

## **ACI reply to the European Commission public Consultation on a retail payments strategy for the EU**

The following are the preliminary comments of ACI Worldwide<sup>1</sup> (ACI) on the European Commission consultation on a retail payments strategy for the EU, which was published on the 3<sup>rd</sup> of April 2020. ACI supports the European Commission objective of enhancing an Internal Market for Payments where the access to and use of payment services functions smoothly across all Member States and is encouraged by European plans to increase competition and open access to the payment systems across Europe. We anticipate that this should allow payments market participants - including ACI's customers and partners - to grow faster and to offer even more innovative solutions.

As mentioned in the Consultation Document, we at ACI agree that payments are vital to the economy and to growth, while the smooth functioning of payment systems is paramount to financial stability. Furthermore, we agree with the Commission on the fact that it will be important to avoid outcomes that re-create fragmentation in the Single Market, when a substantial degree of harmonisation has been achieved in the framework of SEPA.

We would like to respond to some of the specific questions addressed in the Consultation Document, with the aim of outlining policy actions which we believe are needed to achieve a well-functioning and competitive European market for payments.

### **Issues for discussion under the Consultation Document object of this consultation**

**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?**

---

<sup>1</sup>ACI has been a global leader in payments technology for forty-five years and core to our company's vision is facilitating electronic payments in a secure and efficient environment. We support customers in more than 90 countries and actively serve in industry councils and committees, in particular the ISO 20022 Real-Time Payments Group and the EPC Instant Payments Technology Group, collaborating and sharing our global expertise in today's rapidly evolving payments ecosystem. ACI's integrated suite of payment software solutions enables electronic payment processing for:

- 200+ billion consumer transactions each year

- \$14+ trillion in payments and securities transactions each day

Our customers include merchants, billers with a high-volume billing and disbursement profile, financial institutions and intermediaries of various types. ACI currently supports 18 real-time domestic schemes globally, with a customer base of almost 70 institutions across 19 countries, including involvement in more than 50% of the UK's Faster Payments, providing the core processing infrastructure for Malaysia's Realtime Retail Payments Platform (RPP) and STET's instant payments platform for PSPs in Europe. ACI powers electronic payments and banking for more than 5,300 organisations, including:

- 18 of the top 20 banks worldwide
- Thousands of merchants globally both directly and through PSPs
- 3,700+ organisations utilising our electronic bill payment solutions
- 1,500+ banks, intermediaries and merchants preventing fraud with our solutions.

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

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

We would like to note that establishing payments that have pan-European reach, are convenient and cost-effective remains a challenge. This is partly due to domestic legacy infrastructures. Instant payments and open banking have the potential to alleviate these, as well as encourage further collaborative innovation. ACI supports existing and new payment systems as they are launched, assisting bank and non-bank participants with secure instant payment processing, settlement and decision-making systems to ensure the market can operate in a flexible environment across multiple schemes. ACI would like to highlight a few guiding principles that we hope will be taken into

account in any development of new payment schemes, while providing an alternative to the existing card schemes:

- Build on pan-regional and global standards to facilitate reach for European consumers and businesses that go beyond the borders of the European Union;
- Consider the broader convergence of high and low-value payments. This could ultimately create greater service value to small and medium sized businesses by providing greater choice and access to funding;
- Streamline and simplify the Application Programming Interfaces (APIs) across Europe, allowing for more efficient merchant payment services;
- Promote and engage early with national government stakeholders on the need to adapt and accept new digital payments.
- Aim to create common and easy-to-understand acceptance mechanisms, backed by clear rules (in particular, to deal with unexpected situations and disputes) to re-assure payments participants (citizens and businesses) when adopting these new schemes.

Furthermore, ACI would like to highlight the urgency in staying ahead of the disruption that new technologies, such as the Internet of Things, artificial intelligence or distributed ledgers, will have on the European digital payments ecosystem, and specifically the need to evolve policies, regulation, security and technical systems to support potentially large transaction volumes generated by machine-to-machine payments. The Internet of Things will lead to the Payment of Things.

These new volumes of transactions may not need individual processing, clearing and settlement, but new approaches for authentication and authorisation may need to be devised. Furthermore, these may result in fundamental changes for the acceptance of payments, data security and authentication models. The notion of digital identity and permissions will need to be expanded practically to cater for the authentication of citizens, but also for their agent machines.

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

ACI believes that digital payment methods will drive value to the European single market by supporting new business models, stronger innovation and more effective processes. To have maximum impact on growth, these new payment channels need to be offered on a level playing field to all market participants and, where possible, share common standards for digital payments initiation, authorisation, clearing and settlement.

ACI is highly supportive of Europe's efforts to reduce fragmentation and ensure pan-European reachability. As the market evolves, industry-led initiatives will create more innovation, services and "overlays" based on SEPA Instant Payments.

To support even greater efficiency in the system, ACI calls on the importance of establishing common standards for digital payments initiation and authorisation, beyond clearing and settlement. To deliver the European Commission's vision of "retail payment services that work across borders and are faster, cheaper and easier to use", ACI calls on the need for interoperability of instant payments at the point of initiation. ACI encourages industry led innovation for the type of technology solutions and services provided to merchants, be they smart mobile applications, NFC, QR code or a digital wallet, but would also welcome public guidance towards common standards, procedures and rules for the new payment instruments created across Europe. This would allow European consumers, businesses and merchants to benefit from scale and network effects across the eurozone. Allowing flexibility for participants to build overlay services over SEPA Instant

Payments rails creates opportunities for all ecosystem participants to connect to this core functionality and develop their individual customer propositions to layer into the transaction.

We would like to provide the case of India and the Unified Payments Interface (UPI) as an example. UPI enabled a vast array of digital overlay services. Indeed, India is leading the global real-time and digital payments revolution with experts predicting that by 2023 the country could be processing 60 billion UPI transactions annually, accounting for more than 50% of India's digital payments transactions. Standardisation and openness have resulted in greater competition, with new market entrants launching payment services embedded into their platforms and integrated into UPI, increasing real-time payments transaction volumes. Another key success factor in India is mobile enablement with a real-time payments initiation application, supporting all scheme participants and allowing users to easily transfer money. Also, the evolution of Indian payments has been accelerated by a holistic policy approach towards digital society, where the so-called "India Stack" has also introduced the public to new digital tools, including, for example, the means for electronic authentication. The accelerated development of modern European payments will also need to be linked to standardization activities in the wider field of digital services for citizens.

We believe that regulation that encourages an open and competitive payments landscape, such as the Payment Services Directive (PSD2), combined with common data schemes and messaging frameworks based on ISO 20022 across real-time, retail and wholesale payments, will be key to developing adoption and data-rich business use cases. ACI notes through its global support of open and instant payments in more than 18 countries worldwide that successful digital payment ecosystems share common key attributes, including:

- Account portability to link to any bank's or nonbank's instant payments applications and carry out transactions;
- Simple payment identifiers, such as mobile phone numbers or virtual IDs, instead of complex account details;
- Common merchant payment standards (online in-app or at offline stores);
- A "Request to Pay" messaging protocol, making bill management easier and providing fairer and more inclusive ways of paying for utilities or services, as well as clear rules for dispute resolution and liability allocation;
- Well-designed mobile applications that deliver frictionless (or friction-appropriate) user experiences;
- Lower infrastructure and transaction costs, linked to common and easily navigated rules relating to the deployment of public cloud and outsourced services.

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

ACI Worldwide calls on the importance and priority of initiatives to further advance the adoption of instant payments in the EU, specifically in the areas of interoperability, ubiquity, advanced overlay services, consumer protection and security.

Furthermore, while ACI Worldwide supports industry-led initiatives to foster innovation in the single market, it encourages the need for public initiatives to ensure a positive outcome on customer engagement and awareness, government stakeholder acceptance of new digital payments, emphasis on financial inclusion for a fair payments ecosystem and reduced fragmentation in the European digital payments market.

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

Yes

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

Superficially, the notion of an instant transfer of funds compared to a delayed process may imply greater risks, but only if the checks and balances normally applied in those delayed processes (confirmation of correct payee, authentication of payer, payment permissions checks, etc.) cannot be applied in the equivalent real-time scenario. ACI would like to highlight the need to consider new fraud risks and provide a new consumer protection framework as a result of the growth in instant payments adoption, in particular around authorised push payment (APP) fraud, reimbursement and refund models.

We believe new fraud risks have been ascending as a result of instant payments adoption, in particular APP fraud, one of the fastest growing types of attacks. There are indeed many types of fraud attacks related to instant payments, but one of the most recent and fast-growing developments is APP fraud, which involves fraudsters tricking their victims into willingly making a bank transfer, via instant payments, to a specific account to which fraudsters have access. This is achieved in many ways, from social engineering to invoicing and push payments.

ACI calls on the need to provide a secure and trusted framework to support the adoption of SEPA Instant Payments in Europe. Based on the experience of more mature real-time payments markets, ACI suggests the following as key principles:

- ensure that European consumers and businesses understand and are aware of the new types of fraudulent activities that could arise from making instant payments;
- ensure the industry monitors and recognises APP fraud early on, to ensure that institutions can respond rapidly to evolving criminal activity;
- introduce a “confirmation of payee” service to ensure an additional level of security is provided, and that trust and confidence in SEPA Instant Payments is retained.
- embed the necessary fraud-avoiding checks and balances within new schemes devised to make instant payments more digestible for citizens and businesses – for example within “Request for Payment” protocols, or within new card/device initiated instant payments.

Finally, the payments industry needs to address and clarify the liability and funds repatriation process when a fraudulent transaction has been identified. There should be in ACI’s view, a common practice for institutions to transfer fraudulent funds back to the original source and a code to address complaints and reimbursements to victims of these new digital fraud attacks. These considerations are particularly important given that the Scheme Management Board (SMB) will amend the maximum amount per Instant Credit Transfer transaction to 100,000 euros, effective as of the 1<sup>st</sup> of July 2020. It is our belief at ACI that collaboration to provide payment solutions that both reflect the digital demands of the consumers and strengthens the single European market, includes cohesion in tackling emerging new payment fraud types.

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

SCT Inst.-based solutions offer the promise of modern, efficient electronic payments. More generally, EU merchants still stand to gain (in terms of purchase “conversion”) from a greater acceptance of card-based payments, and from alternative payment methods. These mechanisms for increasing trade can be cleared and settled through a variety of mechanisms, but the use of SCT Inst as a common utility ought to lead to lower costs for merchants in the long term.

**Question 16.1 Please explain your answer to question 16:**

We would like to note that, ACI takes a broadly agnostic approach to payments optionality, recognizing that citizens and businesses have the right to make mutually-acceptable choices which cover convention, habit, convenience, costs as well as sometimes irrational behavioral economic biases. As long as these choices made within legitimate and legal contexts, we aim to provide our customers with whichever options they seek.

Although we are a leading player in the field of electronic payments, ACI also supports access to cash through automated cash machines (ATM) services extensively around the EU.

Citizens will also increasingly see a new mix of ATM-based transactions that offer digital payment experiences, including cardless cash withdrawals (for example via the use of mobile apps, QR codes, or one-time access codes). The growth of funds transfers (remittances), electronic bill payments and other digital purchases and Value Added Services is also useful. We believe the European Commission as well as European Member States may have an opportunity here to play a greater role in this broadening consumer experience, particularly if they wish to “nudge” consumers away from cash, perhaps by offering access to government issued tokens such as driving permits, access licenses or other municipal services.

Whilst ACI agrees that cash-preference is a legitimate preference/choice for some, for others cash usage is potentially an unwanted necessity, and an undesirable barrier to joining a wider digital economy. Electronic payments and digital access to cash can, in many ways, greatly benefit the more vulnerable segments of society. Care and balance are therefore needed to steer towards more inclusive electronic payments usage. ACI consequently supports industry-led initiatives to foster innovation in the single market, but encourages the need for public initiatives to ensure a positive outcome for customer engagement and awareness, and support financial inclusion for a fair payments ecosystem in the European digital economy.

**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, absolutely, further guidance or development of new standards to facilitate cross border interoperability with clearly defined identifiers would be welcome. This applies for technical/legal standards, but also for usability, awareness, education and overall promotion. This is capability that needs to be addressed not just within the payments industry.

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

ACI calls on the European Commission to continue its engagement with industry stakeholders to further discuss the treatment of personal data and the development of trust-based services, especially as the pace of technology change requires continuous adaptation. ACI remains neutral on any regulatory action and movements related to pro-competition policy in this area, but also highlights that it may be worth considering additional demand-side usage of digital payments and related trust-services (in particular from governments and public bodies responsible for accepting payments) to ensure that citizens and businesses have greater familiarity and comfort with new ways of transacting.

We believe that the payment authentication and authorization minimum dataset could be completed

by financial-specific attributes that are used by banks for KYC requirements, but standards for these attributes are just being developed by the market players and there is still a need to adopt a common classification on KYC information. A set of internationally agreed standards could be promoted by public guidance across Europe, to address the above-mentioned aspects defining at least “what data is required”, the level of trustworthiness requested, eligibility criteria for exchanging data according to the several payment types requested by the customer. This approach will facilitate the digital “customer journey”.

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

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

**Yes**

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

At ACI we expect the current situation to accelerate the growth of real-time and new digital payment services. Right now, we see the use of cash and checks declining, with the WHO warning that cash use may even contribute to the spread of the virus. And cheques have become pretty much useless, as you can't go into a bank to deposit them. Corner shops, convenience stores and smaller merchants who previously preferred cash are now preferring cards, and many consumers are shopping online for daily necessities and services. For businesses and consumers, electronic payments and digital payment services have become crucial to navigating the crisis.

We expect that once the peak of the crisis has passed, many merchants are likely to continue to use electronic payments, and real-time payments could offer a cheaper, faster way to pay than cards that have interchange fees and slower settlement to the merchant. Furthermore, once the initial crisis is over, we could see more innovation, and the launch of many more new and innovative payment services into the market to capitalize on the shift away from cash and cheque. In our view Request to Pay (RtP) is the service that is likely to become more popular as a viable alternative to cards, as consumers begin to interact directly with merchants. In terms of benefits, RtP will allow consumers to avoid dealing with cash, cards or card terminals while allowing merchants to have access to funds immediately, which can be crucial, especially for smaller merchants.

ACI has put in place a series of new capabilities in its UP [Immediate Payments solution](#), to address the increased demand for new real-time and [digital payments](#) during and beyond the pandemic. UP Immediate Payments offers extended API capabilities for simple integration into any digital channel—including internet banking, mobile banking, mobile wallets, eCommerce portals, bill pay apps and social media payments.

UP [Immediate Payments](#) is a configurable pre-packaged, end-to-end solution offering a complete range of capabilities for processing [real-time payments](#), including origination, processing, orchestration, clearing and settlement, fraud detection and connectivity—all on a single platform. The solution enables financial institutions and payment services providers to complement their existing infrastructure, lower costs and maximize investment value. UP Immediate Payments offers additional business functionality to support organizations in a high-volume, data-rich digital payments ecosystem, including:

- Support for Request for Pay (RfP), Person-to-Person (P2P) and recurring payments;
- Stand-in authorization, liquidity management, batch processing, transaction warehouse, transaction reconciliation, case management;
- Pre-integration with other ACI solutions, including UP Retail Payments to deliver real-time balance capabilities, UP Payments Risk Management for real-time fraud prevention, as well as the digital overlay capabilities of ACI partner Mindgate;
- Creation of single customer view across the institution through APIs enabled for integration into any other banking system and data

ACI currently supports 18 real-time domestic schemes around the world, including Zelle and TCH in the US, and will support FedNow as it moves toward production. Approximately 50 percent of the UK's Faster Payments (UKFP) and 75 percent of Hungary's GIRO transactions are processed through UP Immediate Payments. The solution is also the core processing infrastructure for Malaysia's Real-Time Retail Payments Platform (RPP), and STET's real-time payments platform for PSPs in Europe. Additionally, ACI has customers using UP Immediate Payments to access Singapore FAST and the Australian NPP (New Payments Platform).

Furthermore, ACI offers in the US market a COVID-19 rapid response program, via its ACI Speedpay solution. A first service is called "Delay My Payment" and it provides an automated process for requesting payment deferrals based on pre-determined criteria. By automating the process in the mobile wallet, billers can easily put assistance tools directly into the hands of the consumer faster, without reliance on call center agents and staff. A second service is called "Manage My Payment" and this allows billers to offer flexible payment options, accept payments and promises to pay, and receive requests for virtual appointments from their customers who are behind on payments because of the COVID-19 crisis. It allows consumers to self-serve and provide information without long wait times or the challenge of having to explain their financial situations. Moreover, Manage My Payment is PCI-compliant, delivering enhanced data security and protection to support distributed and work-from-home biller workforces.

[ACI Speedpay](#) is an integrated suite of PCI-compliant [bill presentment and payment](#) services that powers mobile, web, IVR (interactive voice response), eBill, call center and eLockbox (consolidated remittances) payment options with integrated fraud protection and flexible payment restructure plan options. The solution is utilised by more than 3,700 customers across multiple industries, including consumer finance, government, healthcare, higher education, insurance, subscription services and utilities.

\* \* \* \* \*

\* \* \* \* \*

\* \* \*

ACI would be happy to discuss these issues and their implications further in the near future as required. If you need more information on any of the points raised above please contact Monica Monaco at [monacom@trusteuaffairs.com](mailto:monacom@trusteuaffairs.com).