CARD
PAYMENT
SWEDEN

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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.

NEW REPORT RECOMMENDS CHANGES TO PSD2

Valdani, Vicari & Associati (VVA) and the Centre for European Policy Studies (CEPS) published a study on the impact of the Second Payment Services Directive (PSD2). The report will serve as a reference point for the European Commission as it drafts its upcoming changes to the directive, expected to be published on 28 June. The report is advisory and non-binding. The authors find future developments in the market, such as the possible adoption of the digital euro or the uptake of crypto assets, might impact the needs underpinning PSD2. Notwithstanding this, the study assesses that the objectives of PSD2 continue to address the current needs, except for steering charging practices across countries, which has been achieved to a large extent.

The study puts forward several recommendations, including clarifying the scope of PSD2 through a better definition of "payment service" and the interplay and possible overlap with other legislations. As a means to reduce legal ambiguity, the report advocates further consistency of definitions, including the meanings of "access to accounts", "access to payment systems", "agents and "outsourcing.", as well as additional enhancement of supervisory and cross-border cooperation over payment platforms and new digital players. It also calls for the inclusion of a new chapter for payment service providers, covering the authorisation and supervision of those issuing asset referenced token and e-money token, as necessary. Regarding legal certainty, the report also suggests unifying PSD2 with the Electronic Money Directive (EMD2). Broader recommendations on competition concerns feature, especially concerning the entry of Big Tech companies in the sector.

Other recommendations include the establishment of a new legal framework for digital platforms providing payment services; setting up cross-border supervisory committees coordinated by the EBA; improve the consistency of PSD2 application across Member States; address standardisation and interoperability issues; and finally improve protection of payment service users in the context of growing cashless payment systems.

EBA PUBLISHES REPORT ON AUTHORISATION OF PAYMENT AND E-MONEY INSTITUTIONS

On 11 January, the European Banking Authority (EBA) published a report on the authorisation of payment and e-money institutions under the revised Payment Services Directive (PSD2). The study revealed that assessments for authorisations of payment institutions vary throughout EU Member States due to "divergent practices" by national authorities and variations in the data provided. The report recommends authorities review their procedures and resources and request information on risk management, compliance, and internal audit from applicants. The review also set out a series of measures to address the divergences and level out the supervisory playing field. The EBA also calls on the European Commission to further define the distinction between the various categories of payment services and e-money issuance, the applicable governance arrangements for institutions, including the standards that competent authorities should employ in evaluating the suitability of management, and what constitutes having sufficient local substance.

COUNCIL DISCUSSIONS PROGRESS ON INSTANT PAYMENT REGULATION

On 10 February, the Swedish Presidency drafted two non-public documents as part of a response to EU countries' feedback, outlining proposals and modifications to the regulation on instant payments. The papers were discussed at a meeting of national experts held on 16 February. On sanctions screening, the Swedish Presidency proposed to clarify in a non-binding part of the text that "the scope of the provision is limited to targeted financial sanctions affecting listed persons and entities". It also proposed changes to penalties. A section on compensation for payment service providers that are penalised or otherwise affected by another provider's failure to conduct proper checks should be deleted. It further suggested changes to wording around charges and obligations for IBAN screening of instant payments. In late January, the Swedish Presidency had circulated a paper which proposed to include a revision of EU rules on the cost of non-instant payments after the new legislation on instant payments is passed. The paper suggests adding a commitment to the new regulation to a future review of "the impact on overall pricing of credit transfers (including non-instant credit transfers)."

A more recent document prepared by the Swedish Presidency in March suggests a majority of national governments raised concerns with the Commission's proposed timelines. The paper considers a 12-month rollout for the receiving of instant payments in the eurozone, and a 24-month rollout for sending. We understand Czechia and Denmark are pushing for an exemption for non-euro accounts from the scope of the rules, while a group of countries are also pushing for a looser time limit for a step in the process for bulk instant payments.

As detailed in a CPS statement on the instant payments regulation, the investment and development required from payment providers to create a new means of payment at point of interaction for all the different use cases is substantial. Given this, the proposed price cap risks instead undermining the objectives. In addition, targeted consumer protection is vital. If or when instant payments are available to consumers for online shopping, the same rights protecting users as those offered by card payments should apply. For instance, the proposal should provide measures to allow consumers to dispute unauthorised payment transactions (fraudulent payments) and when the goods or service are not delivered or are damaged or faulty.

PARLIAMENT PUBLISHES INSTANT PAYMENTS DRAFT REPORT

On 2 March, the ECON Committee Rapporteur Michiel Hoogeveen (ECR, NL) published his draft report on the instant payments proposal, outlining that IBAN checks to confirm a payee's identity should be free of charge, as it "makes no sense to provide a security feature for a premium price, particularly when the instant payment service is not meant to cost more than a regular credit transfer". The draft also proposes to include other security checks to the rules, as non-banking payments players can provide the same security screening while checking other customer details beyond their IBAN. The Rapporteur also proposes changes to the sanctions screening requirements to align sanctions checks under the new rules with other screening taking place (e.g. anti-money laundering checks). Hoogeveen also states that the regulation should pave the way for greater access to payment systems to non-banking players, proposing the addition of a commitment to revise the Settlement Finality Directive, which would open up access. The ECON vote will take place on 28 June, with amendments to be tabled by 27 April.

ECB PUBLISHES INSTANT PAYMENTS PROPOSAL OPINION

In an opinion published on 1 February, the European Central Bank (ECB) endorsed the proposal on instant payments as it addresses fragmentation issues across the Single Euro Payments Area (SEPA). However, the ECB argued that the introduction of a fee for the service detecting discrepancies may be dissuasive and, coupled with the opt-out provision, may result in low uptake. The ECB also advocated more alignment of definitions with other legislations already in place, such as PSD2, the Payment Account Directive, and the European Accessibility Act. On sanctions screening, the ECB noted that the proposal does not absolve the relevant PSPs from complying with relevant national sanctions and suggested affected PSPs be obliged to carry out sanctions screening immediately after the publication of such restrictive measures on the EU Official Journal.

CO-LEGISLATORS TACKLE CYBER RESILIENCE ACT

A new Council text on the Cyber Resilience Act, seen by EURACTIV and dated 10 March, removes the five-year restriction on product lifecycles, clarifies the scope of the law, and makes automatic security upgrades the preferred choice for connected devices. The Council draft also restricts the scope for open-source software, covering only the source code and modified versions ""openly shared and freely accessible, usable, modifiable and redistributable" placed on the market. The new text also obliges manufacturers to ensure that vulnerabilities are patched for the duration of its anticipated existence when releasing a product with digital components to the market.

Meanwhile, the European Parliament is delayed due to disagreements over which of its Committees will lead the drafting of its position, as a preliminary deal between the IMCO and ITRE Committees appears to have fallen through. Parliament wants to finish its report on the bill in July.

The European Banking Federation published a press release calling for the financial sector to be excluded from the scope of the CRA proposal, as the recently adopted DORA Regulation provides an extensive cybersecurity and digital operational resilience framework for banks which is equivalent -if not more detailed and comprehensive- to the one introduced by the CRA.

CPS has urged regulators in a statement to reconsider whether new and costly cyber security requirements are needed in the payments sphere. Card payments in particular are already covered by several international standards ensuring a high level of cyber security. In addition, given the global nature of the payment environment, it is vital that there are uniform global standards.

DIGITAL EURO TALKS INTENSIFY AHEAD OF COMMISSION PROPOSAL

On 13 March, the digital euro was discussed by finance ministers in the monthly Eurogroup meeting. An issue note published after the meeting notes it is “important to consider possible concerns of granting a blanket application of the legal tender status for the digital euro and whether exemptions should be considered to ensure proportional application, while balancing the principles of contractual freedom and mandatory acceptance,” Ministers will now express their preference as regards granting the digital euro legal tender status and communicate political considerations to be taken into account going forward. The Eurogroup plans to continue the digital euro debate through this half of 2023. On April 28, the Eurogroup will discuss “international considerations of CBDCs,” while on 15 May, Ministers will discuss the design features, with stock-taking scheduled for the July Eurogroup meeting.

In a speech at the 7th EU Annual Fintech & Regulation Conference, Commissioner McGuinness argued that a digital euro would reduce reliance on international card schemes and safeguard cash, albeit in a digital way. According to the Commissioner, “the digital euro would give us a pan-European payment system usable anywhere in the euro area,” while reducing businesses’ reliance “on private ‘stablecoins’ or foreign central bank digital currencies.” The Commission plans to discuss the technical, legal and policy issues, such as its distribution and design, with all relevant stakeholders, including banks, merchants, and consumers.

Meanwhile, the German Association of banks “Bankenverband” considered, in a position paper published on 6 February, that private-sector spending on a potential digital euro should be kept to a minimum. In addition, the association argued that commercial banks should be appropriately compensated for the costs undertaken to make the digital euro available.

UK CONSULTS ON DIGITAL POUND

Policymakers in the United Kingdom are reflecting on whether to adopt a digital version of the pound sterling. Under the proposal by the British government, the digital pound would be intended for payments rather than savings, with no interest paid on holdings. To counter financial stability risks, the government is also planning to introduce initial restrictions on how much an individual or business could hold. The Bank of England published a consultation running from 7 February to 7 June, to seek the views of interested members of the public, experts, and the widest range of organisations. On Tuesday 28 February, Jon Cunliffe, deputy governor for financial stability at the Bank of England, told the UK Treasury Committee that the likelihood of a digital pound is now “above 50 percent”.

COMMISSION UPDATES APPLE PAYMENTS PROBE

On 28 February, the European Commission sent a new Statement of Objections to Apple clarifying its concerns over App Store rules for music streaming providers. The first charge sheet looked at two practices: Firstly, Apple’s mandating of its own in-app purchase system — known as IAP — that forced app developers to comply with the commission fee that Apple applies to transactions. Secondly, “anti-steering provisions” that stopped developers pointing to alternative purchasing avenues outside of the app. In the new Statement of Objections, investigators abandoned the IAP strand and reframed the case over the anti-steering provisions. The Commission no longer takes a position as to the legality of the IAP obligation. The move to replace a previous charge sheet with a new one is very rare.

The Commission has tackled in-app payments in the Digital Markets Act which establishes that gatekeeper platforms should not impose their in-app payment system for app subscriptions or content purchases. The obligations imposed by the DMA will kick in by the spring of 2024. On 6 March, the Commission held a workshop on what changes Apple and others should make to its app store to comply with the DMA. Part of the workshop focused on the rules that apply to apps once they are in an app store, notably on how they handle payments.

AFIR AGREEMENT REACHED BETWEEN COUNCIL AND PARLIAMENT

On 27 March, Parliament and Council reached a provisional agreement on the Alternative Fuels Infrastructure Regulation (AFIR) after all night negotiations. While the compromise text is not yet available, further details can be found at the following links: here (EP press release), here (Council press release) and here (Commission press release). The agreement covers the common minimum payment options for electric vehicle charge points and refueling stations. Importantly, it was agreed that card payments will be made mandatory as part of efforts to make the availability of infrastructure more convenient for motorists. The informal deal still needs to be formally approved by both Council and Parliament. Once this process is completed, the new rules will be published in the Official Journal (OJ) of the EU and enter into force after a transitional period of 6 months.

PAYPAL UNDER SCRUTINY IN GERMANY

On 23 January, the German Competition Authority, the Bundeskartellamt, initiated an investigation into PayPal over suspicions of price competition restriction and uncompetitive behaviour through its “surcharge rules” and “PayPal’s presentation” set out in its terms of use for Germany. In particular, the Authority pointed to clauses that prevent merchants either from lowering their prices if a customer chooses a cheaper alternative, or from expressing a preference among options offered. Consequently, the Authority said it will investigate what market powers PayPal has, as well as to what extent online traders have to rely on offering PayPal as a payment method.

ECB STUDY HIGHLIGHTS GROWING IMPORTANCE OF CARDS

On 20 December 2022, the European Central Bank (ECB) issued a study on the payment attitudes of consumers in the euro area. The study revealed that cash remains the most frequently used means of payment in stores, while electronic payments are gaining ground, including in day-to-day online purchases. The ECB found that the trend toward electronic means of payments has accelerated with the pandemic, and most consumers now prefer to use electronic payment methods. According to the study, cards are considered faster and easier to use and are seen as reducing the need to carry large amounts of cash. Cards are the most frequently used payment method for larger payments and account now for a higher share of payments than cash in value terms.

The survey also measures perceptions of instant payments and whether users pay fees for them. Overall, the euro area average points to 51% of the population with perceived access to instant payments, with 22% having stated that the service is not available to them.

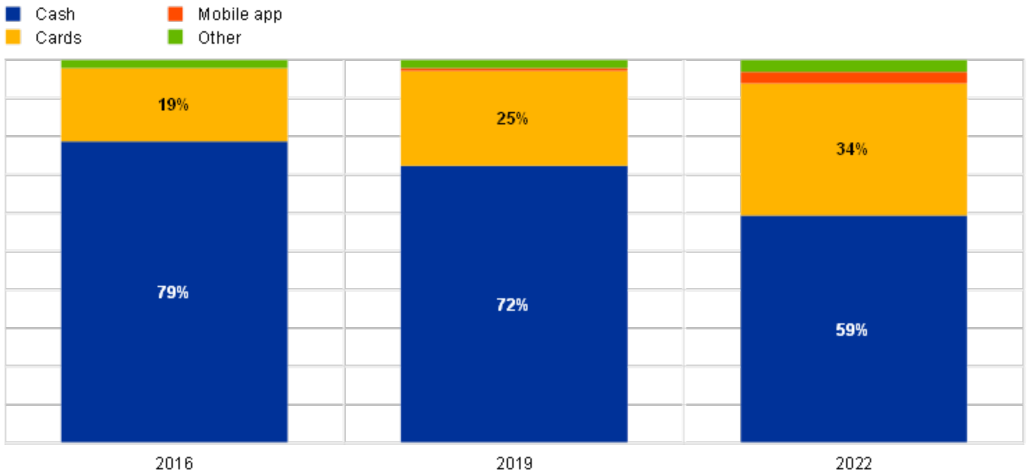

Figure 1 - Share of payment instruments used at the POS in terms of number and value of transactions, 2016-2022, euro area. Source: ECB study on the payment attitudes of consumers in the euro area.

FSB LAUNCHES CROSS-BORDER PAYMENT ROADMAP

On 23 February, the Financial Stability Board (FSB) had published a Roadmap with plans to improve cross-border payments, setting out actions to take place until 2025. The plan identifies three priority pillars towards enhancing cross-border payments: payment system interoperability and extension, legal, regulatory and supervisory frameworks and data exchange and messaging standards. On 29 March, the Bank of England's Payments Director Victoria Cleland called for cross-border cooperation, urging payment systems operators and providers to work together with central banks to make cross-border payments faster, cheaper, more accessible and more transparent. She highlighted that there are instances of cross-border payments taking up to 10 days and costing more than 10 percent of the payment value.

At the same time, on 1 March, the Bank for International Settlements published for consultation its proposal to facilitate harmonized adoption and use of the ISO 20022 standards for cross-border payments. The ISO 20022 harmonization is a key deliverable for the Indian G20 Presidency, under the G20 cross-border payments programme.

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Wishing you all the best.

Michael Hoffman
MANAGING DIRECTOR/CEO/VD