

CEPS-ECRI Task Force

# THE FUTURE OF RETAIL PAYMENTS IN THE EU



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# BACKGROUND

EU payment markets have dramatically evolved in the last few decades. Having initially only relied on cash, payments have seen the introduction of credit and debit cards, and over the last decade numerous digital and mobile payment options. Supported by the digital transformation, in combination with regulatory and technology developments, banks, third-party providers and technical service providers have developed new ways to make in-store payments, online and P2P. These evolutions have also required legislative initiatives, to limit fraudulent activities and ensure consumer protection.

Starting with the Payment Services Directive (PSD1) adopted in 2007, followed by its revision in 2015 (PSD2), and currently under its third revision which proposes a split of the Directive into two pieces, a proposal for a PSD3 and a proposal for a Regulation, Payment Services Regulation (PSR), the payments market has seen major changes.

PSD2 supported the development of new means of payments by enabling third party providers (TPPs) access to payment accounts and (also known as Open Banking). Still, Open Banking has a long way to go before reaching its full potential, with the PSD3 and PSR proposals trying to tackle some outstanding issues.

The European Commission has not limited itself to proposing improvements to Open Banking. It has gone a step further by proposing a new Regulation, known as FIDA (Financial Data Access), whose approval would legally establish what is commonly known as 'Open Finance'.

In line with the objectives set by the European Commission in its Retail Payments Strategy in 2020, the Instant Payments Regulation was adopted in March 2023 with the aim of having all banks accounts reachable 24/7/365. With the new Regulation, bank transfers will no longer require a few days but a few seconds.

In parallel to the so-called 'traditional' payment methods, new ones have emerged with the development of crypto currencies, regulated under the Markets in Crypto-Assets Regulation (MiCA). All these new payment methods and solutions have led to multiple innovative developments of the payments market.

Regulatory processes are lengthy with draft proposals going through intense debates. The many regulatory measures have often made it increasingly complex to fully understand their real market impact and how they interplay with each other.

The European Commission has prioritised innovation and integration as the key goals at the heart of the Retail Payments Strategy, focusing on consumers, and on consumer protection, with concerns also on financial literacy and how it can and should play a key role, as a complement to consumer protection. The level of financial and digital literacy in the EU is low, and it is even lower among certain groups: young people, women, and older age groups.

The ECB retail payments strategy also promotes European retail payment solutions that are safe and efficient for society as a whole, and it aims to meet the rising challenges to European sovereignty in the payments market. The main goals of the strategy are to develop pan-European solutions for payments at the POI, with these solutions governed at the European level, and to further strengthen the "classic" SEPA, primarily through the full deployment of instant payments. The strategy's goals, within the context of a European ecosystem for

payments, also include improving cross-border payments beyond the European Union, increasing the resilience of retail payments, and supporting innovation and digitalisation.

In addition, the ECB has started working on the digital euro project, which aims to develop a new retail payment method parallel to traditional money and to electronic and digital private payments methods, that can function as a digital cash option hosted by the European Central Bank. This dynamic will have a strong impact in the payments market as we know them today and its full implications are yet to unfold.

CEPS, and its 'sister' organisation ECRI, have been monitoring payment developments and analysing payment related EU policies for the last two decades. They are thus well placed to discuss the future of payments.

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# A TASK FORCE

CEPS-ECRI are launching a specific Task Force to debate the perspectives, trends and implications on European Retail Payments going forward. It should meet in hybrid format at least five times on the basis of a detailed agenda, a draft outline of which is detailed below. Post-meeting reports will be prepared and circulated. Based on these discussions and its own independent research, CEPS-ECRI will publish a final report drafted by the Rapporteurs, summarising the outcome of discussions. Members of the Task Force will be given the chance to comment on a draft of the report. The final report will be presented at a public event in CEPS.

The Chair of the task force will be **Madalena Cascais Tomé, CEO of SIBS Group**.

## AGENDA

The task force will meet at least five times over a period of six months and come out with a report during the first quarter of 2025, preferably in February. The suggested agenda is as follows.

### 1. **First meeting: 27 September 2024 – Introduction and stocktake of the European payments market**

Presentation of the members of the Task Force, outline of working methods and agreement on the topics to be discussed.

Stocktake of the European payments landscape, namely:

- Which key trends do we observe regarding consumer and merchants needs and habits? And market and solution developments?
- How have European players, namely issuers and acquirers, adjust and evolved to stay relevant in the payments market?
- How have domestic / regional card schemes and mobile payment solutions evolved to stay competitive in more European market?

Questions:

- ✓ What do members envisage as the main outcome of this Task Force?
- ✓ What are the key opportunities and challenges of the current EU work program/strategy for retail payments?
- ✓ Is it still fit for purpose?
- ✓ Does it tackle the right concerns?

### 2. **Second meeting: 25 October 2024 – Strategic autonomy and competition in the payments market**

Payment markets in the EU have traditionally been dominated by a few non-European players. This foreign dominance has raised political questions regarding the strategic autonomy and sovereignty of the European payments market. Further amplification of the foreign dominance can also be observed in the increase in financial services provided by

BigTechs and in crypto-assets, with a majority of assets being developed and traded on non-EU platforms.

Ensuring a level playing field between the different payment actors has been a challenge. With the creation of SEPA, Open Banking and Instant Payments, the EU has been building the foundations and infrastructure (TIPS, T2) to allow for pan-European and non-card-based solutions to emerge.

Several initiatives have emerged, such as EuroPA between MB WAY by SIBS (Portugal), BANCOMAT Pay (Italy) and Bizum (Spain); EPI with 16 banks and financial service companies from Belgium, The Netherlands, Germany, Luxembourg, and France; and Vipps MobilePay between Norway, Denmark and Finland. They all share the common goal of reaching the point of sale and ensure cross-border payments.

In addition, before these solutions had time to reach the market, the ECB launched the digital euro project and stated that one of its key objectives is to develop a retail payments solution with pan-European reach.

Questions:

- ✓ Why aren't European retail payment solutions and platforms able to compete at the global level?
- ✓ How can PSR/PSD3 ensure a level playing field for the different means of payments emerging, namely account-based payments?
- ✓ How can the digital euro be implemented in a way that complements European private payment solutions and innovation?
- ✓ Is the EU strategic autonomy and sovereignty really at risk?

### 3. Third meeting: 29 November 2024 – Digitalisation, innovation, and data

Digitalisation has increased the importance of electronic means of payments across the EU and fostered the creation of new innovative payment solutions. Testimony of this is that payments have been used in the EU as a testing ground for open data through PSD2 and open banking.

Tokenization has taken a very prominent role in recent years as a mean to protect payments data. This new technology has grown in line with the growth of Big Tech wallet solutions. More and more, there are new players and use cases, beyond payments traditional / regulated players.

Consumer data and behavioural biometrics are becoming increasingly important to ensure that payments are secure. Their relevance for Strong Customer Authentication is, and should be guaranteed, and properly reflected in PSR/PSD3.

Questions:

- ✓ Has open banking delivered its goals? What can be learned for the future?
- ✓ Which EU legal measures might be hampering the deployment of new and innovative products?
- ✓ In which way can the Digital Markets Act contribute?
- ✓ Tokenization seems to be the future but is it opened to all market players?

- ✓ Rise of Big Techs and in a context of convergence – How to ensure a level playing field between all market players? Could the ECB opinion on PSR/PSD3 hold the answer?
- ✓ How can we ensure that SCA is both technologically neutral and future proof?
- ✓ How does the new AI act interplays with all the above?

#### 4. Fourth meeting: 11 December 2024 – Consumer protection, fraud prevention and data sharing

In a market undergoing so many transformations, part of the focus must be on guaranteeing consumer literacy and protection. PSPs have been continuously investing in fraud prevention and mitigation and a sharp decline in non-authorized transactions can be observed. However, we see a significant rise in social engineering and authorized push payment fraud (APP fraud) which come with a new set of questions, namely are the current proposals in PSR enough?

The importance of data sharing has become more and more pressing, namely as an instrument to effectively fight fraud. The sophistication of fraud techniques and patterns merits equally innovative and adaptive systems.

How can data protection be guaranteed without hampering innovation? Different legislation, such as FIDA, PSR and GDPR, legislate about data protection, how can those different rules be better harmonized to bring clarity to the market? What is needed to ensure consumers that their payments are secured?

Questions:

- ✓ Is the Article 55 of PSR on evidence on authorisation and execution of payment transactions still fit for purpose?
- ✓ What are the merits of the subjective and objective theories? Could the EBA [opinion](#) on PSR/PSD3 hold the answer?
- ✓ Are the new proposals for data sharing platforms in PSR enough to effectively tackle fraud and protect consumers?
- ✓ Do we need a more comprehensive approach to fraud or tackling the issue from a pure payment's perspective is sufficient?
- ✓ What should be the European agenda regarding consumer digital literacy and inclusion, in payments and beyond?

#### 5. Fifth meeting: 24 January 2025 – Task Force recommendations

The final meeting will focus on the report's key recommendations according to the topics identified. Members will have the opportunity to have an in-depth discussion on what should be the focus of the EU for the coming years and how the work of this Task Force can contribute.

But payments are not a purely national, regional or European topic and we must also consider how the EU objectives fit in a globalized world.

Moreover, there is a convergence between sector and other tech players in the digital space, but also between private and public initiatives in Europe. In this context, what should be the most effective approach to ensure that there is room for innovation and private initiative in Europe by European players, contributing to European autonomy and sovereignty in retail payments.

Questions:

- ✓ What will the European retail payments space look like in 2030?
- ✓ Are the current EU priorities in line with global trends?
- ✓ What should be the EU legislators' priorities in the coming years?

The Rapporteurs (CEPS staff) will organise the meetings, conduct research independently and draft the final report.

The Task Force members – a group of stakeholders: industry representatives and observers (e.g. academics, policymakers, regulators, supervisory authorities, consumer/investor associations) – will steer the research agenda of the meetings and actively participate at the discussion, together with the chair. The members will also review the final report and comment on the list of recommendations.

The roles are described in detail in the Annex.

Based on the research agenda outlined in this prospectus and further discussed and agreed upon at the first session, the meetings will be held under the Chatham House rule and be closed to the press. Participation is limited to members of the Task Force, observers and selected invitees. The Chairperson will make sure that multiple interests are represented and taken into account. A detailed agenda will be distributed prior to each meeting.

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# CONDITIONS OF PARTICIPATION

Participation in the Task Force is subject to a fee to cover organisational expenses. CEPS and ECRI members are entitled to a discounted fee and non-members (with a commercial interest) pay the full fee.

The fee covers:

- The research carried out by CEPS and ECRI staff
- Organisational, logistical and other costs of all meetings
- Web access and documentation
- Launch of the final report in Brussels at a public event to maximise exposure
- Press release and communications management
- Printing and editing costs of the final report
- Distribution of the final report to key stakeholders in the industry and among policy circles

Fee Structure (+21% VAT)	
CEPS premium members	€ 0
ECRI/ECMI Member	€ 1,000
CEPS corporate or associate members	€ 3,000
Non-members	€ 5,000
Academic/Policy Observers	free of charge (academics, policymakers, regulators, supervisors, independent experts, consumer/retail investors associations)

## CONTACT US

For further questions, please do not hesitate to contact:

**Beatriz Pozo** by email at: [beatriz.pozo@ceps.eu](mailto:beatriz.pozo@ceps.eu).



# REGISTRATION FORM

**CEPS/ ECRI corporate members** – check the applicable box (+21% VAT)

ECRI/ECMI members | EUR 1000     CEPS Corporate or association member | EUR 3000

PLEASE INDICATE THE NAME AND POSITION OF THE MAIN CONTACT PERSON

First name:	Last name:
Job title:	
E-mail:	Telephone:

**Non-members** - check the applicable box (+21% VAT)

Full Fee | EUR 5,000

PLEASE INDICATE THE NAME AND POSITION OF THE MAIN CONTACT PERSON

First name:	Last name:
Job title:	
E-mail:	Telephone:

**Billing information (only for industry participants)**

Company/Association:

Department:

Tax register number (VAT for Europe):

Postal address:

Postcode:

City:

Country:

Contact person:

**Date:**

**Signature:**

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# ANNEX

## Principles and Guidelines for the Task Force

This appendix offers guidance to members of the Task Force and other parties wishing to understand the functioning of the initiative and the drafting process of the final report. Task Forces represent structured dialogues among industry representatives, policymakers, academics and other relevant stakeholders who discuss topics in dedicated meetings. The final report is the result of the research carried out independently by CEPS-ECRI Rapporteurs.

### Participants

The **Chair could be** an expert appointed by CEPS to steer the dialogue during meetings and advise as to the general conduct of the activities of the Group.

The **Rapporteurs** are CEPS researchers who organise the task force meetings, conduct the research independently and draft the final report.

The **Members** are any individuals, such as academics, policymakers, regulators, supervisors, representatives of commercial companies, trade associations, consumer interests' groups, investors' associations, who participate in the activities of the Task Force in a personal capacity. They must have expertise in the topics discussed and provide input to the discussions through presentations and relevant material for the final report.

### 1. The role of the Task Force members

The Task Force members will:

- Steer the research agenda of the meetings and the content of the active discussions;
- Contribute to meetings with active input, including targeted presentations;
- Support the research of the Rapporteurs and comment on the various drafts of the reports, including the possibility to produce written contributions (subject to the Rapporteurs' approval and editing);
- Ensure that the research behind the final report adheres to the highest standards;
- Have access to all the documents and presentation made during the meetings;
- Contribute to the recommendations that will be discussed and added to the final report.

### 2. The role of the Observers

A group of policymakers, academics, consumers' associations and independent experts may attend the TF meetings. They will attend in an observer capacity, so they will not be required to provide a contribution (unless agreed otherwise). This group will also include speakers invited by CEPS to provide individual contributions to one or more meetings.

The lists of members of the Task Force and the Observers will be featured in the final report and on the CEPS websites. All members attend the meetings in a personal capacity and do not necessarily endorse the recommendations of the final report.

## Objectives of the final report

- The report is meant to contribute to the policy debate by presenting a balanced set of arguments, based on the discussions among participants and internal desk research.
- The report seeks to provide readers with a constructive basis for discussion. The authors will not seek to advance a single position or misrepresent the complexity of any subject matter.
- The report also fulfils an educational purpose and is therefore drafted in a manner that is easy to understand, with technical jargon fully defined.

## Drafting of the main text

- In the main text, rapporteurs detail the results of the research carried out independently in the framework of the Task Force. This part of the report will refer to the discussions during the meetings but also to available data and literature.
- Scientific literature may be cited in this part of the report. Members are not expected to endorse any reference to this literature. A general disclaimer is inserted to clarify this aspect.
- The conclusions of each section will be clearly presented.

## Use of data

- The final report features data that are considered both relevant and accurate by the Rapporteurs.
- Task Force members are encouraged to contribute with any data or propose any source of data that Rapporteurs consider as relevant.
- Task Force members may question either the relevance or accuracy of any given data. After consultation with the Chairman, the Rapporteurs may decide either to exclude this data or to mention these concerns in the main body of the text.

## Drafting of conclusions and recommendations

- The final report will feature a set of policy recommendations, drawn up by the Rapporteurs, which are meant to reflect the Task Force's discussions during the process. For a recommendation to be featured in the report, there needs to be enough information being discussed in the open debates among the TF members. In all cases, the report will seek to identify the points where there is some sort of common understanding of market issues.
- Both policy recommendations and the content of the final report will be summarised at the beginning of the report in the form of an 'executive summary'.
- TF Members will be given ample opportunity to review the final report and provide their input on a draft version. Nevertheless, the authors (Rapporteurs) will be solely responsible for the content of the final report.

## Sample disclaimer

*"The findings presented in this Final Report do not necessarily reflect the views of all the members of this Task Force. However, the members were involved during the drafting of the Final Report and provided input to the discussions through presentations and the provision of data and other materials, which have been used in this Final Report. A set of principles has guided the entire drafting process to allow all of the interests represented in the Task Force to be heard. The*

*Rapporteurs are solely responsible for its content and any errors contained therein. The Task Force Members, or their respective companies, do not necessarily endorse the conclusions of the Final Report.”*

**Chair:** *Madalena Cascais Tomé, CEO of SIBS Group*

**Rapporteurs:** Judith Arnal Martínez, Associate Senior Research Fellow, CEPS

Fredrik Andersson, Researcher, CEPS

Beatriz Pozo, Financial Markets and Institutions Coordinator, CEPS