

EFA -Statement on the European Payments Initiative

- **The European FinTech Association (EFA) supports the European Commission’s aim to encourage a more innovative and competitive EU retail payments market. EFA believes the European Payments Initiative (EPI) can contribute to this objective.**
- **The main purpose of EPI should be to bring European players together to develop innovative products that leverage SEPA infrastructure and deliver better end-user outcomes than what other players in the market currently offer.**
- **This should be done under fair competitive conditions and same regulatory treatment. This includes leveraging instant payments and actively collaborating with FinTechs and other innovative payment service providers in the EU. EPI and other instant payment and wallet solution offerings by other providers should operate on a level playing field.**

The European Fintech Association (EFA) supports the European Payments Initiative’s (EPI) mission to strengthen the integration, efficiency and safety of the European payments market. Reducing fragmentation in cross-border retail payments will strengthen Europe’s strategic autonomy by introducing a stronger competitive force vis-a-vis existing players. EFA welcomes the decision of the EPI members to focus on the development of an Instant Payments solution to ensure efficient pricing outcomes and increase competition in retail payments. To pursue this common goal, EFA wants to bring attention to the shortcomings in both the design and policy choices surrounding the EPI that may lead it down the road of previous failed pan-European payments projects. More importantly, EFA wants to caution the paths that might prevent the EPI from contributing to the strategic pillars of the Retail Payments Strategy, in particular achieving an innovative and competitive retail payments market with increasingly digital and instant payment solutions with pan-European reach.

Firstly, as stressed by the European Central Bank (ECB) in its statement of support for the EPI, the project must aim to encompass the entire European Union. More than geographical in nature, this duty extends on to the EPI to actively embrace FinTechs and other payment service providers serving consumers and merchants with innovative offerings across Europe. The ECB and European Commission (EC) should encourage the EPI to fulfil its promises to transparently collaborate with other players in the payments value chain. Additionally, the Commission needs to ensure that the founding partners of the EPI do not put third-party providers at a competitive disadvantage. Similarly, we believe that EPI, a private initiative by established banks and payment service providers, should also be privately funded in order to prevent a competitive advantage over emerging third-party providers.

The transition to instant payments promises to bring significant security, efficiency, and cost benefits to merchants and consumers. However, it has been notoriously slow in Europe, especially for retail payments at the point-of-sale. The European FinTech community is driving the adoption of instant payments and continues to make significant investments towards creating this new and modern system of European payments. Not appropriately recognising these as part of a new pan-European solution would mean not

recognising the significant innovations that FinTechs are building to help construct a Single European Payments Area. We therefore ask the ECB and the European Commission to urge the EPI to clarify how they intend to leverage Instant Payments. Any institutional support for the initiative should be conditional on its adoption of SCT Inst front-end solutions for both peer-to-peer (P2P) and peer-to-business (P2B) transactions.

Moreover, supporting the Instant Payment solutions developed by the EPI or any other Fintech requires action by the European Commission to ensure a level-playing field in the competition *between* payment systems. This would create potential to foster adoption of other payment methods such as account-to-account, especially for POS transactions.

The pursuit of a payment system that is truly European, both in terms of infrastructure and governance, is commendable and important. However, this will not fulfil, on its own, the promise of the EPI as a better option for merchants and consumers across Europe. The main purpose of the EPI should be to bring European players together to develop innovative products that leverage SEPA infrastructure and deliver better outcomes than what other players in the market currently offer – under fair competitive conditions. This will be determined by a series of design and policy choices that ensure the project and its surrounding regulatory landscape remain aligned with the EU’s Retail Payments Strategy.

About us:

The European FinTech Association (EFA) is a not-for-profit organization representing leading FinTech companies of all sizes from across the EU. It brings together a diverse group of 35+ FinTech providers ranging from payments, to lending, banking, robo-advice, investment as well as software-as-a-service for the finance sector, with a clear focus on enabling a single market for digital financial services.

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