

Annual Report of the Euro Retail Payments Board 2017-2018

Foreword by the Chair

I am pleased to present the Annual Report of the Euro Retail Payments Board (ERPB) covering the period from July 2017 to June 2018.

The ERPB is a high-level strategic body that brings together the supply and demand sides of the euro retail payments markets. Four years after it was set up, it continues to make further progress and its efforts to achieve its objective of developing an integrated, innovative and competitive EU market for retail payments in euro are paying off. I would like to draw particular attention to the area of instant payments (see Section 1.2.1 below). In November 2017, the Single Euro Payments Area (SEPA) Instant Credit Transfer scheme (SCT Inst) was launched. This scheme, developed by the European Payments Council (EPC) at the ERPB's invitation, lays the foundations for pan-European instant payments, which have been at the heart of the ERPB's work since its creation. Already back in 2014, the ERPB supported the need for at least one pan-European instant payment solution for euro.

Successfully launching the SCT Inst scheme, like other steps towards achieving the ERPB's objective, was only possible because of the strong commitment of ERPB members' stakeholders associations who represent both the demand and supply sides of the market.

Yet, while the foundations are now in place, there is still work to be done to ensure the take-up of instant payments. Market participants are urged to swiftly implement instant payments with pan-European reach and to encourage end user take-up by providing innovative and efficient end user solutions. The ERPB will also consider whether it should take further action on the technical interoperability of point-of-interaction acceptance solutions for instant payments, along with potential new topics for its work plan, in its November 2018 meeting. These possible topics are outlined in Section 2 of this report.

1. Work carried out by the ERPB from July 2017 to June 2018

The ERPB met twice in the period covered by this report, on 29 November 2017 and 18 June 2018.

1.1 Issues addressed by ERPB working groups

Two working groups have been active in the period covered by this report.

1.1.1 Pan-European integration of payment initiation services (PIS)

The revised Payment Services Directive (PSD2), which has applied since 13 January 2018, expands the scope of payment services to include PIS. Concerns have been raised that PIS will be introduced by various payment service providers (PSPs) in a non-interoperable/non-standardised way, thus leading to fragmentation, especially for cross-border transactions.

In this context, the ERPB supported carrying out further work in this field and setting up a working group with the participation of other relevant stakeholders (e.g. third-party providers (TPPs) and standardisation initiatives) to define, by June 2017, a common set of technical, operational and business requirements for developing an integrated market for PIS.

In June 2017, the ERPB took note of the status of the work and invited the working group to present its final report at the November 2017 meeting, taking account of the finalisation of the European Banking Authority (EBA) Regulatory Technical Standards (RTS) on authentication and communication, and responding fully to the different dimensions of its mandate. The working group's final report provided an overview of the EU legal and policy framework and acknowledged stakeholders' expectations of having a well-functioning, pan-European market for PIS. The report also presented relevant technical, operational and business-related issues, and recommended requirements where the working group could find agreement or reflected the diverging positions where no consensus could be reached.

At its November 2017 meeting the ERPB invited the working group to prepare an additional report to (i) consider its November 2017 recommendations in the light of the legal certainty of the final EBA RTS on the envisaged requirements, and (ii) continue the work on the requirements that needed following up, such as standardising PSD2 certificates (in liaison with the European Telecommunications Standards Institute), harmonising registers and establishing directory services, as well as developing the remaining business requirements. The working group was invited to present its additional report at the June 2018 ERPB meeting.

Also at the November 2017 meeting, the ERPB welcomed the European Commission's willingness to support a joint effort by stakeholders to establish a group to support the evaluation of standardised application programming interface (API) specifications. After this API Evaluation Group had been set up, the working group on PIS no longer focused on technical requirements.

In its June 2018 meeting, the ERPB took note of the additional report from the working group and concluded that it had completed its task of defining a common set of technical, operational and business requirements, complementing the legal and regulatory requirements, for developing an integrated market for PIS.

The ERPB confirmed the technical, operational and business requirements stemming from the November 2017 working group report. Technical requirements should however be considered in light of the developments that occurred since then and, in particular, in view of the Opinion provided by the EBA and the work of the API Evaluation Group. The ERPB also endorsed the set of additional business and operational requirements stemming from the June 2018 working group report.

To ensure a consistent approach and avoid fragmentation at EU level, the follow-up on the recommended requirements addressed to authorities could be discussed in the context of the European Forum for Innovation in Payments, at which EU and national authorities are represented.

The ERPB also supported monitoring the implementation of the recommended requirements as part of the regular monitoring of ERPB recommendations and statements to determine whether further work on, for example, event and dispute handling processes may be needed.

1.1.2 Electronic invoice presentment and payment (EIPP) solutions

In November 2016, the first ERPB working group on e-invoicing solutions for retail payments presented its report to the ERPB, identifying the main issues and barriers preventing the take-up and integration of EIPP solutions at a pan-European level. On that basis, the ERPB agreed to continue work in this field to support the development of harmonised EIPP services with pan-European reach for consumers and businesses. To that end, the ERPB mandated a working group to define the minimum requirements for EIPP regarding business rules and technical standards and report on the outcome of its work in one year.

In the November 2017 meeting, on the basis of the working group's analysis, the ERPB endorsed the set of minimum requirements for developing pan-European interoperability of EIPP services regarding: (i) the roles and responsibilities of actors involved; (ii) EIPP delivery and processing; (iii) request-to-pay and other additional EIPP service-related messages; and (iv) switching PSPs and EIPP service providers. The ERPB also endorsed the next steps suggested by the working group to achieve interoperability and supported following a step-by-step approach. Accordingly, the work would first focus on the adoption of a technical ISO 20022-based message for request-to-pay for EIPP, and harmonisation with the EIPP servicing messages to form a "common language" for communication between different EIPP providers. The ERPB invited the EPC to coordinate the required work among the payment services providers with the involvement of other stakeholders, including e-invoicing solution providers, within one year and to provide an interim report in June 2018.

In its June 2018 meeting, the ERPB was informed of the progress of this work. In particular, two change requests were submitted to the International Organization for Standardization (ISO) regarding the attached files for request-to-pay messages. The multi-stakeholder group was also in the process of finalising its work on EIPP servicing messages in order to launch a market consultation in the summer.

1.2 Other key ERPB workstreams

1.2.1 Instant payments

The ERPB has identified the need for instant payment solutions offered to end users in euro to be developed at the pan-European level or, if developed at the national level, they should at least be interoperable with those solutions based on the same payment instrument. In this context, in 2015 the ERPB invited the EPC to develop a scheme based on the SEPA credit transfer (SCT) for instant payments. As a result, the SCT Inst scheme was successfully launched on 21 November 2017. The ERPB welcomed this major step for pan-European instant payments and strongly encouraged the supply side of the industry to keep up the momentum towards implementing the SCT Inst scheme so that instant payments in euro would become increasingly available to end users at pan-European level. The EPC was further invited to provide a status update on the implementation of the SCT Inst scheme for the June 2018 ERPB meeting, including an overview of the percentage of PSPs adhering to the SCT Inst scheme compared with all SCT adherents for each SEPA country.

At its June 2018 meeting, the ERPB took note of the EPC update on the implementation of the SCT Inst scheme and, in particular, noted that the number of declared SCT Inst scheme participants at mid-May 2018 was 1,061 (i.e. 25.4% of all SCT adherents in all SEPA countries). Of these, 633 were ready to offer SCT Inst services to their customers. The EPC further informed the ERPB of their initiative to set up an ad hoc multi-stakeholder group tasked with developing Mobile Initiated SCT Interoperability Implementation Guidelines (including SCT Inst). The EPC ad hoc group started work in May 2018.

The ECB provided a status update on the TARGET Instant Payment Settlement (TIPS) service, highlighting that the project is on track to go live on 30 November 2018. TIPS will help ensure pan-European reach. The ERPB took note of the EPC and ECB updates and encouraged the supply side of the industry to implement instant payments ensure pan-European reach as soon as possible, and at the very latest by 2020, and support end user take-up, including by providing user-friendly end user solutions. The ERPB further encouraged PSPs adhering to the SCT Inst scheme to make pan-European reach a priority, thereby avoiding fragmentation in the European retail payments market.

The members welcomed the creation of the EPC multi-stakeholder group on interoperability of mobile-initiated SCT (including SCT Inst) as an essential step in supporting pan-European mobile solutions.

The ERPB will monitor whether the market is following these policy objectives and consider whether specific actions are required.

1.2.2 Person-to-person (P2P) mobile payments

At its meeting in June 2015, the ERPB endorsed the vision of “allowing any person 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”. The ERPB also made recommendations to the community of mobile P2P solution providers and invited the EPC to facilitate cooperation between existing and future local mobile P2P solutions to ensure pan-European interoperability.

As a result, the steering committee of the Mobile Proxy Forum (MPF) was created in 2016, with the aim of delivering a standardised proxy lookup (SPL) service. The aim of the SPL service is to allow the exchange of the data necessary to initiate P2P mobile payments between proxy-based P2P mobile payment solutions on a pan-European level. The MPF has been reporting regularly to the ERPB on the progress of its work since it was set up.

Over the period covered by this report, the MPF has made significant progress. In particular, following the request for information in July 2017, the MPF issued a request for proposal (RFP) in December 2017 for the provision of an SPL service. The RFP was very successful and generated a total of seven responses from solution providers interested in providing the SPL service. As an outcome of the RFP, a preferred SPL service provider was selected. A letter of intent was signed in May 2018 between the MPF and the preferred SPL service provider.

The MPF made further progress on its governance arrangements, and asked the EPC to assume the role of scheme manager of the SPL service in the light of its existing expertise and the fact that this option would not require a legal entity to be created. The EPC subsequently agreed to take on this role.

In its June 2018 meeting, the ERPB took note of the status of the work and welcomed the progress made over recent months. The ERPB further invited the scheme manager to maintain the momentum to ensure that the schedule for delivering the SPL (October 2018), testing with on-boarded participants (from November 2018) and going live to the market (January 2019) is adhered to in order to support the development of instant payments in Europe. The scheme manager was invited to provide an update on the implementation of the SPL, including information on the governance of the scheme, at the November 2018 ERPB meeting.

1.2.3 Work conducted by the European Cards Stakeholders Group (ECSG)

In its November 2015 meeting, the ERPB endorsed a set of recommendations for the take-up of mobile and card-based contactless proximity payments. In that context, the ECSG was invited to conduct a feasibility study on the development of open specifications for a card and mobile contactless payment

application, as well as on their implementation, maintenance and testing. The final ECSG feasibility study found that, on the basis of the two scenarios analysed, the best solution would be to implement the EMV “2nd Generation” (2nd Gen) specifications, which would include specifications for a common application (“kernel”) for the payment terminal. The ECSG therefore recommended following up with the industry in order to formulate a long-term migration plan to EMV 2nd Gen. In its November 2017 meeting, the ERPB took note of the final ECSG feasibility study, which supported the ECSG’s conclusion that migration to EMV 2nd Gen would be the best solution, albeit only in the long term where European players should participate actively in developing EMVCo standards.

Following the invitation extended to the ECSG by the ERPB in its June 2015 meeting, the ECSG updates the ERPB every 12 months on how the implementation of harmonised standards for payment cards in Europe is progressing. The last such update was in November 2017.

1.2.4 Broader accessibility for payment users

At its November 2016 meeting, the ERPB considered an issues note prepared by AGE Platform Europe and De Nederlandsche Bank on broader accessibility for payment users. The ERPB took note of the issues raised and agreed that interested members should aim to identify possible further work that would fall within its remit at one of its upcoming meetings. The informal working group presented an interim report to the ERPB in November 2017.

2. Objectives and deliverables for the coming year

ERPB members were invited to update the biannual work plan in the June 2018 meeting. They considered a number of possible topics for the next two years, bearing in mind that this plan could be updated depending on developments:

- ***Follow-up on current workstreams:*** work will continue as planned for the ongoing workstreams mentioned in Section 1:
 - o EIPP: by the November 2018 ERPB meeting the EIPP multi-stakeholder group will finalise its work on the adoption of a technical ISO 20022-based message for request-to-pay for EIPP and the harmonisation with the EIPP servicing messages to form a “common language” for communication between different EIPP providers. After completing the first step, the ERPB will consider the work on the other steps suggested by the working group, namely (i) a common EIPP framework consisting of a minimum set of rules to support the integration of existing EIPP solutions and provide guidance on emerging EIPP solutions for delivering harmonised EIPP services, and (ii) minimum rules for enabling EIPP provider switching and required technical messages to allow payees

- and payers to move from one provider to another without onerous switching costs or effort.
- P2P mobile payments: the SPL service provider is expected to deliver the SPL platform in October 2018. A minimum of two on-boarded participants will be implemented for testing, which is anticipated to begin in November 2018. The expected date for going live to the market is early January 2019.
 - Cards standardisation: the ECSG will report to the ERPB every 12 months to provide an update on the implementation of harmonised standards for payment cards in Europe.
 - Broader accessibility: the final report of the informal group will be presented to the ERPB in November 2018 and form the basis for the ERPB's subsequent discussion of potential follow-up within the scope of its mandate.
- Potential new workstreams: ERPB members considered a list of possible topics for the period 2018-20. The ERPB will finalise its work plan (including prioritisation of envisaged workstreams) in its November 2018 meeting on the basis of further analysis of the issues at stake.

3. Review of the ERPB's membership

The ERPB's mandate foresees that its membership should be reviewed every two years with regard to both its composition and the actual members appointed for each stakeholder association. In particular, Article 3.5 states that "the ECB will review the composition of the ERPB every second year, aiming for a representative structure and taking market developments into account. The ECB may as a result of this review decide to amend the associations represented in the ERPB or admit further members, if the need to improve representativeness in the ERPB arises." Article 4.2 further stipulates that "members are appointed for a period of two years."

In the wake of the adoption of PSD2, the ERPB has sought to adapt its composition to the evolution of the European payments market, and especially the increasing relevance of TPPs. In this respect, Future of European Fintech, an ad hoc group set up in 2017 to give the European fintech sector a channel to comment on PSD2/RTS discussions, has been invited to join the ERPB to improve the representation of these new market players. Given its ad hoc nature, this group will, however, only attend ERPB meetings as a guest.



Annex 1 – Composition of the Euro Retail Payments Board (ERPB) – June 2018

Chair: Mr Yves Mersch, member of the Executive Board of the ECB

| Sector | Member | Alternate |
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| <i>Consumers</i> BEUC (The European Consumer Organisation) | Ms Monique Goyens Director General, BEUC | Ms Ursula Pachi Deputy Director General, BEUC |
| <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 and European Retail Round Table (ERRT) | Mr Frédéric Mazurier CEO, Market Pay (Carrefour Group) | Mr Christian Verschueren Director General, EuroCommerce |
| <i>Internet retailers</i> Ecommerce Europe | <i>Nomination pending</i> | Ms Marlene ten Ham Secretary General, Ecommerce Europe |
| <i>Corporates</i> European Association of Corporate Treasurers (EACT) and BusinessEurope | Mr Jean-Marc Servat Chair, EACT; CEO, Finance Lighthouse Sarl | <i>Nomination pending</i> |
| <i>SMEs</i> European Association of Craft, Small and Medium-sized Enterprises (UEAPME) | Mr Bernard Cohen-Hadad Vice-President, Confédération Générale des Petites et Moyennes Entreprises (CGPME) | <i>Nomination pending</i> |
| <i>National public administrations</i> | <i>Nomination pending</i> | Mr Juan Díez Gibson Vice-Chair EU Financial Services Committee and Deputy Director General for Strategic Analysis and International Financial System at the Spanish Treasury |
| European Payments Council (EPC) | Mr Javier Santamaría Chair, EPC | Ms Narinda You Vice-Chair, EPC; Secretary General and Head of Interbank Relations, Crédit Agricole |
| <i>Co-operative banks</i> European Association of Co-operative Banks (EACB) | Mr Andreas Martin Member of the Board of Managing Directors, Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) | <i>Nomination pending</i> |
| <i>Savings banks</i> European Savings and Retail Banking Group (ESBG) | Mr Juan Morlá Tomás CEO and Board Member of Caixabank Payments | Mr Joachim Schmalzl Executive Board member, Deutscher Sparkassen- und Giroverband (DSGV) |
| <i>Commercial banks</i> European Banking Federation (EBF) | Mr Frédéric Oudéa President, EBF | Mr Maurizio Sella Chair, Banca Sella Holding |
| <i>Payment institutions</i> European Payment Institutions Federation (EPIF) | Mr Rafael Marquez Garcia Executive Vice President, Consumer Europe; Country Manager, American Express UK | Mr Ruwan de Soya Group General Counsel and member of Executive Committee of Worldpay |

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| <i>E-money institutions</i> Electronic Money Association (EMA) | Mr Ralf Ohlhausen Business Development Director, PPRO Group | <i>Nomination pending</i> |
| <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 | | |



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Annex 2 – Statements and recommendations made by the ERPB

Statement from the eighth meeting of the ERPB (29 November 2017)

<http://www.ecb.europa.eu/paym/retpaym/shared/pdf/8th-ERPB-meeting/Statement.pdf?b05c49f62627dc533442125005e51a57>

Statement from the ninth meeting of the ERPB (18 June 2018)

<http://www.ecb.europa.eu/paym/retpaym/shared/pdf/9th-ERPB-meeting/Statement.pdf?f38041b0efc923fc4a7e6b41134e0061>

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

http://www.ecb.europa.eu/paym/retpaym/shared/pdf/9th-ERPB-meeting/Assessment_of_follow_up_of_past_recommendations.pdf?1cc98208f4cbd4b1e3dfdaf80c30387e