

Intesa Sanpaolo Position Paper on the EU Commission's public consultation on a Retail Payments Strategy for the EU

[Intesa Sanpaolo](#), one of the top banking Group in the European Union, welcomes the opportunity to respond to the European Commission's Consultation on "Retail Payments Strategy for the EU".

This position paper is meant to complement and integrate our responses to the consultation with specific reference to questions on *Section A. Fast, convenient, safe, affordable and transparent payment instruments with pan-European reach and "same as domestic" experience*.

Our position paper is intended to:

1. Provide more details on the work done so far by Intesa Sanpaolo in this field in terms of IPs
2. Present its key recommendations to the European Commission in the context of the consultation on the "Retail Payments Strategy"

1. Intesa Sanpaolo commitment to Instant Payments (IP)

Intesa Sanpaolo is constantly enhancing its Italian leadership in digital payments by strengthening its consumers engagement and by encouraging the widespread use of innovative digital means of payments.

Importantly, digital payments contribute to reducing the circulation of cash and this is a very important service if we consider how relevant the social costs of cash are in Italy, as highlighted in a recent publication of Bankit¹. According to this study, the use of cash is worth 7,4 bln euro per year (it was 8 bln euro in 2009) and it is 4 times higher than costs related to card payments. In addition, we are experiencing to what extent cashless transactions are an important ally to fight against the Covid 19 pandemic.

In this context, Instant Payments (IP) are, for Intesa Sanpaolo, a key driver for innovation in digital payments. This is the reason why Intesa Sanpaolo was one of the very first banks to adhere to the voluntary SCT Inst scheme by relying on RT1 pan-European infrastructure back in November 2017, thus allowing its customers to be among the firsts in the EU to make and receive payments in real-time.

¹https://www.bancaditalia.it/pubblicazioni/tematiche-istituzionali/2020-costi-soc-strum-pagamento/index.html?com.dotmarketing.htmlpage.language=102&pk_campaign=EmailAlertBdi&pk_kwd=it

Intesa Sanpaolo's commitment to develop new digital services is constant and we are continuously improving our services also leveraging on opportunities offered by new technologies to meet both our customers and merchants' needs.

It goes without saying that Intesa Sanpaolo is keen to contribute to the creation of an **innovative SCT Inst pan European payment solution** and to offer its expertise in designing such a new solution in response to the European Institutions' call. Evidences show that a new payment solution to be successful should be 1. built on a unified architecture based on the SCT Inst infrastructure and ensure the highest level of security and speed; 2. cover all relevant uses cases (POS, peer to peer, e-m commerce, domestic and cross-border withdrawal) 3. integrate new relevant VAS, such as digital identity to be as competitive as existing solutions provided by digital champions.

One crucial point to stress is that **boundaries between different payment methods are blurring and "thinking in silos" is no more possible**: technological innovations allow us to be creative as never before.

If we consider the POS use case, a plastic card could be used as an initiating factor for a transaction (but other means can also be used as a proxy) and leverage on an already existing instant payment infrastructures. Concretely, a transaction initiated by a card made by a customer doing purchases will be executed **by a unified solution scheme based on SCT Instant infrastructure for every single transaction**.

Such a solution should be flexible, technology-neutral and scalable as it could be adapted to different European payment landscapes. Finally, it could lead to the creation of a **true Pan-European payments scheme** that could be eventually become completely digital.

However, certain conditions need to be met to allow such a solution to be successful.

2. Intesa Sanpaolo key recommendations

Intesa Sanpaolo agrees with the European Commission's aim to support **a fully-integrated instant payment system in the EU**. This will reduce risks and vulnerabilities in retail payments systems, increase the autonomy of existing payment solutions and provide a simple and fast payment experience to support growth of digital payments instore and online. This would be beneficial for European consumers, payments service providers and businesses.

Important milestones have already been achieved so far:

- **An Instant pan-European Credit Transfer scheme** was launched in November 2017 and infrastructures to potentially connect alternative purely national solutions already exist.
- **Several valuable end-to-end payment solutions** – thus beyond the "scheme" and the "infrastructure" – are already deployed at national level. They define the way both merchants and payers can settle the payment in store by using, for example, a QR Code displayed on the screen of the merchant and captured by the mobile app of the consumer. However, these solutions are not interconnected to each other, thus hindering a truly cross-border customer experience ².

On this basis, we consider that **a new SCT Inst pan European payment solution** could be implemented, provided that following issues are addressed:

² That is the case of the QR Code parameter: it is valid in Italy and when using a selected PISP "X", but it would not work when offered by PISP "Y" in Italy or in other countries.

I. Reliance on already existing EU payments infrastructures

We believe that any new solution should rely on already existing EU payment infrastructures.

Also, the new solution we are suggesting should leverage on the existing IP "rail" **for the execution** purpose. This means that:

- Payments will be executed by a single SCT Inst payment. In other words, transactions will be executed instantly using a proxy such as a physical card or a mobile phone number through a unified solution scheme based on SCT Instant infrastructure for every single transaction (*to this purpose, please see also our response to Q 14 and Q14.1*). **We would like to make clear that we are referring here to a SCT Instant infrastructure that should not be confused with the act of the instant payment itself between the payer and the beneficiary**
- This single architecture founded on SCT Inst could also be based on a Request to Pay scheme and the Proxy Look Up service or PSD2 compliant services

II. IP as "the new normal"

As mentioned in our response to this consultation (Q12), we believe that the most effective measure to make IPs the new normal across the EU would be **an EU legislation making Payment Service Providers' adherence to SCT Inst. Scheme mandatory** within a very short timeline (by end 2021, see our Q13).

III. Leveraging on existing domestic solutions

This **new SCT Inst pan European payment solution** should leverage on already existing domestic End to-End schemes around the EU. We believe that existing domestic schemes are valuable assets that would enable the new Pan-European solution to attract most of domestic transactions from the very beginning.

From a technical point of view, we believe that what is missing is the standardization of messaging and rules among national solutions with reference to the "last mile", namely the interaction between the merchant and the payer. This could be achieved by using the best available technologies (card as a proxy or the QR code, which is already connected with IP) thus reducing the costs of implementation (the expensive replacement of terminals at POS and cards would be avoided).

By setting **a European retail payment standard**, PISPs would be able to develop mobile apps, internet sites, ecommerce payment enablers that can always execute a payment initiation and generate the subsequent execution confirmations structured information, while settlement would be ensured by the existing and future interoperable infrastructures.

IV. VAS to be added to the new scheme

To make the new Pan-European scheme "appealing" for both merchants and consumers, this should not only cover all relevant payment uses cases (POS, e-m commerce, peer to peer and domestic and cross border withdrawal) but also add new VAS. For example, we consider that digital identity would be a crucial factor and it should be embedded in the new solution, giving

the real added value services to a digital payment solution, which is impossible till today considering cash as the most used payment method.

CONCLUSIONS

In conclusion, to develop our proposal of a new Pan-European Payment unified solution, able to address all use cases (physically and digitally), as described above, we recommend:

- 1) The European Commission **to develop a clear and strategic vision on Instant payments.** In this sense, we welcome the forthcoming Retail Payment Strategy that, in our view, should also support the coordination and the coherence among the different initiatives stemming both from the private sector and from the public sector avoiding overlapping efforts (e.g. EPC MSG Mobile-initiated SEPA (instant) Credit Transfer (MSCT), EPC SEPA Proxy Look-Up Scheme Group (SPL), ERPB Instant Payment at POI Working Group);
- 2) Given the huge efforts that such a project requests in terms of investments, **both a public political endorsement of such an initiative at European level and a concrete support** are crucial.