

Position Paper e-Payments

A Stronger e-Payments Landscape in Europe



www.ecommerce-europe.eu



Ecommerce Europe association data at a glance 2014



West € 177.7 bn +15.6%
 Central € 93.3 bn +22.8%
 South € 40.8 bn +18.8%
 North € 31.9 bn +12.5%
 East € 19.3 bn +53.0%



Europe EU28
 € 363.1 bn +19% € 317.9 bn +18%

Our Mission
 To promote the interest of e-commerce in Europe through advocacy, communication and networking.

816 million people live in Europe
565 million people use the Internet
264 million people are e-shoppers



2,111,111+ jobs directly or indirectly via e-commerce

550,000+ estimated online businesses

3.7 bn+ number of parcels annually (f)

GOMSEC
 Global Online Measurement Standard ECommerce



June 8-10 2015
 Barcelona



European E-commerce Awards
 • Entrepreneurial award
 • Omnichannel award
 • Pure Player award

Round Tables
 Meetings in 8 European cities for e-commerce experts and invitees

European Reports

Reports include country profiles, trends and infographics.



- Reports contain countries
- Eastern: Rom, Rus, Ukr, a.o.
 - Western: BeNeLux, Fra, Ire, UK
 - Southern: Gre, It, Port, Spa, Turk, a.o.
 - Northern: Den, Est, Fin, Lat, Lit, Nor, Swe, a.o.
 - Central: Aus, CR, Germ, Hun, Pol, Swi, a.o.

15+ leading e-commerce associations



ECOMMERCE EUROPE member
 5,000+ members

ECOMMERCE EUROPE partner
 27+ preferred business partners



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Ecommerce Europe is the association representing around 25,000 companies selling products and/or services online to consumers in Europe. Ecommerce Europe is a major stakeholder in policy issues concerning the Digital Single Market - which experiences difficulties in the cross-border coordination between Directorate-Generals, Member States, and Members of the European Parliament. Ecommerce Europe offers to be a one-stop-shop for the European Institutions for all e-commerce related issues. Ecommerce Europe can be consulted when it comes to market research and data, policy questions and in-depth country knowledge.

Ecommerce Europe asks the European institutions for a one-stop-shop for e-commerce policies which are currently covered by a plethora of legislation. In order to achieve this Ecommerce Europe proposes an integrated perspective on five key themes: **Internet security & privacy, consumer rights, e-payments, tax issues and e-logistics**. Detailed proposals linked to these themes are outlined in the Ecommerce Europe multiple position papers.

E-PAYMENTS

An efficient and well-functioning payment landscape that creates a cross-border level playing field is key to a flourishing e-commerce industry in Europe. The e-payments sector is subjected to rapid developments and **the future e-commerce market** is fully consumer oriented. It **demand a seamless shopping experience for consumers to do online purchases wherever and whenever they want**. A substantial part of the double-digit growth of the sector comes from innovation in payments, and especially innovation the field of mobile payments. Interoperability on mobile devices should be mainstreamed in all e-payments, but this should in essence be left to the market. **The e-commerce industry has proven to be keen on innovating**, which should be stimulated by regulation that facilitates and does not restrict.

The market should have room to adapt to future developments by competition and product development and should not be restricted by additional regulation. Payment service providers should be stimulated to invest in more innovation in order to foster competition in the market and to ensure their sustainable existence. For online merchants, successful and interoperable e-payment innovations pay attention to three basic principles:

1. **Reach**: defined as the number of potential buyers that have access to the mix of payment methods. The total reach of a retailer's payment mix determines whether

an interested visitor can become a potential buyer.

2. **Conversion**: defines the chance of whether an interested visitor will become an actual customer - it determines business volume and revenue. Conversion is, among other factors, strongly influenced by the usability of a payment method. The familiarity of the user experience and the technical reliability of the payment method.
3. **Fair cost**: affects the profitability of each transaction. The cost of payments, including cost incurred from fraudulent payments and exception handling, is among the retailer's most prominent concerns, but only after both reach and conversion are satisfied.

This requires an adequate solution for cross-border payments, online identification, and delivery preferences: **One-click-buy**. It is the only solution that can ensure maximum reach and conversion at a fair cost for merchants and consumers, and which consequently fits consumer demands for the years to come. Furthermore, one-click-buy **is the only solution that can adequately facilitate technological developments** in mobile payments, business-to-consumer payments, peer-to-peer payments, and brick and mortar store payments. The Danish "MobilePay" is a good example of such a solution.

Where the market should facilitate the means for one-click-buy through mobile payment solutions, e-ID solutions, and wallets, **the institutional framework for realizing this should be guaranteed by governments**. Legislative solutions such as the PSD2 and the

e-ID security framework should foster a safe and innovative cross-border payments infrastructure so merchants can move towards offering one-click-buy options. In the end, it is up to the consumer to decide which options best meet their demands and will become the most trusted one-click-buy solutions.

Wallet solutions are a viable candidate to bridge the gap between online, offline and mobile payment contexts and to improve the cross-border usability of cards. They can be used both on the internet as (online) in brick and mortar stores, different funding sources provide consumers with the flexibility they need, and a uniform interface on the merchant side enables merchants to rationalise payment options. Ecommerce Europe welcomes wallet solutions as a valuable alternative in their payment mix, as long as they are accessible to a large number of buyers, offer excellent usability, and costs are in balance to their added value. Since using a wallet solution adds another player in the value chain, with its own rules regarding fees and chargeback rights, it results in added complexity for retailers, in case chargeback handling or refunds are required. **Ecommerce Europe asks legislators to acknowledge the potential of wallet solutions by providing more harmonisation and clarity regarding the legal framework, fee structure and chargeback rights.**

Virtual currencies seem to acquire a permanent place in the online world, and **trust and usability are key when it comes to virtual currencies**. Regulators should therefore map the potential in the market and

ensure that the regulatory framework does not hamper innovation, but does provide sufficient supervision so that trust and usability of the currency is secured.

A great value of Bitcoins is that it is decentralized and peer-to-peer payments are possible without clearing. The decentralized organization follows the current decentralized trade, which is beneficial for international trade outside the Eurozone. It also provides a guaranteed payment without currency exchange. Virtual currencies are innovative, and an incentive for banks. For merchants count, however, that there is no certainty on the equivalent value. This combined with price volatility results in an uncertain situation. For merchants it should be and remain possible to accept bitcoin, but is holding a bitcoin balance yourself by the price volatility very risky. It is therefore advisable to hold a bitcoin wallet and leave receiving bitcoin to a subcontract and receive euros.

Ecommerce Europe is committed to collaborate with policy makers and other players in the e-payments market. Ecommerce Europe recommends the following to ensure an innovative and competitive cross-border payments landscape in Europe:

1. Ensure interoperability on all devices of all e-payment systems

Mobile payments will most likely become the standard option for consumers in the years to come. A fragmented market of competing technologies supporting mobile payments is however hampering the potential for consumers to **buy wherever, whenever**. In

order for Europe **to remain competitive** in the payments market and the e-commerce market in general, it is of vital importance that any payment solution mentioned above is available on all mobile devices. Ecommerce Europe welcomes the initiatives of the European Commission in assessing where regulatory action is needed to mainstream mobile in all e-payments, and encourages European regulators to remain in an open dialogue with all stakeholders in this. Regulatory action should only be undertaken where the market is unable to come up with mainstreaming solutions. The Working Group Mobile and Innovation of the Euro Retail Payments Board is a good platform for developing market solutions, and Ecommerce Europe urges regulators to give the working group the mandate to provide concrete policy recommendations to the European Commission.

2. Move forward with access to the payment account

The European Central Bank refers to the notion of 'access to the account' when **banks open up their payment accounts for third parties** in order to get information or initiate payments. This information boosts innovation as it can accelerate product development and foster competition. Ecommerce Europe supports **an expanded role of the European Banking Authority in issuing common and secure standards** on authentication and availability of funds, as long as standards are developed through consultation of all stakeholders.

3. Enable competition in the market by facilitating third party payment providers

The regulatory and licensing regime of the **revised Payment Services Directive should remain wide enough** to assure the reliability and security of third party payment providers. **Clear rules on liability** should also be honoured. Finally, we ask for a **structure of technical and contractual arrangements** that enable scalability of services based on 'payment account access.'

4. Move forward with e-identification and authentication

Secure, reliable, user-friendly and interoperable identification and authentication measures are necessary for the further development of cross-border e-commerce. Although e-identification and authentication mechanisms are already widely used in the governmental and banking sector (for instance, the use of tokens for online banking), their use in other economic sectors is still in its infancy. **Pan-European e-identification mechanisms** could provide a significant boost for innovation and competition and thus user convenience, confidence and trust in e-commerce.

5. Support innovation in security solutions and online authentication

Cards remain the dominant payment instrument online - this is explained by their large reach offered. When it comes to conversion, cards are suffering from **inconsistent security solutions** by issuing banks and an 'unsafe' image in the eyes of

consumers. Of course, additional security layers for online credit and debit card transactions which protect consumers and retailers should not hamper conversion. The right balance between security and ease of use should be struck. Ecommerce Europe supports **more innovation in security solutions** such as 3D Secure, as the **increased security and trust** they provide **justify lower transaction costs**, to the benefit of retailers and consumers. Security solutions are now only applied by some card issuers - if the framework for online authentication moves forward, this could open up the market for more widespread protection.

6. Develop a pan-European Online Banking e-Payments (OBeP)/redirection services solution

Online merchants urge the European payments industry to develop a pan-European OBeP solution which is suitable for the mobile market as well. Ecommerce Europe advocates a pan-European OBeP solution, such as the MyBank initiative developed by EBA Clearing. OBeP solutions can significantly **reduce costs for consumers and retailers** associated with mitigating fraud and authentication of the credit transaction, thereby increasing reach and conversion for retailers at a fair cost. OBeP/redirection services solutions potentially unlock e-payments for all European countries, through the consumers' familiar and trusted online banking portal in combination with the SEPA payment instruments.

7. Reform Interchange Fees for transparency and innovation in the market

Ecommerce Europe supports the initiatives taken by European legislators **to improve transparency and innovation in the market by capping interchange fees** on all debit- and credit card transactions, including commercial cards and three-party schemes that have reached a certain threshold. **Member States should have the authority to set lower caps** if needed. In an increasingly European market where cross-border purchases are an undeniable reality, it is thereby essential that provisions on cross-border acquiring provide that the interchange fee applicable should be the fee of the country of the acquirer. Finally, in the spirit of SEPA retailer service charges should not distinguish between domestic and cross-border transactions.

8. Facilitate SEPA Direct Debit through a interoperable pan-European e-mandate and provide clarity on non-bank solutions

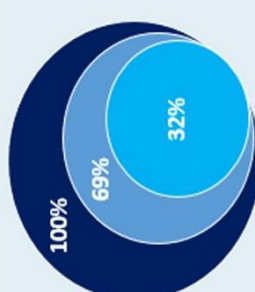
Direct debits are an attractive and cost effective way of paying in specific situations, such as recurring payments and situations where the risk is low or where the amount is not fully specified at the moment of ordering. Ecommerce Europe calls on all stakeholders in the payments industry to **introduce a viable, interoperable, alternative for the paper mandate to facilitate direct debits**: the e-mandate. In the absence of one clear initiative by the banking sector, individual service providers are launching proprietary solutions that

address the need for an electronic mandate. Ecommerce Europe asks legislators to **provide clarity on the status of these non-bank solutions**.

Europe 2013 Key e-commerce data at a glance

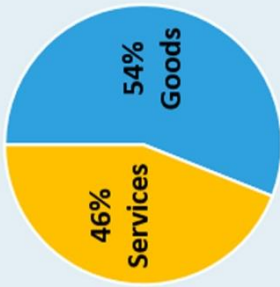


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€ 363.1 bn Turnover E-commerce Goods & Services



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EU28 € 317.9 bn +18%



1 2 3

UK, Germany, France account for 61% of total e-commerce sales in Europe

2,111,000+ jobs directly or indirectly via e-commerce
550,000+ estimated online businesses
3.7 billion+ number of parcels annually (f)



220 million households

5.7%

Estimated share of online retail in **total retail**

“443 million social media users”



Top 5 mature e-commerce countries in turnover (million)	
UK	€ 107,157
Germany	€ 63,400
France	€ 51,100
Netherlands	€ 12,000
Austria	€ 10,970

Top emerging countries	
Russia	€ 15,500
Spain	€ 14,414
Italy	€ 11,268
Poland	€ 5,225

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SALESUPPLY

GROUPING PEOPLE & CONTENT

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