

## **ERPB REACTION TO THE EUROPEAN COMMISSION'S GREEN PAPER ON RETAIL FINANCIAL SERVICES**

### **1. Introduction**

The Euro Retail Payments Board (ERPB) supports the European Commission's decision to launch a public dialogue on retail financial services in order to facilitate greater choice and opportunities for consumers and businesses in Europe.

The objective of the ERPB is to contribute to and facilitate the further development of an integrated, innovative and competitive market for euro retail payments in the EU. To this end, the ERPB identifies and pursues ways to address technical, behavioural and legal obstacles in retail payments, as well as seeking to foster innovation, competition and integration in this field. The ERPB is a European body which brings together both the demand side of the market (i.e. consumers and businesses) and the supply side (i.e. payment service providers) in an open dialogue, thus ensuring that any activities and recommendations have full stakeholder buy-in. The ERPB therefore welcomes the opportunity to comment on the Commission's green paper, which provides an additional channel through which to foster true pan-European integration in the area of retail payments.

The ERPB notes the regulatory actions taken by the Commission in the area of retail payment integration, such as the completion of SEPA migration for credit transfers and direct debits in the euro area, and the recent introduction of the Regulation on Interchange Fees, the Payment Accounts Directive and the revised Payment Services Directive (PSD2).

However, some barriers still remain, and access to cross-border payment services is still not as seamless as it could be, despite the continuous efforts of both the industry and regulators. Fostering innovation and facilitating pan-European payment solutions are ongoing tasks.

With this in mind, the ERPB will not give singular answers to questions raised in the green paper, but rather focus its response on initiatives that will promote an integrated and innovative market for euro retail payments in respect of issues that have been discussed in the context of its meetings.<sup>1</sup>

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<sup>1</sup> Information about the ERPB, including meeting documentation and statements, can be found at [www.erpb.eu](http://www.erpb.eu).

## **2. Comments**

### **2.1 IBAN discrimination**

**The blocking of IBANs in order to refuse non-domestic European euro direct debit and credit transfer payments should be prohibited.**

**The European Commission should systematically follow this up with the relevant EU Member States/competent authorities and take appropriate action.**

The ERPB considers that IBAN discrimination is one of the most important post-migration issues affecting SEPA, as it is something that should not exist after the SEPA migration end date of 1 August 2014. However, the ECB and the Commission are continuing to receive many complaints regarding creditors refusing to accept non-domestic European IBANs for payments, especially with regard to direct debits. It is clear from Article 9 of the SEPA Regulation<sup>2</sup> that a payee accepting a credit transfer or using a direct debit to collect funds from a payer holding a payment account located within the EU must not specify the Member State in which that payment account is to be located.

The ERPB notes that the Commission is following up on this issue and has been in contact with the Member States concerned. However, the number of complaints by European consumers remains considerable. The ERPB urges the Commission to continue to follow this up with all affected Member States and use all available enforcement avenues in order to resolve this issue. It is critical that European consumers have confidence in their ability to use one single payment account for all their euro payments.

### **2.2 Instant payments**

**Instant payments will provide the logical next step to allow for true innovation in European retail payments.**

Pan-European instant payments will dramatically increase the speed at which payments are made and received in euro in the European Union. Today, it normally takes one business day for a payment to reach the beneficiary. With instant payments, this will happen in real time, 24 hours a day, 365 days a year. The funds will be immediately available for use by the recipient. The ERPB has invited the European Payments Council, a body representing Europe's payment service providers, to develop a scheme for instant payments in euro by November 2016 for implementation by November 2017. The scheme will lay the foundations for innovative payment methods such as mobile person-to-person (P2P)/business-to-business (B2B) payments and allow for possible alternatives in the point-of-sale environment to currently used payment instruments. The ERPB believes that a pan-European real-time retail payment solution is now a necessity in order to promote and integrate retail payments across Europe and will lay the foundations for innovative payment and financial products in the future.

The ERPB recognises that substantial resources and effort will be required on the part of both payment service providers and clearing and settlement infrastructures in order to have instant payments available by November 2017, and it notes the parallel work ongoing in these areas. Consequently, the ERPB

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<sup>2</sup> Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009

expects the Commission to support the implementation of pan-European instant payments and – where necessary – act swiftly to address any potential issues that may emerge, including if opportune by using regulatory tools.

**Pan-European P2P mobile payments should be available to European consumers on an interoperable cross-border basis.**

The ERPB's vision is for any person to be able to initiate a pan-European P2P mobile payment safely and securely by means of a simple method, using information that the counterparty is prepared to share in order to make a payment. In particular, payment service providers offering P2P mobile payment services should make use of existing solutions as far as possible (i.e. SEPA payments and IBANs). Moreover, a harmonised process should be established to allow P2P mobile payment data (e.g. mobile phone numbers, email addresses and IBANs) to be exchanged between local solutions across borders. The ERPB expects existing and future local mobile P2P solutions to cooperate in order to ensure pan-European interoperability.

The ERPB notes that national data privacy laws may inadvertently hamper the establishment of cross-border links aimed at sharing mobile payment-related data. These data privacy issues should be addressed in order to ensure pan-European interoperability.

### **2.3 E-invoicing**

**Pan-European harmonised and interoperable solutions for e-invoice/bill payments should be promoted in Europe.**

The ERPB welcomes the fact that the Commission wants to promote e-invoicing as the predominant invoicing method in Europe. Ultimately, in the private sector, this will enable firms to automate their processes when it comes to issuing, approving, paying and reconciling e-invoices. Moreover, it will also simplify the initiation of payments for consumers. Increased use of e-invoicing should not, however, lead to the exclusion of certain groups of consumers – e.g. those who lack the technology, knowledge or confidence required to use the internet in this way, such as older people or persons with disabilities.

When combined with efficient/innovative payment solutions, harmonised pan-European e-invoicing has the ability to bring substantial reductions in costs to all European businesses. Consequently, the ERPB endorses the objective of a harmonised e-invoice/bill presentment and payment service with pan-European reach for all consumers and businesses in the Single Euro Payments Area.

The ERPB believes that the European standard for e-invoicing (as required by Directive 2014/55/EU) will, in combination with the SEPA payment instruments, represent a fundamental building block enabling the development of fully automated e-invoicing and payment solutions which are interoperable at pan-European level. Consequently, the ERPB suggests that the Commission actively supports the uptake of harmonised and interoperable e-invoicing solutions in the private sector.

## **2.4 SEPA direct debit return reason codes**

### **Domestic barriers that restrict the use of pan-European payment products should be removed.**

In general, national laws that restrict and/or inadvertently hamper the use of cross-border euro payments should be removed. The ERPB notes that there is a particular problem with the SEPA direct debit product. It appears that data protection laws in some Member States are restricting the correct use of reason codes when a direct debit is returned by a payment service provider. This results in manual processing of the return, at a considerable cost to the provider. This cost may then be passed on to the consumer.

The ERPB is aware that the Commission is already investigating this matter, and it hopes that these investigations will result in actionable recommendations that resolve the issue.

## **2.5 Electronic SEPA direct debit mandates**

### **The uptake of pan-European electronic mandate solutions with strong customer authentication should be promoted.**

Currently, SEPA direct debits work exceptionally well at domestic level, and although there are no real barriers preventing cross-border use, businesses seem apprehensive about using the product at cross-border level. To some extent, the problem stems from the fact that there are a number of non-interoperable solutions which do not provide security to the creditor with regard to the potential for cross-border refund claims. Consequently, this has resulted in discrimination against non-domestic IBANs.

The ERPB believes that, if cross-border use of SEPA direct debits is to increase, consumers should be able to authorise e-mandates abroad in a similar way to what they do at domestic level. The ERPB asks the Commission to assist where necessary in order to foster the development of secure electronic identity and signature solutions that are interoperable at pan-European level and, in time, mandate their use if needed.

While ensuring that debtors and creditors continue to have a choice in the way that they give and accept electronic mandates, there should be a clear incentive for creditors to gradually move towards solutions with proper authentication – i.e. solutions with a reduced risk of refund claims related to unauthorised transactions.

Acceptance of interoperable qualified electronic signatures (as defined by the E-identification Regulation<sup>3</sup>) as a means of authorising e-mandates at cross-border level could provide a blueprint for a range of pan-European solutions if the use of electronic identities and signatures were to be enabled at pan-European level. Consequently, the ERPB suggests that the Commission harmonises the use of qualified electronic signatures by creditors and other e-mandate solution providers.

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<sup>3</sup> Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC

## **2.6 Card payment standardisation and contactless proximity payments**

### **Commonly accepted standards for all payment card services in the EU**

A common set of standards will promote the pan-European acceptance of card payments in the EU. Currently, divergent standards and practices in the area of cards are hampering cross-border competition, especially in the field of cards acquiring. The ERPB has therefore invited the Card Stakeholders Group to monitor and support the implementation of harmonised standards for payment card services in the terminal-to-acquirer and card-to-terminal domains, as well as in the area of card terminal security. The ERPB understands that the Commission would support this work and - where necessary - act swiftly to address any potential issues that may emerge, including if opportune by using regulatory tools.

### **Mobile and card-based contactless proximity payments should be interoperable, secure and convenient across the EU.**

New and innovative solutions in the area of mobile and card-based contactless proximity payments are appearing in different national contexts. To avoid national silos or lock-in effects, it is important that new services and solutions allow for European expansion by initial design. The ERPB notes the need to ensure a secure, convenient and efficient contactless payment experience for all retail transactions across Europe at the point of sale. It believes that this should primarily be market-driven, focusing on standardisation across the industry and promoting the take-up of contactless products. The ERPB understands that the Commission would support this work and - where necessary - act swiftly to address any potential issues that may emerge.

Furthermore, the ERPB notes that there seems to be uncertainty in relation to the functioning of contactless card payments and the requirements set out in the Interchange Fee Regulation,<sup>4</sup> especially as regards application selection. Consequently, the ERPB urges the Commission to give the market clarity on application selection when a contactless payment is used, thereby further facilitating the development of contactless payments.

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<sup>4</sup> Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions