

# Consultation on a retail payments strategy for the EU

Fields marked with \* are mandatory.

## Introduction

This consultation is now available in 23 European Union official languages.

Please use the language selector at the top of this page to choose your language for this consultation.

Consumers and companies make payments to fulfil their everyday needs and activities. Today, in Europe, they have at their disposal a broad range of payment options, but digitalisation and innovation bring new opportunities to make payments faster, easier, more transparent, and affordable, in particular in cross-border situations.

In accordance with its Work Programme for 2020, the Commission will adopt a Strategy on an integrated EU Payments Market (hereinafter “Retail Payments Strategy for the EU” or “RPS”). It is to be submitted alongside the Digital Finance Strategy, which will be adopted to promote digital finance in Europe while adequately regulating the risks, and in light of the mission letter of Executive Vice-President Dombrovskis.

This strategy will be an important contribution to reinforcing the international role of the euro. Payments are strategic: where decisions are made, where data is stored, where infrastructures are located are of considerable importance in terms of the EU’s sovereignty. This strategy will aim at both strengthening Europe’s influence and consolidating its economic autonomy. Safe and efficient payment systems and services can also make a strong contribution to improving the EU’s ability to deal with emergencies such as the Covid-19 outbreak. Contactless payments in shops can help to contain the spread of viruses. Innovative, non-cash, payments solutions can enable all Europeans to make the purchases they need even if they are confined at home. This crisis is further accelerating the digitalization of the economy and, consequently, of payments. Instant payments are in this context becoming more strategic than ever before.

This consultation, together with the consultation on a new Digital Finance Strategy, is a key step towards the adoption of a Retail Payments Strategy for Europe.

Payments are vital to the economy and to growth, while the smooth functioning of payment systems is paramount to financial stability. The use of non-cash means of payment has consistently increased over the years in the EU and this trend is expected to continue with digitalisation.

EU legislation in the payments sphere has played a key role in promoting a fair, transparent, innovative, and competitive payments market in the EU. The E-money Directives ([EMD1](#) and [EMD2](#)) and the first Payment Services

Directive ([PSD1](#)) introduced a licensing regime that allowed for the issuance of E-money and the provision of payment services by non-bank financial institutions. This prompted the development of a number of FinTechs operating in the payments sphere, a trend that further accelerated due to the changes introduced by the second Payment Services Directive ([PSD2](#)) which enabled new business models based on the sharing of data, such as payment initiation services (PIS) and account information services (AIS). At the same time, PSD2 elevated the general level of the security of payment transactions through the implementation of strong customer authentication (SCA). PSD2 has become a worldwide reference in terms of open banking and secure transactions. The EU regulatory framework in the payments sphere supports the Single Euro Payments Area (SEPA), whose objective is to make cross-border payments in euro as cost-efficient and safe as domestic payments, in particular through [Regulation 924/2009 on cross-border payments](#).

Technology has also shaped the evolution of the retail payments market. Indeed, payments are a dynamic, constantly evolving business, heavily relying on technology. Over the last decade, they have been influenced by an unprecedented development of a broad range of technologies. In an increasingly connected world, consumer expectations are also evolving, making speed, convenience and ubiquity the new expected normal, at no expected additional cost. European citizens also count on the benefits of a truly integrated Single Market, which should allow them to make cross-border payments in the EU as easily and as fast as at home.

As for many sectors, digitalisation and the use of innovative technologies bring new opportunities for payments, such as: a more diverse offering of services enabled by access to mobile and internet networks; systems enabling payments credited to beneficiaries in just a few seconds (the so-called “instant payments”); potentially fully automated payments associated with the development of the Internet of Things; and the execution of smart contracts in a blockchain environment. Other technologies, such as those supporting e-ID, can also be leveraged to facilitate customer onboarding and payments authentication in domestic and cross-border contexts.

The size of the Single Market also offers opportunities for payment businesses to scale-up beyond the domestic sphere, for pan-European payment solutions to emerge, and potentially for European-scale champions in payments to become competitive globally. This would also facilitate payments in euro between the EU and other jurisdictions and reduce EU dependency on global players, such as international card schemes, issuers of global “stablecoins” and other big techs. The Commission launched in December 2019 a [public consultation to gather information and inputs regarding the regulation of cryptoassets, including stablecoins](#). The present consultation will therefore not include questions on this topic, as payment related aspects were also included in that consultation.

However, digitalisation also brings potential new risks, such as heightened opportunities for fraud, money laundering and cyber-attacks (in this regard, the Commission launched a [public consultation on improving resilience against cyberattacks in the financial sector](#) in December 2019). It also has an impact on competition and market structures in view of the growing role played by new market actors currently outside the scope of payments legislation, such as big tech companies benefitting from a large customer base. Also, the possible impact of “stablecoins” on monetary sovereignty has prompted many central banks to investigate the issuance of central bank digital currencies (CBDCs). Nor should we neglect the potential risks, in a digital world, of financial exclusion – including with regard to the access to basic payment services, such as cash withdrawals.

Other challenges arise from a yet incomplete roll-out of instant payments in Europe. 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.

As the emergence of new risks and opportunities accelerates with digitalisation, the development of the FinTech sector and the adoption of new technologies, the EU must adopt a strategic and coherent policy framework for payments. The RPS will be an opportunity to put together, in a single policy document, the main building blocks for the future of payments in Europe.

In line with the Better Regulation Principles, the Commission is herewith inviting stakeholders to express their views. The questionnaire is focused around four key objectives:

1. **Fast, convenient, safe, affordable and transparent payment instruments, with pan-European reach and “same as domestic” customer experience;**
2. **An innovative, competitive, and contestable European retail payments market;**
3. **Access to safe, efficient and interoperable retail payments systems and other support infrastructures;**
4. **Improved cross-border payments, including remittances, facilitating the international role of the euro.**

The outcome of this consultation will help the Commission prepare its Retail Payments Strategy, to be published in Q3 of 2020.

---

**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-retail-payments@ec.europa.eu](mailto:fisma-retail-payments@ec.europa.eu).

More information:

- [on this consultation](#)
- [on the consultation document](#)
- [on payment services](#)
- [on the protection of personal data regime for this consultation](#)

## About you

---

\* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- Gaelic
- German

- Greek
- Hungarian
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

\* I am giving my contribution as

- |   |   |  |
|---|---|--|
| <input type="radio"/> Academic/research institution   | <input type="radio"/> EU citizen                          | <input type="radio"/> Public authority |
| <input checked="" type="radio"/> Business association | <input type="radio"/> Environmental organisation          | <input type="radio"/> Trade union      |
| <input type="radio"/> Company/business organisation   | <input type="radio"/> Non-EU citizen                      | <input type="radio"/> Other            |
| <input type="radio"/> Consumer organisation           | <input type="radio"/> Non-governmental organisation (NGO) |  |

\* Type of business association

- A trade organisation representing the payments industry
- A trade association representing merchants
- Other

\* Please specify what other type of business association

Blockchain Technology

\* Age range

- Under 15 years old
- Between 15 and 30 years old

- Between 30 and 60 years old
- Over 60 years old

\* First name

Robert

\* Surname

Kopitsch

\* Email (this won't be published)

secretariat@blockchain4europe.eu

\* Organisation name

*255 character(s) maximum*

Blockchain for Europe

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

910251734425-24

\* Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Åland Islands
- Djibouti
- Dominica
- Libya
- Liechtenstein
- Saint Martin
- Saint Pierre and Miquelon

- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname

- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine

- |  |                                  |   |  |
|--|----------------------------------|---|--|
| <input type="radio"/> China                            | <input type="radio"/> Israel     | <input type="radio"/> Papua New Guinea                            | <input type="radio"/> United Arab Emirates                 |
| <input type="radio"/> Christmas Island                 | <input type="radio"/> Italy      | <input type="radio"/> Paraguay                                    | <input type="radio"/> United Kingdom                       |
| <input type="radio"/> Clipperton                       | <input type="radio"/> Jamaica    | <input type="radio"/> Peru  | <input type="radio"/> United States                        |
| <input type="radio"/> Cocos (Keeling) Islands          | <input type="radio"/> Japan      | <input type="radio"/> Philippines                                 | <input type="radio"/> United States Minor Outlying Islands |
| <input type="radio"/> Colombia                         | <input type="radio"/> Jersey     | <input type="radio"/> Pitcairn Islands                            | <input type="radio"/> Uruguay                              |
| <input type="radio"/> Comoros                          | <input type="radio"/> Jordan     | <input type="radio"/> Poland                                      | <input type="radio"/> US Virgin Islands                    |
| <input type="radio"/> Congo                            | <input type="radio"/> Kazakhstan | <input type="radio"/> Portugal                                    | <input type="radio"/> Uzbekistan                           |
| <input type="radio"/> Cook Islands                     | <input type="radio"/> Kenya      | <input type="radio"/> Puerto Rico                                 | <input type="radio"/> Vanuatu                              |
| <input type="radio"/> Costa Rica                       | <input type="radio"/> Kiribati   | <input type="radio"/> Qatar                                       | <input type="radio"/> Vatican City                         |
| <input type="radio"/> Côte d'Ivoire                    | <input type="radio"/> Kosovo     | <input type="radio"/> Réunion                                     | <input type="radio"/> Venezuela                            |
| <input type="radio"/> Croatia                          | <input type="radio"/> Kuwait     | <input type="radio"/> Romania                                     | <input type="radio"/> Vietnam                              |
| <input type="radio"/> Cuba                             | <input type="radio"/> Kyrgyzstan | <input type="radio"/> Russia                                      | <input type="radio"/> Wallis and Futuna                    |
| <input type="radio"/> Curaçao                          | <input type="radio"/> Laos       | <input type="radio"/> Rwanda                                      | <input type="radio"/> Western Sahara                       |
| <input type="radio"/> Cyprus                           | <input type="radio"/> Latvia     | <input type="radio"/> Saint Barthélemy                            | <input type="radio"/> Yemen                                |
| <input type="radio"/> Czechia                          | <input type="radio"/> Lebanon    | <input type="radio"/> Saint Helena Ascension and Tristan da Cunha | <input type="radio"/> Zambia                               |
| <input type="radio"/> Democratic Republic of the Congo | <input type="radio"/> Lesotho    | <input type="radio"/> Saint Kitts and Nevis                       | <input type="radio"/> Zimbabwe                             |
| <input type="radio"/> Denmark                          | <input type="radio"/> Liberia    | <input type="radio"/> Saint Lucia                                 |  |

\* Field of activity or sector (if applicable):

*at least 1 choice(s)*

- Payment services
- payment initiation and account information services
- Money remittance services



- Acquiring services
- Ancillary services to payments
- Technical service provider
- Payment system operator
- Payments scheme
- Card scheme
- Fintech
- Other
- Not applicable

**\* Publication privacy settings**

The Commission will publish the responses to this consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

**Public**

Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

I agree with the [personal data protection provisions](#)

## Section 1: Questions for the general public

---

**Question 1. Please rate the usefulness of instant payment services – which are credited to the beneficiary within seconds – for the following different use cases:**

N.A. stands for "Don't know / no opinion / not relevant"

	1 (not useful)	2 (useful)	3 (very useful)	N. A.
Person to person payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payments in a physical shop	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Payments for on-line shopping	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payments of invoices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payments to public administrations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cross-border payments/transfers within the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cross-border payments/transfers to/from outside the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 2. Please rank your preferences for low-value payments<sup>1</sup> (1 to 4, 4 being the least-preferred option) between the following means of payment:**

<sup>1</sup> defined as payments below 30 euros, based on the definition of low-value payments in EU retail payments legislation

	1	2	3	4
Cash	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Paper-based (such as cheques)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment instrument with a physical support (such as cards)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fully de-materialised payment instrument (such as mobile apps)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 2.1 Please explain your answer to question 2:**

*5000 character(s) maximum*

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

**Question 3. Please rank your preferences for retail payments above 30 euros (from 1 to 4, 4 being the least-preferred option) between the following means of payment:**

	1	2	3	4
Cash	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Paper-based (such as cheques)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment instrument with a physical support (such as cards)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fully de-materialised payment instrument (such as mobile apps)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 3.1 Please explain your answer to question 3:**

*5000 character(s) maximum*

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

In the Single Euro Payments Area, citizens and companies should be able to send and receive cross-border payments in euro from any bank account in the EU (using SEPA credit transfers or SEPA direct debits). This should be valid for all types of beneficiaries of both the public and the private sector.

**Question 4. Have you ever experienced any obstacles when using your bank account in the EU to receive payments from or send payments to a public administration holding an account in another EU country?**

- Yes, as a consumer
- Yes, in a professional capacity (e.g. business / self-employed)
- No
- Don't know / no opinion / not relevant

**Question 5. Have you ever experienced any obstacles when using your bank account in the EU to receive or send payments from/to an account held in another EU country from/to a utilities company or other service providers?**

- Yes, as a consumer
- Yes, in a professional capacity (e.g. business / self-employed)
- No
- Don't know / no opinion / not relevant

When you buy goods or services, particularly online, you may have the option to pay via “payment initiation services” offered by a different payment service provider than your bank. These services enable you to make a payment directly from your bank account (using a credit transfer), instead of using a payment card or another payment instrument offered by your bank. In order to pay using these services, you need to use your online banking credentials to authorise the transaction.

**Question 6. As a consumer, have you ever made use of such payment initiation services?**

- Yes
- No
- I do not know what these services are
- No opinion / not relevant

“Account information service” providers enable you to share certain data pertaining to your bank account(s) in order to manage your finance or receive for example, financial advice.

**Question 7. Have you ever made use of such account information services?**

- Yes
- No
- No, and I do not know what these services are
- No opinion / not relevant

In order to deliver their services, providers of payment initiation and account information services need to access only the necessary data from your bank account with your consent.

**Question 8. As a consumer, would you find it useful to be able to check the list of providers to which you have granted consent with the help of a single interface, e.g. a “consent dashboard”?**

- Yes
- No
- I do not know
- No opinion / not relevant

### Question 8.1 Please explain your answer to question 8:

*5000 character(s) maximum*

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

### Question 9. What would be your proposals and recommendations to the European Commission on payments?

#### What would you expect the future Retail Payments Strategy to achieve?

*5000 character(s) maximum*

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

## 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 [Commission's Communication "Towards a stronger international role of the euro"](#), supporting 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.

**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.

Blockchain for Europe (BC4EU) believes that the retail payments strategy should be based around three principles which will support and reinforce the international role of the euro. First, cyber resilience is one of the key aspects of a payments strategy to ensure the confidence and trust of consumers. This could be achieved through the usage of state-of-the-art technology such as Blockchain/DLT. Second, the strategy should focus on measures increasing the efficiency of payments in terms of speed and cost. Third, interconnectedness and interoperability of current payment systems which would strengthen the role of the euro globally.

**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	2	3	4	5	
--	---	---	---	---	---	--

	(irrelevant)	(rather not relevant)	(neutral)	(rather relevant)	(fully relevant)	N. A.
a. EU legislation making Payment Service Providers' (PSP) adherence to SCT Inst. Scheme mandatory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. EU legislation mandating the replacement of regular SCT with SCT Inst.	<input type="radio"/>	<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>	<input type="radio"/>	<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"/>	<input type="radio"/>	<input type="radio"/>	<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"/>	<input type="radio"/>	<input type="radio"/>
f. Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<sup>2</sup> 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.

**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
- Don't know / no opinion / not relevant

**Question 13.1 Please explain your answer to question 13:**

*5000 character(s) maximum*

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

**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
- No
- Don't know / no opinion / not relevant

**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
- No
- Don't know / no opinion / not relevant

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?**

- Card-based solutions
- SCT Inst.-based solutions
- 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.

New payment solutions that are global, low-cost, instant, compliant, open and easy to use would be the most advantageous solution for EU merchants. Ultimately, EU merchants should have access to multiple options which allow easy on-boarding and leveraging contactless and cross-border payments for EU citizens. EU policy makers need to ensure that these payment systems are aligned with existing consumer protection rules and comply with high standards of security and governance.

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

*5000 character(s) maximum*

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

**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"

	<b>1</b> (unimportant)	<b>2</b> (rather not important)	<b>3</b> (neutral)	<b>4</b> (rather important)	<b>5</b> (fully important)	<b>N.A.</b>
Merchant fee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The proportion of users using that payment method	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fraud prevention tools/mechanisms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Seamless customer experience (no cumbersome processes affecting the number of users completing the payment)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reconciliation of transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Refund services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Question 17.1 Please explain your answer to question 17:

*5000 character(s) maximum*

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

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

- 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

### 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
- Other
- Don't know / no opinion / not relevant

**Question 19.1 Please explain your answer to question 19:**

*5000 character(s) maximum*

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

**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:**

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.
Convenience of paying digitally	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The increasing importance of e-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contactless payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The shrinking availability of ATMs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The cost of withdrawing cash	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digital wallets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cash backs for card payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

EU or national Regulation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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
- 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.

**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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Ensure that cash is always accepted as a means of payment at point of sale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
PSD2 has increased competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PSD2 has facilitated innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
PSD2 has allowed for open banking to develop	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
PSD2 has increased the level of security for payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

**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
- 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.

**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
- 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.

**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
- No
- Don't know / no opinion / not relevant

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

- 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?):**

*5000 character(s) maximum*

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

## **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
- No
- Don't know / no opinion / not relevant

**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

- 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.

**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
- 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.

**30.3 Please specify what are the other factor(s) make the prudential regime for electronic money institutions not adequate:**

*5000 character(s) maximum*

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

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
- 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.

**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?**

- 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.

Whether programmable money is promising and supportive to the needs of the digital economy depends upon its specific implementation and objectives. For example, if by programmable money we mean to refer to a range of mechanisms for lodging contractual agreements for payments on a distributed ledger for the purpose of having the system automatically execute those payments, perhaps with the scheduling of payments and their quantities determined by a combination of the passage of time and other factors (smart contracts), then such mechanisms would certainly qualify.

Lack of regulatory certainty and legal clarity on smart contracts is potentially a significant barrier in the deployment of programmable money.

Although, in principle, the law in most legal systems is capable to cater for smart contracts to a large extent and no major legal reform is necessary in order to encourage their adoption, there are significant legal uncertainties. Some of the legal controversies derive from terminological and technological misunderstandings that warrant clarification. If not addressed, these types of issues could stifle innovation and slow down the mainstream adoption of smart contracts.

- 1) There is no commonly agreed upon definition of a smart contract and no structured and systematic classification of smart contracts. A definition should be technology neutral and refer to the autonomous /automatic execution or implementation of contractual terms rather than the legal contract itself.
- 2) Amending smart contracts terms recorded on an immutable ledger. Unstoppable execution and immutability are potential legal pitfalls for smart contracts use.
- 3) Governing law, applicable jurisdiction and disputes resolution mechanisms for borderless decentralised blockchain networks.
- 4) Consumer protection, duty of information, allocation of liability and burden of proof.
- 5) GDPR/AML/CFT requirements as well as privacy and confidentiality issues.
- 6) Identifying the appropriate legal solutions to various algorithmic failures.

So far, only a relatively small number of countries have formulated regulatory response and enacted legislation, usually quite modest, dedicated to smart contracts or including smart contracts. For example, a number of US states gave legal recognition to the use of smart contracts in commerce and codified some of the aspects of smart contracts technologies (Arizona, Arkansas, Tennessee) and only a very few US states provided a more comprehensive legal treatment of smart contracts (Illinois, Wyoming).

Developments in smart contracts space and the level of interest from investors, regulators, and supervisory bodies signify a tipping point at which EU regulators should take action. It is a pivotal point before too many divergent national approaches have emerged to prejudice the potential harmonisation of regulatory frameworks at the EU level. As such, the EU must determine the adequate course of action in relation to smart contracts. Arguably, a prudent regulatory approach would be to wait and see which forms and applications of smart contracts survive and thrive in the longer term and what repeated legal issues arise. Nevertheless, EU regulators should be proactive as an adequate EU regulatory response or regulatory

guidance to smart contracts would benefit not only Europe, but could also influence and shape regulatory architecture in other regions, set global standards, increase investment in disruptive research and breakthrough innovation while preserving consumer and investor protection.

However, if by programmable money we mean to refer to metadata that can be made intrinsic to the digital currency tokens themselves, then the answer is more nuanced. In particular, tokens that can be uniquely identified by their metadata introduce serious risks to privacy, as the tracking of specific tokens through the system can be used to identify the patterns and behaviours of their users, and surely this outcome would be harmful. So we would require that any metadata intrinsic to digital currency tokens would be sufficiently general that the anonymity set of retail users seeking to use such tokens would be large enough that they would not be exposed to the possibility of profiling. So this leaves the possibility of establishing broad categories of digital currency tokens whose usage might be restricted to specific purposes. For example, it might be possible to create tokens for making retail purchases whose use is limited such that it includes or excludes a specific set of products. Such tokens could be used to allow sellers of such products to hedge against a decline in aggregate demand. However, these tokens would be distinguishable from unrestricted tokens and might trade at a discount to their face value.

Ultimately, addressing the above issues will facilitate the deployment of programmable money in machine-to-machine transactions, internet of things, micropayments and reducing crime in payment systems.

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

---

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

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

**Question 33.1 Please explain your answer to question 33:**

5000 character(s) maximum

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

## 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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory access to such technical services creates additional security risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 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.

## 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
- No, indirect participation through banks is sufficient
- Don't know / no opinion / not relevant

**Please add any relevant information to your answer(s) to question 35 and sub-questions:**

*5000 character(s) maximum*

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

**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?**

*5000 character(s) maximum*

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

## 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 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
- 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.

Action is needed at the EU level to facilitate a level competitive playing field for cross-border payments into and out of the EU with other jurisdictions. Specific obstacles to a level playing field include: high compliance and transaction costs; ambiguity in using SEPA Credit Transfers (SCTs) for on-forwarding cross-border payments; recognition of non-bank payment service providers (PSP); and the need to keep pace with the digital economy, including the use of digital assets.

Incredibly, the compliance overhead of processing a single EUR payment cross-border is the same as for a 1 million EUR payment. This effectively puts a lower limit on the value of economically viable cross-border payments, impeding higher frequency, lower value payments, and making micropayments unviable. We believe that action is needed to allow risk-based approaches to compliance, where the compliance burden (cost) is proportionate to the value and risk (e.g., sanctions) of a payment. Adoption of a new liability model for compliance that encourages mutualisation of data and use of third party compliance services that achieve scale economies could reduce duplication of effort and enable specialist services, significantly improving compliance effectiveness and reducing costs.

Additionally, the cost of cross-border payments into the EU is high and variable. A PSP sending payments into the EU has to send the payment to an EU-based PSP to forward to the relevant beneficiary institution. Typically, Target2 is used for on-forwarding, but is expensive (>> 1 EUR), and fees differ across beneficiary banks. To relieve costs, some PSPs (including banks) use SCTs to forward payments, which costs mere cents, even though this type of usage may breach SCT rules. The differential in fees between Target2 and



SCTs - and the ambiguity that exists in determining which rules apply - are a major impediment to the growth of non-bank PSPs in Europe.

Finally, the digital economy will enable many new solutions and business models to improve cross-border payments. Using blockchain technology, technology companies that provide efficient solutions to send money globally allow financial institutions to process payments instantly, reliably, cost-effectively, and with end-to-end visibility anywhere in the world.

Historically, remittance providers enable payments by pre-funding correspondent accounts. This not only traps enormous amounts of capital, but also creates foreign exchange and foreign counterparty risks that often must be hedged. The trapped capital also creates compliance costs and large lost opportunity costs. This process limits the reach of efficient payment solutions to high-volume currency pairs and is a major driver of the high fees being charged to customers sending smaller amounts (i.e., remittances) to friends and families overseas. Payments between less frequently-traded currencies can be even more expensive and cumbersome.

Digital assets specifically designed for payments have the potential to reduce these limitations by enabling payments without the need to pre-fund overseas. Leveraging digital assets as a bridge between currencies allows financial institutions to access liquidity on demand through digital asset exchanges without having to pre-fund accounts in the destination country. The payer and payee continue to use fiat currency for their payment, with digital assets employed as a bridge between the regulated financial institutions that are facilitating the remittance transaction. This is particularly helpful for smaller institutions with limited capital as they can achieve broad global payment reach without additional capital needs.

Action at an EU level, with a specific focus on interoperability and public-private partnerships, will help prevent regulatory fragmentation in the cross-border payment space and allow for the implementation of more effective solutions. In particular, we believe that the EU should issue a Regulation calling for the adoption of international standard protocols and encouraging the leveraging of private sector innovation to ensure adoption of cross-border payment solutions that will solve for the “slow, opaque, inconvenient and costly” system currently in place today. Additionally, a regulatory framework that brings clarity to the use of digital assets by bank and non-bank PSPs, digital asset exchanges and custodians would catalyse innovation in cross-border payments. This framework should also accommodate the use of payments in the internet of things, micropayments and digital identity.

Anything less than binding action at an EU level could result in the reliance of multiple and discordant protocols by EU member countries, causing greater friction in the cross-payments space, increasing costs for businesses and consumers alike.

**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
- 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
- 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.

BC4EU believes that the EU can - and should - play a role in facilitating cross-border payments and remittances between the EU and the rest of the world. We think the EU would be most effective by issuing a Regulation calling for the adoption of international standard protocols, taking measures to reduce high compliance and transaction costs, and encouraging the leveraging of private sector actors to create a cross-border payment network that allows for payments to be processed instantly, reliably, cost-effectively, and with end-to-end visibility anywhere in the world. An EU-level Regulation would serve to set a regulatory baseline across the EU, thus reducing the likelihood of regulatory fragmentation which could introduce additional friction and costs.

At the same time, EU countries could devise their own laws in determining how best to implement the directive, which we believe offers greater opportunities for innovation. At the same time, EU-level action should not preclude the role of the private sector in devising solutions to facilitate cross-border transactions and remittances. As noted in response to question 37.1, software products using blockchain technology, allow regulated financial institutions (both banks and payment service providers) to process payments instantly, reliably, cost-effectively, and with end-to-end visibility anywhere in the world. Moreover, our members apply protocols to drive the efficient globalization of value through multiple initiatives with financial services and open source communities. Enterprise software solutions which are powered by a standardized application programming interface and built on the market-leading and open standards enable financial institutions to facilitate faster and less costly cross-border payments, demonstrating that deep interoperability between commercial financial institutions can make payments truly efficient, particularly in eliminating the uncertainty and risk historically involved in moving money across borders using interbank messaging alone.

BC4EU's membership's aim is not to replace fiat currencies, but rather to enable a faster, less expensive, and more transparent method of making cross-border payments that is in the public's best interest. We believe that whatever action the EU takes should fully leverage the private sector innovations.

**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"

		2				
	1		3	4	5	

	(irrelevant)	(rather not relevant)	(neutral)	(rather relevant)	(fully relevant)	N. A.
Include in SEPA SCT scheme one-leg credit transfers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Wide adoption by the banking industry of cross-border payment trackers such as SWIFT's Global Payments Initiative	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitate linkages between instant payment systems between jurisdictions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Support "SEPA-like" experiences at regional level outside the EU and explore possible linkages with SEPA where relevant and feasible	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Support and promote the adoption of international standards such as ISO 20022	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

**Please specify what other action(s) you would support:**

*5000 character(s) maximum*

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

**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.

Include in SEPA SCT scheme one-leg credit transfers. A PSP sending payments into the EU has to send the payment to an EU-based PSP to forward to the relevant beneficiary institution. Target2 is typically used for on-forwarding, but is expensive (>> 1 EUR). To relieve costs, some PSPs (including banks) use SCTs to

forward payments, which costs mere cents, even though this type of usage may breach SCT rules. The differential in fees between Target2 and SCTs - and the ambiguity that exists in determining which rules apply - are a major impediment to the growth of non-bank PSPs in Europe.

A more effective solution would be to require PSPs to identify whether a credit transfer originated within or outside the EU and for beneficiary PSPs to screen all payments in the latter category. Such action is vital to avoid fragmentation in SEPA payments where private sector alternatives emerge and are optimised to route international payments into the EU which are far cheaper than Target2 (or Euro1) and far easier to comply with EC Wire Transfer and AML regulations than unidentifiable SCTs.

Wide adoption by the banking industry of cross-border payment trackers such as SWIFT's Global Payments Initiative. Payments on blockchain-based networks can be real-time, 24/7 and have no need of a tracker solution. While audit trails are essential (for a variety of purposes) trackers such as those used in SWIFT's GPI are unnecessary in real-time payments, as the payment is either completed or failed instantly. SWIFT requires a tracker because it uses an asynchronous messaging process which means any error leaves a payment in limbo. We believe the EU should encourage the deployment of real time payment solutions which have no need for a tracker.

Facilitate linkages between instant payment systems between jurisdictions. A needed first step to facilitate linkages between instant payment systems between jurisdictions is to set forth a regulatory framework that makes clear digital assets may be used to provide liquidity for exactly this purpose. Liquidity interoperability is complicated because, for inbound payments to the EU, instant payment systems in other jurisdictions need access to liquidity in an EU institution to fund the payment real-time. The reverse is true for outbound payments. Digital assets based on blockchain technology are an ideal way to provide this cross-border liquidity, but some banks and non-bank PSPs are reluctant to use them - or launch products and services based on them - absent clear regulations permitting their use.

From a compliance perspective, clarity on end-to-end compliance obligations is important. For example, do beneficiary PSPs need to screen payments if already screened by the on-forwarding PSP, or can the on-forwarding PSP leave the screening to the beneficiary PSP (as in India)? If a cross-border payment is credited real-time to the beneficiary account, should funds be available immediately? In the UK, cross-border payments received through Faster Payments are credited real-time, but some banks make the funds available a business day later to give them time to screen the payment, resulting in a very poor customer experience. Clear guidelines are also needed to avoid institutions implementing different policies or basing them on legacy processes.

Support "SEPA-like" experiences at regional level outside the EU and explore possible linkages with SEPA where relevant and feasible. We are unsure what is meant by a "SEPA-like" experience, but exploring linkages, or interoperability with other regional payment zones such as the GCC (Middle East) or SADC (South Africa) is worthwhile for the same reasons as for facilitating interoperability between instant payment systems cross-border.

Support and promote the adoption of international standards such as ISO 20022. BC4EU is a strong supporter of ISO 20022. However, usage of ISO 20022 in cross-border payments is relatively low, despite widespread adoption in domestic payments systems. There is much more to do to evolve ISO 20022 for cross-border usage.

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

- 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.

Establishing technical linkages between instant payments systems in the EU and other jurisdictions will make interoperability possible, but will have little impact on the overall costs of cross-border payments. Using ISO 20022 will facilitate this technical interoperability, but the real cost benefits will come from establishing interoperability in liquidity provisioning and compliance, as described in our answer to questions 37.1 and 40.1.

In summary, the main drivers of cost reduction in cross-border payments for the EU to facilitate can come from:

1. Regulatory clarity in the use of digital assets for cross-border payments generally, and for the banking and non-banking sectors specifically.
2. Transformation of compliance mechanisms to ensure they are more effective and less expensive. This can be achieved through:
  - a. Using risk based approaches to compliance obligations based on payment value and risk profile, which will allow for commercially viable cross-border micropayments (<1c);
  - b. Changing the liability model to enable usage of third party specialist services;
  - c. Mutualisation of compliance data sharing;
  - d. Establishing clear guidelines on sanction screening for adoption to keep real-time cross-border payments real-time; and
  - e. Establishing clear requirements for real-time availability of funds to the end user from a real-time cross-border payment.
3. Encouraging the use of SCT (and SEPA Instant Credit Transfer) for the EU leg of an in-bound cross-border payment rather than defaulting to expensive Target2 payments.
4. Replicating the success achieved through the Payment Services Directive and Second Payment Services Directive in catalysing the growth of non-bank PSPs for SEPA payments by doing the same for PSPs in cross-border payments and creating a level, competitive playing field for them.

**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:

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

## **Useful links**

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2020-retail-payments-strategy\\_en\)](https://ec.europa.eu/info/publications/finance-consultations-2020-retail-payments-strategy_en)

[Consultation document \(https://ec.europa.eu/info/files/2020-retail-payments-strategy-consultation-document\\_en\)](https://ec.europa.eu/info/files/2020-retail-payments-strategy-consultation-document_en)

[More on payment services \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/payment-services\\_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/payment-services_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2020-retail-payments-strategy-specific-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2020-retail-payments-strategy-specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## **Contact**

fisma-retail-payments@ec.europa.eu