

Card Payment Sweden Newsletter Q2/24

June 2024

While MEPs were campaigning for re-election and parliamentary deliberations paused since the end of April, Council discussions continued on files relevant to card payments, namely the Payment Services Regulation and the digital euro. In addition, in this newsletter we cover outgoing ECON MEPs and which prominent members have been re-elected, a Commission consultation on AI in finance and the latest with regards to the EU's probe into Apple Pay.

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.

EU ELECTIONS: TURNOVER IN THE ECON COMMITTEE

Following the European elections on 6-9 June, changes are expected to the structures and membership of the parliamentary committees. As of 25 June, ECON Chair Irene Tinagli has won back her seat and will have a strong claim to retain the top job as the head of the committee. The European People's Party (EPP) MEP Markus Ferber is coming back, as are Stefan Berger and Ludek Niedermayer. From S&D, Jonás Fernández is also remaining. French liberal Stéphanie Yon-Courtin also secured re-election, but Eva-Maria Poptcheva from Spain, also from Renew, will not be back. Swedish MEP Jessica Polfjard, who served as substitute in the previous ECON committee, was also re-elected. As for the outgoing MEPs, Belgian green MEP Philippe Lamberts and Dutch Socialist Paul Tang will both be leaving, as is the case for Othmar Karas. Michiel Hoogeveen (ECR, NL), the rapporteur on Instant Payments and shadow rapporteur on the digital euro, was not re-elected. MEPs who served in the ECON committee last term will not necessarily aim for the committee this time around, and the outcome of negotiations on committee members, leadership positions, and the ownership of key files is expected for the first plenary on 16-19 July.

PAYMENT SERVICES REGULATION PROGRESS

On 23 April, members of the European Parliament in Plenary [voted in favour](#) of the [proposed changes](#) to the [Payment Services Regulation](#) and the [Directive on Payment Services and Electronic Money Services](#), thus closing the first reading on these two pieces of legislation. The rules would apply to all payment service providers, including banks, and payment institutions. Some central aspects of the amended texts include better protection of users' data; transfer protection, where the unique

identifier should be verified free of charge and PSPs should enable strong customer authentication; transparent fees; and better access to cash, where retail shops providing cash independently from a purchase should be exempt from the rules, while ATMs that enable cash withdrawals, but do not service payment accounts, should be subject to lighter standards. The proposal also states that new players should be able to enter the EU payment services sector which would allow customers to pay for online shopping without a credit card, in the area of internet payments subject to authorisation.

Meanwhile, EU member state discussions on the PSR are ongoing and have so far focused on the liability of banks and the role of social media platforms in payments fraud. We understand there is support in the Council for adopting similar measures to the Parliament, obliging social media companies to refund victims of payment scams on their platforms. It is reported the Belgian Presidency has also put forward changes to simplify measures around the liability of banks for refunding victims of payment fraud. The Presidency is exploring alternative dispute resolutions and national financial ombudsmen hearing out victims of fraud. Previously the Belgian presidency was keen to conclude negotiations by the end of June, however they now indicate that they plan on handing over to the Hungarian presidency to secure formal compromises.

EUROPEAN BANKING AUTHORITY OPINION ON PAYMENT FRAUD

On 29 April, the European Banking Authority published an [opinion](#) assessing recent payment fraud data, identifying new types and patterns of payment fraud, and developing proposals to mitigate them. The opinion aims to further strengthen the forthcoming legislative framework under PSD3 and PSR. The EBA asserts that prior regulatory measures such as the Strong Customer Authentication (SCA) in PSD2 has been successful in protecting customers against fraud through stealing of credentials, but that fraudsters have adapted their techniques and are using more complex types of fraud, including those based on social engineering. Based on these insights, the opinion from the EBA proposes that new security measures be prescribed, in addition to those the Commission already proposed in PSD3 and PSR, and those in the recent Instant Payments Regulation (IPR).

COMMISSION LAUNCHES CONSULTATION ON AI IN FINANCE

The Commission launched on 18 June a targeted consultation and a workshop series to seek input from stakeholders on the use of AI in finance. This consultation targets all financial stakeholders and includes questions with multiple choice and open answers, divided in three parts: 1) a first part with general questions on AI applications in financial services; 2) a second part with questions related to specific use cases in financial services, including a section on Banking & Payments; 3) a third part on the AI Act related to the financial sector.

The input received will enable the Commission to provide guidance to the financial sector for the implementation of the AI Act. A series of workshops co-hosted with the European Supervisory Authorities and national supervisors will give stakeholders the opportunity to present projects and exchange about the latest developments. Stakeholders are invited to [respond to the consultation](#) by 13 September 2024. [Registration for the workshops](#), which will take place in Autumn, is open until 26 July 2024.

INSTANT PAYMENTS REGULATION IMPLEMENTATION CHALLENGES

Now in the [Official Journal](#), the Instant Payments Regulation came into effect on 8 April, while the first rules – establishing the ability to receive instant credit transfers in Euros – will apply from 9 January 2025. Stakeholders have [expressed](#) concern about the proximity of the timelines and the speed and scale of the new payments regulation, which will pose substantial challenges for implementation.

A recent [survey](#) of 200 senior payment professionals at EU-based banks by RedCompass found that 58% of the banks currently do not offer an instant payments service. Of these, 33% were unsure or not confident that they would be able to receive instant payments by 9 January 2025. Despite this, 77% still believe that the benefits of instant payments outweigh the costs, and 55% plan to offer instant payments to their clients as the default option.

ECB RAISES CONCERNS AS COMMISSION NEARS APPLE PAY AGREEMENT

Following Apple's offer in January to allow third-party mobile wallet and payment service providers to access the NFC chip technology that enables iPhone users to make contactless payments, the European Commission is close to approving concessions according to a number of [reports](#). The deal would cover all third-party mobile wallet app developers established in the European Economic Area and would run for 10 years. Apple would also not prevent the use of these apps for payments in stores outside of Europe. The deal would help Apple avoid a finding of wrongdoing and would eliminate a potential fine.

In April, ECB executive Piero Cipollone sent a [letter](#) to Commissioners Vestager and Breton asking that Apple make more commitments to ensure a truly level playing field. In his view, ApplePay's changes would not give shoppers the same experience when using other apps, especially when it comes to payment "authentication and transaction speed" because Apple's proposed commitments would not give third parties full access to the secure element (SE), but only allow for the usage of Host Card Emulation (HCE).

The ECB is also reportedly concerned about the impact on the digital euro. The ECB argue that access to the SE is vital for mobile device based offline digital euro payments and Apple's proposed commitments, which do not provide full access to the SE of iOS smart phones, would not facilitate offline payments with digital euro on iPhones.

EU & US REGULATORS HOLD DIGITAL PAYMENTS TALKS

The European Commission and the US Consumer Financial Protection Bureau published a joint [statement](#) on 11 April, on the back of the informal dialogue launched last year. The dialogue concerns monitoring and regulation of emerging financial services technologies in an effort to safeguard consumers. The joint statement highlighted efforts so far, concentrating on three issues: 1) the rise of Big Tech in payments, 2) the buy now, pay later industry (BNPL), and 3) the use of AI in consumer financial services. The cooperation will provide a forum for shared expertise, best practices, and lessons learned. The regulators will convene annual principal meetings and biannual staff meetings to continue discussion on these matters.

EXPERT GROUP FOR CITIZENS IN FINANCIAL SERVICES PUBLISHES RECOMMENDATIONS FOR NEXT MANDATE

On 20 June, the Financial Services User Group (FSUG), a European Commission expert group, unveiled its [set of recommendations](#) for the next Commission during the 2024-2029 period. FSUG is dedicated to representing the interests of European citizens in the financial services market. Key areas of focus include 1) revitalising the Capital Markets Union, 2) supporting Vulnerable Groups and better protecting consumers and retail investors, 3) digitalisation and green transition. Of most relevance to card payments, FSUG call on the Commission to: improve provisions to prevent, detect and address fraud, revise the Payment Accounts Directive, and guarantee affordable access to cash for citizens. It also recommends the Commission to prioritise further regulation of artificial intelligence.

DIGITAL EURO: COUNCIL TALKS FOCUS ON PRIVACY AS PARLIAMENT PREPARES HANDOVER

No progress was made on the Digital Euro file before the last European Parliament plenary session end of April, with holding limits proving a major stumbling block. In a [letter](#) from 25 March, ECB point person on the digital euro, Piero Cipollone, urged the responsible ECON Committee to reconsider measures that would allow people to hold balances across multiple different accounts. Allowing multiple virtual wallets risks clashing with the planned holding limit of €3,000, designed to appease the banking industry among fears that an unlimited supply of digital euros could see savers convert their money into the central bank-backed virtual currency during times of financial stress. Cipollone also expressed worry over technical difficulties and user experience. The MEP responsible for the file, German Stefan Berger, said these issues prevented moving forwards with the project before the elections. In a letter, several MEPs on the committee shared their dissatisfaction with the slow pace of the legislation and Berger's handling of the file.

Member States discussed the project on 29 April & 30 May. Among other things, they discussed and assessed options to stop payment service providers (PSPs) from charging merchants "unduly high fees" and the how to calculate the caps. Whilst the Commission proposed capping the fees, some Member States see this as a highly interventionist option without much precedence in the payments sector, besides interchange fee caps on card-based payments in the EU Interchange Fee Regulation. Discussions last month focused instead on privacy features. The Belgian Presidency sought to introduce additional safeguards against the use of personal data, including a prohibition of the Eurosystem to identify individual digital euro users.

ECB PUBLISHES DIGITAL EURO PROGRESS REPORT

On 24 June, the ECB published its first progress [report](#) on the digital euro preparation phase. The report outlines progress made on key design aspects and the next steps of the project. Among the central challenges, the report identifies user privacy, offline use, holding limits and selecting external providers. As for the digital euro rulebook, a designated Rulebook Development Group has completed an interim review of the rulebook's first draft, setting out rules and procedures to standardise digital euro payments across the euro area. The group is expected to deliver an updated version of the rulebook by the end of 2024.

FINALLY, A REFLECTION

Over the past few years, regular readers of this newsletter will have noticed an increase in the amount of regulation impacting payments.

The newly appointed director of the Danish Financial Supervisory Authority (Finanstilsynet) Louise Mogensen, in an interview with the Danish business newspaper Børsen* raised concerns with this increase, calling for a period of time to implement the already adopted regulations. “There are plenty of rules for the banks” Morgensen says. She also points out that it might be time for new regulations to replace existing ones, so that new ones are not just added on top of the already applicable ones.

She continues: “It's going too fast to introduce new rules, most of which come from the EU. Last year, 33 were dealt with and this year there are 19 so-called EU regulations on the way.” “In total there are 15,000 pages of regulations that exchange offices, banks, pension companies and investment funds must keep track of and follow. That is equivalent to about 13.5 Bibles, stacked on top of each other”.

We at Card Payment Sweden support this call for a regulatory pause to focus on the implementation and enforcement of the rules adopted. The amount of new regulation represents a significant compliance effort from financial institutions and can impact opportunities to create new user-friendly and innovative payment methods instead.

**The article referred to above was published in the newspaper Børsen on April 3 this year and is behind a paywall. Quotes and text are translated and may differ slightly from the original.*

Wishing you all an enjoyable and restful summer break.

Michael Hoffman
MANAGING DIRECTOR/CEO/VD