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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. Definitions 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.

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.