



EU Payments reporting

How to respond to the challenge of the Central Electronic System of Payments (CESOP) requirements



New rules will require Payment Service Providers (PSPs) in the EU to report cross-border payments on a quarterly basis.

- ▶ Information will be shared automatically within the EU to target VAT compliance on cross-border payments. There is potentially a significant compliance impact on payees as a result of information which is reported to tax authorities.
- ▶ Also captures payments made from inside the EU to outside the EU. Where payments are made outside the EU, obligations may fall to those who don't have full information on payees.
- ▶ Rules have substantial similarities to those adopted for FATCA/Common Reporting Standard (CRS) requiring the identification, classification and reporting of customers.
- ▶ Other rules for digital platforms, cryptocurrency and e-money are being introduced. Many institutions may find they are in more than one regime.
- ▶ Reporting requirements start from 1 January 2024 and reports must be filed within 30 days of the end of the calendar quarter, i.e. first reports are due in each member state by 30 April 2024.

CESOP – What is in scope?

A PSP will have to report payments on a quarterly basis where they meet all of the following criteria:

- 1 They provide payment services in an EU Member State:** this includes legal entities, PEs and passported services.
- 2 A payment is made which is an in scope payment type:** broadly all payments covered by the second Payment Services Directive (PSD2) are in scope – such as credit transfers, direct debits, credit cards, e-money and remittances, but not payments linked to securities service – e.g. dividends, stocklending, repos etc.
- 3 The payer is in the EU:** typically determined by the country identifier in the payer's IBAN, additional work may be required to exclude cross-border accounts.
- 4 The payment is cross-border:** from one EU Member State to another EU Member State or to a third country.
- 5 More than 25 cross-border payments are made to a payee in a calendar quarter:** the payments can be from any payer to the payee, and where the payee has multiple accounts, the PSP must aggregate these for the purpose of this calculation.

Reporting is required for all payments identified above **unless** the PSP provides services to the payer only **and** the payee's PSP is also in the EU.

Affected PSPs and services

Service	Report	Where?	Who?
Merchant acquirer	Payments received by merchants or aggregators, originating from other EU states	Member State where services provided to merchant (based on PSD2 passport)	Acquiring entity
Payment facilitation			
Card issuer	Payments from EU payees to non-EU recipients	Member State where services provided to payer (based on PSD2 passport)	Issuing entity
Banking payments out (SEPA credit transfers and direct debits)	Payments from EU payees to non-EU recipients	Member State of bank or branch holding sender's account	Bank of sender where payments made outside EU
Banking payments in (SEPA credit transfers and direct debits)	Payments to recipients originating from other EU states	Member State of bank or branch holding recipients account	Bank of recipient where payments made inside the EU
e-commerce	Payments received by merchants or aggregators, originating from other EU states	Member State where services provided to business (based on PSD2 passport)	Acquiring/Payment Facilitation entity
e-money	Payments from EU payees to non-EU recipients, and internal payments from EU to EU customers	Member State where services provided to recipient (if in EU), or sender	E-money provider

Where do PSPs report

Under PSD2, there are broadly three 'options' for how you provide services across multiple jurisdictions:

- 1. Cross border services:** typically used by banks only (credit institutions). In which case, you would report solely in the location of Head Office.
- 2. Permanent Establishment (PE):** common for banks, particularly for non-EU banks where passporting may not be permissible. Report in the location of the PE.
- 3. Passporting:** available under PSD2 subject to notification requirements to the local regulator. Typically done where you will be soliciting clients in the host country, or where you have a physical presence not amount to a PE. Report in the location of the passport, based on the residence of the customer.

As a result of the above, many PSPs other than banks may have to report in a large number of jurisdictions, and in some cases, will need to file separate reports in all 27 Member States – a total of 108 tax reports per year.



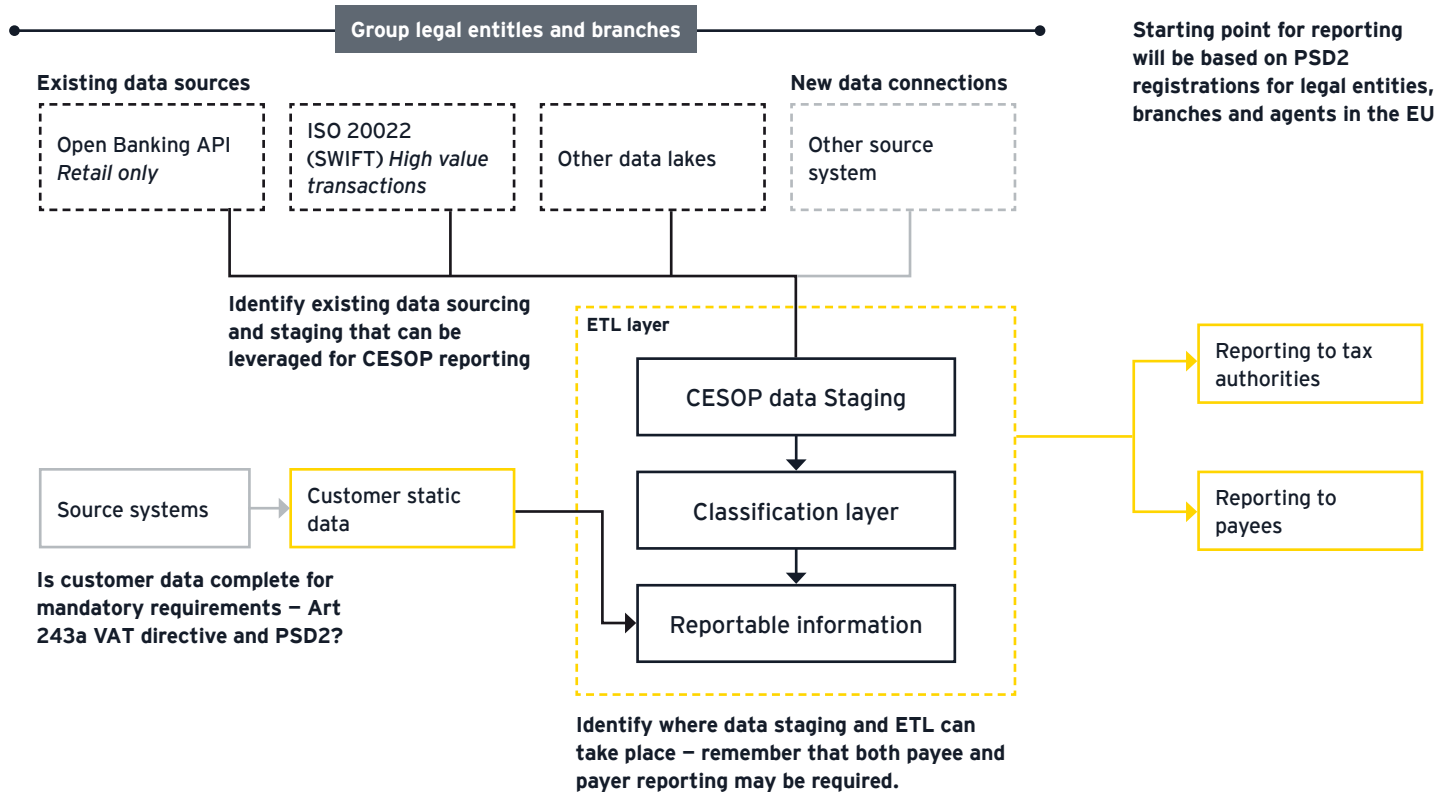


Seven key data questions

1. **Can you identify** all of the payment channels used?
2. **Can you associate** payments with legal entities and branches across the EU to enable reporting in the correct member state?
3. **How will you source data** for all payment channels and where necessary for intragroup transfers. What data staging is already available?
4. **Where will you run** the aggregation and classification rules to identify reportable payments?
5. **How do you address the payer reporting problem** – requirement to aggregate payments across entire book made to non-EU PSPs?
6. **Do you have all of the required customer static data** ready for reporting. Is it complete, or is there missing mandatory information that might indicate PSD2 compliance issues?
7. **How will you report** in multiple member states, in the local required format (xml variant)?

Data requirements

Organizations will need to quickly define their target data model and to-be systems architecture – identifying the data sourcing requirements and the suitable environment for transform and load capabilities.

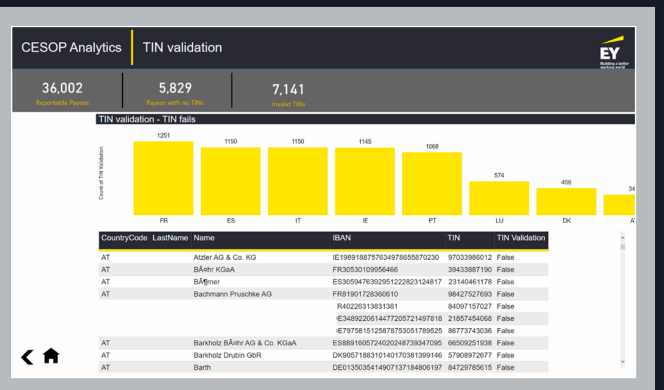
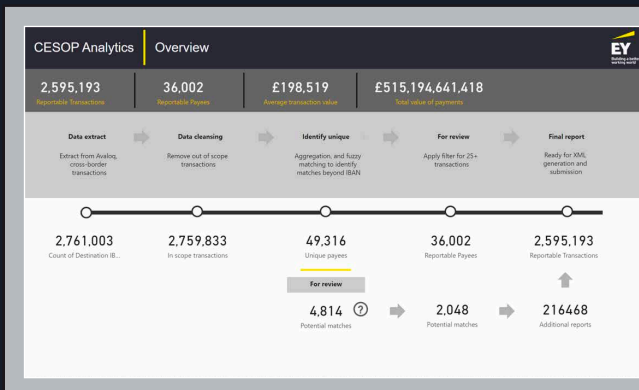
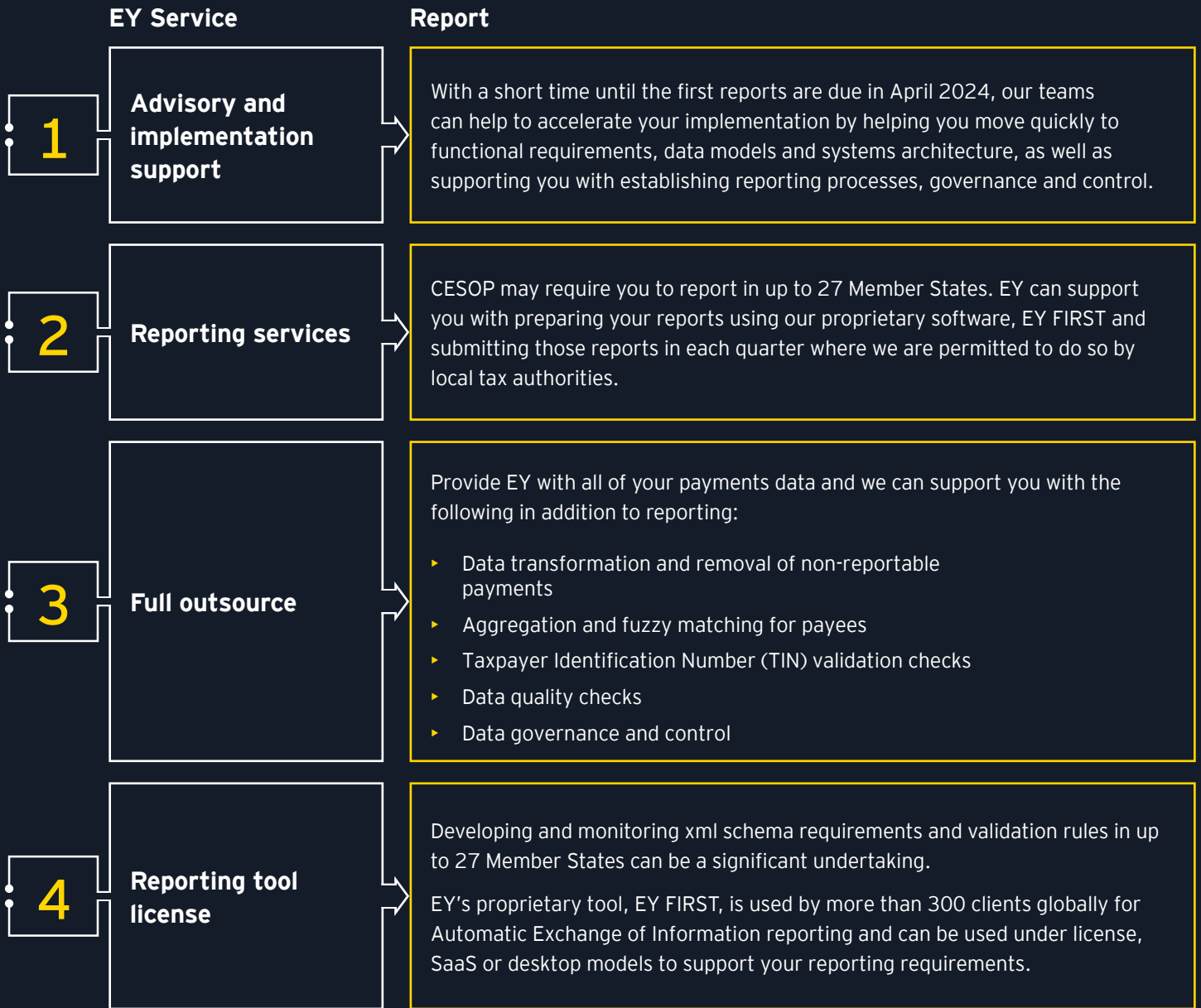


Data sourcing

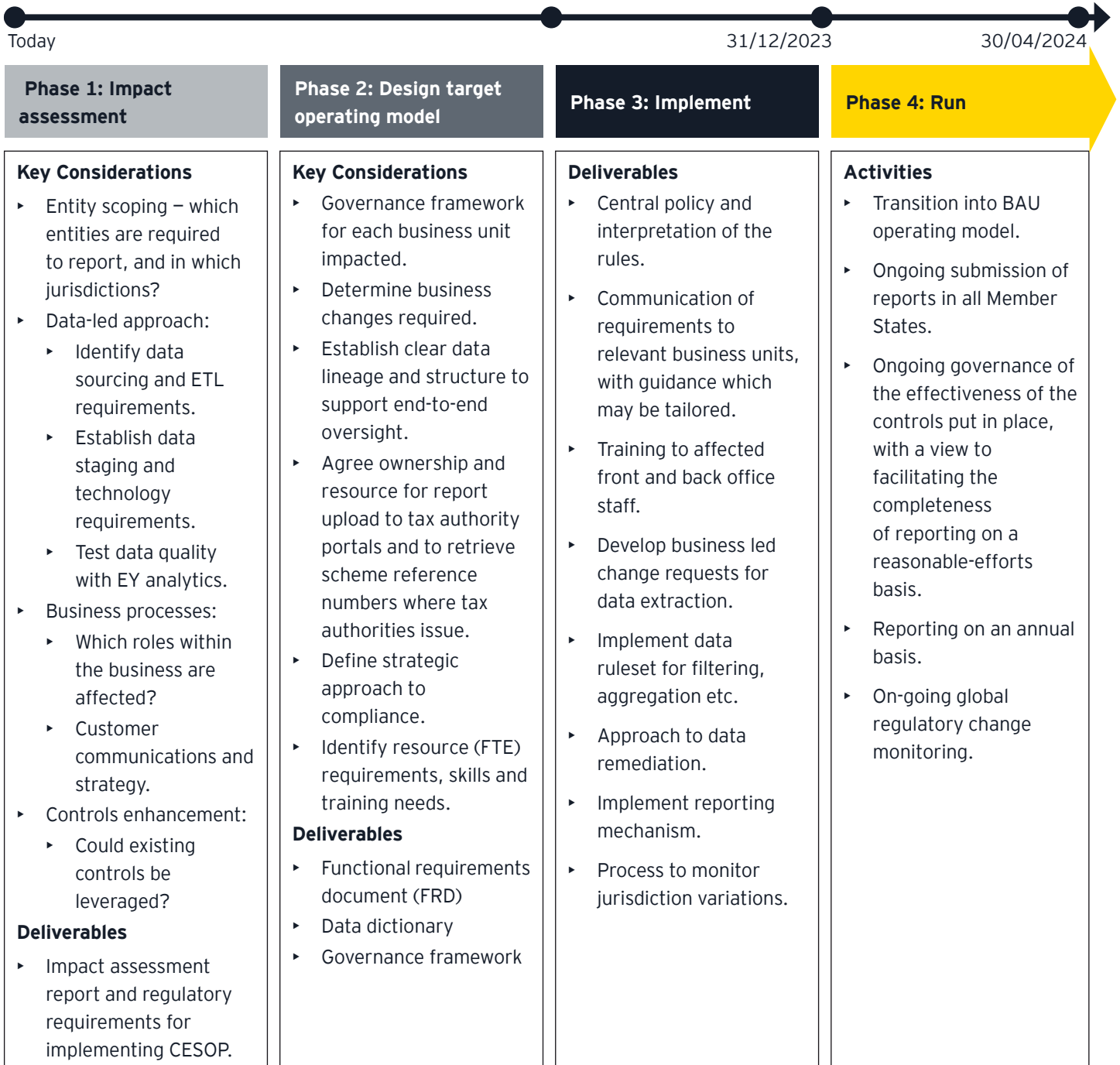
Data may need to be pulled from a range of different systems to support reporting which may include payments messaging systems, transaction data and customer static data. The 15 basic data elements are as follows:

Report for every transaction	Messaging data	Transaction data	Customer data
1. BIC/ID reporting PSP (i.e., identifying no. for the PSP)		●	
2. Payee name			●
3. Payee VAT/TIN			●
4. Payee Account ID (IBAN)			●
5. BIC/ID Payee PSP			
6. Payee address			●
7. Refund		●	
8. Date/time of the execution of the payment transaction/refund		●	
9. Amount		●	
10. Currency		●	
11. Member State origin payment	●		
12. Member State destination refund		●	
13. Payer location information (i.e. info used such as IBAN, address etc.)	●		
14. Transaction ID		●	
15. Physical presence		●	

How EY can help



Implementation support



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