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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 appropriate.

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 with 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.