

EFA position paper on European Retail Payments

Introduction

The EFA fully supports the European Commission's vision for retail payments including safe, fast and reliable payment services to European citizens and businesses and a competitive, innovative payments market.

Top-line policy positions

- EFA supports a **competitive payments landscape** in the EU and welcomes new alternatives to existing payments solutions available in the European Union.
- **Instant payments** will deliver significant benefits to consumers and SMBs across the EU. EFA supports the Commission's ambition to accelerate the pace of adherence to SEPA Instant Credit Transfer (SCT Inst) by the end of 2021 and mandatory adherence to SCT Inst for consumer-facing PSPs. Instant payments should quickly become the new normal and not a 'premium' product for consumers.
- Removing cross-barriers to **digital identification** will allow consumers to benefit from innovative, affordable financial services across the Single Market - and help fintechs scale up.
- **PSD2's open banking requirements** provide a good foundation for new players to emerge. Banks should be encouraged to fully implement it and use it for their own purposes rather than creating new proprietary payment systems undermining the success of open banking.
- **Fair access to crucial payments infrastructure** to non-banks will contribute to cheaper and faster payments for consumers, enable more competition in the market and mitigate the effect of de-risking

Fast, convenient, safe, affordable and transparent payment instruments with pan-European reach

- Instant payments would offer merchants instant access to liquidity rather than having to wait for a two-day card settlement, which would positively impact European SMEs.
- Opportunistic pricing of SCT Inst leads to inconsistent use and uptake. EFA believes instant payments should not become 'premium' products for consumers.
- SCT Inst is an established framework at EU-level which could allow for new competitors. SCT Inst could be the basis for PIS to be utilised at any point of interaction (POI), including POS, and also in combination with payment requests for billing and collections.
- In order to compete with existing solutions, PIS at POI and with payment requests must offer competitive functionality, pricing, speed and convenience.
- SCT Inst based push payments minimize the exposure of consumer data and thereby reduce fraud already by design. However, the current level of consumer protection in relation to SCT Inst may have to be enhanced if it shall become an everyday payment instrument in a retail environment.

- The EFA fully supports enabling cross-border and domestic interoperability of digital identification methods. Their use for Strong Customer Authentication (SCA) in retail payments could be particularly beneficial and would ensure their widespread and frequent use.
- The EU should take further action to eliminate IBAN discrimination, a major barrier to citizens living, working or doing business cross-border
- While PSD2 achieved its ambition to foster innovation, with more than 400 non-bank companies now authorised as payment initiation service or account information service providers, its implementation in regard to the new payment services is not yet successfully achieved.
- All initiatives further fostering PSD2's implementation and its review must consider a necessary higher level of technology-neutral regulation, national specifics, esp. regarding any pre-PSD2 best practise and the different status quos of member state markets.
- The introduction of SCT Inst will be a quantum leap for PIS enabling numerous new real-time use cases, in particular for the use of PISPs at POS.
- Considering related initiatives like Open Finance, the EU should focus on the impact of account information services compared to the past, where the Payment Initiation Service often was in focus of discussions, and maybe consider regulating AIS under GDPR.
- As outlined in the European Commission's Strategy, it should be ensured that legal and regulatory provisions for Third Party Providers (TPPs) that are far beyond risk-based and proportionality principles are addressed.

Access to safe, efficient and interoperable retail payment systems and other support infrastructures

- We see a role for the European Commission in promoting the uptake of TIPS, which could help interoperability of different national initiatives.
- The EFA supports fair access to infrastructure by expanding the scope of the Settlement Finality Directive to cover electronic money institutions and payment institutions.
- This will promote competition, enable faster and cheaper payments for consumers, and reduce concentration risk as non-banks increasingly rely on a handful of market players for access.

Improved cross-border payments, including remittances, facilitating the international role of the euro

- EFA supports transparency in financial services, including cross-border payments.
- EFA supports the Commission's plans to assess the need for further transparency measures for cross-border payments in the framework of the PSD2 review.
- We also support the Commission's goal to facilitate remittances, and in particular digital remittances, in the context of the COVID-19 crisis.