

ERPb SECRETARIAT

Annual Report of the Euro Retail Payments Board 2020-21

Foreword by the Chair

I am pleased to present the Annual Report of the Euro Retail Payments Board (ERPb) covering the period from July 2020 to June 2021.

The ERPb is a high-level strategic body that brings together the supply and demand sides of the euro retail payments market. Seven years after it was set up, the ERPb continues to make progress in fostering the development of an innovative, competitive and integrated EU market for retail payments in euro. Work continued in this regard in the year under review despite the challenges posed by the coronavirus (COVID-19) pandemic.

I would like to highlight one area in particular in which the ERPb took an important step in the past year and which affects all EU citizens: transparency for retail payment end users. Given current shortcomings, the ERPb decided to establish a working group on this topic. The goal is to make it easier for consumers to identify, from their payment account statement – whether this be in paper or electronic form – to whom, where and when a payment was made. After one year of intense work, the working group delivered a set of recommendations focusing on the accuracy of relevant data elements. Yet, while these recommendations laid the foundations for achieving enhanced transparency of payment account statements for end users, there is still work to be done by all retail payments industry stakeholders to implement the recommendations.

The ERPb further progressed in other areas, including instant payments and a Single Euro Payments Area (SEPA) Application Programming Interface (API) Access Scheme, and launched work on access to and acceptance of cash.

These results would not have been possible without the strong commitment and cooperative and positive approach demonstrated by ERPB members. I look forward to continuing working with them to facilitate the development of a dynamic pan-European approach to the payments market.

1. Work carried out by the ERPB from July 2020 to June 2021

The ERPB met twice in the period covered by this report, on 26 November 2020 and 28 June 2021.

1.1 Issues addressed by ERPB working groups

Four working groups were active in the period covered by this report.

1.1.1 ERPB working group on a framework for interoperability of instant payments at the point of interaction

In November 2019, the ERPB established this working group to develop a framework to manage interoperability rules and appropriate governance for solutions enabling instant payments at the point of interaction (POI).

After an interim report in June 2020, the working group submitted its final report at the November 2020 ERPB meeting, which contained:

- an overview of and taxonomy for instant payments at the POI;
- technical interoperability requirements based on a generic four-corner hub model (defined as infrastructure ensuring connectivity between instant payment service providers);
- specifications of the minimum datasets to be exchanged between the consumer and the merchant (including derived QR-code standards) and the minimum data elements for the interoperability messages exchanged over the hub;
- sections on security and trust;
- interoperability rules;
- a high-level description of a framework governance;
- two annexes analysing models involving a payment initiation service provider (PISP) or a collecting payment service provider (CPSP) as an entity collecting transactions on behalf of merchants, and the impact each has on the interoperability of instant payments at the POI.

In addition, a joint taskforce of this working group and the European Cards Stakeholders Group (ECSG) prepared specifications to enable consumers to select their preferred payment instrument when making a payment at the POI.

The ERPB welcomed the report and suggested recommendations for follow-up work to address the technical gaps identified during the development of the interoperability framework for instant payments at the POI and to ensure that the consumer's choice of a given payment instrument to conduct a payment transaction at the POI is respected. On the basis of this further work, the ERPB would consider whether to conduct additional work on a dedicated framework to manage the interoperability rules and appropriate governance for instant-payments-at-the-POI solutions.

The European Payments Council (EPC) multi-stakeholder group on Mobile Initiated SEPA Credit Transfers (MSG MSCT) followed up on the recommendations stemming from the working group report and presented a status report at the June 2021 ERPB meeting. Taking into consideration the progress of the work at MSG MSCT level, ongoing market developments and the fact that full feedback is yet to be received through the European Banking Authority Q&A tool, the ERPB agreed to assess whether to conduct further work on the remaining elements of an interoperability framework during its November 2021 meeting. The ERPB agreed that the EPC will in the meantime conduct – with the involvement of relevant stakeholders and standardisation bodies – work on the development of a QR-code standard beyond what had already been set out in the report of the ERPB working group of November 2020, covering the requirements for such a standard as well as its governance and the process for future updates.

1.1.2 Working group on transparency for retail payment end users

This working group was established in July 2020 to make it easier for consumers to identify, from their payment account statement – whether this be in paper or electronic form – *to whom, where and when* a payment was made.

The working group provided an interim report at the November 2020 ERPB meeting and, in line with its mandate, submitted its final report at the June 2021 ERPB meeting.

The report includes recommendations for relevant actors across the payment chain (payees, payees' payment service providers (PSPs), processing entities, payment schemes and payers' PSPs) with the aim of achieving clearer payment account statements for consumers within a maximum of three years (i.e. by June 2024). These recommendations should be applied in all possible consumer to business (C2B) and person to person (P2P) use-cases where consumers make payments that are reported on a payment account statement, regardless of the payment instrument used and the format of the statement (paper or electronic).

The recommendations focus on the accuracy of data elements, which should always correspond to the payment transaction details in terms of the following.

- *To whom* a payment was made: it is recommended that all along the chain, the *commercial trade name* of the payee should be used, as this is the name most easily recognised by the consumer. In special cases, when intermediaries are involved in facilitating the transaction or in processing the payment, it is recommended to use the *commercial trade names* of both the payee and the intermediary/ies, with some additional elements enhancing clarity of the payment statement item concerned.
- *Where* a payment was made: instead of stating the payee's head office or the processing entity's location, the payment account statement should indicate the *actual, exact, geographical location* where the transaction took place. In online commerce, the commercial trade name displayed on the website or the commercial trade name of the payee's online platform should be used.
- *When* a payment was made: the payment account statement should clearly indicate the *date and time of the transaction* as known to the consumer.

It is likely that implementing these recommendations will result in the need to adapt e.g. internal systems, standards, procedures and payers' and payees' interfaces. Therefore, the working group has suggested that all payment chain participants affected by the recommendations start an analysis of the steps necessary to implement the recommendations and develop a plan for implementation. At the same time participants should begin to implement recommendations.

The ERPB endorsed the working group's recommendations and suggested a way forward for relevant payment chain participants to immediately identify the steps required to implement the recommendations and to develop an implementation plan by October 2021.

1.1.3 Working group on a SEPA API access scheme

In its November 2020 meeting the ERPB agreed to resume work on a SEPA API access scheme. A working group was set up with the mandate to identify by June 2021 further key elements of a scheme, while the legal and regulatory requirements of PSD2 represent the "baseline" elements. The work would, however, also go beyond this baseline to include value-added ("premium") services, which could be provided in the context of "open banking" as an evolution of PSD2, within the contractual framework of a scheme. These key elements should function as a foundation for a future rulebook and implementation guidelines. For this purpose, previous work was used as a starting point, including the report presented at the June 2019 ERPB meeting and the outcome of the informal workstream regarding the conditions needed for re-starting the work, which was presented at the November 2020 ERPB meeting.

The report by the working group lays the foundations for enabling the implementation of a scheme for the payment asset class, presenting refined prioritised customer journeys and business requirements (compared with the 2019 work), scheme requirements, a list of potential overlaps with other relevant initiatives, an assessment of the landscape of scheme managers and a preliminary analysis as to how APIs could be useful also for services and products beyond payments. In line with its mandate, the working group focused mainly on payment-related services to be placed under the scheme's governance, while also considering other services that could potentially leverage payments and lead to further efficiencies and innovations.

In its June 2021 meeting, the ERPB welcomed the analysis conducted and invited the EPC to assume the role as scheme manager in relation to payment accounts and to provide an update on this work at the November 2021 ERPB meeting. The EPC should ensure adequate stakeholder involvement and alignment with relevant actors (e.g. standardisation initiatives, directory service providers) and regulatory bodies in the payments ecosystem and promote the scheme's implementation.

The ERPB further supported the idea of exploring the implementation of API access schemes for financial asset classes beyond payments by identifying an appropriate host for this multi-stakeholder project and framing the ecosystem for asset classes beyond finance in order to be able to move towards an open data economy in Europe.

1.1.4 Access to and acceptance of cash

The topic of access to and acceptance of cash had been acknowledged by the ERPB in July and November 2020 as a concern that may become a crucial issue in the light of pandemic-related developments. In its November 2020 meeting, the ERPB agreed to establish a working group on this topic that would conduct, by November 2021, a stock-take of ongoing initiatives by relevant stakeholders and that would identify gaps not yet addressed which warrant further investigations. On this basis, the ERPB would consider possible next steps.

The report of the working group should provide the following.

1. An overview of the factors influencing the bank branch and ATM networks (i.e. credit institutions and, where applicable, independent ATM deployers) and a description of possible future initiatives to avoid cash supply deficits, for example in rural areas.
2. An overview of the various initiatives aiming to ensure adequate cash withdrawal and lodgement facilities, especially for small and medium-sized enterprises (which usually do not contract cash-in-transit companies to take care of cash withdrawals/lodgements and need to rely on "local" cash services).

3. An overview of obstacles to the acceptance of cash and of initiatives aiming to ensure acceptance of cash in the future.
4. An overview and evaluation of alternative ways in which other actors (e.g. retailers, post offices) could offer services to provide access to cash (i.e. cashback, cash-in-shop etc.), including possible obstacles hindering such cash services.

At its June 2021 meeting, the ERPB received an interim report on the working group's analysis.

1.2 Other workstreams

1.2.1 Instant payments

The roll-out and implementation of instant payments is continuously monitored by the ERPB, and regular updates on the adoption of the SEPA instant credit transfer (SCT Inst) scheme are provided by the EPC. The updates include, among other things, the share of payment service providers participating in the scheme in relation to all SEPA credit transfer (SCT) participants in the SEPA countries.

The last such update was given at the June 2021 ERPB meeting, according to which, as of June 2021, the number of declared SCT Inst scheme participants was 2,326 (i.e. 59% of all SCT participants in all SEPA countries). It was also noted that the payment service providers that have already joined the scheme are generally those with the most significant payment volumes and that together they represent the vast majority of payment accounts.

Some implementation issues identified by the EPC include: (i) the lack of interoperability between clearing and settlement mechanisms (in this respect the Eurosystem announced pan-European reachability measures for instant payments in July 2020); and (ii) false positive hits resulting from sanctions screening obligations at beneficiary banks as one of the main causes of unsuccessful processing of cross-border SCT Inst transactions.

The ERPB recognised the significant investment already made by the supply side in implementing instant payments and encouraged the remaining supply side participants to do the same, to ensure pan-European reach as soon as possible and support end-user take-up. This includes providing safe and efficient end-user solutions at a competitive price with the capacity to achieve pan-European reach. Furthermore, the ERPB has agreed to consider at its November 2021 meeting whether to launch an ERPB workstream on end-user communication to raise awareness on instant payments given the current perceived lack of awareness.

Moreover, the EPC informed the ERPB of the outcome of its analysis of the development of a pan-European label for instant payments at the POI. In November 2019 the ERPB had issued a recommendation in this regard, based on the report on instant payments at the POI. The EPC Board concluded that it did not see

a compelling need to continue work in this area considering the significant effort and cost that such a label would entail, as well as the potential confusion and the limited expected benefits it would provide.

Taking into account in particular the perceived consumer and merchant need for such a label, the ERPB supported work on the label being taken up in the context of the possible resumption of work on the remaining elements of an interoperability framework for instant payments at the POI.

1.2.2 P2P mobile payments

At its June 2015 meeting, the ERPB agreed on a number of recommendations to promote the vision of allowing any person to initiate a pan-European P2P mobile payment safely and securely, while using a simple method with information the mobile payment providers are prepared to share in order to facilitate the payment.

The Single Euro Payments Area Proxy Lookup (SPL) scheme was developed as a follow-up to these recommendations and was initially designed to allow the exchange of data necessary to initiate P2P mobile payments between proxy-based mobile payment solutions at a pan-European level. This service enables cross-border payments by facilitating interoperability between P2P mobile payment solutions.

As was last reported at the ERPB's November 2020 meeting by the EPC, which serves as the SPL scheme manager, the SPL scheme has no participants yet. In part this is due to potential participants waiting until others join the SPL scheme first and in part due to dependency on other market developments such as the take-up of instant payments and the introduction of new payment solutions. The EPC is monitoring the evolving market requirements (which may result in further changes to the scheme) and is promoting participation in the SPL scheme.

The ERPB restated its expectation that providers of P2P mobile payment solutions and proxy databases will join the SPL scheme in order to foster the processing of cross-border mobile payments and achieve pan-European reach. The EPC as the scheme manager is invited to update the ERPB at its November 2021 meeting on the results of its monitoring of market requirements and promotion of participation in the SPL scheme.

1.2.3 Request to pay

At its November 2020 and June 2021 meetings, the EPC provided an update on the progress towards developing a request-to-pay scheme in response to the ERPB's invitation to work on this subject in a multi-stakeholder format.

The update included the following.

- The preparation of the scheme rulebook, with the first version published on 30 November 2020 and related implementation guidelines published in February 2021. A second version of the request-to-

pay rulebook including additional functionalities should be finalised and published on the EPC website by November 2021.

- The process for participating in the request-to-pay scheme, where the EPC will require applicant providers to be accredited by an independent third party.

1.2.4 Work conducted by the ECSG

In its June 2015 meeting the ERPB invited the ECSG to provide an annual progress update on the implementation of harmonised standards for payment cards in Europe.

Correspondingly, at the November 2020 meeting the ECSG reported on the implementation of harmonised standards for payment cards, including the follow-up based on past recommendations on technical standards for payment cards.

2. Objectives and deliverables for the coming year

Following a preliminary exchange of views in November 2020, the ERPB reviewed its workplan in June 2021 and agreed on its future priorities, bearing in mind that the plan may have to be updated depending on developments.

On this basis and considering the existing workstreams requiring efforts from ERPB stakeholder associations and the scarcity of resources, the members agreed to:

- continue work as planned for the ongoing and current workstreams, i.e. the completion of the work on access to and acceptance of cash by November 2021, the follow-up actions from stakeholders, in particular those stemming from the report on transparency for retail payment end users presented at the June 2021 ERPB meeting;
- invite the EPC to conduct in a group with multi-stakeholder participation and involving relevant standardisation bodies further work on the development of a QR-code standard, detailing the requirements for such a standard, as well as its governance and process for future updates. The outcome of this work would be reported to the November 2021 ERPB meeting. This work could thereafter be broadened to other technologies such as Near Field Communication (NFC) or Bluetooth Low Energy (BLE).

In November 2021, based on the above deliverables (which may involve follow-up measures) and on the assessment of whether to conduct additional work on the remaining elements of an interoperability framework for instant payments at the POI, the ERPB will consider further priorities for the future.