Svenska Bankföreningen
Swedish Bankers' Association

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Swedish Bankers' Association Position Paper – A Comment to the European Commission's Retail Payments Strategy

Introduction

Over the past decades, the European payments market has experienced a fundamental transformation. This has been driven by a combination of not only consumers demand, innovation, and regulation but also competition and cooperation. The COVID-19 pandemic has re-confirmed the importance of safe, accessible and efficient payments systems in a global context based on standards that have evolved over a longer period of time. Therefore, the Swedish Bankers' Association believe that Europe should strive for a competitive and diverse market, where businesses can compete fairly in a level playing field, where different payment solutions complement each other.

Going forward it is unquestionable that the payments system will become increasingly digital across the Union. Some member states have already reached a level of digital payments where cash plays a minor role in the payment ecosystem. An ecosystem where trust is upheld due to the interplay between the banking system and the central banks. Going forward, a cashless society will most probably become the blueprint for a majority of member states going forward with or without a central bank digital currency.

The aggregated result of the individual initiatives in the Retail Payments Strategy would be a fully-fledged integrated payments value chain also for pan-European instant payments, extensive fraud monitor systems, and supervisors that will have access to reporting data in an instant payments universe. A secure digital system, easy to access and use, and adapted to the public's needs, respecting existing banking and payment systems no matter if it distributes a digital central bank currency or not. For the industry to be able to adapt to this strategy properly it is also pivotal that the Commission clearly communicates to the industry what is expected going forward otherwise it will be difficult to maintain the momentum and investments required to fulfil these objectives.

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To ensure a stable system going forward, that both market participants as well as individuals have confidence in, new solutions should be introduced with carefulness and after thorough analysis. This to ensure that the citizens currently outside of the system are integrated and that the trust for the current payments system already established is not lost. Therefore, it is also necessary to develop complements, not replacements, to the existing electronic payments services.

The Swedish Bankers' Association (SBA) welcomes the European Commission's Retail Payments Strategy. Consumer protection, financial stability and well-functioning financial markets including payments are key for the Swedish Bankers' Association. The objective with this paper is to address some key aspects of the initiatives included in the strategy.

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Swedish Bankers' Association Position on the four pillars of the Retail Payments Strategy

Executive summary of the SBAs positions

Below we address some key aspects of the initiatives included in the strategy.

- Measures should not hamper progressive countries to continue innovation and digitalization but rather be designed to promote adoption of best practices across the Member States. Therefore, it is crucial that member states specific characteristics are considered. In Sweden the decreased use of cash as a means of payment has been most pronounced, coupled with a rapid and well-spread increase of digital financial services including instant mobile payments. It is therefore imperative that the established digital payment practices can be the foundation of future development.

- It is of outmost importance to ensure strengthened digital inclusion of the group of citizens that currently do not feel comfortable or secure in using digital financial services.

- Consumer protection should be in the forefront, particularly considering that customers' financial information is very sensitive in nature. It's vital to ensure that the customers understand which access consents they approve, to whom and for what purpose in line with PSD2. Furthermore, it is important that the requirements set in GDPR are respected, especially concerning clear information to consumers regarding the processing of personal data.

- If the issuing of a digital euro becomes a reality, it is important that the following factors are taken into consideration and are respected:
    - uphold monetary and financial stability,
    - the credit intermediation by banks to the economy (without the additional cost of posting more collateral to the central banks)

- It is important to ensure that potential price regulations for instant payments do not distort the payment market. Each payment method should carry its' own costs for operations, development and maintenance of the infrastructure while the competitive market establishes the end user pricing.

- When it comes to interoperable eIDs, the AML directive should be amended in accordance with the technologies available, to ensure that banks are able to trust another institutions' identity verification. Also, currently there is a lack of a common technical infrastructure which could be used for verification of

eIDs across member states. Furthermore, current national eIDs need to be upgraded or replaced to meet e-IDAS requirements.

- Concerning an increased level over 50 Euro without Strong Costumer Authentication (SCA) in EU, the SBA recommends that current level should not be increased due to an increased risk for fraud. This would negatively impact both card holder and card-issuer. Concerning individual contactless limits for consumers without SCA (currently 50 Euro on EU maximum level) the SBA see substantial challenges from both card issuing and infrastructure point of view as maximum level is set in POI (Point of Interaction), not in the cards.

- As payment services increasingly rely on the provision of ancillary services by outsourcing arrangements with unregulated entities, the SBA supports the Commissions initiative to assess whether technical service providers should be brought into the regulated sphere and be made subject to supervision.

- Considering that elements of PSD2 are nascent in their implementation any future revision of the directive should be initiated when the full effects of the requirements can be properly evaluated. In some member states the application of strong customer authentication for remote payments according to the EBA technical standards are still not fully implemented and therefore we are yet to see the SCA impact on customer payment experience, payee service provider impact and on fraud levels.

- When assessing proper linkages between the supervision of payment services and the oversight of payment systems, schemes and instruments a level playing field should be ensured. Specifically, licensing of payment schemes across Member States should be harmonised, making sure there are similar requirements.

- When it comes to making payment systems and infrastructures interoperable, it is crucial ensuring that central banks continue to focus on settlement and liquidity provisioning. Payment processing and development of payment services should primarily be driven by the payment service providers and the clearing houses. It is important to maintain the incentives and willingness for the private credit institutions to continue to develop and invest in such common infrastructure.

- In the context of access to central payment infrastructures, ensuring operational stability and resilience as well as access to liquidity to safeguard the proper functioning of the central payment infrastructures. When considering broader access to central payment infrastructures on fair and

non-discriminatory terms it is important that same stringent rules apply for all parties according to the principle of “same activity, same risks, same regulation and supervision”.

- Regarding measures to enhance the efficiency of cross-border transfers, outlined in Pillar 4, we believe these need to address issues also beyond the broader adoption of SWIFT GPI. Critically the issues surrounding unclear AML and KYC requirements within the correspondent banking areas, such as RMA key exchange and screening requirements, require attention. Additional measures contemplated should also include alignment between central banks of the new ISO standards to be rolled out. As such SBA supports the implementation of ISO 20022 message standard to allow richer and structured payment data but still to follow SWIFT’s time plan i.e. latest by 2025

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The Commission´s key actions and SBA positions

Pillar 1 Increasingly digital and instant payment solutions with pan-European reach

Mandatory participation SCT instant

Key action
In November 2020, i.e. at the expiration of the temporary exemption period set by the SEPA Regulation for meeting the adherence requirements of the SEPA Instant Credit Transfer (SCT Inst.) Scheme, the Commission will examine the number of payment service providers as well as the number of accounts able to send and receive SEPA instant credit transfers. The Commission will assess whether these numbers are satisfactory and, on that basis, decide whether it is appropriate to propose legislation requiring payment service providers' adherence to the SCT Inst. Scheme by the end of 2021. Such a proposal, if decided, would lay down the criteria for determining which payment service providers should be subject to obligatory participation.

SBA position

- The SBA believes that adherence to the SCT Inst scheme should be on voluntary basis. If the Commission would choose to mandate adherence through legislation, the industry needs a reasonable rollout and development period to ensure technical developments, stability of the payments eco-system, and safe-guard consumer protection. SCT Inst is a complex scheme, requiring great investments for the industry and society to implement. It has also been shown that the scheme has certain weaknesses, concerning requirements in other regulations such as AML and PSD2. This has led to a high number of rejected transactions.

- Furthermore, SCT Inst currently lacks vital characteristics such as end-user interfaces, routines, and end-2-end payment scheme rules etc. In order to offer other use-cases than account-to-account instant credit transfer between payment service users, banks themselves and/or together with service providers need to build interoperable front-end solutions adapted to the wanted use cases. This supporting technology and creating the associated business models, risk management and risk distribution rules, consumer protection and merchant payment guarantees which is required in an interbank payment scheme.

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Standardisation of QR codes and access to Near Field Communication (NFC)

Key action
The EU commission considers that the lack of standardised QR codes at EU level and the restriction of access to NFC technology in mobile phones by some providers of mobile devices are making it difficult for providers of instant payment solutions to offer merchants and consumers convenient and affordable solutions. This limits the uptake and interoperability of mobile instant payments. The EU Commission therefore welcomes the ongoing work of the Euro Retail Payments Board working group on a 'Framework for instant payments at Point of Interaction', carried out in cooperation with the European Payments Council Multi-Stakeholder Group on mobile-initiated SEPA credit transfers, and on a single standard for both merchant-presented and consumer-presented QR-codes.

SBA position

- The SBA does not support a European standard for QR codes as we believe there is no need to develop something that already exists. It would be preferable to use a global interoperable specification for QR codes which could enable a quicker time to market and allow use also outside the EU.

  Regarding access to NFC the SBA agrees with the EU Commission. In general, it is important that no provider is allowed to use its position to block other competing payment services. However, the SBA is hesitant regarding how such demands could be placed on the global mobile device providers.

Interoperability of clearing and settlement systems for instant payments

Key action
The EU Commissions' view: cross-border infrastructures for the clearing and settlement of instant payments already exist in Europe, but full interoperability between these clearing and settlement mechanisms (CSMs) is yet to be achieved. As this creates a clear obstacle to the uptake of instant payments in the EU, on 24 July 2020 the ECB announced measures to address these issues. There is a firm expectation that clearing and settlement mechanisms and payment service providers will ensure timely implementation of these measures, before end-2021, in view of their legal obligation to be reachable EU-wide when providing instant payments.

SBA position
The SBA supports the objectives of the EU Commission and the ECB. An important aspect is to clarify the liability between two PSP participants in different automated clearing houses for instant payments (ACHs), which requires joint legal agreements and that both ACHs are connected to Target Instant Payment Settlement (TIPS instant) with the same account infrastructure. It needs to be recognised that to reach

these objectives it would entail high levels of dedication and investments, especially for instant payments across borders and across currencies within the EU – therefore to ensure the support and commitment of the industry objectives need to be clear and long term. Currently card payments already have this functionality including the division of risk.

Limits on fees and charges for instant payments

Key actions
In the context of the Payment Services Directive (PSD2) review, the Commission will assess the extent to which the EU's existing consumer protection measures (e.g. rights to refunds) can provide consumers making instant payments with the high level of protection offered by other payment instruments. The Commission will assess the impact of charges levied on consumers for instant payments and, if relevant, require that they are no higher than those levied for regular credit transfers**.**

SBA position
From a principle-based perspective the SBA considers price regulations to potentially skew the payment market as each payment method should carry its' own costs for its operations, development and maintenance of the infrastructure while the competitive market establishes the end user pricing.

It should also be noted that any consumer protection measures on top of the existing legislation and the SEPA Inst rulebook need to be financed by the end-users. Such consumer protection measures as refund rights between payer and payee and the legal requirement on payment finality, are covered in several payment solutions, such as card payments.

Crisis management of payment systems

Key action
The Commission, where appropriate with the European Central Bank and/or the European Banking Authority (EBA), will examine whether specific measures should be taken to enhance the effectiveness of the crisis management of payment systems, and to ensure sound mitigation measures on the liquidity risk for financial institutions resulting from the rapid, low-friction outflow of funds via instant payments, in particular when taking place outside normal office hours. This would go beyond central bank oversight expectations, mechanisms under the Bank Recovery and Resolution Directive (BRRD) or the Single Resolution Mechanism Regulation (SRMR) or payment systems rules.

SBA position
The SBA asks the Commission to clarify and provide more information on the potential additional requirements for payment systems. Note that instant payments by nature create the possibility of a bank-run or massive fraud attacks to be undertaken before authorities have been able to establish a crisis management meeting in order to examine the situation and insert needed rectification action. It should also be noted that the planned review of the Settlement Finality Directive (SFD), in which the Commission will consider extending the scope of the SFD to include e-money and payment institutions, could introduce new operational and liquidity risks in the payment systems irrespective of appropriate supervision and risk mitigation**.**

Label/logo for pan-EU payment solutions

Key action
By the end of 2023 the Commission will explore the feasibility of developing a 'label', accompanied by a visible logo, for eligible pan-European payment solutions.

SBA Position
SBA believes that both the Commission's and the industries' resources should focus on investments that strengthen the payments eco-system while leaving marketing of competing payment systems to the providers of such systems.

Specifications for contactless card-based payments

Key action
Explore ways to facilitate the deployment of European specifications for contactless card-based payments (CPACE), e.g. through funding programmes such as InvestEU.

SBA position
The development of payment technology should be left to the industry and the free competition since the rapid tech development could supersede any "EU Authority specifications" before these are ready to be deployed. The EU authorities should focus on providing a level playing field for all payment service providers in the EU.

Currently close to all card schemes have their own kernel, leading to merchants' terminals having to adopt to all solutions. This has led to that the Standardisation body for the majority of the card schemes globally (EMVCo) has started a project to see if there is a possibility to develop a "common contactless kernel" that all card schemes could adhere to. That solution could be the alternative, not to invest in another "EU kernel" (CPACE). There is a risk that CPACE would result in one more

kernel for the acquires to certify, resulting in more complexity. It should also be noted that CPACE will come with a cost for maintenance besides the development.

E-receipts

Key action

Modernisation and simplification of EU merchants' payment acceptance facilities, enabling for example, cash registers to issue e-receipts. This support could be achieved through guidance and awareness-raising amongst retailers, particularly SMEs, about ways to modernise and digitalise, including through the use of Digital Innovation Hubs.

SBA Position

Multiple market driven solutions already exist in the Swedish market. The Commission should take the existing solutions into account, ensuring that already well function e-recipes solutions are protected.

Reaping the full potential of SEPA

Key action

The Commission reminds national competent authorities of their enforcement obligations under the SEPA regulation

SBA Position

Directed towards FSAs. SBA finds that the level of supervision measures differs substantially between different member states creating an unlevel playing field for payment service providers trying to act cross-border. The EU authorities should combat such inequal terms of trade for the payments industry.

Interoperable eIDs

Key action

With a view to facilitating cross-border and domestic interoperability, the Commission will explore, in close cooperation with the EBA, ways to promote the use of electronic identity (eID) and solutions based on trust services, building on the further enhancement of eIDAS, to support the fulfilment of Strong Customer Authentication requirements under PSD2 for account login and initiation of payment transactions**.**

SBA position

While the SBA agrees with the long-term vision of interoperable eIDs, there are multiple considerations to take into account and problems to solve.

- First, the AML directive currently requires the individual institution to verify the identity of the customer at on-boarding. Thus, a bank cannot trust another

institutions' verification of the identity without changes in current legislation. Reliance as indicated in present legislation is not sufficient as it would require bilateral agreements and thus be too cumbersome.

- Secondly, there is currently a lack of a common technical infrastructure in the EU which could be used for verification of eIDs. This needs to be developed based on common standards for technology, legal issues (such as liability) and governance in order to be able to verify and share data in a secure and GDPR compliant way, involving both public authorities and private institutions. This would ensure that all the relying parties can trust that the offered eID will guarantee the true identity of the user and that any deviation from the eID policy would lead to liability for damages caused to the relying party payable by the eID scheme in fault. A potential solution could be to build on the eSSIF-Lab. In addition, each individual financial institution using eIDs would need to develop solutions for how the internal systems would recognise and accept the eIDs from other countries when using the financial services.

- Thirdly, current national eIDs (in some Member States there are several) need to be upgraded to or replaced by e-IDAS compliant solutions. A prerequisite is that each member state has a national solution for identity in order to know who is who, otherwise it is not possible to make common and interoperable eID solutions. There is currently a lack of auditing firms, but it should also be recognised that there are significant requirements to become e-IDAS complaint.

Improving the acceptance of digital payments

Key action
In 2022, the Commission will carry out a study on the level of acceptance of digital payments in the EU, including by SMEs and public administrations, and to explore the possible reasons in case of a low level of acceptance. If appropriate, it may propose legislative action.

SBA Position
The SBA welcomes such a study, the Swedish market practices on payment acceptance can serve as a bench-mark in such report.

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Maintaining the availability to central bank money including cash

Cash accessibility and acceptance

Key actions
In the framework of the Euro Legal Tender Expert Group (ELTEG), the Commission will take stock of latest developments regarding the acceptance and availability of cash within the euro area with the ECB, national central banks and treasuries.
In parallel, it will closely follow the work on access to cash to be carried out under the auspices of the Euro Retail Payments Board. Taking this work into account, as well as the deliberations of the Euro Legal Tender Expert Group, it may decide to take appropriate action to protect the acceptance and availability of euro cash at the end of 2021.

SBA position
The European Commission needs to take country specificities into account. The SBA is based in Sweden where the decreased use of cash as a means of payment has been most pronounced, coupled with a long-term development commitment of digital payment services provided by the banks in order to achieve a continuing and well-spread increase of digital financial services. At the same time, the Swedish banks recognize that there is still a demand for cash services even if a vast majority use digital payments for all daily needs. Against that background, the Swedish banks have established a common service company, Bankomat that ensures a uniform country-wide network of ATMs for withdrawal and deposit of cash.

The SBA takes the view that strengthening the digital inclusion in the group of citizens that currently do not feel comfortable and secure in using digital services, including financial services, is of utmost importance. The SBA and its' members stand ready to continue to support such work.

Central Bank Digital Currencies, CBDCs

Key action
In order to support the issuance of a euro retail CBDC, the Commission will work closely with the ECB on the objectives and policy options and on ensuring a high level of complementarity between the payment solutions developed by the private sector and the necessary intervention of public authorities.

SBA position
Taking into account the development towards digital financial services as well as the costs and risks (robbery, theft, counterfeit, financial crime, covid-19) of physical cash as a means of payment, the SBA understands the ongoing work of many central

banks globally on various CBDC projects. The SBA would like to emphasize the need for any CBDC to:

- uphold monetary and financial stability, across all member states, euro or non-euro
- ensure the credit intermediation by banks to the economy (without the additional cost of posting more collateral to the central banks)
- ensure the stable value of the currency which is a foundation for the economy
- co-exist and complement existing means of payment
- ensure privacy, but not issue anonymous CBDCs as this could endanger the combatting of financial crime.

Pillar 2 Innovative and competitive retail payment markets

Reaping the full potential of the Payment Services Directive (PSD2)

Review of the application and impact of PSD2

Key action
At the end of 2021, the Commission will launch a comprehensive review of the application and impact of PSD2.

SBA position

The SBA welcomes the Commission's initiative to launch a review of PSD2. Our view is that the initial contributions of PSD2 have been positive, resulting in for example more efficient payments, lower levels of fraud, and an increase in consumer applications. This has led to consumers having access to safe payments and a better overview of their finances.

However, parts of PSD2 are still in the implementation phase. Therefore, we believe that any future revision of the directive should be initiated first when the full effects of PSD2 can be properly evaluated. For instance, in some member states the application of strong customer authentication (SCA) for remote payments according to the EBA technical standards are not still fully implemented and therefore it is difficult to evaluate the impact of SCA on customer payment experience, payee service provider impact and fraud levels also for cross-border payments within the EU and beyond.

To maximize the potential of PSD2 it is not necessary to introduce further legislative requirement as this could lead to further tensions in the strive to maximize innovation. Instead, further standardization on industry level concerning for instance Application Programming Interfaces (API) could be a proven way forward to preserve momentum in fostering long-term innovation through trust. This, especially as data portability is already regulated in the GDPR. As many PSPs already have invested in developing

and setting up the APIs, the SBA want to stress the importance of having a sufficient time for the market to adapt to any change proposals.

The SBA proposes that a review is started after 2022, i.e. after the full impact of the PSD2 including the SCA and API implementations, has been observed for an entire year.

Proposal for "open finance" framework

Key action

Building on the PSD2 experience and as announced in the digital finance strategy, it plans to present a legislative proposal for a new 'Open Finance' framework by mid-2022.

SBA Position

When establishing a framework for open finance it is crucial to respect that privacy is a qualified, fundamental human right. The service user`s decisions to open up own personal banking data for providers of choice can contribute to the further wellbeing of the EU citizens. It is vital to support and provide clear information about how personal data will be used as well as potential risks in accordance with fundamental rights already provided to all European citizens through GDPR.

The control of access and processing of personal data always needs to lie with the service user. It is crucial that consumers understand that any transfer of data to providers outside the banking system removes the protection of customers' data through bank confidentiality legislation which has traditionally been a cornerstone of trust in the European banking system.

Consumer protection should be in the forefront in any initiative in this area, particularly considering that customers' financial information are very sensitive data. It's vital to ensure that the customer understands which consents they approve and to whom and on a regular basis receive an update of said consents and how to manage these. These objectives are underpinned by the regulatory frameworks for financial providers and any provider should adhere to the same rules.

This also requires common clear rules, frameworks and aligned supervision by the national competent authorities across member states, on how data can be used to ensure that European citizens maintain full control and access to their data. It is also important that this development considers the level playing field regarding the regulatory agenda for all providers.

The SBA agrees with the Commission that the existence of many different application programming interfaces (API), have presented challenges for the industry, especially for third party providers. The SBA welcomes finalisation of the private industry initiative on a 'SEPA Application Programming Interfaces Access Scheme'. This will remove any discussions concerning obstacles to third party providers' services without limiting

future innovation. The finalisation of SEPA is an important step to create standardized and dynamic API`s both from a commercial, legal and technical perspective. In this regard API standards are important. As many banks and also third parties already have invested in developing and setting up the present APIs, the SBA want to stress the importance of having a sufficient time for the market to adapt to any changes.

An Open Finance Framework should respect the requirements set in GDPR, especially concerning clear information about how the data will processed and by who. Further clarifications of the responsibilities of all PSPs especially concerning consents and the processing of data will ensure high levels of consumer protection. Assuring that fraud risks are kept to a minimum is furthermore crucial when developing an open finance framework.

A future open banking framework should be technology neutral. Focus should be on regulating the activity and not the technology itself in order to foster future innovation and not risk of locking the industry into existing regulated technologies that can be outdated by rapid technology development.

Ensuring a high level of security for retail payments in Europe

Strong Customer Authentication

Key actions
In close coordination with the European Banking Authority, the Commission will carefully monitor the implementation of strong customer authentication requirements. In its review of PSD2, it will take stock of strong customer authentication's impact on the level of payment fraud in the EU and explore whether additional measures should be considered to address new types of fraud, in particular with regards to instant payments.

SBA Position
PSD2 requires all payment service providers to apply strong customer authentication (SCA) whenever a user initiates an electronic payment or accesses their online banking interface. Sweden have been privileged that the government together with the financial industry early identified the strength of a uniform authentication system.
With its wide-reach and norm building wide acceptance, Swedish BankID has been a fundamental building block for innovation and acceptance of new services – both from new and incumbent service providers and it is the fundament for the strong customer authentication for remote payments and account access.

One of the important and new elements of PSD2 are the fraud reporting and monitoring requirements on PSPs (not relevant for AISPs) and the need to take proactive action if thresholds are in danger to be breached. Leveraging this data and sharing experiences across the industry can further strengthen the payments ecosystem. The industry has already invested in a template for such exchange of information in the card payments area. Taking these experiences into consideration going forward is key to reach the next level of safe, accessible, innovative and seamless payment solutions

– establishing and maintaining trust for digital payment solutions with citizens from all member states and of all ages.

Regulation on Digital Operational Resilience

Key actions

Alongside the Digital Finance Strategy, the Commission is also proposing a Regulation on digital operational resilience for the financial sectors across the Union, with a view to enhancing the ICT risk management of various financial institutions, including payment services providers. This initiative is consistent with the European Critical Infrastructure (ECI) Directive.

The Commission will work in close coordination with the European Banking Authority in order to draw on lessons learned from the implementation of the EBA Guidelines on ICT and security risk management, which have been applicable since June 2020.

SBA position

The SBA supports the initiative for enhancing ICT risk management through a Regulation on digital operational resilience for the financial sectors (DORA). The EU wide level playing field regarding digital operational resilience requirements is crucial for financial service providers that seek to work cross-border on the single market.

According to the DORA, the Commission will explore the possibility of further centralisation of incident reporting via a central hub. The SBA believes that the centralization of all European incidents in the same system and in the same place can be a weakness or even a danger in the event of a cyber-attack. Such potential risks should be thoroughly evaluated before any decision on a central hub is taken.

Important issues to consider regarding DORA are also:

- Enabling continued use of 3rd country TPPs,
- Alignment with other regulations, including the NIS directive
- Harmonisation of rules across the Single Market to avoid fragmentation by local rules.

Fostering consumer protection

Contactless payments

Key action
When reviewing PSD2, the Commission will, in close coordination with the European Banking Authority, re-examine the existing legal limits on contactless payments, with

a view to striking a balance between convenience and fraud risks. The Commission will also examine, with both stakeholders and Member States, the technical conditions that could enable consumers to set their own individual contactless limits.

SBA Position

Concerning an increased level over 50 Euro without strong costumer authentication (SCA) in EU, the SBA recommend that current level should not be increased due to an increased risk of fraud. This would negatively impact both card holder and card-issuer. Current level defined in PSD2 RTS is well balanced between convenience for consumers and risks for card-issuers and is line with the standard rules within the card schemes on EU-level. Investigating any new regulation on contactless payments (including change of maximum level) should include experience gained in the card industry area, where standards and best practises are developed in collaboration by issuers and card schemes.

The SBA points out that only contactless payments without SCA are in scope of the above-mentioned limits. Concerning individual contactless limits for consumers without SCA (currently 50 Euro on EU maximum level) the SBA see substantial challenges - both from card issuing and infrastructure point of view. This is due to that maximum level is set in POI, Point of Interaction, not in the cards. A change will result in huge investments for the industry, resulting in higher costs for consumers and merchants.

Future-proof supervision and oversight of the payment's ecosystem

Need for a level playing-field between payment service providers

Key actions

In order to address adequately the potential risks posed by unregulated services, ensure greater consistency in the various pieces of legislation on retail payments and promote robust supervision and oversight, the Commission will:

- as part of the Payment Services Directive (PSD2) review process, evaluate any new risks stemming from unregulated services, especially technical services ancillary to the provision of regulated payment or e-money services, and assess whether and how these risks can best be mitigated, including by subjecting the providers of ancillary services or outsourced entities to direct supervision. This could be done by bringing certain activities under the scope of PSD2 where justified. The Commission will also assess the adequacy of the exemptions listed in PSD2 and evaluate the need for changes in prudential, operational and consumer protection requirements.

SBA Position

To ensure consumer protection, maintained momentum for innovation and especially commitments for investments the SBA believes that there is a need to ensure a level playing field following the principle of same services, same risks, same rules and same supervision. This goes both for incumbent banks and non-regulated or less regulated new actors including big tech's, crypto-asset service providers, start-ups/fin techs. All these actors must be regulated and supervised on the same basis to ensure a full level-playing field, not to pose a threat only to consumer protection but also help securing financial stability.

As the Commission underlines, the PSD2 does not currently cover services provided by "technical service providers" such as cloud service providers. As payment services increasingly rely on the provision of ancillary services by or on outsourcing arrangements with unregulated entities, the SBA supports the Commissions initiative to assess, in the context of the PSD2 review, that such services and providers should be brought into the regulated sphere and be made subject to supervision.

Aligning the PSD2 and E-Money Directive

Key action

In order to address adequately the potential risks posed by unregulated services, ensure greater consistency in the various pieces of legislation on retail payments and promote robust supervision and oversight, the Commission will as part of the PSD2 review, align the PSD2 and E-Money Directive (EMD2) frameworks by including the issuance of e-money as a payment service in PSD2.

SBA Position

In general, the SBA supports to align the PSD2 and the E-money directive. To be able to assess this specific proposal, we need more information about what potential changes this would imply.

Robust supervision and oversight

Key action

In order to address adequately the potential risks posed by unregulated services, ensure greater consistency in the various pieces of legislation on retail payments and promote robust supervision and oversight, the Commission will:

- ensure proper linkages between the supervision of payment services and the oversight of payment systems, schemes and instruments. (See page 20: Players in the payments chain may be under the supervision or oversight of different entities. The ECB and national central banks play a central role in the oversight of payment systems, schemes, instruments and their service providers.)

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SBA Position

The SBA agrees with the Commission that supervisory and oversight frameworks should be coherently structured, taking into account the dependencies between payment service providers, payment systems and payment schemes. The national authorities that have been appointed to supervise payments and other financial service areas should be well aligned with their counterparties in all EU member states. They should also seek alignment with other supervisors outside the financial area for issues that concern multiple industries. For instance, areas that should be considered are the regulations on payments and financial services one hand and the general data protection regulation (GDPR) on the other hand.

The SBA supports the Commission's ambition to make reporting more efficient and streamlined. But it must also be ensured that banks and payments system still have the control over the information and can access the information that is shared with the authority. It should also be clear for the reporting entity which authority it is sharing information with, when in time it is done, and for what purposes.

In order to further harmonize the European payment eco-system and ensuring a level playing field, it would be important to ensure that Member States licensing schemes are aligned and harmonized. A most recent example requires the Nordic P27 infrastructure company to acquire a clearing entity license in order for it to start its operations in Sweden. However, similar requirements do not exist in Denmark. Therefore, we strongly support uniform licensing terms. Licensing is the correct approach to ensure only serious players are allowed to operate systems in the EU single market for payments.

Pillar 3 Efficient and interoperable retail payment systems and other support infrastructures

Interoperable payment systems and infrastructures

Key action

The operators of retail payment systems should ensure efficient interoperability between the systems. In 2019, the ECB announced that in the absence of satisfactory private solutions for interoperability issues, the Eurosystem would look at appropriate solutions. On 24 July 2020, it announced its decision to put in place measures ensuring pan-European reach for euro instant payments by the end of 2021. As a consequence, all payment service providers which have adhered to the SCT Inst. Scheme and are reachable in TARGET2 should also become reachable in a TARGET Instant Payment System (TIPS) central bank money liquidity account, either as a participant or as reachable party (i.e. through the account of another payment service providers which is a participant).

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SBA position

- The SBA supports the ambition to create full interoperability of settlement mechanisms for instant payments. The way to achieve this should clearly separate the role of the central banks, the private clearing infrastructures and the participating banks.

- The SBA believes the central banks should focus on settlement and liquidity provisioning. Payment processing and development of payment services should primarily be driven by the payment service providers and clearing houses. It is important to maintain the incentives and willingness for the private credit institutions to continue to develop and invest in the common financial infrastructure.

- The Swedish Central Bank plans to adopt TIPS technical platform for instant payment settlement in SEK from May 2022. To cater for functional and efficiency needs the new settlement model Single Instructing Party Service (SIPS) was added to the Swedish TIPS functional scope. As Sweden is recognized as the most mature market for instant payments there are good reasons to align the settlement models also across Europe to meet the greater ambition of reachability and interoperability. Another good example is the Netherlands who have agreed separate Additional Optional Services for regular SCT scheme payments. The Dutch AOS allows for single credit transfer 24/7 with real time capability without the reservation in the central infrastructure but rather RTGS as settlement method. We believe that this pattern can benefit from SIPS and can be used as a foundation for new payment products.

- Currently it is seen that TIPS should only be used for SCT Inst. We would argue that the platform should be transaction agnostic and be used as a high capacity settlement infrastructure allowing for settlement finality and 24/7 service.

- It is important to decouple the payment processing and supporting logic required for different instant payment products with the settlement and liquidity provision in order to achieve an efficient end-to-end process. Typically, series of validations and controls are required before executing and settling an instant payment, which is also a pre-requisite to achieve low rejection rates. An example is the mobile payments in Sweden operated by the GetSwish company where the P27 clearing company is planned to be intermediary SIPS operator and handle the simple settlement transaction only with the Riksbank.

- The ambition to extend availability of central infrastructures to cater for cross-currencies can be questioned for several reasons. First of all, the SBA does not believe foreign exchange is a domain for central banks. Secondly, there is likely very limited demand in the near term. Additionally, the lack of global technical standards and different national AML/screening sanction list requirements makes it a difficult process and solution to develop. Prioritizing a complex and costly low volume solution does not appear justifiable.

- Liquidity traps are an obstacle where settlement is not handled in one instance and collateral obligations may apply across several clearing institutions between which collateral cannot be pooled.
- Currently open hours and cut-off times of central banks and key clearing houses are not fully harmonized which feature a problem for full interoperability and efficient use of liquidity for participants regarding instant payments. This should be addressed. Also, the time when the balance that generates interest is calculated could benefit from a review if it is separated from midnight.
- The SBA also notes that instant payments that operate 24x7 in the financial industry will create expectations among users to be able to see their transactions real time. This means that authorities, corporates and organizations also must comply with such expectations, updating their own systems accordingly to real time solutions.

An open and accessible payments ecosystem

Key action
In the framework of the Settlement Finality Directive (SFD) review (to be launched in Q4 2020), the Commission will consider extending the scope of the SFD to include e-money and payment institutions, subject to appropriate supervision and risk mitigation.

SBA position

- When considering broader access to central payment infrastructures on fair and non-discriminatory terms it is important that same stringent rules apply for all parties. In order to ensure customer protection, financial stability and operational stability, we support the principle of "same activity, same risks, same regulation and supervision" combined with the principle of "same liability". In this regard, both the same level of regulation (e.g. prudential, AML/CFT conduct, operational resilience, internal risk management and governance) as well as proportionate supervisory attention is important. Consequently, irrespective of the provider of the service the regulatory and supervisory demands should be the same. This principle should be upheld both between different types of financial companies and between financial companies and others (big techs and fin techs).
- In the context of access to central payment infrastructures, operational stability and resilience as well as access to liquidity are important to ensure the proper functioning of the central payment infrastructures.
- Any change to the SFD should aim to harmonize rules and aim for a level playing field and following aforementioned principles.

Access to technical infrastructure

Key action
In parallel with its ongoing and future competition enforcement, the Commission will examine whether it is appropriate to propose legislation aimed at securing a right of access under fair, reasonable and non-discriminatory conditions, to technical infrastructures considered necessary to support the provision of payment services.

SBA position

- Open standards are preferred way forward. We believe in industry driven standards that enable open access to common technical infrastructures on fair and non-discriminatory terms.
- While it may be in the societies' interest to ensure that all persons have access to both means of payment and ability to pay and receive payment (at lowest cost available) the suppliers of payment infrastructure services need to be able to generate returns to motivate continued investments. Regulatory intervention should therefore be avoided unless (proprietary) solutions risk locking out consumers, merchants and other users of payment services from either paying or receiving.
- Important to distinguish between access to i) core payment infrastructure (the "rails"), ii) technical devices (physical or virtual), and, iii) different payment instruments (cash, cards, account transfers etc).
    - Over time we foresee more harmonization and easier access will be needed i.e. due to higher demands on availability, accessibility, performance and price pressure.
    - Regarding technical devices and network access both payer and payees need to invest in tools to be able to pay and receive. It is acknowledged that certain proprietary solutions risk locking parties out and/or not make access available on equal basis. The fact that some mobile handset manufacturers block their NFC-connection or biometric SCA for competing payment wallets are examples in contrast with our view on open standards and possibly also an infringement of handset buyer rights. A complicating factor to consider is that smart devices (eg smart phones) typically fulfil multiple purposes closely connected to payments, such as security, handling of digital identities etc. but are also used for other communication-based services.

Pillar 4 Efficient international payments, including remittances

Linkages between instant payment systems

Key action
Where feasible, the Commission expects the relevant payment system operators,

in particular where the recipient jurisdiction has also adopted instant payment systems, to facilitate linkages between European systems such as TARGET Instant Payment System (TIPS) or RT1 and instant payment systems of Third countries - as long as the latter benefit from an appropriate level of consumer protection, fraud and ML/TF prevention and interdependencies risks mitigation measures. The direct access of non-bank payment service providers to payment systems may increase the potential benefits of such linkages. Consideration could also be given to establishing linkages for other types of payment systems, including retail and wholesale, where relevant, subject to similar safeguards.

SBA position
The SBA supports the objective to facilitate linkages between instant payments systems. Nevertheless, the interoperability and cross border implementation of instant payments has many obstacles. There are different payment schemes with different usage rules and settlement processes. Since the implementation and onboarding to a new platform is a costly endeavour there has to be a solid volume to support it.

Further due to regulatory rules that moves the responsibility of the transactions to the account owner even if that party is not involved in the transaction the willingness to sell liquidity services is limited. A clearer definition of responsibilities between liquidity and settlement providers vs payment processing parties would enable a broader availability of liquidity and thereby enabling easier access for smaller banks to other instant infrastructures, which otherwise would create a barrier of entry and prevent broader availability.

Implementation of ISO 20022

Key action
The Commission calls for the implementation, at the latest by end 2022, of global international standards, such as ISO 20022, which facilitate inclusion of richer data in payment messages.

SBA position
The introduction of ISO 20022 has its benefits but there is a risk that since parallel versions in the bank-to-bank space of the same messages can be allowed (unlike in MT where all swift traffic is in one format), the cost to enable transactions in multiple currencies can be increased. In order to avoid such risks central banks should take measures to co-ordinate the ISO-releases.

To force an implementation of ISO 20022 message standard beyond ECB's eurosystem consolidation for Target2 and EBA CLEARING EURO1/STEP1 by end 2022 is not doable and would create a huge risk. This is very challenging and the

global migration from FIN MT to ISO 20022 MX mandated by SWIFT is having a three years co-existence period between 2022-2025 to allow participants to make the investments and needed transformations of their legacy systems. This is not doable by end of 2022. This is also impacting end customers and their ERP system vendors and similar they need to have time to make the necessarily changes.

As such SBA supports the implementation of ISO 20022 message standard to allow richer and structured payment data but still to follow SWIFT's time plan i.e. latest by 2025.

Use of GPI provided by SWIFT

Key action
In order to further increase the transparency of cross-border transactions, the Commission encourages payment service providers to use the Global Payment Initiative (GPI) of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), which facilitates the tracking of cross-border payments for participating institutions in real time. Wide usage of the tracker would make it possible for originating payment service providers to better estimate and disclose to the payer the maximum execution time of a cross-border payment. The Commission will assess, in the framework of the PSD2 review, whether transparency of cross-border international transactions needs further improvements.

SBA position
SBA shares the Commission's view on the benefits of the Global Payment Innovation (GPI) provided by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). As it become mandatory as from November 2020 in SWIFT network to provide GPI tracker status SBA believes that there is no need to regulate this further.

The SBA recognises the need to develop measures to enhance cross-border payments in support of safe and efficient payments, as well as international trade and financial inclusion, also beyond the Euro-zone. As such we believe EU measures should be closely aligned and supportive to the roadmap published by the Financial Stability Board on Oct. 14, 2020, to G20 and subsequent reports issued by CPMI.

The well-functioning and secure message exchange in the SWIFT network by means of Relationship Management Application (RMA) keys is seen as a fundamental pre-requisite to control risks. However, we note that the current ambiguity in EBA guidelines regarding KYC requirements on especially non-customer RMA relationships, which may be necessary for example in Trade Finance arrangements,

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has prompted correspondent banks to reduce their counterparty networks. This opens up for use of alternative means of communication and payment models outside the traditional secure channels.

Med vänlig hälsning

SVENSKA BANKFÖRENINGEN

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