

Activities of Big Tech companies, international payment card schemes and European initiatives

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The retail payments ecosystem is constantly evolving and, over the last decade, has gone through important changes such as the entry of major, global technology companies. Those international/global players and large technology players are perceived to potentially endanger the European strategic autonomy for payments-related issues. They have started to offer regulated payment services in the European Union and obtained licences to offer payment services from different home countries, with the possibility of passporting their activities in the rest of the European Economic Area (EEA). Google¹, Amazon² and Facebook³ have an electronic money institution licence in, respectively, Lithuania, Luxembourg and Ireland. Paypal⁴ has a credit institution licence in Luxembourg.

Among the large companies active in the field of payments in Europe, two groups can be distinguished according to the nature of their activities. These are, on the one hand, the new players often referred to as GAFA⁵ and, on the other hand, the more traditional players such as international card payment schemes by VISA and Mastercard. Since a few years, European regulators and market actors (separately or together) take initiatives to foster genuine European payment solution initiatives.

GAFA

With the exception of Facebook's Diem (formerly Libra) stablecoin project, GAFA are not creating any new payment instruments or schemes. They engage in payment services to improve or expand their ecosystems. This usually involves integrating existing payment instruments/methods by offering a new method to initiate payments in a simpler and/or more secure way for users. They offer complementary services to existing payment services, generally at the level of payment initiation, most often by partnering with traditional players such as card issuers (banks) and acquirers. Their services are predominantly based on the existing infrastructures of international payment cards. Among the main payment services offered in Europe by GAFA, we find:

- 1 Google Payment Lithuania UAB.
- 2 Amazon Payments Europe S.C.A.
- 3 Facebook Payments International Limited.
- 4 PayPal (Europe) S.a r.l. et Cie, S.C.A.
- 5 Google, Apple, Facebook, Amazon.

AmazonPay: is a service offered by Amazon to allow holders of an Amazon account to use payment methods registered therein to pay at other merchants, outside the Amazon platform, affiliated with this service. With AmazonPay, customers therefore do not have to open a specific account with each merchant. In Belgium, this service is offered in cooperation with the purchaser Adyen. In most cases, payments made through AmazonPay are card payments based on international schemes.

GooglePay and ApplePay: are “wallets” specific to the Google and Apple ecosystem, making it possible to digitise participating credit and debit cards (mainly Visa, Mastercard and Maestro in Europe) and to make payments more securely by linking the card to the smartphone on which the application is located and without communicating the card information during a payment (they are replaced by a “token” whose usage is limited).

Facebook’s Diem project sets itself apart from the payment services traditionally set up by GAFAM in that it was about to create a form of international crypto-currency. This project provoked an outcry from regulators around the world and was scaled down to a US pilot project with a USD-only backed crypto-asset. The European Commission’s Digital Finance Package proposal includes a draft Regulation intended to regulate this type of instrument (Proposal for a Regulation of Markets in Crypto-Assets or MiCA, see thematic article).

International card payment schemes Visa and Mastercard

The Visa and Mastercard schemes unquestionably dominate the European card payment market. Only a few domestic schemes remain, as is the case in Belgium for Bancontact. To counter competition with the international schemes, six national schemes (including Bancontact) set up the European Card Payment Cooperation (ECPC) in 2020, whose objective is to offer alternatives to the VISA and MasterCard specifications for EMV cards and contactless kernels of terminals.

European market, policy and regulatory initiatives

Europe is currently the only major economy that does not have its own regional POS/ecommerce payment solution and is totally dependent on international schemes for cross border payments. By defining a retail payments strategy (see box 6), the European Commission is determined to change this situation, in particular with the European Payments Initiative which aims to develop a genuine pan-European payment solution.

Other initiatives on various topics are being taken:

The European Payments Initiative: The European Payments Initiative, or EPI, is a payments integration initiative set up by the European banking sector¹ in response to a call from the ECB for the creation of a payments system and a pan-European interbank network capable of competing with international schemes. The project has received support from the European Commission and the ECB.

SEPA Request To Pay scheme (SRTP): The SRTP scheme covers the set of operating rules and technical elements (including messages) that allow a payee to request the initiation of a payment from a payer in a wide range of physical or online use cases. It was developed by the European Payments Council (EPC) and may be used in the context of the EPI.

¹ KBC Bank is one of the participating members.

European Digital Payments Industry Alliance (EDPIA) is an alliance founded by five large European payment services providers (Worldline, Nets, SIA, Ingenico and Nexi). It intends to represent the interests of independent payment services providers headquartered in Europe, non-banked owned, and its purpose is to contribute to EU policy debates that define the business environment for electronic payments, and to strengthen the visibility and understanding of the European payments industry. The Alliance focuses on the “acquiring functions” perspective.

Another initiative is the **European Mobile Payment Systems Association (EMPSA)**, twelve mobile payment systems (of which Bancontact Payconiq Company) trying to enable interoperability both on the technical and commercial/business level with a view of seamless mobile payment across Europe.

The Eurosystem oversight framework for electronic payment instruments schemes and arrangements (PISA framework) establishes oversight requirements in the form of generic principles to assess the safety and efficiency of the entities that fall within the scope of its oversight and to induce change where shortcomings are identified. The PISA framework sets out those oversight principles in a single, future-proof and harmonised manner for electronic payment instruments, schemes and arrangements.

Market contact groups

- The Advisory Group on Market Infrastructures for Payments (AMI-Pay) is a forum that assists the Eurosystem in fostering payment innovation and integration across Europe and offers advice on the provision and modification of Eurosystem payment-related services. It is composed of banks active in the European Union and of national central banks.
- The European Retail Payments Board (ERPB) was set up to foster the development of an integrated, innovative and competitive market for retail payments in euro in the European Union. The group consists of all stakeholders in the payment ecosystem: regulators, payment service providers, retailers, enterprises and public administrations.