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France payments forum

Eurosystem's
recent developments

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Overview

- 1 European retail payments strategy
- 2 European Payments Initiative
- 3 A digital euro
- 4 Digital euro and front-end solutions

Complementary approaches by the Eurosystem

Eurosystem
retail
payments
strategy

Digital euro
project

Eurosystem
cash
strategy

New
oversight
framework
(PISA)



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European retail payments strategy



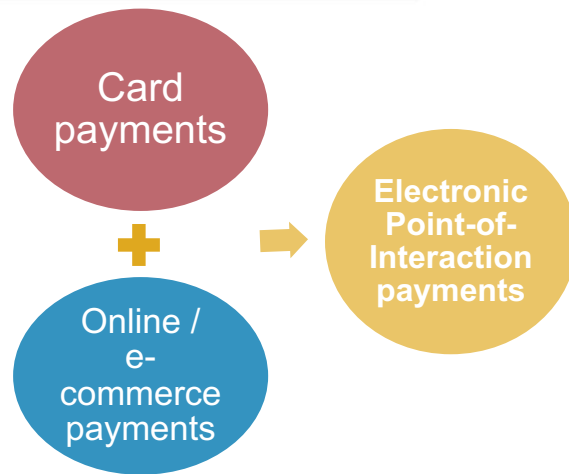
The reasoning behind and
workstreams in progress

Why a European retail payment strategy (2019)?

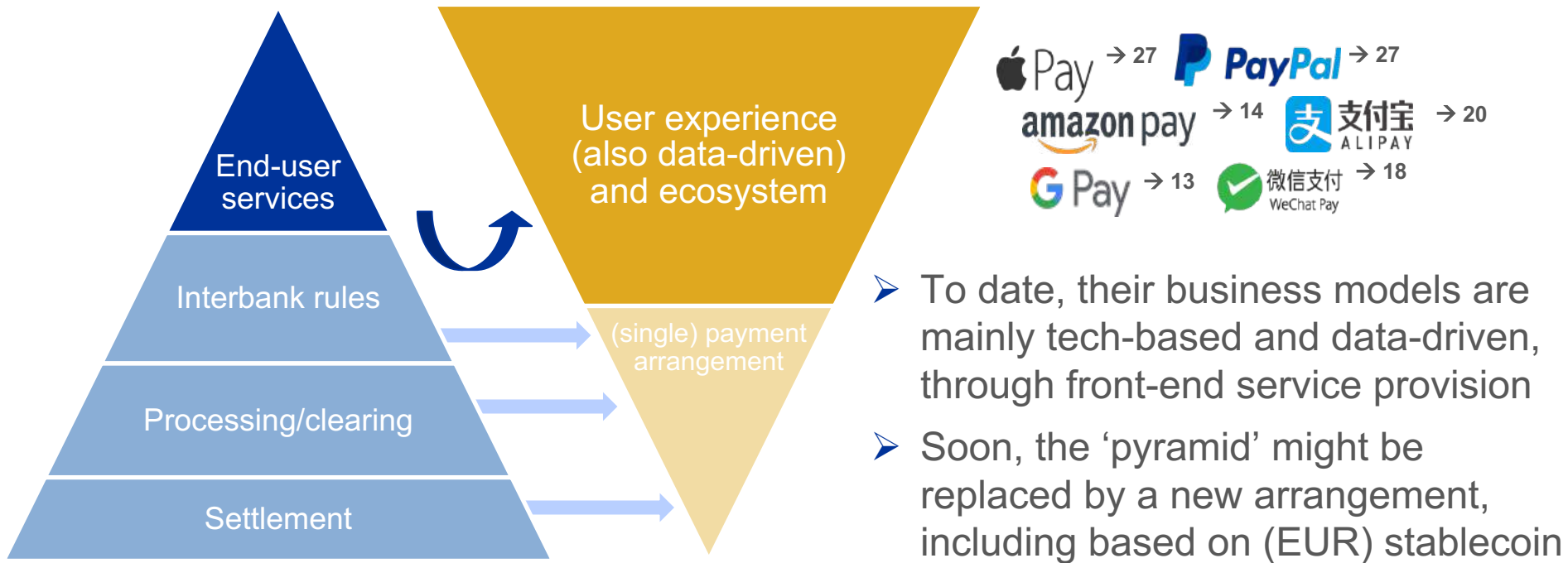
- **Uncompleted SEPA migration**, e.g. e-mandates, IBAN-discrimination, limited processor (ACH) interoperability
- Slow deployment and uptake of **instant payments**
- Deficiencies for card payments: **no pan-European card scheme(s)** or scheme interoperability, lagging cards standardisation
- Sub-optimal start for the **new PSD2 / Open Banking services**, e.g. API standardisation behind, basic functionalities allegedly insufficient
- **Insufficient quality of cross-border** (beyond-EU) payments
- **Lack of pan-European eID/eSignature**-solutions for payments

Non-European governance in crucial payment areas

- Visa and MasterCard handled 69.2% of **card payment transactions** in Europe in 2018 (up from 52.5% in 2009)
- Without a pan-European e-commerce solution, **online payments** are dominated by PayPal, followed by the international card schemes
- **Big Tech** might move more deeply into provision of retail payments.
 - ⇒ Market requirements (fully) met, e.g. security?
 - ⇒ Higher costs for banks, merchants and consumers?
 - ⇒ European sovereignty?



Big Tech may fundamentally change retail payments



*Numbers indicate EU countries in which those solutions are available as of August 2020 according to BigTech's websites.

European retail payments strategy

- In November 2019, the Eurosystem relaunched its retail payments strategy, with its **main goal**:
 - support and foster development of European-governed, pan-European (POI) payment solutions
- In November 2020, the strategy was complemented, with **additional goals**:
 - full deployment of instant payments,
 - support for innovation and an innovative payments ecosystem,
 - improvement of cross-border payments (into/out EU)as well as **work on eID/eSignature, sustainability and usability**
- ✓ Public version published in April 2021, new webpage in May 2021



Overview of workstreams (1)

Pan-European solution for POI payments

TOP PRIORITY

- European Payments Initiative (EPI) welcomed in July 2020; working on digital wallet and card solution
- Discussions with further initiatives to meet the Eurosystem's objectives: pan-European reach, convenience and cost-efficiency, safety and security, European brand and governance, and global acceptance (longer-term goal)

Full deployment of instant payments

- Continued monitoring of instant payments (SCT Inst) volumes/values development – 9.5% of all SCT transactions in June 2021
- European Commission consulted on obstacles and possible enabling actions (March-June 2021)
- TIPS reachability measures for ACHs and banks per November 2021

Improvement of cross-border payments

- Investigation continues for cross-currency payments in TIPS, together with Sveriges Riksbank
- Eurosystem contributes to ongoing work by the Financial Stability Board and the Committee on Payments and Market Infrastructures

Overview of workstreams (2)

Active support for innovation

- Organise European fintech payments dialogue (Dec 2021)
- Fintechs can be clients of Eurosystem NCBs, to give access to TARGET2 to non-bank PSPs (currently Lietuvos bankas)

Electronic identity and electronic signatures

- Almost all Eurosystem central banks have implemented some form of eID/eSignature solutions (Jan 2021 stock-take)
- Proposed revision of European eIDAS framework provides new options for use of eID and eSignature for retail payments

Sustainability

- Explore various approaches to measure the environmental sustainability of payment transactions and infrastructure

Usability

- Mapping exercise of the challenges faced in dealing with digitalisation in payments (Q4 2021)



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European Payments Initiative



Supported as it aims to meet
the Eurosystem's objectives

EPI



2020: 16 European banks launched the European Payments Initiative



Create a **unified payment solution** for **consumers** and **merchants** across Europe;



Encompassing a **payment card** and a **digital wallet** and covering in-store, online and person-to-person payments as well as cash withdrawals;



Replace national schemes for card, online and mobile payments with a **unified card and digital wallet that can be used across Europe**, thereby doing **away** with the **existing fragmentation**.

Including **SCT INST** based payment options; increasing reliance on SCT INST over time

EPI: endorsed by ECB as consistent with its retail payment strategy

PRESS RELEASE · 2 July 2020

ECB welcomes initiative to launch new European payment solution

- > ECB supportive of banks' European Payments Initiative
- > Pan-European card and digital wallet to complete European retail payments market

The Eurosystem will continue to support private initiatives for retail payments provided that they fulfil five key objectives:

- pan-European reach,
- customer friendliness and cost efficiency,
- safety and security,
- European identity and governance,
- global reach.



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Digital euro project



Investigation phase, timeline, work ahead

Eurosystème lance le projet de l'euro numérique



Decision du Conseil de gouvernance de lancer la phase d'investigation d'un projet d'euro numérique

*« Notre travail vise à garantir que dans l'ère numérique, les citoyens et les entreprises continuent d'avoir accès à la **safest form of money**, **central bank money** »*

Président Lagarde



Commencement de la phase d'investigation, qui durera 2 ans

- **Focus** sur la conception fonctionnelle possible basée sur les besoins des utilisateurs
- **Engage** avec le Parlement européen, les décideurs européens, les citoyens, les commerçants et l'industrie des paiements

Why consider CBDC?

Digitalisation of society → declining use of cash as means of payment

CBDC preserves ability of non-banks to use CeB money as means of payment.

- ⇒ Maintain CeB money as **competitor** for private payment solutions in market with strong network effects and **market power** of dominant private players
- ⇒ **Maintain effective convertibility promise** that is at core of monetary system
- ⇒ **Tackling sovereignty concerns** related to dominant foreign private digital means of payment in euro area (including future stablecoins etc.)

→ Central banks needs to be prepared

Digital Euro Project - Timeline



Eurosystem's interest is to:

- **be prepared**
- **manage risks on both sides:** issuance and not issuance

Scope of project **investigation phase**



**~24 months,
focusing on:**

- i. Use cases of a digital euro to achieve its goals
- ii. Interaction with the European retail payments market
- iii. Business model
- iv. Features and functionalities
- v. Legal questions
- vi. Technical solutions that best handle the above issues

Organisation of project **investigation phase**



Active cooperation

- **Eurosystem project:** led by the ECB project team
 - Steering: Eurosystem High-Level Task Force on Central Bank Digital Currency
 - Support: Eurosystem staff
 - Input from payment service providers, financial industry and consults via MAG and ERPB
- **Interactions:** with citizens and stakeholders

Key questions for the **investigation phase**



Key challenge: develop a business model for a digital euro that

encourages the various **players in the retail payments industry** to **actively promote** its adoption and use



Key questions for the **investigation phase**

How can the Eurosystem achieve the appropriate **trade-off** between



minimising industry investment costs for the implementation of a digital euro



not producing undue dependence or giving undue **preference** to certain providers



offering a distinct value proposition that encourages consumers to pay with digital euro



not crowding out private initiatives



while **ensuring** that paying with digital euro is *always* an **option for the consumer?**

Key questions for the **investigation phase**



Legal requirements

- Possible changes to the EU legislative framework
- Discussion and shared decisions with EU co-legislators



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Questions?

Thank you!



<https://www.ecb.europa.eu/euro/html/digitaleuro.en.html>