

## Regulatory News Alert

### Law of 13 June 2017 transposing PAD in Luxembourg

12 July 2017

The Law of 13 June 2017 (hereinafter the 'Law') transposing the Payment Account Directive (PAD) has been published in the Memorial A on 14 June 2017. The Law defines new obligations to Payment Service Providers (PSP) in Luxembourg, articulated around three pillars:

1. Access to basic payment accounts;
2. Bank account switching;
3. Transparency and comparability of payment account fees.

#### Scope:

**The requirements imposed by the PAD are limited to payment accounts held by one or several consumers offering the below functions (cumulative):**

- Place funds into another payment account;
- Withdraw cash;
- Execute payment transactions, including credit transfers, to and from a third party.

#### **1. Access to basic payment accounts**

The provisions related to the access to basic payment accounts only apply to a limited number of institutions. They will only apply to institutions that have:

- at least 25 local bank branches in Luxembourg; and
- at least 2,5% deposits guaranteed (Law of 18 December 2018)

All the consumers legally residing in the European Union will have the right to a payment account with basic features, irrespective of their credit status.

A basic payment account must allow the operation of an account, placing funds in an account, cash withdrawals within the EU, direct debits, credit transfers, and payment transactions through a payment card (including online payments).

These services have to be offered free of charge or for a reasonable fee.

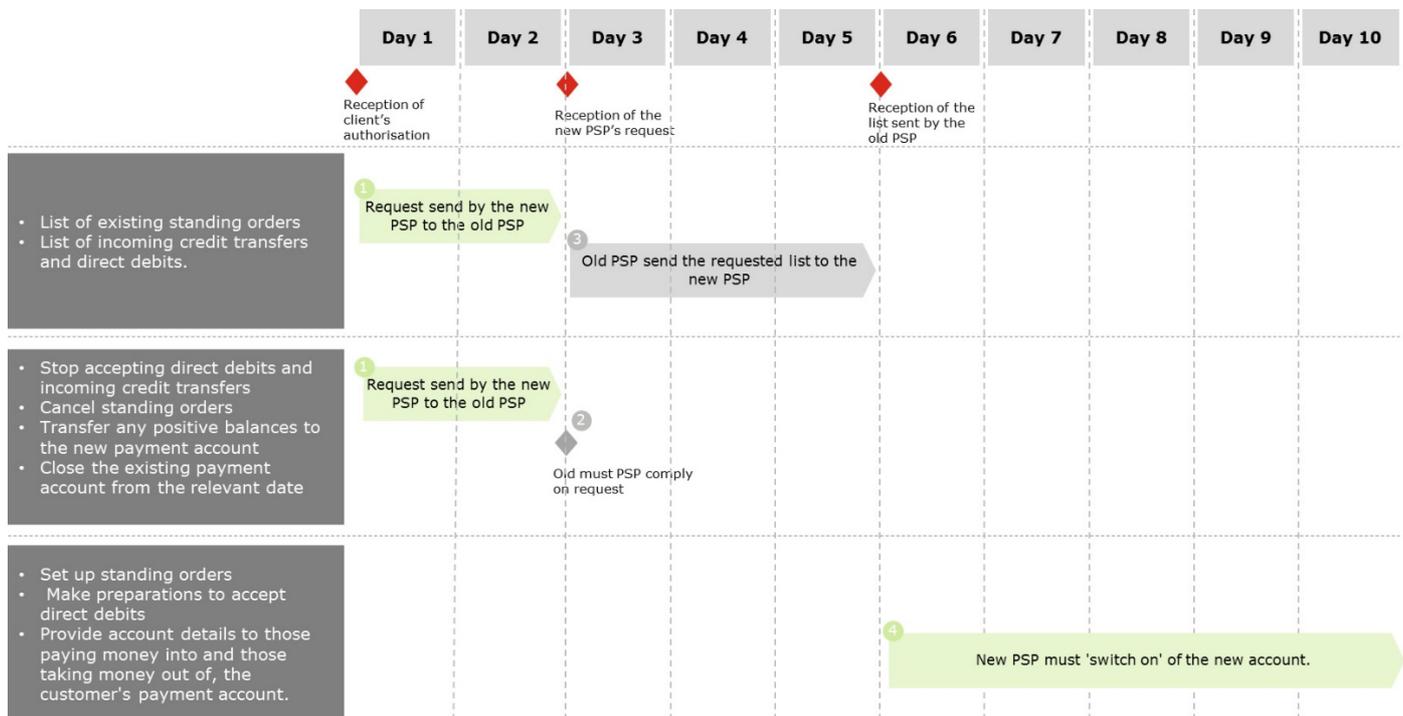
The Law has foreseen a number of situations according to which an institution may/must refuse to open a payment account with basic features or unilaterally terminate a payment account with basic features.

## 2. Bank account switching

The Law provisions related to bank account switching facilities are applicable to all PSPs in Luxembourg.

The receiving new PSP is responsible for initiating the switching process after reception of a written authorisation of the consumer. The authorisation shall allow the consumer to specifically identify incoming credit transfers, standing orders for credit transfers and direct debit mandates that are to be switched.

Following the reception of the consumer's authorisation, different timeframes apply to the new and old PSP depending on the type of operations:



## 3. Transparency and comparability of payment account fees

### 3.1. Transparency of payment account fees.

The Law provisions related to bank account switching facilities are applicable to all PSP in Luxembourg. PSPs will have to provide to consumers a fee information document, a glossary (i) and a statement of fees (ii).

#### i. Fee information document & glossary

The statement of fees has to be provided to the consumer in good time prior to the contractual relationship. This document has to comply with a number of form and substance requirements among which:

- Document on paper or another durable medium.
- Information on the most representative services linked to a payment account.



The [European Banking Authority](#) introduced on 5 May 2017 eight standardised terms for services linked to a payment account. This list will be adopted by Grand-Ducal Regulation.

Additionally, the consumer will receive a glossary which explains at least the services and fees included in the information document in a clear, unambiguous, non-technical and non-misleading language.

ii. Statement of fees

PSP will be required to provide on an annual basis a statement of fees covering the following information:

- The overdraft interest rate and the credit interest rate applied to the payment account;
- The total amount of interest charged respectively earned during the relevant period.

### *3.2. Comparability of payment account fees*

The CSSF will launch a comparison website enabling consumers to compare free of charge at least the fees for the services included in the final standardised list of the most representative services.

PSPs will be required to provide to the CSSF with data on the fees applied to the most representative services in order to keep the comparison website up to date. The CSSF will update this website on a regular basis and at least quarterly

## **Entry into force**

The provisions related to the first and second pillar entered into force on 17 June 2017.

However, the pillar three "Provisions" will be implemented nine months after the adoption by the European Commission of a delegated (EC) act on the presentation of the fee information document, the fee statement and on the terms of the list of the most representative services.

## Next steps

Summary if new PSPs obligations	How Deloitte can help
<ul style="list-style-type: none"> <li>• Be able to offer basic bank accounts, with services free of charge or for a reasonable fee</li> </ul>	<ul style="list-style-type: none"> <li>- Review the bank's business model and product strategy, to see how offering more basic bank accounts could impact on revenues</li> </ul>
<ul style="list-style-type: none"> <li>• Be able to initiate a switching process, when they are selected as the "new" PSP by a customer. The switching process entails specific deadlines, processes to respect, and information to be shared</li> </ul>	<ul style="list-style-type: none"> <li>- Review the account opening and account closing policies, processes and procedures, and on this basis make a gap analysis against what is expected from PAD</li> </ul>
	<ul style="list-style-type: none"> <li>- Identify the gap remediation to ensure that banks are able to comply with the switching requirements</li> </ul>
	<ul style="list-style-type: none"> <li>- Accompany the bank in putting in place the new amended policies, processes and procedures</li> </ul>
<ul style="list-style-type: none"> <li>• Complete and provide three new types of documents: Fee information, glossary, statement of fees</li> </ul>	<ul style="list-style-type: none"> <li>- Collect the necessary information, complete and submit documentation</li> </ul>
	<ul style="list-style-type: none"> <li>- Review the current split of fees and products (bundled and unbundled packages) in order to ensure that the necessary split can be shared with the consumer in the transparent and clear way, as required by PAD</li> </ul>
<ul style="list-style-type: none"> <li>• Ensure consumer and stakeholder agreements, marketing materials and website are aligned with the directive</li> </ul>	<ul style="list-style-type: none"> <li>- Review the existing consumer and stakeholder agreements, marketing materials and website, and on this basis make a gap analysis against what is expected from PAD</li> </ul>
	<ul style="list-style-type: none"> <li>- Identify the gap remediation solutions for amended agreements, materials, website</li> </ul>
	<ul style="list-style-type: none"> <li>- Accompany the bank in putting in place the new amended policies, processes and procedures</li> </ul>

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