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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.

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.