

Special report

Digital payments in the EU

Progress towards making them safer, faster,
and less expensive, despite remaining gaps



EUROPEAN
COURT
OF AUDITORS

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Executive summary

I Digital payments refer to the electronic exchange of funds, often through mobile devices or digital channels, including card payments. Digital payments promote economic growth by providing access to banking services, stimulating spending and facilitating international trade. In the EU, the value of digital payments for retail sales more than doubled between 2017 and 2023 to reach more than €1 trillion annually. The EU has the responsibility to facilitate digital payments, which are crucial for the smooth functioning of the EU's internal market, especially across borders.

II The objective of this audit was to examine the EU's approach to digital payments. In particular, we examined whether the EU's regulatory framework sets the right conditions for safer, faster and less expensive digital payments in the EU. This included an assessment whether the Commission has analysed how the regulatory framework and its actions have impacted the EU market for payment services. Further, we assessed whether the Commission implemented the actions set out in its retail payments strategy effectively. With our audit observations and recommendations, we aim to provide an input for ongoing and any future legislative proposals for payment services.

III Overall, we conclude that the EU's approach to digital payments has contributed to making them safer, faster and less expensive. However, we identified two key aspects in the EU's regulatory framework which require further attention in this regard:

- o Firstly, the criteria for assessing the adequacy of price interventions are unclear and there are no periodic reviews.
- o Secondly, there remain gaps in the legal framework regarding account data sharing under open banking.

IV Moreover, the impact of the EU's policies in relation to digital payments remains largely unknown because the Commission has not put in place an effective monitoring system and, more importantly, it lacks access to the relevant data.

V Finally, we found that the Commission has implemented the bulk of the actions set out in its strategy in relation to digital payments, but they did not always achieve their objectives. Discrimination based on payment account location continues, although the Commission has stepped up its efforts in the fight against it. In the area of supervision,

the Commission's action has not succeeded in creating a level playing field for businesses operating in different EU countries.

VI Based on these findings, we recommend that the Commission:

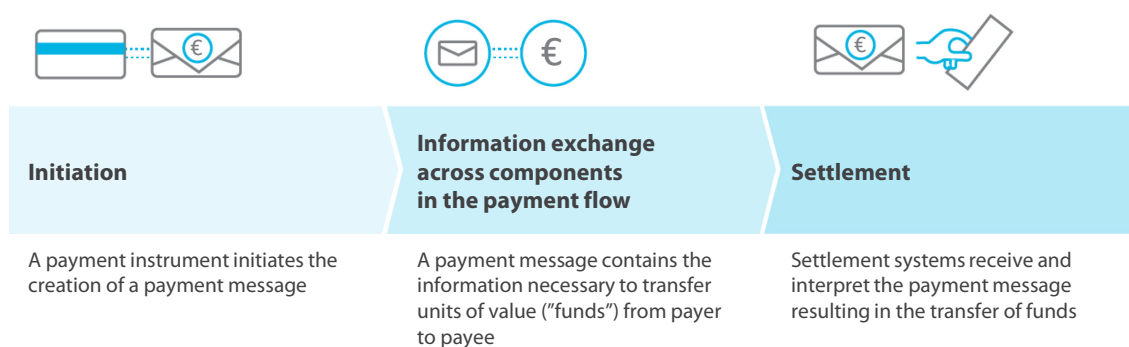
- set out clear criteria for EU price interventions in the area of digital payments and carry out periodic reviews;
- develop and implement a data monitoring strategy in the area of digital payments;
- propose performance indicators and set targets for digital payments;
- fight discrimination based on payment account location with better enforcement rules and analyse virtual payment accounts;
- strengthen efforts to achieve a level playing field in authorisation and supervision.

Introduction

The digital payments landscape in the EU

01 Digital payments refer to the electronic exchange of funds, often through mobile devices or digital channels. Digital payments can encompass a variety of payment instruments such as cards, credit transfers or payment application such as digital wallets. In general, every digital payment process encompasses three main stages (see [Figure 1](#)).

Figure 1 – Main stages of a payment process



Source: ECA based on graphic material from [US Federal Reserve Bank](#).

02 Over the last decade, digital payments have experienced an unprecedented surge, reshaping the way individuals and businesses conduct financial transactions. The convenience, speed and security offered by digital payment methods have propelled their widespread adoption globally. This has been made possible in part by the extensive availability of mobile devices across the EU and advances in payment technologies. Digital payments promote economic growth by providing access to banking services, stimulating spending and facilitating international trade.

03 The most important players within the sector are the payment service providers (PSPs). The main role of these companies, typically banks and payment institutions, is to enable the payer or the payee to initiate payments and to provide payment messages with the information necessary to execute payment transactions (see [Figure 1](#)). A payment institution is an entity that provides payment services as its main business activity.

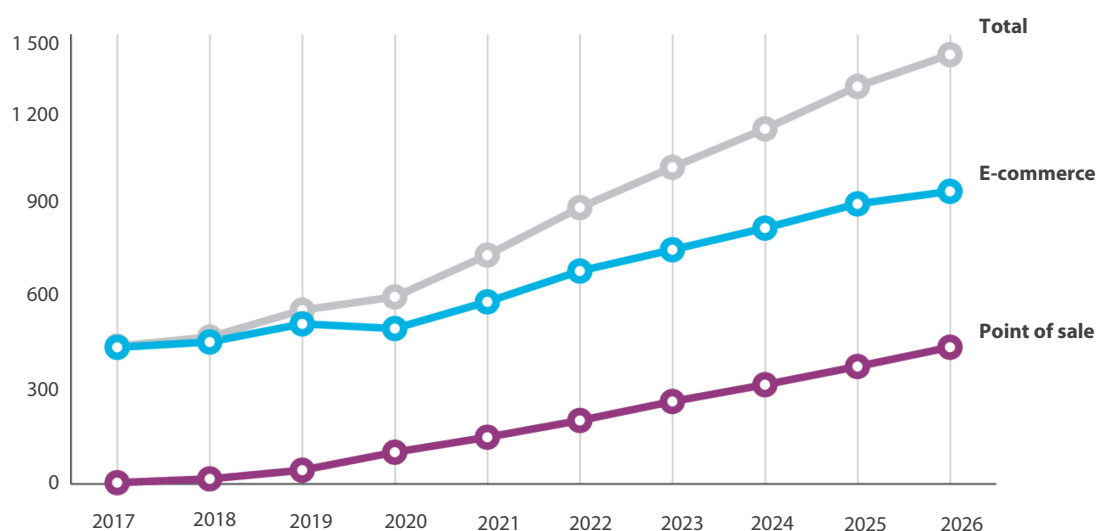
04 EU legislation provides for the freedoms of establishment and service provision. These freedoms entitle PSPs to carry out the services via agents or to establish branches in other member states. It also allows PSPs licensed in one EU member state

to offer their services across the entire EU without the need for separate licenses in each country. As of June 2023, there were 3 926 banks, 844 branches of banks, 2 929 payment institutions and 179 branches of payment institutions registered within the European Economic Area¹.

05 The value of digital payments for e-commerce and at physical point of sales more than doubled between 2017 and 2023 (see [Figure 2](#)) and is forecasted to continue to grow.

Figure 2 – Digital payments in e-commerce and point-of-sale transactions for EU 27

(billion euros)



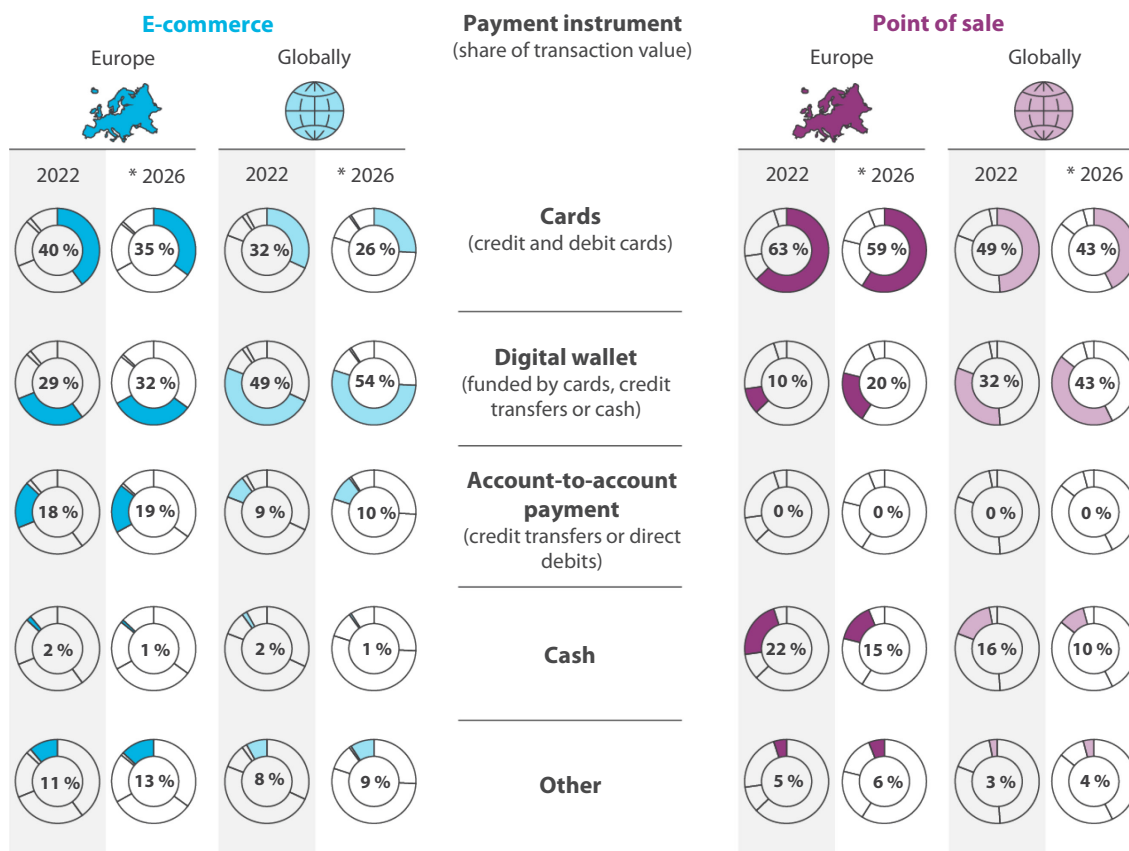
Source: ECA based on Statista data.

06 Traditionally, card payments have dominated retail payments in Europe. In 2022, card payments accounted (by transaction value) for 40 % of e-commerce payments and 63 % of payments at points of sale (see [Figure 3](#)). In the second half of 2022, 54 % of all card-based payments in the euro area were contactless (meaning customers do not have to insert or swipe their cards when paying)². While the value of payments via digital wallets is growing dynamically, cash is losing its importance.

¹ [Payments Institutions Register](#) and [Credit Institutions Register](#) including electronic money institution and third-party providers, European Banking Authority.

² [Data portal](#), European Central Bank (16 November 2023).

Figure 3 – Share of transaction value by payment instrument



* forecast

Source: ECA, based on 2023 FIS Global Payments Report.

07 The European card market is characterised by two distinct segments: domestic payments and cross-border payments. National and international card schemes compete for transactions in domestic markets. In the EU, there are six national schemes: Bancontact (Belgium), CB (France), Girocard (Germany), PagoBancomat (Italy), MultiBanco (Portugal) and Dankort (Denmark). With the exception of PagoBancomat (Italy), all these national schemes account for the vast majority of domestic transactions in their respective jurisdictions³. The international card schemes play the leading role in the cross-border payment market. Visa and Mastercard are by far the most important international card schemes, with a combined market share of almost 90 %⁴.

³ Statista, [Market share of international and domestic payment card schemes in 14 countries in Europe, 2022](#) and ECB, [Card payments in Europe – current landscape and future prospects: a Eurosystem perspective, 2019](#).

⁴ Statista, [Market share of Visa, Mastercard, American Express, Diners Club, 2022](#).

Roles and responsibilities

08 In the payments market, responsibilities are shared between the EU and the member states:

- The Commission's powers relate primarily to initiation of legislation. It proposes the adoption of directives and regulations to ensure harmonisation across member states, with the priority of ensuring payment security and consumer protection. The responsibility for policy lies with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). The Commission is also tasked with enforcing competition rules to maintain the integrity of the EU single market and prevent disruptions to competition. Key responsibilities include detecting and sanctioning anticompetitive agreements, abuses by dominant undertakings of their market power, sanctioning anticompetitive mergers, promoting market liberalisation and monitoring state interventions. This is the responsibility of Directorate-General for Competition (DG COMP). In the event of competition distortions on the relevant market, the Commission may in addition propose legislation, for example to intervene in the setting of charges and fees by PSPs. Such measures are known as price interventions.
- EU member states are responsible for incorporating EU directives into national legislation. Their national competent authorities authorise and supervise PSPs.
- The European Banking Authority (EBA) is responsible for developing technical standards, guidelines and recommendations related to payment services and systems and ensures supervisory convergence among NCAs.

The EU's regulatory framework for digital payments

09 The EU's regulatory framework for digital payments is composed of several legal acts (see [Box 1](#)).

Box 1

The main legal acts in the area of digital payments

Payment Services Directive (PSD): In 2007, first Payment Services Directive (**PSD1**) introduced a definition for payment service and PSPs. Its main aim was to encourage competition, including by allowing payment institutions to carry out payment services. The reviewed Payment Services Directive (**PSD2**) of 2015 broadened the scope by including new types of payments services such as third-party payment initiation or account information. Additionally, **PSD2** introduced stricter security measures for digital payments, and promoted greater transparency.

Single European Payments Area (SEPA) Regulation: The regulation, adopted in 2012 and amended in 2024, aims to create an integrated and efficient market for electronic payments in euro within the EU. It lays down rules for (instant) credit transfers and direct debits. The regulation also mandates the use of the international bank account number (IBAN).

Cross-border Payments Regulation (CBPR2): The revised regulation, adopted in 2019, aims to facilitate the functioning of the single market and end the barriers between payment service users. It applies to cross-border payments denominated in euro or in the national currencies of other participating member states (Romania and Sweden). It requires PSPs to charge the same for cross-border payments and for domestic payments.

Interchange Fee Regulation (IFR): The regulation, adopted in 2015, aims to create a single market for card payments and to prevent competition restrictions. It lays down uniform technical and business requirements for card-based payment transactions in the EU.

10 Following a review of **PSD2**, the Commission in June 2023 proposed a new Payment Service Regulation (**PSR**) and an amended Payment Service Directive (**PSD3**). The **PSR** lays down provisions on combatting payment fraud, improving the sharing of payments data, enhancing consumer rights and levelling the playing field between banks and PSPs. The amended directive mainly includes provisions on the licensing and supervision of PSPs. As of July 2024, the legislative process for the two acts was ongoing.

11 In 2020, the Commission put forward a **retail payments strategy** for the EU, setting out its vision for the development of the sector. The EU's objectives enshrined in the strategy are to provide diverse, high-quality payment solutions for citizens and businesses, support competitive European payment solutions, and enhance cross-border payments with non-EU countries to strengthen the euro's international role.

The strategy identifies four key pillars, reflecting the main areas of action (see [Annex I](#)). It sets out 40 key actions, including 38 relevant to digital payments.

Audit scope and approach

12 The objective of this audit was to examine the EU's approach to digital payments. In doing so we focussed on the smooth functioning of the internal market in the area of payments, which ultimately should serve the consumers. Our analysis considers the implications of EU policies for all involved parties (PSPs, merchants and consumers). In particular, we examined whether:

- the EU's regulatory framework sets the right conditions for the EU to achieve its objective of safer, faster and less expensive digital payments. In this context, we focussed on key aspects such as the Commission's review process for the Payment Services Directive (PSD2), price interventions in the market and the provisions for payment account data sharing. We checked in particular the relevance and justification of these actions;
- the Commission has assessed how the regulatory framework and its actions have impacted the EU market for payment services. For this, we focussed on how the Commission monitors progress in relation to the costs, speed, access and transparency of digital payments;
- the Commission has implemented the actions set out in its [retail payments strategy](#) effectively. This included a review of the status and timeliness of 35 actions relevant to digital payments. Furthermore, we carried out an in-depth assessment of nine key actions related to three topics: (i) strong customer authentication, (ii) payment account discrimination, and (iii) the supervision of payment services.

13 With the observations and recommendations resulting from our audit we aim at providing an input for the ongoing and any future legislative proposals for payment services. This report seeks also to contribute to finding a necessary balance in EU policy between allowing free competition to benefit the payment ecosystem and intervening, where it is necessary (see paragraph [07](#)). This can be the case especially in oligopolistic markets, in a view of protecting consumers or to remedying market imperfection.

14 Our audit covered the period from 2013 (including the preparatory work for the PSD2 and the Interchange Fee Regulation) until the end of 2023. This audit did not cover the settlement of payments (for example ECB's payment settlement system T2) or the supervision of payment settlement systems (see [Figure 1](#)), which were deselected based on a risk analysis. Nor did it cover the content of the Commission's

[legislative proposal](#) to establish the legal framework for a possible digital euro. For completeness we included the legislative proposal on payment services (PSD3/PSR) in our analysis.

15 Our audit work at the Commission comprised a review of internal and public documentation and questionnaire-based interviews with staff from the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and the Directorate-General for Competition (DG COMP). We also carried out interviews with stakeholder representatives, including from the European Central Bank (ECB), the European Banking Authority (EBA), the National Bank of Italy and the Germany's national competition authority, as well as payment service providers (PSPs) and trade and consumer associations. In addition, we conducted two surveys of payment service providers and national competent authorities. Finally, we carried out a comparative benchmark analysis with other countries (in particular United Kingdom and Australia).

Observations

Progress on the EU's regulatory framework for digital payments, but gaps regarding price interventions and open banking remain

16 Tackling future challenges in the EU payments market requires a comprehensive regulatory framework for digital payments. This should include proposing and reviewing the legislation in view of supporting an innovative and competitive environment for payments markets.

17 We examined the comprehensiveness of the framework by reviewing the Commission's work on key legislative files within the audit period. First, we assessed the Commission's review of PSD2, including a review of the impact assessment underlying the proposal and the stakeholder consultations. We then looked at the EU's methodology for price interventions and analysed in detail two price interventions, the interchange fee cap for card payments and the ban on surcharges for using certain payment instruments. We selected these two price interventions due to their relevance given changing market conditions. Finally, we analysed the existing and proposed legislative solutions for open banking, which allows access to payment account data.

The Commission carried out a comprehensive review of the Payment Service Directive in 2023

18 In 2022, the Commission launched the review of the application and impact of PSD2. The review was due already in 2021 but was not conducted in time because of a late transposition of the Directive by some member states into their national law and, consequently, a delay in the implementation of the relevant provisions.

19 As a result of the review, in 2023 the Commission made a legislative proposal aimed at improving the payments framework in the EU. Besides an amended directive on payment services and e-money services (the PSD3), the Commission also proposed a regulation on payment services in the EU (the PSR). An EU regulation is directly applicable across all member states without the need for national implementing measures, while an EU directive requires member states to incorporate its provisions into their national laws within a specified timeframe. We found the proposal for two distinct legislative acts on payment services to be a step in the right direction. Setting

out the rules for PSPs and consumers in a regulation is likely to ensure more consistent implementation in the member states.

20 The legislative proposals on payment services (PSD3/PSR) were accompanied by a comprehensive [impact assessment](#), which covered all main topics subject to the review. The [Regulatory Scrutiny Board](#), an independent body within the Commission, examined the document and assessed it positively. Although the Commission and the EBA had oral discussions about [the EBA's opinion](#), the outcomes were not formally documented.

21 The scope of the review itself was comprehensive in most respects. It covered all key issues raised by the stakeholders. However, we found some gaps in the areas of price interventions and open banking (see paragraphs [23-59](#)).

22 The review process included public and targeted stakeholder consultations, in which the Commission received feedback from all major parties concerned. Furthermore, the Commission consulted national authorities in the context of the [Commission Expert Group on Banking Payments and Insurance](#). We note here that national competition authorities are not part of this expert group. They were not specifically invited to participate in the public consultations, but could provide their feedback as part of the general public consultation; only the German Federal Cartel Office used this opportunity (see paragraph [41](#)). The Commission compiled a summary of the stakeholder feedback and its analysis.

Price interventions may carry a risk for the efficient functioning of the EU's digital payments market, if inappropriately designed

Unclear criteria for assessing the adequacy of price interventions and absence of periodic reviews

23 Open and undistorted competition within the internal market is a primary goal enshrined in the Treaty on the Functioning of the EU⁵. In general terms, a price intervention is a measure requiring a product or service to be offered on the market at a price pre-determined by public authorities. The literature regards price interventions as one of the most intrusive forms of market intervention. However, they may be warranted for various reasons such as social considerations or market imperfection. EU price interventions are intended to, for example, remedy distortions in the card

⁵ TFEU, Art. 101-109.

market or create an environment which helps innovative payment services to reach a broader market⁶.

24 In the area of digital payments, the EU legislation stipulates various price interventions (see **Box 2**).

Box 2

Major price interventions relevant for the digital payments market in the EU

- (1) **The interchange fee cap for card payments:** The interchange fee is paid by the payment service provider (PSP) acquiring the card payment to the PSP issuing the card. This fee is capped at 0.2 % of the payment value for consumer debit card transactions and 0.3 % for consumer credit card transactions⁷.
- (2) **The surcharge ban for card payments and SEPA payments:** Merchants are prohibited from imposing surcharges on consumer card transactions subject to the interchange fee cap and on SEPA credit transfers and SEPA direct debits⁸.
- (3) **The free of charge provision of open banking:** Account data holders are obliged to maintain at least one interface for secure communication to be used by third-party providers. Account data holders do not receive a fee or reimbursement for the use of these interfaces from third-party providers⁹.
- (4) **The price equality of euro cross-border payments:** Charges levied by a PSP for cross-border payments in euro of payment users should be the same as for corresponding national payments¹⁰.

Source: ECA.

25 Inappropriately designed price interventions risk making PSPs operate inefficiently or distorting supply and demand, ultimately harming consumers and merchants. However, the basic legal acts on digital payments do not specify clear criteria for assessing whether and under what circumstances such interventions are justified or how long they should apply.

26 Furthermore, none of the price interventions for digital payments are subject to any time limit. In general, the different legal bases provide for one-off reviews within a

⁶ Dunne, N., *Regulating prices in the EU*, 2018.

⁷ Regulation (EU) 2015/751, Art. 3 and 4.

⁸ Directive (EU) 2015/2366, Art. 62.

⁹ Ibid., Art. 66 and 67.

¹⁰ Regulation (EU) 2021/1230, Art. 3.

specified deadline, such as for the interchange fee cap and price equality for cross-border euro payments (see [Box 2](#))¹¹. For the latter, the Commission has not yet carried out the required review, even though it was due in 2022.

27 However, there is no legal obligation to carry out periodic reviews for any of the price interventions. Furthermore, it is not specified what data should be collected to carry out such reviews. Keeping in mind the intrusive nature of price interventions, this may create the risk of inappropriate measures not being detected and remaining in place, ultimately harming consumers, merchants or PSPs.

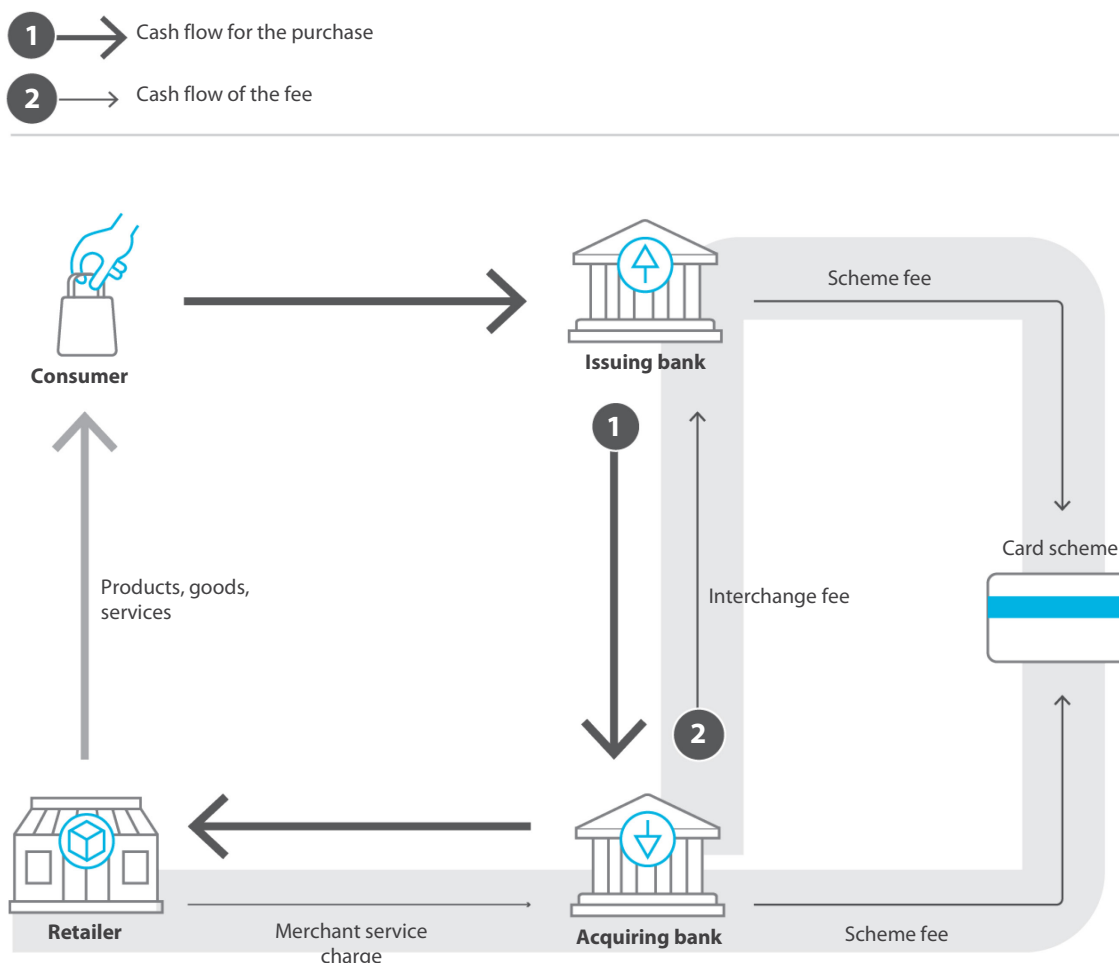
Positive effects of interchange fee caps and appropriateness of their level were not adequately assessed

28 A typical card cash flow involves several types of fees (see [Figure 4](#)):

- (1) **In a first step**, the PSP acquiring the card (for example, the bank of an online shop) pays **interchange fee** to the PSP issuing the card (for example, the bank, which issued a card to the customer);
- (2) **In a second step**, both the issuing and the acquiring PSPs pay **scheme fees** to the international corporations operating the card network;
- (3) **Finally**, the merchant (for example, an online shop) **pays merchant service charges** to the acquiring PSP (the bank serving its payment system). These charges cover interchange fees, scheme fees, processing fees paid by the PSP acquiring the card, and the acquirer's margin. Due to the surcharge ban, merchants cannot charge customers directly for these costs. Merchants include payments fees in the prices for goods and service as global add-on.

¹¹ Regulation (EU) 2015/751, Art. 17 and Regulation (EU) 2021/1230, Art. 14.

Figure 4 – Cash flows in a typical card payment



Acquiring bank = bank of the retailer/payee, which acquires the card payment.

Issuing bank = bank of the consumer/payer, which issues the card.

Source: ECA, based on graphic material from the Commission.

29 In 2023, e-commerce and point-of-sale transactions accounted for around € 1150 billion¹². We estimate that around 80% of this amount is accounted for card payment transactions. We also estimate that the total volume of annual interchange fees paid by the acquiring PSPs to the card issuing PSPs in the EU for these transactions was in the range of €2 billion to €3 billion (assuming interchange fees of between 0.2 % and 0.3 %), annual scheme fees amounted to approximately €1 billion (assuming average scheme fees of 0.1 %) and annual merchant service charges ranged from €5 billion to €6 billion (assuming average merchant service charges of 0.6 %). Ultimately, merchant service charges are borne by consumers.

¹² Statista.

30 The interchange fee cap interferes with the contractual freedoms between private companies operating in the payments market. The Interchange Fee Regulation, provides for fee caps (see [Box 2](#)) in response to a specific situation in the card payment market, where competition among card networks to gain PSPs as issuers of their cards was forcing interchange fees up instead of down (“reverse competition”)¹³. The objective was to reduce interchange fees, the main component of the merchant service charges, ultimately paid by the merchants to the payment service providers.

31 To determine the fee cap, the Commission first applied the theory of the “merchant indifference test”¹⁴ in the context of its competition policy. The aim of this test is to identify an appropriate level for interchange fees by determining the level at which an average merchant would accept a card payment from a non-repeat customer (e.g. a tourist) wishing to pay by card¹⁵. In this context, it is assumed that the interchange fee is the main component of the merchant service charge. In particular, after the [2007 Commission decision](#) concerning MasterCard’s interchange fees and following [discussions in 2009](#) with the Commission, the merchant indifference test formed the basis for those fees for MasterCard undertakings and for the [VISA Commitment Decision of 2010](#).

32 In 2015, the fee caps determined in the context of these Commission decisions were also included in the [Interchange Fee Regulation](#). Moreover, in order to confirm the level of the caps, the Commission carried out a [survey on merchant costs](#). However, the survey did not include small merchants and, overall, it did not provide justification for the specific level of fee cap introduced with the interchange fee regulation.

33 In June 2020, the Commission published its one-off review report¹⁶ on the [Interchange Fee Regulation](#). This report was based on mid-2017 data, which means the reviewed data only covered a period of 24 months, which we consider too short to provide comprehensive results regarding the effectiveness of the Interchange Fee Regulation. In this report, the Commission assessed the effects of the fee caps as satisfactory because there were initial indications that the level of merchant service

¹³ SWD(2013) 288 final [volume 1](#) and [volume 2](#).

¹⁴ [Regulation \(EU\) 2015/751](#), Recital (20).

¹⁵ Source: Górka, J., *Merchant indifference test application – A case for revising interchange fee level in Poland*, 2014; and Rochet, J., Tirole, J., *Must-take cards: Merchant discounts and avoided costs*, 2011.

¹⁶ [SWD\(2020\) 118 final](#), p. 3.

charges was going down after the introduction of the fee cap. More recent studies, however, suggest, at least for some member states, a level of merchant service charges which is significantly above the regulatory interchange fee cap, although these studies have some limitations (see [Annex II](#)). A further key finding of the Commission's review has been that the number and value of card payments have been increasing across the EU. The growth was attributed partly to the implementation of the Interchange Fee Regulation, as it reflected higher acceptance of cards by merchants, driven in part by lower interchange fees.

34 The Commission also stated in this report that some areas, such as the assessment of compliance with and potential circumvention of fee caps, require reinforced data gathering and enhanced monitoring to support continuous robust enforcement. Furthermore, the Commission stated that the full effects of the Interchange Fee Regulation would take more time to materialise on account of its limited application period, the long-term nature of contracts and recent market developments.

35 Furthermore, in February 2024, the Commission published a study on new developments in the card payments market. However, this report addressed only some aspects of the application of the Interchange Fee Regulation. Moreover, due to the low participation of stakeholders, this study provided only limited data¹⁷. As a consequence, this latest study does not sufficiently demonstrate positive effects of the interchange fee cap and whether its level is optimal.

The Commission's reasons for introducing a surcharge ban were not properly analysed and backed up by relevant empirical data

36 A surcharge is an additional charge applied on top of the actual price of goods and services for using a specific payment method¹⁸. The surcharge ban prohibits payees such as merchants from imposing surcharges on card transactions subject to the interchange fee cap and on SEPA transactions. This solution could work potentially in favour of the consumers, but also have negative consequences as it reduces the transparency on the costs of payments. Therefore, a decision to introduce the surcharge ban need to analyse thoroughly all implications. The ban was introduced in [PSD2](#) and justified with three main reasons (see [Box 3](#)).

¹⁷ Hausemer, P., Patroclou, N., Bosch Chen, I., Gorman, N. et al., *Study on developments in card-based payment markets*, 2024.

¹⁸ Directive (EU) 2015/2366, Art. 62.

Box 3

The three reasons for banning surcharges¹⁹

- (1) The heterogeneity of national surcharging rules had led to consumer confusion, in particular for intra-EU payments.
- (2) There had been numerous instances of surcharging at levels higher than the cost borne by the merchant (excessive surcharging).
- (3) Merchant service charges primarily consisted of interchange fees, which were to be capped by the [Interchange Fee Regulation](#).

37 We found that the reasons for introducing surcharge ban were not backed up by sufficient evidence. In the Commission’s impact assessment [PSD2](#), we found no clear evidence of consumer confusion (see reason (1) in [Box 3](#)) in, for example, consumer surveys. The impact assessment merely included a general reference to varying surcharging rules across member states causing confusion among consumers in intra-EU e-commerce²⁰. However, the types of payments referred to in the impact assessment, accounted for only 8 % of all payments in 2021, that is only a small minority of payments²¹.

38 We did not find any sound empirical data supporting the notion that surcharges in the EU were systematically excessive at the time the ban was introduced in 2015 (see reason (2) in [Box 3](#)). Notably, the Commission itself acknowledged that excessive surcharging happened only in some cases²². In addition, excessive surcharges for consumers were already prohibited at that time by the Consumer Rights Directive²³.

39 The Commission had limited data (see paragraph [34](#)) and documented analysis to confirm that in 2024 merchant service charges consisted primarily of interchange fees (see reason (3) in [Box 3](#)). In this context, we have identified three studies (see paragraph [41](#) and [Annex II](#)) which, despite certain limitations, indicate that, in some member states, merchant service charges other than interchange fees were significant.

¹⁹ [PSD2](#), recital No 66.

²⁰ [SWD\(2013\) 288 final](#), p. 25.

²¹ Payment statistics, European Central Bank (2021).

²² [SWD\(2013\) 288 final](#), p. 25 and p. 30.

²³ [Directive 2011/83/EU](#), Art. 19.

40 Furthermore, the Commission’s analysis of the surcharge ban lacked an in-depth consideration of the consequences for competition between different payments methods and distribution channels (e-commerce or point of sale). Providers of more expensive, widely used payment instruments (e.g. credit cards) have no incentive to reduce the fees they charge to merchants due to the lack of transparency. This has, ultimately, an impact on the price of goods or services (see [Box 4](#)).

Box 4

Simplified illustration of the surcharge ban in practice

A merchant wants to sell the same good for €100 to two consumers. Consumer A uses a credit card, and consumer B pays by credit transfer. Consumer A decides to pay by credit card, which imposes a merchant service charge of €2 to be paid by the merchant to the payment service provider, while the credit transfer causes no charges. To remain cost-neutral, the merchant needs to calculate a general add-on. In this specific case, the add-on would be 1 % (€2 fee / €200 total sales). Therefore, each consumer pays an amount of €101.

Price increases due to the costs of payment instruments are not transparent to the consumer, which ultimately are likely to lead to increases of the global add-on and, hence, of overall prices.

Allowing surcharging, with effective control on excessive surcharging, should result in a price of €102 for consumer A and €100 for consumer B. The increased transparency would be expected to lead to better informed decisions and hence to more competition within the payments industry.

Source: ECA.

41 A concern over negative effects on competition was raised during the public consultations for PSD2 by the German competition authority²⁴. Also, the study from 2024 conducted on the Commission’s behalf stressed that fee structures of international card schemes lacked transparency, and linked fee increases to lack of competition²⁵.

42 The United Kingdom’s Payment Systems Regulator analysed similar changes made by international card schemes to their scheme and processing fees

²⁴ [Meldungen](#), Bundeskartellamt (2 August 2022).

²⁵ Hausemer, P., Patroclou, N., Bosch Chen, I., Gorman, N. et al., *Study on developments in card-based payment markets*, 2024.

between 2017 and 2021 to shed light on competitive constraints when setting fees²⁶. Such an analysis does not exist for the EU, even though it would help to improve the understanding of developments in the payment market in order to make informed policy choices. Australia, like the EU, applies a cap on interchange fees. However, it also allows surcharging of direct costs within clear limits²⁷. Merchant service charges in Australia have fallen significantly since 2005.

43 Considering the analyses available for the EU market, we find that the Commission did not have sufficient basis for claiming that the potentially positive effects of the surcharge ban for consumers clearly outweigh the long-term implications for competition, and ultimately the consumers themselves.

The Commission's ability to monitor the impact of price interventions effectively is affected by non-disclosure clauses

44 Looking forward, a key problem in assessing the two price interventions related to credit card payments remains the lack of data on merchant service charges and costs (see paragraph 39). The level of such charges depends on merchant size and distribution channels and accounts for both non-repeat and repeat customers. However, because of the non-disclosure clauses of card schemes, this information is not publicly available. Given this lack of data, the Commission is unable to monitor the effects of the surcharge ban and interchange fee caps, or to evaluate their effectiveness. We note that the Commission could obtain such data from the sector on the basis of its investigative powers in the field of competition policy²⁸.

A lack of standardisation and weak monitoring arrangements in open banking

45 Open banking is a data sharing concept obliging account data holders, typically banks, to share customers' payment data with third-party providers. An important use case for such data sharing is payment initiation services, for example when a bank authorises a third-party provider to access a customer's bank account to initiate a payment for online purchases. The first provisions on open banking in the EU were introduced by the PSD2.

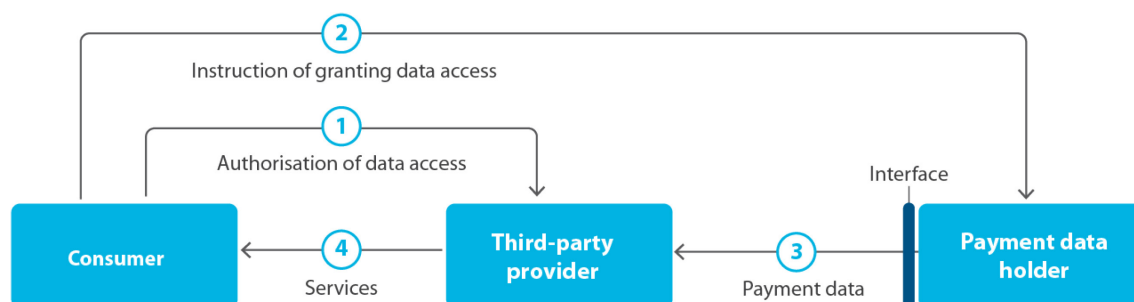
²⁶ [Market reviews](#), Payment System Regulator (May 2024).

²⁷ [Bulletin](#), Reserve Bank of Australia (15 September 2022).

²⁸ [Regulation \(EU\) 1/2003, Art.17](#)

46 Data sharing is facilitated through interfaces (see [Figure 5](#)), which allow for secure communication between account data holders and third-party providers. PSD2 allows account data holders either to create dedicated interfaces – also known as application programming interfaces – or to permit the use of customer interfaces. In the latter case, the third-party provider behaves like a customer using the bank’s standard webpage for customers to access the payment account. When a third-party provider uses the customer interface, it must clearly identify itself.

Figure 5 – Open banking in a nutshell



Source: ECA, based on data from the Commission.

47 We found that the application of the EU’s open banking framework revealed two important issues related to its design. First, the obligation to provide third-party providers with access to payment user data free of charge is likely to disincentivise account data holders from delivering a high-quality service. Second, the absence of a standard for application programming interfaces created obstacles for the third-party providers using this data. Furthermore, so far open banking has been implemented and monitored at national level.

The PSD2 opted for a free-of-charge data provision

48 PSD2 introduced a model of open banking in which account data holders are obliged to provide their customers’ payment data free of charge. The Commission proposed this solution in 2013 based on the assumption of minimal implementation costs for account data holders²⁹. However, in the context of PSD2 review, experts tasked by the Commission estimated the one-off costs to the industry for the development of application programming interfaces at approximately €2.2 billion, with annual recurring costs of around €0.3 billion, both borne predominantly by account data holders³⁰.

²⁹ SWD(2013) 288 final, p. 64.

³⁰ SWD(2023) 231 final, pp. 135 and 136.

49 In the Commission's impact assessment underlying the PSD2 the account data holders stated that providing open banking for free have stifled innovation both in terms of developing high-quality access mechanisms and introducing new functionalities³¹. The concerns over lacking incentives to develop open banking features are relevant, given that the data provided free of charge through open banking, can be used by third-party providers, for example, used by online sales platforms, to develop or enhance their own business models.

50 The Commission considered that requiring third-party providers to pay service charges for open banking could lead to market disruptions³². It further considered that charges for open banking would negatively impact the profitability of third-party providers and put them out of business. However, this assessment was not based on a quantitative analysis of the effects of different levels of charges. Furthermore, the Commission's assessment focused only on third-party providers and did not cover the impact of the proposed open banking model on account data holders' profitability, while both are profit-seeking enterprise.

51 In contrast to open banking, the Commission envisaged reasonable, cost-related compensation for data sharing in the legal framework for open finance, to be agreed between market participants in sectoral schemes³³. Open finance goes beyond payment account data and refers more broadly to the accessing and use of customer data across a wide range of financial services (e.g. financial data on insurances, pensions, loans, savings, and investments). This example demonstrates the feasibility of introducing fees in open banking.

The PSD2 did not set out a common standard on application programming interfaces

52 PSD2 did not set out a contractual or technical standard for application programming interfaces. As noted by the EBA, the absence of a single standard has led to the emergence of different interface solutions across the EU and contributed to market fragmentation³⁴. The interfaces vary in quality and functionality which, in turn, affects the user experience and the functioning of open banking services³⁵.

³¹ Ibid., p. 128.

³² Ibid., p. 31.

³³ COM (2023) 360 final.

³⁴ EBA/Op/2022/06, p. 86.

³⁵ SWD(2023) 231 final, p. 14.

53 Third-party providers³⁶ and the EBA³⁷ have persistently identified obstacles to accessing data through application programming interfaces. Examples of such obstacles include the need for multiple strong customer authentications, additional registrations, or the manual input of IBANs.

54 During the PSD2 review process, the EBA recommended that the Commission explore the feasibility of adopting a common application programming interface standard across the EU³⁸. The EBA argued that a common standard would have significant benefits such as potentially lowering the costs to maintain and adapt the interfaces, reducing market entry barriers or contributing to a level playing field. The Commission's objective was to minimise disruptions and avoid sunk costs from investment already made in developing interfaces. However, it did not systematically assess the benefits of having a common application interface standard, including in terms of savings or synergies for PSPs resulting from the removal of market fragmentation.

55 With the legislative proposal for payment services (PSD3/PSR), the Commission intends to introduce minimum requirements for application programming interfaces. These minimum requirements cover, for example, security, availability and performance of interfaces, services, and data to be exchanged. In addition, the legislative proposal contains an article specifying prohibited obstacles to data access³⁹. While these requirements are likely to address known obstacles in open banking, they are not flexible enough to respond to future challenges in a highly dynamic area and may require further legislative changes.

So far, open banking has been implemented and monitored at national level

56 So far, the implementation of open banking within the EU has been enforced through the supervision by national competent authorities, with the EBA being responsible for ensuring supervisory convergence (see paragraph 08).

57 The United Kingdom, a country leading in open banking according to an international index⁴⁰, has designed a stronger implementation and monitoring

³⁶ PSD2 Obstacles, European Third Party Providers Association.

³⁷ EBA/Op/2020/10.

³⁸ EBA/Op/2022/06.

³⁹ COM(2023) 367 final (PSR proposal), Art. 36 and 44.

⁴⁰ The Global Open Finance Index.

framework than the EU, applicable initially to the nine largest UK banks. A dedicated body, the Open Banking Implementation Entity (OBIE), in the meantime replaced by Open Banking Limited, was responsible for its implementation, including delivering an application programming interface standard and designing data structures and security architectures. The OBIE has also issued customer experience guidelines directly addressed to all stakeholders such as PSPs and third-party providers⁴¹, which bring together regulatory requirements and customer insights to make the use of open banking smoother and represent best practices. In the EU, such guidelines do not exist. Instead, there are non-binding EBA opinions addressed to national competent authorities, which cover some of these issues⁴².

58 PSD2 does not require account data holders to submit data on the availability and performance of interfaces to the NCAs or the EBA. As a result, no reliable consolidated data is available for open banking in the EU. However, the PSD3/PSR proposal envisages requirements for account data holders to report to NCAs. The EBA will be required to report to the Commission on the size and operation of the open banking market only every 2 years. By contrast, the OBIE has been publishing monthly [key performance metrics](#) on the functioning of open banking in the United Kingdom since March 2017.

59 The Commission estimated that, by 2021, fewer than 5 % of consumers in the EU were using open banking⁴³ – a lower figure than in the United Kingdom (7 % in December 2021 and 11 % in October 2023)⁴⁴. However, these estimates have limited value, because there is no reliable data on the number of open banking users⁴⁵. Without reliable data, the Commission is unable to assess the uptake of open banking or to verify its initial assumptions underlying the initial design of open banking⁴⁶.

⁴¹ Open Banking Implementation Entity, [Customer Experience Guidelines](#), 2018.

⁴² [EBA/OP/2020/10](#).

⁴³ [Press corner](#), *Keynote speech by Commissioner McGuinness at event in European Parliament “From Open Banking to Open Finance: what does the future hold?”*, European Commission.

⁴⁴ Open Banking, [Impact Report](#), 2023.

⁴⁵ [SWD\(2023\) 231 final](#), p. 60.

⁴⁶ *Ibid.*, p. 194.

Weaknesses in monitoring and data collection hamper the Commission in assessing the impact of digital payments policies

60 The Commission's [retail payments strategy](#) includes the goal of making cross-border payments to and from non-EU countries faster, more affordable, accessible, transparent and convenient. In addition, as agreed at G20 level, policies for cross-border payments should improve the cost, speed, accessibility and transparency of retail payments. We have expected the Commission to have established targets in this respect, aligned with international targets, and consistently monitor their progress to evaluate the effectiveness of its policies.

61 We examined whether the Commission had set targets on cost, speed, accessibility, and transparency for EU payments and utilized them to assess and monitor its policies. Further, we have reviewed the Commission's actions which have the potential to affect the main features of payments and, based on the data available, we assessed the actual progress made in improving their efficiency.

So far, the Commission has neither specified indicators to measure the speed, costs, accessibility and transparency of payments at EU level nor set any targets

62 So far, the Commission has neither set any specific indicators at EU level on how to measure improvements in the efficiency of payments, nor has it set any targets across all payment types. At the same time, in 2021, the leaders of the G20 (which includes the EU) did endorse specific indicators and targets for cross-border payments, to be achieved by the end of 2027⁴⁷. The main indicators and targets are:

- The global average cost of retail payments should not be more than 1 %. There should be no costs higher than 3 % by the end of 2027 (cost indicator/target).
- 75 % of cross-border payments should be credited within one hour and the remainder should be credited within 1 business day (speed indicator/target).
- Everyone should have at least one option for sending and receiving cross-border electronic payments (accessibility indicator/target).

⁴⁷ [Cross-border payments](#), Financial Stability Board (16 July 2024).

- PSPs should provide payment service users with a minimum level of information concerning cross-border payments, showing all relevant charges, expected time of receipt, payment status and terms of service (transparency indicator/target).

63 The G20 targets apply only to cross-border payments. However, domestic payment users in the EU should also benefit from cheap, quick, accessible and transparent transactions. In this vein, the G20 criteria could also be relevant for domestic payments.

The Commission's actions have some potential to improve the transparency, speed and costs of payments, but results are not yet clear

64 By the time of our audit, the Commission had not systematically assessed the impact of its legislative proposals and existing legislation on payments (based on G20 or its own criteria). In the absence of such an assessment, we identified some Commission actions that have the potential to improve transparency, speed, costs and accessibility. This is particularly true of the [PSD3/PSR](#) proposal in relation to transparency, and [the amendment to the SEPA Regulation on instant payments](#) in relation to speed. The implementation of the international messaging standard for payments (ISO 20022), which facilitates international interoperability of payments, would also have potential in this respect.

PSD3/PSR provide more transparency on payments

65 The legislative proposal for payment services ([PSD3/PSR](#)) increases the transparency of cross-border payments from within the EU to a non-EU country. More specifically, it obliges PSPs to provide payment users with an estimate of how long it will take for the PSPs of the payee located outside the EU to receive the funds. It also obliges PSPs to present the estimated currency conversion charges of such international transactions in the same way as for credit transfers within the EU⁴⁸.

Low uptake of euro instant payments

66 Instant payments are credit transfers that make funds available in a payee's account within ten seconds of a payment order being made. The Commission's [retail payments strategy](#) includes plans for instant payments to become the new normal for transferring funds, aiming for full uptake of instant payments in the EU by the end of 2021. The Commission has examined the uptake of euro instant payments, finding

⁴⁸ [PSR proposal](#), Art. 13.

that only 16.8 % of SEPA credit transfers made in the fourth quarter of 2023 were executed instantly⁴⁹. The Commission has also analysed the reasons for the low uptake of euro instant payments (see [Box 5](#)).

Box 5

Reasons for insufficient uptake of instant payments

- (1) Insufficient incentives for PSPs to offer euro instant payments
- (2) Higher transaction charges than for alternative payment methods
- (3) High rate of rejected instant payments wrongly identified as involving persons on EU sanctions lists
- (4) Payer concerns about security of instant payments

Source: Commission.

67 In order to address the challenges facing instant payments, the Commission proposed an [amendment to the SEPA Regulation](#), which was adopted in February 2024. Among other things, the amended regulation obliges PSPs both to be able to receive instant payments in euro and to offer them for a fee not exceeding the fee for regular credit transfers in euro.

68 However, the adopted amendment to the SEPA Regulation does not apply to non-euro intra-EU transactions or to non-euro EU domestic transactions. Moreover, payment users do not need to use euro instant payments; they will still have the choice between regular credit transfers and instant credit transfers. This means that the uptake of instant payments might not be high enough to meet the G20 target on speed, by 2027 throughout the entire EU. Although the projected uptake of instant payments was not quantified, the Commission expects it to be significant, with such payments progressively becoming the new normal.

69 Provisions on speed of payments are enshrined also in [PSD2](#). Where both the sending and the receiving PSPs are in the EU, payments must be executed within 1 business day. For intra-EU payments in EU currencies other than the euro, PSPs and payment service users may agree on an execution timeframe of up to 4 business

⁴⁹ [What we do](#), European Payment Council (9 September 2024).

days⁵⁰. This timeframe applies in substance to non-standardised cross-border payments outside the SEPA schemes, which make up a small fraction of transactions. When preparing the legislative proposal on payment services (PSD3/PSR), the Commission did not reassess the adequacy of these two provisions in light of the G20 targets. Finally, the Commission has assessed the completion of key action (33) in the retail payments strategy, but we found no evidence of an analysis of the execution periods for cross-border international payments (see Annex III).

Limited follow-up on the implementation of international messaging standard in the EU

70 The G20 considers the adoption by market participants of the International Organization for Standardization standard for financial messaging (ISO 20022) a key priority to reach its targets (see Box 6). Among other things, ISO 20022 standard specifies that messages must include the legal entity identifier, which allows for the unique identification of entities involved in payments⁵¹.

Box 6

The importance of ISO 20022 for payments

ISO 20022 is a global standard for financial messaging. It provides a methodology to describe financial businesses using a common language. The standard is supported by a data dictionary and a catalogue of messages (e.g. for payments), making it accessible to all.

ISO 20022 will help to achieve the G20 targets by standardising payment messages, facilitating interoperability between different payment systems, and enabling greater data exchange throughout the payment process. By adopting ISO 20022, PSPs can streamline payment processes, improve transaction tracking and reconciliation, and reduce costs.

Source: ECA, based on SWIFT.

71 The Commission, in the retail payments strategy, also called for the implementation of the ISO 20022 by the end of 2022 (see key action (30) in Annex III). The Commission is kept informed by the European Payments Council about adherence to ISO 20022 for SEPA euro payments. However, it has no data on European PSPs' use of the standard for cross-border payments involving other currencies and did not cover

⁵⁰ Directive (EU) 2015/2366, Art. 82-83.

⁵¹ LEI, Global Legal Entity Identifier Foundation.

ISO 20022 in its review of PSD2. Nonetheless, the Commission has included in its PSR proposal a requirement for application interfaces to use international messaging standards such as the ISO standards⁵² (see paragraph 46).

The Commission had limited data available to assess whether consumers actually have access to quicker and less expensive payments

72 During our audit, the Commission did not provide any statistical data or its own analysis on the speed (other than for euro instant payments), costs, transparency or accessibility of payments in the EU. We note in this context that the Commission was legally obliged to carry out a review of the [Cross-border Payments Regulation](#) by April 2022, including on the development of costs (for both domestic and cross-border payments)⁵³. However, the review has not yet taken place.

73 The only internationally comparable data on payments we could identify to analyse the actual developments concerning the main features of digital payments comes from the 2023 annual report of the Financial Stability Board (FSB)⁵⁴. The first such annual report focusses on the fulfilment of the G20 targets. However, the report does not show the EU as a region in itself, but within the broader region of “Europe and Central Asia”. Overall, the report demonstrates that the fulfilment of the G20 targets on payments remains a work in progress, as none of the regions analysed in the report had met any of them by 2023.

74 With regard to speed, the FSB report indicates that only 1-30 % of cross-border payments in Europe and Central Asia are credited to customers’ accounts within one hour. This is significantly below the G20 target of 75 %.

75 In terms of costs, the FSB report demonstrated that the average for retail cross-border payments in Europe and Central Asia was 1.5 %, for both sending and receiving cross-border payments. However, 17-20 % of transactions had costs exceeding 3 %.

⁵² PSR proposal, Art. 35.

⁵³ Regulation (EU) 2021/1230, Art. 14.

⁵⁴ Financial Stability Board, *Annual Progress Report on Meeting the Targets for Cross-border Payments*, 2023.

76 According to the same report, 40-80 % of transactions, depending on the use case, are transparent to payment users. The region to which Europe belongs is advanced in this regard.

77 The accessibility of payments (particularly cross-border payments) can be measured based on account ownership. Based on the [2021 Global Findex Database](#), which was also used by the FSB, more than 90 % of the adult population in most EU member states have access to payment accounts, enabling them to make cross-border payments. Only Romania (31 %), Bulgaria (16 %) and Hungary (12 %) have significant proportions of adults without a payment account.

The Commission implemented most actions of the 2020 retail payments strategy, but delays were common and objectives not always achieved

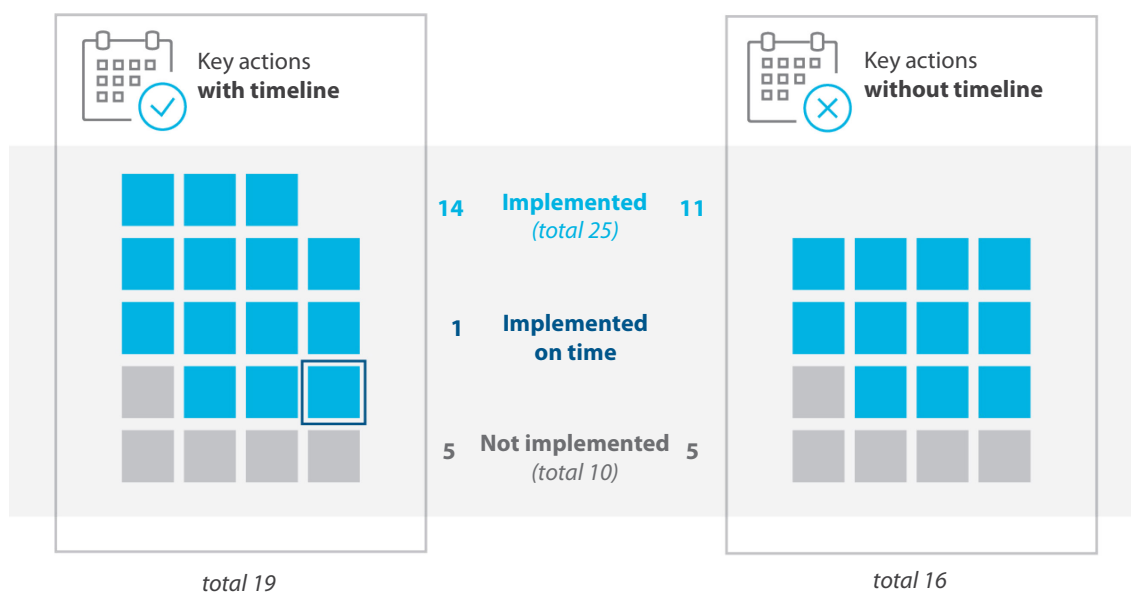
78 We identified 38 key actions (out of 40 in total) which are relevant for digital payments in the Commission's 2020 [retail payments strategy](#) (see [Annex I](#)). The remaining two measures concerned the use of cash. Three actions related to digital payments were excluded due to their long timeframe and the specific expertise required; we therefore assessed 35 measures. The Commission was supposed to implement the measures effectively and in a timely manner.

79 We carried out an in-depth assessment of key actions relating to three topics:

- strong customer authentication (key actions [\(18\)](#) and [\(19\)](#) in [Annex III](#));
- payment account discrimination (key actions [\(11\)](#) and [\(12\)](#) in [Annex III](#)); and
- supervision of payment services (key actions [\(22\)](#) to [\(26\)](#) in [Annex III](#)).

80 Of the 35 key actions, we assessed a majority (25) as having been implemented (see [Figure 6](#) and [Annex III](#)). However, only 14 of the implemented actions had a timeline and only one of those had been implemented in line with this timeline. Of the 13 key actions not implemented on time, seven are related to the launch of the Payment Service Directive (PSD2) review (see paragraph [18](#)), which was delayed by 1 year.

Figure 6 – Implementation status of selected key actions

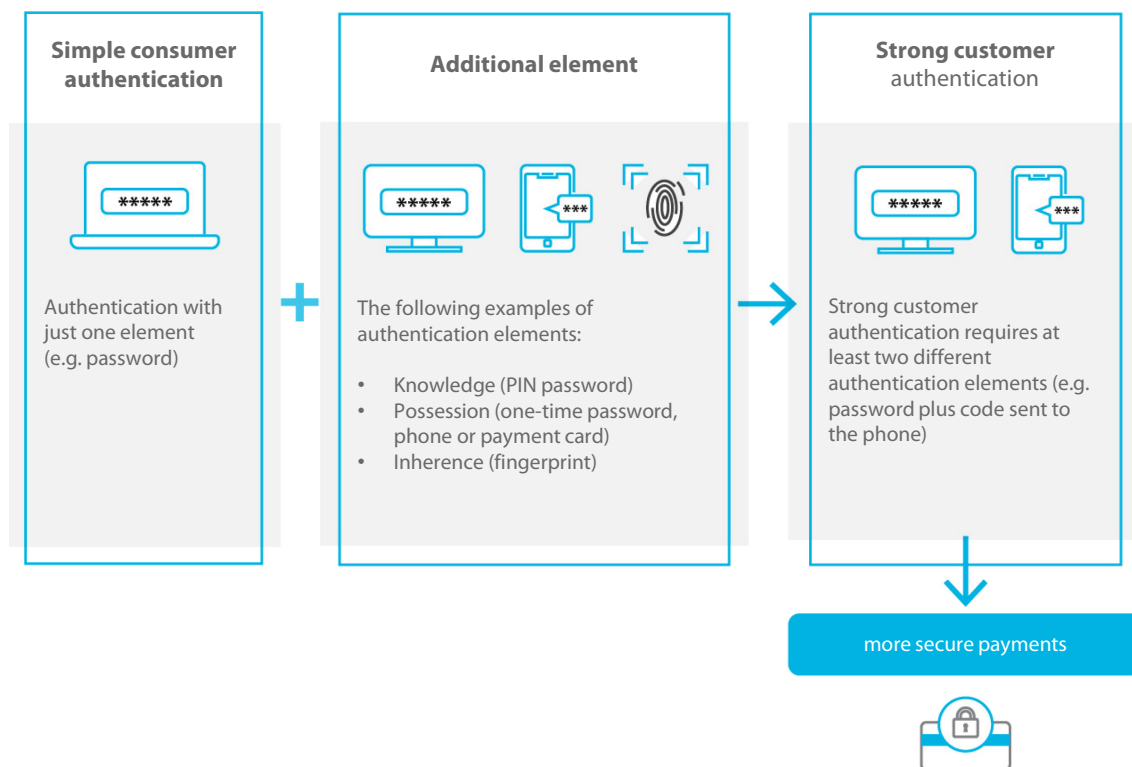


Source: ECA.

The Commission's actions on customer authentication helped to make payments safer, but challenges lie ahead

81 An important factor enabling the rise of digital payment transactions is consumer confidence in their security. PSD2 introduced a specific security concept for electronic payment transactions, known as strong customer authentication. It requires the use of multi-factor authentication, meaning that at least two out of three authentication factors must be used during a transaction (see [Figure 7](#)).

Figure 7 – Strong customer authentication



Source: Bank of Portugal.

Strong customer authentication brings results in terms of protection against fraud

82 In 2017, the Commission adopted a [delegated regulation](#) laying down standards for strong customer authentication and secure communication under [PSD2](#). The regulation was meant to enter into force in September 2019. However, due to its complexity, strong customer authentication was only fully implemented in 2020, 6 years after [PSD2](#) had been adopted.

83 In stakeholder consultations for the legislative proposals on payment services ([PSD3/PSR](#)), three quarters of respondents found that strong customer authentication made digital payments safer and more secure and reduced fraud. The EBA and the ECB confirmed in a joint report that overall strong customer authentication is having the desired effect of reducing fraud⁵⁵. However, the EBA reported that fraud rates for cross-border transactions were as much as nine times higher than for domestic transactions⁵⁶. National competent authorities and market operators suggested that this may be primarily due to insufficient cross-border cooperation among payment service providers (PSPs) and other stakeholders involved. In the case of cross-border

⁵⁵ 2024 Report on payment fraud, European Banking Authority and European Central Bank.

⁵⁶ EBA-Op/2024/01.

transactions involving countries outside the European Economic Area, another reason is the uneven application of strong customer authentication.

84 The proposed PSD3/PSR would, if adopted, permit the exchange of fraud data among PSPs. This proposal is likely to bring positive results, as recent studies have demonstrated the advantages of collaborative analysis in combating money laundering⁵⁷. To this end, the European Parliament and the EBA have proposed a single EU-wide platform for the exchange of fraud related data⁵⁸. However, as instant payments are more prone to fraud, the EBA warned that fraud levels could increase further until security measures outlined in the PSD3/PSR proposal and the SEPA Regulation are fully implemented⁵⁹.

85 The Commission monitored the implementation of strong customer authentication and published an evaluation report confirming its roll-out as well as its enforcement and related requirements. In the same evaluation report, the Commission also took stock of strong customer authentication's impact on the level of payment fraud on the basis of EBA data⁶⁰. Given the progress made, we assessed both key actions related to strong customer authentication as implemented (see key actions (18) and (19) in Annex III).

New liability regime proposes covering impersonation fraud only

86 While strong customer authentication has been effective in improving payment security, fraudsters have adapted to its application. As a result, a new form of fraud has emerged, known as “authorised push payment fraud”. It occurs when a victim is deceived into authorising a payment to a fraudster, often through social engineering tactics. A subcategory of this type of fraud is “impersonation fraud”, in which a consumer is manipulated by a third party pretending to be affiliated with the PSP, using the PSP's contact data to authorise transactions.

87 The Commission's legislative proposal on payment services (PSR) makes the sending PSP fully liable for impersonation fraud, except where the payment service user has acted fraudulently or with gross negligence. The Commission estimated the

⁵⁷ Future of Financial Intelligence Sharing, *The case for national policy-makers to unleash the potential of payments infrastructure to identify economic crime risk*, 2024.

⁵⁸ P9_TA(2024)0298; Art. 83 and EBA-Op/2024/01.

⁵⁹ EBA-Op/2024/01.

⁶⁰ SWD(2023) 231 final, Annex 5.

resulting costs for PSPs at €1 billion⁶¹. This number is extrapolated from payments made voluntarily in 2022 by four major Dutch banks, which in our view is an insufficient basis. Furthermore, the Commission did not demonstrate the solution's potential benefits for users or its proportionality in terms of costs for PSPs.

88 The system of liability proposed by the Commission offers payment users less comprehensive protection than in the United Kingdom (see [Box 7](#)). The main difference is that the United Kingdom system covers all kinds of push payment fraud within certain limits, while the Commission's proposal only covers impersonation fraud.

Box 7

Liability regime for authorised push payment fraud in the United Kingdom

In 2019, the United Kingdom's Payment System Regulator set up a contingent reimbursement model for authorised push payment fraud. Participation is mandatory for the six largest PSPs and voluntary for other PSPs. As a rule, these PSPs should reimburse payers for all authorised push payment fraud unless the payer has been warned or has been grossly negligent.

Since October 2024, the Payment System Regulator has enforced protections for consumers and microenterprises against all types of authorised push payment scam in instant payments. All PSPs are subject to this new system, under which liability will be shared between the sending and receiving PSPs. PSPs have to reimburse claims from £100 up to £85 000. The Payment Systems Regulator discloses data annually on authorised push payment fraud for each of the 14 largest PSPs.

Source: Payment System Regulator of the United Kingdom.

Despite Commission's actions, discrimination based on payment account location persists

89 The [SEPA Regulation](#) (see [Box 1](#)), in force since 2014, prohibits discrimination based on the geographical location of a payment account⁶², as reflected in its international bank account number (IBAN). For payers this means in practice that within the SEPA, they should have the freedom to make payments in euro from any

⁶¹ SWD(2023) 231 final, p. 88.

⁶² Regulation (EU) 260/2012 (SEPA Regulation), Art. 3 and 9.

payment account, regardless of its location. The Commission, in a 2017 review of the [SEPA Regulation](#)⁶³, recognised that IBAN discrimination remains a problem and committed to take action against it in the [retail payments strategy](#) (see key actions [\(11\)](#) and [\(12\)](#) in [Annex III](#)). Both key actions were implemented by the Commission, but were not sufficient to solve the problem of persistent IBAN discrimination as the industry continued to call for action⁶⁴.

90 Between February 2021 and September 2023, users reported almost 3 500 cases of alleged IBAN discrimination via the [Accept My IBAN](#) platform. These cases are related to cross-border payments within SEPA. The platform is a private-sector initiative, which passes complaints to the relevant competent authority. IBAN discrimination is most frequently reported in four EU member states, with France and Spain accounting for 31 % and 21 % of all cases respectively. The complaints concern both the private and the public sector. The data collected is likely to reflect the problem only very partially due to a lack of awareness among EU citizens and the fact that other channels for reporting cases of discrimination also exist.

91 The [SEPA Regulation](#) required member states to notify the Commission of their rules on penalties for non-compliance with the regulation, including IBAN discrimination, by mid-2013. However, nine member states informed the Commission of their rules only in the first quarter of 2017 – 3½ years after the notification deadline – in reply to a [questionnaire](#). As of July 2024, France had not notified the Commission, even though it introduced the new penalty system in 2021. The number of cases in France has significantly dropped after the introduction of the system (see [Box 8](#)).

Box 8 Measures against IBAN discrimination in France

Actions aimed at limiting IBAN discrimination in France:

- The French parliament adopted [penalties](#) for IBAN discrimination of up to €375 000 in October 2021.
- [French authorities](#) raised awareness among stakeholders (professional federations and associations, public administrators) and announced on-site investigations to assess compliance with the SEPA Regulation.

⁶³ COM(2017) 683 final.

⁶⁴ [Blog](#), Accept my IBAN (25 October 2023).

92 The SEPA Regulation states that penalties for IBAN discrimination should be effective, proportionate and dissuasive, but does not require the Commission to assess them⁶⁵. We found that penalties varied significantly among member states. Minimum penalties range from €250 to €10 000, though not all countries have set minimums. Maximum penalties range from €3 500 to (in the case of companies) €10 million plus up to 10 % of annual turnover. The European Forum for Innovation in Payments, a joint initiative of the Commission and the ECB, suggested that competent authorities should impose fines proportionate to the cost of compliance⁶⁶, but this has not yet led to any adjustments to the fine levels.

93 In the context of diverging enforcement among member states, we note that the SEPA Regulation is not mentioned in [Regulation \(EU\) 2017/2394](#) on cooperation between national authorities responsible for the enforcement of consumer protection laws. Among other provisions, the latter regulation sets out the minimum investigation and enforcement powers of the competent authorities for cases of cross-border infringements.

94 Beyond legislative proposals, the Commission has stepped up its efforts in the fight against IBAN discrimination):

- discussing the matter of IBAN discrimination in various fora such as the [European Forum for Innovation in Payments](#);
- sending letters calling on the competent authorities of Germany, Ireland, Spain, France and Italy to ensure effective application of the SEPA Regulation (key action **(11)** in [Annex III](#));
- launching EU pilot procedures against Germany, Spain, France and Austria;
- issuing an infringement decision against Spain concerning legislation which prevented people from paying taxes from an account in another EU member state (key action **(12)** in [Annex III](#)); and
- launching a communication campaign to increase awareness among EU citizens, businesses and public authorities.

95 Furthermore, the Commission works together with the member states through the [Single Market Enforcement Taskforce](#), which supports better implementation of

⁶⁵ [Regulation \(EU\) No 260/2012](#), Art. 11.

⁶⁶ [European Forum for Innovation in Payments](#), European Central Bank (12 February 2024).

single market rules and efforts to tackle the most pressing single market barriers. In September 2023, the taskforce agreed to launch a project to eliminate IBAN discrimination from the public and private sectors in selected areas. At the time of our audit, the taskforce was assessing the extent of IBAN discrimination in the public sector and in the telecommunications sector, with a view to identifying the underlying reasons⁶⁷.

96 In 2023, the EBA pointed to the growing phenomenon of virtual IBANs – one way in which PSPs are responding to IBAN discrimination. Virtual IBANs that are not directly linked to a physical payment account but redirect incoming payments to IBANs associated with such accounts⁶⁸. In a [report highlighting the risks and challenges of virtual IBANs](#) the EBA found that their use causes issues related to money laundering, consumer and depositor protection, authorisation and passporting, and regulatory arbitrage. In this context, we note that unlike the [Anti-Money Laundering Directive](#) and [PSD2](#), the [SEPA Regulation](#) falls outside the scope of the EBA’s activities⁶⁹. Consequently, the EBA cannot assess the supervisory convergence of national competent authorities in this field.

In the area of supervision, the Commission action did not yet succeed in creating a level playing field for businesses within the EU

97 The Commission’s [retail payments strategy](#) included the objective of establishing future-proof supervision and oversight of the payment ecosystem.

98 In accordance with the [retail payments strategy](#), the Commission has evaluated risks stemming from unregulated services and exemptions⁷⁰ listed in the payment service directive ([PSD2](#)). Furthermore, with the adoption of the legislative proposal for payment services ([PSD3/PSR](#)), the Commission intends to integrate the E-money Directive with the ([PSD3/PSR](#)), thereby providing more clarity for the market participants. In 2023, the Parliament and the Council adopted [Regulation \(EU\) 2023/1114](#) on markets in crypto assets, as proposed by the Commission. These measures address key actions [\(22\)](#) to [\(25\)](#) (see [Annex III](#)), which we assess as implemented.

⁶⁷ Single Market Enforcement Taskforce, [Report 2022-2023](#), pp. 17 and 18.

⁶⁸ [EBA/REP/2023/18](#), section 2.7.

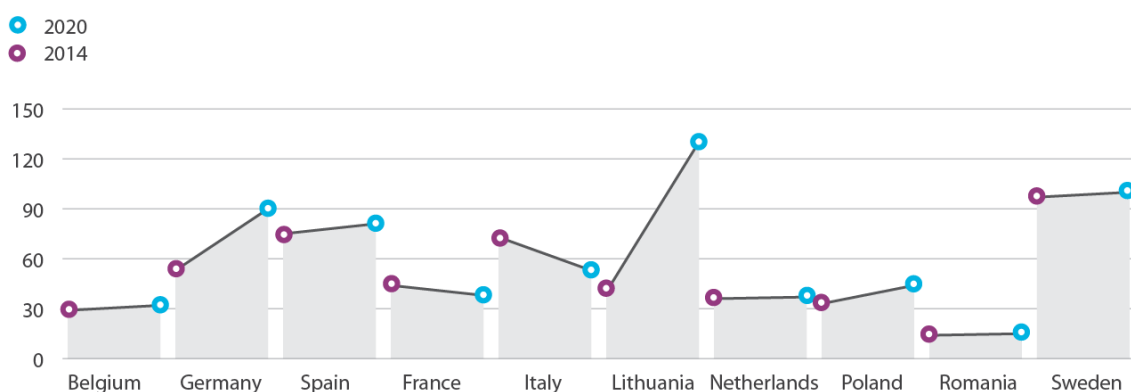
⁶⁹ [Regulation \(EU\) No 1093/2010](#), Art. 1.

⁷⁰ [SWD\(2023\) 231 final](#), pp. 15, 153 and 162.

99 In 2023, the EBA carried out its first peer review⁷¹ of national competent authorities (NCAs) in the field of payment services, as a means of achieving supervisory convergence. The EBA found that NCAs largely adhered to its guidelines on information for authorisation and registration under PSD2⁷². Some NCAs, however, do not ask applicants to provide all information set out in the guidelines. This means that applicants are subject to different supervisory expectations when applying for authorisation.

100 The Commission has acknowledged that issues related to divergent implementation and enforcement of PSD2 exist. These directly affect competition between payment service providers (PSPs), by creating different regulatory conditions in different member states. They are attributable to differing interpretation of rules, which encourage regulatory arbitrage, leading to the concentration of third-party providers in countries that interpret the rules more favourably⁷³. Overall, the number of third-party providers in the EU increased by 126 between 2014 and 2020, with almost all of growth taking place in two member states (see [Figure 8](#)).

Figure 8 – Number of PSD2-licensed third-party providers



Source: ECA based on data from [Commission](#).

101 Stakeholders, including the European supervisory authorities and NCAs, have publicly suggested several ways of improving the supervisory framework or supervisory practice. They advocate better guidance, more transparency and rules better adapted to technological developments. NCAs have also called for enhanced supervisory powers in respect of large IT companies (“BigTechs”) providing so called white labelling payment services. White label partners enter into contractual

⁷¹ [EBA/REP/2023/01](#).

⁷² [EBA-GL-2017-09](#).

⁷³ [SWD\(2023\) 231 final](#), p. 20.

agreements with credit or payment institutions using their own name for the provision of payment services for which they are not licensed (see [Annex IV](#)). European supervisory authorities emphasised to update [the interpretative Commission Communication](#) from 1997 on banks' freedom to provide services⁷⁴.

102 Even though the problem of diverging NCA supervision has resulted in an uneven playing field for PSPs, the Commission has addressed it only to a very limited extent. NCAs have raised the issue of white labelling and asked for additional powers, but their suggestions have not been addressed so far in the Commission's proposal for payment services. Overall, we assess key action [\(26\)](#) in [Annex III](#) as not implemented as we found no comprehensive assessment of the proper linkages between the supervision of payment services and the oversight of payment systems, schemes and instruments.

⁷⁴ [ESA 2022 01](#) and [EBA report on potential impediments to the cross-border provision of banking and payment services](#).

Conclusions and recommendations

103 Overall, we conclude that the EU's approach to digital payments has contributed to making them safer, faster and less expensive for users, while there is limited data to assess the contribution precisely. We identified two key aspects in the EU's regulatory framework which require further attention: Firstly, the criteria for assessing the adequacy of price interventions are unclear and there are no periodic reviews. Secondly, there are gaps in the legal framework regarding account data sharing under open banking.

104 The EU has an advanced legal framework for digital payments, which has been expanded and reviewed in the last decade to reflect fast developments in the industry. A critical milestone in this respect was the review of the Payment Service Directive 2, which we found to be comprehensive in most respects (see paragraphs [18-22](#)).

105 Price interventions are generally aimed at reducing the negative effects of competition distortions or pursuing specific policy objectives, potentially in favour of the consumers. However, price interventions are intrusive in nature as they create limitations in how market participants can charge for their services and affect cost transparency for consumers. We found that the basic legal acts on digital payments do not specify clear criteria for assessing whether interventions are justified or how long they should apply. They include one-off reviews, but there are no requirements for periodic reviews (see paragraphs [23-27](#)).

106 We found that for some of the existing interventions linked to card payments, the Commission could not demonstrate that the positive effects for consumers clearly outweigh the negative ones. The absence of comprehensive, reliable and up-to-date data impedes the Commission's ability to monitor the impact of price interventions effectively. One reason for the limited availability of data is non-disclosure agreements of card schemes, which prevent merchants, issuers and acquirers from sharing data on the charges linked to card payments (see paragraphs [28-44](#)).

107 Another important building block of the EU legislative framework for digital payments is about open banking. In this area, the key weaknesses lie in the absence of standardisation and weak monitoring arrangements of open banking. There also remain obstacles to data sharing due to a lack of financial incentives for holders of payment information and non-standardised interfaces. The Commission's assessment of whether to introduce compensation for open banking was not based on quantitative analysis and did not cover the impact of the proposed open banking model on the

profitability of account data holders (mainly banks). We also found that insufficient data hampers the Commission's ability to conduct a thorough analysis of open banking policy (see paragraphs 45-59).

Recommendation 1 – Set out the criteria for price interventions in the area of digital payments and carry out periodic reviews

The Commission should

- (a) set out criteria for determining under what circumstance which types of price intervention are justified, if needed by initiating a legislative proposal.
- (b) carry out periodic reviews of price interventions in the payments market (such as the interchange fee cap and the surcharge ban).
- (c) address the limitations caused by non-disclosure agreements to be able to collect data regarding the costs of price interventions such as the interchange fee cap and the surcharge ban, if needed by initiating a legislative proposal.

Target implementation date: (a) end of 2027, (b) date of first review should be determined on a case-by-case basis, but not later than by end of 2028, and (c) end of 2027

Recommendation 2 – Develop and implement a data monitoring strategy in the area of digital payments

The Commission should develop and implement a data monitoring strategy in the area of digital payments (particularly with regard to price interventions and open banking) to determine what types of data are needed for informed policy decisions, the sources of such data, the frequency of data collection, and the requirements to collect data effectively and efficiently.

Target implementation date: end of 2027

108 The impact of the EU's policies in relation to digital payment remains largely unknown because the Commission has not put in place an effective monitoring system. In particular, the Commission has neither specified indicators to measure the actual speed, costs, accessibility and transparency of payments; nor has it set any targets applicable across different types of payments. By contrast, such targets have been established by the G20. These indicators would also provide a useful framework for the

Commission when preparing legislative proposals and assessing their potential impact. Moreover, and even more importantly, the Commission has no access to the most relevant data which are generally held by the payment service providers. Some of Commission actions have the potential to improve the transparency, speed and costs of payments. The Commission expects significant progress on speed thanks to increasing use of instant payments in the future. However, the lack of data remains a key factor restricting the Commission's capabilities to assess developments in the EU payment market (see paragraphs [62-77](#)).

Recommendation 3 – Propose performance indicators and set targets for digital payments

To assess the effectiveness of EU payment policies, the Commission should define indicators to measure the costs, speed, transparency and accessibility of digital payments and set specific targets for them at EU level.

Target implementation date: end of 2025

109 Finally, the Commission has implemented the majority of the key actions set out in its 2020 [retail payments strategy](#), but implementation delays have been common (see paragraphs [78-80](#)). Our in-depth review of key actions related to three selected topics found that even when fully implemented, actions did not always achieve their intended objectives:

- The strong customer authentication has proven to be effective, but fraudsters have adapted by exploiting pushed payment fraud to circumvent the new security measures. The new EU system of liability proposed by the Commission focuses on impersonation fraud and does not cover all types of push payment fraud (see paragraphs [81](#) and [88](#)).
- With regard to discrimination based on payment account location, the Commission has stepped up its efforts, but has not yet been successful in ensuring that payments are not refused because of a foreign IBAN. Such discrimination remains a real problem for consumers throughout the EU, despite being prohibited by the SEPA Regulation. Effective efforts to combat this problem are hampered by regulatory loopholes, such as the fact that enforcement of the SEPA Regulation is not included within the scope of the EBA's activities or of cooperation between national authorities. Penalties for IBAN discrimination vary significantly among member states and the Commission is not obliged to assess whether these penalties are effective, proportionate and dissuasive.

Discrimination based on the location of payment accounts has led to the increased use of virtual IBANs, which poses several risks. Such risks have already been identified by the EBA in a recent report (see paragraphs [89-96](#)).

- o In the area of supervision, the Commission's action has not succeeded in creating a level playing field for businesses operating in different EU countries. Due to diverging interpretations of rules on authorisation and registration, service companies for payments are primarily located in countries where the rules are interpreted more favourably. Furthermore, the Commission has not followed up on calls by national authorities to enhance their supervisory powers in respect of large technology company with extensive customer networks (see paragraphs [97-102](#)).

Recommendation 4 – Fight discrimination based on payment account location with better enforcement rules and analyse virtual payment accounts

The Commission should

- (a) propose to include a reference to the [SEPA Regulation](#) in [Regulation \(EU\) 2017/2394](#) on cooperation between national authorities responsible for the enforcement of consumer protection laws.
- (b) propose to include the enforcement of the [SEPA Regulation](#) within the scope of the EBA's activities.
- (c) comprehensively assess whether virtual IBANs require further action at EU level, taking into account among other things the risks identified in the EBA report.

Target implementation date: end of 2027

Recommendation 5 – Strengthen efforts to achieve a level playing field in authorisation and supervision

The Commission should:

- (a) provide detailed interpretation on the authorisation and registration of payment service providers to national competent authorities;
- (b) update its guidance on the freedom to provide services to reflect current technological requirements;
- (c) assess the need to introduce measures to enhance the intragroup transparency of large technology companies and establish an information exchange among national competent authorities for a more effective supervision at member state level.

Target implementation date: for a) and b) end of 2027 and c) mid-2028

This report was adopted by Chamber IV, headed by Mr Mihails Kozlovs, Member of the Court of Auditors, in Luxembourg at its meeting of 26 November 2024.

For the Court of Auditors

Tony Murphy
President

Annexes

Annex I – Commission’s vision for the EU’s retail payments

The Commission defined in its [retail payments strategy](#) the vision and key pillars of actions.

The Commission’s **vision** is that:

- citizens and businesses in the EU benefit from a broad and diverse range of high-quality payment solutions, supported by a competitive and innovative payments market, and based on safe, efficient and accessible infrastructure;
- competitive home-grown and pan-European payment solutions should be available, supporting Europe’s economic and financial sovereignty; and
- the EU makes a significant contribution to improving cross-border payments with non-EU jurisdictions, including remittances, thereby supporting the international role of the euro and the EU’s ‘open strategic autonomy’.

The Commission’s strategy focusses on four interlinked **key pillars**:

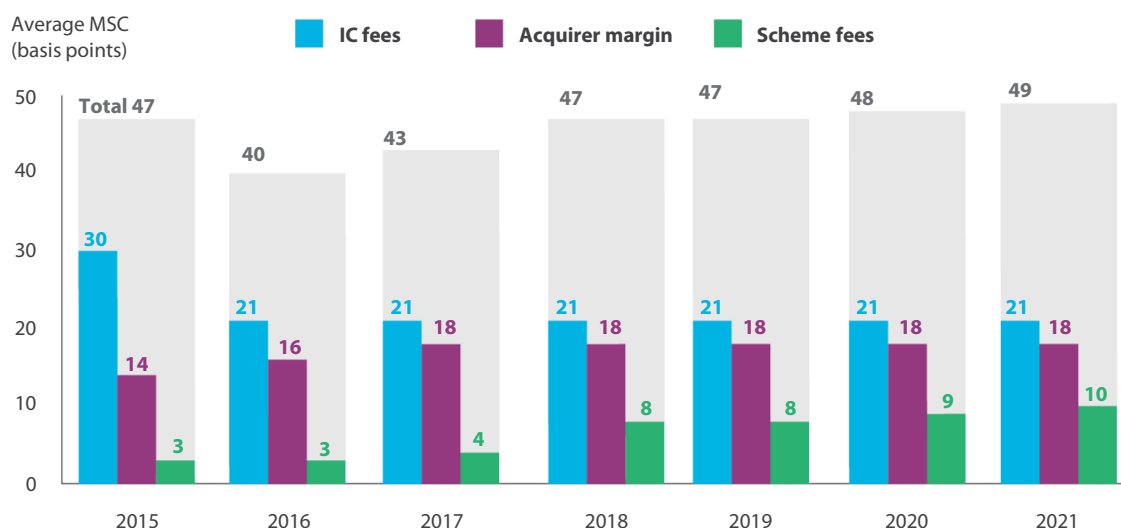
- (i) increasingly digital and instant payment solutions with pan-European reach;
- (ii) innovative and competitive retail payments markets;
- (iii) efficient and interoperable retail payments systems and other support infrastructures; and
- (iv) efficient international payments, including remittances.

Annex II – Recent studies on merchant service charges

During this audit, we have identified three studies which may indicate that merchant service charges other than interchange fees are not negligible.

First, the 2021 [CMSPI & Zephyre Scheme Fee Study](#) suggests that the reduction in interchange fees following the introduction of the Interchange Fee Regulation was offset by an increase in other components of the merchant service charges – primarily scheme fees – over time. According to this study, interchange fees accounted for only 43 % of merchant service charges in 2021, with the other 57 % being made up of the acquirer margin and scheme fees (see [Figure 9](#)).

Figure 9 – Composition of merchant service charges 2015-2021



IC Fees: Interchange fees; MSC: Merchant service charges.

Source: CMSPI & Zephyre Scheme Fee Study (2021).

Second, the EHI Retail Institute e.V. publishes an annual report on retail sector payment services in Germany. Based on 2023 data, the EHI Retail Institute e.V. found that credit card fees for international card schemes range from 0.47 % for big merchants to 1.81 % for small merchants, significantly above the interchange fee caps⁷⁵.

Third, in 2024, the Commission had a study carried out by Valdani Vicari & Associati (VVA) and global data collection company (gdcc) to analyse new developments in card-based payment markets including interchange fees and merchant service charges. The

⁷⁵ EHI, *Studie: Zahlungssysteme im Einzelhandel 2023*, 2023.

study covered 11 member states and found, among other things, that in 2022 merchant service charges for debit cards and credit cards amount to 0.44 % and 0.60 % respectively⁷⁶, also significantly above the interchange fee caps. Given the limited available data, the experts were unable to conduct a comprehensive analysis. For the purpose of this study, certain data on international card schemes could not be collected because of non-disclosure agreements, among other reasons.

⁷⁶ Hausemer, P., Patroclou, N., Bosch Chen, I., Gorman, N. et al., *Study on developments in card-based payment markets*, 2024.

Annex III – Key actions assessed in the audit

Key action	By when?	Covered by?	Implemented?	In time?
(1) The Commission will examine the number of PSPs as well as the number of accounts able to send and receive SEPA instant credit transfers.	2020	Staff working document SWD(2022) 546 final Paragraphs 66-68	Yes	No
(2) The Commission will assess whether these numbers are satisfactory and decide whether it is appropriate to propose legislation.	2021	Staff working document SWD(2022) 546 final Paragraphs 66-68	Yes	No
(3) The Commission will assess whether it would be appropriate to require adherence by relevant stakeholders to all, or a subset of, the additional functionalities of SEPA instant credit transfer.	No specific date mentioned	Staff working document SWD(2022) 546 final Paragraphs 66-68	Yes	n/a
(4) The Commission will assess the extent to which the EU's existing consumer protection measures (e.g. rights to refund) can provide consumers making instant payments with the high level of protection offered by other payment instruments.	When reviewing PSD2	Staff working document SWD(2022) 546 final Paragraphs 66-68	Yes	No, due to the delayed launch of the PSD review

Key action	By when?	Covered by?	Implemented?	In time?
(5) The Commission will assess the impact of charges levied on consumers for instant payments and, if relevant, require them to be no higher than those levied for regular credit transfers.	No specific date mentioned	Staff working document SWD(2022) 546 final Paragraphs 66-68	Yes	n/a
(6) The Commission will examine whether specific measures should be taken to enhance the effectiveness of the crisis management of payment systems and to ensure sound mitigation measures on the liquidity risk for financial institutions resulting from the rapid, low-friction outflow of funds via instant payments.	No specific date mentioned	Commission staff working document: SWD(2022) 546 final	Yes	n/a
(7) In the context of instant payments, the Commission will investigate whether additional measures need to be taken to address other specific risks, such as money laundering, terrorist financing and related predicate offences.	No specific date mentioned	Staff working document SWD(2022) 546 final	Yes	n/a
(8) The Commission will explore the feasibility of developing a label, accompanied by a visible logo, for eligible pan-European payment solutions.	2023	Commission's exploration is outstanding	No	No
(9) The Commission will explore ways to facilitate the deployment of European specifications for contactless card-based payments e.g. through EU funding programmes.	2023	Commission's exploration is outstanding	No	No

Key action	By when?	Covered by?	Implemented?	In time?
(10) The Commission will support the modernisation and simplification of EU merchants' payment acceptance facilities, enabling for example, cash registers to issue e-receipts.	2023	Commission's support is outstanding	No	No
(11) The Commission reminds national competent authorities of their enforcement obligations under the SEPA Regulation.	No specific date mentioned	Paragraph 94	Yes	n/a
(12) The Commission will closely monitor cases of non-compliance under the SEPA Regulation and launch necessary infringement procedures.	No specific date mentioned	Paragraphs 94-95	Yes	n/a
(13) The Commission will explore ways to promote the use of electronic identity (eID) to support the fulfilment of Strong Customer Authentication.	No specific date mentioned	Legislative proposal establishing a framework for a European Digital Identity	Yes	n/a
(14) The Commission will carry out a study on the level of acceptance of digital payments in the EU.	2022	Study is outstanding	No	No
(15) To support the issuance of a digital euro, the Commission will work closely with the ECB on the objectives and policy options ensuring high level of complementarity.	No specific date mentioned	Legislative proposal on the establishment of the digital euro	Yes	n/a

Key action	By when?	Covered by?	Implemented?	In time?
(16) The Commission will launch a comprehensive review of the application and impact of PSD2.	2021	Legislative proposals on payment services (PSR/PSD3) Paragraphs 18-21	Yes	No
(17) Commission plans to present a legislative proposal for an open finance framework.	2022	The legislative proposals on a framework for Financial Data Access (FIDAR) Paragraph 51	Yes	No
(18) The Commission should carefully monitor the implementation of strong customer authentication requirements.	No specific date mentioned	Commission staff working document SWD(2023) 231 final	Yes	n/a
(19) The Commission will take stock of strong customer authentication's impact on the level of payment fraud in the EU and explore whether additional measures should be considered to address new types of fraud.	When reviewing PSD2	Commission staff working document SWD(2023) 231 final	Yes	No, due to the delayed launch of the PSD review

Key action	By when?	Covered by?	Implemented?	In time?
(20) The Commission should propose a regulation on digital operational resilience for the financial sectors across the EU.	2020	Proposal for a regulation on digital operational resilience for the financial sector (DORA)	Yes	Yes
(21) The Commission will re-examine the existing legal limits on contactless payments.	When reviewing PSD2	Commission staff working document SWD(2023) 231 final	Yes	No, due to the delayed launch of the PSD review
(22) The Commission will evaluate any new risks stemming from unregulated services.	When reviewing PSD2	Commission staff working document SWD(2023) 231 final	Yes	No, due to the delayed launch of the PSD review
(23) The Commission will also assess the adequacy of the exemptions listed in PSD2 and evaluate the need for changes in prudential, operational and consumer protection requirements.	When reviewing PSD2	Commission staff working document SWD(2023) 231 final	Yes	No, due to the delayed launch of the PSD review
(24) The Commission will align the PSD2 and E-Money Directive by including the issuance of e-money as a payment service in the legislative proposals on payment services.	When reviewing PSD2	Legislative proposals on payment services PSD3/(PSR)	Yes	No, due to the delayed launch of the PSD review

Key action	By when?	Covered by?	Implemented?	In time?
(25) The Commission will subject issuers of e-money tokens to additional provisions complementing the E-Money Directive.	No specific date mentioned	Regulation in crypto assets	Yes	n/a
(26) The Commission will ensure, where necessary, proper linkages between the supervision of payment services and the oversight of payment systems, schemes and instruments.	No specific date mentioned	Commission's assessment of proper linkages is outstanding	No	n/a
(27) The Commission will consider extending the scope of the Settlement Finality Directive (SFD) to include payment institutions.	2020	Amendment to the Settlement Finality Directive	Yes	No
(28) The Commission will examine whether it is appropriate to propose legislation aimed at securing a right of access to technical infrastructures under fair, reasonable and non-discriminatory conditions.	No specific date mentioned	Regulation on a Single Market for Digital Services	Yes	n/a
(29) The Commission expects the relevant payment system operators to facilitate linkages between European systems and instant payment systems of Third countries.	No specific date mentioned	Commission's expectation is outstanding	No	n/a
(30) The Commission calls for the implementation of global international standards such as ISO 20022.	2022	Commission's call is outstanding Paragraphs 70-71	Yes	No

Key action	By when?	Covered by?	Implemented?	In time?
(31) The Commission encourages PSPs to use the Global Payment Initiative of the Society for Worldwide Interbank Financial Telecommunication (SWIFT).	No specific date mentioned	Commission's encouragement is outstanding	No	n/a
(32) The Commission will assess whether there is a need to improve transparency for cross-border international transactions.	When reviewing PSD2	Paragraph 65	Yes	No, due to the delayed launch of the PSD review
(33) As instant payments also become the norm internationally, the Commission will assess, in the context of the PSD2 review, the appropriateness of requiring that the maximum execution time in "two-leg" transactions also applies to "one-leg" transactions.	When reviewing PSD2	Commission's assessment is outstanding	No	No
(34) The Commission is following with interest the ongoing work carried out in the framework of the European Payments Council on possible further harmonisation of business rules and messaging standards for one-leg transactions. The Commission will assess whether it is necessary to make these mandatory.	No specific date mentioned	Commission's assessment is outstanding	No	n/a
(35) The Commission encourages member states' initiatives to support the remittance sector, subject to commitments by remittance service providers to progressively reduce the cost of remittance services over time.	No specific date mentioned	Commission's encouragement is outstanding	No	n/a

Annex IV – Stakeholders’ recommendations on the supervision of payment services

Stakeholder	Date	Content of the recommendation
NCA	1.2021 and 2.2024	NCA identified “white labelling” of BigTechs as a future challenge. White label partners enter into contractual agreements with credit or payment institutions using their own name for the provision of payment services for which they are not licensed. As a first step, NCA are advocating for more transparency over large technology company with extensive customer networks (BigTechs) intra-group connections and, as a second step, for addressing poor supervisory powers. Overall, NCA consider that the communication among financial sector supervisors of BigTech subsidiaries providing financial services should be improved, putting in place a common information exchange system ⁷⁷ .
Joint supervisory response (EBA, EIOPA, ESMA)	1.2022	European supervisory authorities emphasised the necessity of updating the interpretative Communication from 1997 on banks’ freedom to provide services. The joint supervisors are of the view that the Commission’s Communication should consider technological developments to determine when a digital activity constitutes a cross-border provision (e.g. internet, mobile banking) ⁷⁸ .
EBA	1.2023	The EBA suggested that the Commission should clarify governance arrangements, criteria for the suitability of management, and the requirements that applicants must meet to ensure sufficient local substance for payment institutions ⁷⁹ .

⁷⁷ FISMA 2021/OP/0002, ESA 2022 01 and JC 2024 02.

⁷⁸ ESA 2022 01 and EBA report on potential impediments to the cross-border provision of banking and payment services.

⁷⁹ JC 2024 02, local substance requires payment institutions to have their “head office” in the member state of registration, and to carry out at least part of their payment service business there (PSD2, Art. 11).

Stakeholder	Date	Content of the recommendation
NCAs	2.2024	NCAs identified poor-quality notifications for cross-border services as an issue. NCAs reported on subsidiaries of PSPs notifying their home authority about their intention to provide the same services in all member states although eventually services were provided only in a handful of member states. In other cases, services were provided in more member states than had been notified to the home authority ⁸⁰ .

⁸⁰ FISMA 2021/OP/0002, pp. 110 and 163; JC 2024 02.

Abbreviations

EBA:	European Banking Authority
ECB:	European Central Bank
G20:	Group of Twenty
IBAN:	International bank account number
ISO:	International Organization for Standardization
NCA:	National competent authority
PSD2:	Payment Service Directive from 2015
PSD3:	Payment Service Directive (2023 legislative proposal)
PSP:	Payment service provider
PSR:	Payment Service Regulation (2023 legislative proposal)
QR code:	Quick response code
SEPA:	Single European Payments Area

Glossary

Authorised push payment fraud: Person deceived into authorising a payment to a fraudster.

BigTechs: Large technology companies with extensive customer networks

Digital wallets: Secure digital platform enabling users to manage financial transactions, including storing, sending, or receiving funds online.

G20: International forum consisting of 19 countries, the EU and the African Union, representing the world's major economies.

IBAN discrimination: Payments in the Single Euro Payments Area that can only be done from or to a national payment account in euro.

Impersonation fraud: Subcategory of push payment fraud. Fraudster(s) making recourse to impersonation of a known and trusted party to manipulate a person to authorise a payment.

Replies of the Commission

<https://www.eca.europa.eu/en/publications/sr-2025-01>

Timeline

<https://www.eca.europa.eu/en/publications/sr-2025-01>

Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber IV – Regulation of markets and competitive economy, headed by ECA Member Mihails Kozlovs. The audit was led by ECA Member Ildikó Gáll-Pelcz, supported by Claudia Kinga Bara, Head of Private Office and Zsolt Varga, Private Office Attaché; Kamila Lepkowska, Principal Manager; Helmut Kern, Head of Task; Armin Hosp, Ioannis Sterpis, Ezio Guglielmi and Shane Enright, Auditors. Alexandra Damir-Binzaru provided graphical support, while Michael Pyper delivered linguistic support.



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HTML	ISBN 978-92-849-3601-4	ISSN 1977-5679	doi:10.2865/6022377	QJ-01-24-039-EN-Q
PDF	ISBN 978-92-849-3602-1	ISSN 1977-5679	doi:10.2865/9715104	QJ-01-24-039-EN-N

HOW TO CITE

European Court of Auditors, [special report 01/2025](#): “Digital payments in the EU – Progress towards making them safer, faster, and less expensive, despite remaining gaps”, Publications Office of the European Union, 2025.

Digital payments – the electronic exchange of funds, often through mobile devices – contribute to economic growth. In 2023 alone, digital payments for retail sales in the EU exceeded €1 trillion. We examined the EU’s approach to digital payments, and in particular whether the regulatory framework sets the right conditions for safer, faster and less expensive digital payments. We found that the EU’s approach has contributed to improving the conditions for digital payments, though the framework requires further attention in some areas, most notably price interventions and account data sharing. We make several recommendations to the Commission, including to set out clear criteria for price interventions in the area of digital payments and carry out periodic reviews and to develop and implement a data monitoring strategy.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



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