

Card Payment Sweden Newsletter Q3/22

September 2022

About Card Payment Sweden

Card Payment Sweden (CPS) is an industry association that promotes the use of cashless payments by card in Sweden and in the Nordics. CPS was established in 2017 by card acquirers and card issuers in the Swedish market. We aim to ensure that payments are made securely, efficiently and in a commercially viable way.

The very high use of cards has given Sweden the reputation of having one of the world's most efficient payment markets. CPS strives to ensure that the regulatory framework in Sweden and the EU works effectively and facilitates fair competition among the different payment solutions.

Payment Services Directive Review consultation gathers almost 200 comments

The [public consultation](#) launched by the European Commission on the revision of the Payment Services Directive closed on 2 August. A targeted stakeholder consultation gathering input from industry closed on 5 July. Stakeholder responses generally welcomed the revision and are broadly aligned on the need for maintaining payment processors and operators of payment systems and schemes out of the scope, as well as for publishing guidance to improve the alignment of the PSD2 with the GDPR.

On 23 June, the European Banking Authority (EBA) published an [Opinion and Report](#) in response to the European Commission's Call for Advice on the review of the Payment Services Directive (PSD2). We recall that CPS supports the EBA's call to clarify the existing framework, in particular key definitions (including the meaning of key concepts like "payment account", "payment instrument" and "initiation of a payment transaction"), the scope of exclusions, and the application of strong customer authentication. Uncertainty around these concepts mean there are differences in interpretation.

Instant Payments proposal due in one month

According to the [latest Agenda of the European Commission College](#), the proposal on Instant Payments will be published on 26 October 2022. The publication of the proposal had been postponed from 1 June due to the need to complete the research for the impact assessment. The form of the initiative will be an amendment of the Single euro payments area (SEPA) regulation. Legislative options being considered by the Commission include: 1) effective incentives for PSPs; 2) targeted consumer protection measures; 3) tailored fraud prevention measures; 4) addressing the issue of charges levied on consumers; 5) exploring issues regarding fee structures for SEPA Instant Credit Transfer based payment solutions; 6) reconciling instant payments with regulatory compliance obligations.

While CPS welcomes the uptake of instant payments as they will offer consumers a new payment method perfectly tailored for certain transactions, we believe the EU should promote greater choices for consumers without any bias for any specific technology solution, be it instant payments, credit cards, electronic bank transfers or any other. Consumer preference should continue to drive the

evolution of the payments market, as preferences can differ among payment needs and Member States.

Furthermore, it is paramount to understand that the payments market is global in nature, as payments are often made across national borders and beyond the EU. Thus, for a payment method to answer the market needs it should be interoperable with global payment networks and standards.

Parliament to vote on AFIR payment provisions

The Members of the European Parliament's Transport Committee are expected to vote on the AFIR report on 3 October. Once the file is adopted in the Committee, the full report will be subject to a vote in the Plenary over the week of 17-20 October. As stated in our position paper on AFIR, CPS supports the Parliament's amendments, in particular those of Rapporteur Ismail Ertug (S&D, DE) which would make charge points accessible and user-friendly by ensuring that users always have the option to pay with their payment card.

Digital euro discussions gather pace

The Eurogroup [continued](#) discussions on the digital euro at a meeting on 9 September in Prague. Ministers were given an update on Sweden's e-krona project. The President of the Eurogroup, Pascal Donohoe, [emphasised](#) the financial and monetary sovereignty benefits of the project. Over the summer, the ECB updated the Eurogroup on available options to limit any unwanted impacts of the digital euro on the financial sector, including tools to disincentivise very large holdings. The options on the table include a cap around €3,000 or €4,000, or a waterfall approach that would allow converting digital money into a commercial bank account, or a design function that would allow for large holdings over a limited time. EU Finance Ministers are expected to [discuss](#) the topic again on 3 October.

Meanwhile, the governments of France, Germany, Italy, the Netherlands, and Spain have listed their priorities for the digital euro in a [non-paper](#). The group emphasised it must be environmentally sustainable by design, include requests for anonymity and have "the necessary architecture to meet demands for state-of-the-art payment solutions". The policy paper further advocates a cross currency and cross border use of the digital euro. ECB participates in digital euro related activities.

On 16 September, the ECB [selected](#) five companies to include in a joint prototyping of user interfaces for a digital euro, including: CaixaBank for peer-to-peer online payments; Worldline for peer-to-peer offline payments; the European Payments Initiative (EPI) for point-of-sale payments initiated by the payer; Nexi for point of sale payments initiated by the payee; Amazon for e-commerce payments. The goal of the exercise is to test how well the technology behind a digital euro integrates with prototypes created by participant companies. The selected organisations were chosen from a group of 54 front end service providers.

The European Consumer's Organisation (BEUC) and AGE Platform Europe expressed [concerns](#) that consumer organisations were not consulted by the ECB for its plans to involve private entities, such as Amazon.

The project is expected to be completed in the first quarter of 2023, after which the ECB will release its conclusions. We recall that the European Commission is expected to present a proposal for a digital euro by the end of 2023.

Google targets DMA compliance before entry into force

The Digital Markets Act was signed by the Presidencies of the Parliament and of the Council on 14 September. Of relevance to payments, gatekeepers will be prevented from bundling services together and will no longer be able to require app developers to use certain services, including payment systems or identity providers, in order to be listed in app stores. At the same time, gatekeepers will also have to allow app developers fair access to the supplementary functionalities of smartphones, including contactless payment technology like the NFC chip.

The European Commission is working toward a February 2024 deadline for bringing gatekeepers into compliance but there are significant challenges ahead. A Parliamentary initiative to form a working group to oversee the DMA and DSA implementation is moving forward. The new system was designed to maintain communication with the Commission and apply pressure to carry out the enforcement.

Meanwhile, Google has started to take the first steps toward compliance with the DMA by allowing certain app developers to use alternative billing systems in the Play Store when collecting payments from users in Europe. In a [blog post](#), Estelle Werth, Google's director for EU government affairs and public policy warned that developers choosing to offer different payment solutions will need to meet appropriate user protection requirements.

Card payments in Germany increase

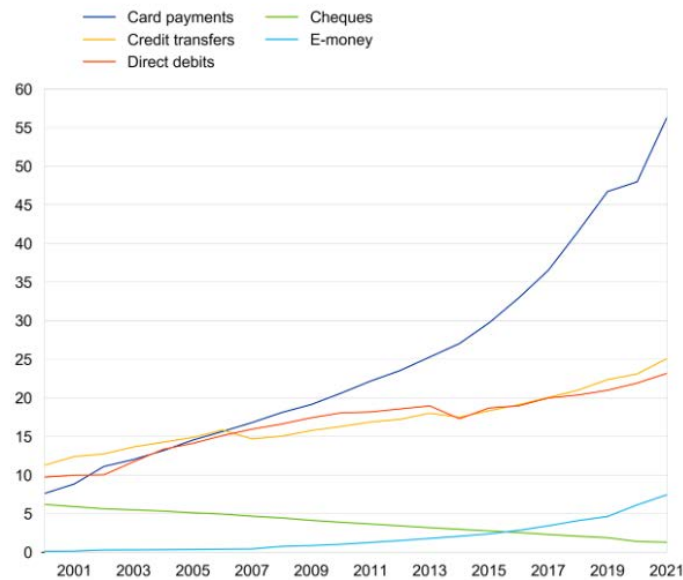
On 6 July, the German Bundesbank published its [2021 Report on Payment Behaviour in Germany](#). The study, based on a survey of over 5,000 randomly selected citizens, reveals a rise of 8% in card payments, bringing the total value of card payments in Germany to €393bln. While cash payments continue to be the most frequently used means of payment in the country, four out of ten respondents expressed a preference for card payments or other cashless means of payments. The study further demonstrates how mobile payments using smartphones and wearables is also gaining momentum in Germany, with 17% of surveyed smartphone users affirming that they already used their smartphone to pay, and 27% of wearables users confirming to use the personal wearable device to carry out payments.

ECB publishes 2021 Payment Statistics

The European Central Bank published its [2021 Payment Statistics on non-cash payments](#). The note recognised that card payments accounted for 49% of the total number of transactions with all types of payment services in the euro area, The number of card payments and transactions increased by 17.3% to reach 56.3bln, with the corresponding total value increasing by 14.4% to €2.3trln. The statistics further showed that the number of cards in the euro area with a payment function increased in 2021 by 4.6% to 637.7mln. The highest share of card payments as a percentage of the total number of non-cash payments in 2021 was registered for Portugal at around 72%. Among the Scandinavian countries, in Finland and Sweden, roughly 60% (61,6%) of total payments were carried out through cards. In Denmark 68,4% of the total payments in 2021 were issued through cards.

Chart 1
Use of the main payment services in the euro area

(number of transactions per year in billions)



Source: ECB.

Note: Data have been partially estimated for periods prior to 2010, as methodological changes were implemented in previous years and some corresponding data are not available. The historical estimation done by the ECB ensures comparability of figures over the entire period. Statistics are also collected on other payment services, which accounted for 0.9% of the total number of euro area transactions in 2021.

ECB access to cash

The European Central Bank published in June, as part of an [Economic Bulletin](#) on Guaranteeing freedom of payment choice focused on access to cash, a [report](#) on access to cash in the euro area. The most recent ECB data demonstrates that cash is the dominant means of payment in the euro area for daily transactions. The report acknowledges that many citizens use cash as their only payment option, either by preference or because they have no access to digital means of payment. The report is part of the Eurosystem's monitoring of developments and initiatives undertaken in economies where cash use has declined markedly, and some parts of the cash infrastructure have deteriorated. One of the key objectives of the Eurosystem's cash strategy is to ensure that cash remains widely accessible in the euro area.

Council bans Sberbank operations in the EU

On 21 July, the Council [adopted](#) a new round of sanctions targeting Russia. The latest round includes a ban on Sberbank operating in the EU, in addition to its disconnection from the international payment system SWIFT. With a view to avoiding any potential negative consequences on food, the sanctions include exemptions for payments linked to purchase, import or transport of agricultural and food products, including wheat and fertilisers.

UK inquires on post-Brexit card fee hike

The U.K. Treasury Committee published a [letter](#) sent to Visa and Mastercard in July, asking them to justify a hike in card fees: “consumer debit and credit card payments increased from 0.2% and 0.3% to 1.15% and 1.5% respectively”. The increase became possible post-Brexit as the EU’s cap on interchange fees no longer applies. The Payment System Regulator [informed](#) it had not seen evidence demonstrating significant changes in the cost for issuers for enabling online transactions via EEA-issued cards in the UK, or UK-issued cards in the EEA. In their reply, [Visa](#) and [Mastercard](#) affirmed that its data shows there has been no change to 98% of its transactions and justified the hike as necessary to cover security checks on cross-border payments.

EU Expert Group on Payment Systems Market to tackle PSD2 review

The Payment Systems Market Expert Group (PSMEG) chaired by the European Commission will next meet on 3 October to discuss the review of the Payment Services Directive II (PSD2). Discussions will cover future policy options including on the scope, consumer protection issues and access to payment systems. Given the importance of the evolution of PSD2 for the payments industry, CPS believes PSMEG discussions on the topic should include a wide range of stakeholders as observers and encourages the Commission to ensure transparency by making the documents from the meeting publicly available.

We hope you all had a relaxing summer break and wishing you a *‘bonne rentrée’*.

Michael Hoffman
CEO of Card Payments Sweden