

## **New statistics for monitoring the integration of payment services in Europe<sup>1</sup>**

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### **Abstract**

Statistics on payments are collected from service providers and payment systems operators. The collection of these data is important for monitoring the payment systems activity and for research and development of payment systems. The statistics also provide an overview of the whole industry, which can be used by reporting entities in their strategy and planning processes.

The integration of payments in euro through the single euro payments area (SEPA) and the entry into the market of new service providers have changed the payments landscape in Europe. These changes also had implications in payments statistics, which in 2013 were brought within the scope of Regulation ECB/2013/43.

This paper reviews developments in payments statistics in the European Union, namely as regards payment services.

**Keywords:** euro, European Central Bank, central banking, statistics, payments, payment services, retail payments, payment systems, financial integration.

**JEL Classification:** E42

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<sup>1</sup> The views expressed in this paper are those of the authors and do not necessarily reflect those of the European Central Bank.

## Introduction

For a long time central banks have had competencies in the field of payment systems. Initially those competencies were derived by the privilege of printing paper money and of the ability of offering finality for interbank payments. Those competencies are especially related to the function of money as a medium of exchange, i.e. to facilitate transactions between economic agents.

In the European framework, the Treaty of Functioning of the European Union (2007) specifies the role of central banks in the field of payment systems. According to that treaty, one of the basic tasks of the European System of Central Banks is “to promote the smooth operation of payment systems”. This provision is mirrored in the Statute of the European Central Bank. In particular, Article 22 of that statute stipulates that “the European Central Bank and national central banks may provide facilities, and the European Central Bank may make regulations, to ensure efficient and sound clearing and payment systems within the (European) Union and with other countries”. A safe and efficient payment system is of fundamental importance for economic and financial activities and is essential for the conduct of monetary policy and the maintenance of financial stability.

In practice, the role of the European Central Bank (ECB) in the field of payment systems is performed in three ways: as an operator of own facilities, as an overseer of systems operating in euro and as a catalyst when promoting safe, efficient and reliable payment solutions in the euro area.<sup>2</sup> The last role demands to be aware of and be able to measure changes in the payments landscape owing to financial innovation or to modifications in the legal framework in which payment services operate. The relevant European legislation comprises the Payment Services Directive<sup>3</sup> and the Electronic Money Directive.<sup>4</sup>

Of particular relevance for the ECB catalyst role was the single euro payments area (SEPA) initiative<sup>5</sup>, which aims at overcoming the technical, legal and geographic barriers that prevent market integration at European level. With SEPA, economic agents are allowed to make euro cashless payments throughout Europe as easily, securely and efficiently as within their own country. This contributes to the euro area financial integration. So, it is important to monitor the ongoing implementation of SEPA in each European country.

### 1. New payments statistics

Against that background, the ECB annually collects payments statistics that are required in the Regulation on payments statistics (ECB/2013/43). Those data are collected from the providers of payment services and the operators of payment systems resident in Europe. Payment service providers can be banks but also non-bank card issuers (like those issuers of Diners with no banking licence) or providers of money transfer services (like Western Union or Moneygram). Payments statistics are useful for identifying and monitoring developments in the payments landscape within European countries. In particular, in Europe it is expected that non-banks will have a stronger role in payments markets in years to come.

From 2008 to 2013 the ECB collected payments data based on an ECB Guideline addressed to national central banks in the euro area (Guideline ECB/2007/9). The Guideline allowed the collection

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<sup>2</sup> See ECB 2016b.

<sup>3</sup> Directive 2007/64/EC.

<sup>4</sup> Directive 2009/110/EC.

<sup>5</sup> See ECB 2013.

of data from different multiple sources and the reporting was based on heterogeneous concepts and definitions. As a consequence there were limitations on the scope and quality of the statistics.

That changed with Regulation ECB/2013/43, which is addressed to providers of payment services (including electronic money issuers) and operators of payment systems resident in each European country.<sup>6</sup> The new Regulation implied amongst others a standardisation of the reporting population, additional harmonisation across countries, methodological improvements, alignment with the statistical definitions in the European System of Accounts (ESA 2010), new geographical breakdowns, new breakdowns by type of payment initiation and payments carried out in SEPA formats.

The European Central Bank maintains and publishes a list of payment service providers, including electronic money issuers, and payment system operators. The list is based on existing lists of supervised payment service providers and payment system operators established by national authorities, where such lists are available.

From 2014 data<sup>7</sup>, payments statistics have been collected based on the residency of the payment services provider or payment systems operator. This means that data referring to one country, which are collected by the respective national central bank, also contain services provided to residents in other countries.

For instance, i) German data may include cards issued by German providers not only in Germany but also in Austria and ii) Spanish data may include terminals owned by Spanish providers and located not only in Spain but also in Portugal. This is in line with the SEPA principle that consumers of payment services can execute both domestic and cross-border payments through a single provider, under the same conditions regardless the location of the payee, the payer and the provider.

Statistics on payment services cover payments initiated by non-banks (all of those) and, from the payments initiated by payment services providers, only those with non-bank counterparts. Those payments are often labelled as “retail payments” even if sometimes they are processed in systems also dealing with interbank payments. In this respect, the definitions in Regulation ECB/2013/43 provide objective criteria to define payment services.

In certain cases the new methodology resulted in statistical breaks with the information reported in the past. This was in particular the case for credit transfers, direct debits and book entries.

## **2. Cross-border payment services in euro area countries**

The comparability and usability of payments statistics have clearly improved owing to the cross-country harmonisation of the reporting methodology across countries. Besides the standardisation of the reporting population, the Regulation provided a comprehensive set of definitions and concepts to be used in the set-up of the data reports by all reporting agents.

Moreover, statistics on payments cover payments initiated by non-banks (all of those) and, from the payments initiated by payment services providers, only those with non-bank counterparts.

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<sup>6</sup> Regulation ECB/2013/43 is binding in euro area countries. Nonetheless, providers of payment services and operators of payment systems resident in other countries of the European Union are recommended to follow the same reporting by the Recommendation on payments statistics ECB/2013/44.

<sup>7</sup> Although the 2014 are comparable with 2015 data in terms of format and breakdowns, 2014 data are not fully in line with the concepts and definitions in Regulation ECB/2013/43.

Payments which take place i) between two accounts held at the same provider, and ii) between two accounts at different providers and executed through an intermediary are included as well. This aims at isolating retail payments when providers of payment services also offer services related to pure interbank transactions.

Table 1 summarises the coverage of payments by type of terminal and type of card. In particular all payments through terminals owned by resident providers are covered, and in addition those payments through terminals owned by non-resident providers with cards issued by resident providers.

*Table 1: Coverage of card payments by type of terminal/card*

		Card	
		Resident issuer	Non-resident issuer
Terminal	Resident provider	✓	✓
	Non-resident provider	✓	-

The evolution of the share of cross-border payments in euro area countries can be used to assess the integration at the euro area level. The statistics show that most payments in the euro area are domestic, i.e. the providers of payment services to the payer and the payee are resident in the same country. Card payments statistics refer to cards from resident issuers (first column of Table 1).<sup>8</sup>

Based on the number of payments in 2015, cross-border payments only accounted for 2.5% of the total credit transfers in the euro area countries, 1.7% of the total direct debits and 7.6% of the total card payments.

Chart 1 contains the share of cross-border credit transfers in 2015 by euro area country. The share of cross-border credit transfers range from 1% in Finland to 20% in Luxembourg.

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<sup>8</sup> Except cards with an electronic money function only.

Chart 1: Share of cross-border credit transfers in euro area countries (2015)

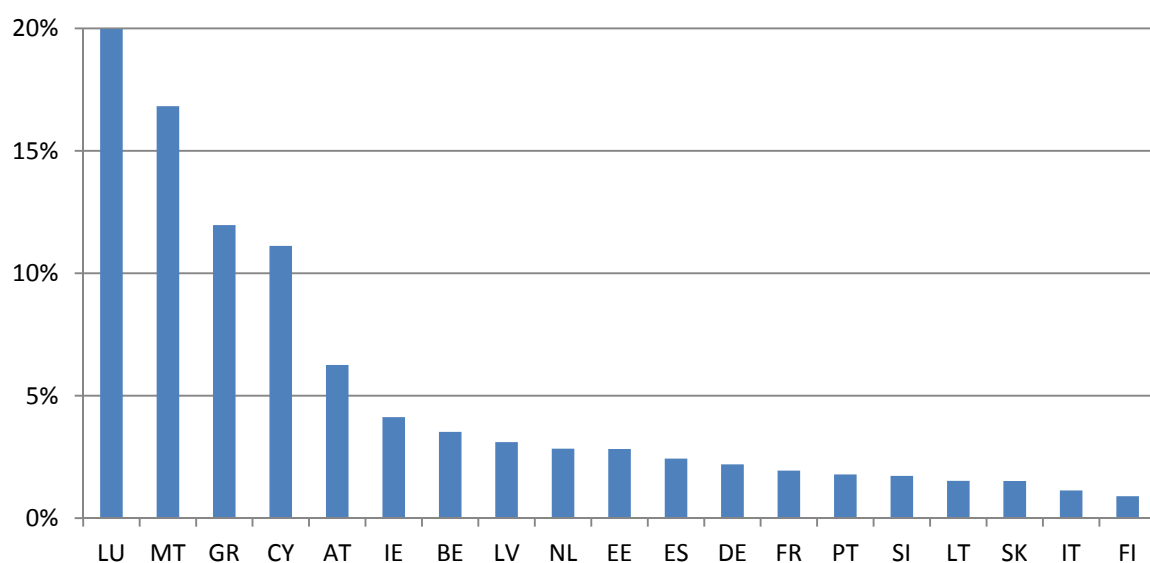


Chart 2 contains the share of cross-border direct debits in 2015 by euro area country. The figures are shown in the Chart 1 only for countries with a share higher than 1%. In Belgium the share of cross-border direct debits reached 36% in 2015, while in the remaining euro area countries the share of cross-border direct debits was lower than 5%.

Chart 2: Share of cross-border direct debits in euro area countries (2015)

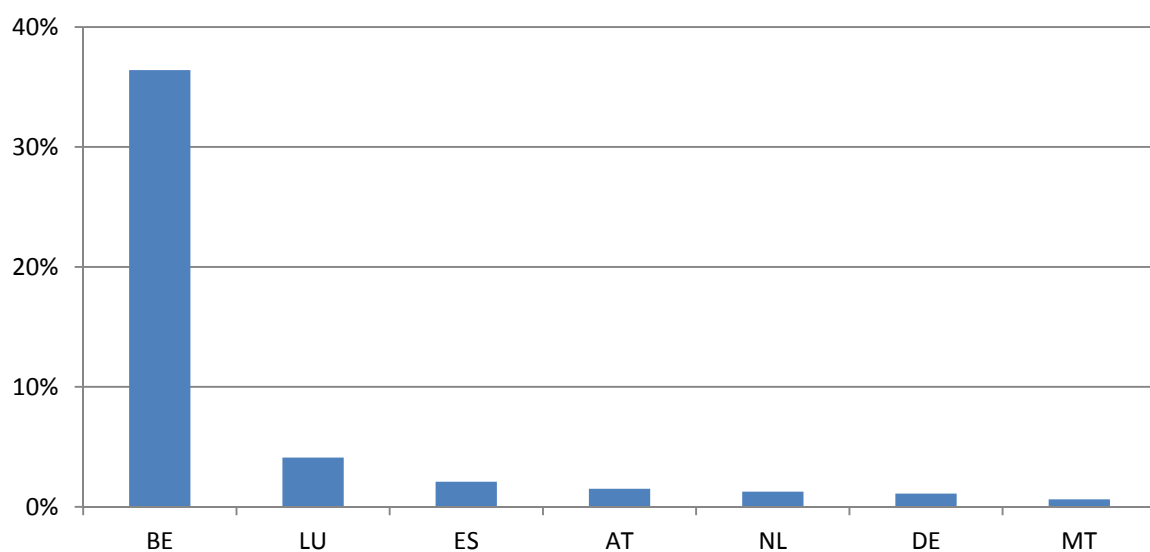
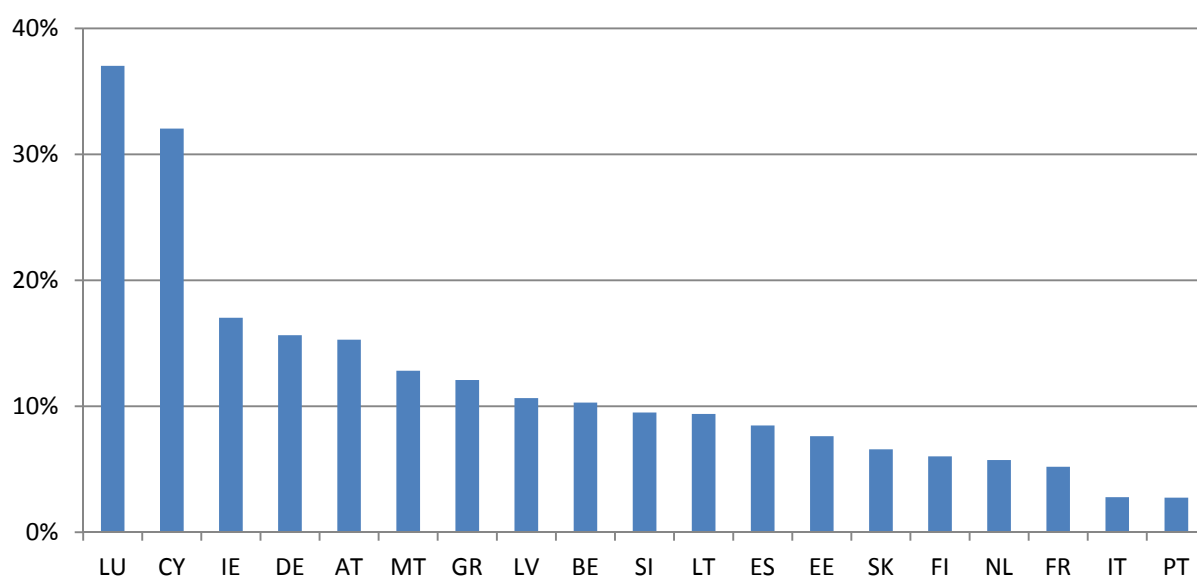


Chart 3 contains the share of cross-border card payments by euro area countries. The share of cross-border card payments is particularly high in Luxembourg (37%) and Cyprus (32%). This shall be related both to the use of cards abroad by the residents in those countries, and to the fact that banks in those countries have many non-resident customers.

Chart 3: Share of cross-border payments with cards issued in euro area countries (2015)

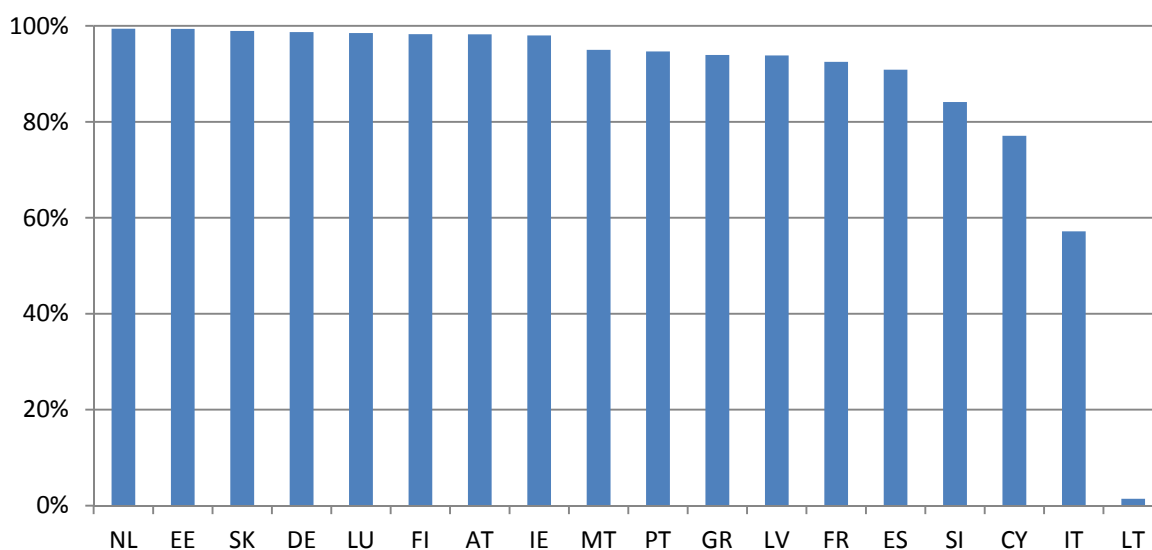


### 3. SEPA credit transfers and direct debits

Furthermore, the new statistics provide a differentiation between SEPA and non-SEPA payments for credit transfers and direct debits. This allows gaining information on the implementation of SEPA in each euro area country and/or on payments that do not use SEPA standards, such as TARGET 2 and payments in currencies other than the euro.

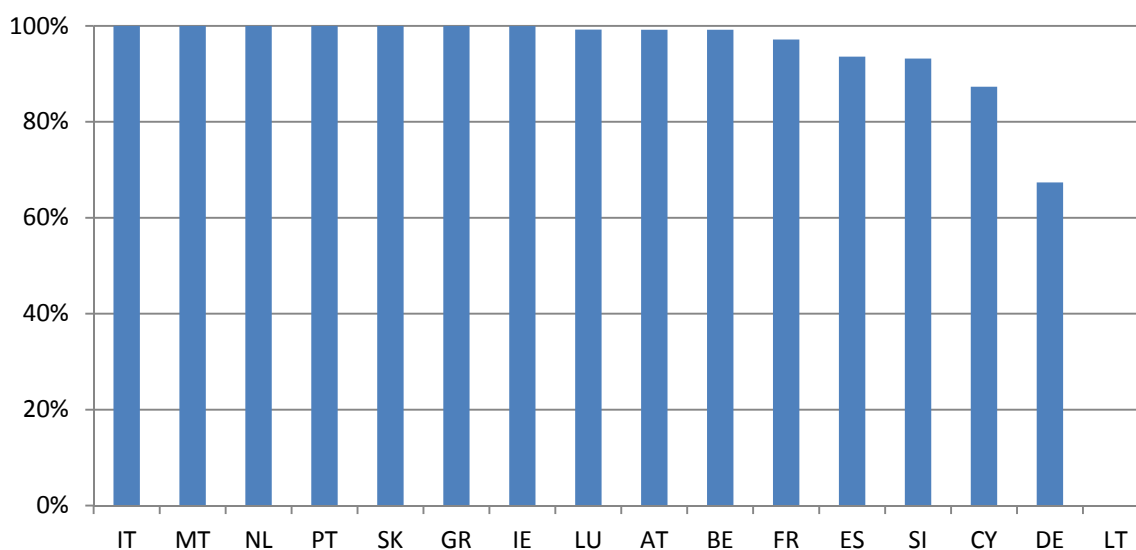
Chart 4 and Chart 5 show that in particular the shares of SEPA credit transfers and SEPA direct debits were particularly low in Lithuania, which joined the euro area in 2015.

Chart 4: Share of SEPA credit transfers in euro area countries (2015)



The data for Finland and Estonia are not shown in Chart 5 as direct debits are immaterial in those countries. The data for Malta refer to 2014.

*Chart 5: Share of SEPA direct debits in euro area countries (2015)*



#### **4. Conclusions**

The ECB statistics on payments are based on the data collected under the Regulation on payments statistics (ECB/2013/43) addressed to providers of payment services (including electronic money issuers) and operators of payment systems resident in each European country.<sup>9</sup> This implied amongst others a standardisation of the reporting population, additional harmonisation across countries, methodological improvements, alignment with the statistical definitions in the European System of Accounts (ESA 2010), new geographical breakdowns, new breakdowns by type of payment initiation and payments carried out in SEPA formats.

All in all the new data have been harmonised and are now more granular, allowing cross-country comparisons. For example, it is now possible to monitor indicators of market integration such as the share of cross-border payment services, or the share of SEPA credit transfers and direct debits.

The first data fully consistent with the definitions in the new framework refer to 2015. The next release of the data referring to 2016 is envisaged to take place in autumn 2017.

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<sup>9</sup> Regulation ECB/2013/43 is binding in euro area countries. Nonetheless, providers of payment services and operators of payment systems resident in other countries of the European Union are recommended to follow the same reporting by the Recommendation on payments statistics ECB/2013/44.

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