European retail payments in the digital era

EuroCommerce CEO Summit

14/02/2024

Piero Cipollone
Member of the Executive Board, ECB
The Eurosystem’s retail payments strategy
Revitalising the Eurosystem’s retail payments strategy

The Eurosystem has updated its retail payments strategy, three years after its adoption, following a number of key developments:

External

• Acceleration of digitalisation with the pandemic
• Increasing presence of big tech in payment and basic banking services
• Russian invasion of Ukraine and related increase in (cyber) risks to critical infrastructure in the EU/euro area

Internal

• Progress made on the digital euro
Priorities for 2024 and beyond

1. Existing goals remain important:
   - pan-European solutions for retail payments at the point of interaction (POI)
   - strengthening the “classic” Single Euro Payments Area (SEPA) (including full deployment of instant payments)
   - improving cross-border payments
   - supporting innovation, digitalisation, accessibility and sustainability in the European payments ecosystem

2. New goal added: increasing the resilience of retail payments

3. Explaining the complementary relationship between the retail payments strategy and the digital euro project
Strengthening the “classic” SEPA – key aspects for merchants

• Full deployment of instant payments
  
  • Opportunities for merchants: funds available in merchants’ accounts in around ten seconds, more cost-effective, easier-to-understand pricing structure, expected increased availability thanks to instant payments regulation.

  • Requires attractive conditions for end-users, such as availability on all commonly used electronic channels, and additional functionalities, such as SEPA Request to Pay.

• The Eurosystem welcomes the European Payments Council’s SEPA Payment Account Access (SPAA) scheme.

  • The SPAA scheme enriches the European payment landscape by enabling innovative account to account services and payment solutions, providing merchants with more options to tap markets across borders.
Complementarity with the digital euro

Both pieces of the puzzle reflect the need to achieve **economic efficiency** and **strategic autonomy** in Europe, to make retail payments more **resilient** and support **digitalisation** and **innovation**.

| Envisages using, to the greatest possible extent, existing industry standards, components and technology | Private retail payment solutions could leverage the implementation of the digital euro to achieve pan-European reach |

Digital euro

Retail payments strategy
The digital euro

What’s in it for merchants
A digital euro would preserve the freedom to use a public means of payment for the 349 million people who live in the euro area.

Responding to evolving payment trends

Reflecting people’s increasing preference for digital payments while still offering the option to pay with cash:

- Cash payments fell from 72% in 2019 to 59% in 2022.
- Online purchases increased from 6% in 2019 to 34% in 2022.
- Most consumers (60%) still consider it important to have cash for payments.

Making people’s lives easier

Providing a public digital means of payment that consumers could use free of charge, for any digital payment, anywhere in the euro area.

Sources for figures: 2019 and 2022 SPACE surveys.
Strengthening Europe’s resilience

Tackling geopolitical challenges and strengthening our resilience

Ensure **Europe’s strategic autonomy** and monetary sovereignty
Reduce our **dependence on non-European payment service providers**
Foster **innovation** and **competition** in the European payments sector
A digital euro offers merchants a state-of-the-art payment solution and easy access to Europe’s consumers

- Efficient payments
  - State-of-the-art payment experience for consumers
  - Access to consumers across the entire euro area

- High(er) conversion rates
  - A solution for all key payment use cases
  - Standardised, recognisable front-ends

- Instant receipt of funds
  - Bringing instant payments to the point of sale
A fair compensation model for digital euro intermediaries*

Four-party model

End-user

Merchant

Issuing bank

Acquiring bank

Public good features

Wide usage in the euro area

Free basic use by individuals

Eurosystem bears its own costs (no settlement, processing, or scheme fees)

Safeguards for merchants

Adoption incentives for end-users

Adoption incentives for PSPs

Network effects

* Subject to digital euro legislation.
Legal tender and obligation to distribute boost network effects but safeguards for merchants are necessary

Core compensation model principles

- Wide usability in the euro area
- Free basic use by individuals
- Eurosystem bears its own costs
- Safeguards for merchants

Merchants need adequate safeguards and payment service providers reliable compensation

According to the legislative proposal:

Fees and charges should not be higher than those requested for comparable private digital means of payment
Addressing merchants’ concerns through design and legislation

Euro Retail Payments Board
Demand and supply side of euro retail payments, including consumers, merchants, and payment service providers

Ensuring low merchant fees and simple (fixed) fee structure
A compensation model must work for all ecosystem participants. The ECB welcomes the proposed cap on merchant fees, also in view of the need to preserve the effective use of the digital euro as legal tender.

Allowing for multiple digital euro accounts
The ECB will further investigate this, as the possibility of users holding multiple digital euros payment accounts with the same or different PSPs would entail technical difficulties, especially as regards the management of a holding limit.

Leveraging on existing standards and infrastructure
This is a key objective within the Rulebook Development Group (of which EuroCommerce is a member) and in rollout plans (gradual and considering terminal replacement cycles, for example)
At the core of the project: constant collaboration with all stakeholders

- **General public**: Euro area citizens
- **Policymakers**: European Parliament, Council of the EU, Eurogroup, European Commission, Other EU bodies
- **Market participants**: Financial institutions, Consumers, Merchants, Infrastructure and technology providers
- **Other stakeholders**: Academics, Civil society organisations
- **Other central banks**: Bank for International Settlements, Central banks with CBDC projects
Additional reference material:
• Eurosystem’s retail payments strategy
• Report: A stocktake on the digital euro
• Updated FAQ on a digital euro
• ECB Opinion on the European Commission’s legislative proposal on digital euro
• ECB Opinion on the European Commission’s legislative proposal on the legal tender of euro banknotes and coins
• Digital euro video
• Digital euro one-pager
• Digital euro booklet
• Digital euro LinkedIn page