



EUROPEAN CENTRAL BANK

EUROSYSTEM

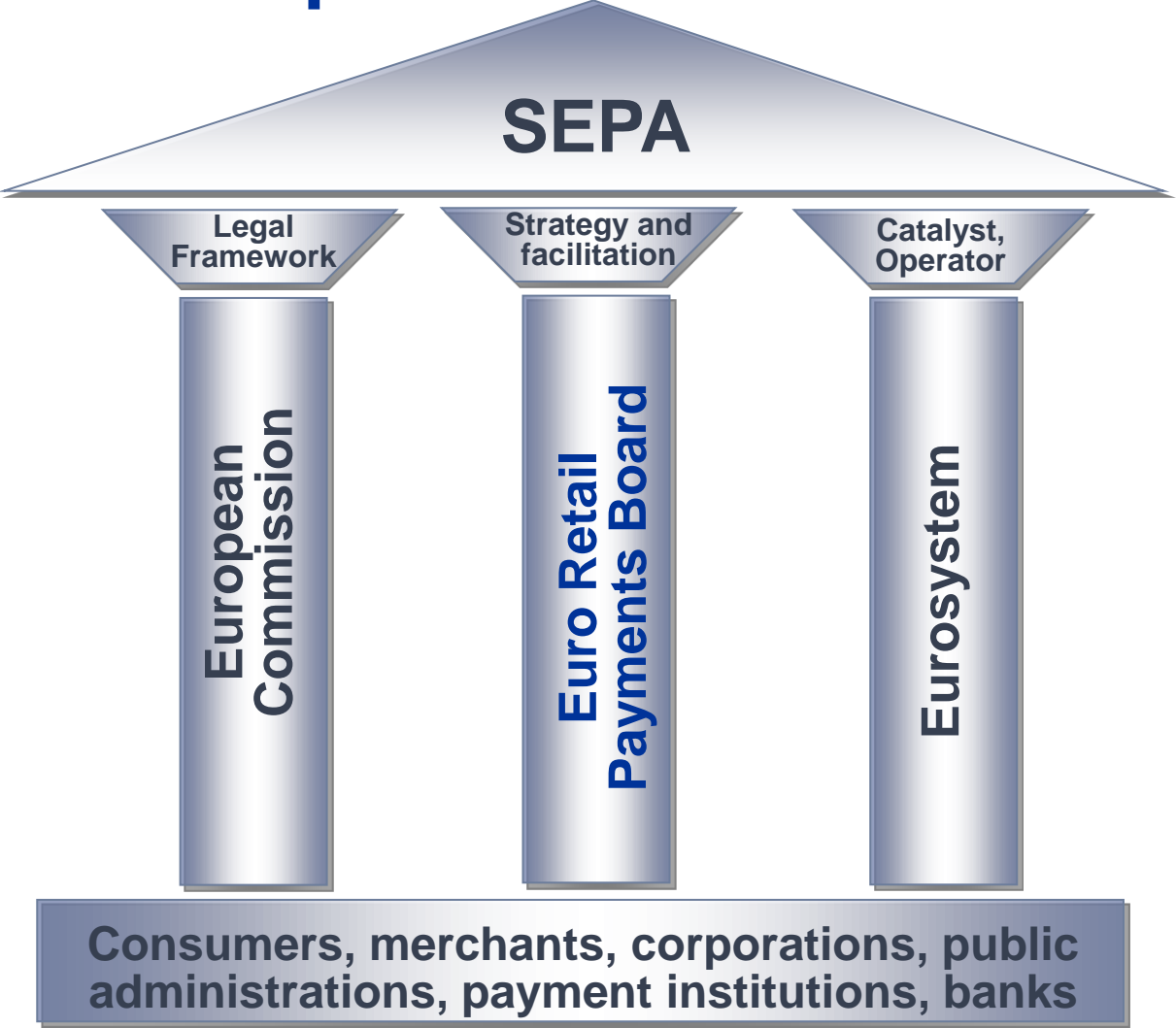
Project and activities in retail payments

Update on current ERPB workstreams

AMI-Pay

3 May 2017

The ERPB - A group contributing to retail payment governance in Europe



Since its creation the **ERPB achieved progress** towards **integrated, innovative and competitive** retail payments in euro in the EU in the following fields:

- **Post-migration issues related to SCT and SDD**
- **Pan-European e-mandates**
- **Technical standards for card payments**
- **Instant payments**
- **Mobile and card-based contactless proximity payments**

E-invoicing

Focus

- E-invoicing solutions related to retail payments → **E-Invoice Presentment and Payment (EIPP) solutions.**
- EIPP solutions combine e-invoicing and payment services.
- EIPP solutions are facilitated directly/indirectly by payment service providers and/or e-invoicing service providers.
- In scope consumers, SMEs and microenterprises.

Background

- **June 2015** the ERPB started to look into e-invoicing solutions related to retail payments because of potential efficiency gains in the payment chain.
- **November 2015** the ERPB agreed to take a step-by-step approach
 - a working group was mandated to focus its analysis on *EIPP services* and to (i) review the landscape; (ii) analyse the barriers to the take-up (incl. the reasons why previous attempts have failed) and to the integration of EIPP solutions in Europe); (iii) suggest options that could be considered to overcome the barriers.
- **November 2016** the ERPB agreed to support harmonised take-up and integration of EIPP at the pan-European level
 - a new working group was mandated to develop *minimum requirements of EIPP at the level of business rules and technical standards* to address the network issues in a collaborative manner. Delivery by November 2017.

Current status

- The new ERPB Working Group on EIPP was launched on 17 March
- The Working Group has been mandated to:
 - i. conduct an in-depth analysis of the applied business rules, practices, technical standards and implementation guidelines of the already operational EIPP solutions,
 - ii. pinpoint aspects that would need to be harmonised, and
 - iii. propose minimum requirements that could support integration of existing and new EIPP solutions.
- Composition of the Working Group:
 - The Working Group is co-chaired by the EPC and EACT, comprising stakeholders from the demand and supply side, including e-invoicing solution providers.
 - The ECB and several national central banks are active participants and the EC is invited as an observer.

P2P mobile payments

Background

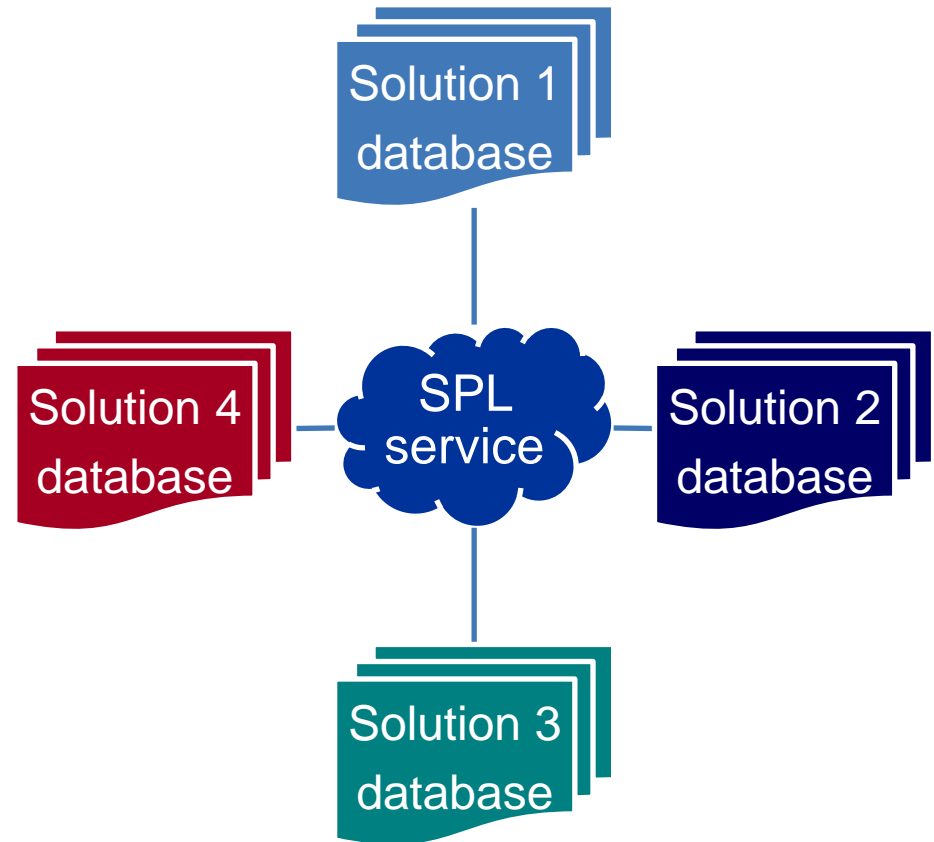
- June 2015 **ERPB recommendations** on P2P mobile payments:
 - EPC invited to facilitate cooperation between P2P mobile solutions to ensure **interoperability**
- January 2016 EPC stakeholders workshop:
 - Agreement to set up a **forum**
- June 2016 ERPB meeting:
 - Invitation to align timelines with **SCT Inst**
- November 2016 ERPB meeting:
 - **Launch** of the service around the launch date of SCT Inst (**November 2017**)

Governance

- Membership is open to parties with a **vested interest** in pan-European P2P mobile payments
- **Steering Committee** with currently 37 members and two observers (European Commission, ECB)
- Currently three **working groups**: technical, legal, market implementation
- EPC provides the secretariat and publishes agendas and minutes on its website (**transparency**)

Objectives and focus

- Objective: interoperability between P2P mobile solutions that allow users to make payments using a **proxy** to identify the payee's account
- Key deliverable: a **standardised proxy lookup (SPL) service** for exchanging data between P2P mobile payment solutions
- Initial focus on **mobile phone numbers** as proxy + **IBAN** as account identifier



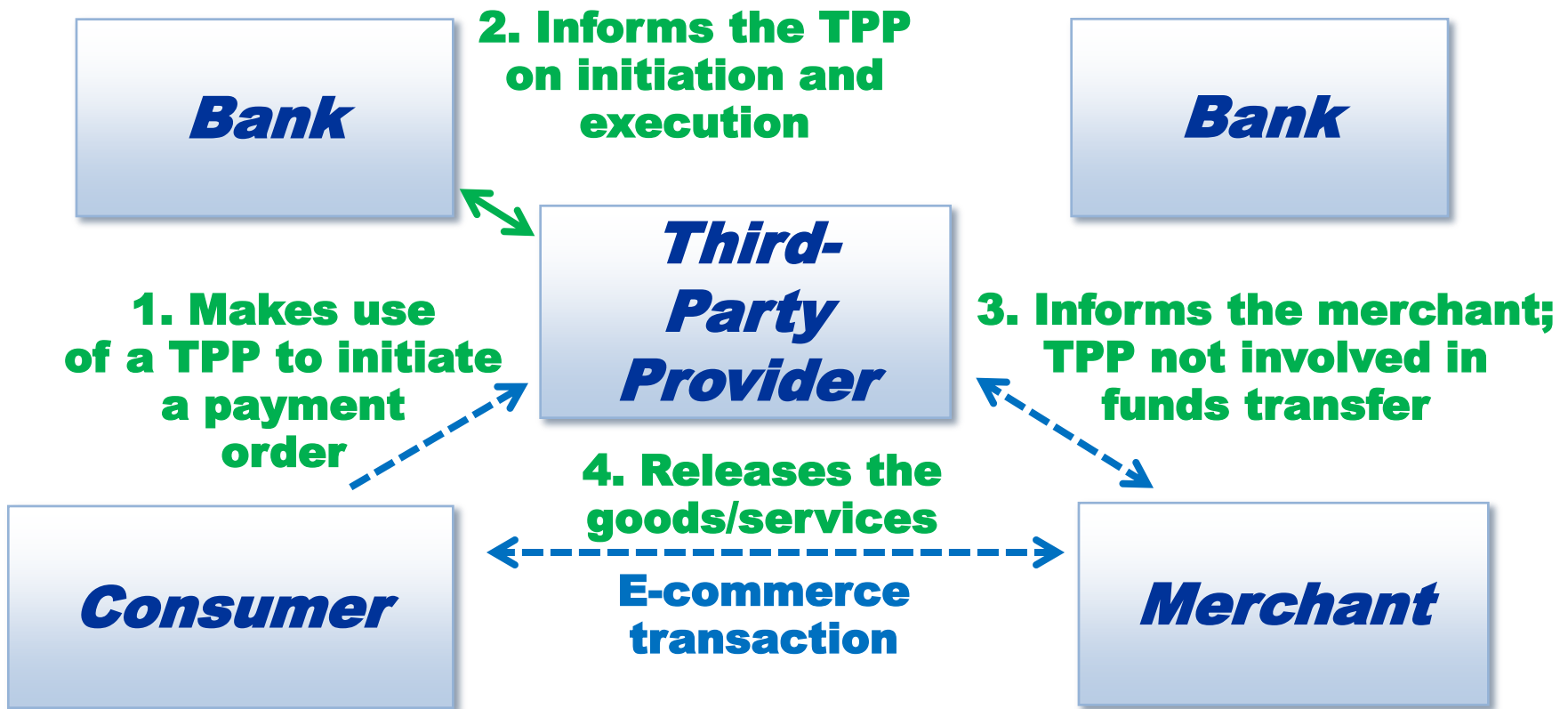
Current status

- Rules for the SPL service have been **published** (April 2017)
- The Technical Working Group is investigating two **technical architectures** proposed for the SPL service:
 - eDelivery (a building block of the European Commission's Connecting Europe Facility)
 - The Berlin Group's Mobile P2P Interoperability Framework
- Legal Working Group is looking into **data protection** and **privacy** regulations as well as aspects of **competition law**
- Status update to be delivered to the June 2017 ERPB meeting

Payment initiation services

Payment initiation services – what is it?

- An **innovative payment solution** for e-commerce payments, based on initiating a credit transfer from your existing payment account



Payment initiation services – history and future

- Started being offered in 2005, aimed at e-commerce merchants to let their clients initiate a payment by re-using their online banking facility with or without (!) permission of “account-servicing” banks
- ECB issued **security recommendations** (based on cooperation of overseers + supervisors) (2013)
- ECB facilitated **round-table sessions** with providers and banks to start a dialogue (2012-2013), and to make suggestions on content for the proposal for a revised Payment Services Directive (PSD2)
- European legislation, PSD2 + EBA draft RTS, as of 2018:
 - gives consumers the right to use “third-party providers” to initiate a payment order from their payment account if the latter is accessible online;
 - banks must execute the transaction and provide all available information;
 - banks must offer an interface for TPP identification, secure communication, and for relying on the authentication procedures of the bank.

The revised Payment Services Directive (PSD2)

Determines that payment initiation services are payment services
Sets rules on “access to payment account” by third-party providers



Payment initiation service providers:

- require authorisation
- will be supervised
- shall not hold payer's funds
- shall not use, access or store any data for other purposes than PIS

Account-servicing PSPs (“banks”):

- shall treat payment orders without any discrimination
- may deny access to a PIS-provider for reasons relating to unauthorised or fraudulent access by that provider

→ To be transposed in national legislation by 13 January 2018

→ To be complemented by RTS on authentication and communication
(draft submitted by EBA in February 2017)

Payment initiation services – ERPB and ECB role

- E-commerce merchants are concerned about **non-harmonised** provision of payment initiation services (PIS), especially cross-border
- ERPB decided in Nov 2016 to create a **Working Group** tasked to “*define a common set of technical, operational and business requirements for the development of an integrated market for PIS*”
- Delivery of report expected for ERPB meeting in June 2017
- ECB/Eurosystem concern: **renewed fragmentation** at payment solution level (after successful integration of credit transfer into SCT)
- Need of a standardised interface between TPPs and banks, as well as harmonised operational and business rules
- Facilitating an **industry standardisation process** to harmonise individual bank interfaces in advance of ‘go-live’ date (April 2019)

Concluding remarks

⇒ Retail payments landscape in evolution

⇒ Payment initiation services combined with instant payments will probably have a big impact on the retail payments landscape