

Public consultation feedback

EPC122-20
Version 1.0
Date issued: 23 June 2020



European
Payments Council

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Internal Use

Approved

EPC feedback to EC public consultation on a retail payments strategy for the EU

Question 10. Please explain how the European Commission could, in the field of payments, contribute to the EU's economic independence:

The European Commission should contribute to a well-functioning digital payments market in the EU by ensuring a level playing field as well as a harmonised, economically and operationally sustainable regulatory framework for payment services developed and operated by European Payment Service Providers (PSPs).

Question 11. Please explain how the retail payments strategy could support and reinforce the international role of the euro:

The international role of the euro largely depends on the strength and performance of and resulting trust in the European economy which would allow European companies and individuals to use the euro as transaction currency in their economic interactions with non-EU counterparties. European PSPs, payment schemes and infrastructures can also contribute to this role by efficiently meeting market needs for international euro payments. The EU regulatory framework should enable the European payment industry to compete effectively and on a level playing field basis in the global payments market. What is still required is that EU payment infrastructures interoperate with those of third countries. The EU authorities and regulators from other parts of the world could encourage a dialogue between payment industry players and facilitate it if requested by the payment industry. However, the EPC sees no need for any specific legislative initiative from the Commission for 'one-leg' payments.

Question 12. Which of the following measures would in your opinion contribute to the successful roll-out of pan-European payment solutions based on instant credit transfers?

N.A. stands for "Don't know / no opinion / not relevant"



1

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
a. EU legislation making Payment Service Providers' (PSP) adherence to SCT Inst. Scheme mandatory	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. EU legislation mandating the replacement of regular SCT with SCT Inst.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. EU legislation adding instant credit transfers to the list of services included in the payment account with basic features referred to in Directive 2014/92/EU	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Development of new payment schemes, for example SEPA Direct Debit Inst. Scheme or QR interoperability scheme?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Additional standardisation supporting payments, including standards for technologies used to initiate instant payments, such as QR or others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Please specify what new payment schemes should be developed according to you:

Explicit market demand must be the driver for the creation of new payment schemes. The broad take-up of a SEPA-wide scheme depends on whether its features and processes as well as the underlying standards and technical specifications, add value for payment end-users and PSPs. An illustration of this is the current development by the EPC of a SEPA Request-To-Pay (SRTP) scheme which is clearly driven by market demand and closely involves stakeholders. The EPC runs a regular, open SEPA payment scheme change management process (including a three-month public consultation) as well as standing stakeholder forums. This allows stakeholders to express their opinions on and wishes for amendments to the existing EPC payment schemes or the creation of new schemes. To date, the EPC has not received requests from a significant range of market players to make the SCT Inst scheme mandatory or to develop new payment schemes alongside the four existing SEPA payment schemes.

Please specify what kind of additional standardisation supporting payments should be developed:

The EPC notes the ongoing efforts in the standardisation of payment initiation and reconciliation in the Customer-to-PSP space and in the PSP-to-Customer space. The EPC however considers these two spaces primarily as competitive areas for PSPs and other service providers.

Nevertheless, before any kind of standardisation is undertaken, well-established, stable and trusted technologies should be selected that can support the convenient and safe initiation of PSP account-to-PSP account electronic payments at the Point of Interaction (PoI) or for B2B use cases (linked to e-invoicing). This would help PSPs to market much faster their front-end payment solutions and end-users to accept and use them much more easily and in a harmonised way across the EU.

Please specify what other measures would contribute to the successful rollout of pan-European payment solutions based on instant credit transfers:

First full interoperability between all SCT Inst scheme-compliant Clearing and Settlement Mechanisms (CSMs). The EPC welcomes the Eurosystem's initiative to facilitate the emergence of a 'single CSM-connection' model providing PSPs with an efficient way to get full SEPA reach including the possibility to rely on a single liquidity pool.



Secondly the roll-out of the SRTP scheme supporting instant credit transfer-based payment solutions, to start by the end of 2020.

In addition, the harmonisation and/or interoperability of solutions for the initiation of SCT Inst-based (mobile) payments notably at the physical or online Point of Interaction (PoI) across SEPA, will foster the take-up of SCT Inst.

Among other efforts led or facilitated by the EPC the new SEPA Proxy Lookup (SPL) scheme is to be mentioned as it allows end-users to pay in a much easier way by initiating a payment using a proxy (e.g. a mobile telephone number or an e-mail address, to which the IBAN of the payee is linked).

Question 13. If adherence to SCT Inst. were to become mandatory for all PSPs that currently adhere to SCT, which of the possible following end-dates should be envisaged?

- ☐ By end 2021
- ☐ By end 2022
- ☐ By end 2023
- ☐ Other
- ☒ Don't know / no opinion / not relevant

Please specify what other end-date should be envisaged if adherence to SCT Inst. were to become mandatory:

The EPC does not advocate a mandatory end-date. The latest SCT Inst adherence status shows that the scheme meets the EU-wide condition of Article 4 of the 'SEPA Regulation' but not yet the Member States-related one. However, in terms of reachable payment accounts, the SCT Inst scheme's penetration is already very broad across the euro area where the availability of SCT Inst is a reality for a vast majority of citizens. The EPC believes that a critical mass of scheme participants and reachable payment accounts will be achieved in due course through a natural, market-based process based on the benefits of the SCT Inst scheme for end-users and PSPs, however recognising the significant investment and operational changes required at PSP level. If an end-date would nevertheless be envisaged, it should only cover the receiving side, and distinct end-dates should be set for respectively eurozone-based PSPs and PSPs outside the euro area; an exception should be provided for 'niche players' without a business case for a rapid move to SCT Inst.



Question 13.1 Please explain your answer to question 13:

In 11 euro countries a vast majority of payment accounts are already reachable for SCT Inst. The increase of the maximum transaction amount to €100,000 and the launch of the SRTTP scheme will make SCT Inst even more attractive. All stakeholders can propose changes to enhance the SCT Inst scheme.

An obligation for all SCT participants to join SCT Inst must be considered with care.

In 8 EU countries the euro is not the local currency and PSPs' euro transaction volume is tiny compared to their national currency credit transfer volume. In case of a regulatory mandate the 2-step approach of the SEPA migration should be replicated.

For some SCT participants payment services are not a core business and there is no business case to invest in and operate SCT Inst. They indeed serve specific market niches, service a low number of payment accounts, or process a very low number of payments. When their customers wish to send or receive urgent euro payments, Target2 or EURO1 meets their needs.

Question 14 - In your opinion, do instant payments pose additional or increased risks (in particular fraud or money laundering) compared to the traditional credit transfers?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

Question 14.1 - If you think instant payments do pose additional or increased risks compared to the traditional credit transfers, please explain your answer:

SCT Inst is by design as secure as the "normal" SCT and currently has low fraud rates. The additional risks solely come from the high execution speed inherent in instant payment schemes. The number of fraudulent attempts to make instant payments can grow very quickly in a short period of time, especially when full European reachability will be achieved. PSPs will not have time to quarantine or block suspicious transactions after initiation. Therefore, all security and monitoring measures need to be applied in real time and in an automated way before the transaction is executed to prevent fraud. 'False positives' in fraud detection could however negatively impact user experience. The recovery of funds after a fraudulent transaction will hardly be possible as the money is immediately and irrevocably available to the beneficiary who can immediately transfer it further. The additional risks and need for extra mitigating measures (e.g. strengthened and harmonised KYC procedures) are to be further assessed as PSPs accumulate experience and SCT Inst volumes grow. This is a key priority for the EPC.

Question 15. As instant payments are by definition fast, they could be seen as aggravating bank runs. Would an ad-hoc stopgap mechanism be useful for emergency situations, for example a mechanism available to banks or competent authorities to prevent instant payments from facilitating faster bank runs, in addition to moratorium powers (moratorium powers are the powers of public authorities to freeze the flow of payments from a bank for a period of time)?



- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 15.1 If you think an ad-hoc stopgap mechanism would be useful for emergency situations, please explain your answer and specify under which conditions:

Due to the existing SCT Inst scheme's conditions and limitations, the EPC does not see a potential risk of SCT Inst *per se* "aggravating bank runs". We refer to the SCT Inst scheme's maximum transaction amount of 100,000 EUR (as of 1 July 2020) and the pre-funding settlement model adopted for SCT Inst across Europe.

Furthermore, SCT Inst scheme participants generally apply limits (e.g., an aggregated daily value limit and/or an individual transaction value limit) for their customers making SCT Inst transactions. Such limits can be adapted very fast to react to exceptional situations. This is in a way similar to the management of daily ATM withdrawal limits. These limitations are mainly aimed at protecting PSPs and their customers against fraud. Public authorities should be able to take exceptional measures in case of emergencies.

Question 16. Taking this into account, what would be generally the most advantageous solutions for EU merchants, other than cash?

- ☒ Card-based solutions
- ☒ SCT Inst.-based solutions
- ☒ Other
- ☐ Don't know / no opinion / not relevant

Please specify what other solution(s) other than cash would be the most advantageous for EU merchants:

Question 16.1 Please explain your answer to question 16:

Generally speaking, merchants accept a variety of non-cash payment methods to ensure customers can settle their purchases. All such methods (i.e., card-based, SCT Inst-based, other) can therefore be considered relevant. Merchant choice is driven by several factors (convenience, price, customer preference, etc).

Question 17. What is in your view the most important factor(s) for merchants when deciding whether or not to start accepting a new payment method?

N.A. stands for "Don't know / no opinion / not relevant"

	1 (unimportant)	2 (rather not important)	3 (neutral)	4 (rather important)	5 (fully important)	N. A.
Merchant fee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The proportion of users using	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>



that payment method						
Fraud prevention tools /mechanisms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Seamless customer experience (no cumbersome processes affecting the number of users completing the payment)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Reconciliation of transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Refund services	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify what other important factor(s) you would foresee:

- Additional costs (e.g. investment for purchasing, updating or maintaining hardware or software)
- Interoperability with already existing payment methods and easy integration (e.g. with the sale system), for which the use of standards might be considered
- Commitment from and cooperation among all parties involved in the payment value chain while meeting their requirements and expectations
- Challenge of integration of new payment solutions into multiple consumer devices and across multiple channels
- Agreements needed on new business models in the overall ecosystem (with local and global players, payment and non-payment related)
- Speed and efficiency of the payment transaction
- Impact on the 'conversion rate' (for e-commerce merchants)
- Merchant's knowledge of multiple payment solutions
- Easy to implement
- Clear and easy to understand scheme rules (e.g. liability).
- Robust and reliable payment solutions – always accessible (e.g. offline capabilities)
- Easy access by customers to PSP support (e.g. helpdesks) when problems with payments occur

Question 17.1. Please explain your answer to question 17:



Merchants accept a new payment method if they expect it to improve their business by driving sales. Key factors are the level of usage and number of users, pricing and user experience but implementation and maintenance costs are also a relevant consideration. In e-commerce, the level of use and a low abandonment ratio (through speed and convenience) are the two most important factors. Payment guarantee and security (and fraud prevention tools) are also important criteria for merchants especially in e-and m-commerce.

Merchants strive to strike a balance between the need to offer a variety of payment methods to match consumer demand and not creating consumer confusion due to a proliferation of options.

The integration of the payment method should not require significant efforts on the merchant side. Reconciliation of transactions is particularly relevant for larger merchants.

Multi-channel availability and multi-device usability are key success factors for a new payment method. Consumers must be able to use the method on all devices and in all payment contexts.

Question 18. Do you accept SEPA Direct Debit (SDD) payments from residents in other countries?

- ☒ Yes, I accept domestic and foreign SDD payments
- ☐ No, I only accept domestic SDD payments
- ☐ I do not accept SDD payments at all
- ☐ Don't know / no opinion / not relevant

Question 18.1 If you do accept SEPA Direct Debit (SDD) payments from residents in other countries, please explain why:

The EPC has Members and scheme participants throughout Europe from which annual fees are collected by direct debit (SDD). Acceptance of SDDs irrespective of the debtor's country ensures compliance with the 'SEPA Regulation' (Article 9).

Question 19 – Do you see a need for action to be taken at EU level with a view to promoting the development of cross-border compatible digital identity solutions for payment authentication purposes?

- ☐ Yes, changes to EU legislation
- ☒ Yes, further guidance or development of new standards to facilitate cross-border interoperability
- ☐ Yes, another type of action
- ☐ No, I do not see a need for action
- ☐ Other
- ☐ Don't know / no opinion / not relevant

Please specify what other need(s) for action you would foresee or what other type(s) of action you would recommend:

As long as no single standard is adopted within the EU, cross-border activity will be hampered not only for payments but also in other areas of financial services.



Implementation of the EU eIDAS Regulation and compatible identity solutions still seems to be fairly low in EU Member States. The eIDAS Regulation may however provide a good starting point for cross-border digital identity solutions within the EU. Regarding payments, this framework could be built upon alongside existing SCA solutions and enable a more streamlined SCA experience for customers across Europe.

Industry-wide cooperation with involvement of relevant European stakeholders and support from EU institutions should aim at defining a security and liability model that fosters trust and acceptance by end-users.



Question 19.1. Please explain your answer to question 19:

End-user trust and acceptance and PSP support largely depend on a sensible balance between cost, security and liability. The main focus at EU level has been to set up a framework for cross-border use of digital identity solutions. There however seems to be a lack of wide scale implementation and harmonisation between PSD2 and eIDAS. National identity schemes are efficient and will play a major role in future. Mutual recognition and acceptance of existing identity solutions could be a first step. In the long run it would be crucial to have a comprehensive and internationally agreed digital identity assurance framework based on eIDAS to facilitate the use of harmonised digital identity systems across EU jurisdictions in addition to existing SCA solutions. Adherence to global standards should also be considered as identification and e-commerce do not stop at EU borders. Other issues such as AML and KYC should also be addressed (e.g. through harmonised rules); it is indeed not only a matter of technical interoperability.

Question 20 - What are the main factors contributing to a decreasing use of cash in some EU countries?

Please rate each of the following factors (on a scale of 1 *irrelevant* to 5 *fully relevant* or N/A):

- Convenience of paying digitally **5**
- The increasing importance of e-commerce **4**
- Contactless payments **5**
- The shrinking availability of ATMs **2**
- The cost of withdrawing cash **2**
- Digital wallets **2**
- Cash backs for card payments **2**
- EU or national Regulation **2**
- Other **3** (financial education)

Please specify which EU or national regulation(s) may contribute to a decreasing use of cash in some countries in the EU (free text – max 1,000 characters)

EU level: PSD2 (indirectly), IFR

National level:

- Introduction of legal obligation for merchants and self-employed to accept at least one type of digital payment method (e.g. payment cards, instant payments) besides cash from customers (e.g. Greece).
- Introduction of maximum amounts for cash payments to combat money laundering and terrorist financing (e.g. Belgium, France, Italy and in preparation in the Netherlands) and introduction of maximum amounts for (ATM) cash withdrawals.
- Based on legislation to combat money laundering and terrorist financing, credit institutions monitor and report all financial transactions, of which cash transactions are considered unusual when executed in high amounts or done frequently in smaller amounts.

Finally, it is to be noted that the effects of such legislation on the use of cash may be different from one country to another, depending amongst other things on national payment habits.



Please specify what other factor(s) may contribute to a decreasing use of cash in some countries in the EU (free text – max 1,000 characters)

- COVID-19 pandemic (avoidance of cash and increasing use of contactless payments)
- Broader offer of electronic payment solutions
- ATM attacks (rising costs for prevention, risk of injury to people, difficulty in identifying suitable ATM locations)
- Card promotion at POS
- Increased security features for cashless payments
- Convenience of digital means of payment (e.g. contactless/NFC payments)
- Changing demography: forecast that new generations will contribute to a structural decrease in the use of cash
- Future potential emergence of 'stable coins' and other digital currency solutions for retail payments

Question 21 - Do you believe that the EU should consider introducing measures to preserve the access to and acceptance of cash (without prejudice to the limits imposed by Member States for large cash transactions)

- Yes
- **No**
- Don't know / no opinion / not relevant

Question 21.1 - Please explain your answer to question 21 (free text – max 1,000 characters)

Across the EU, access to cash is generally widespread today (mainly through ATMs but also via 'cashback' and 'cash-in-shop' solutions). An increased use of digital payment methods may lead to increased unit costs for providing cash services and infrastructure (due to step and/or fixed costs), putting pressure on stakeholders in the cash cycle.

There seems to be a general wish that customer choice be maintained at the POS; both cash and digital payment methods should hence remain accepted.

In general, providers of ATM/cash services are very mindful of the societal importance of their services. It is recommended to await and see the evolution of digital payments and customers' behaviour as well as the impact that COVID-19 may have on future payment habits, prior to considering introducing legislative measures in this context.

Question 22 - Which of the following measures do you think could be necessary to ensure that cash remains accessible and usable by EU citizens?

Please rate each of the following proposals (on a scale of 1 *irrelevant* to 5 *fully relevant* or N/A):

- Promote a sufficient coverage of ATMs in the EU, including in remote areas **2**
- EU legislation adding 'free-of charge cash withdrawals' to the list of services included in the "payment account with basic features" referred to in the Payment Accounts Directive **2**
- Ensure that cash is always accepted as a means of payment at point of sale **3**
- Other **N/A**

Question 22.1 - Please specify what other measures would be necessary to ensure that cash remains accessible and usable by EU citizens (free text – max 1,000 characters)



- Maintenance of a properly working market with adequate facilities provided by cash management companies which is a precondition for efficient cash services
- Level playing field for all wholesale chain participants (central banks, credit institutions and other payment service providers, independent ATM deployers, Cash-in-Transit (CIT) companies)
- Establishment of a holistic policy to maintain a sufficient number of ATMs by geographical area, whilst taking into consideration cost sharing between customers and public authorities
- further promotion of 'cash-in-shop' and 'cashback' solutions which already exist in multiple Member States to ensure that cash remains accessible and usable, also in rural areas

Question 23. Taking into account that experience with PSD2 is so far limited, what would you consider has been the impact of PSD2 in the market so far?

Please rate the following statements:

N.A. stands for "Don't know / no opinion / not relevant"

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	N. A.
PSD2 has facilitated access to the market for payment service providers other than banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
PSD2 has increased competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
PSD2 has facilitated innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
PSD2 has allowed for open banking to develop	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
PSD2 has increased the level of security for payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify what other impact PSD2 had in the market so far:

While paving the way for 'open banking' and increasing both competition and collaboration between ASPSPs and 'FinTechs', PSD2 has required PSPs to make significant investments (in e.g. secure communication interfaces) which has brought complexity, implementation challenges and costs but limited tangible benefits so far. In the long run it should allow the



development of new business models to offer new and convenient payment experiences to customers as well as open a new era towards a 'data sharing' economy. However, the market does not seem to be reaping the full benefits of PSD2 yet. Examples of such future benefits could be i) innovative payment information and initiation services, ii) increased guarantees and protection for consumers, iii) a dialogue between TPPs and ASPSPs for testing and business purposes, iv) competition for future Value-Added Services. Finally, the potential impact of PSD2 implementation on e-commerce 'cart abandonment' remains an area of concern.

Question 23.1. Please explain your answer to question 23:

As PSD2 is not yet fully implemented, it is too early to have a full picture of its market impact. The situation will further evolve as its implementation advances and the payment market adapts to PSD2. In general, PSD2 facilitates access to the payments market by new players, while balancing this with security and licensing requirements. Nevertheless, additional legislation may in due course be necessary to create a full 'open banking' and even more generally an 'open data' environment and a true level playing field in light of the diverse ways services are being or could be offered across the EU.

Due to the current and uneven level of implementation and the unavailability of statistics, a significant increase in the security level of payments and a resulting fraud reduction have not yet been noticed. It is expected that, once SCA is fully deployed, the security level will rise but the implementation will have been long, costly and driven by different migration requirements set by National Competent Authorities (NCAs).

Question 24 - The payments market is in constant evolution. Are there any activities which are not currently in the list of payment services of PSD2 and which would raise specific and significant risks not addressed by current legislation?

- ☐ Yes
- ☒ No
- ☐ Don't know/ no opinion / not relevant

Question 24.1 - Please explain your answer to question 24:

All payment services that should be subject to regulation are listed as such under PSD2. As stated above, at this stage it is too early to have a full picture of PSD2's market impact and, although there could be some open issues, a further legislative intervention at this stage may create obstacles to further market developments as the market requires legislative stability.

On the other hand, 'crypto assets', 'stable coins' and other digital currency developments may require further regulatory attention to ensure security, integrity and a level playing field in payments.

Question 25 - PSD2 introduced strong customer authentication to mitigate the risk of fraud or of unauthorised electronic payments. Do you consider that certain new developments regarding fraud (stemming for example from a particular technology, a means of payment or use cases) would require additional mitigating measures to be applied by payment services providers or users?

- ☒ Yes



- ☐ No
- ☐ Don't know / no opinion / not relevant

Question 25.1 - Please explain your answer to question 25 and specify if this should be covered by legislation:

Some ASPSP security practices require TPPs to transmit behavioural or technical data they collect in end-user sessions. The security deficiency due to non-transmission of such data has already been exploited in some markets. More generally speaking ASPSPs and TPPs should cooperate to ensure a high level of security in the interest of all parties.

Concrete measures against 'money mules' (especially in the case of instant payments) and other means for fraudulent fund extraction (e.g., anonymous payment services) could help significantly reduce fraud.

Two main attack vectors not covered by SCA are scams (the fraudster is granted account access through e.g. phishing) and social engineering (the victim is fooled to send money to the wrong payee).

The regulatory focus should be put on removing barriers to transaction fraud detection, online fraud monitoring, authentication of payee or information exchange but otherwise the development and use of such features should be left to the industry. Public authorities should however act to increase end-user awareness about social engineering-induced fraud.

Question 26. Recent developments have highlighted the importance of developing innovative payment solutions. Contactless payments have, in particular, become critical to reduce the spread of viruses.

Do you think that new, innovative payment solutions should be developed?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

Question 26.1. If you answered yes to question 26, please explain your answer:

Mobile payments should be promoted (and harmonised through multi-stakeholder cooperation) given the high market penetration, versatility and user control of mobile devices.

New technologies such as 'Internet of Things' (IoT) require integration of payments into new processes and services. Regulatory requirements like user choice of payment means at transaction time may be impractical whereas allowing consumers to agree upfront with their ASPSP on their preferred payment method would subsequently enable automatic payments.

Coexistence of 'face-to-face' and 'remote' payment environments should not lead to stricter security requirements. For a face-to-face purchase the payment done 'remotely' could be treated for SCA as a face-to-face payment to ensure technology neutrality.

New payment solutions need to be easy to use and secure. Legislation should facilitate market innovation by being technology neutral, allowing sustainable business models and not jeopardising trust or reliability.



Question 27. Do you believe in particular that contactless payments (based on cards, mobile apps or other innovative technologies) should be further facilitated?

- ☒ Yes
- ☐ No (see FI)
- ☐ Don't know / no opinion / not relevant

Question 27.1. Please explain your answer to question 27.

(Mobile) contactless payments are an innovative and frictionless payment method whose success requires support by any acceptance device and access by PSPs to the contactless interface of all mobile devices.

A permanent, post-COVID-19 increase in SCA limits would require additional measures by issuing PSPs against fraud (including 'friendly fraud') which could lead to higher operating costs (ultimately borne by customers) and more customers being excluded from the benefit of SCA exemptions. The EPC now sees no need to raise maximum limits for contactless payments without SCA. Mobile devices support solutions with secure authentication for every transaction (regardless of transaction amount) which if customer friendly (e.g. biometrics) would make changes in SCA limits unnecessary.

No new legislation is needed to facilitate contactless payments. Innovation is to be market-driven with regulation being technology neutral and leaving PSPs to manage risk within regulatory boundaries.

Question 28 - Do you see a need for further action at EU level to ensure that open banking under PSD2 achieves its full potential?

- ☒ Yes
- ☐ No
- ☐ Don't know/ no opinion / not relevant

Question 28.1 - If you do see a need for further action at EU level to ensure that open banking under PSD2 achieves its full potential, please rate each of the following proposals:

N.A. stands for "Don't know / no opinion / not relevant"

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Promote the use of different authentication methods, ensuring that the ASPSPs always offer both a redirection-based and an	X					



embedded approach						
Promote the development of a scheme involving relevant market players with a view to facilitating the delegation of Strong Customer Authentication to TPPs			X			
Promote the implementation of consent dashboards allowing payment service users to manage the consent to access their data via a single interface				X		
Other						X

Question 28.2 - Please specify what other proposal(s) you have:

At this stage the current legal framework is deemed sufficient and the market still needs time to absorb the changes introduced by PSD2. Therefore no regulatory action is currently needed. Only after a longer period of time a comprehensive review - including a thorough cost and benefit assessment of any change proposal - may need to be undertaken. Instead, we are in favour of the resumption of the ERPB SEPA API access scheme work that would allow to rapidly address the needs of some market players and could provide more added value and innovation for end-customers' benefit. Referring to the abovementioned features:

- authentication methods: PSD2 allows for redirection-only based customer journeys as long as they do not pose an obstacle to TPPs, which is an assessment to be made by each NCA; changing the rule would be a rather fundamental change in ASPSPs' implementations;
- scheme for delegated SCA: we are in favour of resuming the SEPA API access scheme work; delegated SCA is one of the issues to be discussed but should not be the only one;
- dashboards: we would support them as part of the SEPA API access scheme, in order to meet consumer demand.

Question 29 - Do you see a need for further action at EU level promoting the standardisation of dedicated interfaces (e.g. Application Programming Interfaces – APIs) under PSD2?

- ☒ Yes
- ☐ No



- ☐ Don't know/ no opinion / not relevant

Question 29.1 - Please explain your answer to question 29:

PSD2 has standardised the common secure communication channels but has not defined the standards in terms of data returned to TPPs through APIs, which still differ from ASPSP to ASPSP, or in terms of integration requirements to ASPSPs. Today a TPP willing to connect to a new ASPSP is required to start a new integration project. This caused a fragmentation that is to be managed by the market. Besides the need to keep the regulatory framework technology neutral, we would deem it useful to restart the ERPB API access scheme work aiming at defining a unique standard at EU level in order to achieve optimal interoperability among market players and overcome the diversity of approaches among NCAs. Standardised interfaces should be achieved to facilitate the provision of efficient, integrated and harmonised PIS/AIS/'premium services' beyond PSD2, in the context of 'open banking' and within a European scheme. These discussions should continue with the relevant stakeholders. There is no need for regulatory action at this stage.

Question 30 - Do you consider the current authorisation and prudential regime for electronic money institutions (including capital requirements and safeguarding of funds) to be adequate?

- ☒ Yes
- ☐ No
- ☐ Don't know/ no opinion / not relevant

Question 31. Would you consider it useful to further align the regime for payment institutions and electronic money institutions?

- ☐ Yes, the full alignment of the regimes is appropriate
- ☐ Yes, but a full alignment is not appropriate because certain aspects cannot be addressed by the same regime
- ☐ No
- ☒ Don't know / no opinion / not relevant

Question 32. Do you see "programmable money" as a promising development to support the needs of the digital economy?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not relevant

Question 32.1 If you do see "programmable money" as a promising development to support the needs of the digital economy, how and to what extent, in your views, could EU policies facilitate its safe deployment?



Question 33. With regard to SCT Inst., do you see a role for the European Commission in facilitating solutions for achieving this interoperability in a cost-efficient way?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 33.1 - Please explain your answer to question 33:

All necessary actions to secure full interoperability between all SCT Inst compliant CSMs as provided by Article 4(2) of the 'SEPA Regulation' should be undertaken as soon as possible. The SCT Inst scheme compliant CSMs and the Eurosystem have identified the concrete hurdles to reaching full interoperability between all SCT Inst scheme compliant CSMs and there are ongoing discussions on possible solutions under the aegis of the Eurosystem.

The EPC welcomes this Eurosystem initiative to facilitate the emergence of a solution that supports a 'single CSM-connection' model providing PSPs with an efficient way to get full SEPA reach including the possibility to rely on a single liquidity pool without the need to split liquidity over several CSMs.

Question 34 – Do you agree with the following statements?

N.A. stands for "Don't know / no opinion / not relevant"

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	N.A.
Existence of such legislation in only some Member States creates level playing field risks				X		
EU legislation should oblige providers of technical services supporting the provision of payment services to give access to such technical services to all payment service providers				X		
Mandatory access to such technical services creates additional security risks			X			



Question 34.1 – Please explain your answer to question 34:

The emergence of providers of technical services supporting the provision of payment services brings both opportunities and challenges. On the one hand, such providers can facilitate the provision of cross-border payment services. On the other hand, they may in certain cases limit access to the platform or relevant devices' interface or provide it under unfair or non-transparent terms and conditions. The EPC supports EU level action to avoid fragmentation in the Single Market caused by diverging national measures on ensuring non-discriminatory access to relevant technical infrastructures supporting financial services. Non-discriminatory (but secure) access by PSPs to vital components (e.g. NFC or biometric identity readers) of mobile devices will contribute to a more competitive market and the EPC support EU-level action in order to ensure a level playing field between all actors across Member States.

Question 34.2 - If you think that EU legislation should address this issue, please explain under which conditions such access should be given:

No particular conditions should be required to access components of mobile devices, in addition to those that are already applicable under the EU payment services legal framework, namely the relevant PSD2-related RTS.

Question 35 – Is direct access to all payment systems important for payment institutions and e-money institutions or is indirect participation through a bank sufficient?

- ☐ Yes, direct participation should be allowed
- ☐ No, indirect participation through banks is sufficient
- ☒ Don't know / no opinion / not relevant

Question 35.1 - Why do you think indirect participation through banks is sufficient?

You can select as many answers as you like.

- ☐ Because the cost of direct participation would be too high
- ☐ Because banks offer indirect access at reasonable conditions
- ☐ Other reasons

The EPC has no opinion on this.

Question 35.2 - Please specify the other reason(s) why you think indirect participation through banks is sufficient:

Although the EPC has no opinion on the essence of this matter it would appear that objective measures should be in place and applied to ensure that any broader direct access does not create systemic impacts in terms of risk and resilience of payment systems.

Finally, it is worth noting that not all players are able or wish to participate through direct access to all payment systems. In particular, smaller PSPs may opt for indirect participation to payment systems to take advantage of processes, 'facilitators tools', support and consulting provided by direct participants which may be a more efficient way for them than direct access.

Question 36. - As several – but not all – Member States have adopted licensing regimes for payment system operators, is there a risk in terms of level playing field, despite the existence of central bank oversight?



The harmonisation in terms of rules, processes, timing and territorial coverage are pillars of the level playing field principle. Any difference could generate risks in terms of level playing field across the EU.

Question 37. Do you see a need for action at EU level on cross-border payments between the EU and other jurisdictions?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 37.1 Please explain your answer to question 37:

The EPC is currently analysing if and how one-leg euro (instant) credit transfers entering or leaving SEPA could be subject to some scheme arrangements governed by the EPC. It is to be stressed that payment schemes and infrastructures across the globe are making enhancements based on ISO 20022 standards thereby potentially facilitating global interoperability. This should allow PSPs to improve their international payment services in terms of speed, transaction tracking, payment finality and efficiency. However, a higher level of consistency of regulatory frameworks and market practices across the globe would contribute to a more level playing field and more efficiency for international payments.

Question 38. Should the Commission play a role (legislative or other) in facilitating cross-border payments between the EU and the rest of the world?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 39 - Should the Commission play a role in facilitating remittances, through e.g. cost reduction, improvement of services?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 39.1 - Please explain your answer to question 39 and specify which role the Commission should play – legislative or non-legislative:

The supply side of remittance service providers (RSPs) offering services in the EU is large and varied. This stimulates RSPs to offer a broad range of currency pairs for such transactions at competitive prices. RSPs also compete with PSPs and new actors for certain currency pairs and/or country/region corridors, creating even more competition in the remittance market.



The current EU legal provisions are deemed to be sufficient to guarantee transparency in the remittance market.

Question 40. Taking into account that the industry is developing or implementing solutions to facilitate cross-border payments between the EU and other jurisdictions, to what extent would you support the following actions:

N.A. stands for "Don't know / no opinion / not relevant"

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Include in SEPA SCT scheme one-leg credit transfers	O	O	X	O	O	O
Wide adoption by the banking industry of cross-border payment trackers such as SWIFT's Global Payments Initiative	O	O	X	O	O	O
Facilitate linkages between instant payment systems between jurisdictions	O	O	O	O	X	
Support "SEPA-like" experiences at regional level outside the EU and explore possible linkages with SEPA where relevant and feasible	O	O	X	O	O	
4Support and promote the adoption of international standards such as ISO 20022	O	O	O	O	X	
Other	O	O	O	O		X

Question 40.1 Please explain your answer to question 40:

The EPC is currently analysing the option 'Include in SEPA SCT scheme one-leg credit transfers' and debating if the inclusion of such transfers in the existing SEPA credit transfer schemes is the right way forward. The 'SEPA Regulation' and PSD2 constitute the regulatory framework for end-to-end payments and for one-leg payments. This ensures that the same rules apply. For incoming one-leg credit transfers, payment solutions for forwarding the payment to the final Beneficiary PSP exist and new solutions are being developed. For 'Wide adoption by the banking industry of cross-border payment trackers...', each PSP decides to use or not tracker services from certain providers. For 'Support "SEPA-like" experiences at regional level...' it is unclear if this is feasible. Rules and regulations in other jurisdictions for international payments differ from those applicable to SEPA payments in the absence of a global legal framework for payments.



Question 41. Would establishing linkages between instant payments systems in the EU and other jurisdictions:

- ☒ Reduce the cost of cross-border payments between the EU and other jurisdictions?
- ☐ Increase the costs of cross-border payments between the EU and other jurisdictions?
- ☐ Have no impact on the costs of cross-border payments between the EU and other jurisdictions?
- ☐ Don't know / no opinion / not relevant



Question 41.1 Please explain your answer to question 41:

The industry can agree on a set of standards, business and technical rules, and messaging formats. It can bring efficiency by aligning the processing of international payments with that of domestic (e.g. SEPA) payments. It can improve the handling of payment claims, fraud, financial crime and AML inquiries (e.g., use of common KYC directories, advanced transaction analytics). Less funding could be needed in the correspondent banking network as a certain volume would be cleared and settled via CSMs/payment platforms. In the Client-to-PSP space, each PSP would decide on its terms and conditions for processing international payments. Fewer intermediaries could increase efficiency and reduce the end-to-end cost. Care must be paid to the following three main aspects: no data truncation across the entire flow, clear rules that all 'connected' systems adhere to when supporting international payments at scheme level, and a commercial framework left to the discretion of the actors concerned.