

European Commission

Consultation on a retail payments strategy for the EU

Cover paper by P27 Nordic Payments

Introduction

As an enabler of domestic and cross border, single and multi-currency instant payments, P27 shares the European Commission's vision about the opportunities instant payments can bring to the European payments market.

P27 is a company owned by Danske Bank, Handelsbanken, Nordea, OP Financial Group, SEB, and Swedbank. P27 was born out of consumer demand and utilising new technology to build an instant payments system in the Nordics. With a focus on instant, low cost and security, we are creating the infrastructure required to continue supporting a vibrant and competitive payments landscape in the future.

Instant payments will also bring opportunities to lower the cost of payments. As volume grows and we reach economies of scale, this will lead to cost-efficient payments, that ultimately benefits end-users. Furthermore, instant payments will contribute to a diverse payments landscape in Europe, and will encourage competition and innovation further – this brings more choice for the consumers who are having increasing expectations on payments (speed, convenience, security).

With our contribution to the Consultation, we hope to share knowledge about our experience with P27 that can contribute to an integrated European payments market. We believe that a similar open-access and common infrastructure will bring further harmonization to the European landscape. When developing policy to support this, we advise keeping the following principles in mind:

- A market driven approach towards creating an innovative and competitive payments sector
- The importance of legislative and regulatory certainty and stability
- The need for harmonisation of certain rules and regulatory requirements

A market driven approach towards creating an innovative and competitive payments sector

Recent years has seen unprecedented levels of innovation in payments, which has led to more actors and solutions on the market. Most of this innovation has been market driven, including P27 which was created out of the Nordic tradition of technological innovation and cooperation between banks, and out of the aim to create a platform that really will transform payment experience for everyone in the region.

We recognise that the Nordic payments market differs from most other European countries in the sense that it has a much higher uptake of electronic payments. However, we do not see why countries who are also steadily growing their electronic payments capabilities would not also see the same developments and similar solutions emerging there. In line with this, we would caution against creating government-run or government-driven initiatives to create new payments solutions or infrastructure. In our view, Europe's citizens would be best served by payments solutions which arise from true market-need and a solid business case. We also believe that market led solutions are better at providing innovation, which will also benefit the end-user of payments. A level playing field between all market operators (both private and public) is fundamental.



The importance of legislative and regulatory certainty

We fully support a robust regulatory regime for payments and payments infrastructure. Safety and security are absolute pre-requisites in the payments sector and a robust regulatory regime underpins this. At the same time, we are seeing many new entrants into the payments space and we understand that policy makers want to make sure that the legislative framework is fit for purpose and future proof. In line with this we recognize legislation such as the Revised Payments Services Directive (PSD 2) and believe it will benefit the market.

However, the payments market is not only regulated through the PSD2 but a plethora of other EU and domestic legislation impact businesses who are active in the payments sector. This in itself is not a problem. However, frequent reviews and changing of regulatory requirements does impact the way in which business can plan ahead and invest in new ideas. Since payments systems and payments infrastructure in particular require a lot of investment, businesses need to be able to know that the regulatory requirements remain relatively stable. If this is not the case, it is likely that new market driven initiatives will be seen as too risky in an ever-changing regulatory environment. We therefore encourage to have a regulatory pause so businesses can invest and build solutions on the basis of the stable regulatory framework. If any further regulation is considered, it is vital that the legislation remains principles-based and not overly prescriptive in order not to limit innovation.

The need for harmonisation of certain regulatory and oversight/supervision requirements

With the above section in mind, we however believe that more can be done in order to harmonise and streamline rules and regulatory requirements across Europe in order to foster more pan-European payments platforms and solutions.

P27 is essentially a clearing service active in multiple currencies and across several countries offering both batch and instant payments services. However, most existing clearing services are either domestic and/or based on a single currency. This is also the market structure in which the current regulatory environment is adapted to. As multi-currency and cross jurisdictional platform, this has caused friction in relation to for instance access to central bank clearing systems and oversight/supervision. It also hampers interoperability. In order to create a truly pan-European payments market, we believe the European Commission should look in to how these kinds of frictions can be overcome and potentially even consider a license passporting regime for clearing services, similar to what payments providers have access to in PSD2.

In relation to the above, we believe any new pan-European solutions should be able to process multiple currencies to optimize reach. This will not only enable all EU countries to be interoperable but will also be a pre-requisite for extra-EU interoperability at a later stage.

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