Innovation and integration in European retail payments

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Agenda

1. Appropriate legal and regulatory framework

2. Stakeholder involvement

3. Innovation in retail payments

4. Concluding remarks
1. Appropriate legal and regulatory framework
Timeline of EU payment integration
A mixture of public intervention and private initiatives

1. Appropriate legal and regulatory framework
The Payment Services Directive (PSD)

providing a legal platform for SEPA and the introduction of SEPA Credit Transfers and SEPA Direct Debits

Introducing Payment Institutions – a new body under lighter supervision – to increase competition

Only payment service providers allowed to provide payment services

Maximum execution time D+1

Harmonised information requirements

Harmonised rules on rights and obligations
The second Payment Services Directive (PSD2)

Formalises access to payment account by third parties – opens the market

Provision of payment initiation and account information services requires authorisation

Account holding institutions can only deny access in case of no authorisation or fraud

Regulatory technical standards and guidelines, further detailed by the European Banking Authority
2. Stakeholder involvement
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**Good governance is:**

- *Essential to advance market integration, innovation and security*
- *All about weighing various interests*
The future of SEPA is shared responsibility

- The Euro Retail Payments Board (ERPB) (successor of the SEPA Council 2010-2013).
  - Includes high-level (board or CEO) members representing the demand and supply side, chaired by the ECB.
  - With links to national retail payments fora and committees (via NCBs).

Consumers, merchants, corporations, public administrations, payment institutions, banks
## Achievements
- Supporting final migration to SEPA credit transfer and direct debits
- Initiating work on an instant payment scheme
- Recommendations on interoperability for P2P mobile payments
- Recommendations on e-mandates
- Recommendations on mobile and card-based contactless proximity payments
- Promoting card standardisation

## Work underway
- Integration of payment initiation services
- Closely following the industry’s implementation of instant payments
- Contactless proximity payments
- Card standardisation
- P2P mobile payments
- Analysis of barriers to take up and integration of e-invoicing solutions
- Follow-up to the Commission’s Green Paper consultation on retail financial services
3. Innovation in retail payments
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Changes in the retail payments landscape

- ‘Classical’ payment instruments → **innovative payment solutions**
  
  *(cheque, credit transfer, direct debit, payment card, electronic purse)*

- Everything is becoming **faster**
  
  \[ T+3 \rightarrow T+1 \rightarrow T+0 \rightarrow \text{real-time} \]

- Trend towards becoming **mobile**

- Traditional banks → **new (payment) banks, FinTechs, BigTechs**
Payment initiation services:

- An innovative payment solution for e-commerce payments, based on initiating a credit transfer from your existing payment account
- Based on PSD2 payment account access
- Issue arising - standardisation of account access interfaces:
  - 4,000 ASPSPs
  - 4,000 proprietary interfaces
  - 4,000 IT-projects for each PISP

- ERPB working group on Payment Initiation Services

Aiming to define a common set of technical, operational and business requirements for the development of an integrated market for Payment Initiation Services (PIS)
Instant payments will provide the foundation for future innovation:

**Instant SEPA Credit Transfer scheme**

Scheme rulebook for instant credit transfers with SEPA-wide reachability developed by the European Payments Council (EPC)

The commercial launch of the (voluntary) scheme took place on 21 November 2017

1049 payment service providers have already joined the scheme, i.e. 25% of European PSPs

Source: [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu)
3. Innovation in retail payments

Person-to-person mobile payments

Payments at the physical point of sale

E- and m-commerce payments

Paying at the mobile point of interaction

Source www.europeanpaymentscouncil.eu
3. Innovation in retail payments

• Instant payments potentially the “new norm” for retail payments
  – Enhances PSD2 payment initiation services
  – Will grow particularly strongly in e-commerce

• P2P mobile payments will be a key driver for instant payments in Europe
  – A standardised proxy lookup service is needed to enable cross border P2P mobile payments

• Central banks increasingly involved in their roles as catalysts, operators and overseers
  – Eurosystem developing TARGET Instant Payment Settlement (TIPS)
4. Concluding remarks
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• Integrated payment services require the appropriate regulatory framework with stakeholder co-ordination.

• Modern payment situations require innovative payment solutions.

• PSD2 creates opportunities for traditional and new payment service providers.

• Need to avoid fragmentation (e.g. account access interfaces).

• Instant payments may become the “new norm” for retail payments and a facilitator of further innovation.

• Convenient and secure end-user solutions needed for instant payments to reach their potential.

• ECB supports this as catalyst and as operator.