



EUROPEAN CENTRAL BANK

EUROSYSTEM

The Eurosystem's retail payments strategy

Civil Society
Seminar Series

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Iddo de Jong
DG Market Infrastructure and Payments, ECB

Overview

1 Status of retail payments in Europe

2 Stakeholder dialogue

3 Retail payments strategy

4 Concluding remarks

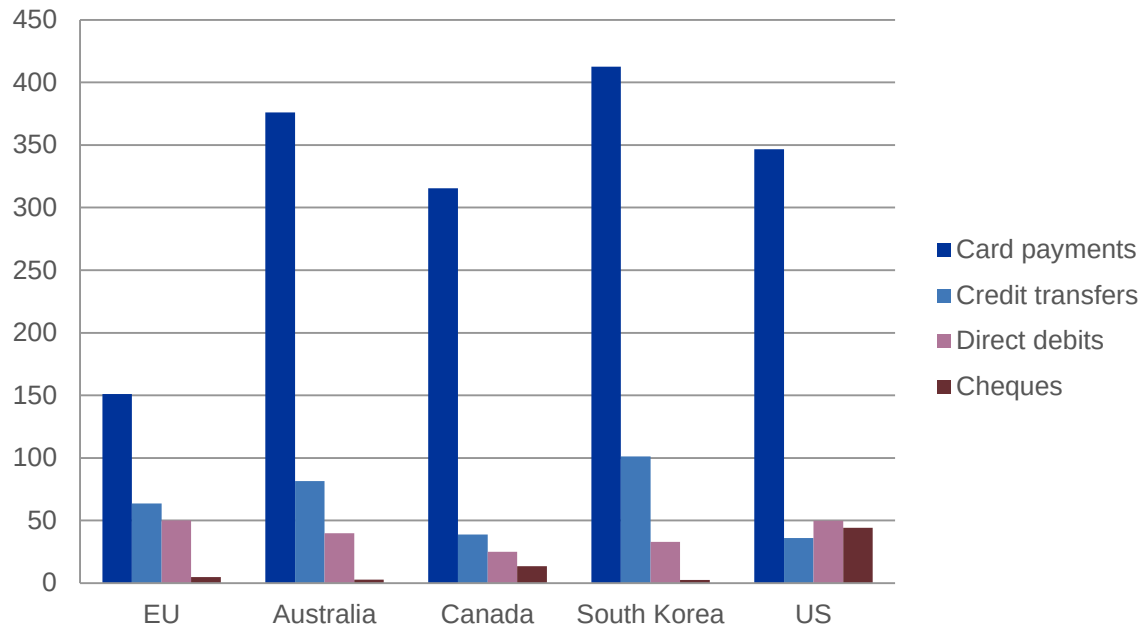
Why retail payments matter to economy and society

- The **cost of retail payment instruments** is **around 1% of GDP** (0.7% - 1.35%) **in Europe**, half borne by banks and infrastructures, about half by retailers
- The migration to electronic retail payments **spurs overall economic development**, consumption and trade
- Payment systems tend to **lead to market concentration**: scope for extraction of rent (price above costs) from consumers
- The proper design of retail payments also is important for e.g. privacy, security, fraud prevention, transparency, consumer rights



How does Europe compare

Number of cashless payments per inhabitant (2018)



- Less **cheques** than in US, Canada
- More **direct debits** than most others
- More **credit transfers** than in US, Canada, but below Australia, South Korea
- Scope to increase usage of **card payments** – or another type of payment solution?

Tasks and roles of the ECB for retail payments

- Among our basic tasks is **to promote the smooth operation of payment systems.**
- We may **provide facilities** to ensure efficient and sound clearing and payment systems.
- We shall be **consulted - and may advise -** on any proposed EU act or national legislative provision in our fields of competence.



Towards a pan-European experience

As of 1999, **payment integration** has been the focus, delivering SEPA credit transfers (SCT) and direct debits (SDD) in 2008/2009

But not yet complete:

- absence of e-mandates,
- IBAN-discrimination,
- lacking processing interoperability of automated clearing houses
- neither a pan-European card scheme(s), nor scheme interoperability
- lagging cards standardisation
- missing pan-European eID/eSignature-solutions for payments



Modernisation, innovation and competition

With **instant payments**, we modernise payments and make SEPA fit for innovations – *SCT Inst scheme launched in November 2017, deployment (59% of European banks) and uptake (8.6% of all SCT) need to follow*

With a **pan-European processing infrastructure** for instant payments, we enable full reachability – *accompanying measures being implemented by banks and Automated Clearing Houses per 21 November 2021*

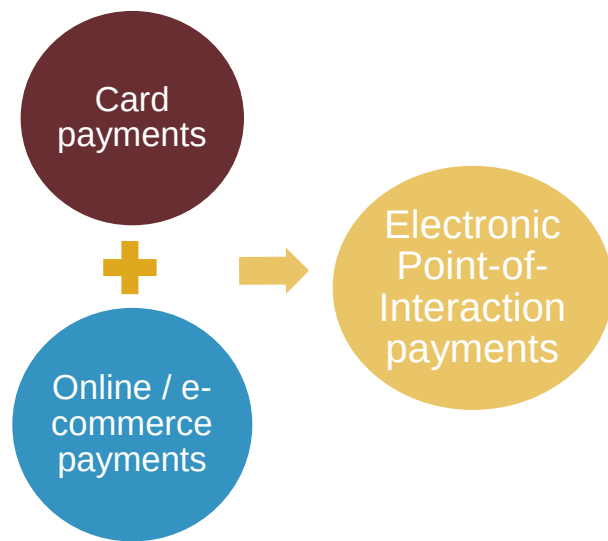
With a **modern European law**^{*}, the legal basis for innovative payment services based on access to payment account is in place – *standardisation of interfaces*^{**} *needs to continue, third-party providers and banks need to agree on functionalities*

^{*} PSD2 = revised Payment Services Directive

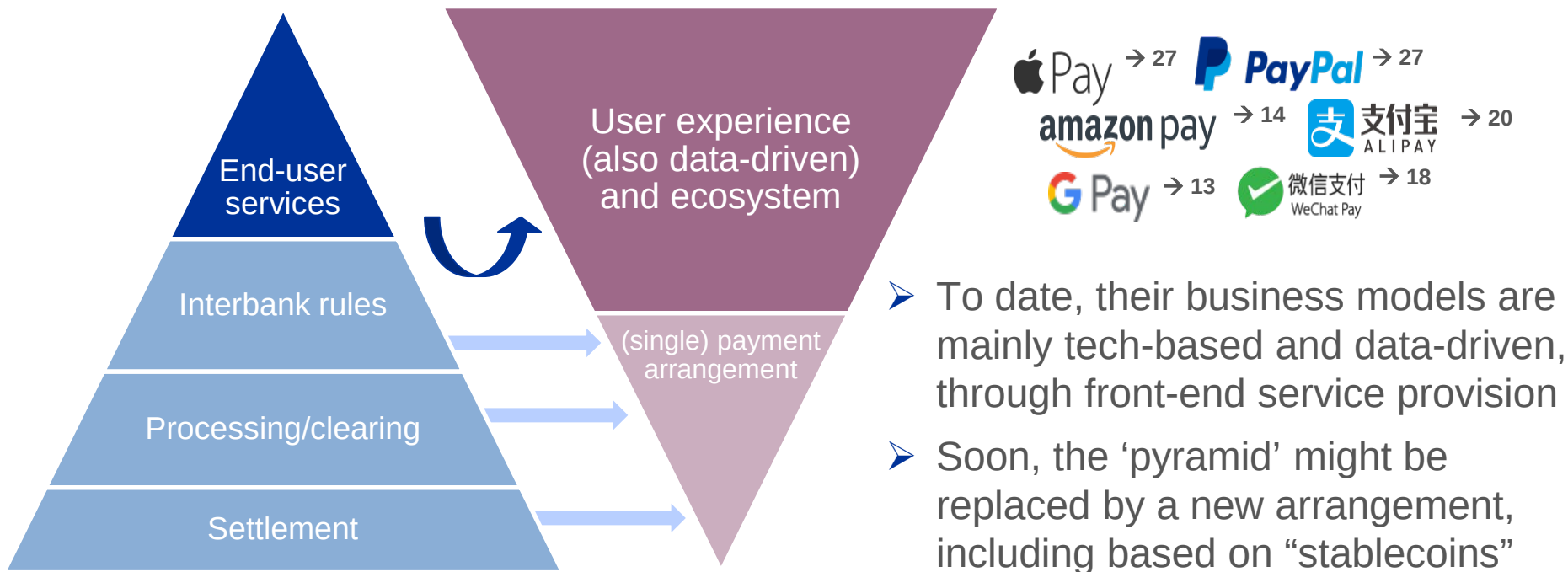
^{**} API = Application Programming Interface

European sovereignty in retail payments

- The **international card schemes** handled **70%** of card payment transactions in Europe in 2018 (up from 52.5% in 2009)
- In absence of a pan-European e-commerce solution, online payments are **dominated** by **one global provider**, followed by the two international card schemes
- **BigTech** might move more deeply into the provision of retail payments



Big Tech may fundamentally change retail payments



* Numbers indicate EU countries in which those solutions are available as of August 2020 according to the companies' websites.

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Setting common priorities - Euro Retail Payments Board

User side

BEUC

AGE Platform

EuroCommerce

Ecommerce
Europe

EACT &
BusinessEurope

SMEunited

National public
administrations



Observer



Guest



Workstreams (past and current) of the ERPB

**Post-migration issues
SEPA Credit transfer
and direct Debit**

**Pan-European e-
mandates**

**Technical standards
for card payments**

**Mobile and card-
based contactless
proximity payments**

Instant payments

P2P mobile payments

**E-invoice presentment
and payment (EIPP)**

**Payment Initiation
Services**

**Instant at point of
interaction (POI)**

**SEPA API access
Scheme**

**Broader accessibility
of payment services**

**Transparency
for end-users**

Access to cash



**Reporting to the upcoming
ERPB meeting (28 June 2021)**

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Goals of the retail payments strategy

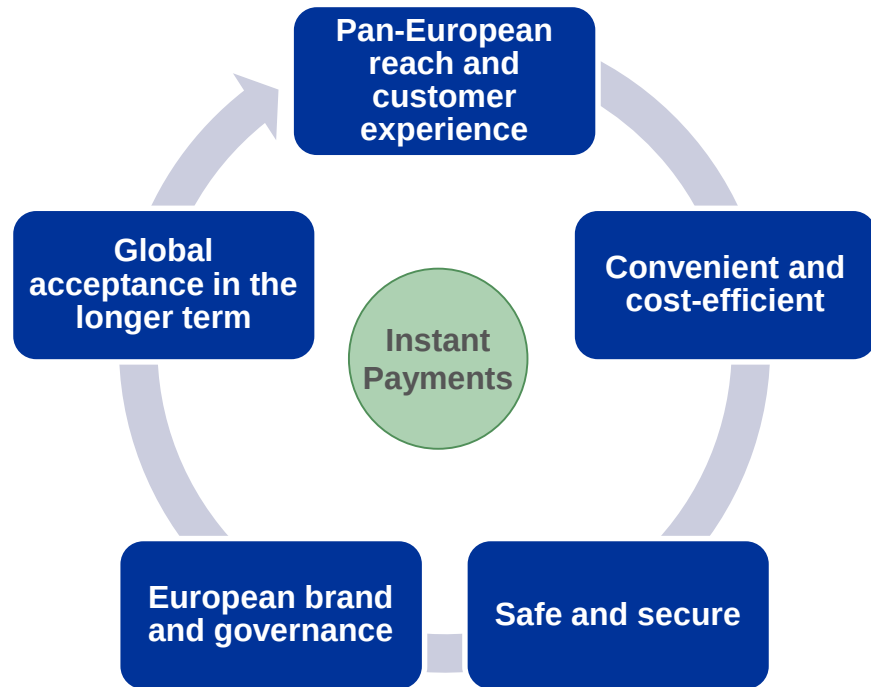
- In November 2019, the Eurosystem relaunched its retail payments strategy, with its main goal:
 - support and foster development of pan-European payment solutions in shops and online (Point of Interaction)
- In October 2020, the strategy was complemented, with following goals:
 - full deployment of instant payments,
 - improvement of cross-border payments (into/out EU),
 - support for innovation and an innovative payments ecosystem,
 - environmental sustainability of payments,
 - accessibility



Pan-European Point of Interaction payment solution

The Eurosystem will support **market initiatives** that are willing to adhere to five key objectives

- **European Payments Initiative (EPI)** welcomed by ECB and European Commission in July 2020
- We are open to engage with and eventually welcome **other initiatives**



European Payments Initiative (EPI)

- Developing solution for card, online and mobile payments with **unified card and digital wallet** usable across Europe
- Founding member banks from Belgium, Germany, Spain, France, Netherlands, Poland and Finland, + two non-bank acquirers
- Membership (non-founding) expansion at a later stage

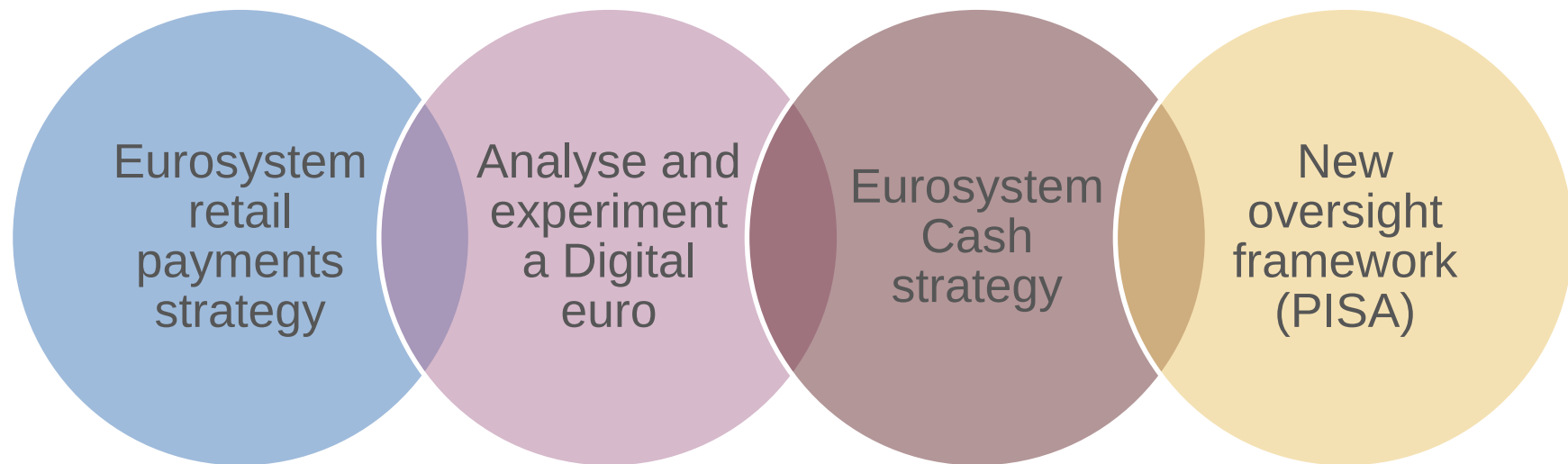


On the other strategic goals

- **Instant payments** need to be offered to all individuals and businesses under attractive conditions, and obstacles* need to be overcome.
- Improving **cross-border payments** to support people and business make and receive payments overseas (beyond euro area and EU).
- Actively supporting an **European ecosystem for payments**, opening up for innovation and competition, including by non-banks, like fintechs.
- Addressing the **environmental sustainability** of payment transactions and infrastructures.
- Ensuring all Europeans have **access** to safe, efficient and convenient payments in view of the all-encompassing digitalisation process.

* A challenge for the payments industry is the 'instant' performance of AML/CTF checks and sanctions screening.

Context: Complementary approaches by Eurosystem



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Concluding remarks

- Despite SEPA achievements, gaps remain: absent card scheme, no e-commerce payments solution, slow uptake of instant payments
- Expansion of Big Tech in payments – possibly with a completely new arrangement based on global stablecoins
- Retail payments strategy to meet European stakeholders' needs and expectations for an increasingly digital economy and society
- Preparatory work should the need arise to introduce a digital euro
- More European integration, more innovation, more competition, and more sovereignty

❑ What do European stakeholders expect of their retail payments?