

FIVE PRINCIPLES FOR MAKING THE SINGLE EUROPEAN PAYMENT AREA A SUCCESS

1. **An ambition**– Europe must develop its own payment model; one that is designed to inspire confidence, provide exemplary service and be economically viable for the long term. Insofar as possible, it must break away from the layers of national legislation that have built up over the years. It must find the right balance between the need for co-operation among payment providers and their specific competitive sphere, to ultimately serve the interests of consumers and customers. Lastly, Europe must strive to develop a payments system that can serve as a global benchmark by incorporating the best international practices and being fully open to the rest of the world.
2. **Equality** – To effectively manage payment means, Europe must have a unified, non-fragmented legal status that applies to all providers of payment services, regardless of whether this is their main or a secondary business, and to all current and future payment services and means. Without this equality between all industry professionals it will not be possible to ensure the confidence of consumers and business customers nor the legal and operating security of payment means and systems.
3. **Harmonisation** – The Single European Payment Area (SEPA) can only function effectively if EU regulations are harmonised. This will require, and only where this is essential, Community regulation inspired by a comprehensive and long-term vision. In order to be effective this regulation will have to be simple. It must not pile on partial and contradictory pieces of legislation that would be laid over each country's current national laws and regulations.
4. **Consensus building** – An ongoing dialogue between industry professionals and the Authorities will be necessary to enable the emergence of SEPA and ensure the indispensable balance between Authorities and self-regulation. The payments industry is large and complex. Only payment providers are capable of detecting the adverse secondary effects that a new regulation may have and of informing Authorities during prior consultations.
5. **Accountability** – The European banking industry is responsible to its customers and to the Authorities for the processing of payment transactions and its liability should not be extended beyond this. It must adapt to advances in technology in response to the needs of all stakeholders, to improve operating efficiency and security. It can only do this effectively in a harmonised legal framework with explicit regulatory legislation that everyone must be able to reasonably comply with and which enables service and price competition.

1. An ambition

- Europe must continue to innovate by aiming for the most far-reaching solution possible, as it did when it adopted the use of smart payment cards. To protect consumers, EU Authorities must not select a stop-gap solution – such as charge-backs for international card systems – but must fully deal with all the different problems that e-commerce poses.
- Both industry professionals and Authorities must avoid fragmented approaches that lack an overall perspective. It is the banking industry's responsibility, via the EPC, to propose a strategic project for Europe's future Single Payment area, to discuss this project with users and to share its viewpoints with European Authorities.

2. Equality

- The question of the legal status of payment providers presented in the New Legal Framework must be seen as an opportunity to achieve fair and equal treatment. It is important to prevent specific or market-influenced pieces of legislation, that deal with emerging and unstable technologies and fail to address a genuine market requirement, from creating distortions between economic actors, as was the case with the e-money Directive.

3. Harmonisation

- The arrival of the euro has enabled Europe's citizens to spend their cash freely across borders. These borders must also be abolished with respect to the cash-management rules that apply to credit institutions, which are finding specific national provisions to be inadequate and need harmonised regulations throughout Europe.
- Efforts to prevent money laundering and the financing of terrorism are another area where the need for pan-European harmonisation is urgent. The FATF's Recommendation No. 7 on bank transfers should be incorporated into European law in a harmonised and realistic manner.
- Regulatory measures must encourage the harmonisation of payment services for Europe's citizens, rather than a "European" standardisation of services at each national level. Regulation 2560/2001 on cross-border payments in euros does the opposite and may durably "freeze" each member state's specific service and pricing characteristics.
- The regulatory measures adopted in Europe must be consistent. We should not impose a EUR 50,000 threshold to industry professionals for some obligations involving credit transfers that are considered to be domestic transactions in UE, while allowing governments to apply a much lower limit of EUR 12,500 to these same transfers in order to get lightened administrative constraints. Payment service providers need to harmonise these two thresholds.

4. Consensus building

- The lack of a genuine, ongoing dialogue between the Authorities and the industry may result in over-regulation. Through such dialogue, the Authorities must assist the EPC in becoming a strong and representative organisation that is capable of playing a key role in self-regulation. Effective payment means are impossible without close co-operation between banks.
- In order to accurately determine the public interest, the process of dialogue must begin before and not after regulation. The New Legal Framework project is likely to profoundly disrupt the current balance between the various payment means. Industry professionals must be extensively consulted at the earliest possible stage before making proposals at the political level.

5. Accountability

- Banks should only be held responsible for processing payment transactions in accordance with the specific instructions of the parties to the transaction and must be kept out of the commercial transaction itself. The principle of joint liability by which banks would be involved in disputes between customers and suppliers is therefore unacceptable.
- Providing the payment services industry is both wide-reaching and complex. It is the responsibility of the Authorities to ensure that legislation provides the indispensable balance between a solid legal framework that protects consumers and a policy that supports the payments industry, the strategic and economic implications of which are considerable and extend beyond Europe.