

Card Payment Sweden Newsletter Q3/24

September 2024

After the elections and summer break, European policy activity was dominated by the nomination of key positions for the European Commission and the European Parliament, as well as the publication of the Draghi report, which will play a crucial role in shaping the economic priorities of the European Union (EU) for the next five years. In this newsletter, we cover the key appointments in the Commission and Parliament, the implications and positive outcomes of the Draghi report for the financial industry, the latest developments regarding the EU's investigation into Apple, and reports from the European Banking Authority (EBA) with the European Central Bank (ECB), and from the Euro Retail Payments Board (ERPB) on payment fraud in the EU.

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.

MARIA LUÍS ALBUQUERQUE DESIGNATED AS FINANCIAL SERVICES COMMISSIONER

European Commission President Ursula von der Leyen has designated [Maria Luís Albuquerque](#) from Portugal as the Commissioner for Financial Services and the Savings and Investments Union. Key priorities in her [mandate](#) include developing a European Savings and Investments Union that encompasses banking and capital markets, as well as advancing the Banking Union to ensure a level playing field while considering differences in national banking systems. She is also responsible for enhancing digital finance and payment systems, implementing an open access framework for financial data, and monitoring opportunities and risks associated with digital technologies. The specifics regarding the development of the digital euro are not addressed. However, the specific provisions for the development of the digital euro are not mentioned.

Maria Luís Albuquerque served as Portugal's Secretary of State and Finance Minister from 2011 to 2015, managing the Eurozone debt crisis and implementing austerity measures. After narrowly missing a European Commissioner role in 2014, she left politics until her current nomination. In the private sector, she became a non-executive director at Arrow Global in 2016 and joined Morgan Stanley's supervisory board in Germany in 2022.

Commissioner-designate Albuquerque will face confirmation hearings in the European Parliament expected to start mid-October. Her background could prompt tough questions from left-leaning MEPs, but she is expected to be confirmed as EU Commissioner.

KEY APPOINTMENTS MADE IN THE EUROPEAN PARLIAMENT'S ECON COMMITTEE

The European Parliament finalized the formation of its committees and appointed their respective chairs and vice-chairs, including the [ECON Committee](#). The committee's size remains unchanged with 60 members. However, the turnover is significant with over half of the members (35 out of 60) and three-quarters of the substitutes (35 out of 48) being new. The chair and the vice-chairs of the ECON Committee are:

- **Chair:** Aurore Lalucq (S&D, France)
- **Vice-Chair:** Damian Boeselager (Greens/EFA, Germany)
- **Vice-Chair:** L'udovit Ādor (Renew, Slovakia)
- **Vice-Chair:** Ludĕk Niedermayer (EPP, Czechia)

Renĕ Repasi (S&D, Germany) has been appointed as the rapporteur for the payments package, while **Nikos Papandreou (S&D, Greece)** will serve as the shadow rapporteur for the digital euro.

Regarding Sweden's presence in the ECON committee, **Arba Kokalari (EPP)** and **Adnan Dibrani (S&D)** have been appointed as substitute members. As substitutes, they can attend meetings, vote in place of absent full members, and propose amendments.

DRAGHI PUBLISHES REPORT ON THE FUTURE OF EUROPEAN COMPETITIVENESS

On September 17, 2024, Mario Draghi, the former president of the European Central Bank, submitted his [report](#) to the European Commission, offering insights and recommendations on Europe's sustainable competitiveness. The report has notably been praised for its honest assessment of the EU's shortcomings, particularly in industrial policy and AI, thus setting ambitious targets for the next Commission. The report emphasizes the need for significant private and public investment, with a target of €800 billion annually, and highlights AI as a crucial opportunity for the EU to close its innovation gap with the U.S. and China. The main challenge will be to generate sufficient political support to implement recommendations from the report.

For payments and the broader banking sector, the Draghi report suggests a shift in regulatory focus from complexity and risk aversion towards economic growth and productivity. It calls for completing the Banking Union to enhance cross-border financing and proposes reviving the securitization market by reforming regulations. While payments weren't directly covered, these recommendations signal a move towards a more integrated and efficient financial landscape, which could impact payment services by creating a more supportive regulatory environment for innovation and cross-border operations. In conclusion, the Draghi report's call for a shift towards a simpler regulatory landscape represents a positive development for the financial industry in Europe. Overall, the Draghi report's advocacy for a simpler regulatory landscape offers a positive outlook for the financial industry in Europe.

HUNGARIAN EU COUNCIL PRESIDENCY EXPECTS LIMITED PROGRESS ON FINANCIAL SERVICES FILES

On July 1, 2024, Hungary began its presidency of the EU Council. During its six-month term, Hungary's [program](#) prioritizes legislative packages related to the Payment Services Regulation (PSR), the digital euro, and access to financial data. The presidency also aims to initiate trilogue negotiations with the European Parliament regarding amendments to reporting requirements and the Benchmark Regulation. However, a [senior Hungarian official](#) indicated that few agreements on financial regulation are anticipated by the end of the presidency in December 2024, citing tight deadlines, post-election delays, and the summer break. Legislative discussions on financial topics are expected to commence in October or November, though significant progress on issues such as the digital euro and bank crisis management may be limited.

ECB PRESENTS THE LATEST DEVELOPMENT ON THE DIGITAL EURO TO THE NEW MEPS

On September 23, Piero Cipollone, a member of the European Central Bank's executive board, met with the EU Parliament's Economic Affairs committee to discuss the [latest developments](#) on the digital euro. He clarified the objective of challenging U.S. payment giants Mastercard and Visa by offering lower transaction fees for merchants. He highlighted that the project aims to reduce costs for small businesses by implementing price controls and ensuring that the ECB, as a non-profit entity, does not raise fees.

Piero Cipollone also addressed the issue of whether users of the digital euro should be allowed to hold multiple wallets. He cautioned that this could complicate the ECB's ability to monitor holding limits, potentially leading to issues such as bank runs. While leaving the decision to EU lawmakers, Cipollone suggested that allowing multiple wallets could introduce more challenges than benefits. He also emphasized the need for faster progress on the digital euro, noting that other regions are advancing quickly, and delays in the European Parliament could result in the EU losing its competitive edge.

THE EU COUNCIL DISCUSSES EXTENDING PRIVACY PROTECTIONS FOR DIGITAL EURO PAYMENTS

Financial experts, as part of the Council's work on the digital euro, have [discussed](#) potential changes to the privacy rules for digital euro payments. They are focusing on whether "proximate" online payments should have the same privacy protections as offline payments. Proximate online payments are those made in physical locations, like stores, using digital methods such as banking apps or QR codes. Currently, offline payments are more private than online payments, and the experts are debating if that should change for certain online transactions.

France has proposed extending offline-level privacy to proximate online payments, arguing that these transactions are less vulnerable to fraud and that the change could boost public support for the digital euro. The proposal has received backing from 12 EU governments, while six countries have raised concerns about potential security risks. The ECB has expressed doubts about whether privacy technologies, such as zero-knowledge proofs, are sufficiently developed to protect user data on a large scale. It also highlighted challenges in defining what qualifies as a "proximate" payment. The Hungarian Council Presidency has indicated that it will further investigate whether the proposed change could increase the risk of fraud.

DG FISMA PROVIDES CLARIFICATION OF REQUIREMENTS IN THE INSTANT PAYMENTS REGULATION

The Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) has published clarifications, through a [Q&A document](#), on the requirements of the Instant Payments Regulation (IPR) after conducting two online implementation workshops before the summer break. These clarifications aim to improve the implementation of the Instant Payments Regulation and facilitate a more efficient payment landscape in the EU.

APPLE ENDS EU PROBE OF IPHONE WALLET WITH EXTENDED ANTITRUST CONCESSIONS

Apple settled an [antitrust probe](#) with the Commission by agreeing to open up its iPhone wallet functionality to rivals. The settlement allows other payment service providers to use the "tap and go" Near Field Communication (NFC) technology, previously reserved for Apple Pay. This settlement means the probe ends without a fine, but Apple will maintain its concessions for 10 years under the oversight of a monitoring trustee. The agreement includes provisions for developers to use Host Card Emulation (HCE) for secure payments, set default payment apps, and access NFC without requiring a specific Payment Service Provider license. Apple had to implement these changes by July 25, 2024. The ECB initially raised concerns about Apple's hardware access, particularly in relation to the digital euro, but later dropped them as they were outside the probe's scope. The European Banking Federation has not commented on this development.

TOTAL VALUE OF PAYMENT FRAUD IN EEA HIT 2 BILLION EUROS IN FIRST HALF OF 2023

The ECB and the European Banking Authority (EBA) have published a [joint report](#) on payment fraud. The report assesses payment fraud data reported semi-annually by payment service providers across the European Economic Area (EEA) for a variety of payment instruments, such as credit transfers and card payments. The report highlights that fraudulent credit transfers, direct debits, card payments, cash withdrawals and e-money transactions in the EEA totalled €4.3 billion in 2022 and €2 billion in the first half of 2023. Most of the fraud by value occurred in credit transfers and card payments.

In the first half of 2023, card fraud involving EEA-issued cards made up 0.031% of the total value and 0.015% of the total number of card payments. E-money transactions showed similar fraud rates, with 0.022% in value and 0.012% in volume. In contrast, fraud rates for other payment instruments, particularly credit transfers, were lower at 0.001% in value and 0.003% in volume.

The report confirms the positive impact of the strong customer authentication (SCA) requirements that were introduced under the revised EU Payment Services Directive (PSD2) and the supporting technical standards that the EBA issued in 2018 in close cooperation with the ECB.

Finally, the report reveals that losses from payment fraud were distributed unevenly among liability bearers, depending on the instrument or country. Most card fraud, accounting for 71% of the total value in the first half of 2023, as well as a significant portion of credit transfer and direct debit fraud (43% and 47% respectively), involved cross-border transactions.

ERPB REPORT HIGHLIGHTS KEY ACTIONS FOR STRENGTHENING RETAIL PAYMENT FRAUD PREVENTION IN EUROPE

In early September, the Euro Retail Payments Board (ERPB) released a [Working Group Report](#) on fraud related to retail payments, the result of collaboration between consumer and merchant organizations, payment service providers, central banks, the European Banking Authority, the European Commission, the European Data Protection Board, and Europol. The report outlines four key actions to strengthen fraud prevention in Europe: cross-sector collaboration, sharing fraud data, enhanced supervisory enforcement at the EU level, and ensuring consumer protection in product design. It emphasizes that digital fraud extends beyond payment transactions and requires comprehensive regulation. The report also includes best practices for public and private entities to address fraud and will contribute to the ongoing discussions on the Payment Services Regulation (PSR) in the European Parliament and Council.

Thank you for reading. We look forward to connecting with you in our next update.

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