

ERPB SECRETARIAT

## Annual report of the Euro Retail Payments Board 2014-2015

### 1. The Euro Retail Payments Board (ERPB) and its mandate

Retail payments are the backbone of the real economy. The integration of the European retail payments market is a natural consequence of the monetary union. It facilitates everyday life for European citizens and companies along with trade, financial integration and market competitiveness in the European Union.

To reinforce the governance of the EU retail payments market, the Governing Council of the ECB created the Euro Retail Payments Board (ERPB) in December 2013. The mandate of the ERPB<sup>1</sup> states that “the objective of the ERPB is to contribute to and to facilitate the further development of an integrated, innovative and competitive market for euro retail payments in the EU”.

The ERPB is a high-level strategic body that formulates common positions, guidance, statements and strategic views and follows up on these by delivering on the identified work priorities, including standardisation needs.

### 2. Composition of the ERPB

According to its mandate, the ERPB is composed of seven members from the supply side and seven from the demand side of the retail payments industry. On the supply side, four seats are allocated to the banking community, two to payment institutions and one to e-money institutions. On the demand side, two members represent consumers and one member represents each of the following stakeholder categories: (i) retailers with a physical presence, (ii) internet retailers, (iii) businesses/corporates, (iv) small and medium-sized enterprises, and (v) national public administrations.

The ERPB is chaired by the European Central Bank. Five national central banks (NCBs) from the euro area and one NCB from a non-euro area EU Member State represent the European

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<sup>1</sup> [http://www.ecb.europa.eu/paym/retpaym/shared/pdf/ERPB\\_mandate.pdf](http://www.ecb.europa.eu/paym/retpaym/shared/pdf/ERPB_mandate.pdf)

System of Central Banks in ERPB meetings on a rotating basis as active participants. The European Commission participates as an observer in the ERPB. The chair, the active participants and the observers are not members of the ERPB.

The names and organisations of the persons currently holding ERPB membership can be found in Annex 1.

### **3. Functioning of the ERPB**

The ERPB has no formal powers to impose binding measures. Members commit, on a voluntary basis, the associations they represent to the ERPB common positions, guidance or statements.

The ERPB relies on the link between its members (European associations) and their respective national constituents (associations and stakeholders at the national level) for receiving national market feedback and for the two-way transmission of relevant information, documentation, requests, issues for discussion and suggestions. EU national central banks also act as a link between the ERPB and national SEPA/retail payments committees.

The ERPB meets at least twice a year in Frankfurt, normally in June and November.

Common positions, guidance and statements of the ERPB are adopted by consensus by the members attending the meeting. The Chair tries to achieve such consensus. Consensus is interpreted as a general agreement, characterised by the absence of sustained opposition.<sup>2</sup>

The ERPB is supported by a team acting as a Secretariat and located at the ECB's premises, composed of members of staff of both the ECB and the NCBs. The Secretariat is the point of contact between the ERPB and third parties, including national SEPA/retail payments committees.

The ERPB carries out its work and executes its mandate by either (i) setting up working groups, (ii) delegating work priorities to external groups or organisations, or (iii) identifying and acknowledging existing market groups that are already working on the priorities.

All final ERPB meeting documents, statements and any other ERPB-related documents are published on the ECB website, directly accessible via [www.erp.b.eu](http://www.erp.b.eu).

### **4. Work carried out by the ERPB from May 2014 to June 2015**

The ERPB met three times in the period covered by this report. The first meeting took place on 16 May 2014 and was followed by meetings on 1 December 2014 and 29 June 2015.

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<sup>2</sup> Along the lines of the ISO/IEC Guide 2:2004 (general terms and definitions concerning standardisation and related activities): "Consensus: General agreement, characterized by the absence of sustained opposition to substantial issues by any important part of the concerned interests and by a process that involves seeking to take into account the views of all parties concerned and to reconcile any conflicting arguments. Consensus need not imply unanimity."

#### **4.1 Work plan of the ERPB**

The ERPB adopted its work plan in its first meeting; this was later complemented by additional items. All ERPB activities in the period covered aimed to contribute to the execution of this work plan. The ERPB regularly updates its work plan, which contains all ERPB work streams, on a rolling basis. Annex 2 contains an overview of the work plan, including a summary of the work carried out on each item. The key work items dealt with by the ERPB in the period covered by this report are highlighted below.

#### **4.2 Working groups established by the ERPB**

The ERPB set up four working groups in the period covered by this report. Three of these have already reported back to the ERPB and executed their mandates. At the time of the publication of this report, one working group is working with the mandate to report back to the ERPB at the end of 2015.

##### **4.2.1 Working group on SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) post-migration issues**

The ERPB set up a working group on SCT-SDD post-migration issues in order to identify, assess and address remaining issues in the single market for SCTs and SDDs after the 1 August 2014 mandatory migration deadline. The working group was chaired by the European Payments Council (EPC) and the European Association of Corporate Treasurers (EACT). The working group prepared a detailed report proposing 20 recommendations for the ERPB to address to various stakeholders. The most important of these were the recommendations addressing IBAN discrimination (payment service users not accepting non-domestic payment accounts), further harmonisation of payment messages used in the customer-to-bank and bank-to-customer space, the implementation of the IBAN-only rule (the requirement that payment service providers be able to execute payment orders across borders without asking for the BIC from their customers), and the extension of remittance information available to payment service users.

##### **4.2.2 Working group on pan-European electronic mandates**

The ERPB set up a working group on the pan-European use of electronic mandates for SDDs. The working group was chaired by the EPC and Ecommerce Europe. The working group prepared a detailed report that proposed seven recommendations for the ERPB to address to various stakeholders. These recommendations aim to ensure that creditors accepting electronic mandates adapt and offer at least one solution for accepting mandates from debtors using a non-domestic payment account. In addition, while preserving the choice for debtors and creditors concerning the way they give and accept electronic mandates, there is a need for an incentive for creditors to move, more generally, towards solutions with proper debtor authentication and mandate authorisation. In this regard it is important that all stakeholders, but

especially creditors, are clearly informed and aware of the possible consequences of using weak customer authentication.

#### **4.2.3 Working group on person-to-person (P2P) mobile payments**

The ERPB set up a working group on P2P mobile payments to develop the case for pan-European P2P mobile payments solutions in euro (with the potential to further evolve into consumer-to-merchant solutions as well) and establish what the high-level requirements for these would be. This would include analysing national solutions and identifying any barriers that may prevent the development of pan-European solutions. The working group put forward the vision of achieving a convenient way to allow anyone to initiate a pan-European P2P mobile payment safely and securely, using a simple method with information the counterparty is prepared to share in order to make a payment, and with a focus on a simple and secure user experience, a pan-European reach, and payment from payment account “a” to payment account “b”. On the basis of the report of the working group, the ERPB made four recommendations addressing the EPC and existing P2P mobile payment solution providers, with the aim of establishing close cooperation to work on pan-European interoperability and a framework related to the pan-European use of P2P mobile payment services.

#### **4.2.4 Working group on mobile and card-based contactless proximity payments**

The ERPB set up a working group on mobile and card-based contactless proximity payments to analyse existing solutions and standards (both national and international) and assess to what extent differences in standards and technical implementation are preventing interoperability at the pan-European level. The working group provided an interim report to the ERPB in June 2015 and will continue its work to present a final report to the ERPB in November 2015.

### **4.3 Other key work streams launched by the ERPB**

#### **4.3.1 Technical standards for payment cards**

The ERPB acknowledged the work of the Cards Stakeholders Group<sup>3</sup> (CSG) in its first meeting and invited the CSG to carry out an exercise to take stock of the current situation of technical standardisation in the payment cards market in Europe. In addition, the ERPB invited the CSG to develop a process to assess the conformity of stakeholders with the SEPA Cards Standardisation Volume<sup>4</sup>. The CSG delivered a detailed report on the basis of which the ERPB made recommendations related to the technical standards applied in the card-to-terminal, terminal-to-acquirer and acquirer-to-issuer domain and aiming at closer market integration in these domains.

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<sup>3</sup> Further information on the Cards Stakeholders Group can be found under [www.cardscsg.eu](http://www.cardscsg.eu)

<sup>4</sup> The SEPA Cards Standardisation Volume defines a standard set of requirements to facilitate an interoperable and scalable payment card and terminal infrastructure across SEPA, based on open international payment card standards. For more information see:

<http://www.cardscsg.eu/index.cfm/sepa-cards-standardisation-volume-book-of-requirements-v71/>

The CSG is invited to regularly report back to the ERPB on the progress made in technical standardisation in the field of payment cards and to perform a study to analyse the benefits of using a single message standard in the issuer-to-acquirer domain.

#### **4.3.2 Instant payments**

At its meeting in December 2014 the ERPB agreed that “instant payments” are defined as electronic retail payment solutions available 24/7/365 that result in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee’s account with confirmation to the payer (within seconds of payment initiation). Furthermore, the ERPB agreed that a “layered” approach should be taken by developing solutions for end-users to make payments with increased speed, leveraging on the current payment instruments (first layer) and the underlying clearing and settlement infrastructures (second and third layers).

Taking into account emerging national solutions and in order to prevent market fragmentation, the members of the ERPB also agreed on the need for at least one pan-European instant payment solution for euro open to any payment service provider in the EU.

Based on the invitation by the ERPB, the European Payments Council set up a taskforce composed of EPC members and reported back to the ERPB in June 2015. On the basis of the report by the EPC, the ERPB agreed:

- that irrespective of the payment instrument on which they are based, instant payment solutions offered to end-users in euro should be developed at the pan-European level or, if developed at the national level, should at least be interoperable with those solutions based on the same payment instrument;
- to invite the EPC to present to the ERPB by November 2015 a proposal for the design of an instant SEPA Credit Transfer scheme (SCT<sup>inst</sup>) in euro, which could be adhered to by EU payment service providers on a voluntary basis;
- to call for the creation of a group that reflects the composition of the ERPB at the level of alternate ERPB members, to offer guidance as needed to the EPC regarding the development of the SCT<sup>inst</sup> in the period from July to November 2015.

The ERPB expects that pan-European instant payment solutions based on credit transfers in euro will be based on SCT<sup>inst</sup>.

#### **4.3.3 Electronic invoicing related to retail payments**

The members of the ERPB took note of the preliminary assessment of existing barriers to the implementation of pan-European electronic invoice/bill presentment & payment solutions and agreed to continue work on this dossier with the aim to conclude on next steps in the meeting of the ERPB in November 2015.

## **5. Objectives and deliverables for the following year**

As reflected by the current work plan of the ERPB (see Annex 2), in addition to ongoing work on instant payments, e-invoicing, contactless proximity payments and technical cards standardisation, the ERPB will start work in the near future on pan-European e-commerce payments, business practices of card schemes, and accessibility, simplicity and choice for consumers in retail payments.

The ERPB is scheduled to have two meetings in 2016, one on 13 June and the other on 28 November.

## Annex 1: COMPOSITION OF THE EURO RETAIL PAYMENTS BOARD (ERPB) June 2015

Chair: Mr Yves Mersch, Member of the Executive Board

Sector	Member	Alternate
<i>Consumers</i> BEUC (European Consumers' Organisation)	Ms Monique Goyens Director General BEUC	N/A
<i>Consumers</i> AGE Platform (the association of consumers 50+)	Mr Marjan Sedmak President AGE Platform	Ms Anne-Sophie Parent Secretary General AGE Platform
<i>Retailers</i> Eurocommerce & ERRT	Mr Jacques Parson CEO, Kappé International BV	Mr Christian Verschueren Director General, Eurocommerce
<i>Internet retailers</i> Ecommerce Europe	Mr Dennis Van Allemeersch CEO Hotel Booker BV	Ms Petra Friedmann President HomeAway EMEA
<i>Corporates</i> EACT & BusinessEurope	Mr Jean-Marc Servat Chair EACT, CEO, Finance Lighthouse Sarl	<i>Nomination pending</i>
<i>SMEs</i> European Association of Small and Mid-sized Enterprises – (UEAPME)	Mr Bernard Cohen-Hadad Vice-President of CGPME	Mr Peter Faross Secretary General, UEAPME
<i>National public administrations</i>  European Payments Council (EPC)	Mr Vincenzo La Via Chair EU Financial Services Committee & Director General of the Treasury, Ministry of Economy and Finance, Italy	Mr Aidan Carrigan Vice-Chair EU Financial Services Committee & Assistant Secretary, Financial Services Division, Department of Finance, Ireland
	Mr Javier Santamaría Chair EPC, Senior Vice President Banco Santander	Ms Narinda You Vice-Chair EPC, Secretary General & Head of Interbank relations Crédit Agricole
<i>Co-operative banks</i> European Association of Co-operative Banks (EACB)	Mr Christian Brauckmann Member of the Executive Board of WGZ Bank	Mr Rob Kemna Senior Vice President, Rabobank Nederland
<i>Savings banks</i> European Savings & Retail Banking Group (ESBG)	Mr Antonio Massanell Lavilla Chairman of Cecabank & Member and Secretary of the Steering Committee of CaixaBank	Mr Ludger Goossens Executive Board Member of DSGV
<i>Commercial banks</i> European Banking Federation (EBF)	<i>Nomination pending</i>	Mr Maurizio Sella Chair of Banca Sella Holding
<i>Payment institutions</i> European Payment Institutions Federation (EPIF)	Mr Brendan Walsh Executive Vice President, Chairman of American Express Service Europe Limited Board	Mr Ron Kalifa Deputy Chairman, Worldpay Group
<i>E-money institutions</i> E-money Association	Mr Richard Wagner CEO of Advanced Payment Solutions	Mr Jon Prideaux CEO of Boku Account Services LTD
<i>Active participants</i> Five euro area National Central Banks and one non-euro area National Central Bank on a rotating basis		
<i>Observer</i> European Commission		

## Annex 2: Work plan of the ERPB: 2014-2016

EURO RETAIL PAYMENTS BOARD WORK PLAN (29 JUNE 2015)						
	<u>Topic</u>	<u>Description</u>	<u>Responsibility</u>	<u>Objective</u>	<u>Timeframe</u>	<u>Status of work</u>
1	<b>Remaining issues related to SCT and SDD after migration</b> <i>(assessing the situation after SEPA migration in comparison to the original goal of the SEPA initiative)</i>	<i>The migration to SEPA schemes to be fully completed in the euro area by 1 August 2014 is the beginning of a new era in euro retail payments. According to stakeholders' reports, some remaining issues have the potential to hamper real cross-border integration. These need to be addressed by the relevant parties and the ERPB needs to have an overview of the current situation and the work to be carried out in this field.</i>	ERPB working group with possible participation of third parties	Report to the ERPB on the remaining issues after SCT and SDD migration	<u>Start:</u> Q2 2014 (started)  <u>Deliver:</u> ERPB meeting in Q4 2014	The respective working group reported back to the ERPB by 1 December 2014. The ERPB issued 20 recommendations on the basis of the report to various stakeholders. The ERPB Secretariat is monitoring the follow-up on these issues by these stakeholders.
2	<b>SDD no-refund scheme</b>	<i>With the changeover to the SDD core scheme in the euro area, a genuine demand seems to exist in certain countries for a no-refund consumer SDD scheme in special payment situations.</i>	External task force on no-refund consumer direct debit	Report to the ERPB on the principles and pre-conditions under which a call for a no-refund SDD	<u>Start:</u> November 2013  <u>Deliver:</u> ERPB meeting 16 May	The ERPB discussed the issue in detail in its 16 May meeting and took the stance reflected in the statement from the



		<i>The SEPA Council agreed in September 2013 to explore the feasibility (principles and pre-conditions) of such a scheme to pay for a certain restricted set of goods and services, and launched a task force to carry out this work.</i>	scheme	scheme might be justified	2014 (closed)  Potential next step depends on the final content of the revised Payment Services Directive	meeting. Further analysis may be done once the review of the Payment Services Directive is finalised.
3	<b>Electronic mandates for SDD</b>	<i>With the introduction of the SDD scheme, no pan-European harmonised solution has been implemented for non-written (i.e. electronic) mandates for SDD, nor is there a common understanding on the liability issue if e-mandate solutions are used which were already in use for the legacy direct debit instruments but are not fully compliant with the SDD rulebooks. On top of that, the take-up of SDD on the basis of electronic mandates seems to be further hampered by the relatively low level of harmonisation in terms of the legal acceptance of electronic signatures in the EU. This lack of harmonisation and common understanding is affecting the</i>	ERPB working group with possible participation of third parties	Report to ERPB identifying barriers to the take-up of pan-European e-mandate solutions and how to address these	<u>Start:</u> Q2 2014 (started)  <u>Deliver:</u> ERPB meeting in Q4 2014	The respective working Group reported back to the ERPB by 1 December 2014. The ERPB issued seven recommendations to various stakeholders on the basis of the report. The ERPB Secretariat is monitoring the follow-up on these issues by these stakeholders.

		<i>use of SDD in the internet environment and on a cross-border level.</i>				
4	<b>Promoting technical standardisation for card payments</b>	<i>The Cards Stakeholders Group as an acknowledged stakeholder body is invited by the ERPB to carry out a stock-taking exercise on the implementation of standards related to payment cards and to devise a plan for dealing with the practical implementation issues in this regard.</i>	Cards Stakeholders Group	Report to the ERPB on outcome of stock-taking exercise on the implementation of payment cards standardisation and plan on dealing with practical implementation issues	<u>Start:</u> Q2 2014 (started)  <u>Deliver:</u> ERPB meeting in Q4 2014	The CSG reported back to the ERPB by 1 December 2014 and by 29 June 2015. The ERPB endorsed the actions to be taken as proposed by the CSG.
5	<b>Person-to-person mobile payments in euro</b>	<i>Person-to-person (P2P) mobile payment solutions have been emerging in various countries outside of the euro area. However, currently there seem to be no initiatives in place to provide such solutions at a pan-European level for payments in euro. Therefore, there is a need to analyse and identify the high-level requirements for a fully supportive environment for the emergence and take-up of integrated pan-European person-to-person mobile payment solutions providing a fast, simple and convenient user experience.</i>	ERPB working group with possible participation of third parties	Report to the ERPB on the vision of pan-European person-to-person mobile payments and the conditions for achieving this vision, identifying concrete actions to be taken	<u>Start:</u> <u>December 2014</u>  <u>Deliver:</u> <u>May/June 2015</u>	The respective working group reported back to the ERPB by 29 June 2015. The ERPB issued four recommendations on the basis of the report. The ERPB Secretariat is monitoring the follow-up on these issues by these stakeholders

6	<b>Mobile and card-based contactless proximity payments</b>	<i>To support an integrated European market for contactless proximity payments, it is essential that the technologies and procedures are based on common standards. Therefore, it is important to identify current standards and factors hampering the integration of the European market in this field, with a view to the vision of “any device at any terminal”.</i>	ERPB working group with possible participation of third parties	Report to the ERPB on the vision for pan-European mobile and card-based contactless proximity payments and the conditions for achieving this vision, identifying concrete actions to be taken.	<u>Start: December 2014</u>  <u>Deliver: Nov/Dec 2015</u>	The respective working group is expected to report back to the ERPB by 26 November 2015. The working group provided an interim report on its progress to the ERPB meeting on 29 June.
7	<b>Pan-European instant payment solutions</b>	<i>Instant payment solutions have been emerging in Europe, especially outside the euro area, and in various countries outside Europe. Currently, there seem to be no initiatives in place to provide for instant payments in euro at a pan-European level. These developments and the related issues are worth discussing at the ERPB level.</i>	ERPB Secretariat	Note to the ERPB prepared by the Secretariat	<u>Deliver: ERPB meeting in Q4 2014</u>	In its 1 December 2014 meeting the ERPB agreed on the need for at least one pan-European instant payment solution in euro and invited the supply side to prepare an assessment of the issues related to this. The taskforce set up by the EPC has reported back to the ERPB in June 2015. Based on this the ERPB invited the EPC to present a proposal for the design of an instant SCT scheme by

						November 2015.
8	<b>Developments in e-invoicing services closely related to payments in Europe</b>	<i>Electronic retail payments in euro are more and more connected to e-invoicing schemes and infrastructure. It is of utmost importance that the increasing number of national solutions do not result in market fragmentation which would also affect the euro retail payments market. A pro-active approach is needed to foster pan-European solutions.</i>	ERPB working group with possible participation of third parties	Report to the ERPB analysing the barriers to take-up and integration of e-invoicing services from a retail payments perspective in Europe	<u>Start:</u> Q2 2015 <u>Deliver:</u> 2016	In its meeting on 29 June 2015 the ERPB discussed an analysis of the issues and barriers hampering the take-up of pan-European e-invoicing services. The ERPB agreed to continue working on this dossier with the aim to conclude on next steps at the 26 November ERPB meeting
9	<b>Pan-European e-commerce payments</b>	<i>The European landscape of innovative payments initiated over and/or related to the internet is becoming more and more varied, with many bank and non-bank players trying to meet the overwhelming demand for more secure, convenient and efficient electronic payments. It appears that the review of the Payment Services Directive will allow much more room for non-bank, third-party service providers. The ERPB will need to identify the future needs of stakeholders</i>	ERPB working group with possible participation of third parties	Report to the ERPB identifying the future needs of stakeholders for e-commerce payments	<u>Start:</u> after the adoption of the revised Payment Services Directive (PSD2) <u>Deliver:</u> 2016	Work not yet started

		<i>(consumers, merchants and payment service providers) for e-commerce payments.</i>				
10	<b>Business practices of card schemes</b>	<i>The proposed Interchange Fees (IF) Regulation will bring further harmonisation in the cards domain, but will not necessarily remove all barriers to integration. The ERPB requires an overview of the situation concerning fragmented elements of the cards domain (apart from standards, which are dealt with under a previous item) after the Regulation is adopted.</i>	ERPB working group with possible participation of third parties	Report to the ERPB assessing the need for further harmonisation of business practices after adoption of the IF Regulation	<u>Start:</u> after adoption of the IF Regulation  <u>Deliver:</u> 2016	Work not yet started
11	<b>Accessibility, simplicity and choice for consumers in retail payments (a payment landscape more supportive of financial inclusion)</b>	<i>Not all members of the population can profit equally from retail payment products (especially new, innovative solutions) due to their complexity. This may result in the de facto exclusion from these services of the most vulnerable members of the population. The recently adopted Payment Accounts Directive is a major step forward in this domain. However, it is important to keep track of the practical effects of this Directive on</i>	ERPB working group with possible participation of third parties	Report to the ERPB analysing the practical issues faced by the most vulnerable groups of society in the euro retail payments market and on best practices	<u>Start:</u> after the entry into force of the Payment Accounts Directive in 2016  <u>Deliver:</u> 2017	Work not yet started

		<i>the market after it enters into force.</i>				
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### **Annex 3: Statements and recommendations made by the ERPB**

Statement from the first meeting of the ERPB (16 May 2014)

[http://www.ecb.europa.eu/paym/retpaym/shared/pdf/eprb\\_statement.pdf](http://www.ecb.europa.eu/paym/retpaym/shared/pdf/eprb_statement.pdf)

Statement from the second meeting of the ERPB (1 December 2014)

[http://www.ecb.europa.eu/paym/retpaym/shared/pdf/eprb\\_statement\\_2.pdf](http://www.ecb.europa.eu/paym/retpaym/shared/pdf/eprb_statement_2.pdf)

Statement from the third meeting of the ERPB (29 June 2015)

[http://www.ecb.europa.eu/paym/retpaym/shared/pdf/3rd\\_erpb\\_meeting\\_statement.pdf](http://www.ecb.europa.eu/paym/retpaym/shared/pdf/3rd_erpb_meeting_statement.pdf)

Follow-up on the recommendations and other actions taken by the ERPB

[http://www.ecb.europa.eu/paym/retpaym/shared/pdf/3rd\\_erpb\\_meeting\\_item2\\_assessment\\_recommendations.pdf](http://www.ecb.europa.eu/paym/retpaym/shared/pdf/3rd_erpb_meeting_item2_assessment_recommendations.pdf)