Basic information

2012/2040(INI) INI - Own-initiative procedure	Procedure completed
Towards an integrated European market for card, internet and mobile payments **Subject** 2.50.04.02 Electronic money and payments, cross-border credit transfers 3.30.06 Information and communication technologies, digital technologies 4.60.06 Consumers' economic and legal interests	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	TERHO Sampo (EFD)	27/03/2012
	Shadow rapporteur ESSAYAH Sari (PPE) PADAR Ivari (S&D) IN 'T VELD Sophia (ALDE) EICKHOUT Bas (Verts/ALE) FOX Ashley (ECR) CHOUNTIS Nikolaos (GUE/NGL)	

Committee for opinion	Rapporteur for opinion	Appointed
INTA International Trade	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	COFFERATI Sergio Gaetano (S&D)	29/03/2012
JURI Legal Affairs	The committee decided not to give an opinion.	

European

Commission DG	Commissioner

Commission	Financial Stability, Financial Services and Capital Markets Union	BARNIER Michel

Key events

Date	Event	Reference	Summary
11/01/2012	Non-legislative basic document published	COM(2011)0941	Summary
15/03/2012	Committee referral announced in Parliament		
26/09/2012	Vote in committee		
04/10/2012	Committee report tabled for plenary	A7-0304/2012	Summary
19/11/2012	Debate in Parliament		
20/11/2012	Decision by Parliament	T7-0426/2012	Summary
20/11/2012	Results of vote in Parliament		
20/11/2012	End of procedure in Parliament		

Technical information

Procedure reference	2012/2040(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/08785

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE491.085	04/06/2012	
Amendments tabled in committee		PE492.906	12/07/2012	
Committee opinion	IMCO	PE489.574	14/09/2012	
Committee report tabled for plenary, single reading		A7-0304/2012	04/10/2012	Summary
Text adopted by Parliament, single reading		T7-0426/2012	20/11/2012	Summary

European Commission

Document type	Reference	Date	Summary

Commission document (COM)	COM(2011)0941	11/01/2012	Summary
Commission response to text adopted in plenary	SP(2013)110	02/04/2013	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	SE_PARLIAMENT	COM(2011)0941	19/04/2012	

Towards an integrated European market for card, internet and mobile payments

2012/2040(INI) - 04/10/2012 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Sampo TERHO (EFD, FI) on the Green Paper 'Towards an integrated European market for card, internet and mobile payments'.

Members commend the Commission for providing the Green Paper, find the considerations and questions posed therein to be highly relevant, and fully agree with the listed aims to get more competition, more choice, more innovation and more payment security, as well as customer trust.

The main recommendations contained in the report are as follows:

The different payment methods: although noting the importance of market-based self-regulation in cooperation among all stakeholders, the committee recognises that s**elf-regulation may not achieve desired outcomes** in an acceptable timeframe due to conflicting interests. It expects the Commission to come forward with necessary **legislative proposals** in order to help ensure a true Single European Payments Area (SEPA) for card, internet and mobile payments, and notes in this respect the importance of the forthcoming review of the Payment Services Directive.

The report points out that a **safe, trustworthy and transparent European framework** for electronic payments is essential for the launch of a digital single market. It stresses that measures should be taken to put an end to the frequent discrimination of European consumers whose payments for cross-border online transactions are not accepted because of their provenance.

Members regret that, in the current situation, **most payment costs are non-transparent**. They therefore call upon the Commission also to consider in the future the cost, peculiarities and societal impacts of cash and cheque payments, for all market players and consumers, as compared to other payment methods. They stress that actions towards common technical standards shall be taken in the light of the importance, effectiveness and sufficiency of the standards currently in place in Europe.

Standardisation: Members consider **further work on common technical standards**, on an open access basis, could enhance the competitiveness of the European economy and the functioning of the internal market, but would also foster interoperability and bring security-related advantages in the form of common security standards, to the benefit of both consumers and merchants.

Members note that for internet and mobile payments, most standards should be the same as for current SEPA-payments, but new standards are needed for security and identification of customers, and to provide interbank online real-time delivery.

The report underlines that, given the fast-growing but, at present, immature phase of market development for electronic and mobile payments, **imposing mandatory standards in these key areas for the enhancement of the digital single market in Europe would entail the risk of negative effects for innovation, competition and market growth**.

In Members' opinion, any standardisation and interoperability requirements should be aimed at enhancing the competitiveness, transparency, innovative nature, payment security and effectiveness of the European payment systems, to the advantage of all consumers and other stakeholders. Furthermore, common standards should be sought at global level as well, in close cooperation with the EU's key economic partners.

Governance: the report calls on the Commission to propose a **better SEPA governance**, covering the organisational setup related to the development of the main features of payment services and of the implementation of the requirements which need to be met, and allowing the development of technical and security standards to be organised separately in support of the implementation of the related legislation.

Members favour a **more balanced representation of all stakeholders** in the further development of common technical and security standards for payment systems. The Commission is called upon to answer Parliament's previous calls for reform of SEPA governance so as to ensure better representation of payment services users in the decision-making and standard-setting process.

Multilateral Inter-change Fees (MIFs): recalling that according to the European Court of Justice ruling on the "Mastercard case" of 24 May 2012, the **MIF may be considered anticompetitive**, Members ask the Commission to propose how this ruling should be taken into account in regulating the business models for card, mobile or internet payments.

Noting that **current MIF revenues are in many cases too high** relative to the costs they should cover, the report points out that there might be a need to balance different payment charges in order to ensure that cross-subsidising practices would not promote inefficient instrument choices. Members call on the Commission to **ensure by regulation** that MIFs no longer distort competition by creating barriers to new market entrants and innovation and to conduct an impact assessment, by the end of 2012, on the different options.

The report favours **MIFs being regulated at the European level**, with the aim of ensuring easier access for new market players to cross-border acquiring, thereby providing merchants with a real choice of which payment schemes they wish to join. It points out that if the new legislative proposal provides for fees, full transparency should be ensured on the elements that constitute their rates.

Surcharging: the report stresses that it is necessary to require **greater transparency and better consumer information** regarding surcharges and additional fees for the various payment methods. Members note that surcharging based solely on the payment choice made by a customer risks being arbitrary, might be abused to raise additional revenue rather than to cover cost. They consider that it would be important to **ban the possibilities for excessive surcharges** in relation to the merchant fee of an individual transaction, and to control rebates and similar consumer steering practices in all the Member States.

Members stress, therefore, that merchants should **accept one commonly used payment instrument without any surcharge** (SEPA-compliant debit card, e-payment), and that any surcharges on other instruments may not at any point exceed the additional direct costs of those instruments compared to the instrument accepted without surcharge.

Payment security: Members consider that the minimum security requirements for internet, card and mobile payments should be **the same in all Member States**, and that there should be a common governing body setting the requirements. They recall that while the final responsibility for security measures relating to different payment methods cannot lie with customers, they should be informed about security precautions, and financial institutions should be responsible for fraud costs, unless caused by the customer.

They are generally **not in favour of third-party access to a customer's bank account information** unless the system is demonstrably secure and has been thoroughly tested. They note that, in any regulation, third-party access should be limited to binary ('yes–no') information on the availability of funds, and that special attention should be paid to security, data protection and consumer rights.

Towards an integrated European market for card, internet and mobile payments

2012/2040(INI) - 20/11/2012 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on the Green Paper ‘Towards an integrated European market for card, internet and mobile payments’.

Members note that the European market for card, internet and mobile payments is at present still fragmented across national borders and only a few big players are able to get acceptance by merchants and to operate on a cross-border basis. Whilst welcoming the Green Paper and fully agreeing with the listed aims, they note that the latter does not tackle the costs and societal impacts of cash or cheque payments in comparison with card, internet and mobile payments, thus preventing a comparative analysis of the economic and welfare costs and societal impacts of payments by cash or cheque.

Parliament makes the following principal recommendations:

The different payment methods: although noting the importance of market-based self-regulation in cooperation among all stakeholders, Parliament recognises that **self-regulation may not achieve desired outcomes** in an acceptable timeframe due to conflicting interests. It expects the Commission to come forward with necessary legislative proposals in order to help ensure a true Single European Payments Area (SEPA) for card, internet and mobile payments, and notes in this respect the importance of the forthcoming review of the Payment Services Directive.

Parliament points out that a **safe, trustworthy and transparent European framework** for electronic payments is essential for the launch of a digital single market. It stresses that measures should be taken to put an end to the frequent discrimination of European consumers whose payments for cross-border online transactions are not accepted because of their provenance.

Members regret that, in the current situation, **most payment costs are non-transparent**, pointing out that those that do not use expensive payment methods still cover their costs. They ask the Commission, therefore, also to consider in the future the cost, peculiarities and societal impacts of cash and cheque payments, for all market players and consumers, as compared to other payment methods. They recall that **all Europeans should have access to basic banking services** and stress that actions towards common technical standards shall be taken in the light of the importance, effectiveness and sufficiency of the standards currently in place in Europe.

Standardisation: Members consider **further work on common technical standards**, on an open access basis, could enhance the competitiveness of the European economy and the functioning of the internal market, but would also foster interoperability and bring security-related advantages in the form of common security standards, to the benefit of both consumers and merchants.

Members note that for internet and mobile payments, most standards should be the same as for current SEPA-payments, but new standards are needed for security and identification of customers, and to provide interbank online real-time delivery.

The resolution underlines that, given the fast-growing but, at present, immature phase of market development for electronic and mobile payments, **imposing mandatory standards in these key areas for the enhancement of the digital single market in Europe would entail the risk of negative effects for innovation, competition and market growth**.

In Members' opinion, any standardisation and interoperability requirements should be aimed at enhancing the competitiveness, transparency, innovative nature, payment security and effectiveness of the European payment systems, to the advantage of all consumers and other stakeholders. Furthermore, common standards should be sought at global level as well, in close cooperation with the EU's key economic partners.

Governance: the resolution calls on the Commission to propose **a better SEPA governance**, covering the organisational setup related to the development of the main features of payment services and of the implementation of the requirements which need to be met, and allowing the development of technical and security standards to be organised separately in support of the implementation of the related legislation.

Members favour a more balanced representation of all stakeholders in the further development of common technical and security standards for payment systems. The Commission is called upon to answer Parliament's previous calls for reform of SEPA governance so as to ensure better representation of payment services users in the decision-**making and standard-setting process.**

Multilateral Inter-change Fees (MIFs): recalling that according to the European Court of Justice ruling on the "Mastercard case" of 24 May 2012, the MIF **may be considered anticompetitive**, Members ask the Commission to propose how this ruling should be taken into account in regulating the business models for card, mobile or internet payments.

Noting that **current MIF revenues are in many cases too high** relative to the costs they should cover, Parliament points out that there might be a need to balance different payment charges in order to ensure that cross-subsidising practices would not promote inefficient instrument choices. Members call on the Commission to **ensure by regulation** that MIFs no longer distort competition by creating barriers to new market entrants and innovation and to conduct an impact assessment, by the end of 2012, on the different options. Parliament notes that after a transitional period, a person coming from any Member State should have his or her SEPA-compatible payment card accepted at every payment terminal in the SEPA, and that the payment should be safely routed. Noting further that this requirement might imply that MIFs need to be regulated to fall under a threshold, Parliament insists that this **should not result in an increase of MIFs in any Member State** but rather to a decrease and, perhaps, a reduction towards zero at some later stage.

Parliament considers that MIFs should be regulated at the European level, with the aim of ensuring easier access for new market players to cross-border acquiring, thereby providing merchants with a real choice of which payment schemes they wish to join. It points out that if the new legislative proposal provides for fees, full transparency should be ensured on the elements that constitute their rates. Recalling that Article 5 of Regulation (EU) No 260/2012 on credit transfers and direct debits in euros provides that no per-transaction MIF can be applied after 1 February 2017, the resolution calls for the **same approach for card payments**.

Surcharging: Parliament stresses that it is necessary to require **greater transparency and better consumer information** regarding surcharges and additional fees for the various payment methods. Members note that surcharging based solely on the payment choice made by a customer risks being arbitrary, might be abused to raise additional revenue rather than to cover cost. They consider that it would be important to **ban the possibilities for excessive surcharges** in relation to the merchant fee of an individual transaction, and to control rebates and similar consumer steering practices in all the Member States.

Members stress, therefore, that merchants should **accept one commonly used payment instrument without any surcharge** (SEPA-compliant debit card, e-payment), and that any surcharges on other instruments may not at any point exceed the additional direct costs of those instruments compared to the instrument accepted without surcharge.

Payment security: Members consider that the minimum security requirements for internet, card and mobile payments should be **the same in all Member States**, and that there should be a common governing body setting the requirements. They recall that while the final responsibility for security measures relating to different payment methods cannot lie with customers, they should be informed about security precautions, and financial institutions should be responsible for fraud costs, unless caused by the customer.

Parliament is generally **not in favour of third-party access to a customer's bank account information** unless the system is demonstrably secure and has been thoroughly tested. It notes that, in any regulation, third-party access should be limited to binary ('yes–no') information on the availability of funds, and that special attention should be paid to security, data protection and consumer rights.

Towards an integrated European market for card, internet and mobile payments

2012/2040(INI) - 11/01/2012 - Non-legislative basic document

CONTENT: to launch a consultation with a view to facilitating secure, efficient, competitive and innovative electronic payments by card, internet and mobile phones (Green Paper).

BACKGROUND: the Single Euro Payments Area (SEPA) is based on the premise that there should be no distinction between cross-border and domestic electronic retail payments in euro across the EU. The SEPA project covers the key retail payment instruments: credit transfers, direct debits and payment cards. From this basis, SEPA should be a springboard to creating a competitive and innovative European payments market in two ways.

1. The first concerns the **ever-growing proportion of on-line or internet payments (e-payments) and mobile payments (m-payments)**. Above all, the mass take-up of smart phones is changing the payments landscape and is leading to new payment applications, for example electronic purses, replacing wallets and physical cards, or virtual public transport tickets stored in a mobile phone. Here, the pan-European SEPA payment instruments can provide the basis for more integrated and secure payment innovations.
2. Secondly, the **existing standards and rules** developed under SEPA could be re-applied to payment instruments in non-euro currencies, thereby taking the boundaries of a Single Market for payments beyond euro-denominated transactions.

The euro retail payments market is one of the largest in the world and involves millions of companies and hundreds of millions of citizens. According to statistics from the European Central Bank (ECB), **in 2009 almost 58 billion retail payment transactions were made** in the euro area alone. Annual growth rates of the e-commerce market size over the next five years are projected at around 10 %. Average spending per capita at EU level is forecast to rise from **EUR 483 in 2009 to EUR 601 in 2014**.

The economic benefits of integrating this market are substantial. For example, studies suggest that full migration to SEPA for credit transfers, direct debits and payment cards could yield direct and indirect benefits of **more than EUR 300 billion over a six-year period**. The current degree of payment integration at European level varies markedly between the various payment instruments (such as credit transfers, direct debits and payment cards) and channels (e- or mpayments) used to make a payment.

- Payment cards are the most common and frequently used electronic payment instrument for retail payments. In terms of volume (number of transactions), card payments represented a third of all retail payments in 2009. However, integration of the European payment card market is far from complete and tangible results are still limited.
- The lack of a coherent and comprehensive (self-) regulatory framework currently leads to a European e-payments environment that is largely fragmented along national borders with a small number of successful domestic e-payment schemes and a limited number of large international players from outside Europe.
- Market penetration of m-payments in the EU still has considerable unrealised potential, in comparison, for example, to the Asia/Pacific region; the largest and most promising global m-payment initiatives are currently launched outside Europe.

For this vision to become reality for card, e- and m-payments, a number of additional issues need to be addressed, such as security, freedom of choice, unhindered technical and business innovation, standardisation of the various components and interoperability.

CONTENT: this Green Paper assesses the current landscape of card, internet and mobile payments in Europe, **identifies the gaps** between the current situation and the vision of a fully integrated payments market and the barriers which have created these gaps.

The objective of the Green Paper is to launch a broad-scale consultation process with stakeholders to validate or contribute to the Commission's analysis and to help identify the right way to improve market integration.

The main issues dealt with in the Green Paper are as follows:

(1) Market access and market entry across borders: a number of separate issues can be identified in this context. It is important to note that these issues, while historically all stemming from commercial practices for payment cards, either are applied in the same form for e- and m-payments or at least have significant spill-over effects which affect e- and m-payments indirectly, for example when an e- or m-payment is made through the use of a payment card.

The proposal calls for:

- the need to clarify the legal situation as regards the Multilateral Inter-change Fees (MIFs);
- the obstacles to development of cross border acquiring which refers to a situation in which a merchant uses the services of an acquiring PSP established in another country;
- the potential benefits and/or drawbacks of co-badging, a system which combines different payment brands on the same card or device;
- the possibility to separate schemes and card payment processing;
- the need to ensure compliance with the SEPA Cards Framework (SCF);
- the need to establish objective rules describing the circumstances and procedures under which card payment schemes may unilaterally refuse acceptance.

(2) Transparent and cost-effective pricing of payment services: the real cost of these payment services is often opaque, both for consumers and for merchants, which leads to higher payment costs in the EU economy. The lack of transparency mostly applies to the cards market, but links between cards, e- and m-payments have implications for all these payment methods. Furthermore, increased transparency in pricing should be seen as a way to reduce the costs of payment transactions for all parties involved and ultimately optimise costs across the EU for the benefit of payment service users. Another issue related to the pricing of payment services concerns micro-payments, i.e. low-value payments, which by their nature are often made by card, internet or mobile payments. Payment fees are often perceived as excessive, both by consumers and merchants.

(3) Technical standardisation: European payment users (companies, consumers, merchants) will fully benefit from competition, freedom of choice and more efficient payment operations if cross-border interoperability is achieved. This applies to all electronic payments and involves multiple actors in the payment process, depending on the payment method. However, **standardisation** of the various components (e.g. protocols, interfaces, applications, services) needs to be carried out thoroughly23 in order to minimise the risk of foreclosure of potential competitors or innovation.

The question is asked as to whether the use of common standards for card payments would be beneficial and if the current governance arrangements are sufficient to coordinate, drive and ensure the adoption and implementation of common standards for card payments within a reasonable timeframe.

(4) Interoperability between service providers: cooperation is a key requirement in a network industry such as payments, as any payment requires an agreement between the payer's payment service provider and the payee's payment service provider. To ensure that any payment can reach any beneficiary without detriment to the actors and intermediaries involved, a higher level of coordination is desirable in the form of full interoperability.

In line with the Commission's proposal for credit transfers and direct debits, the principle of interoperability could be applied in the cards market, in addition to addressing the obstacles

mentioned above, particularly for the choice of the acquirer and the commercial rules.

(5) Payments security and data protection: the security of retail payments is a crucial prerequisite for payment users and merchants alike. The public consultation on the future of e-commerce in the internal market confirmed this and identified payments security as one of the key hurdles preventing the widespread adoption of electronic commerce.

The continuous replacement of signature-based cards (equipped with a magnetic stripe for card reading) by 'Chip and PIN' (EMV-compliant) cards has helped reduce fraud significantly at the point-of-sale at European level. While this helped to drive down card fraud in physical payment transactions, **fraudulent activity is now increasingly moving to remote card transactions, in particular to payments over the internet**.

A second important issue in this field is data protection. All payment means referred to in this document imply the processing of personal data and the use of electronic communication networks. It is crucial that **authentication mechanisms** for payment transactions are designed from the outset to include the necessary measures to ensure compliance with data protection requirements.

(6) Governance: until now, SEPA has been predominantly run as a self-regulatory project, set up and managed by the European banking industry through the EPC, with the strong support of the ECB and the Commission. With the adoption of the Regulation establishing technical requirements for credit transfers and direct debits in euros a **more active involvement of the EU institutions in the SEPA governance may be useful**. In this context, a more prominent role for the legislative and regulatory oversight through, for example, the ECB, the Commission or the European Banking Authority (EBA) could be considered.

In areas such as creating a proper framework for e- and m-payments, integration efforts have been slow to produce tangible results, thereby delaying interoperability, innovation, increased choice and scale effects. Deadlocks and uncertainties may lead to market participants taking a 'wait and see' attitude. Given the current lack of commitment to such an important initiative for the European economy as a whole, achieving an integrated market requires taking a **comprehensive approach** involving regulation, self-regulation and competition law compliance and enforcement.

All interested parties are invited to submit their views in response to the above questions.