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# Increasing competition in the European payments market

Over the past years, the European retail payments market has gone through significant transformation. Thanks to technological innovations, consumers and merchants now have a wide range of payment methods they can choose from. The change in consumer habits, in particular the growth in cross-border and online commerce, has changed the dynamics of payments and how they enable new and different shopping experiences that benefit the consumer and the retailer.

In addition to these consumer- and technology-driven developments, Europe has been at the forefront of regulation to boost electronic payments, reduce end-users' costs, prevent fraud and disable barriers for new players entering the market. The EU Interchange Fee Regulation and 2nd Payment Services Directive (PSD2), which are inherently linked, are still having a huge impact on the market and the full effects are yet to be seen. Indeed, Europe is the region with the lowest payment acceptance costs in the world and the PSD2 continues to drive further competition in the European payments market. As the PSD2 opens the payments market to new entrants, it also leads to greater choice for consumers and businesses by enabling them to use third-party providers to manage their finances and initiate payments on their behalf.

Even if most in-store transactions in Europe are still conducted with cash, the increased competition has resulted in consumers having access to multiple payment methods including cards, cash, mobile phone payments, payments through wearables, such as watches or wristbands, voice-enabled devices or other new payment methods that use (often instant) credit transfers directly from their bank accounts. With the increased use of smartphones and apps, further growth of innovative payment methods is expected.

New alternatives also mean that consumers and retailers use multiple payment methods depending on the situation they are in. This leads to payment service providers increasingly competing for consumers to use their payment solution at the point of sale, in store, or online. Innovation, convenience and safety are fundamental in this.

As the effects of existing regulation are further unfolding, one can expect these trends to continue. Also, digital wallets are expected to be used more broadly by consumers. Instant payments, often enabled by third parties, QR codes or Near Field Communication (NFC) will also offer new alternatives. These trends mean that the market for retail payments is likely to continue to deliver good outcomes in terms of efficiency, innovation and choice in the future, provided that the right regulatory framework is in place.

Legal certainty is paramount for new and existing players to develop innovative solutions that meet consumers' and businesses' needs. Further legislation should therefore only be considered once the full effects of existing rules and regulation are known and a need for further regulation has been identified. This is the best way that innovation and competition continue to flourish in this sector across Europe. ●