



Ulrich Bindseil

Director General, DG Market
Infrastructure & Payments, European
Central Bank (ECB)

Key requirements for a future-proof European retail payments market

The transformation of the retail payment landscape is driven by technological progress, legislative and regulatory action and cross-industry initiatives led by large global digital firms. Keeping step with these developments puts established banks and payment service providers increasingly under pressure.

In Europe, the payments industry is at risk of losing its economic edge. Whereas a fair level of progress has been achieved at the back-end of the retail payments chain with harmonised SEPA standards and pan-European settlement, the customer front-end, in particular for point-of-sale and online payments, remains fragmented along national borders. This predominance of country-specific solutions hinders competition and stifles innovation at the pan-European level.

In addition, a growing dependence on non-European global players creates the risk that the European payments market will become susceptible to external disruption. Furthermore, global service providers with market power may not necessarily act in the best interest of European stakeholders.

The only effective remedy to this situation is the development of an industry-led, pan-European retail payment solution that facilitates instant, secure and inexpensive payments – both online and in brick and mortar stores. With the aim of fostering pan-European market initiatives for retail payments at the point of interaction (POI), the Eurosystem has put forward a payments strategy that provides conceptual vision as well as high-level guidance to the market. Market initiatives aiming to deliver pan-European retail payment solutions would have to fulfil five key objectives.

First, customers should be able to make POI payments throughout the entire European Union just as efficiently and safely as in their home country. To this end, pan-European reach with wide merchant acceptance is required.

Second, to achieve a high degree of customer acceptance, such a solution needs to be designed in a way that enables an easy, flexible, secure and user-friendly payment experience for both consumers and merchants. It should be flexible enough to allow the use of different payment instruments, initiation channels and technologies.

Third, a new European payments solution must comply with all relevant legal and regulatory requirements. To boost consumer confidence, it should provide the highest levels of fraud prevention and offer consumer protection with robust complaint and refund procedures.

Fourth, it should aim to foster European identity by using a common brand and logo. A European governance structure would enable European payment stakeholders to have direct influence on the strategic direction and business models.

Fifth, to reinforce economies of scale and domestic adoption and to keep step with other global solutions, a new European solution should also be accessible to merchants based outside the EU.

European stakeholders are invited to step up their collaboration and act together. ●