

THE LEGAL FRAMEWORK TO CREATE AN OPEN EU SINGLE MARKET FOR PAYMENT SERVICES

Daniela NOVÁČKOVÁ - Jarmila WEFERSOVÁ

Abstract

This scientific study analyses the introduction and transposition of common rules for the provision of payment transactions, if they are electronic means of payment (e-money), in the Pan-European market. Our study must analyse a dual objective: The Second Payment Services Directive of the European Union and a Slovak Act about payment services regarding the provision of payment initiation services and account information services. The legal regulation introduces conditions for the provision of services by non-bank payment service providers and regulates the relationship between a payment service provider and its corporate and retail customers. Our findings show that the law of the European Union directly or indirectly influences the formation of an open market for payment services in the Member States of the European Union; this can be considered as liberalization of payment services and allows the entrance of new providers with innovative payment services. In the present study, we discuss the responsibility of the Member States of the European Union regarding the transposition of EU secondary acts into national law.

Keywords

legal framework, payment services, non-banking payment

JEL Classification: O15, D61, D60

1. Introduction

The global economy is entering a new phase, including the use of new communication networks across all areas of economic and social life. The world economy is becoming increasingly integrated and interconnected through trade (Milošovičová et al., 2015). The current global economic trend is an increase in the importance of services. The service sphere is currently one of the most dynamic areas of economic development, with an increase in service consumption being driven by economic changes (globalization, privatization, information services, labour productivity, franchising chains), social changes (migration, higher female employment, customer behaviour), demographic changes (declining fertility, aging population), technological change (internet access, digitization, mobile devices) and also by changes in the buying behaviour of consumers (Gubiniová, 2009).

Given the fast-evolving digital market, a new form of payment service provision is emerging through electronic communication networks and through non-bank payment service providers. The

characteristics of the digitization process of financial services include simplified access for end users via the internet or mobile apps, an increase in the processing speed of automated processes, reduction in costs, a stronger focus on customer service, more convenience, higher transparency and the exploitation of network effects (Statista, 2018). With the goal of a good functioning single market for payments the European Union is introducing harmonized common rules for entities and payment institutions to provide payment services through electronic communication networks. The institutions of the European Union adopt legal acts and other acts to support security of and confidence in electronic payment. The first legal act became the Directive 2007/64/EC on payment services in the internal market (PSD 1) (OJ L EC 319, 5.12.2007, pp. 1-36). Two years later there was the Regulation (EC) No 924/2009 on fees and charges for cross-border payments. Following the developing communications technologies and with the aim to open up payment markets to new entrants has been adopted Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market (OJ EU L 337,

23.12.2015, pp. 35-127) (hereafter: the PSD2, Directive 2015, second Directive on payment services).

The European Union's regulation of payment services was adopted in response to the development of electronic communication networks with a view to enhancing the protection of consumer rights and allowing liberalization of the provision of payment services by entities others than banks. This scientific study is a discourse on the legal framework that provides the legal basis for the further development of a better integrated internal market for electronic payments within the European Union. At the same time, it points to the importance of introducing common comprehensive rules in EU Member States for payment services through electronic communication networks (such as internet and mobile payments), and points to the fact that banks have lost their monopoly on the provision of payment services.

2. Methodology

The subject of further investigation is the specific legal regulation on the level of the European Union and the Slovak legislation concerning the payment transactions performed by the provider of electronic communication networks or services. The study looks for answers to practical questions:

- What legislation was adopted by the EU to open a payment market for new payment service providers?
- In what way the Directive EU on payment services in the internal market was transformed into national law?

The current globalized world is much more complicated and individual economic processes are much more complex and therefore exists a need for legal regulation of a harmonised market for electronic payments across the European Union. Legal regulations create rules that bring more total revenue than costs for all actors involved; in other words, they will bring the maximum total net benefit to the recipients of the service. Legal regulation considers the strengths of the digital market, reducing transaction costs, setting clear rules of responsibility for security, open competition, and removing barriers.

The authors respond to the individual questions in the investigation by using the following tools and methods:

- The first question is answered by a legal analysis of the Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market with regard to the provision of Articles 65, 66 a 67.
- The solution to the second research question is found by analysing the regulations regarding the provision of payment services in the sense of the Slovak Act No.624 / 2017, which will amend Act No. 492/2009 Coll. on Payment Services and Amendments to Certain Laws (hereafter Act No.624 / 2017), which was prepared by the Ministry of Finance of the Slovak Republic with the cooperation of the National Bank of Slovakia (Coll., SR 22.11.2017).

Since the law itself regulates all legal relationships relating to the provision of payment services and has 102 provisions, we have focused only on new types of payment services following the 2015 Directive. The basic sources were the interim report on the designed law and the already mentioned Act No.624/2017. In this act is correctly and effectively transposed the Directive 2015/2366 of 13 January 2018.

From the methodological point of view, the work uses mainly descriptive-analytical or, in certain passages, exclusively analytical approach. As far as scientific access is concerned, the empirical-analytic method is used. To determine the level of compatibility of the Slovak law with this directive, we used the method of legal comparison. We compared some of the provisions of the secondary EU legislation with the provisions of the Slovak law on payment services. Comprehensive Payment Services Act.

The sources used to elaborate this scientific study correspond to the nature of the topic, which is in the current literature devoted to increasing interest. The following types of primary sources were used in the research: valid Slovak and EU law, judgements of the CJ EC/EU, as well as scientific literature and other documents of financial institutions providing payment services published on their websites (National Bank of Slovakia). As far as legal documents are

concerned, in many cases, we used the text directly from the valid version.

3. Review of literature

The European integration is continually deepening, and economic policies are becoming increasingly harmonized. To enforce the common aims of the European Union, the Member States must take measures promoting the proper functioning of the internal market and fulfilling the priorities declared in the Europe 2020 strategy. Part of this process is the formation of a digital market and the introduction of new technologies in banking and the provision of payment services through electronic communication networks. This trend has not only a European, but a global dimension and the provision of cross-border payment services enters the foreground. Within the legal system of the European Union, all legal barriers to the provision of payment services using technology have been removed, but at the same time the European Union places emphasis on ensuring safe user authentication and reducing the risk of fraud. There are many scientific studies and scientific articles on the subject. Sedliaková (2018) in the paper Innovations and changes in payment services under PSD2 states that “in recent years, the number of electronic and mobile channels is growing throughout the Pan-European area, new providers and new payment services are emerging.” Indeed, it is true that because of digitization, conditions on the financial market are constantly changing rapidly, bringing many new ways to implement financial transactions, although this trend does exist only in countries with a developed economy.

Shuiqing (2012) says that *“mobile payment is an emerging and important application of mobile commerce. The adoption and use of mobile payment services are critical for both service providers and investors to profit from such an innovation.”* Dennehy and Sammon (2015) similarly represent the opinion that *“mobile payments (m-payments) are increasingly being adopted by organisations as a new way of doing business in the 21st century. During the last few years, the use of m-payments as a new payment channel has resulted in an increase in the volume of literature dedicated to the topic.”* In

Switzerland, for example, over the last 3 years hundreds of FinTech companies were established (Fintechnews, 2018).

New technologies are changing the financial industry and the way consumers and firms access services, creating opportunities for FinTech-based solutions to provide better access to finance and to improve financial inclusion for digitally connected citizens (Action plan COM/2018/0109). New technologies also bring new payment methods. *“Another notable development is that of alternative payment methods. These are payment systems that do not rely on the classic actors usually found within payment systems – such as banks or payment service providers – and that may go as far as to substitute the use of accepted legal tender for that of alternative currencies”* (Valke et al., 2016).

All authors share the opinion that the digitization process is helping to liberalize the payment services market and that new service providers enter this area. In this context, one should not forget that, although this market is open to all, it is essential that safety, standards and transparency must be implemented. In this regard, we must emphasize that any liberalization of service provision strengthens competition and is an advantage for the recipient of the service.

4. History of EU legislation on payment services

In connection with the Treaty establishing the European Community, and the first and third sentences of Article 47(2) and Article 95 thereof has been adopted the first payment service directive - Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ EC L 319. 5.12.2007). This legal framework laid down rules on the execution of payment transactions where the funds are electronic money and ensured the coordination of national provisions on prudential requirements, the access of new payment service providers to the market, information requirements, and the respective rights and obligations of payment services users (Recital 5,9 Directive 2007).

Inadequate legal regulations concerning the market entry of new internet service providers offering third party online payment initiation were the reason for the initiative in 2013 to adopt the Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market (OJ EU L 337, 23.12.2015, p. 35–127). That directive is based on the primary law of Article 114 of the Treaty on the Functioning of the European Union. In general, the Directive allows the accession for new payment service providers, with the result that banks have lost their monopoly for the provision of payment services. In practice, for example, it means that a client of different banks can get one application to manage payments in all his accounts in different banks. The Directive promotes the development of existing banking, insurance and securities brokerage services and increases payment convenience.

5. Key points of the Directive on payment services 2015

From a legislative-technical point of view, the revision of Directive 2007/64/EC in 2015 led to the adoption of EU Directive 2015/2366, which repeals the original 2007 Directive. The Directive was chosen as a legal instrument to ensure the approximation of legislation in the individual Member States in the field of payment services.

The Directive (2015) brings many changes in connection with the development of information technology and the greater use of electronic means for payment services. This Directive regulates the financial relationships of the following categories of payment service providers: credit institutions, electronic money institutions, post office giro institutions, payment institutions, ECB and national central banks. Subject matter are payment services provided within the Union. *This Directive introduces a neutral definition of acquiring of payment transactions to capture not only the traditional acquiring models structured around the use of payment cards, but also different business models, including those where more than one acquirer is involved* (Recital 10 Directive 2015). Secondary regulation is of a general nature, but Member States must transpose certain provisions

into national law in their entirety, that is, they do not have the possibility to create specific rules. For example, the Directive explicitly defines the payment service provider's rights and obligations *as entities that were granted permission to act as payment initiation service provider or are registered as payment account information service provider*. For some provisions (corporate clients), Member States must not fully transpose the text of the provision into national law. In terms of structure this Directive consists of six parts or "Titles".

Title I. contains a summary of the Directive - subject matter, scope and definitions; in Title II. the specific conditions for payment service providers are given; Title III. deals with the transparency of conditions and information requirements for payment services; Title IV. contains rights and obligations in relation to the provision and use of payment services; Title V. establishes delegated acts and regulatory technical standards; Title VI. contains as usual final provisions. The Directive also includes ANNEX I, which specifies the types of payment services: executing payment transactions, executing direct debits, including on-off direct debits, executing payment transactions through a payment card or a similar device, executing credit transfers, including standing orders, money remittances. This can include transfers of funds, direct debits, credit transfers and card payments. Paper transactions are not covered by the Directive 2015 (EUR-Lex, 2017).

The Directive sets out rules concerning:

- a) payment initiation services in the field of e-commerce,
- b) conditions for granting and maintaining authorization as payment institutions,
- c) the security of payment transactions and customer protection against demonstrable risk of fraud,
- d) guarantees for fair competition in that market,
- e) conditions for account information service providers,
- f) consumer protection in cases of card-based payment transactions by introduction of so-called strong authentication,
- g) reduction of payer's liability from current 150000 € to 50000 €,

h) supervision of payment institutions by the Member State where they are authorized to provide the defined payment services,

i) removing of surcharges for using a consumer credit or debit card,

j) requirements regarding transparency of contractual conditions.

In the context of this Directive there has also been strengthened the European Banking Authority (EBA), which is an independent EU Authority with the task of ensuring effective and consistent prudential regulation and supervision across the European banking sector (Regulation (EU) No 1093/2010). The role of this authority is to develop a publicly accessible central register of authorized payment institutions, which shall be kept up to date by national authorities and assist in resolving disputes between national authorities.

- Freedom of business and the freedom to provide services are based on the prohibition of restrictions and of discrimination due to nationality as well as on liberalization and correct application of competition rules in economic competition. The European Union rejects discriminatory measures in all economic policies. The smooth functioning of the internal market and the development of a modern, socially inclusive economy increasingly depends on the universal provision of payment services (Recital 3, Directive 2014/92).
- Payment services under Union law may be provided by credit institutions ((1) of Article 4 (1) of Regulation (EU) No 575/2013). According to the Directive, the following *third-party providers* of payment services may operate on the market:

a) a payment service provider issuing card-based payment instruments (Art.65, Directive 2015),

b) a payment initiation service provider (Art.66, Directive 2015),

c) an account information service provider (Art. 67, Directive 2015).

One form of service under the Second Payment Services Directive is to provide information about the availability of funds in the client's account. This type of service is based on the possibility of obtaining information from the bank where the client has an account bound, whether the client's

account has available funds for the execution of a payment operation. In the end, it is about checking the client's financial situation.

Payment initiation service providers must be licensed to provide payment services. According to the Directive payment services play a part in e-commerce payments by establishing a software bridge between the website of the merchant and the online banking platform of the payment service provider, who handles the payer's account, to initiate internet payments based on a credit transfer.

The payment initiation service provider shall not store sensitive payment information, shall not hold the payer's funds, shall be responsible for the correct presentation of the payment order and shall not be discriminated against by the bank. The primary goal of payment initiation providers is to provide convenience to the payer and reassure the payee that the payment has been initiated, an incentive for the trader to sending goods and services without delay (Sedliaková, 2018, p.4). Account information service provider can obtain authorization from the bank to provide access to an online account. This entity is not entitled to obtain all information about the client - the recipient of the service, it may be provided with information to which the client has given explicit consent. A special feature is, that the provision of account information services shall not be dependent on the existence of a contractual relationship between the account information service provider and the account servicing payment service provider for that purpose (Art. 67 (4) Directive 2015). In principle, the Directive introduces a new type of payment service in the field of internet payments at European level and introduces appropriate regulations for these services that must be respected by all Member States. It creates opportunities for new service providers to work with a license granted by the competent national authority of a Member State. The payment service provider must guarantee the same data protection and data security as the bank. In a broader context, we must emphasize that these services do not replace the services provided by the banks but are new payment services that may also be provided by other payment service providers than the bank in relation to the bank's payment accounts. The Directive was transposed into national law to the scheduled date in all member states of the EU.

Interesting is the title German Act - Act implementing the Second Payment Services Directive. The title of the law implies that it is a 2015 Implementing Directive from German law.

6. Responsibility of the Member States for the transposition of EU secondary acts into national law

In accordance with Article 288 of the Treaty on the Functioning of the European Union, the institutions shall adopt regulations, directives, decisions, recommendations and opinions. A directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.

The success of the European Union's tasks and policies depends on Member States complying with international membership obligations and transposing the directives into national legislation. EU secondary acts are the main means by which the EU is achieving its objectives and bringing Member States' legal systems closer together. Member States' transposition of legal acts and their implementation is a way of respecting EU membership obligations. The Directives in European law are understood to be legal acts that are binding in relation to the Member States to which they are addressed, as well as in relation to the objective to be achieved. The national authorities are left to choose which forms and methods are chosen to achieve the result. The key requirements for transposing the Directive are: transposition of the precise content of the Directive and transposition of the Directive at a specified time. The European Commission, according to Article 2 (1) of the Treaty on the European Union, has the obligation to ensure that Member States apply EU law. Since it is often referred to as the "guardian of the treaties", it is responsible for the application of EU law. Pursuant to Article 258 of the Treaty on the Functioning of the European Union (TFEU), the Commission is entitled to initiate proceedings against a Member State for a breach of its obligations under the Treaty on the Functioning of the European Union, respectively the Treaty of the European Union. Many of the judgments of the Court of Justice of the EC / EU result in some criteria for the Member States to transpose the

directives correctly into national law, the respect of which is a precondition for avoiding possible actions by the Commission for failure to fulfil obligations under EU treaties.

7. Slovak legislation on payment service

The obligation to transpose legal acts into national legal order, as well as the correct implementation of EU law, is also regulated in the Constitution of the Slovak Republic and one of the obligations of all Member States. The Directive (EU) 2015/2366 was transposed into Act No 492/2009 Coll. on payment services and changes certain laws, which enter into force on 13 January 2019. In addition to the Act, some provisions of the Directive 2015 have been transposed into Act no. 747/2004 Coll. on financial market supervision, Act no. 566/1992 Coll. on the National Bank of Slovakia Act no. 102/2014 Coll. on consumer protection when selling goods or services based on a distance contract or a contract concluded outside the business premises of the seller, Act no. 483/2001 Coll. about banks and so on. That legislation has largely changed the original Payment Services Act. The principal legislation regulating payment services and financial relationships in the Slovak Republic was influenced by the secondary EU act. This act regulates the conditions of payment services provided by a payment service provider, for the issuance of electronic money, administration of electronic money and redemption of electronic money by an electronic money institution. The amendment to the Law in 2017 provides for new forms of payment services and allows new payment service providers to enter the market. The opening of the payment services market in Slovakia allows payment service providers to make financial payments (payment orders). New payment service providers can be expected to come to the market soon. These services do not replace the services provided by banks but are new payment services that may also be provided by other payment service providers than the bank in relation to the payment accounts held with the bank. Pursuant to § 2 (g and h) of the Payment Services Act, a payment service means a payment initiation service and an account information service. In principle, the amendment to the Act extended payment services if the payment account is

accessible online via the Internet. The Act No. Act No 492/2009 Coll. on payment services introduces two new types of licence for Third Party Providers, a licence for Payment Initiation Service Providers and a licence for Account Information Service Providers.

If a payment service provider wishes to provide these types of services, he must have the authorization or license of the National Bank of Slovakia and is obliged to prove technical, organizational and personnel readiness and ability to provide payment services properly and safely. The entity must be a legal entity with its registered office in the territory of the Slovak Republic and must have paid up a deposit of at least EUR 125,00, if the payment institution only provides payment initiation services, the capital will be at least EUR 50,000. Personnel to be in management positions must have a second-level university degree and a three-year management experience in the provision of management services and banking. A prerequisite is that the provider must ensure that the payment service user's personalized security features are sent by secure and effective means so that they are not accessible to others. The service provider is not authorized to store the payment service user's sensitive payment information. In this relationship, the payment service provider carries out payment operations based on a clear payment order from the payment service user, which is a payment order in paper form or electronic form to execute the payment transaction. In practice, this means that a third-party provider can enter the original bilateral relationship as a payment service provider. He will gain access to the client's account only after the client's consent has been granted. In principle, the client allows the third-party provider access to banking operations and to execute basic banking operations through applications. The payment initiation service is realized with the participation of a third-party provider with the client's consent (authorization) in the form of an Internet platform - online payment. A payment initiative provider provides a service for e-commerce payments by creating a software bridge between the merchant's website and the online banking platform of the payer's account provider's payment service provider (credit card payment means) to initiate payment-based on internet payment and with the client's consent. If the client has given his/her consent to

execute a payment transaction, the payment transaction is authorized (Para. 8 Act No. 2017.)

Innovations introduced in financial services allow that a payment card is longer necessary to be used to purchase goods, but the merchant receives money from the client's bank account through intermediaries. According to the new regulations, retailers will ask clients for permission to use the client's bank details, and after the license is granted, the retailer will receive a payment directly from the bank. This direct link between bank and retail can be shortened with the Application Programming Interface (API). This interface is a communication interface that allows third parties to securely communicate with the bank. Through this interface, the Bank will make available to third parties payment accounts of clients for the purpose of providing new payment services. This type of service can also be referred to as low cost internet and mobile services that run between a merchant and a buyer bank and allow payments without a credit card. Service providers of this kind must comply with the same standards as other payment institutions and are under the control of the National Bank of Slovakia. Account information service is a service to provide consolidated information about the status of a client's payment account and a client's financial account balance via the Internet or distribution channel if it has open accounts in several banks (Para. 3b Act No.2017). In other words, if the client gives consent, the third-party provider will obtain information about the account's financial balance and the transaction history of the client's account. Entities licensed to provide payment services must guarantee the same data protection and security as banks. The current legislation allows to make a financial payment or obtain an account overview through a third-party provider without contacting the bank. In contrary to original payment service providers and payment initiation service providers, the difference is that the payment service provider (legal entity - bank, a foreign bank or a branch of a foreign bank, whose banking license includes the provision of payment and settlement services, and post office giro institution, e-money and payment institutions) establishes and maintains a payment account for the payer. A payment initiation service provider provides only online payment services via the Internet, for example

internet banking. The payment initiation service provider has a limited scope of service provision.

In accordance with Article 4 of the Directive 2015, the payment service user authentication institute was also introduced while paying attention to the security of the payment service user. These elements are independent of each other and created in such a way that the disruption of one element does not interfere with the reliability of other elements, nor the confidentiality and protection of the client. Authentication (Art. 97 Directive 2015) is based on the use of 2-factor customer authentication or multiple elements, such as knowledge, ownership and payment service user characteristics. Knowledge is something only the user knows (a password or PIN), ownership is what only the

payment service user owns or holds, and characteristics specify biometric data (finger prints or voice).

The peculiarity is that the payment institution is not entitled to merge the funds received from users with its funds. Funds not transferred to the beneficiary or to another payment service provider by the end of the business day following the day of receipt must be stored in a separate account with the bank. In the following table we demonstrate the transposition of the directive into Slovak law. Based on the comparison of individual provisions, we have found that the above provision of the Slovak law is fully compatible with the Directive and therefore it can also be said that the harmonization is complete.

Table 1. Table of concordance of legal provisions with directive EU and Act No 624/2017 Coll.

Directive EU 2015/2366	Act No.624/2017 Coll.
Article 2 (1)	§ 1 (2)
Article 65(1)	§ 28b (1)
Article 65(2)	§ 28b (2)
Article 65(3)	§ 28b (3)
Article 65(4)	§ 28b (4)
Article 65(5)	§ 28b (5)
Article 65(6)	§ 28b (6)
Article 66 (1)	§ 3a (1)
Article 66 (2)	§ 3a (2)
Article 66 (3)	§ 3a (3 a 4)
Article 66 (4)	3a (5)
Article 66 (5)	§ 3a (6)
Article 67 (1)	§ 3b (1)
Article 67 (2)	§ 3b (2)
Article 67 (3)	§ 3b O 5
Article 67 (4)	§ 3b O 6

Sources: Own processing by Directive EU2015/2366 and Act No.624/2017 Coll.

8. Slovak financial market

There are several payment service providers in the Slovak market, which can be divided into two groups. payment institutions and other entities (telecommunication operators O2 Slovakia Ltd., Orange Slovensko Inc., Slovak Telekom Inc., SWAN Mobile Inc.). Paying institutions without limitation may also operate in other Member States and may mediate payments, issue credit cards, keep accounts, carry out

currency exchange, execute payment initiation service and payment account information service.

The first intelligent bank in Slovakia, Bank 365, is an organizational unit of Poštová Banka Inc., Bratislava. Although this bank is not a payment institution, we can see in this example how the use of mobile applications is expanding. In Germany, the N 26 mobile bank operates with a banking license in Germany. It authorizes it to provide EU-wide banking products and operates in Slovakia too.

In Slovakia, there are several institutions providing payment services, for example 24-pay Ltd., Diners Club CS Ltd., Home Credit Slovakia Inc., Payment Institution NFD Inc., Pay Solutions Inc. and TrustPay Inc. For example, TrustPay provides merchants to receive payments from customers around the world in any currency. If the customer chooses TrustPay as the method of payment, it will redirect him to his bank or the client will enter the data (Jančura, 2017).

In the Slovak financial market conditions for new payment service providers have already been established. At the same time, we must not forget that this kind of service, i.e. the provision of a payment initiation service and an account information service do not replace payment services provided by banks. Banks must, in accordance with the applicable legislation, make the accounts of clients accessible to payment service providers, the so-called third parties. The provision of services is realized through the Application Programming Interface (API), an application programming interface (a set of software services) that makes payment service users' payment accounts available to third parties. (Digital interface is any software, including a website or user-accessible applications, including mobile applications.)

In the Slovak Republic and other countries standardization initiatives have been developed, which aim to develop a specification for the API meeting the above conditions (Slovak Banking API Standard created by SBA, Czech Open Banking Standard created by ČBA, Štandard Berlin Group, British Open Banking Standard, STET) (NBS, 2018).

The entity authorized to execute payment initiation services requests access to the Bank's API interface and completes a request for a communication key. After fulfilling the conditions, the bank sends the communication key to the applicant to his e-mail address, which is secured by a ZIP password assigned by the bank. The applicant must be properly registered in the public register of payment initiators.

9. Negative aspects

Every technological advancement simultaneously brings negative impacts. In this context, we must bear in mind that the execution

of payment transactions is at greater risk of fraud and misappropriation of the information obtained. The negative side in this process of digitizing payment services is that the third party - the service provider - gets into internet banking through screen scraping and gets information about other financial operations and payments of the client. In this way, it can get to a client's sensitive information.

Another negative aspect is that this kind of payment requires some knowledge, appropriate mobile devices and internet access. In 2016 a monitoring in Slovakia showed, that only 59% of citizens have reached a basic level of digital skills. A lack of digital skills shows up with people in the business sector as well. The execution of payment transactions is not only demanding on skills, but also financially demanding, because not every household in Slovakia has established internet. This is supported by the indicators published by the Ministry of Finance of the Slovak Republic (2016) in the Report Indicators for monitoring the development of the digital society 2014-2020. The data provided indicate that in the year 2014, only 51% of the online banking was used by citizens aged 16-74. In 2018, a report on the Digital Economy and Society Index (DESI) was produced at European Commission level (2018 Digital Economy and Society Index (DESI) Country Report - Slovakia). This report shows that 56% of the population used e-banking in 2016 and 63% in 2017. According to the European Commission, Slovakia ranked 20th out of the 28 EU Member States in 2017 in the Digital Economy and Society Index, thus making progress compared to previous years. Despite the progress made, Slovakia belongs to a group of countries with weak results in the digital economy index and therefore the expectations of new payment service providers will not be met.

10. Conclusion

The aim of this study is to answer questions concerning the legal framework for the provision of payment services in the European Economic Area, as technology and digitization and their related applications are also affecting management and delivery of payment services. The positive aspect of the adoption of these legal

acts is that the market for payment services opens and the security of internet payments is increased by introducing a strong client authentication and payment authorization, but the question of regulatory technical standards remains unresolved. Authorization requirements allow for effective supervision of service providers to ensure the stability, integrity, and fairness of markets. Given that the original Slovak legislation is fully harmonized with the Payment Services Directive 2015, we can clearly state that the Slovak Republic has also contributed to a better integrated internal market for electronic

payments within the European economic area. According to the new Act of 2017, payment initiation services and payment account information services are provided in Slovakia by companies that gain access to bank accounts of clients and, if authorized by the user, can execute payment transactions on their behalf.

In conclusion, the regulatory initiative brings a new dimension to European economic integration processes, which is in line with today's economic realities and is characterized by increasing digitization and new business models.

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Contacts

Daniela Nováčková
Comenius University Bratislava
Faculty of Management,
Department of Economics and Finance
Odbojárov 10, P.O. BOX 95
820 05 Bratislava 25
Slovakia
daniela.novackova@fm.uniba.sk

Jarmila Wefersová
Comenius University Bratislava
Faculty of Management,
Department of Economics and Finance
Odbojárov 10, P.O. BOX 95
820 05 Bratislava 25
Slovakia
jarmila.wefersova@fm.uniba.sk