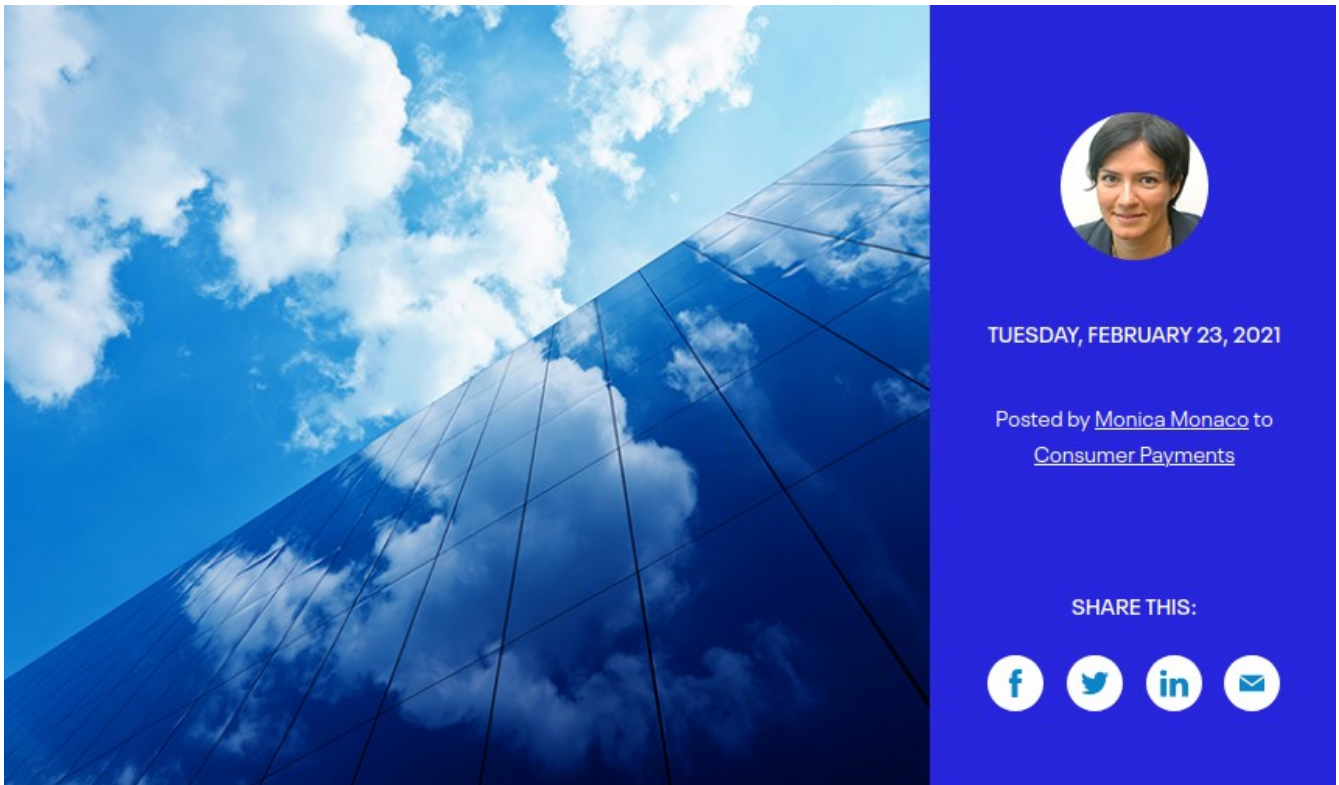


The European Commission's Retail Payments Strategy: What's in There and Why Is It Important?



In September 2020, the European Commission (EC) published the European Retail Payments Strategy (RPS), which is now being reviewed by the Council of the European Union in view of adopting its draft conclusions on the RPS.

The RPS sets out the EC's strategy on payments-related regulatory changes for the next four or five years and covers a wide range of themes, while providing real insight into what the European regulators envisage as the future of payments in Europe.

First, the RPS covers the matter of instant payments, which, according to the EC, shall become the "new normal.;" The RPS hints at the possibility that a legislative initiative may be necessary for instant payments to become widely used, should the take-up of instant payments in the market not grow autonomously. Such a proposal, if decided, would set the criteria for determining which payment service providers should be subject to obligatory participation in the SEPA Instant Credit Transfer (SCT Inst.) scheme and may also include the development of European standards for QR-codes.

As instant payments are in principle irrevocable, the RPS also considers how consumer protection shall be enhanced, and suggests that the EC could envisage specific rules on refunds for instant payments and on the levels of fees levied on consumers for their access to instant payments. And, if relevant, they may require that these fees are no higher than those levied for regular credit transfers.

Moreover, the RPS welcomes the European Payments Initiative (EPI) and considers it an encouraging development. The RPS goes on to explain that by the end of 2023, the EC will explore the feasibility of developing a 'label,' accompanied by a visible logo, for eligible pan-European payment solutions. It will also explore ways to facilitate the deployment of European specifications

for contactless card-based payments, support the modernization and simplification of EU merchants' payment acceptance facilities, enabling, for example, cash registers to issue e-receipts.

Furthermore, the RPS also explains that the EC will explore ways to promote the use of electronic identity (eID) and solutions based on trust services, in order to support the implementation of Strong Customer Authentication (SCA) requirements under PSD2 for account login and initiation of payment transactions.

Finally, the RPS mentions the review of the Payment Services Directive 2 (PSD2) and explains that, at the end of 2021, the EC will launch a comprehensive review of the application and impact of PSD2, while also planning to present a legislative proposal for a new 'Open Finance' framework by mid-2022.

As far as this last point is concerned, rumors are that the PSD2 revision could cover the scope of application of the PSD2 (which could bring technical providers within its scope), its interplay with the E-Money Directive and GDPR, the creation of a new licensing regime for technical providers, as well as some adjustments for instant payments to the D+1 rule.

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