



# EMERGING CHALLENGES IN RETAIL FINANCE AND CONSUMER POLICY

## Conference

18 November 2014, Brussels



*This steering note is to provide participants with background information on the topic and to stimulate questions to be addressed during the conference. It does not reflect the opinions, views or policy positions of the European Commission. Neither the European Commission nor any person acting on its behalf may be held responsible for any use of the background information contained therein.*

### **Agenda point 4: Payments - improving users' experience and looking into the future**

#### **1. Introduction**

New technologies offer new possibilities to users and providers on the payments market. Until recently, cash and cards (as well as cheques in a few countries) were the only ways of paying for European citizens. But this market has changed over the last ten years and will continue to evolve under the pressure of innovation. What will be next for EU consumers and how will their experience of payments be improved? Third party providers, virtual currencies, mobile payments providers are all in line to get a share of the market still mainly owned by the banking sector and card schemes.

Which one of these (if any) will improve its market share and which one might suffer from increased competition? What will this mean for users – consumers and merchants? Faster payments? Cheaper payments? Safer payments? Wider acceptance of a single method of payment? Can we be sure that users will benefit from new methods of payment?

One thing is certain: consumers are not willing to pay more for new methods of payment. "Paying for paying" would have consequences and probably drive consumers towards a greater use of cash. New methods of payment tend to involve more and more players/intermediaries (see NFC mobile payments for instance). As a consequence, incumbent payment services providers will probably have to share these revenues with challengers / newcomers.

Users will not adopt new methods of payment that are not widely accepted. These methods are currently handicapped by merchant acceptance but also by a feeling of a lack of security amongst many users which might not be justified. How can all this be improved and what will the future propose to our citizens?

What about the regulators? The Payment Services Directive (or its revision proposal) already provides for a regulatory framework for payments that opens competition, protect consumers and imposes security requirements while being technology neutral. What else could be done to move Europe one step further in the future?

This 4<sup>th</sup> panel on the agenda will focus on these questions. It will also be the occasion for some thinking about the potential in the future. It will also attempt to imagine how the market may change and which benefits all market players but more particularly users, might enjoy. This is not an easy exercise. However, it's an important one for new methods of payment to be successful in the very near future. It is striking to see the consequences when users' experience is not fully taken into account: if one looks at mobile payments as an example, the consequence is that they are not, today, fully developed in Europe. Users experience has to be taken to a new level for a payment method to be successful. By providing users with a feeling of speed, low cost, convenience, simplicity, added value (such as coupons/advertising/benefits), chances to attract and keep new users will increase. We wish to see participants come forward with propositions.

## **2. Topics and questions to be addressed during the Panel and break-up session**

### **2.1 Future forms of payments**

- Are mobile payments the next wave of innovation? What would be the impact on users if they were used on a very large scale?
- Will we still use cards in 10 years? Is there anyone to predict that current methods of payment will still be the favoured methods of payment for consumers? And for merchants?
- Are virtual currencies a potential alternative? What can we take from them? Transparency of the central register of transactions ("blockchain")? Low cost? Speed of process? Is their integration in the scope of the 4<sup>th</sup> AML Directive a sufficient step to ensure a safe usage?
- Are mobile payments only an intermediate step? What could be the following innovation? How fast can we expect a new form of payment that will outdate mobile payments?
- Will payments become entirely free in the next decade?
- How can we make sure that future forms of payments will be available on a European scale and not limited by national borders? What are the barriers to European wide solutions?

- In terms of accessibility and integration, how can we ensure solutions are available for all citizens?

## **2.2 Users' experience – what remains to be improved?**

- Users are the ones who will turn new form of payments into success or not. Looking at the level of use of electronic payments in the EU, they seem satisfied with what they already have. Do you agree with this point? If not, what could be improved on a consumer side? And from a merchant point of view?
- Do consumers and merchants have the same interests?
- New players on the market are filling the gap in users' experience: virtual currencies close the gap on speed and cost (and anonymity), TPPs close the gap on cost for retailers and consumers (and maybe speed), mobile payments on convenience but is there a solution closing all gaps? Is this objective reachable? What about security?
- Regulation protects users from abuses and fraud (unauthorised payments, refund right, 8 weeks, 13 months...). What could still be improved? Execution time? Complaints procedures?
- What can we learn from past or current initiative/experiments that did not meet success or did not reach their objectives?
- Data protection has become a key consideration in Europe after recent scandals (wikileaks, hacked iTunes accounts...). How can it be improved without reducing convenience for users?

## **2.3 Future regulation of payments**

- How can regulators ensure security of all methods of payment without stifling innovation? How can regulators keep the pace with innovation?
- How can regulation improve the existence of the internal market (accessible by all suppliers and for all users)?
- What could the EU do to improve users experience with payments? Is security at its highest level? Are payments convenient enough? Is the current execution time sufficient? Do users feel protected on data protection, child protection or security levels?
- Are real-time payments the next step to take? What would be the advantages vs. costs? Who would be most impacted?

## **2.4 Future players in the payment industry**

- What will be the banks' future in payments? Will they still be the major player?
- Could a new entrant take over the whole market for consumer payments?

- Payments are basically transmissions of data/information, i.e. a low value service. Will future players enhance the experience and enrich the data/information retrieved from payments (for instance by defining users profiles for targeted advertising)? Who will they be?
- Which technology for payments will be the leading one? Will the market split like it did with Blu-ray / HD DVD or VHS / Betamax before settling for one technology? Was the game changed with the recent entry of Apple in the NFC world? Is a single technology necessary for mobile payments to take up?
- From a European perspective, innovative products on a large scale often come from other continents (Asia, North America). How can we ensure that European companies enter and succeed on this market?