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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.