



EUROPEAN CENTRAL BANK  
EUROSYSTEM

ECB-UNRESTRICTED

**Francisco Tur Hartmann**

Deputy Head  
Market Integration Division

European Central Bank

# **Retail payments: Regulation vs self-regulation -European Experience-**

Brasilia, 10 November 2015

- 1 Introduction
- 2 Regulatory Initiatives
- 3 Self regulation: Euro Retail Payments Board
- 4 Conclusion

## The vision – One Single Payment Market

From 28 payment islands...



to

One single payment market



Cashless payments in euro in the EU (EEA) should become as easy, efficient and reliable as domestic payments

**“One account, one card, one terminal”**

## Key objectives for EU payments market

- **Integration and competition**
- **Choice and transparency**
- **Pan-European price convergence**
- **Security & Trust**
- **Innovation**

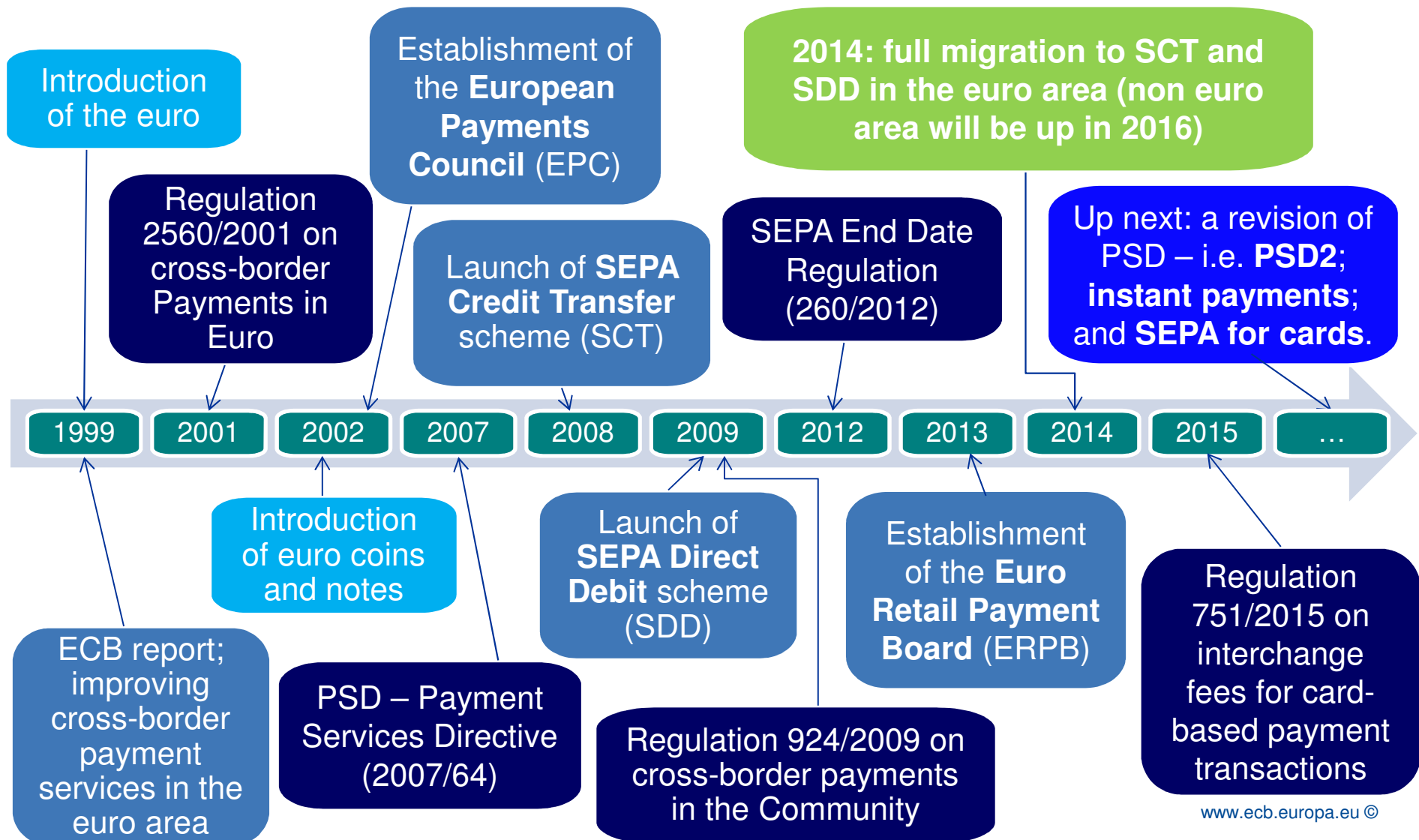
## Regulation and self-regulation are closely related to each other



**Legislation when the market is not able to solve inefficiencies by itself**

## The timeline of the SEPA project

A mixture of public intervention and private initiative



- 1 Introduction
- 2 Regulatory Initiatives
- 3 Self regulation: Euro Retail Payments Board
- 4 Conclusion

## The first steps towards SEPA

**How to promote one single market for payments without national borders?**

**Regulation 2560/2001 on cross-border payments in euro:**

*Banks are not permitted to apply different charges for domestic and cross-border credit transfers, card transactions or ATM withdrawals in euro within the EU*

**Reg 2560/2001: a shock to the banking industry in Europe**



**June 2002: banks set-up the European Payment Council (EPC) to speed up the modernisation of the cross-border retail payments infrastructure, establishing the Single Euro Payment Area (SEPA)**



## Payment Services Directive (2007/64/EC)

Setting up pan-European payment schemes covering all 28 EU Member States revealed a wide diversity in national rules and legislation



 **Urgent need for harmonisation**

*The Payment Services Directive was adopted 2007; providing a legal platform for SEPA and the introduction of SEPA Credit Transfers and SEPA Direct Debits*

## The Payment Services Directive (PSD)

Applies to **all** EU currencies (not only the Euro)

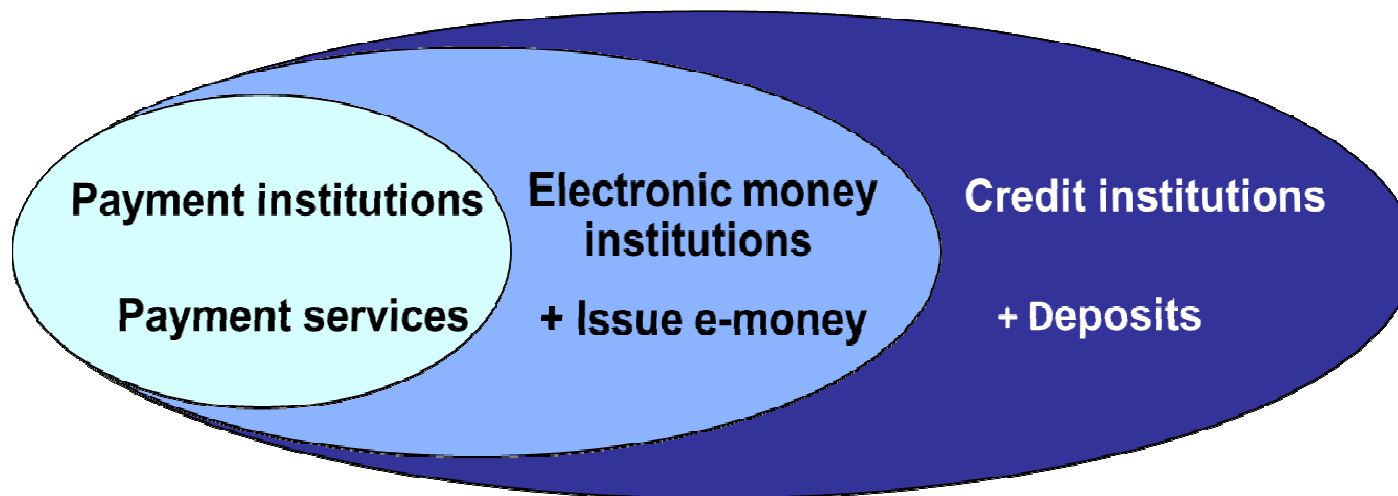
Introducing **Payment Institutions** – a new body under lighter supervision –to increase competition

Clarifies and **improves rights for users** of payment services:

- *minimum information to be provided by payment service providers;*
- *shorter maximum execution time D+1;*
- *liability of PSPs towards merchants or their customers re non-executed, defective or unauthorised transactions;*
- *conditions under which customers can revoke payment orders;*
- *procedures for dispute resolution*

## The single licence – a fundamental concept

**A license issued in one Member State allowing for the provision of services throughout the EU**



**Diverging licensing criteria depending on risk**

**SEPA Credit Transfer was introduced in January 2008**  
**SEPA direct debits in November 2009**  
**by the European Payments Council**

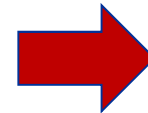
## **Slow migration to SEPA schemes**

Causing additional costs for running duplicate systems (national and SEPA) and uncertainty among market participants



**All major EU projects have an end-date**

*(Single Market 1992, introduction Euro 1999/2002, EU Enlargement, T2S)*



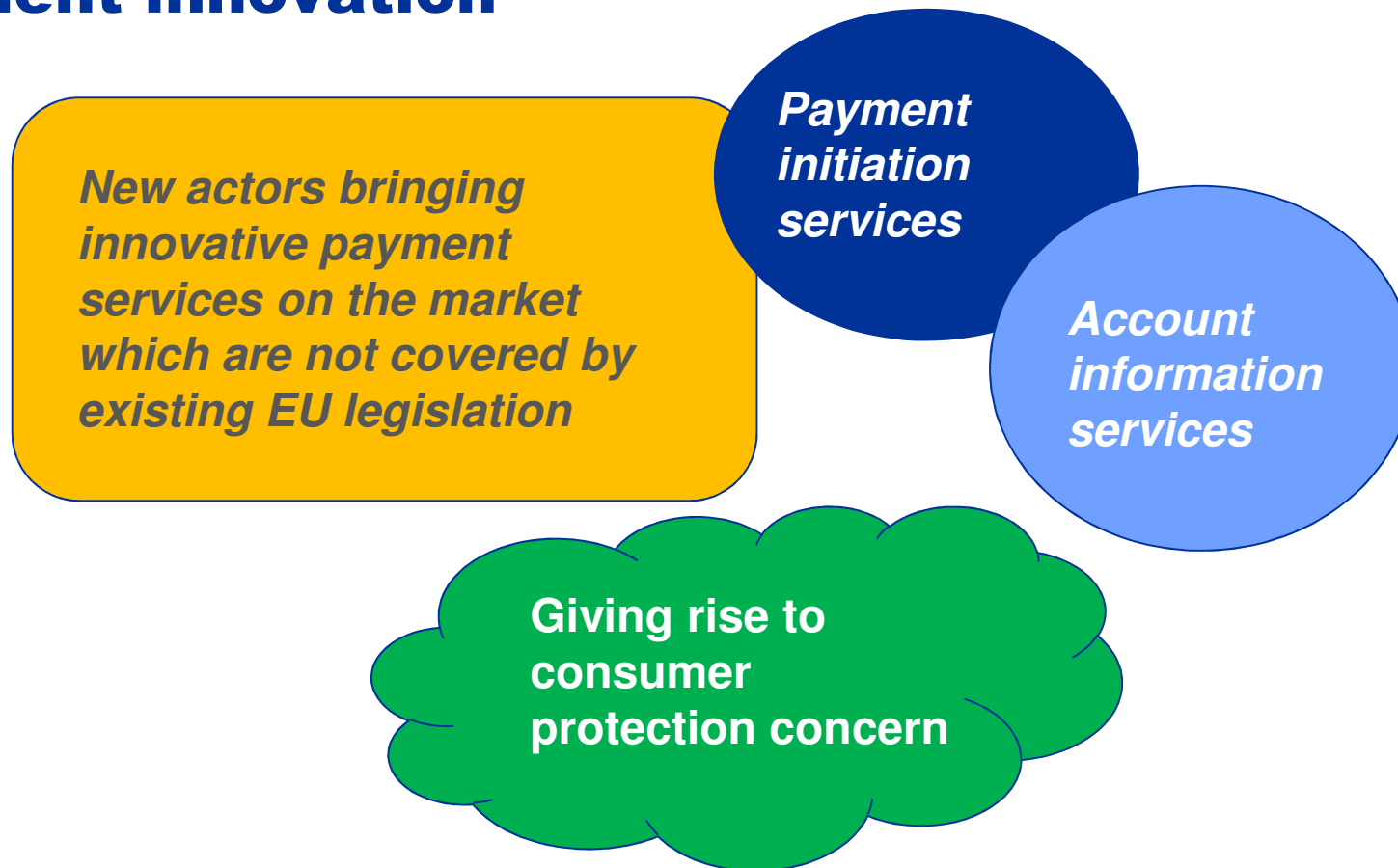
Adoption of the SEPA End Date Regulation, March 2012

## **SEPA End-Date Regulation (260/2012)**

### **Main elements:**

- **February 2014 as end-date for migration to SEPA credit transfer and SEPA direct debit schemes**  
(additional transition period until 1 August 2014 by Regulation 248/2014)
- **Mandatory use of IBAN / elimination of BIC**
- **Prohibition of per transaction interchange fee for SEPA Direct Debit transactions**
- **Consumer-related issues (reachability)**

## Payment innovation



**Has been brought up by the EU legislator in its review of the Payment Services Directive (PSD2)**

## Review of the Payment Services Directive (PSD2)

- Expanding the scope to include payment initiation services, account information services, and entities providing such services; *supporting innovation and competition in retail payment services*
- Increased consumer protection, e.g. in the area of fraud, possible abuses and payment incidents
- Increased consumer rights for transactions in non-EU currencies as well as to and from non-EU/EEA countries
- Harmonised rules on surcharging & payment security

***Proposal launched July 2013, political agreement reached May 2015, EU parliament approval adoption expected end 2015***

Around 58 million EU consumers over the age of 15 still do not have a payment account

Around 25 million citizens without a payment account would like to have one

## **Directive on the Transparency and Comparability of Payment Account Fees, Payment Account Switching, and Access to a Basic Payment Account (PAD)**

- provides a right to a basic payment account irrespective of a citizen's place of residence or financial situation: *financial inclusion objective!*
- improves the transparency of bank account fees
- makes it easier to switch bank account from one bank to another.

***Adopted 23 July 2014***

***To be transposed by 18 September 2016***

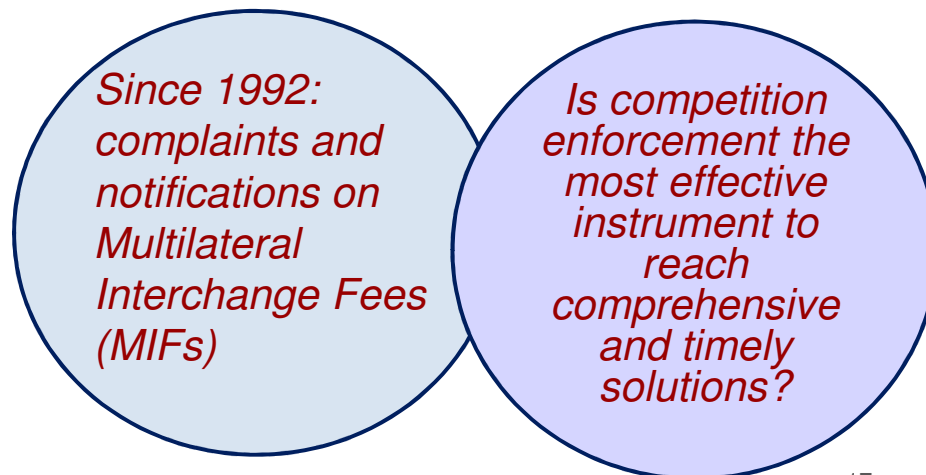


## Card payments – Interchange Fees

### European Commission is the European competition authority

- General competition rules under the Treaty of the functioning of the European Union (Articles 101 and 102)
- Competition rulings only applicable on a case-by-case basis (e.g. Visa decision 2002, MasterCard decision 2007)

➔ limited guidance



The Eurosystem asked 2012 for increased clarity on business models for cards even by mean of regulation. Without this additional clarity the market would not be able or willing to take investment decisions

## **Regulation on Interchange fees for card based payment transactions (2015/751)**

- Introducing caps on interchange fees for consumer debit (0,2%) and credit (0,3%) cards
- No territorial limitations for card issuing or acquiring
- Separation of scheme and processing
- Co-badging (more than one brand on a card) and choice of application
- Unblending (specified and transparent merchant service charges)
- Limitations to the Honour All Cards rule (obligation on merchants to accept all cards of a specific brand or category)
- Increased transparency on fees

- 1 Introduction
- 2 Regulatory Initiatives
- 3 Self regulation: Euro Retail Payments Board
- 4 Conclusion

## **SEPA was initiated by means of self-regulation by the banking industry, following the introduction of the Regulation on Cross-border Payments (2560/2001)**

European banks established the European Payments Council (EPC) in 2002, creating SEPA credit transfer and SEPA direct debit schemes, and a framework for cards, but:

- EPC was not able to enforce migration to SEPA schemes
- Non-bank payment service providers wanted to join the EPC
- Stakeholders complained on limited involvement
- The Commission opened an investigation in e-payments standardisation (closed 2013)

**With the growth of SEPA, a broader Governance became necessary**

## Good governance is key for self-regulation

- Retail payments industry = network industry
- In network industries there is a need to cooperate to be able to compete
- Cooperation means involvement of all relevant stakeholders, not only banks / payment service providers, but also consumers, retailers, corporates etc.
- Cooperation needed not only for SEPA Credit Transfer and SEPA Direct Debit migration, but also for innovation, cards, standards, etc.
- Cooperation needed not only at national level, also at European level: top down and bottom up coordination and fertilisation



## The future of SEPA is shared responsibility



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

### **The ERPB was created by ECB Governing Council in December 2013 to:**

- address retail payment issues in their broadest sense at European level by means of a European high-level dialogue between banks, other payment service providers and end-users of payment services;
- contribute to and to facilitate the creation of an **integrated, competitive and innovative market** for euro retail payments in the EU, based on a level playing field;
- start of a **new phase** in the European retail payments integration process after the SEPA migration.

***A cooperative approach reinforced by the Europe-wide reach of the ERPB, combined with an output-driven focus***

## Euro Retail Payments Board (ERPB)



**Chair;** ECB, Yves Mersch, Member of the Executive Board

### Members

#### Demand side:

- Consumers
- Retailers
- Internet retailers
- Corporates
- SME's
- National public administrations

#### Supply side:

- European Payments Council
- Commercial banks
- Savings banks
- Co-operative banks
- Payment institutions
- E-money institutions

Six National Central Banks as active participants on a rotating basis  
European Commission as observer



## **Outcome of ERPB's first meeting May 2014:**

- Adoption of a workplan
- Establishment of two working groups:
  - SEPA Credit Transfer and SEPA Direct Debit post migration
  - Pan-European electronic mandates for SEPA Direct Debit
- A policy position on an alternative no-refund direct debit scheme
- Acknowledgement of the Cards Stakeholder Group and its work
- Calling for a timely migration to SEPA payment instruments

## **Outcome of ERPB's second meeting December 2014:**

- Recommendations on SCT-SDD post-migration issues
- Recommendations on pan-European electronic mandates for SDD
- Inviting the Cards Stakeholder Group to work further on technical standards for card payments
- Instant payments:
  - Agreed on a definition of 'instant payments' and the need for at least one pan-European instant payment solution
  - Invited the supply side to make an assessment of such a solution
- Set up two work streams:
  - Person-to-person mobile payments in euro
  - Contactless proximity payments

## **Outcome of ERPB's third meeting June 2015:**

- Assessment and follow up of past ERPB recommendations
- Inviting the EPC to present a proposal for design of an instant SCT scheme
- Recommendations on person-to-person (P2P) mobile payments
- Recommendations on technical standards related to payment cards
- Inviting the Cards Stakeholder Group to take an active role in implementation of technical standards
- E-invoicing linked to payments
  - Supporting the establishment of harmonised e-invoicing payments
  - Setting up a work stream to address existing barriers

# Overview

- 1 Introduction
- 2 Regulation vs self-regulation
- 3 SEPA Governance
- 4 Euro Retail Payments Board
- 5 Conclusions

**The market should be encouraged and given the opportunity to sort out inefficiencies by itself; legislation only when needed**

**The current complexity within the EU; 28 national communities and a wide variety of actors, makes it difficult to agree on and implement new standards and services.**

**Cooperation is core, contributing to find common grounds and shared positions, irrespectively of self-regulation or regulation**

**Stakeholder Forum, like the ERPB, to serve as facilitator for self-regulation, as well as defining issues better aimed for regulation**

**Many thanks for your attention!**