RETAIL PAYMENT PRIORITIES

ULRICH BINDSEIL
Director General, DG Market Infrastructure & Payments – European Central Bank (ECB)

Retail payment priorities for the Eurosystem

Strengthening the European payments market through the creation of pan-European solutions for retail payments at the point of interaction (POI) and the enhancement of the "classic" SEPA payment instruments are at the heart of the Eurosystem's retail payments strategy. Pan-European solutions for retail payments at the POI should be governed at the European level to counterbalance the growing reliance on international card schemes and – for e-commerce – on global big tech providers. The Eurosystem welcomes market initiatives that are working towards pan-European retail payment solutions for the POI, provided they respect the Eurosystem's key objectives regarding reach and customer experience, convenience and low cost, safety and efficiency, European brand and governance, and, in the long run, global acceptance.

The second major goal of the Eurosystem's retail payments strategy is to strengthen the "classic" SEPA, primarily through the full deployment of instant payments. On the operational side, the ECB ensures that instant payments have a pan-European reach via its TARGET Instant Payment Settlement Service (TIPS). The TIPS-based interoperability solution for euro area SEPA instant credit transfer clearing houses implemented in 2022, the growth in the number of participants in TIPS and the go-live of the multicurrency functionality in February 2024 with the migration of the Swedish Krona instant payments to TIPS led to a substantial rise in transaction volumes. In conjunction with the European Commission's instant payments regulation and the industry's rollout of instant payment products and services, it will be ensured that citizens holding a payment account can make instant payments in euro, and that person-to-person and POI payment solutions can rely on them.

Another important objective is the improvement of cross-border payments. The ECB and the national central banks of the euro area support the G20 roadmap to enhance cross-border payments. In its operational role, the Eurosystem is exploring how TIPS could support cross-currency payment transactions within Europe. The ECB is also in discussion with central banks outside Europe and the BIS Innovation Hub platform Nexus to identify interlinking opportunities.

External developments of the last years have underlined the importance of the resilience of retail payments. This could be enhanced by ensuring a fallback option which is at least sufficient for a minimum service and does not rely completely on the same technology. Moreover, the resilience of each payment solution needs to be addressed. This would ideally include offline capabilities, in case of network disruptions, problems at processor level or problems at individual payment service providers.

The Eurosystem contributes to the goal of a competitive European market for retail payment services.

As the volume of digital retail payments in the euro area continues to increase the introduction of a digital euro would not need to crowd out private solutions. The Eurosystem's retail payments strategy and the digital euro project are complementary. Both aim to achieve a higher level of efficiency, strategic autonomy and resilience, as well as supporting digitalisation and innovation in retail payments. Moreover, the digital euro aims at using existing industry standards, components and technology. This would implement a digital euro efficiently and contains the investments of the European retail payments industry. The implementation of a digital euro could also help private retail payment solutions to achieve a pan-European reach and expand their use cases.

In parallel to promoting its retail payments strategy, the Eurosystem supports work on developing innovative payment services at the level of the Euro Retail Payments Board (ERPB). Notably, the ERPB has been promoting progress in open banking, which enables third-party providers to access payment account-related data with the consent of banks' customers, and to initiate payments via open application programming interfaces. This in turn allows third-party providers to offer convenient and attractive payment solutions. At the invitation of the ERPB, the European Payments Council provided a SEPA Payment Account Access scheme setting out rules, practices and standards that allows the exchange of payment accounts related data and facilitates the initiation of payment transactions of value-added services provided by banks to third-party providers.

ANIKÓ TÚRI
State Secretary – Ministry for National Economy, Hungary

Retail payments – Best protection is prevention

The ever-increasing trend towards digitalisation is also affecting the field of payment services that is why it is important to introduce a legislative pause into the system, to slow down the changes in order to create a safe legal environment for payments. We need to take control of the payment fraud trends, for example in Hungary the volume of payment fraud has been increasing by 238% compared to the previous year, which means more than HUF 23 billion (according to the data of the Hungarian Central Bank).

Hungarian Presidency puts fraud prevention at the forefront, as the most effective protection is prevention. On the Council working party meetings the Hungarian Presidency is trying to focus on fraud prevention and risk mitigation, even at the cost of reducing customer satisfaction, as it is much easier to prevent a transaction from taking place than to trace the route of the fraudulent amount.

Instant credit transfer was introduced in Hungary in 2020 and has since become a popular payment service in Hungary. In 2024, the share of instant credit transfers has been increased by 5.9% and the total value by 19.8% compared to the first quarter of 2023. The regulation on instant credit transfers in euro has been accepted and published within the EU in 2024. Based on the Hungarian practices we can underline that the instant payment service is important in terms of competitiveness, as it is a good alternative to international card schemes.

The instant credit transfer is adopted as a payment solution, since the amount will be credited to the payee's payment account within 5 seconds after the transaction is initiated, in the EU it is regulated to 10 seconds. The speed of the transfer raises some security issues, as it is almost impossible to verify that the IBAN and the payee's name match, creating a security risk. Not to mention the fact that fraudsters may be able to keep transferring the amounts continuously, until the original transaction will end up being untraceable. This is why transfers shall be made more secure in the near future.

In Hungary, the use of electronic payment solutions has intensified in recent years. Last year, the total value of electronic payment transactions amounted to HUF 1 billion, an increase of 20.8 per cent compared to 2022. It cannot be emphasized enough that the speed of growth is too fast for some consumers to adapt. It is crucial to leave a certain time period for consumers to pick up the space and learn how to safely use the new electronic payment services.

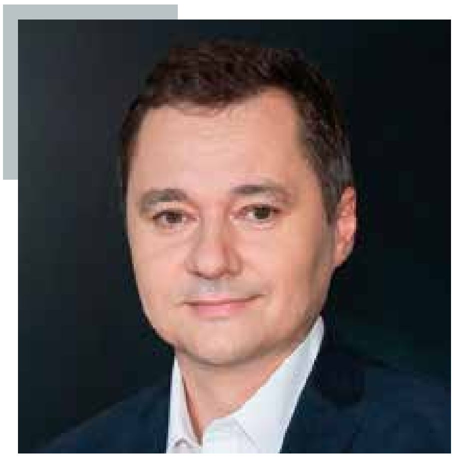
It is essential to recognise that financial literacy is key, as fraudsters' methods are becoming increasingly sophisticated and the skills of the average consumer are relatively low in comparison. Financial literacy is a shared interest and responsibility of governments and payment service providers (PSPs). The age group of 20-60 is the most targeted by fraudsters due to their active presence in social media and their data made available by online registration, so it is important to inform them about the known trends of payment fraud, and if the incident has already happened, it is important to inform them where they can report incidents.

Even during the digitalisation era it is important to consider the needs of consumers with low digital skills. That is why we are supportive towards the Payment package initiative, namely that the proposal would like to provide the benefits of safe payment services efficient against fraud (as SCA) for people who do not have access to digital devices, eg. smart phones.

Hungarian Presidency puts fraud prevention at the forefront, as the most effective protection is prevention.

As previously mentioned, prevention is a key issue, therefore a new official procedure has been introduced in Hungary, modelled on the procedure for the prevention of money laundering. The system is based off a chain of communication between the payment service user (PSU), the PSP and the Financial Intelligence Unit (FIU) of the Hungarian Tax Authority. The first step would be for the PSU to report the suspicion of a fraudulent transaction to the PSP holding its bank account. The second step would be for his PSP to inform the payee's PSP, which would report the suspected fraud to the FIU, thus starting the chain of tracing where the funds might be and then finally deciding what their reactions should be (the PSP in question has the right to block the amount for a maximum of 4 days).

One of the overarching priorities of the Hungarian Presidency is competitiveness. Thus we believe that innovation is crucial in the payment sector but it should go hand in hand with consumer protection, furthermore due diligence and financial literacy shall be part of the effective fraud prevention.



KUBA KIWIOR

Regional Managing Director,
Central Eastern Europe – Visa Europe

Visa – A network bringing innovations to everyone, everywhere

Visa enables the global movement of money and is working to provide payment solutions and services for everyone, everywhere. We facilitate secure, reliable and efficient money movement among consumers, financial institutions and merchants. We continuously strive to identify and invest in new capabilities, work with clients to help secure the payments environment and take action to improve the security, integrity and resiliency of our network. Our network can handle up to 65,000 transactions a second; allowing 27 different ways to route each transaction across over 10 million miles of network cables – that is enough to circulate the Earth four hundred times – at an unrivalled 99.999% network availability. Over the past five years, Visa has invested over $10 billion in technology, including to reduce fraud and enhance cybersecurity resilience, helping to keep the share of our transactions with fraud present down to historic lows of 0.1%. To put that in perspective, Visa prevented over EUR 40 billion in fraud on our network last year alone.

Visa has been at the vanguard of innovation in payments since its founding in the 1950s with the first consumer credit cards, and we are constantly thinking about the next big payment innovations, and how we ensure they are accessible to all in line with regulations around the globe. Visa runs an open network enabling our members to take advantage of our technology and security to constantly innovate and access best-in-class innovation. Technology has already improved many aspects of how people and communities interact with each other, but the best services are those that are personalised and tailored to the specific needs of each person.

If you think about contactless, it has been one of the most defining trends in how consumers shop over the past few years. But it didn't start off that way. Visa started working on contactless technology over 15 years ago and today 9 out of 10 face-to-face transactions in Europe are made using contactless. This also drove a huge appetite for other more seamless payment experience, such as simpler payments on the metro and out on the high streets. Over the last 10 years, Visa has also further enhanced security across the payment ecosystem through tokenisation – a technology that replaces sensitive payment data with a cryptographic key that conceals sensitive payment data. We believe that tokenisation is the next step on that journey - whilst this technology is already making payments more seamless and secure in use cases such as mobile payments, it is a powerful tool for facilitating experiences of the future.

Policy and regulation can be an important catalyst for fostering innovation and competition in payments taking into account privacy and strategic autonomy. The European Commission's 2020 Retail Payments Strategy set an ambitious precedent for what the European Union (EU) could achieve for the development of retail payments. Going into the next European Commission mandate, we observe that Europe's payment landscape continues to be well-functioning, dynamic and competitive – with new domestic and cross-border options emerging across a range of networks; card, SEPA instant credit transfers and new forms of digital currencies.

At the same time, whilst the policy frameworks themselves achieve many of the right objectives, we observe that the implementation of EU regulation remains a pain point for industry – particularly smaller players. Given the wealth of regulation currently in force, or soon to be adopted, Visa recommendation is to focus on these implementation challenges before any additional regulatory requirements are introduced with a view to promote competitiveness across a level-playing field.

We believe tokenisation is the next step to deliver seamless payment experience.

Much of the recent policy framework includes significant regulatory and implementing technical standards or regulatory guidance, and many of these additional measures will need to align. We observe that this additional implementation work may require further trade-offs and clarifications which make industry implementation difficult, and the uptake of EU rules complex and potentially disruptive.

The holistic and ambitious range of incoming regulatory requirements mean that industry will require significant support to shape necessary investment decisions required over many years to give effect to regulatory changes. These investment decisions vary by market participant, and cycle for industry upgrades – noting that peak retail periods do not permit major technology investments to be made. We look forward to working with the European Commission on this journey into the future of payments.

JUAN ORTI

Country Manager Spain, Vice President & General Manager Spain & Benelux International Card Services – American Express

Shaping Europe's payment future: getting PSD3 and PSR right

As Europe's payment ecosystem continues rapidly to evolve, the proposed Third Payment Services Directive (PSD3) and Payment Services Regulation (PSR) offer a unique opportunity to redefine the continent's financial landscape. These regulations must strike a delicate balance: fostering innovation while ensuring security, and promoting competition while maintaining stability.

Recent data underscores the necessity of this regulatory evolution. The Deutsche Bundesbank, for instance, reports in its 2023 study on payment behaviour in Germany, that while cash still accounts for 51% of point-of-sale transactions in Germany, its use is declining rapidly. Since the previous study in 2021, cash use has dropped 7 percentage points. Meanwhile, mobile payments have tripled since 2017, and 80% of Germans now have access to real-time transfers. The European Central Bank's SPACE report reveals a surge in contactless payments across the Euro area, from 41% in 2019 to 62% in 2022. These trends highlight a clear shift towards digital and innovative payment methods.

To harness this momentum and create a truly competitive European market, PSD3 and PSR must address several key areas:

Harmonisation of Surcharging Rules: The current patchwork of surcharging regulations across Member States has inadvertently hindered innovation and limited consumer choice. Already adopted in the majority of Member States, a comprehensive EU-wide ban on surcharging for all payment instruments would protect consumers, improve user experience, and create equal opportunities for all providers. This could particularly benefit smaller businesses expanding across borders, reducing complexity and costs.

Enhanced Passporting Rights: To truly foster a pan-European market, payment institutions need the ability to operate seamlessly across the EU. Eliminating the 12-month credit term limitation would level the playing field between banks and non-bank providers. This could lead to more diverse credit offerings, particularly benefiting consumers and SMEs in smaller Member States.

Risk-Based Approach to Strong Customer Authentication (SCA): While security is paramount, overly rigid authentication requirements can hamper user experience. The proposed PSR's revised approach to SCA is a step in the right direction. Explicitly allowing behavioural biometrics as part of the 'inherence' factor could significantly improve ease of use, especially for less tech-savvy customers, without compromising security.

Addressing Social Engineering Fraud: As digital transactions increase, so does the risk of sophisticated fraud. A holistic approach, including telecommunications providers and online platforms, is essential. Implementing a carefully balanced shared liability regime would incentivise all actors to prevent fraud, creating a safer ecosystem for consumers and businesses alike.

Fair Access to Payment Infrastructure: The cornerstone of an open market is ensuring all licensed payment service providers have non-discriminatory access to essential infrastructure. While progress has already been made on access to the interbank payment system, the same needs to be replicated in all other areas, including the Digital Euro.

These policy recommendations aim to create an environment where innovation thrives, and consumers benefit from enhanced choice and security.

The success of PSD3 and PSR will ultimately be measured by their ability to foster a payments landscape that is not just technologically advanced, but also inclusive, secure, and responsive to the needs of all market participants. By prioritising open competition, cross-border operability, and robust security measures, these regulations can set a new global standard.

PSD3 and PSR offer a unique opportunity to redefine the continent's financial landscape.

As Europe navigates this important moment, the stakes are high. Get it right, and the EU could become a global hub for payment innovation, attracting talent and investment while providing consumers with unparalleled choice and security. Get it wrong, and Europe risks falling behind in the rapidly evolving digital economy.

The path forward requires careful consideration and ongoing dialogue between regulators, industry players, and consumers. Only through this collaborative approach can Europe hope to create a payment ecosystem that truly serves the needs of its diverse population while maintaining its competitive edge on the global stage.

PERRINE KALTWASSER

General Manager of Risk, Compliance and General Counsel, of the Conglomerate & Member of the management board – La Banque Postale

The digital wallet is fully part of the future of payments in Europe

Banks have been playing a leading role in the development of SEPA payment instruments in Europe, the last being Instant Payment (IP), with increasing transactions following the entry into force of the IP regulation. The launch of the single currency in 2002 was also an important milestone.

However, cards were left out, while they account for a large part of the EU transactions. Popular with customers and based on both national and international networks, the card has failed so far to find a European way. Technological developments, particularly the rise of digital wallets, could constitute a response to this European gap.

The rise of wallets is linked to a simple, fluid and efficient payment experience

The world of payments is experiencing major changes in uses due to technological innovations such as mobile, contactless or instant payments, and digital wallets. The latter are booming all around the world. According to the Global Payment Report 2024, cards remain globally the preferred payment method in physical points of sale (52% of expenses, versus 30% for wallets) while in e-commerce, wallets and cards account respectively for 50% and 35%. The report predicts that by 2027, the relative weight of cards will drop by around 10 points in favor of wallets.

Mobile phones are now at the heart of all citizens' uses. Paying with a smartphone is widely accepted and adopted, especially among young people. Besides, the volume of new users is set to increase over the coming years, depending on the intention of use.

Customers' expectations are converging towards increasingly fluid and easy shopping journeys: mobile payment undoubtedly makes the act of payment fast and seamless. In Europe, Apple's recent decision to allow the use of all wallets on its iPhones, to avoid antitrust sanctions from the European Commission, may fuel an additional incentive for individuals and merchants to turn to digital wallets.

As payments go more digital, maintaining confidence in the payment system is a challenge for key stakeholders. Regarding security matters, the digital wallet happens to bring a relevant solution to reduce the risk of fraud.

Indeed, mobile payments are secured by authentication methods that are difficult to reproduce (fingerprint, face shape, voice recognition, etc.), making it almost impossible to pay with someone else's smartphone. Connecting to a phone designated as a trusted device and using biometrics or secret code to validate a payment via the application meets the requirements of strong customer authentication required by the European Commission to secure payments.

La Banque Postale supports Wero, the digital wallet for 450 million European citizens

La Banque Postale pays attention to changes in the uses and needs of its 10 million active retail customers and provides them with the best innovations combining practicality, fluidity, and security.Given the strong growth in contactless payment volumes and customers' appetite for existing wallets, La Banque Postale supports the development in Europe of a digital wallet for the benefit of all European customers and merchants. This development is even more necessary given the absence of a European card scheme.The EPI wallet will respond to all traditional uses of payments, be it peer to peer, between individuals and professionals, in-store or online, and will offer consumers and merchants a pan-European payment option for most of their payment transactions. These different services will be implemented step by step until 2026. For example, in France, Wero will replace the transfer service between individuals called "Paylib entre amis", which benefits from good brand awareness (nearly 50%) and has around thirty million registered users (compared to 15 million in 2020).

The European digital wallet meets customer expectations and new uses.

Payments are a strategic area for Europe, and the wide distribution and use of a European wallet is a major issue in which La Banque Postale, shareholder of EPI and distributor of Wero, intends to fully participate.

To achieve the EU single payment market, a pan-European solution for both face to face and remote payment is necessary. As far as it can reach the critical size quickly (banks, countries, merchants), with the support of European authorities, EPI and its wallet Wero will be able to achieve this ambition.

Nevertheless, such a target also requires focusing on the development of this innovative and disruptive solution, and on its adoption by European consumers. That implies giving visibility to all stakeholders (distributors and consumers) and identifying initiatives likely to directly compete with it. In this perspective, the digital euro project should be considered with caution.