

Policy priorities for the payment single market

1. Sovereignty and interoperability: aligned objectives for a resilient European payment landscape

1.1 European sovereignty requires global interoperability, not isolation

A policymaker stated that there is no contradiction between achieving European sovereignty in payments and ensuring global interoperability. Payments are inherently global and network-based, and Europe must develop solutions that are compatible internationally. Fraud, for example, is a global challenge that cannot be tackled in isolation. If fraud is only addressed within the EU, the fraudsters will target Europe from countries outside of the EU. A successful payments policy must take account of both European specificities and global needs.

1.2 Multiple interoperable systems mitigate systemic risk and reinforce user choice

An official emphasised the need for both European sovereignty and a resilient, diversified payments ecosystem. A single solution could represent a single point of failure and is therefore insufficient. Instead, multiple interoperable systems are necessary to avoid systemic vulnerabilities. Private initiatives are welcomed, particularly those contributing to interoperability. Public and private solutions can be complementary, although they have different functions and goals. For example, private solutions will benefit from the network effects of the digital euro because of its mandatory acceptance regime. Open technical standards and APIs are crucial to ensure seamless integration between the digital euro and private payment solutions. Ultimately, consumers should have free choice among payment solutions.

1.3 National cooperation models enable scalable and competitive European solutions

An industry representative observed that Bizum's success in Spain demonstrates how strong collaboration among banks can reduce fragmentation and ensure widespread adoption. With over 30 million users, Bizum has expanded from P2P to e-commerce, where it now accounts for up to 30% of transaction volumes for merchants offering it. Bizum's large market share in the consumer population has driven demand among merchants for Bizum e-commerce solutions.

Cross-border interoperability remains a key challenge. Bizum is already interoperable with Italian and Portuguese systems and is working with other European counterparts including Nordic solutions and Wero, which is currently concentrated in France and Germany. These payment solutions, similarly to Bizum, want to offer an alternative to current methods. Building a network of interoperable

national solutions is essential to support competition, innovation and user experience across the EU.

2. Regulation as an enabler: harmonisation, legal certainty, and proportionality

2.1 Harmonised frameworks reduce fragmentation and support innovation

A policymaker shared that the Payment Services Directive 3 (PSD3) and the proposed Payment Services Regulation (PSR) aim to reduce fragmentation by eliminating national divergences and merging the payment services and e-money frameworks. As a regulation, the PSR will ensure uniform application across the EU.

These reforms aim to provide a stable, future-proof legal environment for innovation and user protection, but this takes time to design. The initial proposal was two years ago and negotiations are still underway. There is no chance of a PSD4 or a PSR2 in the near future so care must be taken to ensure that the current legislation is fit for purpose. PSD3 and PSR should be seen as a part of a broader scheme including the Instant Payments Regulation (IPR) and the single euro payments area (SEPA) regulations.

The alignment between public and private sectors is fundamental to Europe's payments strategy. The public sector must define the vision, establish a conducive regulatory environment, and co-develop standards. The private sector, meanwhile, should focus on building innovative solutions within this framework, working in close cooperation with the public side. Public-private alignment remains crucial to avoid duplicative or incompatible efforts. Harmonious coexistence between public and private solutions is needed to prevent internal competition and ensure an integrated ecosystem.

2.2 Proportional and clear regulation is key to innovation and inclusion

An industry representative commented that Europe's regulatory framework has successfully enabled innovation, especially in the e-money sector. However, three key issues need attention.

First, anti-money laundering and countering the financing of terrorism (AML/CFT) regulation must be proportional and risk-based, as e-money products vary in form and use case. Many e-money products already have AML/CFT controls built into the framework and overly rigid rules can reduce their effectiveness. A risk-based approach would enable companies to use technology to target specific identified risks. The legislative framework, supported

by the new Anti-Money Laundering Authority (AMLA), needs to enable this.

Secondly, access to banking infrastructure remains a barrier for non-bank payment service providers (PSPs), with many still struggling to obtain necessary accounts across the EU. De-risking decisions taken by banks prevent the creation of a level playing field. Lack of access to banking rails significantly impacts the ability of European innovators to scale. Access to one bank is not enough if a company is aiming to roll out a product across Europe in multiple currencies. Customers want to use different payment options in different markets, but these options can only be offered with the help of a variety of different banking relationships.

Thirdly, there is a need for legal certainty and a reduction in bureaucracy. Disparities in definitions, for example for e-money and distributors, complicate the roll-out of products across Europe. Duplicated reporting obligations across jurisdictions, with the same information often required by both home and host regulators but in a different format or language, increase costs without adding oversight value.

Aligning rules, reducing administrative burdens and ensuring fair access are crucial for sustaining Europe's payments leadership.

2.3 Regulation must evolve with innovation while preserving user protection

An industry representative explained that, from Amazon's perspective, three major challenges hinder the European payments market: the lengthy onboarding of payment methods across borders; customer experience gaps due to limited functionality or acceptance; lack of sustainable business models to incentivise investment in new methods.

Innovation to reduce friction while maintaining security should build on existing tools. Amazon has demonstrated its ability to safely manage the trade-off between security and innovating to reduce payment friction with its very low fraud rates despite offering one-click purchase functionality. Managing this, however, is very time consuming and resource intensive.

Lessons from PSD2, such as harmonised authentication and delegated models, can be refined in PSD3. Banks have yet to fully implement some features like trusted beneficiaries or delegated authentication. Unconditional refund rights do not protect customers in the way they were intended to and instead provide opportunities for abuse and fraud, so should be reviewed.

3. Ensuring trust and security: a shared responsibility for fighting fraud

3.1 Liability for fraud must extend across the digital ecosystem

A consumer representative emphasised that consumer choice and inclusion are essential. While innovation and

legislation have improved the ecosystem, for example through instant payments and two-factor authentication, challenges remain. Despite the wide range of new options on the market, the underlying infrastructure is highly concentrated, which creates dependencies. Resilience needs to be built into the monetary system.

Regardless of the need to ensure access to cash and the associated legislative developments, the declining use of cash is a reality. This will require preparations to ensure that digital alternatives remain inclusive, secure, and affordable. Vulnerable users must not be left behind as cash use declines.

The cost of fraud disproportionately affects consumers, especially in the case of authorised push payment scams. At present, 86% of the losses due to fraudulent credit transfers are paid by consumers. The fact that such a large number of people are affected by this type of fraud suggests that it is not due to the negligent behaviour of individuals but is instead a systemic problem. The European Consumers' Organisation, the Commission and the co-legislators are currently working to address this.

Liability must be more evenly distributed across the digital ecosystem, including the platforms and social media sites where fraud often originates. Some mechanisms are already available to assist with this. For example the Digital Services Act (DSA) can play an important role in relation to these intermediaries.

An industry representative (remarked that trust is the foundation of payments and fraud is the biggest threat. As scams increasingly begin outside financial systems, current liability frameworks are too narrow. At the present time, liability is limited to either the consumers or the financial service system. In contrast, the platforms where the fraud originates face very few consequences. Platforms are not penalised for practices that enable fraudsters to connect with victims and therefore there is no incentive for them to change.

A shared responsibility model is essential to maintain consumer trust in the payment system. The payments industry must push for liability allocation that covers the full fraud chain, from origin to settlement. Refunds alone cannot maintain consumer trust; prevention is the priority.

3.2 Refunds are not enough: prevention and collaboration are essential

A consumer representative commented that, although it is laudable that companies want to make the consumer experience as seamless as possible, a certain level of friction in payments can protect consumers. For example, two-factor authentication has had a dramatic success in preventing unauthorised payment fraud. As scams evolve, especially authorised payment fraud, regulation must follow and adapt. Refunds help but are not enough; platforms where scams originate must be held accountable.

The banking system needs to introduce mechanisms to alert and identify suspicious transactions. Tools like IBAN verification should be leveraged to reduce fraud, although there will be no one solution that completely eliminates fraud. Instead, different actors, including the consumer,

social media firms, banks and payment service providers, will all need to collaborate to introduce a variety of measures and mechanisms.

3.3 Data sharing and harmonised models can reduce friction without compromising security

An industry representative shared that Amazon supports improving information sharing between banks and merchants to combat fraud. Initiatives under PSD3 could facilitate proofs of concept in this space. Fighting fraud is a shared responsibility across the value chain.

4. A digital euro for all: balancing innovation, trust and stability

4.1 The digital euro must offer inclusion, privacy, and offline functionality

An official suggested that the digital euro can serve as a sovereign anchor, fostering inclusion and privacy. Offline functionality is also critical, as it offers privacy akin to cash, which is a priority for consumers, and helps counter public distrust or misinformation.

A consumer representative observed that the digital euro is an important initiative that could play a major role if designed with consumer needs in mind, particularly in relation to privacy and ease of use. Consumers will only adopt the digital euro if it offers the features they require. The aim is not for all consumers to only use the digital euro but instead to create real choices and alternatives in payment solutions and the underlying infrastructures.

4.2 Fair compensation models are crucial for ecosystem buy-in

An official remarked that there are two elements necessary for the digital euro to be a success. First, it will need to be accepted in society by consumers, businesses and corporates. Secondly, active participation of financial institutions, such as banks and PSPs, will be vital for distribution of the digital euro. A fair compensation model for all players in the value chain, including merchants, consumers and financial institutions, is essential. A Council working group is currently considering the design of a potential compensation model. Holding limits remain a key issue for financial stability, with ongoing discussions in the Council and Eurogroup. An agreed solution on this is expected to be announced soon.

4.3 Complementarity with cash and business-to-business use cases broadens utility

An official commented that the digital euro's application to corporate use cases, such as in supply chains and machine-to-machine payments, deserves more attention.

Cash, meanwhile, remains vital for inclusion and resilience. Reflecting this, the combination of the regulation on the digital euro and the regulation on cash as legal tender are known as the single currency package. Both are important. Germany supports finalising both digital euro and cash regulations in parallel by year-end.

5. Building sustainable and user-centric business models

5.1 Consumer expectations go beyond low cost: functionality and services matter

An industry representative concluded by noting that consumers and merchants expect not just low-cost payments, but comprehensive solutions and features. Some features will be directly related to payments, for example fraud chargebacks, while other, equally important, features are related to data analytics, financing and loyalty. Each feature has a cost and provides different value to different stakeholders.

Building a sustainable business model requires distributing costs fairly among all stakeholders. Bizum's model in Spain shows that this is possible by offering free or low-cost services to users while ensuring industry sustainability through cooperation and scale.

5.2 Misaligned incentives between consumers and merchants hamper innovation

An industry representative remarked that payments are unusual because a customer chooses the payment method, but a merchant pays for it. This asymmetry is creating entry barriers and a lack of competition. It can only be resolved through public-private collaboration. There are three priorities to address this:

Firstly, the customer experience must be standardised across payment methods. A pan-EU sovereign alternative should not be designed as a minimum viable product because customers will not adopt it.

Secondly, customer experience should become a regulatory benchmark. This will force firms to invest rather than do the minimum possible to be compliant.

Thirdly, the new business models for the new world, adapted to modern payment actors, must be defined. Simply replicating the models of incumbents, such as interchange or four-party models, will not be sufficient. Merchants will need to be a part of this but are often reluctant to invest their time. Merchant engagement in shaping the future of payments must increase to ensure successful outcomes.