

26 June 2020

**Directorate-General for Financial Stability, Financial Services and Capital Markets Union**

European Commission  
1049 Bruxelles/Brussel  
Belgium

To the attention of: Unit B3- Retail financial services

**Re: Consultation on a retail payments strategy for the EU**

Dear Sir/Madam,

In response to the public consultation on a retail payments strategy for the EU launched on 3 April 2020 and ending on 26 June 2020, EBA CLEARING, as System Operator of STEP2 and RT1, hereby submits a number of considerations related to specific points raised in the document. We are honoured to contribute to this valuable exercise and look forward to the resulting EU strategy for the European retail payments ecosystem.

**Background**

EBA CLEARING is a provider of private sector operated pan-European payment infrastructure solutions. Founded in 1998, the Company is owned by 49 of the major banks operating in Europe and based on a country-neutral governance model. The payment systems of EBA CLEARING are pan-European by design and desire: they are developed in close co-operation with the Company's multinational user community and best-of-breed technology partners, all operated on the basis of a cost-recovery model.

To date, EBA CLEARING manages two Systemically Important Payment Systems, the large-value euro payment system EURO1 and STEP2, a pan-European payment infrastructure platform for mass payments in euro, which provides full reach to all financial institutions across Europe processing credit transfers and direct debits in euro. This means that more than 4,800 financial institutions in all SEPA countries are currently reachable via STEP2.

Further, with the support of 39 funding institutions from across SEPA, EBA CLEARING has implemented RT1, a pan-European real-time payment infrastructure platform for euro transactions aligned to the European Payments Council's SCT Inst scheme. The system is open to any PSP adhering to the EPC's SCT Inst Scheme and has handled instant payments in line with the scheme since its launch date in November 2017. Information on its current statistics can be found [here](#).

## Expectations for the future Retail Payments Strategy

- It is EBA CLEARING's view that:
  - the retail payment systems provided by EBA CLEARING (STEP2 and RT1) have helped contribute to the European payments industry's aims to deliver a well-functioning, risk-mitigating, cost-efficient and effective ecosystem for retail payments in the SEPA area.
  - the retail payments ecosystem has been significantly enhanced, in particular by the introduction of instant payments, which have the potential to benefit all stakeholders in the European retail payments ecosystem. Instant payments have witnessed a steep growth in their use, with adoption and implementation constantly increasing across Europe.
  - there is further space for strategic developments in state-of-the-art European retail payments solutions, for example, the European Payments Council's (EPC) SEPA Request to Pay scheme (SRTP), when approved, will enable participants to develop a multitude of end-user pay now or pay later solutions. The SRTP scheme is a natural evolution of the current ecosystem, leveraging existing capabilities and enhancing them with additional functionalities in a cost-effective manner for all the different stakeholders.
- EBA CLEARING considers that the future Retail Payments Strategy could contribute to:
  - developments in the above direction, i.e. supporting enhanced functionalities for existing schemes, enabling improved end-user experiences and state-of-the-art European retail payments solutions.
  - on the demand side, the future Retail Payments Strategy should encourage the market to take advantage of existing and developing pan-European products and services and ensure a level playing field in the market, promoting competition and pan-European harmonisation.
  - all while ensuring risks and complexity are not increased as an unintended consequence.

## Reinforcing the EU's economic independence

- The European Commission via its Directorate Generals (in particular DG-FISMA and DG-Competition) has an important role to play in drafting the guiding strategy for pan-European retail payments. The strategy should ensure integration is executed by the different stakeholders in a consolidated manner, by leveraging existing infrastructures, at the systems' side and on the participant side. The strategy should promote a level playing field, a fair and open market and provide continued support to industry-driven initiatives bringing the necessary innovation

and digitalisation to the payments market in Europe.

- The efficiencies offered by an integrated, pan-European retail payment ecosystem will minimise costs and reduce risks for all stakeholders. Coherent implementation will support the role of the euro both domestically and cross-border as has already been witnessed throughout the SEPA migration.

### **Successful rollout of pan-European payment solutions based on instant credit transfers**

- Rather than developing new schemes or standards at the infrastructure level, which require significant investments and have an impact for all stakeholders – including merchants –, the payments ecosystem could benefit from leveraging existing pan-European payment standards and building blocks. Stakeholders in the ecosystem have made significant investments in this area and these should be taken into consideration, avoiding additional cost for the industry as a whole.
- The latest EPC scheme, SRTP, will enable SEPA market players to unlock more of the potential of SEPA, in relation to the usage of both SCT and SCT Inst payments. Merchants will benefit from adding SRTP- based solutions, triggering SEPA payments.
- The existing SEPA payments instruments provide a solid basis for innovation. Adding a relatively small building block to the standard payment process flow, such as SRTP, will further leverage the reach achieved in SEPA in a 4-corner model of payer, payer's provider, payee and payee's provider. A 4-corner model based on pan-European standards will enable different actors to each develop innovative solutions and services tuned to their clients' needs, allowing for competition, which in itself can lead to further innovation and the development of new services.
- Regarding potential risks of instant payments, general feedback received from our users is that instant payments, due to the required speed, can pose challenges related to fraud or money laundering processes. Using SRTP-based services can help to mitigate some of the risks in this area: with SRTP, information that provides context to the payment to follow is exchanged between Payee and Payer. This richer context, in advance of the payment itself, can help detect and prevent fraud or money laundering.

### **Interoperability of instant payment infrastructures**

- Through the two pan-European instant payment systems, RT1 and TIPS, Europe's instant payment ecosystem is well supported by a well-functioning, risk-mitigating, cost-efficient and effective infrastructure backbone that will allow the European payments industry to achieve pan-European reachability for euro instant payments. This has already been achieved for nearly all scheme-adhering participants.
- Ubiquity or critical mass, which is generally understood as having been established when market coverage stands at 90%, should be achieved in the coming months without any intervention in the current market. The current reach as indicated by the mapping of RT1 Participants against SEPA flows is over 75%.
- Technical interoperability between the two pan-European systems and other

clearing and settlement mechanisms has been achieved by leveraging the ISO 20022 standards, compliance with the EPC SCT Inst Scheme requirements and using the RT1 technical service provider and TIPS instructing party functionalities. This works well in SCT and SDD today.

- Industry discussions are ongoing with a view to further enhancing the current set-up. In this context, we have made suggestions to the Eurosystem (which have been shared with DG-FISMA as observer in the AMI-Pay group) to enhance the current set-up and achieve the single-CSM possibility without having to favour a particular CSM; thus avoiding any negative effects on the level playing field in the market. We further expressed our concern that some of the other options being considered could have a chilling effect on innovation in the European payments landscape.

### Licensing and Oversight

- In order to ensure a true level playing field, a clear single regime managed at the relevant level (i.e. EU for pan-European systems and national for local systems) should be adopted.
- This should be ensured in addition to full mutual recognition of different local authorities, i.e. there should be no duplication/overlap of applicable local regimes.
- The current centralised oversight framework that the payment systems operated by EBA CLEARING are subject to comprises a lead overseer, the European Central Bank, and collaboration with the national central banks of the Eurosystem. This framework ensures centralisation of requirements and an efficient, resilient, and well-coordinated oversight regime. This type of centralised cooperative approach for pan-European systems ensures a level playing field and a competitive market.

On behalf of EBA CLEARING, I would like to thank the Directorate-General for Financial Stability, Financial Services and Capital Markets Union for the opportunity to reply to this consultation. We hope you will find the above-mentioned points useful in light of your review of the retail payments strategy for the EU.

If you require further information on any of the points we have made above or any related questions, we remain at your disposal for a more comprehensive discussion.

Sincerely,



Hays Littlejohn  
CEO  
EBA CLEARING