technological autonomy, protect and empower users online, and promote Europe's values of transparency, rule of law and innovation to the rest of the world.

The EUTA calls for boosting Europe's tech competitiveness by having an ambitious EU tech strategy to overcome growth obstacles, making a political commitment to clear, targeted and risk-based rules, and enforcing rules consistently to match the globalised market we are in.

## Our members



<sup>1</sup> It reflects users, consumers and business customers from EUTA member companies, per year. It includes overlaps but illustrates the reach and impact of our services.