

Annual Report of the Euro Retail Payments Board 2016-17

Foreword by the Chair

I am pleased to present the Annual Report of the Euro Retail Payments Board (ERPB) covering the period from July 2016 to June 2017.

2017 is a dual anniversary year for European integration: 25 years ago, the Maastricht Treaty laid the foundations for Economic and Monetary Union, while 60 years ago, the Treaty of Rome laid the foundations for the freedom of movement of people, services, goods and capital in Europe. 2017 also marks the third year of the activities of the ERPB, a high-level strategic body bringing together the demand and supply sides for the development of an integrated, innovative and competitive EU market for retail payments in euro. The integration of the European retail payments market is closely related to the political and social ambition of moving towards a more integrated, competitive and innovative Europe with tangible results for European citizens. The involvement of all relevant stakeholders is therefore key. Looking back over the past year, the ERPB has, from the euro retail payments perspective, taken a number of important steps towards achieving this objective. These steps are described in Section 1 of the report. In particular, following the impetus and vision of the ERPB for the genesis of pan-European instant payments, the European Payments Council developed the SEPA Instant Credit Transfer scheme, which will be launched in November 2017. This achievement has been made possible owing to the committed engagement of the ERPB members' stakeholder associations, who represent the supply and demand sides of the retail payments market. Furthermore, the Governing Council of the ECB decided in June 2017 to develop TARGET Instant Payments Settlement (TIPS), a new service to achieve pan-European settlement and foster the integration of instant payments.

Yet, this is no time for complacency. Efforts are still required in the months to come for the implementation of instant payments. In line with the expectations of the ERPB, the supply side of the industry is encouraged to keep up the momentum towards implementing the SEPA Credit Transfer for instant payments (SCT Inst scheme), so that instant payments in euro become available to end users at the pan-European level. Furthermore, over the coming year, the ERPB will follow up on the

implementation of the recommendations it has already issued in a number of areas and which require further work. This is notably the case of the efforts underway to establish pan-European person-to-person mobile payments. The ERPB will continue its work to define the minimum requirements for e-invoice presentment and payment solutions at the levels of business rules and technical standards to ensure pan-European integration in this field. The ERPB will also be monitoring developments in the European Commission's work in the field of retail payments, which may require its input. A case in point is the European Commission Consumer Financial Services Action Plan, which was issued as a follow-up to the Green Paper on retail financial services with the aim of creating a more integrated European market for retail financial services for both consumers and businesses. Section 2 of the report describes the work plan for the year to come.

The ERPB will also work towards a close and structured dialogue at regular intervals with national payments councils in order to ensure a close link between the priorities and policies defined at European level and those discussed by national communities. Furthermore, the ERPB will foster exchange of views on technological advancements and cybersecurity with the industry, taking account of regulatory developments.

1. Work carried out by the ERPB from July 2016 to June 2017

The ERPB met twice in the period covered by this report, on 28 November 2016 and 12 June 2017.

1.1 Issues addressed by ERPB Working Groups

Two working groups have been active in the period covered by this report, with one having received a new mandate to be completed by the November 2017 ERPB meeting.

1.1.1 E-invoicing related to retail payments

Considering the close links between invoicing and payments and the potential for efficiency gains in the payment chain, the ERPB supported conducting work in the field of electronic invoice presentment and payment (EIPP) solutions in Europe. In this regard, in November 2015, the ERPB agreed to follow a step-by-step approach for this dossier and mandated a working group to analyse EIPP and to identify barriers to adopting and integrating such solutions. The working group was also tasked with investigating why previous attempts had failed and with identifying different ways of overcoming these barriers. On this basis, the ERPB would determine whether further work in this field is warranted.

In November 2016, the working group delivered the outcome of its analysis, confirming the attractiveness of EIPP to billers and consumers alike, and noted that, to support harmonised take-up and integration

ultimately at pan-European level, there was a need to address the network issues (see below) between different EIPP solutions.

The report presented:

- *an overview of the current landscape (36 distinct solutions identified), complementing it with a detailed description of EIPP solutions and expert views on possible future developments.* The survey outcome and e-invoicing statistics showed growth trends, and various providers showed willingness to expand their engagement, but the overall volume and market penetration was still low. The majority of EIPP solutions were directly provided or indirectly supported by payment service providers (PSPs). The reach of the solutions was, however, limited, which is due to the domestic focus and lack of interoperability.
- *a list of categorised barriers that hindered uptake and development of integrated EIPP services:* cost, complexity, lack of technical interoperability and diverging business rules of current solutions were identified as major barriers hindering EIPP uptake and reachability. In addition, the report outlined a number of critical success factors of well received EIPP solutions, which related to the value proposition, customer centricity, achieving critical mass, security and trust.
- *options on how to tackle the barriers to supporting take-up and integration of EIPP:* To support take-up at the domestic level and integration of EIPP at pan-European level, the report presented options that may need further investigation to properly address the barriers identified and to consider the outlined success factors of well received EIPP solutions. In short, further work may be needed in three option categories: (i) a clear business case; (ii) customer needs; and (iii) minimum requirements at the business rules and technical standards levels.

On this basis, the ERPB agreed to continue collaborative work and mandated a new working group to develop minimum requirements on EIPP at the level of business rules and technical standards. Such minimum requirements should establish the basis for supporting the integration of existing and new EIPP solutions at the domestic and pan-European levels.

Under the new mandate, the ERPB required the working group to conduct an in-depth analysis of the business rules, practices, technical standards and implementation guidelines of the already operational EIPP solutions to identify aspects that would need to be harmonised and to propose a set of minimum requirements. In addition, it was noted that the working group should focus on the payment-related aspects and, in particular, cover the creation/transmission of request-to-pay messages that enable automatic generation of payment orders. The working group was further requested to consider the activities conducted and results achieved by other fora, including the European Committee of

Standardisation and the European Multi-Stakeholder Forum on E-invoicing, in order to capitalise on their expertise and avoid duplication of work.

The working group started work on this new mandate in March 2017 and is expected to report back to the ERPB by its November 2017 meeting. In parallel, it is expected that work on further developing the business case and user needs of EIPP will be conducted in existing fora, focusing on the uptake of e-invoicing.

1.1.2 Pan-European integration of payment initiation services

The revised Payment Services Directive (PSD2), which will enter into force in January 2018, expands the scope of payment services to include payment initiation services (PIS). Concerns have been raised that PIS will be introduced by various PSPs in a non-interoperable/non-standardised way, thus leading to fragmentation, especially for cross-border transactions.

In this context, in June 2016, ERPB members held an initial discussion on the pan-European integration of PIS, focusing on the building blocks for market-led standardisation, and agreed to follow a two-step approach for this dossier. The first step would involve the Eurosystem approaching relevant market representatives in order to gain a thorough understanding of how the PIS market is organised and how it may change. The second step, based on feedback received, would involve the ERPB possibly considering what role it might play in defining the specific deliverables needed for achieving building blocks for market-led standardisation for the provision of PIS. This latter work would build on the European Banking Authority's (EBA) draft Regulatory Technical Standards (RTS) on authentication and communication issued for public consultation in August 2016.

The ECB/Eurosystem consequently organised a workshop with relevant stakeholders on 6 October 2016 to explore which practical elements, in addition to the legal requirements of the PSD2 and the EBA's RTS on authentication and communication, might be needed to ensure a smooth and efficient provision of pan-European PIS.

On this basis, the ERPB supported carrying out further work in this field and setting up a working group with the participation of relevant other stakeholders (e.g. third-party providers and participants in standardisation initiatives) to define, by June 2017, a common set of technical, operational and business requirements for the development of an integrated market for PIS. While conducting its work, the working group was requested to consider possible implications or synergies that its work might have for the provision of account information services and for the confirmation of the availability of funds.

The working group submitted a report in which it presented the progress made up to the June 2017 ERPB meeting and agreed on the following key objectives to help achieve the overall goal of an integrated, innovative and competitive market for PIS: maintaining trust, sustaining a positive user experience, avoiding fragmentation at the European level and ensuring clarity of the liability framework and regulatory

requirements. The working group identified relevant issues, sometimes with suggestions for a solution, and defined several common requirements, in accordance with the task assigned. The working group did not, however, deliver on all parts of its mandate. The ERPB therefore invited the working group to continue its work and present its final report, taking account of the finalisation of the RTS and responding fully to the different dimensions of its mandate, by the next meeting.

1.2 Other key ERPB work streams

1.2.1 Instant payments

The ERPB has identified the need for instant payment solutions offered to end users in euro to be developed at the pan-European level or, if developed at the national level, they should at least be interoperable with those solutions based on the same payment instrument. In this context, in 2015 the ERPB invited the European Payments Council (EPC) to develop a scheme based on the SCT Inst scheme.

At its June 2016 meeting, the ERPB noted that the EPC had released the SCT Inst scheme rulebook for public consultation, welcomed the progress made on the scheme layer and encouraged the supply side of the industry not to lose momentum in developing and implementing the SCT Inst scheme by the agreed deadlines of November 2016 and November 2017. The public consultation on the SCT Inst scheme rulebook ended on 10 July 2016. Subsequently, the EPC stakeholder forums were consulted on the comments received. Based on the outcome of the public consultation, a major change has been made to the conceptual workflow of the SCT Inst scheme, which has shifted from the initially proposed “No news is good news” concept to a combination of “Wait and see” and “No news is bad news”¹.

The publication of the rulebook, as well as the customer-to-bank (C2B) implementation guidelines (IGs) and the inter-bank IGs, took place on 30 November 2016. The commercial launch date and time of the SCT Inst scheme is Tuesday, 21 November 2017 at 08:00 CET. In the run-up to the commercial launch of the scheme, the EPC updated the ERPB on the implementation status at its June 2017 meeting.

The ERPB welcomed the continued progress made towards the implementation of the SCT Inst scheme and encouraged the supply side of the industry to increase the momentum towards the scheme’s implementation so that instant payments in euro become available to end users at the pan-European level as of November 2017. The ERPB further invited the EPC to provide a status update on the

¹ “Wait and see” for the Originator Bank and its clearing and settlement mechanism. The Originator Bank will still have the option of using an investigation procedure 25 seconds after the time stamp that the Beneficiary Bank must respond to.

“No news is bad news” for the clearing and settlement mechanism of the Beneficiary Bank 20 seconds after the time stamp.

implementation of the SCT Inst scheme by the November 2017 ERPB meeting, including an overview of the percentage of PSPs adhering to the SCT Inst scheme in relation to those adhering to SCT for each SEPA country.

The ERPB work focuses on the scheme layer of instant payments and, in this regard, the draft SCT Inst scheme rulebook is agnostic towards the clearing and settlement layers. Clearing and settlement arrangements need to support the scheme by the same deadline of November 2017. To this end, the Eurosystem has been steering work with infrastructures and other relevant stakeholders on the clearing and settlement of instant payments in euro at the pan-European level to foster the emergence of clearing and settlement arrangements with pan-European reach.

1.2.2 Person-to-person (P2P) mobile payments

At its meeting in June 2015, the ERPB endorsed the vision “of allowing any person to initiate a pan-European P2P mobile payment safely and securely, using a simple method with information the counterparty is prepared to share in order to make a payment”. The ERPB also made recommendations to the community of mobile P2P solution providers and invited the EPC to facilitate cooperation between existing and future local mobile P2P solutions to ensure pan-European interoperability.

Following a stakeholders' workshop organised by the EPC on 21 January 2016, the Steering Committee of the Mobile Proxy Forum (MPF) was created, with the aim of delivering a standardised proxy lookup (SPL) service. At its June 2016 meeting, the ERPB welcomed the progress made and invited the MPF to submit a progress report at the ERPB meeting in November 2016, including a detailed work plan with clear deliverables and milestones aligned with those of the SCT Inst scheme, which can be translated into tangible results by November 2017.

Since the June meeting, the MPF has agreed on its Terms of Reference and has finalised and published the rules for the SPL service. In particular, a consensus has been reached on the polling hierarchy logic for a scenario in which multiple solutions have a claim on the same mobile telephone number. The MPF has been considering two options for implementing the SPL: defining and implementing a solution within the MPF to be built by a technology provider still to be selected, or capitalising on the European Commission's existing eDelivery solution, whose technical specifications and (partial) funding opportunities could be exploited at the likely “cost” of a reduced set of functionalities the implications of which would need to be carefully assessed. The MPF did not make a final decision between eDelivery and building a new service, mainly because this decision is linked to the issue of funding, which the group identified as a key challenge for a timely implementation by November 2017.

On this basis, at its June 2017 meeting, the ERPB invited the MPF to update its work plan taking into consideration the timing required for settling the funding issue, while not creating a delay that could

adversely affect the uptake of SCT Inst. The MPF is to report back by the November 2017 ERPB meeting with a proposal regarding (i) the new revised and final timeline, (ii) the technology approach to be followed, considering the possible use of the eDelivery solution given its benefits in terms of lead-time for implementation and possible funding, and (iii) the future governance set-up for the management of the SPL service.

1.2.3 Work conducted by the (European) Cards Stakeholders Group

In June 2016, the ERPB considered a study by the Cards Stakeholders Group (CSG) on the merits of a single messaging standard in the acquirer-to-issuer domain and endorsed the proposal to adopt a market-driven approach to migration to ISO 20022, where such a migration is decided based on business considerations. The ERPB also invited the CSG to further refine the proposed framework, considering alternative migration strategies and liaising with the relevant ISO committees so that SEPA requirements would be taken into account. Following the invitation, the renamed European Cards Stakeholders Group (ECSG) reported back to the ERPB in June 2017 with this further analysis. The final ECSG analysis stated that migration initiatives might happen in the following scenarios or any combination of them: by functionality or group of functionality, by one or several schemes, or by a group of processors. Considering that official liaison options are no longer available with the ISO 20022 Cards Standards Evaluation Group and Payments Standards Evaluation Group, the ECSG suggested conducting the following activities to ensure that SEPA requirements were taken into account:

- Identify and monitor initiatives;
- Identify and assess specific SEPA requirements;
- Define the way specific SEPA requirements shall be managed;
- Report annually to the ERPB.

The ERPB supported the follow-up activities suggested by the ECSG to ensure that SEPA requirements for ISO 20022 were taken into account. The ECSG was further invited to (i) report annually to the ERPB about the findings based on the activities, to ensure that SEPA requirements for ISO 20022 were taken into account (as of June 2018), and (ii) assess the feasibility of extending interaction with ISO's technical group for cards standards (for ATICA) and the Berlin Group (for SCC), and to report back to the ERPB on the assessment by June 2018.

1.2.4 Broader accessibility for payment users

The ERPB considered a note prepared by AGE Platform Europe and De Nederlandsche Bank on whether to engage in further work on broader accessibility for payment users. The ERPB noted the issues raised and agreed to have interested members identify possible further work that would fall within its remit and address such a proposal at one of its upcoming meetings.

2. Objectives and deliverables for the coming year

The ERPB reviewed its work plan in June 2016 and agreed on its priorities for the next two years, bearing in mind that the plan might have to be updated depending on ongoing developments. On this basis, and taking into account the progress achieved to date, the ERPB is expected to focus on the following items for the coming year:

- Instant payments: the ERPB will monitor the implementation of the SCT Inst scheme in November 2017. On this basis, the ERPB will determine whether follow-up is required from an ERPB perspective;
- EIPP: the working group is expected to deliver its minimum requirements at the levels of business rules and technical standards by November 2017;
- Technical card standardisation: the ECSG is to report to the ERPB every 12 months on the progress made in card standardisation in Europe;
- P2P mobile payments: the MPF steering group will continue its work towards the implementation of the ERPB recommendations in this field;
- PIS: the working group is expected to complete its mandate and deliver its final report by the November 2017 ERPB meeting;
- Contactless proximity mobile and card payments: work on the implementation of these recommendations is ongoing.

Besides these items, the ERPB work plan may be impacted by developments in the European Commission's work in the field of retail payments. This is particularly the case of the follow-up to the Green Paper on retail financial services.

3. Review of the ERPB's functioning

Article 14 of the ERPB mandate foresees that "the ECB will, no later than after three years of operation, evaluate the ERPB's efficiency and functioning and, if considered necessary, introduce proposals for changes". Overall, based on the experience gathered over the past three years, the ERPB found that amendments to the mandate should, in principle, only be of a limited nature.

Annex 1 – Composition of the Euro Retail Payments Board (ERPB) – June 2017

Chair: Mr Yves Mersch, Member of the Executive Board of the ECB

Sector	Member	Alternate
<i>Consumers</i> BEUC (European Consumers' Organisation)	Ms Monique Goyens Director General, BEUC	Ms Ursula Pacht Deputy Director General, BEUC
<i>Consumers</i> AGE Platform (the association of consumers 50+)	Mr Marjan Sedmak President, AGE Platform	Ms Anne-Sophie Parent Secretary General, AGE Platform
<i>Retailers</i> Eurocommerce & ERRT	Mr Frédéric Mazurier CEO, Market Pay (Carrefour Group)	Mr Christian Verschuere Director General, Eurocommerce
<i>Internet retailers</i> Ecommerce Europe	Mr Dennis Van Allemeersch COO and Member Executive Board, Beate Uhse AG	Ms Marlen ten Ham Secretary General, Ecommerce Europe
<i>Corporates</i> EACT & BusinessEurope	Mr Jean-Marc Servat Chair, EACT, and CEO, Finance Lighthouse Sarl	<i>Nomination pending</i>
<i>SMEs</i> European Association of Craft, Small and Medium-sized Enterprises (UEAPME)	Mr Bernard Cohen-Hadad Vice-President, CGPME	
<i>National public administrations</i>	Mr Vincenzo La Via Chair, EU Financial Services Committee, and Director General of the Treasury, Ministry of Economy and Finance, Italy	Mr Aidan Carrigan Vice-Chair, EU Financial Services Committee, and Assistant Secretary, Financial Services Division, Department of Finance, Ireland
European Payments Council (EPC)	Mr Javier Santamaría Chair, EPC	Ms Narinda You Vice-Chair, EPC, and Secretary General & Head of Interbank relations, Crédit Agricole
<i>Co-operative banks</i> European Association of Co-operative Banks (EACB)	Mr Andreas Martin Member of the Board of Managing Directors, Bundesverband der Deutschen Volksbanken und Raiffeisenbanken	<i>Nomination pending</i>
<i>Savings banks</i> European Savings & Retail Banking Group (ESBG)	Mr Antonio Massanell Lavilla Chairman, Cecabank, and Member & Secretary of the Steering Committee, CaixaBank	Mr Joachim Schmalzl Executive Board Member, DSGV
<i>Commercial banks</i> European Banking Federation (EBF)	Mr Frédéric Oudéa President, European Banking Federation	Mr Maurizio Sella Chair, Banca Sella Holding
<i>Payment institutions</i> European Payment Institutions Federation (EPIF)	Mr Rafael Márquez García Executive Vice President, Consumer Europe, and Country Manager, American Express UK	<i>Nomination pending</i>
<i>E-money institutions</i> E-money Association	Mr Ralf Ohlhausen Business Development Director, PPRO	<i>Nomination pending</i>
<i>Active participants</i> Five euro area national central banks and one non-euro area national central bank on a rotating basis		
<i>Observer</i> European Commission		

Annex 2 – Statements and recommendations made by the ERPB

Statement from the sixth meeting of the ERPB (28 November 2016)

<http://www.ecb.europa.eu/paym/retpaym/shared/pdf/6th-ERPB-meeting/Statement.pdf?9c44cd471861638f48376818d16213d2>

Statement from the seventh meeting of the ERPB (12 June 2017)

<http://www.ecb.europa.eu/paym/retpaym/shared/pdf/7th-ERPB-meeting/Statement.pdf?270b7b4055e27a8d4bc8ec54a61d971c>

Follow-up on the recommendations and other actions taken by the ERPB

http://www.ecb.europa.eu/paym/retpaym/shared/pdf/7th-ERPB-meeting/Assesment_of_follow_up_on_ERPB_statements_positions_and_recommendations.pdf?dbc4d9f52171e4362887c30411b0d873