

*Dear reader,*

This edition of the eSEPA Newsletter aims to provide you with some interesting summer reading. Much has happened since the first issue was published, and with the publication of the European Commission's working paper we are one step closer to setting an end-date for migration to the Single Euro Payments Area (SEPA). SEPA governance has been improved by the establishment of the SEPA Council, which held its first meeting at the beginning of June. Several interesting reports on payment innovations have been published and the eSEPA online survey has been launched.

Please do not hesitate to forward the eSEPA Newsletter to your colleagues. In order to ensure you receive future issues of the Newsletter, please register online via the [eSEPA contact form](#).

**Your eSEPA team**

at the European Central Bank (ECB), Market Integration Division

## Top news

### **eSEPA online survey launched**

On 1 July, in cooperation with the national central banks (NCBs), the ECB launched an online survey on payment innovations among service providers throughout the European Union. The survey provides participating companies with the opportunity to present their innovative payment service on not only a European, but also a global stage. The information collected will form part of a research report on payment innovations published by the ECB. It will also form the basis of a database, which we plan to make available on the eSEPA website. Anyone interested in payment innovations will then be able to obtain a market overview via this neutral source of information.

It takes approximately 20 minutes to complete the questionnaire. If you offer innovative services in the field of payments and if you have not been contacted by the ECB or your NCB yet, you are kindly invited to contact us in order to discuss your potential participation in the survey. The survey will be open until mid-September 2010.

[eSEPA contact form](#) for questions regarding the ongoing eSEPA survey

### **Federal Reserve Bank of Atlanta: USA risks to be hit by card fraud and to miss m-payment opportunity**

Portals and Rails, a blog sponsored by the Retail Payments Risk Forum of the Federal Reserve Bank of Atlanta, is intended to foster dialogue on emerging risks in retail payment systems and enhance collaborative efforts to improve risk detection and mitigation. A recently posted comment by Rich Oliver, executive vice president and member of Federal Reserve Bank of Atlanta's Retail Payments Risk Forum, caused large-scale international response, especially in Europe. His main two messages are that the USA risks to be hit by massive magnetic stripe fraud if it does not adopt the EMV standard. Moreover the USA will miss the m-payment opportunity. Rich Oliver suggests that "this issue could eventually reach the public policy level. Perhaps it is time for policymakers to consider whether migrating to an increasingly adopted world standard is in our best national interest."

[Rich Oliver's comment "Soccer balls and payment cards: A push for global standards"](#)

### **European Commission: Working Paper on SEPA migration end-date**

On 2 June 2010 the European Commission published a Working Paper on the establishment of a SEPA migration end-date and invited all parties involved in the SEPA process to respond to the points laid out in the document. In a note published on 6 July 2010, the Eurosystem welcomed and supported the European Commission's proposal to impose an end-date for migration to SEPA credit transfers and SEPA direct debits by means of an EU regulation. A legally binding instrument is considered necessary in order for SEPA migration to be successful, as the project would otherwise be at serious risk of failure.

[European Commission on SEPA migration](#)  
[SEPA Council: Formal declaration on end-date\(s\)](#)  
[ECB: Eurosystem comment](#)

### **European Parliament passes new SWIFT agreement**

The new version of the SWIFT anti-terrorist agreement on bank data transfers to the United States was approved by the European Parliament on 8 July 2010. Members of the European Parliament had rejected the agreement in its previous form four months before. The approved version includes additional safeguards relating to data protection, and plans for setting up an EU equivalent to the US "Terrorism Finance Tracking Programme" (TFTP) within 12 months. Once Europe has a system enabling it to analyse data on its own territory, it would only need to transfer data relating to specific terrorism cases, precluding the need for bulk data transfers.

Another innovation of the new agreement is that it empowers Europol, the EU's criminal intelligence agency based in The Hague, to block data transfers to the United States. Europol will be responsible for checking that every data transfer request by the US Treasury is justifiable in the interests of counter-terrorism work, and that the volume of data requested is as small as possible.

[Parliamentary session 5-8 July 2010](#)

### European Commission acts to ensure that all Member States implement EU rules on payment services

While the majority of Member States have fully implemented the Payment Services Directive 2007/64/EC ([IP/05/1514](#)), six Member States — Greece, Spain, Cyprus, Poland, Romania and Sweden — have yet to implement some or all of its provisions.

[Press release](#)

### United States: Durbin Amendment on interchange fees for debit cards, as part of the Wall Street reform bill

United States Senator Dick Durbin, from Illinois, started a legal initiative to amend the Wall Street reform bill, with the aim of including provisions relating to interchange fees for debit cards. He proposed that the Federal Reserve Board should oversee the debit interchange fees set by card networks to ensure that they are “reasonable and proportional” to the cost thereof. The full Wall Street reform bill was signed into law on 21 July 2010, entitled a “bill to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.”

[Durbin Senate: Amendment:](#)

[Durbin Senate: Modifications](#)

[Wall Street reform bill](#) (“Dodd-Frank Wall Street Reform and Consumer Protection Act”)

### United Kingdom: retailers concerned about fees for cashless payments

VRL has reported on a survey conducted by the British Retail Consortium (BRC), according to which debit card payments cost UK retailers four times more than cash transactions. The survey also shows that charges levied by banks for handling debit card payments have almost doubled in the last five years. An average cash transaction is reported to cost retailers 2.1 pence, a debit card payment 8.5 pence, and a credit card payment 34 pence. The BRC claims that if charges for every payment method were as low as they are for cash, its members could pass on GBP 480 million in cost savings to their customers. The survey is based on results from over seven billion transactions in 21,500 shops of all types.

[VRL Financial News/ Cards International](#)

## **Google and PayPal to offer new mobile payment services**

According to a report in Digital Transactions News, both PayPal and Google are investing in technology that will enable them to provide a mobile payment service at physical points of sale. Google has created a tool that allows small merchants to use Google Checkout when selling items at venues such as fairs or markets. Buyers will need mobile phones equipped with Google's operating system to complete the purchases. PayPal Inc. is integrating contactless stickers by Bling Nation Ltd. into its payment platform. This will enable consumers to pay via their PayPal accounts at physical points of sale, by using mobile phones bearing these stickers.

[Digital Transactions News](#)

## **FaceCash — a new mobile payment service**

According to Digital Transactions News, a service called FaceCash was launched in May 2010 by Think Computer Corporation. It allows consumers to pay merchants by displaying a photograph of themselves along with a unique bar code by way of identification. The service is being used in five restaurants in Palo Alto (United States), where the company is based, and about 100 consumers have been enrolled in the system.

[Press release](#)

## **Digital Money Database now at the Digital Money Forum**

Leo van Hove's collection of links and references pertaining to electronic purses and related issues has been moved to the pages of the Digital Money Forum.

[Digital Money Database](#)

## Articles and reports

### European Payments Council (EPC): White Paper on mobile payments and Newsletter Issue 7

The **White Paper on mobile payments** highlights the EPC's initiatives relating to mobile payments in SEPA, which aim to facilitate the implementation and interoperability of user-friendly mobile payment solutions across the 32 SEPA countries. The paper explores how cooperation between the banking sector and the new players emerging in the mobile services ecosystem can lead to the successful provision of mobile payment services.

The topics covered in **EPC Newsletter** Issue 7 include a progress report on e-invoicing by Charles Bryant, a summary of the findings of the European ATM crime report (published by the European ATM Security Team) by Lachlan Gunn and an article on SEPA in the Context of the Financial Crisis by Wiebe Ruttenberg and Monika Hempel.

[EPC: SEPA Mobile Payments](#)  
[EPC: Newsletter Issue 7](#)

### Mobey Forum: implementer guidelines for mobile remote payments

Mobey Forum has published a White Paper setting out guidelines for the implementation of mobile remote payments. It describes how mobile remote payment technology can be delivered to end users by leveraging existing systems and establishing an open infrastructure.

[Mobey Forum: White Paper on mobile remote payments](#)

### Federal Reserve Bank of Boston: "Mobile payments in the United States at retail point of sale: current market and future prospects"

Marianne Crowe, Marc Rysman and Joanna Stavins of the Consumer Payments Research Centre at the Federal Reserve Bank of Boston recently authored a public policy discussion paper on mobile payments. The paper begins with a description of certain countries' experiences with mobile payments, followed by an analysis of the prospects for mobile retail payments in the US market, in particular the use of contactless and near-field communication technologies. The paper concludes with some policy recommendations.

[Fed Boston: Discussion Paper on mobile payments](#)

**Federal Reserve Bank of Kansas City: research articles on payment card fraud and on debit card fees**

Two articles on payment systems were published in the Economic Review of the Kansas City Fed during the first half of 2010: “The changing nature of US card payment fraud: industry and public policy options” by Richard J. Sullivan and “Regulating debit cards: the case of *ad valorem* fees” by Zhu Wang.

In his article, Sullivan provides an overview of card payment fraud in the United States. He presents a preliminary estimate of the rate of US card payment fraud, suggesting that the US rate is higher than those of several other countries for which data are available. The US payment industry is taking steps to combat payment fraud, but progress has been slowed by conflicts of interest, inadequate incentives and a lack of coordination. Sullivan thus concludes that policy-makers should monitor the card payment industry’s coordination of security efforts, and that, in the absence of an improvement, they should consider taking a more active role in helping to overcome the barriers to effective security.

Wang explores the controversy of debit card fee structures and their potential regulation. His analysis shows that, when card networks and merchants both have market power, card networks earn a higher profit by charging *ad valorem* fees than by charging fixed per-transaction fees. At the same time, merchant profits are reduced, but both consumer surplus and social welfare are increased. As an alternative, policy-makers might consider regulating the debit fee structure simply by making fixed per-transaction fees compulsory (but allowing card networks to set the fee levels themselves). Wang suggests, however, that this alternative could increase merchant profits at the expense of card networks, consumers and social welfare. Therefore, policy-makers should not intervene in the debit card market without cautious consideration beforehand.

Fed Kansas City: [Economic review](#)

**Fraunhofer, IBM and Equens: European Trend Survey 2010 — Banks & Future**

The fourth European Trend Survey “Banks & Future” was conducted at the turn of the year. It surveyed managers of banks of various sizes, in a variety of banking sectors and in different European countries. The results show, among other things, that public authorities are regarded as the new front runners of SEPA migration (they were rated as “first movers” by 64% of respondents, compared with only 28% in 2008). Furthermore, 80% of the respondent banks voted in favour of the European regulators setting a SEPA migration end-date.

[European Trend Survey: Banks and Future 2010](#)

**McKinsey: “Payments knowledge highlights”**

The financial services practice of McKinsey has published a series of articles on payments and retail banking. The topics covered include the payments industry’s global outlook, the profitability of current accounts in Europe, and consolidation in European payments processing.

[McKinsey: Payments Knowledge Highlights](#)

**Juniper Research: reports on mobile banking and mobile payments**

Juniper Research has published a press release on each of its two new studies – one on mobile banking and the other on the mobile payments market. According to the studies, the number of mobile subscribers worldwide who use their phones for mobile banking will exceed 400 million by 2013, and the global turnover for digital and physical goods purchased via mobile phone will reach USD 200 billion by 2012.

[Press release on mobile banking](#) and [Press release on mobile payments market](#)

**Edgar, Dunn & Company: Global Payments Survey 2009**

Edgar, Dunn & Company has conducted its second global survey of payments professionals, with questions relating to the key industry dynamics in their respective markets. 645 professionals responded to the survey, representing 52 countries. The questions focused on five main topics: the current and future importance of individual payment products; the current and future importance of individual payment channels; the expected future importance of payment technologies; the most influential market participants; and the key industry events that will shape payments markets.

The findings illustrate the common themes that are developing globally in relation to future trends and highlight the key differences in expectations between different regions and countries.

[Press release on Global Payments Survey 2009](#)

**Deloitte: Positioning for a new financial landscape**

As institutions begin to emerge from the financial crisis and global economic downturn, their thoughts are turning towards preparing for the new financial landscape. The report identifies industry thinking on the future focus of financial institutions. It is based on a survey of financial services executives from across the globe. Conducted at a period of transition, the survey reveals executive views on a variety of topics, including the impact of the crisis – the relationship damaged, the performance curtailed, and the strategies disrupted. It also highlights their future focus around customers and products, strategy and operations, risk and regulation, capital and liquidity and talent and technology.

[Deloitte report](#)

### **Innopay: Online Payments 2010**

In its sixth edition, "Online Payments 2010", Innopay presents the current state of affairs within the global landscape of internet payments. This year the report not only covers Europe, but the world at large, and is intended for use across the entire industry, including by web merchants, payment service providers, and policy-makers, and can be downloaded for free following registration.

[Innopay report](#)

### **E-invoicing 2010 by EBA and Innopay**

Following the E-invoicing 2008 report, EBA and Innopay have now jointly published the next edition: "E-invoicing 2010 — European Market Guide". It provides a comprehensive overview of the current market status as well as the latest trends and issues in Europe. Some key conclusions from the report are as follows: i) e-invoicing is being used and is gaining in popularity; ii) there are promising developments in the areas of content standards and legal harmonisation; and iii) challenges remain relating to interoperability and raising awareness. The report can be downloaded for free following registration.

[Report "E-invoicing 2010"](#)

### **Deutsche Bank Research: "E-invoicing — final step of an efficient invoicing process"**

This Deutsche Bank Research article by Heike Mai discusses why the interest shown by companies in electronic invoicing is still muted, despite the advantages politicians and interest groups expect it to bring.

[Deutsche Bank Research article on e-invoicing](#)

## Events and speeches

### First SEPA Council meeting: migration end-dates and the future of SEPA for cards

On 7 June 2010 the recently created SEPA Council met for the first time, representing a major step forward in strengthening the governance of the SEPA project at the European level. The meeting brought together top-level representatives from both the demand and supply sides of the European payments market, under the co-chairmanship of the European Commission and the ECB, the two institutions that pioneered this new body. The main issues discussed were the need to establish (a) migration end-date(s) for SEPA and the conditions of such a move, as well as the future of SEPA for payment cards.

[Press release](#)

[SEPA Council: www.sepacouncil.eu](http://www.sepacouncil.eu)

### Conference: "Payment markets: theory, evidence and policy"

The University of Granada and the Federal Reserve Bank of Chicago held an international conference entitled "Payment markets: theory, evidence and policy" on 21 and 22 June 2010 in Granada (Spain). The objective of the conference was to stimulate discussion between academics, policy-makers and practitioners on the economics of payment systems. Theoretical, empirical and policy-oriented articles were presented. The conference papers are now available on the conference website.

[Conference papers](#)

### Gertrude Tumpel-Gugerell: SEPA back on the agenda

EQ magazine interviewed Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB, on how the crisis has affected the implementation of SEPA and what will happen next. Ms Tumpel-Gugerell is quoted as saying "SEPA will bring more competition and pressure on revenues, but also more business opportunities and new sources of profit for retail payment service providers."

[EQ Magazine](#)

### EBAday 2010 in Luxembourg

EBAday 2010 looked beyond the practical compliance requirements of operating in a Single Euro Payments Area and dealt with the critical strategic questions that banks must address if they are to prosper in the new business environment. eSEPA and innovation were among the main topics discussed. The key note speeches and presentations can now be found on the conference website.

[EBAday website](#)

## Contributors

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## Editors

The eSEPA Newsletter is prepared by the Market Integration Division of the ECB. If you have any comments or suggestions for the next newsletter, please submit them via the contact form on the eSEPA website.

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