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TRANSFORMATION OF THE EU'S REGULATORY APPROACHES TO PAYMENT SERVICES

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Abstract. *The development of digital financial instruments has significantly changed the payment services industry. Along with its obvious benefits, this process has generated some cybersecurity and payment fraud problems, which has led to a revision of regulatory approaches to payments and settlements. The article assesses the direction of the transformation of EU payment sector regulation. The author outlines potential changes in the activities of domestic payment service providers to integrate the regulatory framework with the EU requirements.*

Keywords: *regulation, payment systems, digital payments, payment service providers, fintech.*

The development of digital financial instruments has significantly changed the payment services industry. Along with its obvious benefits, this process has generated some cybersecurity and payment fraud problems, which has led to a revision of regulatory approaches to payments and settlements. The article assesses the direction of the transformation of EU payment sector regulation. It outlines potential changes in domestic payment service providers' activities to integrate the regulatory framework with the EU requirements. In recent years, the European Union has been developing the third Payment Services Directive (PSD3) and the first Payment Services Regulation (PSR). They aim to strengthen user protection and trust in payments and to make digital transactions more accessible and secure for payers. The author determines that the new rules will contribute to reducing the cost of international payments, introducing global messaging standards and developing links between payment systems in different jurisdictions. At the same time, protection against payment fraud and ensuring the highest level of consumer protection will remain an important priority. The article develops a mechanism for payment service providers to respond to regulatory changes, which involves adjusting the strategic development plans of their providers to identify business processes that will require changes and assess the impact of such changes, prioritise and plan new developments and software products, and identify sources of funding for these steps. It is substantiated that to gain advantages and maintain a competitive position in the market, domestic payment service providers should adapt their activities to the EU regulatory requirements even before their implementation in Ukraine's legislative and regulatory framework. The modern payment services market requires companies to be flexible, technologically adaptable and have a high level of security, which is ensured by automating processes and implementing a risk-based approach. Implementing regulatory changes should be viewed as a continuous process that includes monitoring compliance risks, assessing compliance at the organisational level and integrating

requirements into business goals.

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