



# Do androids dream of electric sheep and e-payments?

Javier Santamaría, Chair of the European Payments Council

# Getting everybody on board for future payments



- Part 1: “future payments”
- Part 2: “how to get everybody on board”



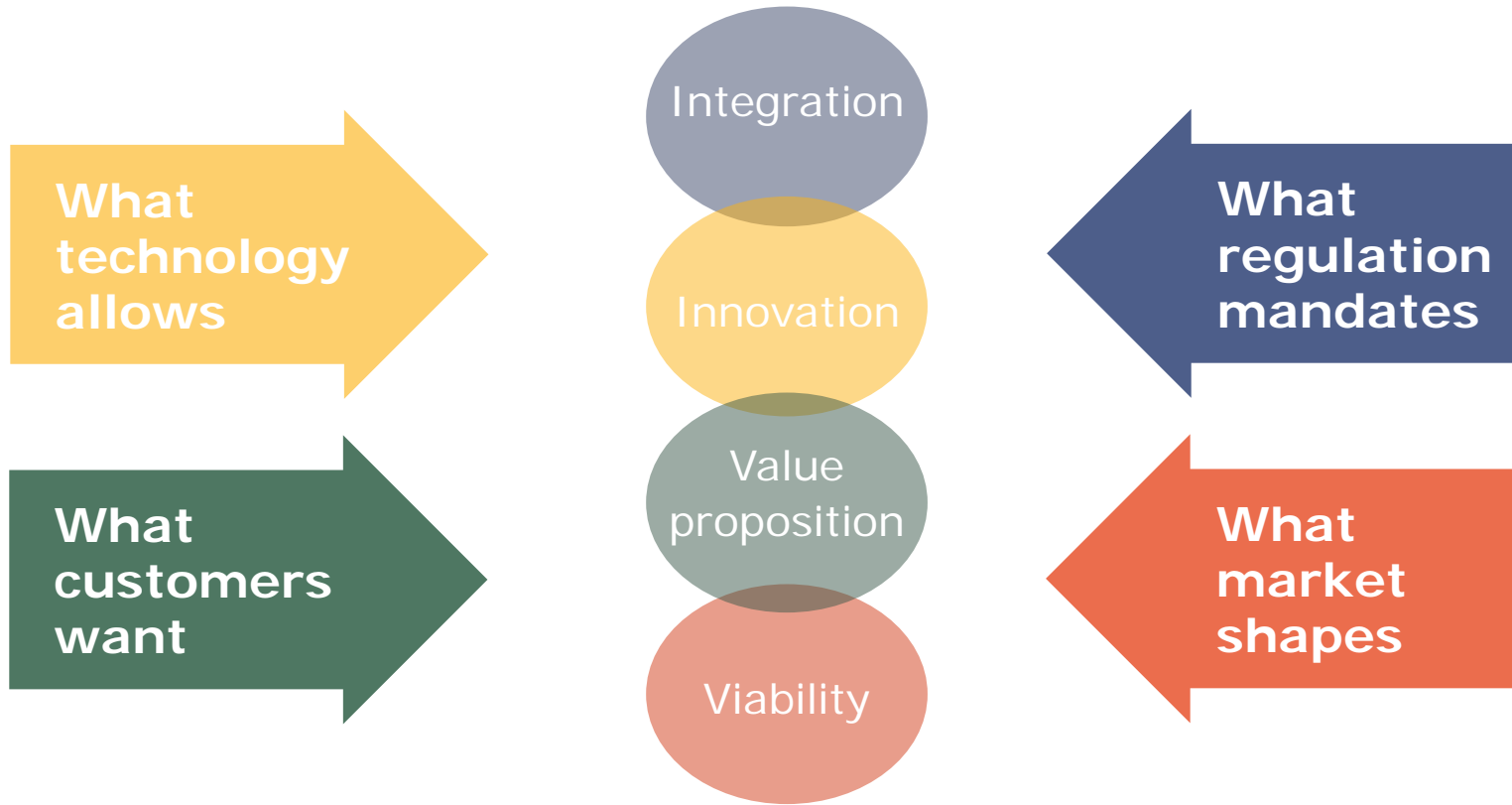
# Part 1: Future payments



- By 2019, flying cars are not the reality that was thought of in 1982



# Key tectonic forces



# From boredom to the Boardroom: the agenda



- significant changes in the European payments landscape, its key drivers being:
  - regulation (in particular PSD2 (access to payment account));
  - the move to electronic and especially real-time payments;
  - the fast-growing use of mobile devices and the emergence of connected "things";
  - as well as - last but not least - cyber-threats.
- what we can learn from emerging markets:
  - mobile payments;
  - user experience focus;
  - ecosystem focus.
- what the EPC does in this overall context: SCT Inst, guidelines to help harmonise mobile payments, support to ERPB-related work in PSD2 and e-invoicing areas, enhancement of security of SEPA schemes.

# Who is already offering SCT Inst services since 21 November?



- About 600 payment service providers registered with readiness date before end of January 2018.
- From ten European countries
  - Austria
  - Bulgaria
  - Estonia
  - Germany
  - Italy
  - Malta
  - Latvia
  - Lithuania
  - The Netherlands
  - Spain
- Other PSPs from the above and the following countries are expected to be SCT-Inst-ready later in 2018 and 2019
  - Belgium
  - Finland
  - France
  - Germany
  - Portugal
  - Sweden



➔ The number of active participants will pass the 1,000 mark in July 2018 (i.e. 25% of European PSPs adhering to SCT)

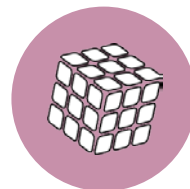


# What are the next steps?

*Together, let's transform payments and make them faster and more convenient!*



Payment service providers can continue to adhere to the scheme as soon as they are ready.



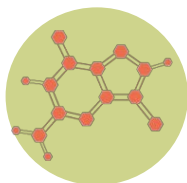
And will address them without delay in case there is an issue.



The EPC monitors any issues related to the implementation of the scheme...



The success of the scheme will depend on the willingness of all payment service providers to propose it to their customers.

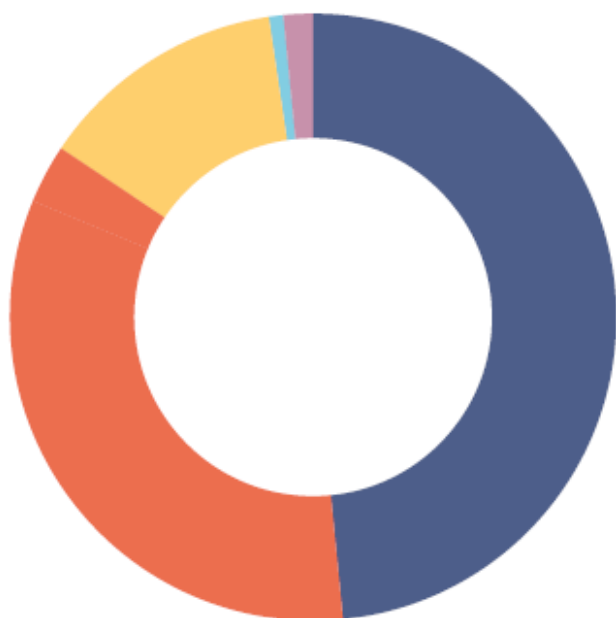


Interoperability of infrastructures is also a key success factor



## The result of our poll

**EPC poll - In your opinion, for which situation would the SEPA Instant Credit Transfer scheme be the most useful?**



- For consumer-to-business payments, when small businesses require to be paid on the spot | **48 %**
- For person-to-person payments | **35 %**
- For transactions between corporates | **14 %**
- For government-related payments (taxes...) | **1 %**
- Other | **2 %**

*Poll organised on the EPC website in June 2017.*



# Instant payments help PSPs better serve customers



- The closest substitute to cash
- 24/7 availability of funds can improve cash-flow management
- A springboard for PSPs to develop other 24/7/365 financial services and products

## Challenges

Scheme features and limitations for business

Risk assessment and management

Technical and operational approach

IT investments

Uncertainties in the clearing and settlement layers

# A closer look at technology issues



- authentication and digital identity,
- tokenization, biometrics
- distributed ledger technologies and decentralised registers,
- big data, data protection
- cybersecurity,
- machine learning and IoT
- AI and quantum computers
- APIs, digital customer experience, front and back-end interfaces



# The android's dream...



- payments will remain but the act of payment will “disappear”, embedded in a larger customer experience,
- authentication and digital identity will become more relevant (check-in vs check-out),



- fewer human interactions, a lot of traffic will be “automatic” (M2M),
- data and data issues at the core of payments,
- many more players, solutions, niches...: internal complexity for the sake of simplicity and users’ convenience,
- infrastructures, schemes, standards evolving to digest complexities and provide a ground for simpler solutions



## Part 2: Getting everybody on board



- Telecommunications are far better now than they were thought in 1982 they would be



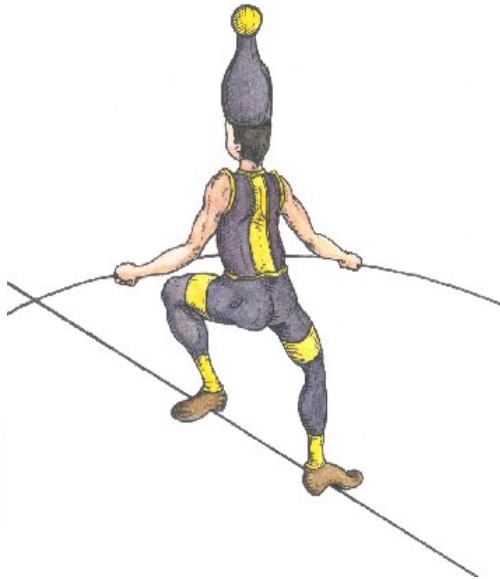
# "Must" conditions to ensure desired changes are operated



Regulatory stability



Level playing field



Required balances



Coordination

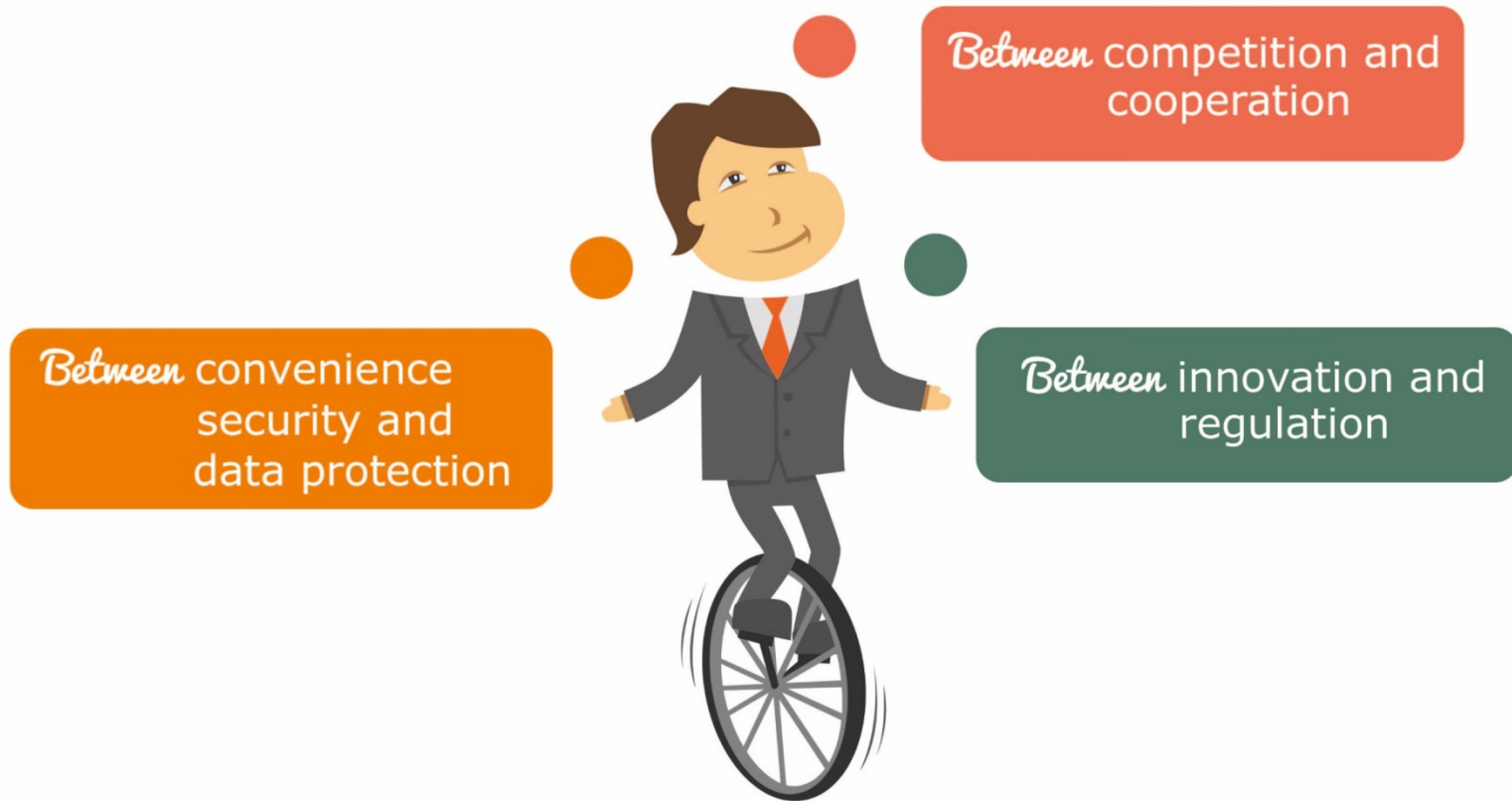
# Need for regulatory stability



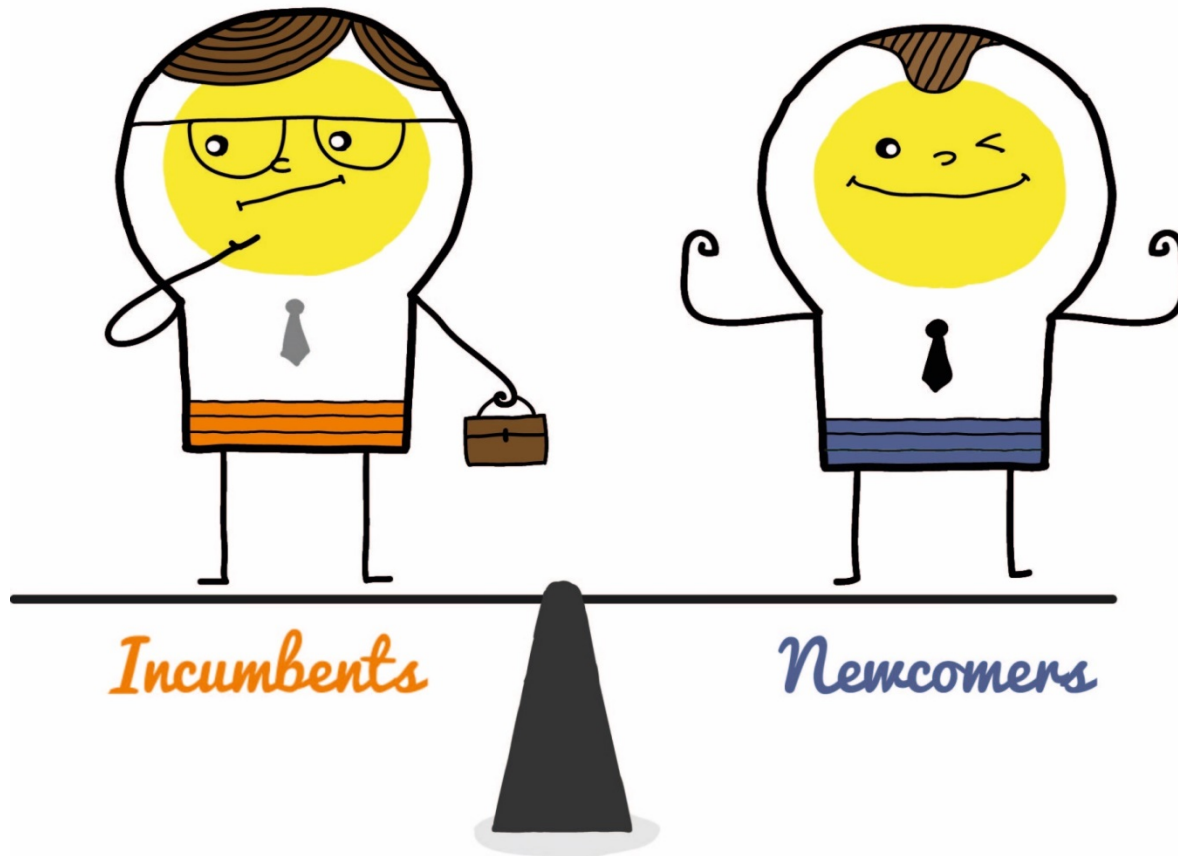
- Some of the recent regulatory changes need to be implemented and absorbed by the market
- A clear agenda of future legislative initiatives is required
- The industry expects further clarification on imprecisions in the RTS on strong customer authentication and secure and common communication



# Balances to be met



# A level playing field for all players and interested parties





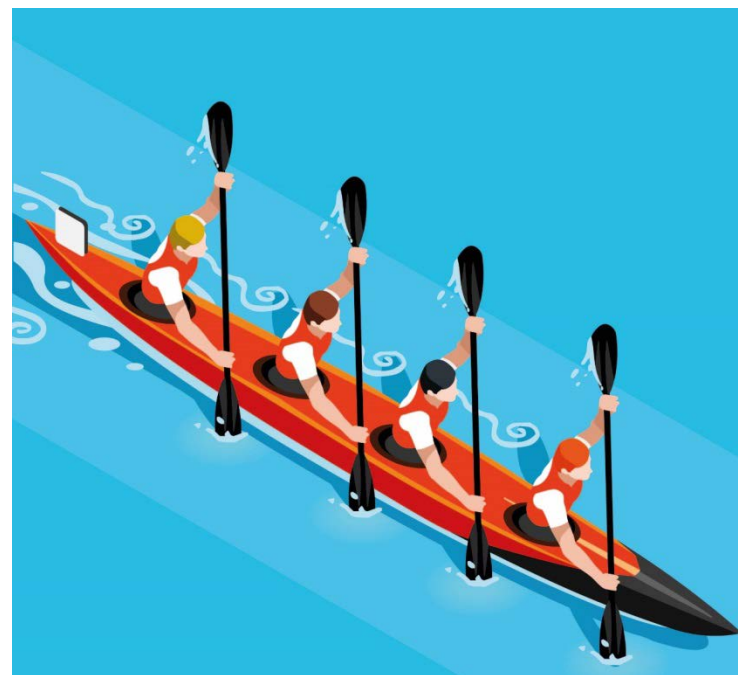


# Coordination among all actors is key

- All participants are aligned with a common strategy
- The different institutions work together with a frictionless coordination
- Market is the best judge to determine which innovations to be implemented



- The EPC is committed to help achieve an efficient single European payments market...
- ...and supports unambiguously the multi-stakeholder approach for harmonisation and development of European payments, especially in the area of implementation and technical aspects and connected issues



# Some challenges waiting for us in the near future



- 1 There might be unintended and unexpected consequences resulting from the combination of regulatory changes
- 2 PSD2 is not just about payments but also, more importantly, data
- 3 Cybersecurity is a key threat and trust a key asset
- 4 Brexit is potentially a strong distraction and disruptor



# Getting everybody on board for future payments



- Part 1: “future payments”;

*innovation*

- Part 2: “how to get everybody on board”.

*strategy*



# Innovation and strategy



- Unfortunately, **innovation is often conflated with strategy**. Strategy, after all is a **coherent and substantiated logic** for making choices, while **innovation is a messy business** which creates novel solutions to important problems. Put simply, strategy is about achieving objectives, while innovation is about discovery, we never know exactly where we're going until we get there.
- In other words, while strategy creates a clear path to a goal, innovation is often confused.



<https://youtu.be/Uxa1gLt5YKI>

***"I always feel stupid"***



## The android's dream...

- SEPA will grow stronger and with its own voice, and could serve as an example for other regions
- New payment solutions and services are deployed in Europe innovatively.



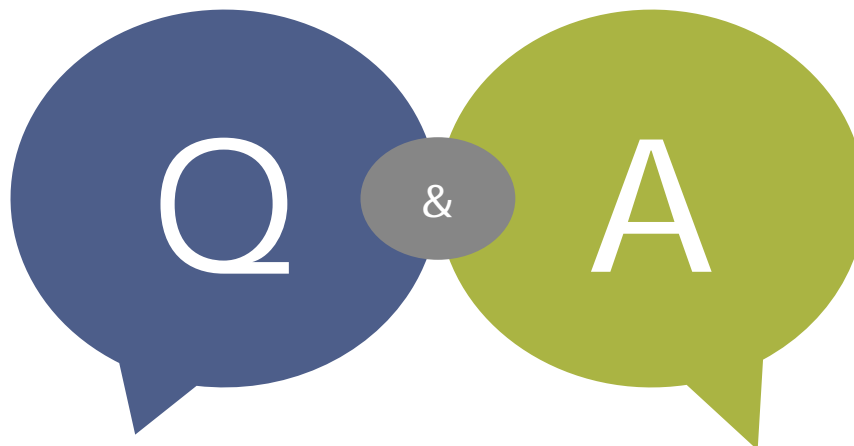
***Still too soon to claim success***



- SCT Inst confirms, with time, it is a valuable asset to strengthen integration and foster innovation
- A richer ecosystem evolves leveraging on technology and new relationships among players and benefiting from gains in efficiency.



**European  
Payments Council**



**THANKS FOR LISTENING**



**THANK YOU!**