

Challenges in the fields of cards and innovations?

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Agenda

- Challenges in the Retail Payments market
- SEPA for Cards
- Innovations
- Concluding remarks



What are the challenges for retail payments after the migration to SEPA on 1 August 2014?



- We are living in a 24-hours per day economy
- Consumer demand is leading (internet)
- Integration of physical & online points of sale
- European law (PSD2, IF Card-based payments regulation)
- Euro Retail Payments Board
- Innovations and new market players
- Cash stays and must be reachable



SEPA for Cards

EPC Cards Framework



Ideal situation: 'Any (contactless) card/device at any terminal':

- Schemes which are accepted throughout Europe
- Open non-discriminatory card scheme membership
- Uniform pan European processing for all schemes and processors

Options for SEPA compliance:

- Make national schemes SCF-compliant
- Replace national by international schemes
- Co-branding

Security:

- EMV implementation: widespread Chip and PIN usage

SEPA for Cards: policy issues

In April 2014, the ECB launched the Report
"Card payments in Europe – A renewed focus On SEPA for Cards"



- Referring to multiple aspects of market integration in this field that still needs to be tackled
- Reflecting the Eurosystem's view on the topic (e.g. growth potential for card payment usage) and starting preparations
- Considering a policy approach for each aspect
- For making the next phase of SEPA a reality

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<http://www.ecb.europa.eu/press/pr/date/2014/html/pr140429.en.html>

SEPA for Cards: policy issues

- Transparency on fees and Interchange fees
- Standardisation
- Central licensing, issuing or acquiring
- European POS-terminal
- Certification of cards and terminals
- Unbundling of scheme management and processing services



Euro Retail Payments Board

- Aim: To foster an integrated, competitive and innovative payments market in the EU
- Chaired by the ECB
- Participants: representatives of supply and demand side, national central banks and European Commission
- First results and working activities 2015



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<http://www.ecb.europa.eu/paym/retpaym/governance/eu/html/index.en.html>

What about the future?

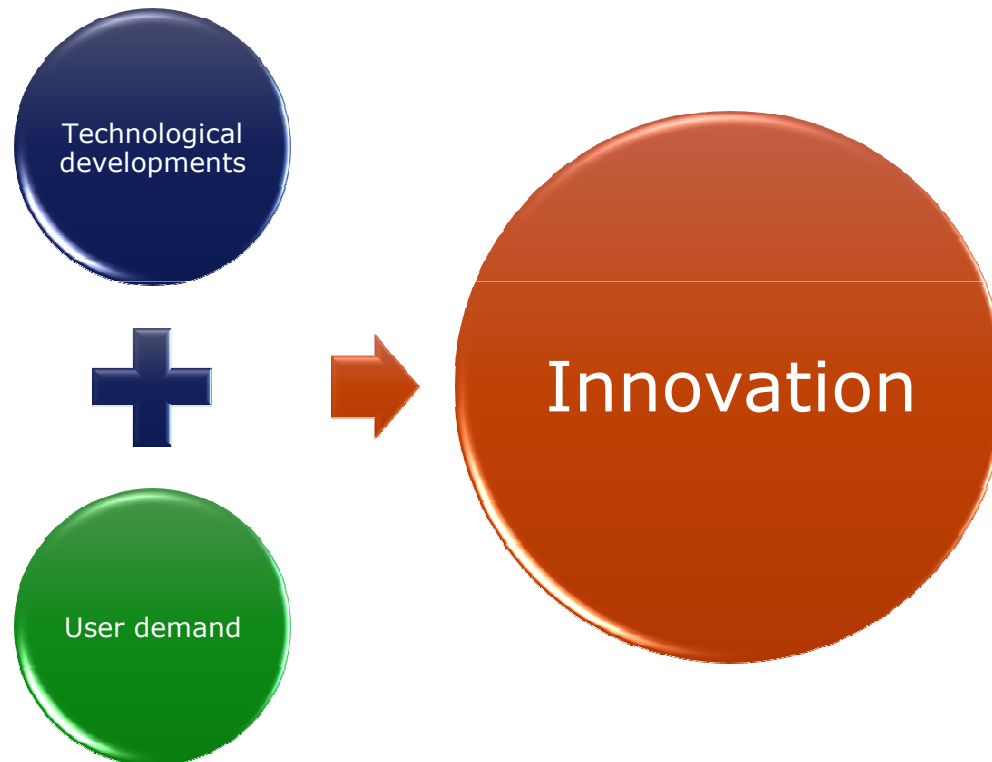
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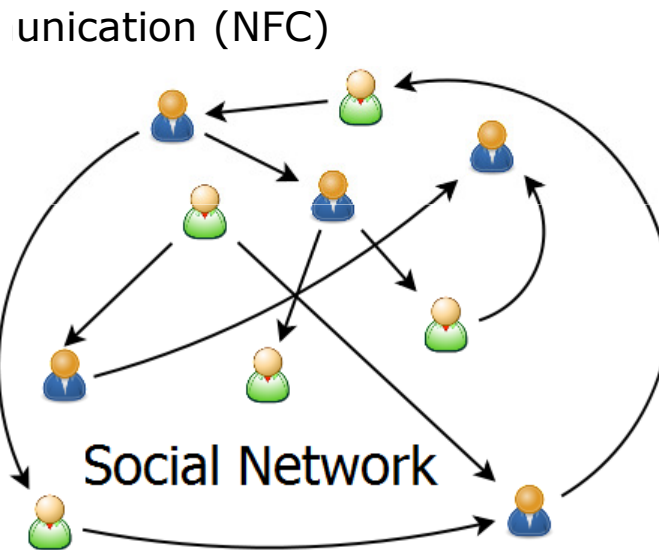
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Drivers of innovation



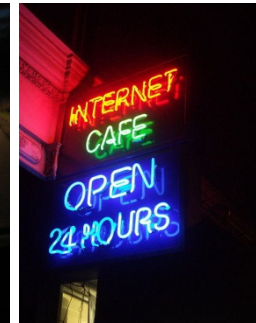
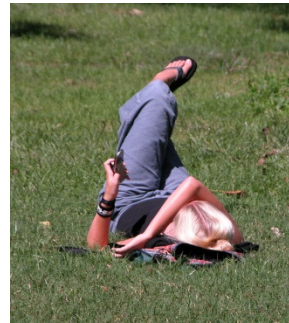
Technological developments

- Internet: e-commerce & social networks



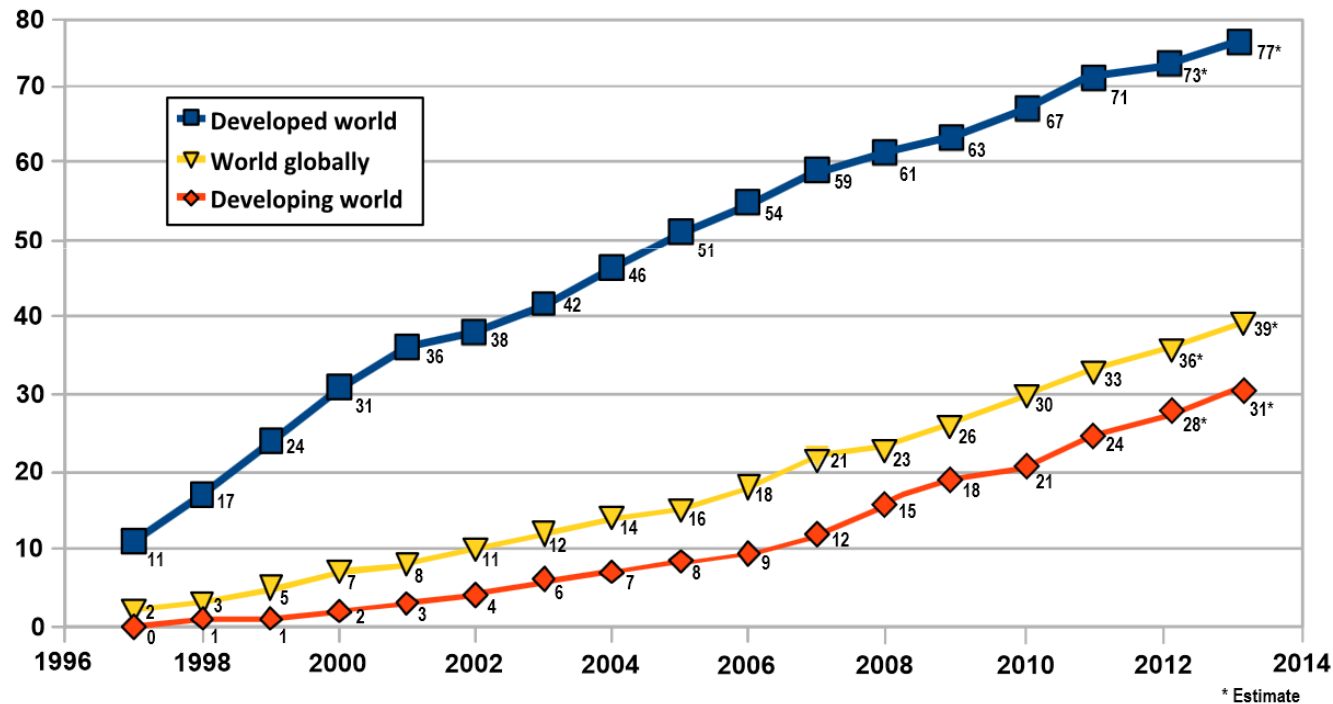
User demand

- Convenience
- Speed
- “Real time economy”
- Anonymity
- Safety & security
- Financial inclusion



Internet Users per 100 inhabitants

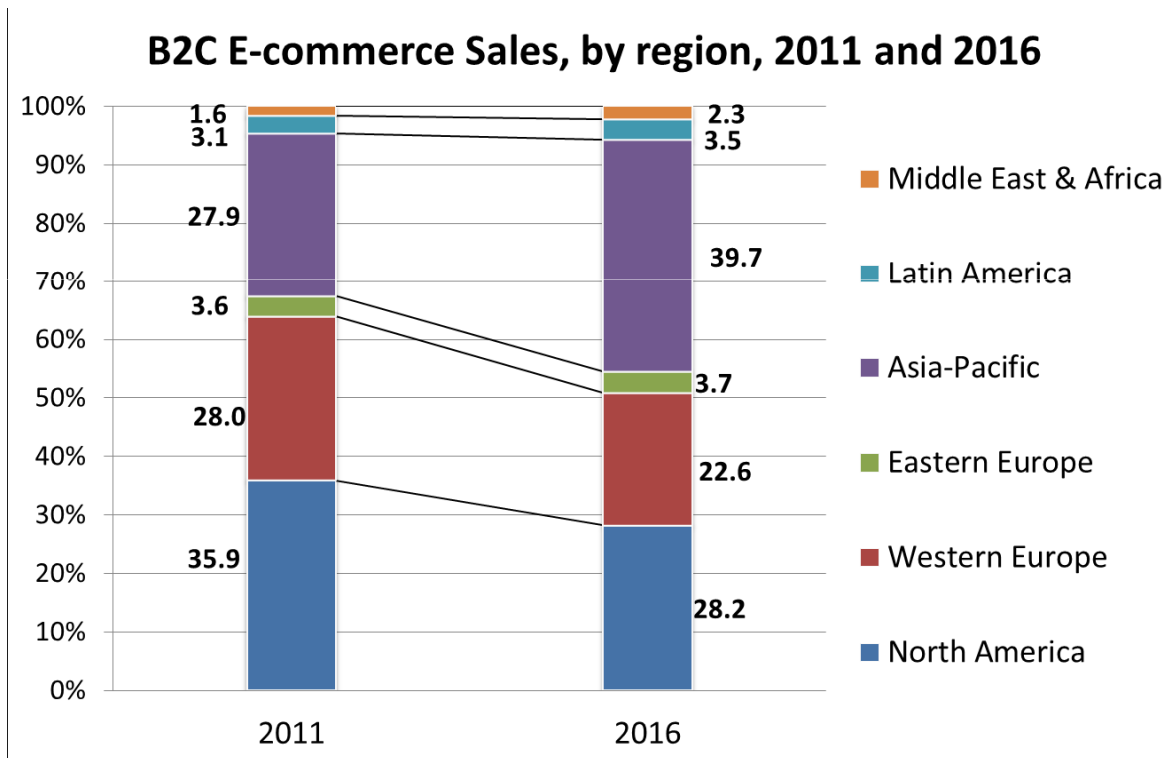
(Source: International Telecommunications Union)



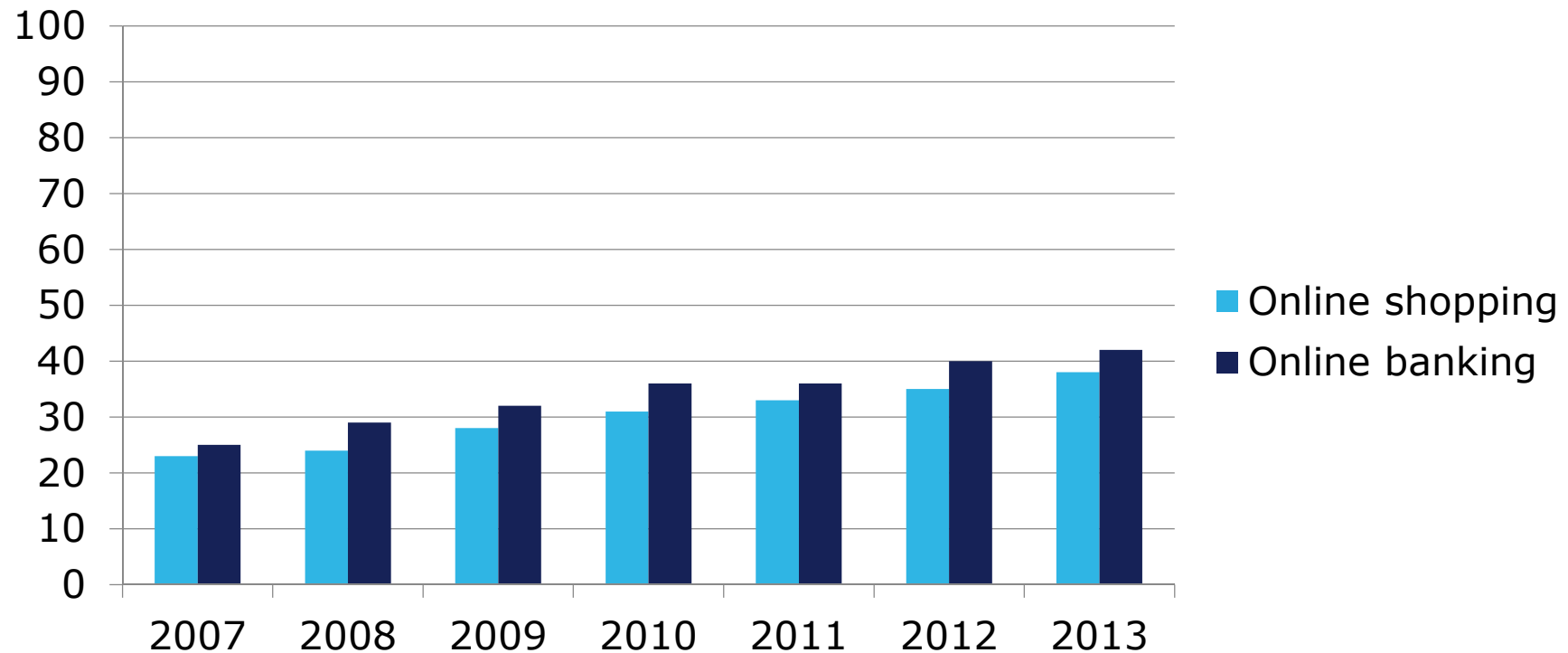
* Estimate

Technology: e-commerce

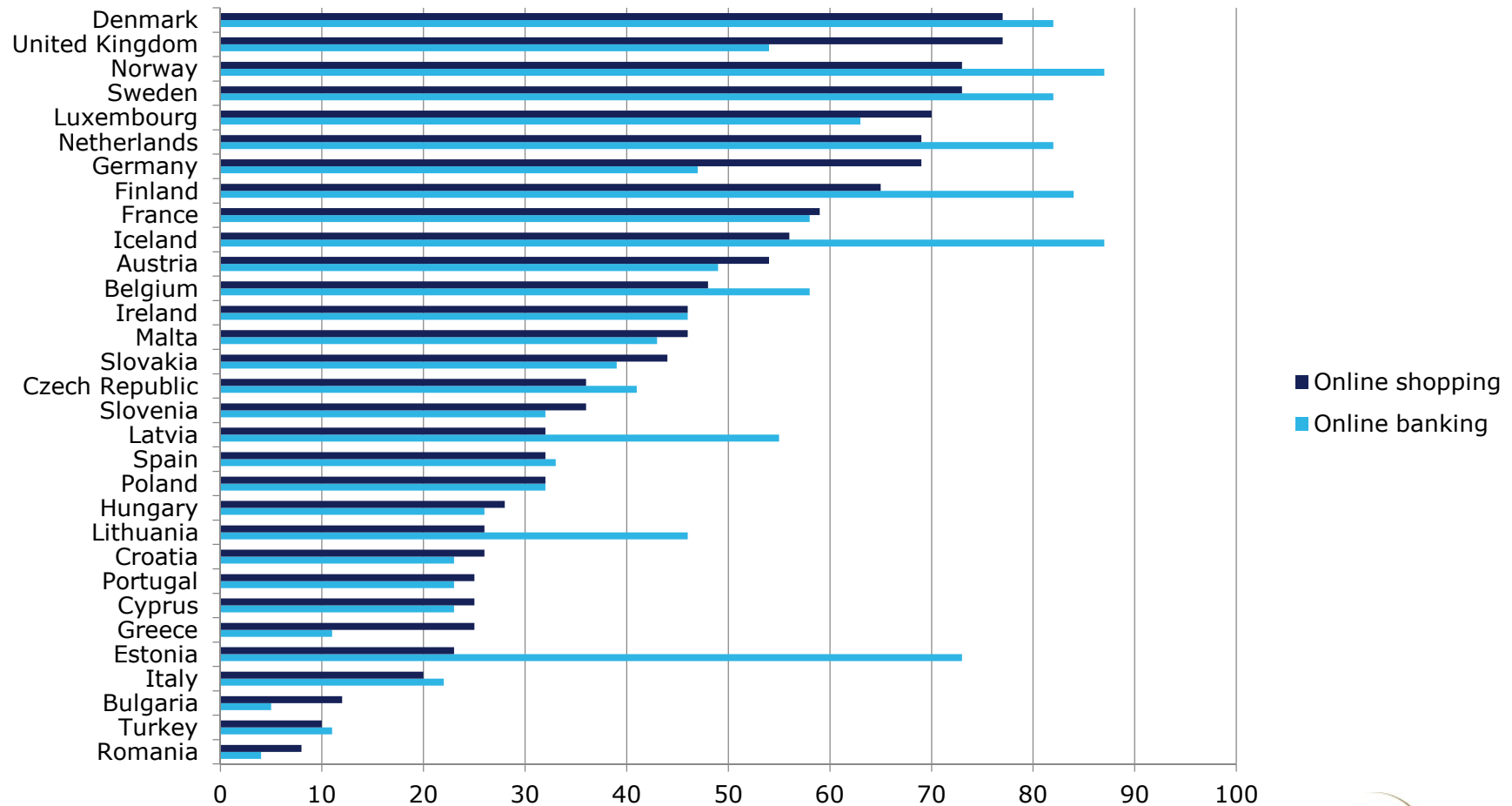
(Source: eMarketer)



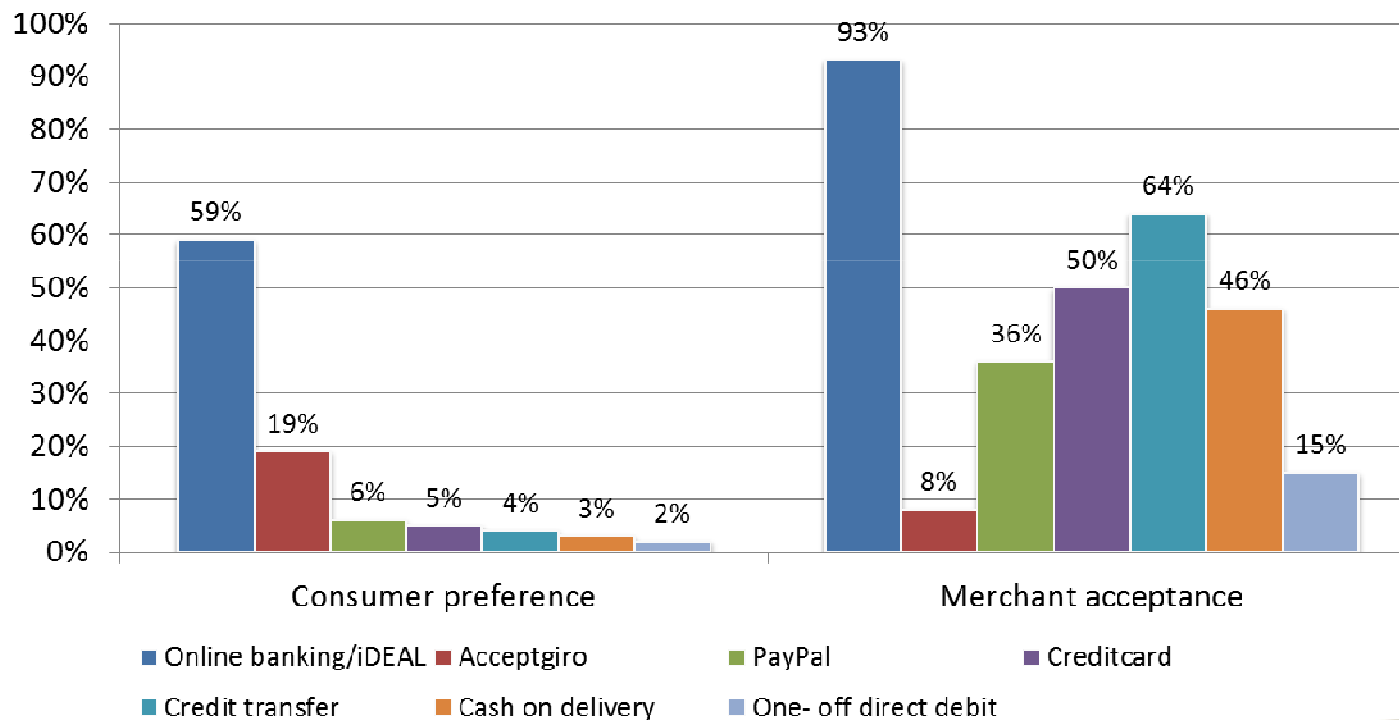
Online shopping and banking by individuals in the EU28 (Eurostat)



Online shopping and banking by individuals per country (Eurostat)



Online shopping in the Netherlands: methods of payment



Retail payments innovations

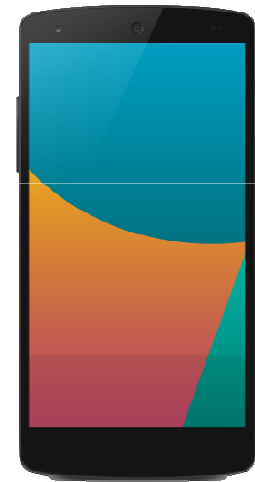
Card



Internet



Mobile



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Mag stripe



EMV



Gift



Contactless



Pre-paid



Online banking

Online banking for e-payments

Creditcard



Virtual currency



E-billing

Klarna

E-money account

Pre-paid



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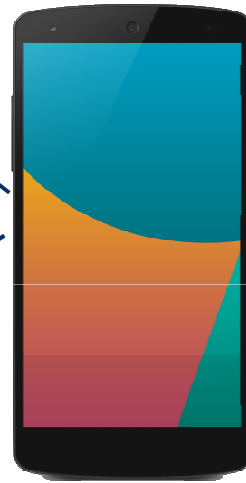
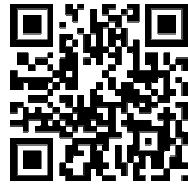


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P2P



QR codes Access to e-banking



E-money account



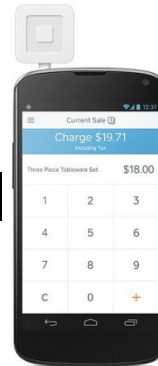
Google wallet

NFC at POS



SMS – telco bill

Mobile = terminal



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Innovations in retail payments



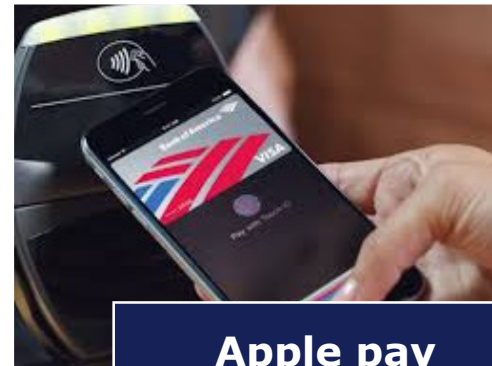
eWallets



Contactless payments

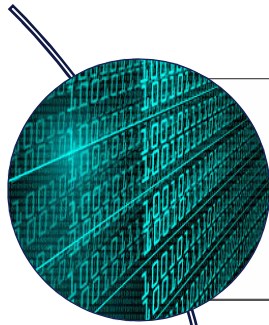


Ripple



Apple pay

Trends in the payments landscape



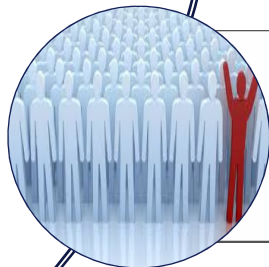
Digitization

- Increase e-commerce, social networks, online activity
- Demand for digital identification



Mobile solutions

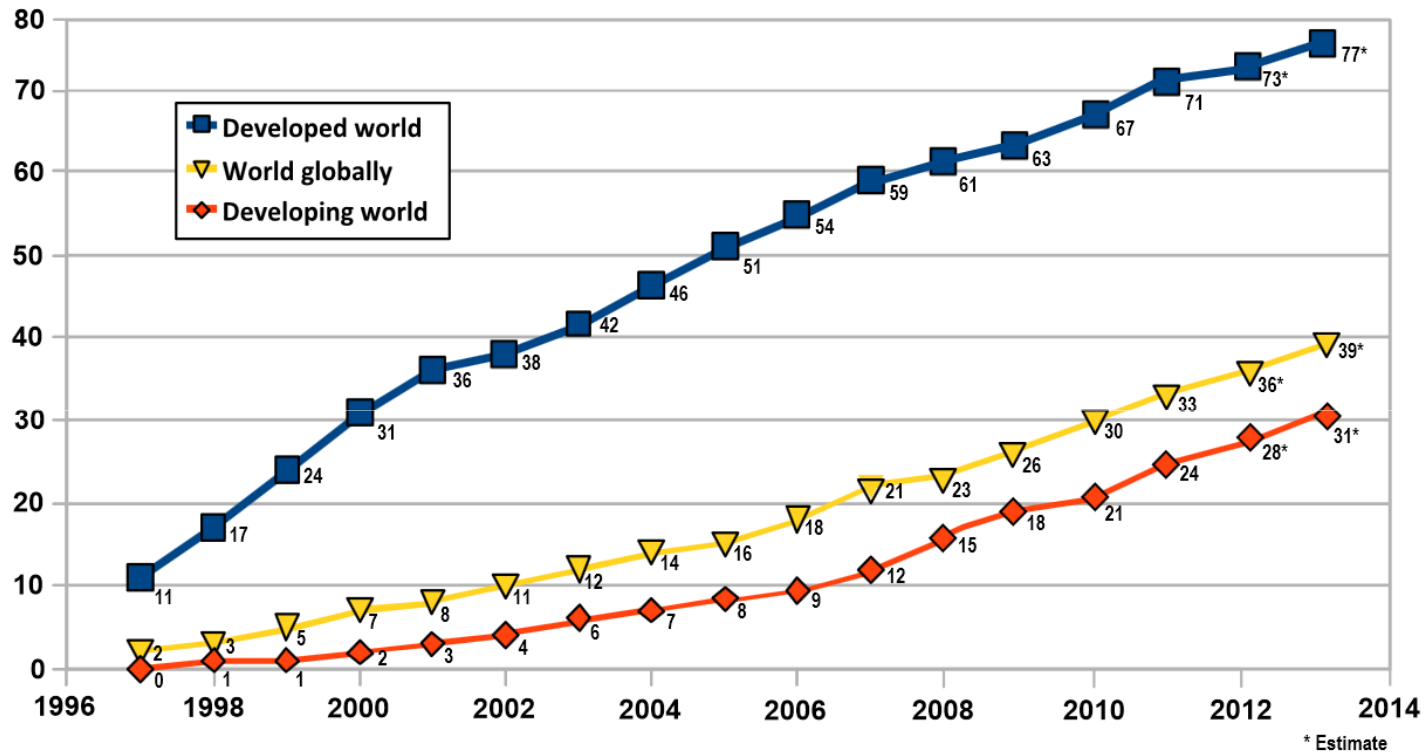
- Increase in ownership mobile devices
- Mobile banking, mobile contactless, mPOS terminals, eWallets



New market participants

- Traditional role banks is changing
- New players: IT-firms and large technology firms

Internet users per 100 inhabitants



(Source: International Telecommunications Union)

Examples



iDEAL

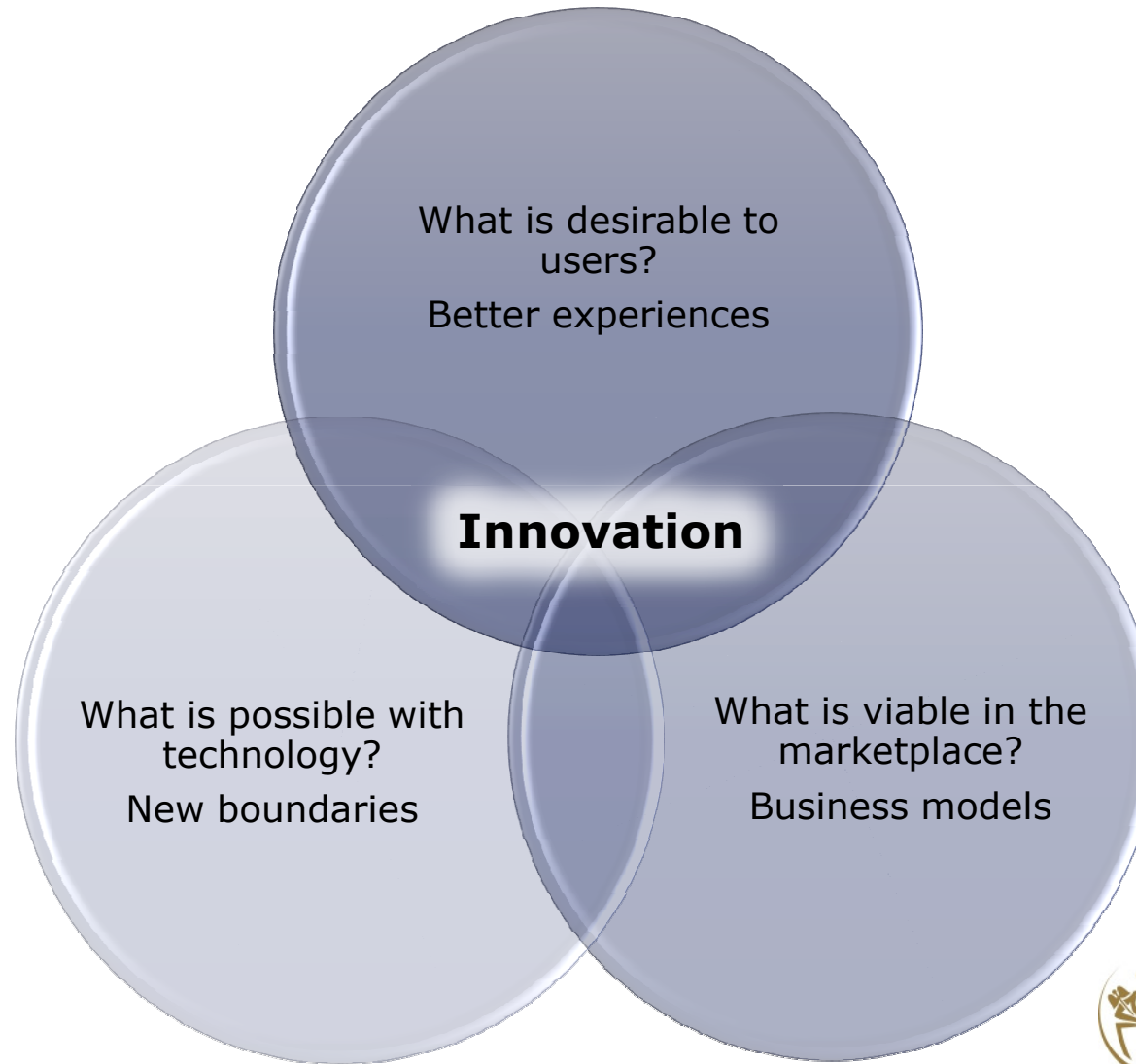
- Online payment solution
- Acceptance in NL and abroad



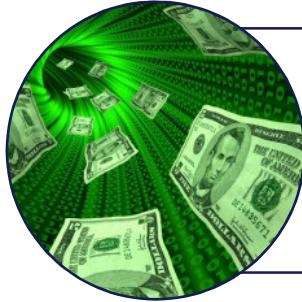
Chipknip

- E-money: solution for small amounts
- Introduction supply driven
- Abolished in December 2014

Drivers to innovation

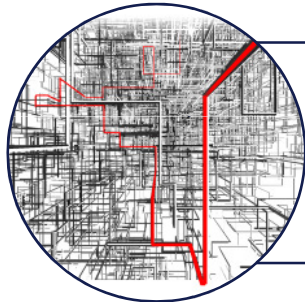


Barriers to overcome



Characteristics of the payments market

- Network industry
- Two-sided market



Complexity of technical infrastructures

- Many parties
- Interdependent



Regulation

- Tight regulation
- Impeding competition

Recipe for success

1. Cooperation between different parties

- Tackle fragmented market and heterogeneous consumer base
- Banks and new actors

2. Clear added value to consumers and retailers

- Which problem are we solving?
- Speed, ease of use, costs, security

3. Communication by providers

- Knowledge of usage
- Risk awareness

4. Regulatory environment

- Constructive approach by regulator
- Case-by-case assessment

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Recipe for success

Other developments in the field of “mobile” shape new trends in retail payments experience

mPOS

mCommerce

Multi-channel approach

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Instant Payments

- International experiences (UK, DK, SE, IT, MX, AU)
- The direction in Europe is towards real-time payments, but its tempo will vary by country, product and channel
- New topic to gain a central place in the international agenda (ERPB etc)

Selected observations

- Dynamic market, but classics dominate
- Cross-border solutions are rare
- Increasing role of non-banks & need for cooperation



Concluding remarks



The success of innovations depends on:

- User-friendliness and added value of new payment products compared to the existing products
- Well organised governance model: the Euro Retail Payments Board started its work in May 2014
- Further European standardisation and innovation: revolution by evolution.



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**Thank
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