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Towards a competitive and innovative European payments market

Digital innovation is radically reshaping the provision of financial services. The retail payments sector is at the forefront of this trend; the pace and scale of technological change requires specific and targeted policy measures.

Over the last years, the act of paying has become less visible, increasingly dematerialised and disintermediated. In addition, large tech companies (“BigTechs”) have become active in the payments sector. Benefitting from significant network economies, they challenge established financial services providers. Moreover, with the emergence of crypto-assets (including stablecoins) they may soon be offering payment solutions based on encryption and blockchain technology.

Innovation and digitalisation will continue to change the way payment services are provided: old channels and traditional payment instruments are increasingly abandoned; this will lead to new ways of initiating payments, such as via “wearables” (watches, glasses, etc.). The Covid-19 pandemic has reinforced the shift to digital payments and confirmed the importance of safe and convenient (including contactless) payments for remote and face-to-face transactions. However, cash remains the means used for a majority of retail payments in the EU; the principle that euro banknotes and coins are a legal tender is enshrined in the EU Treaty.

Public and private sectors have complementary roles to play in the future payments landscape. More and more central banks around the world, including the European Central Bank, are looking into the possibility of issuing central bank digital currencies and there are tangible prospects of further significant changes in the retail payments market. Wide acceptance of a means of payment not denominated in euro could impair the transmission of monetary policy in the euro area. Hence, the issuance of a digital euro could support European economic sovereignty and financial stability.

In 2020, a group of 16 European banks launched the European Payment Initiative project with a view to offering a pan-European payment solution by 2022. The Commission welcomes this initiative aimed at completing a single European payments market. Other promising market-driven initiatives have emerged recently, aimed at designing common infrastructures, increasing cooperation and interoperability between domestic payment solutions. Synergies between private and public initiatives will be

key in supporting the recovery from the current crisis in a balanced and cohesive way across the EU.

Citizens and businesses in Europe should benefit from a broad range of high-quality payment solutions, supported by a competitive, innovative payments market and based on safe, efficient and accessible infrastructures. The Commission, beyond its specific policy agenda in the payments sector follows those initiatives, which are supporting the objectives of creating an economy that works for people and a Europe fit for the digital age. Most importantly, competition enforcement complements policy initiatives, hence supporting the digital transformation of finance and promoting a level playing field.