POSITION PAPER

ESBG Response to European Commission Consultation on a retail payments strategy for the EU

ESBG (European Savings and Retail Banking Group)

Rue Marie-Thérèse, 11 - B-1000 Brussels

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ESBG

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The European Savings and Retail Banking Group (ESBG) supports the Commission's initiative to launch a retail payments strategy for the EU and the respective public consultation. In anticipation thereof, together with the other European Credit Sector Associations (ECSAs), on 1 April 2020 we published a paper "Payments Policy for Europe: Direction for the five years". ESBG welcomes this opportunity to provide feedback to the Commission via this consultation as an additional means to get our views across as input for the Commission's retail payments strategy. ESBG and its Member Banks stand ready to further engage with the Commission on these strategic issues in the weeks and months to come.

ESBG has only responded to Section 2 (Questions for all stakeholders) of the Consultation. The answers are provided from a Member Banks' point of view. Only the questions that ESBG could respond to as an association of savings and retail banks and that ESBG has responded to are contained in this Position Paper. The responses to these questions have been submitted online to the European Commission.

As the answers given to the yes/no/other and the 1/2/3/4/5/NA questions (or, the tick boxes) had to be synthesised from a variety of Member positions, these not always reflect the messages that ESBG and its Members want to bring across. Therefore, we would like to urge the Commission, in their assessment of our response, to attribute more weight to the verbatim provided than to the boxes actually ticked.

Moreover, ticking certain boxes is sometimes restricting us to provide some further rationale with our tick. This is especially the case for questions 15, 18 and 28. **Therefore we urge the Commission specially to take the verbatim provided in this document at 15.1, 18.1 and 28.2 into account as these comments could not be provided in the online questionnaire due to these restrictions imposed**.

Section 2: Questions for all stakeholders

Ensuring the EU's economic sovereignty is a priority of the Commission. The Commission's Work Programme for 2020 includes the adoption of a Communication on strengthening Europe's economic and financial sovereignty. As laid down in the supporting Commission's Communication "Towards a stronger international role of the euro" the international role of the euro is instrumental. Efficient payments in euro will support these objectives, and will also contribute to making our financial infrastructures more resilient to extraterritorial sanctions, or other form of pressure, from third countries.

Question 10. Please explain how the European Commission could, in the field of payments, contribute to reinforcing the EU's economic independence:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To reinforce the EU's economic independence, the European Commission's role is to ensure a level playing field where players of all sizes have the opportunity and incentives to invest and profit from innovation. Such a business environment would allow EU based payment services providers to invest in new and more efficient payments, whilst remaining competitive in a global economy – something we believe to be beneficial for all stakeholders. Currently our assessment is that intra-EU payments and payment actors are sufficiently legislated and supervised. Therefore, the European Commission should maintain the level playing field as well as a harmonised, economically and operationally long-term regulatory framework for a payment services ecosystem that manages risks and ensures safe payments whilst promoting innovation, competition and investment.

The Commission (and the Eurosystem) are advocating for European sovereignty in payments and hence are in favour of payment schemes under European governance and of infrastructures owned by European stakeholders. Independence from international providers can be fostered by acknowledging European standards in the field of security and functional requirements. Such pan-European schemes and new initiatives contribute to consumers', corporates' and banks' needs and foster effective competition (the European Payment Initiative (EPI) is a good example here). Efficiency and economies of scale are the basis for such successful payment solutions.

In order to achieve this Europeanisation of payments, proper incentives are needed and the required investments should not only depend on banks or payment providers. The Commission should therefore focus on empowering the private sector and endorsing public-private initiatives. Banks should be given the certainty that future investments will be underpinned by sustainable business models that are beneficial for all actors involved, do not erode bank's revenue base and hence do not hamper innovation capabilities (e.g. through further reductions with interchange fees).

The industry is already moving on a variety of projects that can act as building blocks for addressing the Europeanisation of payments. In order for such initiatives to mature, a stable regulatory and supervisory environment is required.

Regulators should therefore balance their choices and initiatives when requiring investments from the banking industry. They must carefully consider and prioritise regulatory interventions, taking into consideration the need to support European competitiveness. Especially in the areas below, the industry should be ensured the respite to deliver:

- Deployment and steady growth of Instant Payments.
- Entry into force of Request to Pay as early as November 2020.

- Analysis of Instant Payments at Point of Interaction made at ERPB with all participating stakeholders.
- Initiatives for improving the efficiency of pan-European payments solutions (like EPI).
- Other technical works and studies initiated by the ERPB or the EPC.

With respect to open banking, we recommend EU authorities to allow its development in Europe through coordinated market-led initiatives and not by regulation. Open banking should be based on API technology and on mutual benefits/reciprocity for all the parties involved in the ecosystem. In the specific area of payments, the appropriate first step should be to work on a model to share other than payment data on a contractual and economically sustainable basis that currently does not go beyond what it is legally required by PSD2 and/or GDPR. The current asymmetries in data access should be solved in a market-driven harmonised European framework. A multi-sectorial approach would be needed in order to fulfil consumer's expectations, ensuring a level playing field for all players, reciprocal benefits and the highest standards of consumer protection.

Further, banks (ASPSPs) need to have access to the mobile devices of their customers without discriminatory patterns to offer their services (e.g. NFC or CDCVM functionality) to make authentication procedures more fraud resistant. To that end, ESBG welcomes the announcement from the Commission to open an investigation into Apple practices regarding Apple Pay and Apple's limitation of access to the NFC functionality on iPhones. In addition, access to common technical platforms/ecosystems, especially of the so called big-techs with a dominant position is required as well.

Initiatives like reporting requirements to fight VAT fraud on top of payments will not increase the trust of the merchant industry in European payments and will foster other payment types, and international standards in AML (for practical usage for customers) and anti-cybercrime approaches should be developed together.

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU regulatory framework should enable the European payments industry to compete effectively, and to invest in innovation to provide a safe payment system for all Europeans. To achieve this, the European Commission should promote an environment where financial stability and consumer protection are provided to ensure that European players can compete in the global payments market on the same terms. The EU regulatory framework should be maintained stable, risk-based and activity-based. From our perspective it is difficult to regulate growth and innovation, therefore this needs to be market/industry driven.

The international role of the euro results from the stability of its exchange rate with other currencies. This implies a disciplined macro-economic and monetary governance from the relevant authorities. With a stable macro-economic and monetary situation, the euro area-based companies and individuals are better positioned to use the euro as invoicing currency towards their third-country trading partners. This includes the trust for investors and firms to make the long-term investments required.

Furthermore, the euro currency should be made as attractive as possible, in an international context. This is particularly true for actors in non-European jurisdictions. Positioning the euro as a usable currency for non-euro users should thus be one of the EU authorities' goals, as it would make euro area-based companies and individuals more attractive as trading partners for third-country companies or individuals.

In order to achieve this, infrastructures that support payments in euro need to be emphasised. Also, priority should be placed on the interoperability of the euro payment schemes and infrastructures with those of third countries. In this regard, the EU authorities and their counterparts could have a significant role in encouraging their respective payments industry players on maintaining a collaborative dialogue on the interoperability efforts.

However, to fully support and reinforce the international role of the Euro it is important that all infrastructures and standardisation also take into account the non-euro area. If this is overlooked it will automatically have a weakening effect on the euro and can in the longer-run have an effect on whether these member states choose to join the euro or not.

The Retail Payments Strategy can support this vision by:

- strengthening Europe as a whole, i.e. both the Single Euro Payments Area and the non-euro areas;
- promoting the euro as the common currency for all types of payments; and
- strengthening the competitive balance of domestic and European payment markets.

All market participants must be able to benefit from further developments, including European banks. An unbalanced regulation disproportionately burdening banks with respect to costs and benefits leads to the strengthening of non-European players and thus ultimately weakens the euro at the international level, promoting open banking initiatives based on standard interfaces (APIs) that enable a level playing field across banks, Big Tech firms and large companies. As a result, an effective, euro-based payment ecosystem can be levered by the innovative utilisation of data and value-added services.

A. Fast, convenient, safe, affordable and transparent payment instruments with pan-European reach and "same as domestic" experience

Instant payments as the new normal

Digitalisation and new technologies have fostered the emergence of innovative players with new payment services offerings, based in particular on instant payment systems and related business models. As these new payment services offerings are mostly domestically focused, the landscape at EU level is very fragmented. In particular, such fragmentation results from:

1. the current levels of adherence to the SEPA Instant Credit Transfer (SCT Inst.) scheme, which vary between Member States (MS);
2. the fact that in some MS instant credit transfers are a premium service while in others they are becoming "a new normal" and
3. the non-interoperability across borders of end-user solutions for instant credit transfers.

At the same time, there is a rapidly rising consumer demand for payment services that work across borders throughout Europe, and that are also faster, cheaper and easier to use.

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 (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	X					
b. EU legislation mandating the replacement of regular SCT with SCT Inst.	X					
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.	X					
d. Development of new payment schemes, for example SEPA Direct Debit Inst. Scheme or QR interoperability scheme*.			X			
e. Additional standardisation supporting payments, including standards for technologies used to initiate instant payments, such as QR or others				X		
Other				X		

* For the purpose of this consultation, a scheme means a single set of rules, practices and standards and/or implementation guidelines agreed between payment services providers, and if appropriate other relevant participants in the payments ecosystem, for the initiation and/or execution of payment transactions across the Union and within Member States, and includes any specific decision-making body, organisation or entity accountable for the functioning of the scheme.

Please specify what new payment schemes should be developed according to you:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is important to support European payment solutions and initiatives by optimising, harmonising and simplifying both regulation and supervision. For example, the EPI is not a new payment scheme but it addresses acceptance of existing schemes such as SCT Inst, P2P, POI etc. This comes with high required investments where there is a need for support from the EU to create in the end a long-term sustainable business case.

Payments are products offered by banks that need to offer their products and services on a commercial basis and therefore these products and services need to deliver long-term sustainable revenues to these banks (e.g. MIF and transaction fees from customers).

Please specify what kind of additional standardisation supporting payments should be developed:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Before any kind of standardisation is undertaken, first 'of-the-shelf', well-known and trusted technologies that can support the desired goals of standardisation should be selected, for example in the area of initiation of PSP account-to-PSP account electronic payments at any possible type of Point of Interaction. Such a technology helps all types of PSPs to market much faster their front-end payment solutions. Also, payment end-users will much easily accept such technology.

In this sense, possible areas could be:

- Defining a model of interoperability amongst Clearing and Settlement Mechanisms (CSMs), so that they have clear guidelines to connect one each other.
- Standardisation on data communication to the beneficiary, informing about receipt of the payment order.
- We believe that the roll-out of a payment-related SEPA-wide RTP scheme can also support pan-European payment solutions based on instant credit transfers.
- Standards intended to provide convenience to online and remote payments, in particular in relation to mandates, consents or pre-authorisations, areas in which a convergence of standards applicable to card payments and (instant) credit transfers is necessary.
- Standards on the use of smartphones, tokens, proxies or other elements for both authentication and payment is of utmost importance.
- QR, NFC and BLE as long as proper security levels are maintained.

Please specify what other measures would contribute to the successful rollout of pan-European payment solutions based on instant credit transfers:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The existing EPC payment schemes for payments in euro provide for stable and efficient payments, well covering current market needs. The current schemes are extremely flexible and benefit from a non-stop scheme rulebook change management cycle (including a 3-month public consultation) and stakeholder forums, in place for more than ten years. All that allows stakeholders in the payments industry (be they consumers, corporates, merchants, banks or TPPs) to express their requirements for amendments to the existing EPC payment schemes or for new payment schemes. To date, the EPC has not received requests to develop new payment schemes as alternatives to the four existing EPC SEPA payment schemes.

We believe that no additional legislation regarding payment schemes or mandatory replacement of payment schemes is necessary. The attractiveness of any existing and future payment scheme depends on whether (i) its concrete features and processes, and (ii) the standards and technical specifications used, add value for end-users and PSPs. Therefore, as the drivers for new payment schemes should be market demands and not regulatory actions, we consider there is no need for the Commission to push for the development of new payment schemes

The industry is already moving to deliver pan-European payment solutions based on instant credit transfers. In order for these solutions to flourish and to mature, a stable and long-term regulatory environment is required. What the industry requires is legal certainty, especially regarding a stable economic framework (for example on a business case, beneficial to all stakeholders, based on interchange fees that also allow for continuous innovation).

Overcoming hard hurdles in instant credit transfers, especially on the cross-border field, are: divergent end-user experiences, addressable counterparties, interoperability of domestic processors and of CSMs, and bank reachability. As such, one of the greatest challenges for pan-European payments solutions based on instant credit transfers is the lack of interoperability amongst CSMs. Despite regulatory expectations being clear on the fact that connecting to one CSM should ensure reachability to all the SCT Inst participants, in practice this is not the case. As a consequence, the best way to overcome the interconnection challenge may be by agreeing to use TIPS as a central hub, under a hub-and-spoke model that reduces the number of connections and hence reduces the complexity of the payments landscape by continuing to allow direct participation of banks in TIPS.

Also, a challenge for instant credit transfers is that achieving interoperability of CSMs will not solve the fact that some domestic payment solutions are not compatible with each other and cannot interoperate between themselves.

Another hurdle is that of facilitating any party to address the other in a user-friendly way, so as not to require the full IBAN or alike. So far, mobile phone numbers and email addresses have been identified as possible proxies for the IBAN.

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
X	Don’t know / no opinion / not relevant

Question 13.1 Please explain you answer to question 13:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

ESBG is not supportive of a mandatory end-date. Adherence figures as published by the EPC show that the SCT Inst 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.

Due to other mandatory and resource-intense projects like the T2/T2S consolidation project and the SWIFT ISO 20022 migration, ESBG believes the European Commission would need to give some time to PSPs to realise these changes. With their projects based on instant payments, like EPI, European banks take a decisive step to encourage the banking community to adhere to SCT Inst. In any case, considering the already strong pace of adoption of SCT Inst, we believe there is no need for a regulatory intervention to make SCT Inst adherence mandatory. New EU legislation to make the SCT Inst scheme mandatory would not fit for all PSPs in the EU. There are many PSPs in the Internal Market which do not offer payment accounts or restrict the supported payments instruments for their kind of business and are not interested to extend their business hours to handle such instant payments (e. g. special small and medium banks, development and promotional banks). Making adherence to SCT Inst mandatory for all PSPs is not the measure we consider necessary to promote SCT Inst. The SCT Inst scheme is already attractive, its rules are clear and the scheme is constantly updated and improved in response to proposals made by all sorts of stakeholders in the payments industry. These procedures for updating the scheme should thus be sufficient. Therefore, we see no need for a regulatory end date as a we prefer a market-driven approach. Other measures should be sought to motivate account holding PSPs, especially in the euro area, to adhere to the SCT Inst scheme in due time.

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?

X	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:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although the feedback received from our Members on question 14 is mixed, instant payments certainly pose additional pressures related to fraud attempts at the PSP initiating a payment, especially when compared to regular SCT payments. The increased risk comes from the transaction speed of instant payments, as each transaction has to be assessed near real-time. Compared to regular SCT payments, suspicious transactions need to be stopped in real-time, which means a more expensive and demanding solution. As investigation of suspicious transactions takes place manually, this requires more time than allowed for instant payments. Also, the number of fraudulent attempts to make instant payments can grow very quickly in a short period of time, especially as the reachability of the payment schemes increases. When processing instant payments PSPs do not have the time to quarantine or block suspicious transactions after initiation. Therefore, all security and monitoring measures have to be applied before the transaction is initiated and executed, as otherwise the risk of fraudulent transactions leading to a successful extortion gets higher. Upon receipt of funds, fraudsters can immediately withdraw the funds or transfer the funds further. Also, false positives in fraud detection could impact user experience, which is a risk too. Recovery of funds transferred with a fraudulent transaction will hardly be possible as the money becomes immediately available to the beneficiary. Exploiting this in Authorised Push Payment fraud has already been observed as a common attack vector in some markets' open payments.

However, actual risk should not necessarily be increased if the proper customer authentication and risk control methods are in place, those that are already required by the regulatory framework. Fraud detection and mitigation of risks require undertaking proper risk assessments, and customer checking and awareness in advance. Nonetheless, the banking industry is already subject to strict regulations that require them to undertake those precautionary measures, so many credit institutions acting as PSPs are already working at mitigating the increasing risks of instant payments. Fraud monitoring tools are continuously being improved. All actors in the payments value chain, including TPPs, have their responsibility in fraud prevention. Also, continuous education of customers on security is necessary. It is not about shifting the liability to customers, but to guide them on understanding the risks associated with immediate settlement, how to recognise fraud and fraud attempts and how to react on them.

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
X	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:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This rationale could not be uploaded in the online questionnaire so we ask the Commission to take note of the below: Although the feedback received from our Members on question 15 is mixed, as stopgap mechanisms already exist in some CSMs which have the ability to freeze or exclude a participant or to freeze the whole activity. A stopgap mechanism can also be seen as a good governance fear-measure to be never used. Besides this, SCT Inst scheme participants already typically apply limits (e.g., an aggregated daily value limit and/or a transaction limit) for their customers to make SCT Inst transactions. Such limits can be adapted very fast to react to various situations. Scheme participants typically also apply daily ATM withdrawal limits. These limitations are also taken to protect their customers in case of e.g., fraud. PSPs already apply limits independently whether instant payments are used or not (e.g., an aggregated daily value limit and/or a transaction limit). Such limits can be adapted very fast to react to these situations. Nevertheless, for legal certainty, alongside a clear definition of such emergency situations, there is the need for clarity that civil law execution obligations are aligned with the supervisory aspects of an ad-hoc stopgap mechanism.

From a merchant's perspective, payment solutions based on instant credit transfers may require adjustments to the merchant's current IT, accounting, liquidity management systems, etc. On the other hand, current card-based payment solutions do not require such adjustments. Merchant service charges may also differ, depending on the type of payment solution offered to the merchant (card-based or SCT-based).

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

X	Card-based solutions
X	SCT Inst.-based solutions
X	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:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In fact, we believe all possible answers above should be ticked.

Not all EU merchants are the same. Use cases, i.e. purchase situations, are not all the same. Instant acquisition of electronic features on the web and purchase face-to-face of expensive, long-to-produce products, do not necessarily need the same means of payment.

Currently, pricing for card transactions seems to be more attractive to merchants. Besides, not all (large) merchants need the direct settlement via SCT Inst – these merchants are more interested in receiving a confirmation of payment or a payment guarantee. Also, there are merchants that rather receive one lumpsum credit transaction in their account rather that have tens, hundreds or thousands of individual SCT Inst transactions that all need to be reconciled. Nevertheless, in smaller retailers or professionals or for some remote servicers, we can see cards coexisting with SCTs, as long as the latter provide the adequate user interfaces to be implemented whilst lowering the risk of money laundering and theft.

For payments in instalments, SDD is the appropriate instrument.

Other innovative and future oriented payment variations are under development in the banking industry. Here, SCT Inst could acts as a catalyst.

Question 16.1 Please explain you answer to question 16:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A variety of payment solutions needs to be available to consumers and merchants so they can choose the appropriate product for the applicable situation. Payment solutions in place today are addressing the needs and expectations of all customers. New solutions need to fulfil merchants' requirements and should avoid the necessity to install completely new infrastructure. Cards are already ubiquitous – they support various use cases over a variety of channels whilst leveraging existing infrastructure.

SCT Inst-based solutions always require online connectivity on both sides of the transaction, and a functioning mobile device. Nevertheless, SCT Inst-based solutions are regarded as with a huge potential, due to their advantages compared with traditional payment methods, such as clear and robust schemes, deep spread and a great reputation. Moreover, we are aware that some wholesale distribution chains already have launched plans to substitute cards with SCT Inst-based solutions. Therefore, those solutions should also be highly regarded as possible substitutes of cash.

However, with respect to SCT Inst-based solutions, it is necessary to consider that they should be regarded as one method of payment among other methods. And in terms of the future viability of them as substitutes of cash, the relevant factor is the way these solutions are being taken-up and used by payment users (be they consumers or merchants) and this will depend for example on how these solutions are delivered to payment users (e.g. the user interfaces built on top of those solutions). Card-based solutions at POS are highly efficient as: • Card-based solutions are preferred because they only require that merchants systems are online. • Offline on merchants system is supported in defined cases. • Cards can be used irrespective of the availability of a mobile device (mobile defect or no power supply).

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?
Please rate each of the following proposals:
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			X			
The proportion of users using that payment method					X	
Fraud prevention tools /mechanisms				X		
Seamless customer experience (no cumbersome processes affecting the number of users completing the payment)					X	
Reconciliation of transactions				X		
Refund services				X		
Other				X		

Please specify what other important factor(s) you would foresee:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

• Customer Journey – this needs to be an integrated part of the devices or the banking application. • Backwards compatibility so that same systems and procedures are used not only with the way merchants have been doing so far.

- Payment guarantee in the immediate response to the authorisation request.
- Customer experience at features like claims and charge backs, of in cases of fraud or other payments.
- Reliability and speed at the POS.
- System stability 24/7.
- Depending on merchants' business: bulking of transactions, age verification, check in/out-solutions, pre-authorisation.
- Customer and company data security: confidentiality of merchant's product and sales figures.
- Readiness for payments that support the Internet of Things (IoT).
- Easy clearing and settlement mechanism.
- Multichannel and multidevice availability of payment method.
- The brand is very important. In history, we have seen a lot of very intelligent payment methods which failed due to lack of usage caused by a lack of brand awareness. After 20 years, Apple provided with its brand the breakthrough with mobile payments. We can also see that all other methods are lagging behind.

Question 17.1 Please explain you answer to question 17:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Customer reach, quick and safe access to funds, and ease of use are important factors determining the choice of payment instruments by merchants. Customers should be able to make a payment anytime and anywhere. Although the cost of a payment instrument is expected to be an important factor, it is de facto of less importance as merchants are especially looking for a high conversion rate in the check-out process. More and more, convenience during payment becomes a competitive factor for retailers. Additionally, the globalisation in the market of new consumer devices that can be used for payments seems to favour global payment schemes above local or regional payment schemes.

For medium and large merchants, payments are expected to happen very quick, straight forward, safely and in a full reliable and resilient manner. They cannot afford payments to fail. They are also interested in not suffering any burden in complying with reconciliation, clearing and settlement procedures. Lastly, though they are interested in accepting different types of payment means, mainly card brands, they also want them to behave transparently, along the same pattern.

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

X	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:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This rationale could not be uploaded in the online questionnaire so we ask the Commission to take note of the below:

The SDD is a European wide scheme and therefore we don't restrict our customers to use it only locally. There is customer demand for using SDD across borders. Importantly, the cross-border support is mandatory as defined in the SEPA Regulation 260/2012.

Leveraging on the development of digital identities (digital ID)

The issue of use of digital ID for customer on-boarding is addressed in the digital finance consultation. However as financial services evolve away from traditional face-to-face business towards the digital environment, digital identity solutions that can be relied upon for remote customer authentication become increasingly relevant. PSD2 has introduced "strong customer authentication" (SCA), which imposes strict security requirements for the initiation and processing of electronic payments, requiring payment service providers to apply SCA when a payer initiates an electronic payment transaction. In some Member States, digital identity schemes have been developed for use in bank authentication based on national ID schemes. However, until now such schemes are focused on the domestic markets and do not function across borders. On the other hand, many other "SCA compliant" digital identity solutions have been developed by financial institutions or specialist identity solution providers that rely on other means to identify and verify customers.

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
X	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:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While cross-border compatible digital identity solutions could be useful for other purposes, we do not see the need to develop it for payment authentication purposes. The market has already developed (and is developing further) effective means to authenticate payments digitally. Instead, we believe that there is an urgent need to consolidate digital ID solutions within individual member states to ensure that easier accessibility to digital services for consumers. A good template could be BankID used in Sweden by not only banks and other types of firms but also by the government. This is one of the foundations for the high level of uptake of digital services throughout the Nordics. Banks have developed and implemented a broad range of secure and comfortable solutions for the authentication of payments. Digital identity solutions, also in a cross-border context, could further support this. However, given the long investment cycles for the implementation of new authentication solutions, it is of utmost importance to build on the established and successful solutions already in place, while also leaving sufficient space for market-driven innovation.

In order to generally support effective and secure payment authentications, it is important to reach a level playing field for the different market participants. Provided that convenience is a key factor for the choice of a payment instrument, a level playing field across all payment instruments, in all Member States, and between issuing banks on the one hand, and the acquiring side on the other hand, must be ensured. This is especially true in a cross-border context where different regulatory discretions may be in effect.

The role of both private and public digital ID solutions in a cross-border setting could be further strengthened by further harmonization of due diligence and KYC requirements following from the AMLD et al.

Question 19.1 Please explain you answer to question 19:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Unfortunately, legislation implemented in some countries is not aligned and equal across the EU. We do not see any need to change EU legislation in general, what is necessary is to trigger a discussion with all European countries which might have implemented some provisions in the local regulation which are obstacles for implementing European wide IDs. In parallel, an open discussion on how to make all existing local ID solutions compatible with one European solution should be held.

At the moment, each national authority accepts different electronic identification processes. This results from Article 13 of Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing that states:
"identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source, including, where available, electronic identification means, relevant trust services as set out in Regulation (EU) No 910/2014 of the European Parliament and of the Council or any other secure, remote or electronic identification process regulated, recognised, approved or accepted by the relevant national authorities".

So, although the suggestion may be interesting, it will be difficult to implement due to structural issues such as:

- Social security number (unique citizen identifier)
- eIDAS is complicated
- Work on a regional level of compatibility
- Challenges of KYC on-boarding and AML
- Individual MS sovereignty

Lowering national fragmentation of different ID-systems should be a priority. Member States do not trust each other's systems today or the system of banks for that matter. BankID in the Nordics is a good example where trust has been established. But the system is co-owned by banks and used by the government – central to legitimacy and trust.

When we refer to online retail payments and the need for user authentication, then the concept of a customer ID may just take the form of a proxy, not needing the exchange of a customer certificate and customer signature to a message as would happen in other situations, due to banks being in the position to intermediate between the two parties and therefore to provide the needed reassurance. Though phone numbers and emails have been often used as ways to identify customers, they pose the problem of needing some lookup directories to reach the banks.

In any case, the problem is not on the digital identity of a user with its domestic bank, but on the digital identity solutions whereby nationals from one EU Member State want to identify themselves in a bank of another EU Member State. For these situations, the industry still has not found a business model that works both in terms of cost-benefit efficiency and security-liability. Moreover, the different practices around the EU for the identification and verification of official documents do not help to find an interoperable pan-European solution. The diverse levels of adherence to global standards for identification and e-commerce processes do not help neither for the interoperability of existing digital identity solutions. Therefore, the EU could only help the industry by supporting initiatives that find the common interoperability rules that would allow reaching an interoperable pan-European solution.

Promoting the diversity of payment options, including cash

Digitalisation has contributed to an increase in non-cash payments. However, a large percentage of daily payment transactions still rely on cash.

Question 20. What are the main factors contributing to a decreasing use of cash in some countries EU countries?
Please rate each of the following factors:

	1 (irrelevant)	**2** (rather not relevant)	**3** (neutral)	**4** (rather relevant)	**5** (fully relevant)	**N.A.**
Convenience of paying digitally					X	
The increasing importance of e-commerce					X	
Contactless payments					X	
The shrinking availability of ATMs			X			
The cost of withdrawing cash						X
Digital wallets			X			
Cash backs for card payments	X					
EU or national Regulation			X			
Other				X		

Please specify which EU or national regulation(s) may contribute to a decreasing use of cash in some countries in the EU:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Current regulations that may contribute to a decreasing use of cash are PSD2 (stimulating innovation especially in digital payments) and IFR (has made pricing for card acceptance at merchants more attractive). Some countries have introduced caps above which cash transactions are not allowed – this in an attempt to fight money laundering and terrorist financing. Also, further reductions in issuance of high denomination banknotes (like done with the EUR 500 banknote) may contribute to this. Cash fulfils needs for certain groups but not necessary for the society as a whole, so a proper balance needs to be found.

Please specify what other factor(s) may contribute to a decreasing use of cash in some countries in the EU:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- The further adoption of instant payments and solutions based on instant payments.
- Card retail-promotion at POS.
- Increased security and customer protection features for cashless and contactless payments.
- Changing demography: it is likely to expect that new generations will contribute to the decrease of the use of cash.
- Emergence of digital currency in the far future for retail payments.
- (Temporary) change of behaviour caused by Covid-19 (avoidance of cash handling / increasing usage of contactless card payments). Now that people have shifted their payments behaviour to contactless payments, either with cards or mobiles, the question is whether that habit will remain in place.
- The spread of easy-to-use payment methods (such as Bizum, Kwitt, Paylib, Payconic etc).
- Changing customer preferences – fast, any time available, using innovative technologies – can make customers change their behaviour.

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
X	No
	Don't know / no opinion / not relevant

Question 21.1 Please explain your answer to question 21
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is no one size fits all. It also depends on cultures and existing infrastructures such as ATMs and branches that provide cash services – these infrastructures should match the customer demand for cash. However, cash handling remains labour intensive and the cash cycle consists of actors that add to the complexity within the value chain. A converse relationship forms between a decline in cash usage and cost. Less cash use has knock-on effects on related unit costs, which tend to rise. Substituting cash (transactions) with cashless (transactions) can then become a self-fulfilling prophecy: unit costs for cash services and the related infrastructure will rise and that may result in a push for other payment methods. ESBG members have always taken their responsibility in the

provision of cash services to their clients, and they will continue to serve their clients with cash as long as there is customer demand, so from that point of view no measures to preserve the access to and acceptance of cash are needed. Nevertheless, if in the future the provision of cash will be perceived as a utility function, a broader discussion will be required on the conditions and business models under which this utility service is being delivered. Additionally, it should also be recognised that such social function puts responsibilities on all actors involved, because at the moment we observe an increasing concern about the need to ensure access to cash from certain parts of the stakeholder community with the expectation that this access should not need to cover its own costs. Currently banks face competition from digital-only providers that do not support cash services or face-to-face services, that do not invest in the required infrastructure and yet use the infrastructure provided by banks for the benefit of their own customers. Banks therefore need to find a sustainable balance between consumer demand for cash, face-to-face services and social responsibility on the one hand, as well as efficiencies in the cash cycle and provision of physical services on the other hand.

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 proposal:
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 a sufficient coverage of ATMs in the EU, including in remote areas			X			
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		X				
Ensure that cash is always accepted as a means of payment at point of sale				X		
Other			X			

Question 22.1. Please specify what other measures would be necessary to ensure that cash remains accessible and usable by EU citizens:
1000 character(s) maximum

A priori, we believe that no other measures would be necessary to ensure that cash remains accessible and usable by EU citizens other than those that assists banks in finding a sustainable balance between consumer demand for cash, face-to-face services and social responsibility on the one hand, and well as efficiencies in the cash cycle and provision of physical services on the other hand. Consumer behaviour is the market driver for changes in payment habits, including that for the cash usage. Other alternatives are in place, we observe that technology is driving the change in payments behaviour more than anything else. Contactless payments could be an alternative for cash, especially for the elderly.

A working market with adequate facilities of cash management companies (e.g. CITs) is a precondition for efficient cash services and needs to be maintained according to customer needs. Currently, cash is very much accessible by any consumer mainly through ATMs, and most merchants accept cash up to the limits already permitted by national laws.

However, it is worth recognising as well that access to cash needs to be ensured for the population, especially that in rural and remote areas, but that the secure management for cash and the maintenance of a wide network of ATMs is expensive for credit institutions and payment institutions. Cash handling remains labour intensive and the cash cycle consists of actors that add to the complexity within the value chain. A converse relationship forms between a decline in cash usage and cost. Less cash use has knock-on effects on related unit costs, which tend to rise. Payment service providers and other participants in the cash value chain, should pursue two main, complementary strategies, namely shortening, and thus optimising, the cash cycle and continuing to reduce manual handling and any redundant processes.

We consider there are two areas in which further analysis should be carried out, in order to explore alternatives to the provision of cash to those areas: (i) promoting adoption of cashback solutions by merchants, and (ii) allowing to not accept cash in non-critical sectors (e.g. leisure).

B. An innovative, competitive and contestable European retail payments market

The current EU legal framework for retail payments includes EMD2 and PSD2. To ensure that both Directives produce their full-intended effects and remain fit for purpose over the next years, the Commission is seeking evidence about:

1. PSD2 implementation and market developments;
2. experience with open banking;
3. adequacy of EMD2 in the light of recent market developments; and
4. prospective developments in the retail payments sphere.

The topic of open banking is also included, from a broader perspective, in the Digital Finance consultation referred above.

PSD2 implementation and market developments

Two years after the entry into force of PSD2 and without prejudice to its future review, it is useful to collect some preliminary feed-back about the effects of PSD2 on the market.

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				X		
PSD2 has increased competition			X			
PSD2 has facilitated innovation				X		
PSD2 has allowed for open banking to develop			X			
PSD2 has increased the level of security for payments				X		
Other					X	

Please specify what other impact PSD2 had in the market so far:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Banks have developed APIs that comply with the requirements that PSD2 imposed upon them. Significant investments were required that were not offset by a clear business case. As these infrastructures are now further maturing, it is time to monetise them to develop services that go beyond PSD2. A flourishing data-driven market – be it in payments, broader financial services or between different industries – should therefore be based on principles of mutual benefits and potential monetisation of services and infrastructure by all market participants, and thus should take a different approach to PSD2.

With regard to payment functionalities that are beyond the scope of PSD2 (such as payment guarantee, delegated SCA etc.), these should be elaborated through a coordinated market-driven initiative within the Euro Retail Payments Board (ERPB) SEPA API access scheme work. The ERPB should seek to launch the work on a scheme as soon as possible building on the work already carried out within the ERPB. A more balanced representation from the TPPs is a pre-requirement for this though.

It is very unsatisfactory to observe that some TPPs still deploy direct access to customer accounts via *screen scraping* or *reverse engineering* whilst this in fact is forbidden by PSD2.

From a customer perspective we also noticed increased trust and confidence in online banking and card payments due to higher level of security stemming from PSD2. On the flipside, however, the fact that customers can engage with PISPs and AISPs without a contractual relationship has also introduced challenges in the overall security level in the payments industry.

Becoming compliant with the PSD2 requirements has absorbed significant resources from the banking industry. The resources spent on the implementation and on dealing with TPPs could not be spent on innovation. Therefore, the interaction between PSD2 and GDPR is relevant as both legislations are sufficient. What is lacking is a framework to ensure that the customer gains true control of its data.

We also notice that exemptions from the RTS on SCA are being applied.

Question 23.1 Please explain your answer to question 23:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Since the launch of the RTS on SCA and CSC back in September 2019, we have observed an increase of licensed TPPs in the EBA register, a clear proof that new entrants are finding their way into the competitive arena. Most of these new TPPs seem to offer their services of aggregation or payments initiation only locally or on a limited scale still. The larger TPPs in the market (PISPs and AISPs) were already offering their services before PSD2 and they seem to be deploying the same business model as they did before PSD2, whilst PSD2, in fact, imposed limitations on these practices, *inter alia* to protect consumers. We notice that these incumbent TPPs are dominating the debates with regulators and supervisors in stakeholder fora, and as a result the voices of the post-PSD2 TPPs seem not to be heard at those fora. This puts these incumbent TPPs also at a competitive advantage vis-à-vis the post-PSD2 TPPs as the former try to protect their pre-PSD2 business models (that post-PSD2 TPPs do not have access to) at all cost and by all means. We believe that a more balanced representation of TPPs is required in the various stakeholder fora.

In terms of competition, hence, so far, we have not observed significance of new, post-PSD2 players yet. This may have not happened in part due to uncertainties on the adequate design of APIs, which were solved rather in the final moments of the implementation periods. However, there are clear signs in the payments market that a surge of new players may happen in the next few years.

It could be affirmed that the implementation of PSD2 has brought about the results that were planned and pursued by regulators. The main fulfilled objective was providing a more secure way for customers to be in control of their payments, which also applies to third parties accessing their account information. We also acknowledge that PSD2, while opening banks to third parties, has encouraged them to upgrade their own services to remain competitive, thus improving the services delivered to their customers.

- Banks and other market participants faced a tight timeline regarding some aspects of TPP interface implementation and SCA requirements. Among others, reasons can be found in a lengthy secondary legislation and in parts insufficient harmonization of NCA interpretation. As a result, development costs increased and possible benefits of PSD2 got blurred.
- The implementation of the PSD2 has resulted in very high costs for the banking industry. Many implementation requirements were defined very late by the legislator or the supervisory authorities and led to numerous delays.
- The PSD2 has increased the level of security for payments in the view of same rules for TPPs based of the new licencing, oversight and liability regime to ensure a level playing field in the EU.

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
X	No
	Don't know / no opinion / not relevant

Question 24.1 Please explain your answer to question 24:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With respect to the timeline for implementing SCA for card payments in e-commerce, we observe that full readiness across the entire payments value chain has not been achieved completely yet. We are aware of the requests for a delay in SCA migration by other parts of the ecosystem, including merchants from different sectors, card schemes and other Payment Service Providers. Banks can appreciate these concerns about the disruption and resulting adverse economic impact SCA migration could have in this context, especially as consumers heavily rely on e-commerce, which is an important tool to maintain services to customers in confinement. Many national authorities have requested banks to focus on maintaining banks' core activities (e.g. financing the economy, maintaining the stability and the smooth functioning of their payment systems and payment services) and to provide support to businesses in different forms, and we are concerned that forcing the retail sector to reallocate resources away from their core business propositions at this time is not supportive of these actions.

We also observe a lack of harmonization across legislation. For example, under GDPR customers should be in control of their data – maybe not payment specific – but PSD2 has made data a payment issue.

Also, there is disparity in terms of AML, as TPPs are not covered by the same requirements as those imposed on banks.

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
X	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:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not see the need of additional technical or regulatory-induced mitigating measures to be applied by payment services providers or users. One of the main causes of fraud is still the handover or passing on of credentials by the PSU to a non-authorised person (for example as a result of phishing attacks) and/or "social engineering". This can only be mitigated by continuously raising awareness on behalf of the banking industry and public authorities.

As a consequence of the requirements posed by PSD2 and the RTS on SCA and CSC, in general PSPs have strengthened their fraud control systems, which have allowed them to quickly adapt to new realities. Therefore, we do not consider there is any need of new requirements for PSPs to control new developments on fraud; in other words, PSD2 and the RTS are wide and specific enough. Efforts should rather be put in customer awareness campaigns, helping them to recognise fraud and fraud attempts in various forms.

Moreover, it must be taken into account that providing convenience and certainty to payment service users should remain the main objective, together with security, and that extra layers of unnecessary regulation could result in a large cost impacting the main objectives.

SCA seems to be sufficient as we consider that stricter global rules would not bring any benefits for banks nor clients. In case a bank identifies extra-ordinary risk in a certain area, it may set up safer technologies and processes to protect its clients – this may be valid especially for transactions over 100K EUR. However, we also observe that, following flexibility granted by the EBA, SCA is not being applied yet to all remote card transactions.

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?

X	Yes
	No
	Don't know / no opinion / not relevant

Question 26.1 If you answered yes to question 26, please explain your answer:
3000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Market-based innovation should be built on market-based terms. Designing innovative payment solutions fully adapted to both consumers' and corporates' needs should continuously take place; it ought to be a continuous process for our customers since their behaviour keeps changing due to new emerging technologies. In particular, following the Covid-19 crisis, we believe that the demand for such solutions will increase. Moreover, currently available technology enormously facilitates being in constant evolution and is an enabler of new ideas to be developed.

- Innovative payment solutions should be market driven. Legislation should leave enough space for implementation and market innovation.
- The banking industry developed suitable payment solutions which are in place today covering the needs and expectations of customers.
- Other and new innovative and future oriented payment variations are still under development in the banking industry on the basis of harmonised industry standards and self-regulation in the market.
- New technologies like IoT will shape the way people interact and how they do commerce. For the market acceptance of payment methods, it is of utmost importance that payments can be also integrated into new technologies.
- The future of contactless payments surely relies on mobile banking and digital wallets, where more innovative approaches can be developed. When using smartphones there might no longer be any need for paper receipts that could then be incorporated to electronic records, further avoiding physical exchanges that might contribute to many inefficiencies.
- In online payments, authentication might also be steered to digital wallets (out of band) instead of the traditional pop-up windows, thus using biometrics and avoiding having to enter two factors. Consent from customers to merchants could be delivered to the merchants at enrolment or in pre-authorizations, so as to benefit from quick checkouts, without prejudice of setting the proper delimited rights for reimbursement claims. Some customer identification based on banks' domain could be used to identify and / or register customers within merchant websites, allowing some agreed exchange of personal data, electronic signature and initiation of request of payments, without using accounts or card numbers, nor other proxies that could require lookup services.
- Request to Pay will pave the way for the definition and improvement of both new and already existing payment solutions; for example, linking RTP and SCT-Inst promises to deliver innovative payments solutions.
- Small medium size merchants will be interested in alternatives to cash. So new opportunities for acquiring customers who preferred cash than something else.

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

X	Yes
	No
	Don't know / no opinion / not relevant

Question 27.1. Please explain your answer to question 27. (Please consider to include the following elements: how would you promote them? For example, would you support an increase of the current ceilings authorised by EU legislation? And do you believe that mitigating measures on fraud and liability should then be also envisaged?):

3000 character(s) maximum.

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

ESBG welcomes that payment schemes, card-issuing banks and merchants have realised the significant advantages that contactless payments can offer. With respect to speed, reliance and convenience, both consumers and merchants experience great benefits.

We see a future need of financial education of consumers and promotion to the merchants on already developed/new innovative payment methods in a market-driven way. In general, this market-driven success does not require further regulatory action. However, given the crucial importance of consumer-owned mobile devices, a fair and level playing field in terms of access to technical infrastructure elements should be pursued.

Yes: contactless payments should be further facilitated but with security features.

- All payment terminals and cards in Europe should become contactless-compliant within a certain period of time.
- The increase of ceilings for contactless card transactions up to the RTS limits has been done by some banking communities in the Covid-19 health crisis. The rise of the ceiling to 50 euros has not had a negative impact. We don't favour a further raise of this plain-vanilla contactless payment ceiling without proper SCA being applied. Contactless payments with SCA and with ceilings far higher than those prescribed in the RTS already exist and flourish as proven by the success of Apple Pay and Samsung Pay.
- As per the example with higher limits above, SCA requirements can be fulfilled by easy and convenient user experiences which then become the main driver in the adoption of contactless payments.
- For the cumulative threshold of transactions (within the ceilings allowed), instead of undertaking SCA periodically, we consider that the use of mobile messages sent by the banks could raise security awareness to customers in a similarly effective manner. Another alternative would be to take into account daily aggregated amounts as risk thresholds, instead of the number of transactions, in sequence without SCA being made.
- The banking community could be somehow encouraged to standardize the use of a banking customer ID to enable merchants to identify customers, provide them with loyalty services and associate recorded receipts to such IDs, thus facilitating further customer interactions in digital form and in substitution of other physical means like plastic cards, paper forms, vouchers or tickets.

It may be necessary to set a new electronic "higher" level of protocol between smartphones and payment terminals, using NFC/RFID, given that the protocol currently in use is leveraging the EMV protocol focusing strictly on the payment only. This does not mean to substitute the latter by the former, but to have two standards coexisting and eventually supported by the same PSP apps with the option to be selected or invoked by the POS or similar device when the smartphone approaches, depending on the use case choice. Merchant-developed apps could also use the same protocol using the same customer identification method which might initiate a request-to-pay to be sent to the bank, which in turn would require customers to authenticate and approve the payment in its own bank's app. This flow would be applicable to both face-to-face and online or remote payments and might support the payment being made indistinctly against a card or account.

Improving access to payment accounts data under PSD2

Since 14 September 2019, the PSD2 Regulatory Technical Standards on Strong Customer Authentication and Common and Secure Standards of Communication are applicable, which means that account servicing payment service providers (ASPSPs) must have at least one interface available to securely communicate – upon customer consent – with Third-party providers (TPPs) and share customers' payment accounts data. These interfaces can be either a dedicated or an adjusted version of the customer-facing interface. The vast majority of banks in the EU opted for putting in place dedicated interfaces, developing so-called Application Programming Interfaces (APIs). This section will also consider recent experience with APIs. Some market players have expressed the view that in the migration to new interfaces, the provision of payment initiation and account information services may be less seamless than in the past. Consumer organizations have raised questions with regard to the management of consent under PSD2. The development of so-called "consent dashboards" can, on the one hand, provide a convenient tool for consumers who may easily retrieve the information on the different TPPs to which they granted consent to access their payment account data. On the other hand, such dashboards may raise competition issues.

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
X	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 redirectionbased and an embedded approach	X					
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:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This rationale could not be uploaded in the online questionnaire so we ask the Commission to take note of the below:

The way the question is asked is in fact misleading. PSD2 opened up payment accounts only and as a consequence there is no such a thing as open banking under PSD2.

We understand that the current regulatory framework is extensive enough and does cover the risks aimed to be tackled. As the implementation of technical matters under PSD2 has taken place later than initially expected, some additional time should be left to the market to develop and mature before drawing conclusions on what changes may be necessary. Time should also be granted to take into account the latest regulatory guidance that has been given and that is still being given to the market. Every time clarifications are provided to the market, market participants should be ensured

sufficient time to implement these. There is still a lot of calibration to be made such as supervisory convergence and the alignment with other pieces of legislation, such as the GDPR which we believe to be sufficient for the sharing of data just like the Commission concludes in its recently published evaluation report (Communication from the Commission to the European Parliament and the Council – Data protection as a pillar of citizens' empowerment and the EU's approach to the digital transition - two years of application of the General Data Protection Regulation). A flourishing data-driven market – be it in payments, broader financial services or between different industries – should be based on principles of mutual benefits and potential monetisation of services and infrastructure by all market participants, and thus should take a different approach to PSD2. With regard to payment functionalities that are beyond the scope of PSD2 (such as payment guarantee, delegated SCA etc.), these should be elaborated through a coordinated market-driven initiative within the Euro Retail Payments Board (ERPB) SEPA API access scheme work. The ERPB should seek to launch the work on a scheme as soon as possible by building on the work already carried out within the ERPB. In such discussions, the TPP representation should be properly balanced between representatives of incumbent TPPs and representatives of new, innovative post-PSD2 TPPs.

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
X	No
	Don't know / no opinion / not relevant

Question 29.1 Please explain your answer to question 29:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- PSD2 has acted as a catalyst for API-based business models. However, the materialisation of further use cases has to be market-driven, taking into account the needs of banks, customers and third parties.
- PSD2 brought a level playing field on the payments market – now the power of competition and innovation should be the main factor.
- Market initiatives have already created a platform for API interfacing and thanks to the RTS discussion and ERPB there is a common understanding. Open banking initiatives (e.g. under the roof of the Berlin Group) are already under way, bringing together the said market participants with the aim of developing innovative new services.
- A market-driven approach is best suited to ensure that investments made (e.g. implementation of API standards) can be safeguarded and that viable business models, based on mutual benefits for banks and TPPs, may be developed.
- API standardization should be promoted at EU level, but still put in the hands of the community of banks, PSPs, technical providers, and merchant and consumer representatives. Thus, EU authorities should promote the dialogue and harmonization of those parties, making sure that every side is included, and based on the already established standardization bodies. That is the only way that the evolution of standards can be aligned with technological trends, market experience and emergent innovative solutions.
- European representation of TPPs in stakeholder fora should be more balanced. We notice that incumbent TPPs are dominating the debates with regulators and supervisors, and as a result the voices of the post-PSD2 TPPs seem not to be heard at those fora. This puts these

incumbent TPPs also at a competitive advantage vis-à-vis the post-PSD2 TPPs as the former try to protect their pre-PSD2 business models (that post-PSD2 TPPs don't have access to) at all cost and by all means. We believe that a more balanced representation of TPPs is required in the various stakeholder fora. Therefore, EU authorities should abstain from taking regulatory measures in this matter.

Adapting EMD2 to the evolution of the market and experience in its implementation

Since the entry into force of EMD2 in 2009, the payments market has evolved considerably. This consultation is an opportunity to obtain feedback from stakeholders with regard to the fitness of the e-money regime in the context of market developments. The aspects related to cryptocurrencies are more specifically addressed in the consultation on crypto-assets including "stablecoins"

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
X	Don't know / no opinion / not relevant

Question 30.1 Please explain your answer to question 30:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regulation should be activity-based and the collective risk-based, focusing on mitigating risks for the purposes of maintaining high levels of consumer protection and financial stability. Therefore, we consider the current regime to be sufficient.

Under PSD2 and EMD2, the authorisation regimes for the provision of payment services and the issuance of E-money are distinct. However, a number of provisions that apply to payment institutions apply to electronic money institutions mutatis mutandis.

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
X	Don't know / no opinion / not relevant

Question 31.1 Please explain your answer to question 31:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Some requirements may be the same but some others related to responsibilities on certain matters may differ due to the differences on their activities and the consequences of possible failures. The activities performed by payment institutions and electronic money institutions have differences that require distinct requirements. While the payment institution is not involved in the custody of funds and is more responsible for customer authentication methods and settlement of payments, the electronic money institutions are involved in the safeguarding of allocated funds and proper assessment of customer profile.

Payment solutions of the future

As innovation is permanent in the payments sphere, this consultation also considers potential further enhancements to the universe of payment solutions. One of them is the so-called "programmable money", which facilitates the execution of smart contracts (a smart contract is a computer program that runs directly on a blockchain and can control the transfer of crypto-assets based on the set criteria implemented in its code). In the future, the use of smart contracts in a blockchain environment may call for targeted payment solutions facilitating the safe execution of smart contracts in the most efficient way. One of the relevant potential use cases could be the automation of the manufacturing industry (Industry 4.0).

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

X	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?
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not currently see an implementation in the European retail payment transactions as meaningful. The further development of conventional payment systems fully covers needs in terms of security, speed and in particular reachability (for example, real-time payments / instant payments). Payments processing is regulated explicitly and in detail in many Member States and at European level. Fundamentally, it operates without restriction. There is a consistent and reliable framework which is continuously evaluated in the interests of all market actors. The payments processing infrastructure currently in place is extensive and robust. Digital currency is a hugely important topic for a number of reasons. A rapidly growing number of initiatives are looking at the integration of distributed ledger technology (DLT) into their production and business processes. Together with this it comes a growing demand for payment solutions based on smart contracts. There is a need to ensure a regulatory level playing field. This also includes the question as to how an interoperability between blockchain-based and "classic" payment systems can be established.

In order to avoid fragmentation, ESBG would recommend that EU regulators wait until the European Central Bank has expressed a clear vision on a CBDC (central bank digital currency). Our view is that the introduction of a central bank digital currency would only be needed if it brought a significant added value for the broad public and if both the stability of the financial system and its ability to provide efficient funding could be guaranteed.

In any case, we consider that the EU regulators should urgently address the possible risks emerging from CBDCs (those issued by foreign central banks, especially), by establishing proper regulation that limits their possible negative impacts on the European financial system.

C. Access to safe, efficient and interoperable retail payment systems and other support infrastructure

In Europe, the infrastructure that enables millions of payments every day has undergone significant changes over the last decade, most notably under the umbrella of SEPA. However, some issues remain, such as: ensuring the full interoperability of European payment systems, in particular those processing instant payments and ensuring a level playing field between bank and non-bank payment service providers in the accessibility of payment systems. Furthermore, some Member States have put in place licensing regimes for payment system operators in addition to central bank oversight, while others have not.

Interoperability of instant payments infrastructures Two years after the entry into force of PSD2 and without prejudice to its future review, it is useful to collect some preliminary feed-back about the effects of PSD2 on the market.

With regard to SCT and SDD, under EU law it is the obligation of operators or, in absence thereof, of the participants in the retail payment systems, to ensure that such systems are technically interoperable with the other retail payment systems.

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
X	No
	Don't know / no opinion / not relevant

Question 33.1 Please explain your answer to question 33
1000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

CSMs and the Eurosystem have already identified the issues that prevent SCT Inst from reaching full interoperability and are already under discussion to solve them. These discussions have resulted in some solutions being put on the table, highlighted by the proposal of TIPS playing the role of 'CSM hubs'. Domestic CSMs could be moved to connect to each other through a central European hub, rather than bilaterally, and TIPS is well-positioned to adopt that role. Both banks and domestic CSMs should be granted connection to the hub, the latter on behalf of their represented banks. In this context, B2B payments could be first approached by the hub, leaving the promotion of P2P payments for a second phase, as they may require some additional facilities, like the implementation of RTP transactions and proxies. In any case, as all parties currently acknowledge the relevance of the topic and the need of reaching a fast agreement, works on the matter have sped up. Therefore, we consider there is no need for the Commission to take any regulatory role on this. At the same time, we would see a role for the EC from the point of view of encouragement and sponsorship, helping participants to align and become aware of the strategic urgency, task in which the EC should very closely collaborate with the Eurosystem. Market-based and market-driven

solution are needed. There are historical reasons why the infrastructure requirements have evolved as they have. • Regulation (260/2012) Art. 4 (2) states, that the operator or, in the absence of a formal operator, the participants of a retail payment system within the Union shall ensure that their payment system is technically interoperable with other retail payment systems within the Union through the use of standards developed by international or European standardisation bodies. This legal requirement has to be implemented by all relevant CSMs including the Eurosystem as soon as possible. • We support the approach of the existing CSMs with the Eurosystem on how to achieve this.

Ensure a fair and open access to relevant technical infrastructures in relation to payments activity

(This topic is also included, from a broader perspective, in the). digital finance consultation.
In some Member States, legislation obliges providers of technical services supporting the provision of payment services to give access to such technical services to all payment service providers.

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:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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.

Non-discriminatory access by PSPs to vital components (e.g. NFC or biometric identity readers) of mobile devices will contribute to a more competitive market and we support EU-level action in order to ensure a level playing field between all actors across Member States. To that end, ESBG welcomes the announcement from the Commission to open an investigation into Apple practices regarding Apple Pay and Apple's limitation of access to the NFC functionality on iPhones.

It is fair to provide all payment service providers with access to payment infrastructures, as it is already the case in many jurisdictions in the EU. However, it needs to be remarked that such infrastructures shall guarantee the adequate level of soundness, robustness, reliability and solvency of all participants, especially when the infrastructures are involved in the clearing and settlement process or in providing payment guarantee in electronic authorizations. All this requires setting the proper solvency, collateral, technological and operational requirements to all participants. Banks already have strict solvency standards and meet other performance requirements that are much higher than those of some PSPs that only offer PIS services, which may require that the latter reinforce their own conditions to reassure the expressed guarantees to the rest of participants.

Question 34.2 If you think that EU legislation should address this issue, please explain under which conditions such access should be given:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that no further legal or regulatory action is needed. In addition to any PSD2 or any PSD2-related EBA-RTS regulation potentially applicable we identify a need to define rules for (i) the process of demanding access as well as (ii) granting access or even (iii) precise legal grounds on which the access can be denied. We would like to emphasize that no legal uncertainties regarding the process should remain, as this would lead to potential litigation and hinder the effective admission of access.

Facilitating access to payments infrastructures

In a competitive retail payments market, banks, payment and e-money institutions compete in the provision of payment services to end users. In order to provide payment services, payment service providers generally need to get direct or indirect access to payment systems to execute payment transactions. Whereas banks can access any payment system directly, payment institutions and e-money institutions can only access some payment systems indirectly.

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
X	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
X	Other reasons

Question 35.2 Please specify the other reason(s) why you think indirect participation through banks is sufficient:
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Systemic risks and financial stability are key factors in payments. Some CSMs are designated systemically important payment systems (SIPS) and are required to impose strict access requirements on participants in terms of credit risk and collateral, to name a few. As a result, even not all banks qualify for direct access to such systems and hence also a lot of banks are indirect participants in such systems, under reasonable conditions. Other banks prefer indirect participation as it is more cost-efficient for them.

Please add any relevant information to your answer(s) to question 35 and sub-questions:
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given the complexity, as well as technical and legal requirements of a direct participation, we deem the current model of indirect participation for payment institutions and e-money institutions as absolutely sufficient and in line with market needs. This insight is not limited to payment institutions and e-money institutions: not all banks are able or wish to participate through direct participation to all payment systems. At the moment, a lot of small and medium sized banks are indirect participants as well. Resulting from the digital revolution and the open banking new field, many new types of PSPs and FinTech start-ups appear with not necessarily strong financial attributes, some of them striving but many failing in gaining the adequate commercial success. This needs to be considered, in a way that the said market flexibility looking to favour such new ventures which are presumed positive to foster innovation, competition and customers service availability, is parallel to the safeguarding of the robustness and reliability of the overall payment system. If the Commission considers granting non-bank PSPs access to payment infrastructures, then this should not pose additional systemic risks on the payments sector. The main point is to manage the way they get access. According to this premise, guarantees and collateral required from them should be equal to those already mandated to the other participants.

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?

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There are several aspects:

1. What criteria need to be fulfilled to get such a licence. The criteria should reflect the risk for customers if such a licensed subject goes bankrupt.
2. Oversight needs to be done regularly in the same regime like for other licensed subjects, for example banks.
3. Payment systems operators need to also comply with respective regulations.

Regulators are responsible to deliver the same level playing field for all participants in order to keep competitive neutrality.

There are always risks when opening up infrastructures for parties under different licenses and different obligations. That is the main point regarding security, risk, continuity, tasks for central banks. It is too simple to strive to a competitive landscape just to allow all parties who could be competitors for banks or existing PSP to connect to payment systems.

As trust in payments is key, licensing is the correct approach.

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

While there has been substantial progress towards SEPA, cross-border payments between the EU and other jurisdictions, including remittances, are generally more complex, slow, opaque, inconvenient and costly. According to the World Bank's Remittance Prices Worldwide database, the average cost of sending remittances currently stands at 6.82%. Improving cross-border payments in general, including remittances, has become a global priority and work is at 6.82% being conducted in the framework of international fora such as the Financial Stability Board and the Committee on Payments and Market Infrastructures to find solutions to reduce that cost. The United Nations Sustainable Development goals also include the reduction of remittance costs to less than 3% by 2030. Reducing the costs of cross border payments in euro should also contribute to enhancing the international role of the euro

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

	Yes
X	No
	Don't know / no opinion / not relevant

Question 37.1 Please explain your answer to question 37:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Rather recently the Regulation (EU) 2019/518 amended Regulation (EC) No 924/2009 in relation to certain charges on cross-border payments in the Union and currency conversion charges. This amendment will require, together with other rules affecting the payments industry, a significant cost and time for implementation of new measures. In addition to that, the analysis on the technical feasibility and business convenience, and on the implications of SEPA one-leg out payments, have already started by the EPC and the ERPB. To these one-leg out payments, a facilitation role can be done by achieving some international agreements. Putting in place new legislation would not help, since there isn't any possibility to influence legislation outside the EU. However, for these one-leg out payments we would also need a technical solution which would support such agreements – so coming back to interoperability and multicurrency clearing houses which don't operate just in some regions or countries and are borderless.

Further, work is underway on the search for more efficient, transparent and traceable payment systems (e.g. extension of the adoption of ISO 20022, the GPI initiative with enforcement of universal confirmation by mid-2021, or the proliferation of work on interoperability by domestic payment schemes).

Payment schemes and infrastructures across the globe make enhancements. This allows PSPs to improve their international payment services in terms of speed, transaction tracking, payment finality and costs.

The Global Payment Initiative (GPI) from SWIFT to improve the cross-border payment handling. Uptake of instant payment schemes/systems across the globe. Discussions are underway to see how interoperability between these schemes/systems that already use the ISO 20022 standard, can be made. There have been successful tests between GPI and TIPS in 2019.

However, in terms of watch lists and sanctions screening there could be a better coordination between jurisdictions. In conclusion, we do not see additional need for action at EU level on cross-border 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
X	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
X	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:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

EU regulators opened up the market by allowing different players to be involved in payments. We assume that this competition, as is the perspective of the Commission, will reduce pricing to the right level. The supply side of classic remittance service providers (RSPs) offering remittance services in the EU is large and varied. This stimulates the RSPs to offer a broad range of currency pairs for such transactions at competitive prices. There's work in progress from payment actors, from banks to central banks and CSMs to non-banking players, in relation to facilitating remittances. Remittances are strongly benefitting from the entry of new players. Besides, we believe that the majority of the end-user costs for remittances are related to the "last mile" which is usually outside the EU at a point where an electronic transfer is being transformed to a cash-out payment, for example via agents. The Commission does not have influence over this last mile outside the EU. Therefore, ESBG does not believe there is need for the Commission to play a role in terms of improving the technical feasibility of remittances. However, a role could the European Commission could play is on influencing other regional authorities and participants (e.g. the respective central banks) to join forces and by acknowledging the World Bank/BIS General Principles for International Remittance Services and working towards achieving the relevant United Nations' Sustainable Development Goal.

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		X				
Wide adoption by the banking industry of cross-border payment trackers such as SWIFT's Global Payments Initiative			X			
Facilitate linkages between instant payment systems between jurisdictions					X	
Support "SEPA-like" experiences at regional level outside the EU and explore possible linkages with SEPA where relevant and feasible			X			
Support and promote the adoption of international standards such as ISO 20022				X		
Other				X		

Question 40.1 Please explain your answer to question 40:
5000 character(s) maximum.
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We recommend collaboration in aligning standardisation and in taking other measures between the different jurisdictions, possibly involving central banks. The ECB may have a good opportunity in this field with its TIPS platform which is quite unique worldwide. Through the use by foreign banks which are beneficiaries of remittances of European correspondent banks which in turn are members of TIPS, the platform could play a role in managing cross border payments with the euro as the settlement currency.

GPI's Universal Confirmation is expected to become mandatory in mid'21, and alternative payment methods, such as Ripple or Transferwise-type, are providing with 'tracker-like' features. Therefore, we support a wide adoption by the banking industry of cross-border payment trackers such as SWIFT's Global Payments Initiative.

Instant payment systems are in general quite new, but there are already conversations in progress to link some of them, and we are in favour of facilitating linkages between instant payment systems in different jurisdictions. Many non-EU jurisdictions have already developed their instant payment schemes, according to their domestic needs and preferences. However, we do not consider that 'assimilating' them to SEPA features is neither convenient nor realistic. We understand that analysing differences and trying to reach an agreement on preferable commonalities would be a better idea.

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

You can select as many answers as you like.

X	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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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. All current developments do have in mind the need to increase speed, transparency and traceability of payments. Further analysis to find out the most appropriate way to go forward is needed, but there is no doubt that solutions coming from those will result in efficient solutions.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

This document *0396 ESBG response to EC Consultation Retail Payments Strategy v1.0* has been uploaded to the online survey.

About ESBG (European Savings and Retail Banking Group)

The European Savings and Retail Banking Group (ESBG) represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 885 banks, which together employ 656,000 people driven to innovate at 48,900 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans, including to SMEs, and serve 150 million Europeans seeking retail banking services. ESBG members commit to further unleash the promise of sustainable, responsible 21st century banking. Learn more at www.wsbi-esbg.org.

European Savings and Retail Banking Group – aisbl
Rue Marie-Thérèse, 11 ■ B-1000 Brussels ■ Tel: +32 2 211 11 11 ■ Fax : +32 2 211 11 99
Info@wsbi-esbg.org ■ www.wsbi-esbg.org

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