EU RETAIL PAYMENT INITIATIVES

BURKHARD BALZ
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Securing the future of European payments

Payments are the backbone of our economies. This backbone is undergoing a dramatic transformation, driven by the digital revolution and its impact on the demand for new forms of payment and the provision of innovative payment services. Consumers want quick, convenient, secure and cheap payment methods – around the clock and with solutions covering cross-border payments, too. We can see that the use of cash is waning. The COVID 19 pandemic has boosted the use of contactless credit and debit cards. In a recently conducted survey on payment behaviour in Germany, the Bundesbank found that the share of transactions settled in cash has fallen from 74% to 60% compared to the last survey as of 2017. This shift is unlikely to be reversed once the pandemic is over.

In light of these developments, we need to ask ourselves whether the means of payment currently available adequately meet the needs of consumers in the digital age. Unfortunately, the instruments offered by EU payment service providers are in danger of falling short of the needs of payers and payees alike. The EU payment system is still highly fragmented. Most payment solutions are still developed around domestic ecosystems, with little or no acceptance beyond national borders.

Unsurprisingly, none of the many national solutions available are big enough in terms of reach or user numbers to compete on an equal footing with global players like major card networks or bigtech platforms from China and the United States. This increases the risk that these firms evolve into increasingly dominant market players in domestic markets as well, raising questions about competition, privacy, financial stability and even monetary sovereignty.

The European Union cannot afford to be a bystander to these trends. It is high time to advance European initiatives and develop innovative payment solutions that are fit for global competition. In a market economy, offering such payment solutions to the public should be one of the private sector's primary tasks. Consequently, the European Payments Initiative was launched by a group of 20 major euro area banks as well as two large European acquirers. The initiative is seeking to develop a unified card and digital wallet that can be used across Europe, and potentially beyond. It offers a real opportunity to reshape the payments landscape, providing a pan-European payment solution that is fast, secure, cheap and widely accepted.

That said, the private sector is not alone. European authorities are pulling together, too, so that they can provide the environment and conditions for the private sector to innovate and thrive. Legislators, central banks, financial regulators and competition authorities are setting up the appropriate framework for a resilient, innovative, diverse and competitive payments landscape to serve the evolving needs of European people and businesses.

The Eurosystem has a particular part to play in this, such that payment systems can rely on its infrastructure. The Eurosystem needs to act as a catalyst, being at the cutting edge of technology and providing state-of-the-art payment infrastructure that reflect our changing economies. This includes exploring the potential benefits, risks and operational challenges of issuing a digital euro.

JUAN AYUSO
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A European strategy for retail payments

The global covid pandemic has generated an unprecedented economic shock that has impacted the global economy, in general, and the European economy, in particular. Against this backdrop, speeding up the process towards the Capital Market Union (CMU) is a useful tool to foster economic recovery. One of the main initiatives of the CMU Action Plan is the pan-European integration of the financial market infrastructures (FMIs), including securities market infrastructures and payment systems.

In the wholesale segment, the advances in FMI integration in the last years have been significant. The Eurosystem has played a prominent role by developing and operating Target2, the real-time gross settlement (RTGS) system for large value payments in euros, and TARGET2-Securities (T2S), the securities settlement platform which allows the adhered CSDs to settle securities and cash in central bank money.

In the retail segment however, the results are mixed. The Single Euro Payment Area (SEPA) initiative has successfully increased the harmonization of, in particular, credit transfers and direct debits, allowing European citizens to make cross border payments as easily and efficiently as they can do within their home countries. There is however still work to do regarding the point-of-sale (be it physical or virtual for e-commerce transactions), where the user experience is still fragmented. The domestic card based and e-commerce solutions that exist in a few countries might show a good degree of efficiency but lack pan-European reach, whereas those solutions that work across Europe are usually managed by global companies whose strategies may not always be aligned with the European users' needs.

The Eurosystem is actively working towards the improvement of retail payments in euro, but its role is necessarily different from that played in wholesale payments. While some operational role can still be played (e.g. the deployment of TIPS to promote the pan-European reach of instant payments), an active engagement as a catalyst of private efforts that fit with the overall vision of the Eurosystem seems more appropiate.

The Eurosystem is actively working towards the improvement of retail payments in euro.

The first and main goal of the strategy defined by the Eurosystem for retail payments, fully aligned with the European Commission, is to support payment solutions that fulfil five key objectives: pan-European reach and seamless customer experience, convenience and low cost, safety and security, European brand and governance, and global acceptance, with a focus on a full deployment of instant payments, where Europe is a global reference, and the enhancement of cross-border payments.

Among the private initiatives well aligned whit these objectives, it is worth highlighting the European Payment Initiative (EPI), led by major European banks, perhaps the most promising initiative to achieve these objectives, even though other potential solutions seeking to meet them are of course welcome.

Advancing on these objectives in cooperation with the private sector is of the essence at the current juncture, to the benefit of European citizens and the European economic recovery.

MARIA VELENTZA

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Towards a competitive and innovative European payments market

Digital innovation is radically reshaping the provision of financial services. The retail payments sector is at the forefront of this trend; the pace and scale of technological change requires specific and targeted policy measures.

Over the last years, the act of paying has become less visible, increasingly dematerialised and disintermediated. In addition, large tech companies ("BigTechs") have become active in the payments sector. Benefitting from significant network economies, they challenge established financial services providers. Moreover, with the emergence of crypto-assets (including stablecoins) they may soon be offering payment solutions based on encryption and blockchain technology.

Innovation and digitalisation will continue to change the way payment services are provided: old channels and traditional payment instruments are increasingly abandoned; this will lead to new ways of initiating payments, such as via "wearables" (watches, glasses, etc.). The Covid-19 pandemic has reinforced the shift to digital payments and confirmed the importance of safe and convenient (including contactless) payments for remote and face-to-face transactions. However, cash remains the means used for a majority of retail payments in the EU; the principle that euro banknotes and coins are a legal tender is enshrined in the EU Treaty.

Public and private players will shape jointly the future payments landscape – and support a cohesive recovery.

Public and private sectors have complementary roles to play in the future payments landscape. More and more central banks around the world, including the European Central Bank, are looking into the possibility of issuing central bank digital currencies and there are tangible prospects of further significant changes in the retail payments market. Wide acceptance of a means of payment not denominated in euro could impair the transmission of monetary policy in the euro area. Hence, the issuance of a digital euro could support European economic sovereignty and financial stability.

In 2020, a group of 16 European banks launched the European Payment Initiative project with a view to offering a pan-European payment solution by 2022. The Commission welcomes this initiative aimed at completing a single European payments market. Other promising market-driven initiatives have emerged recently, aimed at designing common infrastructures, increasing cooperation and interoperability between domestic payment solutions. Synergies between private and public initiatives will be key in supporting the recovery from the current crisis in a balanced and cohesive way across the EU.

Citizens and businesses in Europe should benefit from a broad range of high-quality payment solutions, supported by a competitive, innovative payments market and based on safe, efficient and accessible infrastructures. The Commission, beyond its specific policy agenda in the payments sector follows those initiatives, which are supporting the objectives of creating an economy that works for people and a Europe fit for the digital age.

Most importantly, competition enforcement complements policy initiatives, hence supporting the digital transformation of finance and promoting a level playing field.

STÉPHANIE YON-COURTIN

MEP, Vice-Chair, Committee on Economic and Monetary Affairs, European Parliament

Retail payment strategy: three pillars for the future

One year after the world went to lockdown following the emerging spread of COVID-19, all domains of our lives have been shaken to the core. The payment landscape is no exception, as the pandemic accelerated existing consumer trends, such as contactless payments, digital consumer-to-consumer and consumer-to-business payments, and indeed the increased use of digital apps for all kind of payments.

While fundamental needs related to payments have not changed – it is still and always will be about transferring money in an easy and secure manner – the solutions for retail consumers are more and more diverse and creative.

Private stakeholders continue to compete to provide better solutions for businesses and consumers. As Vice-Chair of the ECON committee in the European Parliament, my role is to ensure this productive competition does not lead to a race to the bottom and respects the core principles of our European regulatory values.

Fair competition, increased trust through increased transparency, protection of our EU autonomy.

The recent European Commission Retail Payments Strategy provides a strong basis for the crucial discussions in the coming years on adapting our EU rulebook on payments, including the wider policy landscape related to distribution of financial products, financial reporting, financial innovation, audit, post-trading, Anti-Money Laundering and Countering Terrorism Financing.

We should anchor our actions going forward in three pillars: fair competition on the open finance field; increased trust through increased transparency; protection of our EU autonomy.

Firstly, we should be proud of the pioneering role that the EU has played in opening competition in the retail payment space with the second Payment Services Directive (PSD2). This approach can be an inspiration for further open finance initiatives related to payments, and even beyond in the broader financial services space. The 'same business, same risk, same rules' principle and reciprocal access to relevant data will ensure a level playing field across providers, and that entities outside of the traditional remit of financial services, including BigTechs, are not unduly getting the lion's share.

Secondly, consumers should be empowered to challenge their payment providers on the quality of their services and associated charges, thanks to clear disclosure on how much and for what they pay. This will build trust overtime. Only a coherent EU approach on the payments rulebook and on its enforcement, involving all relevant supervisors and stakeholders, will rebuild the trust severely eroded by the Wirecard scandal.

Thirdly, our eyes should remain wide open to the challenges to our European autonomy linked to payments, alongside the opportunities they bring. The EU is leading the way in creating the first Digital Operational Resilience framework, also applicable to payment infrastructures. Similarly, the European Payments Initiative (EPI) is a key milestone to preserve the independence of our foreign policy decisions.

FIONA VAN ECHELPOEL

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The retail payments strategy in Europe

Digitalisation and increasing global competition in the payments area could put sovereignty of the European retail payments market at risk. The digitalisation trend has accelerated with the COVID-19 pandemic where the use of cashless payment methods has risen. Cards continue to be the most used electronic means to pay in Europe, however, a significant share of card transactions are covered under international brands. Additionally, BigTechs with a large customer base that can be leveraged for retail payment services are entering the market. The dependency on non-European payment solutions could thus shape the European payments market in a way that does not serve the interests of European stakeholders.

To overcome the challenges of digitalisation in the payments market, the Eurosystem has re-launched a retail payments strategy. Three of the goals are: 1) the development of pan-European payment solutions at the point-of-interaction, 2) the full roll-out of instant payments in Europe, and 3) the improvement of cross-border payments beyond the euro area and the EU.

Firstly, it is essential that pan-European payment solutions for retail payments at the point-of-interaction (POI), including the physical point-of-sale and in the mobile and e-commerce space, are developed under European governance. In 2019, the Eurosystem called for collaboration between European stakeholders and devised five objectives that any private initiative needs to meet: pan-European reach and customer experience, convenience and cost efficiency, safety and security, European identity and governance, and, in the long-run, global reach. Currently, a few market initiatives seek to end the fragmentation in the European payments' ecosystem with pan-European solutions.

Secondly, instant payments should be deployed fully in Europe so European citizens can send or receive money in real time, as easily as text messages or emails. The first steps have been successfully deployed. The SEPA instant credit transfer (SCT Inst) scheme was launched in 2017 and the TARGET Instant Payment Settlement (TIPS) service went live in 2018. However, for instant payments to become the "new normal", interconnection between market participants is needed. To tackle this issue, the European Central Bank has put in place a set of measures to be implemented in TIPS by the end of 2021.

To overcome the challenges of digitalisation in the payments market, the Eurosystem has re-launched a retail payments strategy.

By then, all payment service providers in TARGET2 that adhere to the SCT Inst scheme will become reachable in TIPS, either as participant or as reachable party. Moreover, the settlement of instant payments in automated clearing houses (ACHs) will move from TARGET2 to TIPS.

Thirdly, cross-border payments beyond the euro area and the EU should be improved. In this vein, the ECB and Sveriges Riksbank are exploring if cross-currency payments between euro and the Swedish krona can be settled in TIPS. In parallel to the retail strategy, the Eurosystem is exploring the issuance of a digital euro to respond to the evolving needs of European consumers.

A digital euro could be an option to ensure that citizens have access to a safe form of digital money, alongside cash. To avoid any negative impact in the financial sector, the design of a digital euro would need to be further assessed.

MARCEL HAAG

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Shaping the payments landscape of the future: the Commission's Retail Payments Strategy

The European payments industry is facing dynamic innovation and continued disruption of its traditional value chain and service propositions. Payments are a constantly evolving business. Over the last decade, payments have benefitted from unprecedented technological innovation. Consumer expectations are also changing, making speed, convenience and ubiquity the new expected normal. Increasingly, the speed of retail payments can be measured in seconds, and households and companies expect to be able to make payments at any time of any day.

EU legislation has promoted innovation and competition in retail payments. In this regard, the second Payments services Directive (PSD2) was a game changer. It has been instrumental in opening up the banking ecosystem and fuelling the development of innovative payment services by FinTech firms.

As digitalisation progresses, the payments ecosystem becomes increasingly complex, with many actors - regulated or non-regulated - intervening in the payments chain. It is important to ensure that regulation remains well-calibrated and that it adequately covers all actors and services that might carry risks to the financial system. All relevant players should be subject to adequate supervision and oversight.

EU regulators are faced with two important challenges: The first is that a significant share of payments in Europe effectively depends on international players, such as international card schemes and, increasingly, of large technology companies. It is crucial, for the EU's open strategic autonomy, to reduce this dependency and to support the emergence of European champions in the payments sector. This will increase competition and choice for end-users.

The second challenge is that despite recent progress, the retail payments market in Europe is still very fragmented along national borders, with many payments solutions being purely national.

The Commission's recently adopted Retail Payments Strategy seeks to address these challenges by supporting the roll-out of instant payments in the EU and the emergence of European payment solutions, ensuring a sound, competitive and innovative retail payments market and a high level of consumer protection. The Commission's Strategy is a long-term policy framework to support the future development of retail payments in the EU and to exploit the opportunities that digitalisation offers.

With its Strategy, the European Commission is showing the way towards the achievement of a customer-centric, modern, competitive and innovative payments ecosystem. Europe is, and must remain a role model in payments integration.

The Strategy requires extensive work and collaboration between all stakeholders, public and private. The Commission is already in the process of implementing its strategy, with work being underway on several of the initiatives announced in the strategy, such as instant payments, cash, digital euro, SEPA enforcement etc.

A public consultation on instant payments will, for example, be soon launched. Some ambitious initiatives announced in the strategy, like the review of PSD2, will be presented at a later stage.

JOACHIM SCHMALZL

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The way forward: the role of European Banks and acquirers in the future of digital payments

Around the globe, the COVID-19 pandemic has effected significant shifts in the payments industry as a whole. Irregular - but foreseeable - increases in E-/M- commerce transactions, increased use of contactless payment methods at the Point of Sale (PoS), and an accelerated shift to acceptance and use of digital payments methods coupled with a decrease in the use of physical central bank notes can all be attributed to the changing consumer needs resulting from the ongoing pandemic.

In my home country of Germany, we have experienced shifts in consumer behavior and expectations even more acutely than many of our European neighbors. As an example, our national card scheme Girocard (already one of the largest in Europe), has seen an annual increase of over 20% in the number of transactions in 2020 alone and of those, the share of contactless transactions rose from 39% to over 60% during the same period.

Of course, dominant international payment solutions such as the ICS, GAFA, and BATX have also benefited from these shifts in consumer habits. As a result, the overall equation and the fundamental need for a competitive European payments champion has been further reinforced.

We must recognize that the goal of creating a European payments champion cannot be realized by European Banks and Acquirers alone.

In the European Payments Initiative (EPI), we have set ourselves the task of developing a portfolio of retail payment products for consumers and merchants that can compete with international rivals on various fronts such as simplicity and user experience, security, and availability. Best-in-class European payment products, both in physical (card) and digital form, based on state-of-the-art technologies and under a strong common brand will secure the role of banks in the retail payments landscape of the future while ensuring that European interests in sovereignty, standards and data protection regulations are protected.

Long term, the success of EPI will depend on a variety of key factors. Notably, EPI would not be a true European champion if it were not able to compete across Europe. Also critically important is a sustainable business model that allows EPI to innovate and stay competitive long after it has entered the market. Of course, we must also ensure that lessons learned in various national solutions are reflected in EPI and that strong and sensible migration plans are in place where needed.

Lastly, we must recognize that the goal of creating a European payments champion — that is key to the successful implementation of the European Retail Payments Strategy — cannot be realized by European Banks and Acquirers alone. Therefore, support from the European Commission, the European Central Bank, various other EU (and national) regulators, and central banks will be a necessary factor in "leveling the playing field".

The imbalance between global and local models has limited the ability of European players to innovate and reinvest in their solutions. Initiatives (such as EPI) are hence needed in order to effectively compete in a globalized payments industry currently dominated by an oligopoly of international payments service providers.

JUAN ORTI

Country Manager Spain, Head of Consumer Spain and BeNeLux, Europe Board Director, American Express

Building a competitive landscape for payments in Europe

A new and dramatically different era for the European retail payments space has begun. Every choice the EU takes now will help determine Europe's influence and position in the global payments market of tomorrow.

It is vital that we get it right from the start.

Policymakers as well as the industry are working on several solutions to offer European consumers, businesses, and merchants' access to better services and better prices. Fundamentally, this is grounded in the understanding that all market players deserve more choice, and that any forward-looking payments market should have competition at its heart.

The creation of a pan-European scheme is therefore a step on the right direction. Initiatives such as the European Payments Initiative (EPI) are focused on encouraging real competition to the dominant schemes – whether from FinTech's, European-led initiatives or alternative models such as American Express and Diners.

The development of pan-European solutions is no doubt important, but we believe there are also other paths the EU could – and should – consider, to increase competition even further.

At the top of that list must be addressing the shortcomings of PSD2. The changes to the open access rules, for instance, combined with other onerous regulatory requirements, have made it even harder for alternative and innovative fintech players to enter this space and compete with the dominant four-party schemes.

Similarly, the current restrictions in place regarding the passporting of credit services are an obstacle to the single market. PSD2 stipulates that PIs can issue credit on a passported basis only up to 12 months outside their home member state. Such a restriction puts non-bank PSPs at a disadvantage vis-à-vis banks when offering personal loans and credit cards.

Any forward-looking payments market should have competition at its heart.

The much talked about move from Open Banking to Open Finance is another essential part of the puzzle. To make a swift and seamless transition to this broader scope, we first must ensure that Open Banking is fully implemented. Without API standardization, further developments into Open Banking/Finance/Data could lead to inconsistent customer experiences that differ across products and providers, and cause delays to financial institutions updating and enhancing their external APIs. Not least, the definition of "payment account" still needs to be further detailed and clarified, as the overly broad contours of the definition in current EU regulations have led to a divergence in views and implementation across the EU.

Ultimately, if we work on these different workstreams in parallel, together we can empower European consumers, businesses, merchants, and payment service providers with different choices, and we can achieve a truly innovative and competitive payments market.

MARTINA WEIMERT

Chief Executive Officer,
EPI Interim Company SE

Are we able to align in European retail payments?

The pandemic has led to a strong increase for contactless and e-commerce transactions in Europe, including through cross-border e-commerce. Europe seems more than ever ready for digitization. Besides this push, we witness since a couple of years the development of strong international wallet solutions and constantly evolving new technologies as the main market drivers. All these solutions are continuously enriched and numerous value-added services appear including now also financing. But none of these solutions is European or even co-owned by Europeans. At the same time, the European regulator has created the basis for instant payments, but no major development took place in the retail payments space because the alignment of critical mass on one solution necessary for the rapid successful roll out in the market, did not happen.

While this situation clearly offers some potential opportunities, it is important to understand that Europe has to catch up in terms of payments solutions. The reason why many international solutions from different players develop so strongly in Europe is because we have no European reply, but only national or local solutions lost in more or less relevant specificities.

Creating only a level playing field and regulated approaches which we usually deploy in Europe, will very unlikely suffice.

This situation entails consequences: payments innovation is always a long-term investment and will require a substantial shift of parameters known until now, meaning that Europe will have to deliver its our own innovation, investing more into technologies, and achieving efficiency which are in line with our overall European market size.

Ultimately "catching up" with the payment giants will require massive investments and an outstanding persistence in the implementation efforts. In the current economic environment and given the progress of competitor solutions, this looks more than ever challenging and requires a strong concertation between the public and private sector in Europe.

Priorities have to be set out in line with market expectations, so that the private sector can deliver, but the support of the public sector will be needed since the effort will be anyhow immense. A collective effort appears as the only way how to turn around the continuous shift of Europe into increasing dependency in cards, wallets, payment standards and related technologies, while being internationally inexistent.

This support seems not only necessary for the overarching principles or long-lasting objectives but should reflect also in the detailed lay out and set-up of a European solution. In exchange of his support, the European regulator should have control over the realization of these objectives in order to obtain clear benefits for the European consumers, market players and its economy in terms of digitization, innovation and efficiency. Creating only a level playing field and regulated approaches which we usually deploy in Europe, will very unlikely suffice to create the needed conditions for success.

The longer we wait, the more difficult it will become, if not impossible. Lack of support, nationalism, or believing in vain that solutions at the national level could be more efficient and competitive in the long run compared to European-wide innovation and leveraging collectively our scale, are the biggest enemies to this evolution.

DAVID WATSON

Chief Strategy Officer, SWIFT

Cross-border payments evolution: common standards & public/private cooperation

The world of cross-border payments is changing. While there have been developments over many years and through many generations of technology the market continues to evolve. Viewed as an ecosystem, cross-border business involves not only the payer and payee but correspondent banks, domestic market infrastructures, service providers and vendors. It's a complex web of interconnected systems, standards and practices that evolved slowly and often in isolation, and that now work together.

Many small differences across the system in terms of data and data formats lead to automation breaks, loss of data and delay. In many cases, these legacy data formats were optimised to minimise size and processing complexity, constrained by the technology of the day. However, the environment for payments has become much more demanding, with customers expecting real-time experiences, and regulation demanding complex sanctions screening and AML measures.

Finding the right balance will require coordinated action from public and private sectors.

As highlighted in CPMI's recent report, the overall system needs to be modernised to address new needs. But this poses a dilemma: reform too slowly and risk disruption from new technology or models, at least for major corridors; reform too quickly and risk fracturing the existing system, which provides unparalleled access in terms of markets, currencies and accounts. Finding the right balance will require coordinated action from public and private sectors. In the private sector, the SWIFT community has so far taken an evolutionary approach, its gpi initiative building on existing standards and protocols to provide transaction tracking and other modernisations. Another welcome development, already well in hand, is the industry's convergence on a common modern data standard across all the major components of the ecosystem, embracing both public and private sector. ISO 20022, which is already the de facto choice for new or refreshed market infrastructures, from November 2022 will also be adopted for cross-border payments.

Consistent shared data end-to-end, between customers, banks, MIs and service providers, addresses today's fragmentation and its inherent risks, enabling higher automation rates, more effective compliance processing, and richer contextual data benefiting payment system users. For cross-border flows, SWIFT will deploy new technology to ensure banks can move at their own pace to adopt ISO 20022, while maintaining community interoperability and ensuring the integrity of payment data. Public sector implementers can accelerate the realisation of these benefits, by cooperating to harmonise local implementations with their international peers. Regulators can also help by taking advantage of the convergence of transaction data models to harmonize AML/CFT standards.

CHARLOTTE HOGG

Executive Vice President and Chief Executive Officer, VISA Europe

The future of payments is open

The Covid-19 pandemic has brought into sharp relief the importance of digital payments to our markets, as the adoption of contactless payments and e-commerce has increased. The security and resilience of the payments infrastructure has also been critical to maintaining confidence and credibility, and therefore to supporting business and economic recovery.

While European regulation has arguably contributed to the most competitive and innovative retail payments market in the world, it is poised for more change in light of a further uptake of new and efficient digital payment solutions, open banking achieving its full potential, alongside a potential introduction of a digital euro. Looking forward, we believe the future of payments is open. Europe should promote open and interoperable payment systems as this drives both innovation and resilience.

As we move into this next phase, it's important to stay grounded in the fundamentals. Payments have their own "Maslow's hierarchy". At the base of the pyramid is resilience, and security – the food, air, water, and security in the Maslow we know. Without that the foundation is unstable, the risk to credibility and financial stability manifest. The reliability of digital payments over the last year must not be undervalued; the shift to digital of businesses and consumers which in turn has strengthened economic resilience cannot be understated. This base of the pyramid should be a primary focus for all policy makers, setting clear standards and expectations for the digital world we are moving into.

Openness and access comes next – the love and belonging of Maslow. There is a big difference between open and closed-loop payment networks. Open networks are clear and transparent about their rules and all participants who meet those rules can join them. They have governance structures that push towards inclusion, recognizing the positive externalities for all that come from that.

In our transition from a member association owned by 441 banks to a commercial organization, we have for example become more accessible to EU FinTech players and have supported their growth beyond domestic markets. Thus open networks enable greater consumer choice and competition.

Openness is also about interoperability.oDefinitions are important here. Technical interoperability means the ability to facilitate payment transactions between different applications and infrastructure to enable straight through processing. Network interoperability, the ability for multiple parties to connect through a network that facilitates payment transactions. Regulatory interoperability the ability to connect payment systems across different jurisdictions governed by different regulatory requirements. All are important. None imply single platforms or single points of connection. Interoperability avoids creating the single points of failure that are so inherently damaging to the fundamentals.

Europe should promote open and interoperable payment systems as this drives both innovation and resilience.

To give a Visa example; in 2020 our payments push platform Visa Direct completed nearly 3.5 billion transactions involving 16 card-based networks, 65 domestic ACH schemes, 7 faster payment schemes, and 5 payment gateways. This is our "network of networks" strategy in action and a great interoperability story.

So what's at the top – where do payments realise self-esteem? My answer is through serving consumer and business needs, use case by use case. Enabling consumer choice. Ensuring competition and level playing fields. Offering different values for different types of transactions. For example, speed in one case, consumer protection in others, different form factors in yet a third. This is where innovation comes into playing, building off consumer trust and resilience, gaining access to open and interoperable systems.

In a time of rapid change, we must create the environment for innovation, enabling European citizens to benefit from the record levels of entrepreneurship we see. But we must never compromise on the security and resilience that makes this all possible and maintains the trust so vital to our economies.