

Position Paper

Bitkom Position Paper on the Retail Payments Strategy for the EU

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Page 1

Introduction

By publishing the Digital Finance Package, the EU Commission has provided an unprecedented cornerstone with regards to the harmonization and digitization of EU's financial markets. Bitkom welcomes the package that builds upon developments during recent years and approaches an increasingly diverse market with the needed depth and scrutiny to achieve the goals of a) building an ecosystem of trust that furthers innovation and b) ensuring the interests of consumers by relying on high security standards.

Bitkom appreciates the opportunity to comment on the Digital Finance Package and is committed to partake in the political and societal discourse during the legislative processes in the months to come. Payments have developed into a core strategic issue for financial institutions and the market has undergone major shifts which have led to a greater diversification of products as well as players. Hence, we welcome the opportunity by the German Ministry of Finance to share our first perception of the Retail Payments Strategy.

Retail Payments Strategy for the EU

In the past years, Bitkom has been a strong advocate for the digitization of the European payments landscape. We believe that a diverse and modern payments infrastructure is highly beneficial to the European economy and its citizens while playing an important role in deepening the Digital Single Market. Thus, we welcome the European Commission's Retail Payments Strategy that is dedicated to improve the acceptance infrastructure and aims at reaching an optimum equilibrium between establishing an open, innovative cross-border ecosystem and maintaining high security standards. In this context, Bitkom appreciates that the European Commission is committed to address inner-European market fragmentation, considers auxiliary services (e.g. eID), explores the opportunity of new technologies (e.g. CBDC), and focuses on establishing a level-playing field between established players and new tech players entering the market.

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Position Paper Retail Payments Strategy for the EU

Page 2|3

Specific Remarks

Instant Payments as the new normal, SEPA Instant Credit: We appreciate the Commission's focus on instant payments, which – in our opinion – offer added value for both B2B as well as B2C segments. Being supporters of a technology-neutral approach, we consider instant payments as complementary and supporting to other solutions, in particular direct debit, debit and credit cards, and new payment solutions. Whether instant payments become the “new normal” – as stated in the strategy – is a question that is dependent on several factors, such as market readiness and consumer adoption. Due to the instant processing and settlement of payments, potential risks, such as fraud and non-reversibility of payments compared to classical SEPA credit transfers, must be highlighted and require a new way of thinking.

We welcome that the Commission wants to assess the status quo by examining the number of payment service providers as well as the number of accounts having already adhered to SEPA Instant Credit to derive concrete measures for promoting instant payments. In general, we favor an incentive-based, merit-driven, and technology-neutral approach that brings about “natural” market adoption with a functioning underlying business model. In this context, we would like to point to the needed investments in infrastructure, which particular market players have to face when setting up SEPA Instant Credit.

Exploiting the potential of electronic identity (eID) for customer authentication: We very much welcome that the “Commission [is] committed to revise the eIDAS Regulation to [...] extend its application to the private sector”. Binding European rules and standards for trust services and identity solutions are key for deepening the European financial market and overcome market fragmentation. Currently we experience highly differing standards across European geographies with regards to KYC processes, which not only come with the burden of administrative costs but also hamper digitization and automation in the field of eID.

Improving the acceptance of digital payments: Bitkom was an early advocate for an improved acceptance infrastructure. We highly appreciate that the European Commission is considering legislative action to drive acceptance. According to our opinion, the Retail Payments Strategy must combine the focus on product solutions as well as the acceptance infrastructure.

Reaping the full potential of PSD2: We welcome the European Commission's commitment to open banking and open finance. The PSD2 was a milestone toward a more open financial landscape; however, the implementation also brought forward some difficulties for market participants. For the ongoing implementation of PSD2 and during its revision, we

Position Paper Retail Payments Strategy for the EU

Page 3|3

would like to stress the need for close collaboration with all market players and to ensure that potential new standards do not interfere with well-functioning standards.

The need for close and early-on collaboration is well depicted by the currently still ongoing transition phase toward SCA-readiness. In this context, we want to highlight that we support the European Commission's commitment to impede fraudulent behavior and protect consumer interests. An impact assessment of existing rules will be of utmost importance as otherwise new regulation may lead to measures, yielding unintended, unwanted effects. Bitkom advocates technologically neutral measures prescribing to institutions thresholds for acceptable fraud levels rather than providing detailed measures, such as SCA, to reach the thresholds; the latter should be the institutions own responsibility.

PSD2 enabled the entrance of new non-established players. The payment landscape is a great example for the ongoing diversification of financial services ecosystem. We appreciate that the European Retail Payments Strategy reflects this development and assesses needed steps to maintain a level-playing-field among market participants.

Future-proof supervision and oversight of the payments ecosystem: Bitkom wishes to emphasize the need for reasonable regulation. Technical service providers engaged in the financial services sector are usually as of today subject to supervision under the very detailed and extensive outsourcing regulation which has only recently been enhanced by the EBA Guidelines on Outsourcing. The Commission is well advised to first assess the impact of this new regulation which has not even been enacted in full and everywhere. However, Bitkom understands the Commission's approach to assess whether improved supervision and oversight can be achieved by making certain and further group structures subject to prudential supervision.

Bitkom represents more than 2,700 companies of the digital economy, including 2,000 direct members. Through IT- and communication services alone, our members generate a domestic annual turnover of 190 billion Euros, including 50 billion Euros in exports. The members of Bitkom employ more than 2 million people in Germany. Among these members are 1,000 small and medium-sized businesses, over 500 startups and almost all global players. They offer a wide range of software technologies, IT-services, and telecommunications or internet services, produce hardware and consumer electronics, operate in the digital media sector or are in other ways affiliated with the digital economy. 80 percent of the members' headquarters are located in Germany with an additional 8 percent both in the EU and the USA, as well as 4 percent in other regions of the world. Bitkom promotes the digital transformation of the German economy, as well as of German society at large, enabling citizens to benefit from digitalisation. A strong European digital policy and a fully integrated digital single market are at the heart of Bitkom's concerns, as well as establishing Germany as a key driver of digital change in Europe and globally.