European System of Central Banks response to the European Commission’s consultation on a retail payments strategy for the EU

The responses are marked in blue colour.

For ease of reference, the relevant questions answered by the ESCB are also listed in the table below.

<table>
<thead>
<tr>
<th>Section</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Questions for all stakeholders</td>
<td>10; 11</td>
</tr>
</tbody>
</table>
| A. Fast, convenient, safe, affordable and transparent payment instruments with pan-European reach and “same as domestic” experience | Instant payments as the new normal 12; 13; 13.1; 14; 14.1; 15; 15.1;  
Leveraging on the development of digital identities (digital ID) 19; 19.1; 20; 21; 21.1; 22; 22.1 |
| B. An innovative, competitive and contestable European retail payments market | PSD2 implementation and market developments 23; 23.1; 24; 24.1; 25; 25.1; 26; 26.1; 27; 27.1  
Improving access to payment accounts data under PSD2 28; 28.1; 28.2; 29; 29.1 |
| C. Access to safe, efficient and interoperable retail payment systems and other support infrastructures | Interoperability of instant payments infrastructures 33; 33.1  
Ensure a fair and open access to relevant technical infrastructures in relation to payments activity 34; 34.1; 34.2  
Facilitating access to payments infrastructures 35; 35.1; 35.2; 36 |
| D. Improved cross-border payments, including remittances, facilitating the international role of the euro | 37; 37.1; 38; 39; 39.1; 40; 40.1; 41; 41.1 |

Introduction

The European Commission recently concluded a consultation on a retail payments strategy for the EU that puts forward proposals in the areas of instant payments, open banking, cross-border payments and access to payment systems, cash and related technical infrastructures. The consultation ran between 3 April and 26 June 2020. The feedback received will feed into the future strategy that the European Commission plans to publish in the third quarter of 2020.

The key objectives laid out in the Commission’s retail payments consultation were aligned with the Eurosystem’s retail payments strategy adopted by the ECB’s Governing Council on 13 November 2019. The consultation could significantly boost the development of pan-European solutions that meet the criteria set out in the
Eurosystel’s retail payments strategy, in particular with regard to: pan-European reach and customer experience, convenience and cost efficiency, safety and security, European identity and governance, and global acceptance.

Moreover, the consultation seeks feedback on access to payment systems and the security of retail payment instruments, as well as other areas of interest, which reflect the role of central banks as overseers. Finally, promoting diversity of payment options is one aspect of the Eurosystem’s role as a supplier of euro banknotes and coins.

The response of the European System of Central Banks raises the following main points:

- Coordinated action on multiple fronts is required to reinforce the EU’s independence and competitiveness in the field of payments and thus support European citizens and businesses in making and receiving payments overseas.

- The successful roll-out of instant payments can benefit, to an equal degree, from: (i) EU legislation making it mandatory for payment service providers to adhere to the Single Euro Payments Area credit transfer (SCT Inst) scheme, and (ii) instant credit transfers being added to the list of services included in the Payment Accounts Directive, under certain conditions.

- Access to, and use of, cash varies across EU countries. To satisfy the needs of all Europeans, it is important to preserve access to cash and acceptance of cash at the point of sale.

- The potential of open banking for European retail payments is yet to be fully realised and requires further cooperation between banks and third-party providers based on the expectation of mutual benefit.

- The settlement finality directive (SFD) should be revised so that adequately supervised or overseen entities, such as e-money and payment institutions, become eligible to access SFD-designated payment systems directly while simultaneously avoiding the creation of undue risks for payment systems.

**Question 10**

Please explain how the European Commission could, in the field of payments, contribute to reinforcing the EU’s economic independence.

The European retail payments market is characterised by a high degree of dependence on non-European solutions. This dependence manifests itself to varying degrees across the payments value chain, particularly in the front end (e.g. electronic wallets) and scheme and infrastructure (clearing and settlement) layers of card transactions, cards currently being the most used non-cash retail payment instrument. European payment service providers (PSPs) rely to a great extent on critical services providers (e.g. financial-messaging services, cloud services, payment processors, mobile device manufacturers), some of which are influenced and/or governed from outside Europe. An increased level of dependence may exacerbate concerns with regard to resilience (e.g. cyber-resilience), data privacy and competitiveness (e.g. decreased incentives to innovate and downward
pressure on prices) of retail payments in the EU. The development and uptake of SEPA schemes, particularly SEPA Instant Credit Transfer (SCT Inst), shows that this status quo can be challenged in some areas and PSD2 has created further room for innovation and competition. However, global tech players aiming at further consolidating their position in the field of payments may outpace European stakeholders by leveraging new technologies and business models (e.g. platform-based and data-driven).

Reinforcing the EU’s independence, resilience, competitiveness and efficiency in the field of payments requires coordinated action on multiple fronts to:

(i) foster the development of a pan-European solution for payments at the point-of-interaction (POI) to decrease EU’s dependence on the use of international cards for non-cash payments at the point of sale and for e-commerce, as well as take on the challenge posed by new and alternative global solutions. With this in mind, the ECB’s Governing Council relaunched in 2019 its retail payments strategy with a focus on pan-European market initiatives for retail payments at the POI.

(ii) further support the deployment of instant payments as “the new normal” and pan-European reachability of instant payment solutions to enable European solutions to compete on speed and convenience grounds with emerging alternatives (see answer to question 12).

(iii) actively support payments innovation at scale by removing outstanding obstacles to the development of innovative solutions so that they can reach a critical mass and gain consumer trust, and foster an EU-wide dialogue comprising the roles of both private and public entities in the field of payments innovation.

(iv) prevent large commercial platforms from hampering fair competition in retail payments by separating this business from licensed financial business and limiting the use of data analytics to strictly consent-based use cases.

(v) increase the share of data stored, processed and used in the EU with a view to fostering data-driven business – e.g. in the field of payments – while preserving European citizens’ privacy and strengthening (cyber)security, including by promoting European solutions for cloud services and big data analytics.

Furthermore, EU’s economic independence in the field of payments should also be pursued through efficient extra-EU cross-border payments (see answer to question 11).

Question 11
Please explain how the retail payments strategy could support and reinforce the international role of the euro.

At the current juncture, there is an opportunity for the retail payments strategy to identify a role for Europe in addressing the shortcomings of (relatively slow, costly and opaque) cross-border payments in the global context thereby supporting European businesses and citizens in making and receiving payments overseas. The announcement of global stablecoin initiatives has highlighted the main outstanding issues, which in turn contributed to catalyse international efforts to define a roadmap for improving cross-border payments. Cross-border payments are expected to maintain the strong momentum, and efficient payments in euro could also offer an opportunity to support the
role of the euro internationally as a knock-on effect. TARGET services could be leveraged for this purpose, whereas technological and business model innovations could be further investigated (see also answer to question 40).

Furthermore, the euro, both as a domestic and an international currency, naturally benefits from an innovative, competitive and independent market for safe and efficient (euro) payments (see answer to question 10). Particularly the full deployment of instant payments as “the new normal” in electronic payments is a strategic priority for the role of the single currency in the future payments landscape in that it would allow euro payments to meet end-user demand for fast, inexpensive and easy to use solutions in their home country and throughout the EU. At the same time, it is important that European solutions pursue the objective of global acceptance in the long term. By doing so, not only will they meet the needs of European citizens who make payments at merchants based outside the EU but also decrease the EU’s dependence on existing (and possible future) global payment schemes as well as broaden the geographical scope of euro payments.

Finally, euro retail payments should provide an enabling environment for safe deployments of technological innovations.

**Question 12**
Which of the following measures would in your opinion contribute to the successful roll-out of pan-European payment solutions based on instant credit transfers?

<table>
<thead>
<tr>
<th>Measure</th>
<th>1 Irrelevant</th>
<th>2 Rather not relevant</th>
<th>3 Neutral</th>
<th>4 Rather relevant</th>
<th>5 Fully relevant</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. EU legislation making Payment Service Providers’ (PSP) adherence to SCT Inst. Scheme mandatory</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. EU legislation mandating the replacement of regular SCT with SCT Inst.</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. EU legislation adding instant credit transfers to the list of services included in the payment account with basic features referred to in Directive 2014/92/EU</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Development of new payment schemes, for example SEPA Direct Debit Inst. Scheme or QR interoperability scheme</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Additional standardisation supporting payments, including standards for technologies used to initiate instant payments, such as QR or others</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Other</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please specify what new payment schemes should be developed according to you.

A distinction should be made between schemes that enable interoperability of additional services on top of the SCT Inst scheme, and entirely new payment schemes.

Schemes for additional services can increase the usability of instant payments by enabling interoperability and governance rules between instant payment providers also covering conflict management and a pan-European label for interoperable solutions. Examples include: (i) Request-to-Pay messaging or data exchange between consumers’ and merchants’ service providers;
(ii) Request-to-Pay and proxy lookup for person-to-person payments; (ii) e-invoice presentment and e-receipt.

New payment schemes could be explored to expand instant payment beyond credit transfers, e.g. instant pull payments (direct debits or an alternative based on Request-to-Pay) or instant (debit) card payments, but would not help directly the roll-out of pan-European payment solutions based on instant credit transfers (unless they are developed as additional services on top of the instant credit transfer scheme). Before promoting such additional payment schemes, the demand for them should be assessed and their potential business case analysed as well as the need for the industry to focus on the schemes that are currently being developed or implemented.

Please specify what kind of additional standardisation supporting payments should be developed:

- Standardisation of data sets and formats for QR codes and other proximity technologies (NFC, Bluetooth) would increase the reach of instant payment solutions, boost competitiveness, reduce entry costs and address the restrictions on access to front-end solutions by new players. The development of standards (e.g. for QR codes) should focus on the minimum necessary content with the possibility of optional features, provided that they do not hinder interoperability. Such standardised data sets and formats could be included in schemes (see previous question), i.e. scheme rules could require the use of these data sets and formats.

- Standardisation of the communication between merchants and banks as well as merchant integration rules and standards would address the need for interoperability amongst IT services suppliers’ back-ends.

- Harmonised functionalities such as recurrent payments and reimbursements would also increase the usability of instant payment solutions.

Please specify what other measures would contribute to the successful roll-out of pan-European payment solutions based on instant credit transfers.

For completeness, the rationale for question 12 ratings, options a-c, is provided below.

(a) Making scheme adherence mandatory would ensure that all PSPs implement SCT Inst, but not that all PSPs offer SCT Inst services under attractive conditions e.g. in terms of fees, user-friendliness and availability via channels such as online or mobile banking. Competitive pressure may resolve this, but nevertheless mandatory adherence (if put in place) may need to be accompanied by other measures aimed at mitigating any disadvantageous implications for end-users. Furthermore, exemptions or a later end-date may be considered for e.g. SCT participants that are very small and/or specialised in areas other than payment services (i.e. that offer SCT only to support their core – non-payments – business) since for them the investments required are high relative to the size of their payments business (in terms of reachable accounts and/or transactions) (see also answer to question 13).
(b) Mandating the replacement of SCT by SCT Inst would likewise ensure that all PSPs implement SCT Inst and would in addition prevent PSPs from charging relatively high fees, but an increase compared to the current SCT fees cannot be excluded. As there may be use cases where instant payment is not required or preferred by end users (e.g. planned or non-urgent payments), this measure might be considered disproportionate, despite its likely effectiveness.

(c) If the rest of the wording of the relevant part of the Payment Accounts Directive (PAD) remains unchanged, it is not clear to what extent adding instant credit transfers to the list of services included would contribute to SCT Inst implementation by PSPs. This is mainly because PAD would only require those credit institutions that already offer instant payments to include them in the features of basic payment accounts, if they offer such accounts (the PAD only requires that such accounts are offered by a sufficient number of credit institutions to guarantee access thereto for all consumers in their territory, and to prevent distortions of competition). However, if some additional changes were to be considered, this measure could be quite effective. In particular, if all credit institutions that offer basic payment accounts (which typically would be the major actors in the market) were required to offer instant payments (i.e. not just those that already offer this service to consumers holding payment accounts other than a payment account with basic features), this measure would likely make instant payments accessible to the vast majority of economic agents. Furthermore, it would ensure that no unreasonable fees would be charged for instant payments to basic payment account holders, at least for a minimum number of operations. This measure would not directly influence fees for operations beyond that minimum number, or for end users holding accounts other than those with basic features (including end users that are not consumers), but it may do so indirectly.

In addition, other measures could be considered, such as:

- ensuring a level playing field for end-user solutions based on instant payments competing with card-based solutions;
- resolving difficulties related to anti-money laundering/combating the financing of terrorism (AML/CFT) screening, which PSPs reportedly faces particularly in the case of cross-border instant payments, in part due to different requirements set by regulators at national level; and,
- promoting interoperability at the clearing and settlement infrastructure level (see answer to question 33).

Questions 13 and 13.1
If adherence to SCT Inst. were to become mandatory for all PSPs that currently adhere to SCT, which of the possible following end-dates should be envisaged? Please explain your answer.

By end 2022. Our answer is based on the assumption that, unlike the end-dates that were put in place for SEPA migration, this end-date would refer to scheme adherence only, and not to the migration of transactions, i.e. PSPs would continue to be able to provide SCT services in parallel with SCT Inst services.
It is essential to keep the momentum towards the availability of instant payments to consumers and businesses across Europe. Setting an end-date too far into the future may lead to losing that momentum. Nevertheless, considering 1) the time required for any legislative process and 2) the need for PSPs to update their internal systems and connect to one or more instant payments clearing and settlement infrastructure(s), end 2021 may not be realistic. An earlier date than end 2022 could however be considered if there were exemptions or a later end-date for e.g. SCT participants that are very small and/or specialised in areas other than payment services (i.e. PSPs that offer SCT only to support their core – non-payment – business). This would however require a clear definition of which PSPs should be exempted or given a later end-date, which would warrant a thorough analysis. Furthermore, if an end-date is to be applied to Member States that have not adopted the euro as their currency, it would be reasonable for this end-date to be later than for the euro area.

Questions 14 and 14.1
In your opinion, do instant payments pose additional or increased risks (in particular fraud or money laundering) compared to the traditional credit transfers? Please explain your answer.

Yes. In principle genuine fraud risks (e.g. manipulation of the payer, account takeover) apply also to instant payments. In this respect, real-time fraud monitoring is important and even recommendable for standard credit transfers and instant credit transfers alike. A specificity of instant payments is that the speed and instant finality make a recovery (e.g. by recall) of fraudulent payments almost impossible. The risks could be reduced by establishing an EU-wide scheme for the “Confirmation of Payee” ensuring that the name of the recipient and the payees’ account number are consistent and not manipulated by a fraudster. In addition, real-time fraud monitoring tools, including the parameters they use, need to be constantly adapted in view of the evolving fraud landscape. To safeguard the resilience of their service, but also to protect their contractual counterparties, PSPs should at least be able to identify any of the following: (i) abnormal spending or behavioural pattern of the payer; (ii) unusual information about the payer's device/software access; (iii) malware infection in any session of the authentication procedure; (iv) known fraud scenarios in the provision of payment services; (v) abnormal location of the payer; (vi) high-risk location of the payee. Also PSPs’ anti-money laundering tools (e.g. pattern recognition & alerts) as well as the respective tools of payment systems (as the last resort safeguard) need to be adapted to real-time payments, as instant payments exacerbate the risk. Likewise, where there is a suspicion that a transaction is related to money laundering or terrorist financing, instant payments may pose problems for national competent authorities to take urgent action to suspend or withhold consent to a transaction that is proceeding, according to Article 32.7 of AMLD (Directive 2015/849).
**Questions 15 and 15.1**  
As instant payments are by definition fast, they could be seen as aggravating bank runs. Would an ad-hoc stopgap mechanism be useful for emergency situations, for example a mechanism available to banks or competent authorities to prevent instant payments from facilitating faster bank runs, in addition to moratorium powers (moratorium powers are the powers of public authorities to freeze the flow of payments from a bank for a period of time)? Please explain your answer and specify under which conditions.

Yes. Mechanisms to stop the payment process are in general important and are already implemented for payment systems and PSPs. In case of a bank run or a severe problem incurred by a participant (e.g. fraud, cyber-attacks, operational failures, and AML/CFT suspicious transactions), it is essential that individual transactions relating to that participant can be stopped. For instant payments, the reaction time and potential automation of the process in case of such unusual events are key. Nevertheless, the use of these tools needs to be well-balanced and proportionate to the right of individuals to discharge their obligations, obtain their legitimate payments or retrieve their funds deposited with a bank. For example, given the evidence that herd behaviour can stress the liquidity situation of a single bank all of a sudden, it seems sensible to also have a mechanism available to individual banks to stop payments until the situation has improved or for a pre-defined period of time. It is important that the primary responsibility to stop transactions under certain circumstances remains with the PSP, followed by the responsibility of the payment system operator as second defence line. An activation of such a mechanism by the competent authorities should be a rare exemption and take place only based on predetermined criteria and would most likely only be possible together with a moratorium.

**Questions 19 and 19.1**  
Do you see a need for action to be taken at EU level with a view to promoting the development of cross-border compatible digital identity solutions for payment authentication purposes? Please explain your answer.

Yes, changes to EU legislation. The focus of the eIDAS Regulation has been on use cases for the public sector. In order to leverage eID solutions for payments-related use cases, changes need to be made to: (i) enable the use of national eID/eSignature solutions by the private sector; (ii) facilitate PSPs’ cross-border acceptance eID/eSignature solutions; (iii) enable PSPs to use a single EU eIDAS compliant solution for remote on-boarding, servicing, and for payment authentication at any PSP in Europe.

Particularly for payment authentication, it needs to be stressed that functionality for electronic signature is required as evidence of the payer’s intention to make that particular payment and needs to meet specific requirements set out in the revised Payment Services Directive (PSD2) and its Regulatory Technical Standards (RTS) on strong customer authentication and common and secure communication. However, as cross-border technical acceptance of electronic signature is conceptually organised differently from electronic identity, the uptake of eID solutions may be hindered in practice. Therefore changes to the e-IDAS Regulation’s provisions on the cross-border technical acceptance for e-Signature may be warranted.

Furthermore, in order for the EU to reap the full benefits of digitalisation and to facilitate European solutions, it is important to ensure that national laws facilitate and/or give equal treatment to paper-based and digital identities, signatures and documents/contracts.
Finally, it should be ensured that differing transpositions of EU directives into national law do not pose an obstacle to the broad acceptance of eID/eSignature solutions in the EU, especially with regard to the requirements of the Anti-Money Laundering Directive.

**Question 20**

What are the main factors contributing to a decreasing use of cash in some EU countries? Please rate each of the following factors.

<table>
<thead>
<tr>
<th>Factor</th>
<th>1 Irrelevant</th>
<th>2 Rather not relevant</th>
<th>3 Neutral</th>
<th>4 Rather relevant</th>
<th>5 Fully relevant</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience of paying digitally</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The increasing importance of e-commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contactless payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The shrinking availability of ATMs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The cost of withdrawing cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital wallets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash backs for card payments</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU or national regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other marketing campaigns against cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>

Please specify which EU or national regulation(s) may contribute to a decreasing use of cash in some countries in the EU.

- As a general remark, while cash usage has decreased in several countries, it has increased or remained roughly unchanged in other countries and overall remains very important. Cash usage for transactions and/or saving purposes has been shown to be related to citizens’ preferences (e.g. for privacy), monetary policy, distrust in commercial banks, weak public institutions and governance, past crises experience, positive network externalities in the use of foreign cash and access to banking services.

- Cash payment limits introduced by various Member States (e.g. BE, GR, ES, FR, IT, PT, LV, SI, SK, BG, CZ, DK, HR, PL, RO) exclude a certain share of payments at (high-value) traders. The recent introduction in some Member States of rather low payment limits (EUR 500, EUR 1000) has reinforced this effect.

- Tax penalties have been established in GR to force citizens to pay a substantial part of their annual income with commercial electronic means of payment. The required share of electronic payments needs to be proven to the tax authorities; else, a tax fine will be levied.

- In IE, the stamp duty on higher numbers of cash withdrawals at ATMs has the potential to disincentive such cash withdrawals and the use of cash. However, this has not been the case to date.
• Cash payment restrictions of national authorities, e.g. for (para) fiscal charges or other services of public entities (e.g. municipalities) entirely rule out cash payments for these services or include a cap on the amount that can be paid via cash (e.g. PT).

• Some Member States (e.g. IT) have provided tax benefits for merchants and users, respectively, for the acceptance and use of cashless payments in order to tackle also tax evasion.

• The increased availability of instant payments (in the case of HU, the local currency instant payment scheme is mandatory, i.e. all banks have to join it) can incentivise consumers to depend less on cash and PSPs to offer more innovative electronic payment services.

• Finally, the Coronavirus pandemic has led various authorities in some Member States to recommend not using cash for retail payments, but contactless card payments instead. In one Member State (PL), incentives have been given by banks for e-payments. Laboratory analyses commissioned by the ECB have shown that banknotes do not represent a particularly significant risk of infection compared with other kinds of surface with which people come into contact in daily life.

Please specify what other factor(s) may contribute to a decreasing use of cash in some countries in the EU.

• Certain traders and other businesses refuse to accept any cash payments (no-cash policies) or high value denominations (e.g. EUR 500/200 banknotes), mainly for safety reasons.

• The reduced number of bank branches offering cash services have made it more difficult for smaller shops/traders to deposit their daily cash revenues.

• Banks in certain Member States have also increased markedly fees for cash services of retailer/traders etc., which may contribute to the no-cash policies of these companies.

• Banks in certain Member States have also markedly increased cash-related fees for consumers (e.g. for ATM cash withdrawals and coin deposits).

• A sometimes aggressive marketing of commercial PSPs and pressure of banks on traders/retailers not to accept cash has been observed in various countries.

• Banks promote their own payment solutions to the detriment of cash in various countries.

• Another reason seems to be the decreasing number of ATMs (sometimes as a result of frequent, often violent attacks on ATMs), and the decreasing number of bank branches and lack of alternative ways to access cash such as cashback or cash-in-shop locations in some euro countries.
Question 21
Do you believe that the EU should consider introducing measures to preserve the access to and acceptance of cash (without prejudice to the limits imposed by Member States for large cash transactions)? Please explain your answer.

Yes.

- As a general comment, future EU regulations or planned actions should not hinder cash payments or favour electronic payments.

- Cash is legal tender, i.e. is universally accepted at full value for the extinction of monetary debts. Moreover, it is the only form of central bank money currently available to the general public. (Article 128(1) of the Treaty on the Functioning of the European Union lays down the legal tender status of euro banknotes, and Art. 11 of Regulation EC/974/98 does so with regard to euro coins.)

- Cash (including handling and redistribution) could be considered a public good. Therefore, Member States should be aware of their responsibility regarding the cash infrastructure, similar to the responsibility of the state in health care, public transport or security.

- Cash is the only form of money which citizens and businesses can hold without requiring a third party and cost-incurring services of commercial companies.

- The possibility to change bank deposits into cash and vice-versa is an essential element for the citizen’s trust in the financial and monetary system.

- In case electronic payment systems fail, cash is the only fallback solution. Hence, a certain degree of cash availability, and also usage, needs to be ensured in the long term so that the cash infrastructure in the banking and non-banking sector remains intact. In DK, there are other fallback solutions in case of outages of electronic payment systems which do not depend on cash.

- Currently only cash respects the privacy of citizens in commercial and financial matters, which, on the other hand, also provides for anonymity in payments. There is an ongoing high and genuine demand of citizens for cash: citizens are not ready to move exclusively to cashless payments but want to have the option to pay and save in cash.

- Cash does not exclude those groups of society that have, for whatever reason, no access to bank accounts or other digital payment instruments. Cash is the most inclusive means of payment and allows especially low income groups to better control their spending, and thus plays a significant role in society. Cash is designed to be easily used also by partially sighted/blind people and minors.

- Cash is safe and counterfeits can usually be easily recognised. It is not subject to cyber-crime and personal identity theft; on the other hand, it is subject to theft/robbery and counterfeiting.

- Cash is a symbol of national identity (in case of euro banknotes – European identity) and plays an essential role from an historic point of view.
**Question 22**
Which of the following measures do you think could be necessary to ensure that cash remains accessible and usable by EU citizens? Please rate each of the following proposals.

<table>
<thead>
<tr>
<th>1 Irrelevant</th>
<th>2 Rather not relevant</th>
<th>3 Neutral</th>
<th>4 Rather relevant</th>
<th>5 Fully relevant</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote a sufficient coverage of ATMs in the EU, including in remote areas</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU legislation adding ‘free-of-charge cash withdrawals’ to the list of services included in the “payment account with basic features” referred to in the Payment Accounts Directive</td>
<td></td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure that cash is always accepted as a means of payment at point of sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

**Question 22.1**
Please specify what other measures would be necessary to ensure that cash remains accessible and usable by EU citizens.

- There is a need to raise awareness of the general public and the public bodies about the legal tender status of euro banknotes and coins, which is laid down in EU law.
- Central banks should ensure the provision of cash services with a good regional coverage to support the transmission mechanism of cash to the end users.
- A review of the COM Recommendation of 2010 on the scope and effects of the legal tender status of euro cash should be carried out with a view to strengthening the legal tender status.
- Particular attention should be paid that businesses will continue to have adequate deposit facilities for cash, and that credit/payment institutions provide adequate cash services to both consumers and corporates. Fees for basic cash services should be transparent in line with the applicable legislation (e.g. PSD2) and should reflect that banks receive basic cash services from central banks free of charge.
- Retailers/traders should be supported when offering cash-back/cash-in-shop services to consumers, for example by not burdening them with dedicated fees.
- Especially in “less-cash” countries, ATM networks have been decreasing and consolidating, creating room for independent ATM deployers (IADs). Due to the increasing role of IADs, their exclusion from the PSD2 should be meticulously re-evaluated and should possibly be amended.

As an additional remark, as a result of the implementation of Regulation (EU) 2015/751 (Interchange fee regulation, IFR), payment card issuers may be incentivised to curb the use of cash at the point of sale and/or increase consumer fees on cash services (e.g. ATM withdrawals being out of scope of IFR) as a reaction to the decline in interchange fees, which may be seen as too low in order to make the ATM operation economically viable. This may also lead to an increase in customers’ fees thereby de-incentivising the use of cash.
**Question 23**

Taking into account that experience with PSD2 is so far limited, what would you consider has been the impact of PSD2 in the market so far? Please rate each of the following proposals.

<table>
<thead>
<tr>
<th>Proposal</th>
<th>1 Strongly disagree</th>
<th>2 Rather disagree</th>
<th>3 Neutral</th>
<th>4 Rather agree</th>
<th>5 Fully agree</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSD2 has facilitated access to the market for payment service providers other than banks</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSD2 has increased competition</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSD2 has facilitated innovation</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSD2 has allowed for open banking to develop</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSD2 has increased the level of security for payments</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Question 23.1**

Please explain your answer to question 23.

PSD2 has facilitated innovation by bringing new solutions/business models under a legal framework and extending their presence to all EU countries. However, this type of innovation existed before PSD2. Overall, the initial experience in the implementation of PSD2 shows the difficulties of legislating in a network industry and in absence of existing standards of communication. Several initiatives for standardisation were taken by market participants. However, the insufficient use of standardised application programming interfaces (APIs) may ultimately hinder PSD2 objectives of increasing competition and facilitating innovation. In a situation where each account servicing payment service provider (ASPSP) defines its own communication interface differently in form and content from the interfaces of other ASPSPs, the implementation by each third party provider (TPP) is technically cumbersome, while the information offered, on the basis of the individual interpretation of the text of the PSD2, may not always be sufficient to build an attractive payment service for TPP users (merchants, payers, accountholders). Market-led standardisation initiatives have helped to some extent, as have subsequent clarifications of the legal text of the PSD2 and its RTS, but a mature standard specifying the required functionalities is needed, combined with a strict implementation guidance and review, similar to standards developed by the market for other payment services. Standardised APIs are a crucial element for the full development of a European market for (new) PSD2 services.

Although PIS and AIS are basic open banking features, we would also consider open banking as being broader than the current set of payment services regulated under PSD2. As such, it would require further cooperation between banks and TPPs, based on mutual benefits (see also answer to question 28). A first attempt at this cooperation – the investigation of an API access scheme as a basis for a much wider set of payment and non-payment services – was done under the Euro Retail Payments Board (ERPB), showing the potential, but also the difficulties of coming to a mutual agreement between ASPSPs and TPPs.

PSD2 was a major step forward to increase security of payments. Besides the minimum requirements in the main text, the RTS on strong customer authentication and common and secure...
communication, the EBA guidelines on incident reporting and on security measures for operational and security risks, which have been integrated in the EBA Guidelines on ICT and security risk management, as well as the EBA Guidelines on fraud reporting have raised the bar on security of payments and ensured a better overview of the situation and harmonized requirements at the side of the competent authorities. The ECB is currently complementing the monitoring part in its draft Regulation amending the ECB Regulation on payments statistics.

PSPs, technical service providers and merchants should, in their own interest, implement the necessary payment security measures as soon as possible. Fraudsters will not extend any deadline.

**Questions 24 and 24.1**
The payments market is in constant evolution. Are there any activities which are not currently in the list of payment services of PSD2 and which would raise specific and significant risks not addressed by current legislation? Please explain your answer.

Yes. The treatment of independent ATM providers, which are currently exempted from the application of PSD2, could be revisited. No other activities have been identified in the context of this consultation (please refer to the ESCB response to the consultation on an EU framework for crypto-assets, particularly the ESCB assessment of the risks stemming from crypto-assets and stablecoins and the applicability of PSD2).

**Questions 25 and 25.1**
PSD2 introduced strong customer authentication to mitigate the risk of fraud or of unauthorised electronic payments. Do you consider that certain new developments regarding fraud (stemming for example from a particular technology, a means of payment or use cases) would require additional mitigating measures to be applied by payment services providers or users? Please explain your answer and specify if this should be covered by legislation.

Yes. Fraud monitoring and mitigation is the responsibility of the PSP, which needs to ensure that the fraud prevention tools it applies do not remain static but are adapted over time. Fraudsters will continue to look for loopholes in any set-up. The PSD2 RTS on strong customer authentication and common and secure communication only outline minimum high-level requirements that need to be followed in order to mitigate fraud. PSPs take different approaches: some rely only on the minimum security levels prescribed by the law, while others are more prudent. National competent authorities have an important role in ensuring that the RTS are complied with and in raising the risk awareness of PSPs. In addition, real-time fraud monitoring and access to relevant information are essential for preventing fraud. Legislation should support the exchange of fraud related information among all participants in the payment chain and promote the tokenization of sensitive payment data. Finally, fraud mitigation measures should, to the extent possible, not hinder interoperability.
Questions 26 and 26.1
Recent developments have highlighted the importance of developing innovative payment solutions. Contactless payments have, in particular, become critical to reduce the spread of viruses. Do you think that new, innovative payment solutions should be developed? Please explain your answer.

Yes. Due to their convenience for payment service users, contactless payments can provide a strong incentive to use electronic payments at the point of sale. They are also a measure in the fight against the spread of viruses to the extent that they allow customers and retailers’ staff members to maintain a safe distance during checkout. In the last few years, contactless cards among other mediums have fueled the rapid growth in electronic transactions. On the other hand, contactless cards raise concerns with regard to market fragmentation, e.g. triggered by the multiplicity of kernels (core software for POS terminals) for payment acceptance, which introduce complexities in contactless acceptance.

As compared to contactless card payments, mobile payments may have additional advantages. Depending on the concrete implementation, they can enable the authentication of transactions on the consumer’s own device rather than the merchant’s terminal, in cases where no SCA exemption is applicable. In the case of mobile payments (whether based on cards or other payment instruments, such as instant credit transfers), the risk of fragmentation is arguably greater than in the case of contactless cards, considering among other things the different technologies and underlying payment instruments that can be used. To avoid further fragmentation (in the cards market and more broadly the European payments market), innovative solutions need to be based on common industry standards. Such harmonisation efforts are preferably carried out through market self-regulation. As the SEPA migration experience has shown, technical standardisation and/or scheme development is ideally completed before the inception of legislation to mandate their use, should any such legislation be deemed necessary. Furthermore, the use of SEPA SCT Inst could be a basis for interoperability between closed loop solutions.

Questions 27 and 27.1
Do you believe in particular that contactless payments (based on cards, mobile apps or other innovative technologies) should be further facilitated? Please explain your answer.

Yes. Contactless payments may benefit from several coordinated actions, some of which have also been covered in other questions of this consultation:

- monitoring and ensuring that PSPs' access to mobile devices/technologies used to initiate payments is not blocked or restricted in any way (see answer to question 34) with the aim of enabling new solutions and increasing competition;

- promoting the standardisation of data sets and formats for QR codes and other proximity technologies (NFC, BLE) with a view to increasing the reach of contactless payment solutions. Usage rules for such standardised data sets and formats could also be incorporated into schemes (see also answer to question 12). The development of standards (e.g. for QR codes) should focus on the minimum necessary content with the possibility of optional features provided that they do not hinder interoperability;

- ensuring a level-playing field between the different instruments regarding security requirements;
• regarding contactless initiation, payment service users should have the possibility to opt out (e.g. deactivate NFC functionality on debit or credit cards).

Concerning the current ceilings for contactless transactions, an increase should only be envisaged together with sufficient risk mitigation measures including real-time fraud monitoring by PSPs. Besides, contactless payments with the payment service user’s mobile device may offer secure solutions for strong customer authentication in a fast and convenient manner. No changes to the current liability regime seem to be needed.

**Question 28**

Do you see a need for further action at EU level to ensure that open banking under PSD2 achieves its full potential?

Yes.

**Question 28.1**

If you do see a need for further action at EU level to ensure that open banking under PSD2 achieves its full potential, please rate each of the following proposals.

<table>
<thead>
<tr>
<th>Proposal</th>
<th>1 Irrelevant</th>
<th>2 Rather not relevant</th>
<th>3 Neutral</th>
<th>4 Rather relevant</th>
<th>5 Fully relevant</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote the use of different authentication methods, ensuring that the ASPSPs always offer both a redirection-based and an embedded approach</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote the development of a scheme involving relevant market players with a view to facilitating the delegation of Strong Customer Authentication to TPPs</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote the implementation of consent dashboards allowing payment service users to manage the consent to access their data via a single interface</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Question 28.2**

Please specify what other proposal(s) you have.

To allow open banking under PSD2 to reach its full potential, Europe needs a standard specifying the required functionalities, combined with a strict implementation guidance and review, similar to standards developed by the market for other payment services. The Eurosystem would define open banking in a broader sense than the current set of payment services regulated under PSD2. This approach would require further cooperation between ASPSPs (or banks for open banking in a broader sense) and TPPs, based on mutual benefits (see also answer to question 23.1).
Questions 29 and 29.1
Do you see a need for further action at EU level promoting the standardisation of dedicated interfaces (e.g. Application Programming Interfaces – APIs) under PSD2? Please explain your answer.

Yes. Please see answers to questions 23.1 and 28.2.

Questions 32 and 32.1
Do you see “programmable money” as a promising development to support the needs of the digital economy? If you do so, how and to what extent, in your views, could EU policies facilitate its safe deployment?

Yes. Programmable money is a promising new technology that is however not yet mature and for which the exact use cases would still need to be clearly identified. It has the potential to increase payment process automation and enable alternative pricing models. Its development depends on other building blocks in the payments field (e.g. micropayments) and technologies (e.g. internet of things, IoT). On the other hand, like any other technological innovation, programmable money could pose risks: if not carefully designed, it could expose users to fraud (e.g. if automated and immutable smart contracts are malicious); without standardisation and interoperability, it could lead to market fragmentation.

At this stage of development, the safe deployment of programmable money solutions would be facilitated by the following:

- Providing legal clarity. Programmable money makes use of smart contracts in e.g. a distributed ledger technology (DLT) environment. These smart contracts usually employ a native infrastructure asset and could enable the transfer/exchange of an asset outside of the native infrastructure. Clarifying whether/under what conditions these assets and/or smart contracts fall under the existing EU regulatory framework for payments as well as applicable central bank oversight frameworks would allow programmable money solutions to leverage regulated asset types and/or payment services thereby increasing their robustness and enabling compliance with existing requirements.

- Fostering the emergence of digital pan-European identification schemes for devices/machines making payments that facilitate compliance with regulatory requirements for payment services and ensure cross-border acceptance.

- Ensuring that national laws give equal treatment to paper-based and digital signatures and facilitating cross-border technical acceptance of eIDAS compliant e-ID/e-Signature solutions. This would benefit programmable money solutions insofar as they use digital signatures to authenticate the parties to a smart contract.

- Facilitating standardisation and interoperability. It should be investigated how existing business standards might accommodate smart contracts (e.g. ISO20022 XML format could be a factor in limiting deployments of programmable money). A holistic review of existing frictions in legal provisions and established practices across Member States should be considered to provide a level-playing field for European innovative players. Interoperability of programmable money solutions would be instrumental to both their efficiency and wide adoption.
Finally, whether programmable money is used by credit institutions, non-bank service providers or financial market infrastructures, it should be adequately tested and comply with applicable technological integrity and security standards.

**Questions 33 and 33.1**

With regard to SCT Inst, do you see a role for the European Commission in facilitating solutions for achieving this interoperability in a cost-efficient way? Please explain your answer.

Yes. We assume that the obligation under the SEPA Regulation for operators or, in the absence thereof, for the participants in retail payment systems to ensure that such systems are technically interoperable with other retail payment systems also applies in the case of SCT Inst. However, the experience gained so far shows that, apart from technical interoperability, it is necessary that payment system operators do not apply rules that (could) hinder broader interoperability, in particular where industry standards exist (as in the case of SCT Inst). Further clarification from the European Commission would be helpful, stating that it is the operators, not the participants, of retail payment systems who should ensure interoperability of the systems. This also means that systems should ensure pan-European reachability, defined as the ability to reach all participants in the same pan-European scheme’.

The Eurosystem, within its mandate and in coordination with the European Commission and market participants, is working on this issue. The Governing Council has mandated the Market Infrastructure Board to present options to ensure pan-European reachability for decision by mid-2020.

**Question 34**

Do you agree with the following statements?

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Rather disagree</th>
<th>Neutral</th>
<th>Rather agree</th>
<th>Fully agree</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of such legislation in only some Member States creates level playing field risks</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU legislation should oblige providers of technical services supporting the provision of payment services to give access to such technical services to all payment service providers</td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory access to such technical services creates additional security risks</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

**Question 34.1**

Please explain your answer to question 34.

PSPs increasingly rely on technical infrastructure services to deliver the customer interface in the front end as well as for back-end support. These infrastructure services are often concentrated in a few (mostly non-European) providers that act as gatekeepers of key technical infrastructures for payment service provision. Currently there is a case for more openness of technical infrastructure services, particularly mobile device capabilities (including the NFC interface), without compromising security (see the recommendations of the Euro Retail Payments Board ERPB/2015/rec16 and
Open access to mobile device capabilities is instrumental to fostering a competitive and innovative market for contactless payments in Europe. In the absence of a common European approach, it may be expected that Member States take individual legislative action. Despite the aim to address level playing field risks in the first place, this may give rise to market fragmentation. It is therefore advisable that the EU regulator takes steps to ensure open access to key technical infrastructure services on the basis of transparent, objective and non-discriminatory criteria that take into account security standards, oversight and supervisory requirements.

The provider of a technical infrastructure needs to ensure the operational reliability and the security of its solutions or services, thus access should only be possible in conjunction with objective risk mitigation measures.

Another issue is to ensure that mandatory access does not discourage innovation by first-movers. Any legislative measures should aim to strike the right balance between open access and the need to protect intellectual property in order to foster innovations and incentivise investments into technical infrastructure services.

**Question 34.2**
If you think that EU legislation should address this issue, please explain under which conditions such access should be given.

See answer to question 34.1

**Question 35**
Is direct access to all payment systems important for payment institutions and e-money institutions or is indirect participation through a bank sufficient?

Yes, direct participation should be allowed.

**Question 35.1**
Why do you think direct participation should be allowed?

- Because otherwise non-banks are too dependent on banks, which are their direct competitors
- Because banks restrict access to bank accounts to non-banks providing payment services
- Other reasons
Question 35.2
Please specify the other reason(s) why you think direct participation should be allowed.

- While PSD2 requires objective and non-discriminatory access to payment systems for authorised PSPs, the Settlement Finality Directive (SFD) makes access dependent on statutory criteria. PSD2 remains without prejudice to the scope of application of the SFD (PSD2 Recital 51), since art. 35.1 of the PSD2 does not apply to payment systems designated under the SFD. While Art. 35.1 of the PSD2 stipulates that Member States shall ensure that direct participants (i.e. mostly credit institutions) in an SFD designated payment system allow indirect access by non-bank PSPs in an objective, proportionate and non-discriminatory manner, such non-bank PSPs cannot be participants under the SFD.

- Some national central banks, noting a lack of direct access to payment systems by non-bank PSPs, have deviated from a strict interpretation of the SFD and allow either direct or indirect participation to payment institutions and e-money institutions, provided they fulfil certain criteria. This approach has created further level-playing field issues and has further fragmented the payment market and led to the legal risk of non-EU wide recognition of finality protections of designated systems having wider participation.

- Indirect access to SCT Inst can give rise to operational challenges, also related to compliance with AML/CTF requirements, which may hamper the level playing field between banks and other non-bank PSPs.

Please add any relevant information to your answer(s) to question 35 and sub-questions.

- The Eurosystem encourages the European Commission to revise the SFD so that adequately supervised or overseen entities such as e-money institutions and payment institutions are eligible to access SFD designated payment systems directly, while at the same time ensuring that no undue risks are created for payment systems.

- The revised SFD could define a broad set of appropriately supervised or overseen institutions while retaining the payment system operators’ prerogative to determine the actual objective and non-discriminatory participation requirements. This would ensure that relevant risks are covered while maintaining fair and open access as required by regulatory standards.

- The operators of systems processing direct debits or other types of pull payments should have the possibility of restricting access by non-bank PSPs to, or excluding them from, this business line, given the lighter regulatory capital requirements imposed on non-bank PSPs and the elevated financial risks involved in pull payments.

Question 36
As several – but not all – Member States have adopted licensing regimes for payment system operators, is there a risk in terms of level playing field, despite the existence of central bank oversight?

The application of a harmonised oversight framework within the euro area ensures that payment system operators are treated equally when it comes to risk management, despite possible differences in national licensing regimes.
Indeed, the Eurosystem oversight framework for payment systems is applicable to any payment system in the euro area irrespective of the regulatory status of the operator. In June 2013, the Governing Council of the ECB adopted the CPMI-IOSCO Principles for financial market infrastructures (PFMIs) as the standards for Eurosystem oversight of all types of FMIs in the euro area under Eurosystem responsibility.

With respect to systemically important payment systems (SIPS), the PFMIs have been implemented through an ECB Regulation on oversight requirements for SIPS, in accordance with the ESCB Statute, which explicitly provides the ECB with the regulatory powers to impose legal obligations for the oversight of such payment systems.

Under the SIPS Regulation, national central banks (NCBs) or the ECB have the power to request from SIPS operators all relevant information for the efficient and effective conduct of oversight and to carry out on-site inspections. In case of non-compliance, the competent authority (either the ECB or a NCB) can impose corrective measures and the Governing Council of the ECB can impose sanctions. Payment systems that are not systemically important have to comply with a subset of the PFMIs following the principle of proportionality.

To ensure a consistent and harmonised application of the SIPS Regulation and the PFMIs, oversight activities carried out by the NCBs and the ECB rely on a common Eurosystem assessment methodology for payment systems. On two occasions (in 2004 and 2015/16), all non-SIPS retail payment systems in the euro area were assessed against the applicable standards with each assessment report being subject to peer review to ensure a level-playing field.

Regarding potential level-playing field issues, it is observed that most payment systems currently operating in the EU serve only their domestic market. This situation is not linked to regulatory barriers but to the fact that payment systems were historically established to clear and settle domestic payments between domestic banks. Even as European payment instruments replace domestic instruments and banks and non-bank payment and financial service providers use their European passport to perform cross-borders activities, the absence of a harmonised licensing regime does not appear to affect the decision of a payment system operator to offer clearing and settlement services across countries.

Furthermore, the Eurosystem notes that the existence of licensing regimes in some Member States has not impaired the effective oversight of payment systems based on harmonised standards. When considering a harmonised licensing regime, the statutory competences of central banks to promote the smooth functioning of payment systems through the exercise of payment system oversight should be acknowledged. An increase of the regulatory burden on payment system operators and potentially conflicting requirements that may emanate from a licensing regime outside the remit of Eurosystem and of non-euro area central banks should be avoided. This risk could be mitigated by limiting licensing requirements to basic institutional and governance aspects on the company form and the qualifications of the managers, with the governance, risk and operational aspects remaining to be covered by the existing oversight function of the Eurosystem and non-euro area central banks.
**Questions 37 and 37.1**
Do you see a need for action at EU level on cross-border payments between the EU and other jurisdictions? Please explain your answer.

Yes. While financial markets have become more integrated over the past decades, the complexity of the cross-border payments model based mostly on correspondent banking still persists, hindering cross-border trade and investment. Payment service users are making more regular use of cross-border payments for an increasing variety of use cases and it is expected that the demand for cross-border payments will continue to grow in the near future. Thus, there is a need to increase the efficiency of cross-border payments to allow European payment service users (citizens and businesses) to make and receive payments overseas in an efficient, safe and quick manner. Enhancing cross-border payment arrangements would have benefits for the economy and also for financial inclusion. To further enhance cross-border payments, both the private and public sector share a responsibility to take action. This action should be in line with and support the roadmap to enhance cross-border payments defined under the coordination of the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI), and expected to be presented to the G20 Finance Ministers and Central Bank Governors’ meeting of October 2020.

**Question 38**
Should the Commission play a role (legislative or other) in facilitating cross-border payments between the EU and the rest of the world?

Yes.

**Questions 39 and 39.1**
Should the Commission play a role in facilitating remittances, through e.g. cost reduction, improvement of services? Please explain your answer and specify which role the Commission should play – legislative or non-legislative.

Yes. The European Commission should continue to play a role along national regulators and multilateral institutions in fulfilling international commitments to lower the cost of international remittances, including in the context of international targets (e.g. United Nations Sustainable Development Goals) and agreed-upon roadmaps to improve cross-border payments (see also answer to question 37.1).

The European Commission can undertake both legislative and non-legislative actions:
• PSD2 extends a number of obligations, notably information obligations, to one-leg payments, thereby extending the scope to international remittances where the sender’s (or the recipient’s) payment service provider is located in the EU. The revised Cross-border Payments Regulation equalises charges between euro-denominated cross-border payments and the corresponding national payments in national currency offered by EU PSPs. This ensures that the cost of euro remittances to non-euro EU/EEA countries will converge with that of domestic payments. The European Commission should make sure that the cost of euro remittances are actually reducing and that PSPs are not resorting to non-euro payments within the Union in order to preserve profit margins that may otherwise be affected in the case of euro-denominated cross-border payments. An eventual revision of PSD2 could take into consideration the role of correspondent intermediaries and impose relevant requirements with a view to improving cross-border payments including remittances. Finally, allowing direct access of non-bank PSPs to payment systems on equal terms as banks would benefit the provision of remittance services by removing barriers faced by remittance services providers (RSPs) in accessing clearing and settlement services via banks (e.g. due to banks’ risk appetite) as well as reducing RSPs’ reliance on their competitors (see also answer to question 35).

• Non-legislative action such as: (i) (continue to) collect and disseminate Member States’ progress in the implementation of international standards (i.e. the CPMI-World Bank Principles for International Remittances) and best practices towards the achievement of internationally agreed targets; (ii) support technical assistance with a view to enhancing payments infrastructure in remittance receiving countries; (iii) foster the application of innovative technologies and business models to international remittances, and; (iv) keep the momentum in the international agenda.

Question 40
Taking into account that the industry is developing or implementing solutions to facilitate cross-border payments between the EU and other jurisdictions, to what extent would you support the following actions?

<table>
<thead>
<tr>
<th>Action</th>
<th>1 Irrelevant</th>
<th>2 Rather not relevant</th>
<th>3 Neutral</th>
<th>4 Rather relevant</th>
<th>5 Fully relevant</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include in SEPA SCT scheme one-leg credit transfers</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wide adoption by the banking industry of cross-border payment trackers such as SWIFT’s Global Payments Initiative</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilitate linkages between instant payment systems between jurisdictions</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support “SEPA-like” experiences at regional level outside the EU and explore possible linkages with SEPA where relevant and feasible</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support and promote the adoption of international standards such as ISO 20022</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Please specify what other action(s) you would support.

- Technological innovations (e.g. in the context of facilitating linkages between payment systems across jurisdictions) could contribute to improving the efficiency and reducing the costs and frictions of cross-border payments. Further investigation is ongoing both at Eurosystem and international level.

- Applying AML/CFT frameworks consistently and comprehensively across jurisdictions may improve the efficiency of AML/CFT process and contribute to more efficient cross-border payments.

- Enabling non-bank PSPs to directly access the relevant payments infrastructure may increase competition in the provision of cross-border payments (see also answer to question 35).

**Question 40.1**

Please explain your answer to question 40.

- Including in SEPA Credit Transfer (SCT) scheme one-leg credit transfers implies that a SEPA credit transfer can be originated without the need for the originator’s payment account to be in the SEPA area, which would in turn facilitate cross-border payments. From a technical point of view this should be feasible, especially if the payment platform through which international euro-denominated SEPA credit transfers can be initiated migrates to the ISO 20022 standard as well. However, as including one-leg credit transfers in a scheme might have several implications from an operational, legal and regulatory angle, the European Payments Council (EPC) would need to conduct further analysis. If these strategic and technical discussions lead to a positive outcome, the EPC could then detail the necessary SCT rulebook change requests.

- Wide adoption by the banking industry of cross-border payment trackers such as SWIFT’s Global Payments Initiative (gpi). Some recent initiatives like the SWIFT gpi aims at addressing challenges, such as transparency, speed and traceability, at the back-end level. However, these initiatives may have a limited/indirect impact on some challenges (e.g. cost).

- Facilitate linkages between instant payment systems between jurisdictions. Effective interlinking of payment infrastructures can counter several frictions related to cross-border payments as transaction chains could become simpler and shorter, costs and fees lower, and liquidity less fragmented because stakeholders do not need to participate in multiple payment systems across many jurisdictions, i.e. interlinking may allow PSPs to interact directly through the linked infrastructures.

- Support “SEPA-like” experiences at regional level outside the EU and explore possible linkages with SEPA where relevant and feasible. The creation of SEPA created substantial benefits for trade within Europe thus lessons and experiences learned from SEPA should be used, where possible, to facilitate cross-border payments in the pursuit of a “same as domestic” experience.

- Support and promote the adoption of international standards such as ISO 20022. Promoting the use of international technical standards such as ISO20022 would help to further support integration of global payments and avoid fragmentation.
Questions 41 and 41.1
What would establishing linkages between instant payments systems in the EU and other jurisdictions achieve? Please explain your answer.

It would reduce the cost of cross-border payments between the EU and other jurisdictions.

Technically speaking, building links amongst real-time gross settlement (RTGS) systems and instant payment systems is feasible. As RTGS systems around the world are being renewed, and instant payment systems are being implemented, there is now a window of opportunity to build connections. Such linkages would spur competition globally and support settlement instantly in central bank money (thus eliminating settlement risk) without correspondent bank intermediaries, thus lowering costs and increasing speed of cross-border payments. Furthermore, as the demand for global payments increases, linkages would support the global digital economy and offer opportunities for new and innovative services. Nevertheless, cross-currency linkages do not eliminate the need for FX conversion, which should ideally be done by competing market participants. More competition at the level of currency conversion is likely to lead to lower bid ask spreads.