25 June 2020

Mr Eric Ducoulombier
DG FISMA
European Commission
B-1049 Bruxelles

Dear Mr Ducoulombier,

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to respond to the public consultation on the Retail Payments Strategy for the EU.

As the world emerges from COVID-19, digitalisation, which played a fundamental role during the most acute phase of the pandemic, will further accelerate in the payments market. It increases the need and opportunity for organisations and policy makers, to adapt and build user trust in new types of services.

The legislation adopted in recent years by the EU has played a key role in promoting a transparent, innovative and competitive payments market and has prompted the development of a range of innovative players and new business models based on data sharing. In our view, the EU has a unique opportunity to build a user-centric model of data ownership and data sharing and this principle could be extended to the payment strategy. The European payments model should leverage on the scale of the Single Market and on a front-running regulatory framework for data protection and open banking.

There are three key areas: data ownership, rationalising the payment infrastructure, and addressing the use of cash.

Building on the user-centric data model, service providers could empower users by putting GDPR at their service and allowing users to reap the benefits of sharing their data. This would entail offering innovative data-driven solutions, improving user experience and embedding payments in a broader ecosystem of services. However, in order to achieve this vision, the EU would need to address the fragmentation of country-specific payment systems, rationalise the payment infrastructure and address the persistence of cash. Setting up a convincing architecture, with value added services that find users' interest, will then encourage uptake and investments in real leapfrog innovation.

Europe has multiple, overlapping combined technical and service layers for account based payments. Member States tend to retain legacy infrastructure for years after new technologies are introduced. The EU payment infrastructure could be simplified in order to reduce costs and the EU payments strategy could promote standardisation of open banking to allow innovative and more efficient payment solutions, for example through the promotion of universal API Standards. Currently, card-based and bank account-based transactions are handled on three different technical platforms that have been built up since 2002:

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SEPA Credit Transfer, SEPA Direct Debit, and SEPA Card Clearing. A fourth platform, SEPA Instant Credit Transfer (SCT Inst), was introduced for instant payments under a voluntary industry initiative in 2017. We recommend that SCT Inst be used to replace the other three platforms, after additional features — such as deferred settlement, bulk payments and cross border payments — have been added. This will allow additional service layers to benefit and innovate at the scale of the Single Market.

In order to step up innovation on payments in the EU, it is important to address the persistence of the use of cash. By rationalising the infrastructure and fostering innovation at European scale, the Payments Strategy can make transactions fit for a digital economy, more convenient for both merchants and customers, therefore reducing the need for cash. In addition, the EU could explore the creation of “digital” euros and other currencies with the same status as cash. These would be certified by central banks, and could be used to pay for the majority of low risk daily purchases, in which ID is not required, respecting the data minimisation principle. Creating a level playing field by making noncash payments legal tender across Europe in addition to cash would allow service providers and merchants to offer the most appropriate choice for their situation. Finally, there could be merit in setting an harmonised ceiling to cash transactions, in light of a risk-based approach to anti-money laundering, as well as to facilitate the fight against tax evasion.

Greater harmonisation of identity check processes carried out by public entities has already been enabled by the eIDAS regulation, but the private sector has yet to be harmonised. EU financial services providers must use several different forms of national identity checks, increasing the burden of cross-border compliance. In the payments sector, these inconsistencies obstruct pan-European on-boarding of users. Making the best use of eIDAS protocols would further facilitate the integration of the Single Market, as well as enabling a faster digital transformation.

We would be happy to discuss this further with you. If you have any questions regarding our response please contact Marco Folcia, EMEA Payments & Open Banking Centre of Excellence Leader at marco.folcia@pwc.com.

Yours sincerely,

Michael Stewart
Global Leader, Corporate Affairs and Communications

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