

## Summary:

- PSD2 is the revised Directive on Payment Services administered by the European Commission and approved by the European parliament in 2015.
- All EU member states had to adopt the requirements set by PSD2 by the 13th of January 2018.
- In Lithuania the PSD2 has been incorporated into the “Republic of Lithuania Law on Payments”.
- Thanks to PSD2 two new market participants have been created:
  1. Payment Initiation Service Providers
  2. Account Information Service Providers
- Payment Initiation Services or Account Information Services can be provided by banks or any other intermediate providers who have a license from the FSA.
- The purpose of Open Banking is to open up the previously secretive banking data ranging from the location of branches to the transactions. Besides that, it gives the customers more choice in the options on how to handle their money.

## Payment Initiation Services

The Payment Initiation Services Provider (PISP) is able to initiate online and mobile payments to beneficiaries directly from the payers' bank accounts. This can be done after the PISP receives formal approval. This is possible due to the fact that PSD2 obliges banks to grant access to customers' payment accounts through the application programming interfaces (APIs). In other words, the payer provides short-term approval for the licensed intermediary via internet banking to initiate payment on his/her behalf.

Payment Initiation Services can be used for online purchases: customers instruct the PISP to make transfers from client bank accounts. This eliminates the need to use bank cards in the middle, which in turn increases security. PISP doesn't manage the customer's money, nor receives it; it only triggers transactions.

## Account Information Services

The PSD2 requires banks to open information about the users' accounts via API. Account Information Service Provider (AISP) is authorized to view the customer's payment account information in a bank, given such permission has been granted. This allows the AISP to aggregate account data from one or several banks in one place and allows them to view it on the AISP's own interface. This gives the AISP the opportunity to offer services such as budgeting, data analysis, and other informative tools. AISPs are prohibited to use data received for purposes other than the one for which the customer has given approval.