



## FIONA VAN ECHELPOEL

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

### 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. 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.