

EU forges ahead with plans to create fully integrated instant payment system

Article

The Council of the European Union—a governing body that enacts laws in the EU—recently [backed](#) a strategy introduced by the European Commission (EC) last September to create an

integrated retail payment system throughout the EU.

The retail payment strategy is built on four main **pillars** introduced by the EC that address three objectives:

- **Enhance digital payment benefits:** The EC wants to make it more convenient for consumers and businesses to use digital payments.
- **Create homegrown payment solutions:** The retail payment strategy aims to support domestic digital payment offerings to give consumers a range of solutions.
- **Facilitate cross-border payments:** The EC's strategy also aims to make cross-border payments, both retail and remittances, less expensive.

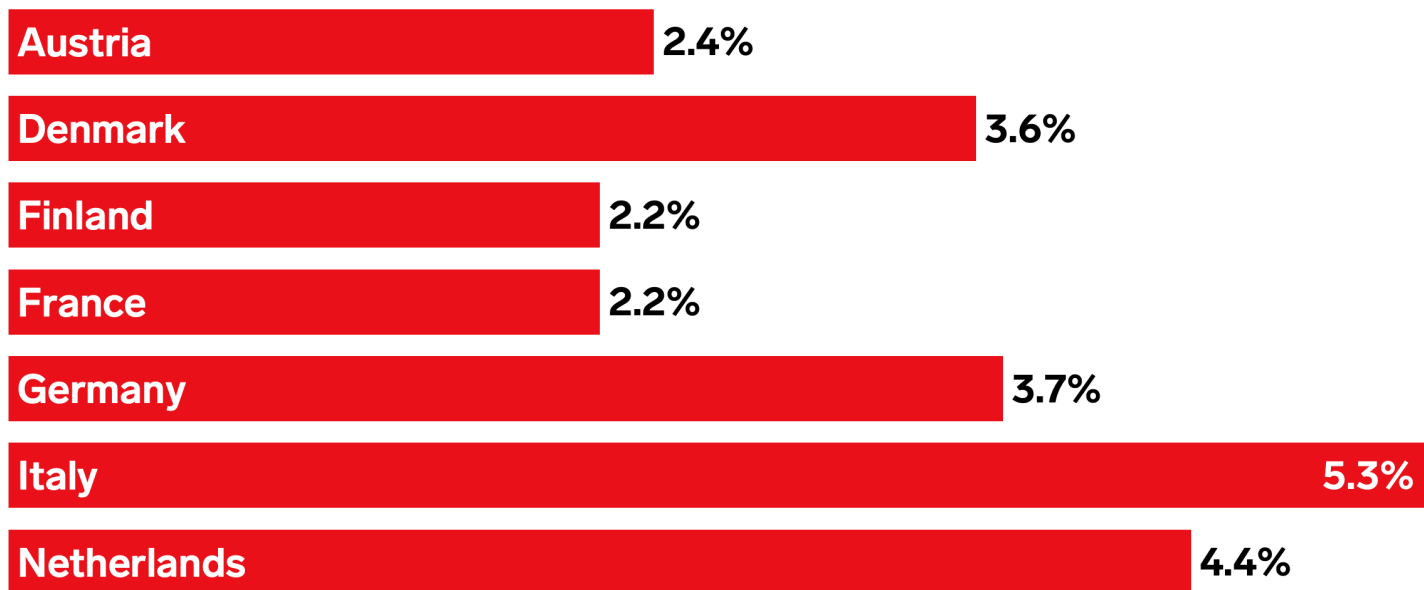
European consumers rely increasingly on noncash payments. In 2020, the number of noncash payments in Europe grew 6.16% to 228.1 billion, **according to** estimates from Capgemini, making it the second-largest noncash region globally behind Asia. This can likely be attributed to more consumers **turning away** from cash and **shopping** more online during the coronavirus pandemic. Going forward, digital payment methods are only expected to rise, with Capgemini projecting 307.5 billion noncash transactions in 2023.

The EU Council wants a homegrown payment system that relies less on international players but has the same benefits. Most domestic payment solutions based on instant transfers or cards—such as France's **Cartes Bancaires** or Germany's **Girocard**—don't work across borders, making it difficult to support the **rise** in cross-border retail and ecommerce shoppers. Instead, most of the region's payment system relies heavily on international players like Mastercard and Visa to facilitate cross-border transactions.

This reliance has its own challenges: EU merchants that route payments via Mastercard's and Visa's networks have to deal with **increasing** interchange fees. Building its own system would let the EU rely less on those players and regain payment and data sovereignty. This could spell bad news for Mastercard and Visa given how much payment volume the region generates: In Q4 2020, **30.5%** of Mastercard's gross dollar volume for its charge, debit, and prepaid programs and **20%** of Visa's payments volume for its debit and credit programs came from Europe.

Cross-Border Retail Ecommerce Buyer Growth, by Country

2021, % change



Note: Internet users 14+ who have purchased goods online from a seller in a foreign country, either directly or through an intermediary (i.e., marketplaces), at least once during the calendar year via any digital channel and device; excludes travel and event ticket sales, digital downloads, subscriptions, and other services. Includes only consumer-aware cross-border purchases with a seller in a foreign country; includes only purchases where customs are cleared after the order has been placed.

Source: eMarketer, December 2020

Methodology: Estimates are based on the analysis of survey and traffic data from other research firms, historical consumer adoption trends, company releases, and demographic adoption trends.

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