

The Eurosystem's retail payments strategy – priorities for 2024 and beyond

The Eurosystem has updated its retail payments strategy, which was first developed in 2019 and then expanded in 2020.¹ Strengthening the European payments market through the creation of a pan-European solution for retail payments at the point of interaction (POI) and the enhancement of the “classic” SEPA (Single Euro Payments Area) still remain at the heart of the Eurosystem's efforts to improve retail payments within the euro area.

The retail payments strategy and the digital euro project, which was launched in October 2021², are complementary, and a digital euro could contribute to the goals of the strategy in multiple ways. Both aim to achieve a higher level of efficiency, strategic autonomy and resilience, as well as supporting digitalisation and innovation in retail payments. A digital euro would offer a pan-European payment solution, making as much use as possible of existing industry standards, components and technology, and allowing for synergies with private solutions and enabling them to also achieve a pan-European reach.

Many external developments have affected the payments ecosystem since 2020. Notably, the Russian war of aggression against Ukraine, increasing cyber threats and the ever-growing reliance on electronic payments have underlined the importance of improving the resilience of retail payments, which is a new goal of the strategy.

1 Introduction

The Eurosystem's retail payments strategy promotes European retail payment solutions that are safe and efficient for society as a whole, and it aims to meet the rising challenges to European sovereignty in the payments market. The main goals of the strategy are to develop pan-European solutions for payments at the POI, with these solutions governed at the European level, and to further strengthen the “classic” SEPA, primarily through the full deployment of instant payments. The strategy's goals, within the context of a European ecosystem for payments, also include improving cross-border payments beyond the European Union, increasing the resilience of retail payments, and supporting innovation and digitalisation.

¹ See “[Towards the retail payments of tomorrow: a European strategy](#)”, speech by Benoît Cœuré, Member of the Executive Board of the ECB, at the Joint Conference of the ECB and the National Bank of Belgium on “Crossing the chasm to the retail payments of tomorrow”, 26 November 2019, and “[On the edge of a new frontier: European payments in the digital age](#)”, keynote speech by Fabio Panetta, Member of the Executive Board of the ECB, at the ECB Conference “A new horizon for pan-European payments and digital euro”, 22 October 2020.

² “[Digital euro](#)”, ECB.

Digitalisation, changing consumer habits and legislative action are profoundly impacting retail payments. Electronic retail payments are increasingly being transformed from basic payment services, provided by banks to their clients, to strongly commercialised payment solutions.

The rise in the use of digital payments has also been spurred by the coronavirus (COVID-19) pandemic, with recent surveys³ confirming the continuing shift from cash to cashless payments and, in particular, the increased use of payment cards and card-based payments. The Eurosystem sees cash as key to the future of retail payments and has, therefore, developed a strategy dedicated to this.⁴ Card payments are not only prevalent at the point of sale; they are also used for online purchases or in the back-end processing of most e-commerce payment transactions. At the front end, solutions are increasingly being provided by global technology firms, or “big techs”.

While the European payments market’s openness to global competition is crucial for fostering efficiency and innovation, an overdependence on a small number of non-European payment solutions and technologies is undesirable. This is relevant, for example, in the context of protecting payments data or traceability in the fight against money laundering, terrorist financing and tax evasion. Furthermore, global technology firms’ interests may not necessarily be aligned with those of European stakeholders. Lastly, the predominance of a few large global firms may eventually lead to less competition and the abuse of market power at the expense of European consumers and businesses.

In addition, the Russian war of aggression against Ukraine, which has affected the payments ecosystem since the initial adoption of the Eurosystem’s retail payments strategy in 2019-2020, has underlined how important it is to ensure the resilience and strategic autonomy of retail payment systems.

The development of a market-led pan-European payment solution for the POI, the further strengthening of the “classic” SEPA itself, and the digital euro project are complementary. A digital euro could contribute to the objectives of the strategy by offering a pan-European payment solution, increasing resilience, supporting innovation and digitalisation, and fostering financial inclusion. Both reflect the need to achieve economic efficiency and strategic autonomy in Europe for retail payments, to make retail payments more resilient and to cater for varying use cases and user preferences. There is ample room for European retail payments to compensate for the limited progress made over the last decade.

2 Pan-European solutions for payments at the POI

The primary goal of the Eurosystem’s retail payments strategy is to support the creation of pan-European solutions for retail payments at the POI, namely at the

³ See “[Study on the payment attitudes of consumers in the euro area \(SPACE\)](#)”, ECB, December 2022, and the box entitled “[Survey on the impact of the pandemic on cash trends](#)”, *Study on the payment attitudes of consumers in the euro area (SPACE)*, ECB, December 2020.

⁴ “[The Eurosystem cash strategy](#)”, ECB.

physical point of sale and in the mobile and e-commerce space, governed at the European level. There is currently no European solution for POI payments, nor a pan-European scheme for those use cases, and there is a strong reliance on international card schemes and – for e-commerce – on global big tech providers. Digital wallets are becoming more popular and face similar shortcomings.

The Eurosystem supports market-led initiatives to develop solutions if they fulfil five key objectives:

1. pan-European reach and customer experience;
2. convenience and low cost;
3. safety and efficiency;
4. European brand and governance;
5. global acceptance (in the long run).

The Eurosystem welcomed the European Payments Initiative (EPI)⁵ – a market initiative aiming to develop a payment solution for consumers and merchants across Europe, based on a digital wallet, that covers in-store, online and person-to-person payments as well as cash withdrawals. The ECB encourages the EPI to pursue its aim of including all markets and more participants, in order to achieve its goal of being a pan-European initiative.

The Eurosystem would also support other payment solutions, provided it is concluded that they are working to meet the five key objectives.

Ideally, pan-European retail payment solutions for the POI should be based on a different processing infrastructure from card payments (for example, instant payments), as this would increase the resilience of retail payments. Moreover, the Eurosystem considers that it would be beneficial if solutions were also able to handle the digital euro scheme.

3 Digital euro

The introduction of a digital euro would coincide with the increase in the volume of digital retail payments in the euro area, meaning it is unlikely to crowd out private pan-European solutions for retail payments at the POI. The digital euro, as a complement to euro banknotes and coins, would help to preserve the availability of both private and public means of payment.⁶ Moreover, the digital euro envisages using, to the greatest possible extent, existing industry standards, components and technology. This approach would support the efficient implementation of a digital euro and help to contain the overall investments of the European retail payments

⁵ “[ECB welcomes initiative to launch new European payment solution](#)”, *Press Release*, ECB, Frankfurt am Main, 2 July 2020, and “[ECB welcomes the EPI’s progress in building a European payment solution](#)”, *MIP News*, ECB, Frankfurt am Main, 25 April 2023.

⁶ See “[A stocktake on the digital euro – Summary report on the investigation phase and outlook on the next phase](#)”, ECB, Frankfurt am Main, 18 October 2023.

industry. Therefore, the implementation of a digital euro could help private retail payment solutions to achieve a pan-European reach and expand their use cases.

4 Strengthening the “classic” SEPA

The second major goal of the Eurosystem’s retail payments strategy is to strengthen the “classic” SEPA, through the expansion and adoption by the market of its set of technical solutions which constitute the backbone for innovative European retail payment services. As a first step, this goal concerns the full deployment of instant payments. Just as the instant delivery of digital services has become the norm in today’s society, instant payments are expected to become the new normal.

The launch of the SEPA instant credit transfer (SCT Inst) scheme by the European Payments Council in November 2017, the provision of instant payment clearing services by a number of European automated clearing houses, and the TARGET Instant Payment Settlement (TIPS) service going live in 2018, all helped to pave the way for the rollout of instant payments in euro. However, the level of adherence to the SCT Inst scheme and overall progress in deployment has been below expectations.⁷ In October 2023 only 72.0% of euro area payment service providers (PSPs) offering SEPA credit transfers also offered SCT Inst.⁸ Against this backdrop, the European Commission put forward a legislative proposal for instant payments to ensure that citizens holding a payment account can make instant payments in euro.⁹

The full deployment of instant payments also requires additional functionalities to be developed. The Eurosystem’s objectives for instant payments are:

1. availability to all individuals and businesses across Europe;
2. attractive conditions for end users, such as availability on all commonly used electronic channels, and a set of features (e.g. for one-off and recurring payments, single or bulk payments) to encourage the use of instant payments as the new normal;
3. availability of additional pan-European functionalities that support the provision of end-user solutions, such as SEPA Request to Pay;
4. overcoming the barriers to using instant payments, including the number of rejections, which is currently high, especially for cross-border transactions, compared with the normal SCT scheme.

The Eurosystem encourages the market to support the development of harmonised procedures for implementing IBAN name checks, as a prerequisite for a wider and more secure deployment of instant payments.

⁷ “What are instant payments?”, ECB.

⁸ Calculated based on data from the European Payments Council.

⁹ See “Legislative proposal on instant payments”, Directorate-General for Financial Stability, Financial Services and Capital Markets Union (European Commission), 26 October 2022.

On the operational side, the ECB has taken steps to ensure that instant payments have a pan-European reach via TIPS as of the end of 2021.¹⁰ All PSPs in T2 (previously called TARGET2¹¹) that adhere to the SCT Inst scheme have become reachable in TIPS, either as participants or as reachable parties. Automated clearing house instant payment settlements have moved from TARGET2 to TIPS.

Besides SCT Inst, the “classic” SEPA is built on the SEPA schemes for regular credit transfer (SCT) and direct debit (SDD Core and SDD Business-to-Business); these will need to be future-proofed to address the changing needs of stakeholders.

The illegal practice of “IBAN discrimination” – hindering the payer from using a payment account issued in a different SEPA country (based on the country code at the start of the IBAN) – is an obstacle to SEPA.¹² The Eurosystem will, where possible, assist the Commission and the national authorities in addressing this problem. The Regulation against IBAN discrimination must be better enforced in order to effectively eradicate the practice.

The Eurosystem welcomes the European Payments Council’s SEPA Payment Account Access (SPAA) Scheme, for which the first rulebook was published in November 2022, and supports its finalisation. This scheme builds on the revised Payment Services Directive (PSD2) with additional functionalities and structured communication interfaces, which can be used for a fee. SPAA-based or PSD2-based payment solutions can play a positive role in ensuring a choice of payment solutions at the POI.

5 Improvement of cross-border payments

The Eurosystem aims to improve cross-border payments to better support European businesses and individuals who make and receive payments abroad. In contrast to payments within the EU, payments that cross the EU border are often slow, expensive and complex, making it hard for end users to easily send and receive money and hampering cross-border trade, investment and remittances. Technological advancements and digital innovation have the potential to improve the efficiency and safety of cross-border payments, and current developments demonstrate this potential for both retail and wholesale payments.

The ECB and the national central banks of the euro area support the G20 roadmap to enhance cross-border payments in their roles as operators, catalysts and overseers, and they are taking the related practical steps.¹³

In its operational role, the Eurosystem is exploring how TIPS could support cross-currency payment transactions. Providing cross-currency instant payments

¹⁰ “ECB takes steps to ensure pan-European reach of instant payments”, *MIP News*, ECB, Frankfurt am Main, 24 July 2020.

¹¹ “Successful launch of new T2 wholesale payment system”, *Press Release*, ECB, Frankfurt am Main, 21 March 2023.

¹² “IBAN discrimination”, European Commission.

¹³ “Enhancing Cross-border payments – Stage 3 roadmap”, Financial Stability Board, 13 October 2020.

settlement services in central bank money could be an important contribution to the modernisation of European retail payments and benefit European consumers and businesses alike. In collaboration with Sveriges Riksbank, in October 2020 the ECB launched an investigation into allowing the TIPS platform to process cross-currency instant payments between euro and Swedish krona.¹⁴ This could be seen as a pilot for similar arrangements between other central banks.

In March 2023 the European Payments Council published the rulebook for a scheme for payment transactions involving the euro and a second currency within SEPA and for payment transactions leaving/entering the SEPA geographical area (One-Leg Out Instant Credit Transfer (OCT Inst) Scheme). This new scheme leverages the achievements of SEPA for euro payments to cross-currency and cross-border payments.

6 Increasing the resilience of retail payments

Intensive work has been done over recent years to improve the cyber resilience of payment systems and market infrastructures. However, in light of recent external developments, the resilience of retail payments in general needs to be improved by ensuring the availability of a fallback option which is at least sufficient for a minimum service in case one type of payment solution does not work temporarily. This is supported by having several payment solutions which do not rely fully on the same technology. For example, European-governed POI solutions relying on SCT Inst should not rely extensively on the infrastructure used by card payments. The digital euro could also be designed as a further fallback option, similarly not relying on the same underlying infrastructure as card-based payments, while also taking into account the advantages of common standards with private solutions to contain investment costs. Moreover, the resilience of each payment solution needs to be addressed. This would ideally also include offline capabilities, in case of network disruptions, problems at processor level or problems at individual PSPs. Finally, payment service users should consider having one or more fallback options, such as a second payment account at a different PSP, more than one type of payment solution or carrying some cash.

7 Support for innovation, digitalisation and a European payments ecosystem

The PSD2 has provided the foundations for opening up the banking system and fuelling the development of innovative payment services by fintech companies. The Eurosystem's retail payments strategy supports efficiency and innovation by promoting competition and a level playing field, taking into account the important role European fintech companies play in offering state-of-the-art services to European end users in the form of modern technologies that provide automated and improved

¹⁴ [“ECB to explore cross-currency instant payments”](#), *MIP News*, ECB, 6 October 2020.

financial services. In this context, the Eurosystem has set up a European fintech payments dialogue with fintech companies.

Another action point under discussion is to enable direct access to payment systems for non-bank PSPs, such as payment institutions and electronic money institutions, by revising the Settlement Finality Directive (SFD)¹⁵. The legislative proposals following the review of the PSD2 contain an amendment to the SFD making non-bank PSPs eligible to participate in payment systems. The Eurosystem will analyse the wider implications of such changes for access to central bank payment systems and accounts, specify its related policies, and ensure a consistent approach across the Eurosystem.

In addition, the Eurosystem's retail payments strategy encompasses work on harmonising electronic identity (eID) and electronic signature (eSignature) services to enable cross-border acceptance of eID/eSignature solutions. The eIDAS Regulation¹⁶ facilitates this acceptance but only covers the public sector. In the private sector, these solutions are rarely used, despite their potential to replace costly manual and paper-based processes. Pan-European eID/eSignature solutions, potentially linked with biometrics, could enable more efficient and safer payment solutions. The European Commission acknowledges the need to support the availability of eID/eSignature solutions in the private sector and proposed revising the eIDAS Regulation in June 2021. One of the key components of the framework is the European Digital Identity Wallet (EUDIW), whereby a personal identity mobile wallet application will be provided to all EU citizens and businesses by all Member States. In parallel, the Eurosystem investigated the possibility of central banks using eID/eSignature solutions. Almost all Eurosystem central banks have started to implement eID/eSignature solutions with varying use cases, such as for submitting documents or applications by supervised institutions, statistical reporting, accessing certain national central bank websites or databases, and collateral management services; these use cases could help to acquaint the banking and payments industry with the use of eID. The Eurosystem will have discussions with PSPs and public administrations, for instance within the framework of national retail payments fora, on their plans to implement eID-based services with a focus on financial services and specifically payment services.

8 Supporting accessibility and a sustainable payments ecosystem

Finally, the Eurosystem's retail payments strategy encompasses work on the environmental sustainability of payment transactions and infrastructures, and on ensuring all Europeans have access to safe, efficient and convenient means of payment in view of the all-encompassing digitalisation process.

¹⁵ [Directive 98/26/EC](#) of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (OJ L 166, 11.6.1998, p. 45).

¹⁶ [Regulation \(EU\) No 910/2014](#) of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market (OJ L 257, 28.8.2014, p. 73).

The Eurosystem will develop a methodology to measure the level of environmental sustainability of payment transactions. Moreover, the Eurosystem will explore the possibility of conducting a study on the environmental footprint of electronic retail payments by consumers in a way that allows comparability with the study carried out for euro banknotes. Work will also be conducted on ways to improve the environmental sustainability of the pre- and post-payment processes.

The ongoing reduction of bank branch and ATM networks, as well as a decline in the acceptance of cash by some retailers and public administrations in certain countries, has triggered concerns about the ability of more vulnerable individuals to make payments. The Commission's legislative proposal on the legal tender status of euro cash aims to safeguard the role of cash, ensuring that it is widely accepted as a means of payment and remains easily accessible for people and businesses.¹⁷ Whereas financial inclusion conceptually relates to the unbanked or underbanked population, usability extends to people who are less adept at dealing with digital payments, also in view of our ageing society. The Eurosystem will investigate how usability (in the sense of access to payments for all citizens) can be promoted in the area of payments. As a first step, it has mapped out the challenges people face in dealing with the digitalisation of payments.¹⁸ According to recent studies, accessibility to digital payments is a challenge to a much wider part of the population than previously understood. Eurosystem central banks will act in their catalyst role to support broader accessibility to digital means of payment.

¹⁷ See [“The euro as legal tender”](#), European Commission.

¹⁸ See [“Accessibility to retail payments in the EU – a stock-take”](#), ECB, 27 June 2022. This report was presented to the Euro Retail Payments Board in July 2022.

© **European Central Bank, 2023**

Postal address 60640 Frankfurt am Main, Germany

Telephone +49 69 1344 0

Website www.ecb.europa.eu

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

For specific terminology please refer to the [ECB glossary](#) (available in English only).