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Build the future of European payments now

Burkhard Balz, Mitglied des Vorstands der Deutschen Bundesbank
Sylvie Goulard, Sous Gouverneur, Banque de France

The way we work, learn, do business and shop has dramatically changed during recent months. Various aspects of our daily lives have become much more digital throughout the COVID19 pandemic, thus amplifying already existing trends: Among others, it appears that consumers use cash less and less, paying instead with debit or credit cards but also with smartphones, even at bakeries. Frequently, shopkeepers started asking for contactless card or mobile payments as a precautionary measure to prevent infections. Moreover, new behavioural rules such as “stay home and keep distance” have accelerated online shopping which leads to additional e- and m-payments. As of today, payment behaviour post-Corona will not completely return to pre-pandemic levels.

Alongside their better-known responsibilities for monetary policy and financial stability, central Banks are also tasked with keeping means of payment efficient and safe. Not only in times of crisis, we ensure innovative, user friendly digital solutions while – at the same time – provide sufficient cash for the society.

Today, the majority of card, mobile and online payments made by Europeans already rely on technology platforms by global providers and international card schemes. The ongoing changes in payment behaviour and the rapidly progressing digitalisation of our lives will further amplify this development resulting in a number of challenges for European societies as a whole as well as for regulators and authorities.

During the pandemic, it became more obvious that the EU needs to safeguard the uninterrupted functioning of essential infrastructures and the continuous supply of crucial services. Stand-alone payment systems are part of these. Solely reliance on non-European providers could put European sovereignty at stake here.

Moreover, as Big Techs continue to gain market share and become increasingly dominant by offering a comprehensive range of services to a global customer base, consumer choice is becoming limited. They might end up tied to such a proprietary platform. Other areas of concern relate to data protection, as the European Union has adopted one of the most stringent legal frameworks. Moreover, digital payment solution providers are often riding on the infrastructure and regulatory compliance provided by banks. Banks, in turn, face the risk of being disintermediated by BigTechs as they lose the direct links to their customers.

There are some stand-alone, successful domestic payment systems in Europe, such as the card schemes of Germany and France or digital solutions for e- and m-payments as well as for payments from person-to-person. They serve a broad range of users and enjoy significant market share, but only in their national markets. In contrast, global players offer availability all over Europe. They sustain and grow based on vast network, scale and scope effects as well as a strong branding. Overall, the developments stated diminish the competitiveness of European markets in an increasingly digitalized world – to the detriment of its citizens.

European providers cannot leave this challenge unanswered. Therefore, a number of large banks from the North sea to the Mediterranean have proposed the European Payment Initiative (EPI). Through this initiative, consumers would be able to pay in a uniform, convenient, safe and efficient manner throughout Europe using different on- and offline- channels. Trusted European banks and payment providers would bring this solution to payers and payees. Instant payments, the new service allowing bank transfers all over Europe within seconds, would form an integral part of this service. Later on, consumers could use it globally as well, thus weakening dependency from non-European actors. EPI could be an inclusive nucleus to pool European interests and to regain autonomy, while being open to other players from national markets. For a successful implementation, all important stakeholders from the supply side as well as payers and payees need to join in.

Without a doubt, such a reorganisation of the European payments landscape requires significant investment in times when resources of banks are scarce and priority is rightly given to recovery. Nevertheless, it is obvious that continuous investment into the payments business is inevitable , not least to safeguard resilience. It is important that the work of building a compelling pan European payment solution continues, with high strategic priority. This would also be in line with the current work of the EU Commission to define a retail payments strategy for Europe and the leadership shown by the ECB while digitalisation is high on the agenda of the German Presidency of the EU.

European authorities and central banks are willing to support respective initiatives within the reach of their mandates. This includes more clarity on business models and a certain level of regulatory predictability. Obviously, payments are not a free lunch and respective investments need a return to it. The EPI digital wallet will be the first step in offering digital payment services to all European consumers and businesses paving the way to programmable money.

It is of utmost importance that European banks and payment providers use this momentum, stay committed and deliver a convincing solution that supports European sovereignty and competitiveness while fulfilling the needs of consumers and businesses.