

European payment transactions: Innovation needs investments and scope for development

- *Innovations in payment transactions require substantial investments in payment infrastructure, which will take several years to pay off. A high degree of user-friendliness, extensive cooperation and applying the highest safety standards are essential. Too many restrictions on pricing and product design curtail the scope needed to implement those innovations.*
- *The EU Commission wants European sovereignty in payment transactions. Only a European solution in payment transactions can help to achieve the objectives of stringent data protection, consistent European standards and global competitiveness.*
- *Savings Banks have contributed many resources to bring together the network behind the European Payments Initiative (EPI) – commitments by public stakeholders are important to retain partners and attract additional ones.*

Savings Banks want cooperation: seven countries – more than 30 participants – two acquirers

Credit institutions from Belgium, Germany, Finland, France, the Netherlands, Poland and Spain as well as the leading European acquirers are members of the EPI Interim Company, established in October 2020. EPI stands for “European Payments Initiative”. The members aim to provide a single European payments scheme, which customers can use to make payments in shops, at the point of sale (POS) and to make cash withdrawals, but also to shop in the Internet and make instant transfers. EPI will bring a technological innovation in favour of an efficient and independent European payment processing infrastructure, delivering benefits for trade, businesses and consumers. This is ensured by consistent acceptance standards, easy integration into existing digital ecosystems, attractive fees for merchants, low processing costs and immediate notification that payments have been executed or a payment guarantee upon completion of a transaction. The investment in EPI therefore stimulates economic growth and innovation in many ways.

EU wants sovereignty and added value for merchants and consumers

In the field of payment transactions, EU interventions are manifold: EPI is therefore connected to the development of the Payment Services Directive (PSD) II, the potential introduction of a digital euro, the regulation of interchange fees and the digitalisation of the financial sector in general. Instant payments, in particular, provide an opportunity to overcome obstacles between payment options by means of a European-wide solution, thereby creating genuine added value for consumers and merchants. In addition, the EU institutions do not hide the fact that they perceive EPI as an opportunity to achieve increased European independence in payment transactions. Savings Banks are aware that for this purpose EPI must not merely be independent from non-European providers; EPI must above all be more convenient and safer for customers than these schemes.

Data protection, European standards and fair competition can only be ensured by means of a European payments infrastructure

The EU Commission's objective is to achieve stringent data protection, consistent and open European standards for an efficiently operating European market and fair competition. The dominant positions of non-European big tech and credit card providers in payment transactions are in contradiction to this objective. Their business models are based on collecting and using personal data; they control access to interfaces, define their own standards based on market power and skim profits in oligopolistic market structures. Only by creating a European payment transactions infrastructure can Europe set its own standards, enabling European providers to remain active players in payment transactions. EPI wants

What the European Payment Initiative can do

- It will provide full and consistent coverage in Europe: it caters for all applications (POS, e-/m-commerce, P2P, cash).
- It will provide an "all-in-one" solution with a digital wallet including the virtual EPI card and allows for instant payments.
- It will ensure the highest safety standards, based on banking processes – supported by an exchange of experience at European level.
- Simple authentication owing to proven processes used by participating banks – better than in other schemes and hence more attractive to merchants.
- Simple registration and customer-friendly processes: transactions free of charge for customers.

to design the pan-European payment transactions scheme to create added value also in an environment involving the digital euro. In this respect, EPI is the prerequisite for policymakers, citizens and businesses in Europe to play a role in the future with own objectives and own solutions.

Innovation needs scope for development

EPI requires substantial investments. Earnings generated from interchange fees are capped by law and are used to maintain the current infrastructure. The EU Commission is pursuing the objective of making instant payments the "new normal" in payment transactions. With this increasing transition towards instant payments, EPI will also help to realise synergies. First indications in the European Commission's Retail Payments Strategy that charges for real-time transfers might be regulated are jeopardising the success of instant payments, because market players might not be able to afford the investments needed to build a safe and user-friendly infrastructure.

Infrastructure needs public commitment

Savings Banks are keen to create and maintain a network during the critical development phase of such infrastructure. This is Europe's last opportunity to set up an independent payment transactions infrastructure. There is considerable alignment of the network's objectives and those of European politics. The latter must however not unduly restrict the scope for future developments. A public commitment to EPI will be critical for its success because it will help significantly to convince other market participants to join the network. This is the only way to ensure that the EPI card and e-commerce solution will be accepted everywhere in Europe.