

*CEMLA – I Meeting of Heads of FMI*

Session 3  
**Cross-border payments:  
a central banking perspective**

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**02 October 2020**



- **Cross border payments** have been facing for a long time a number of challenges and frictions: low speed, high costs, limited access, limited transparency.
- **The G20 has made enhancing cross border payments a priority.** A staged approach to improve the situation:

## Stage 1:

*What are the problems?*  
Identification of challenges and frictions

FSB report April 2020

## Stage 2:

*What are the solutions?*  
Identification of building blocks (19)

CPMI report July 2020

## Stage 3:

*How can we implement?*  
Roadmap for implementation

FSB report October 2020 (forthcoming)

**Single currency**



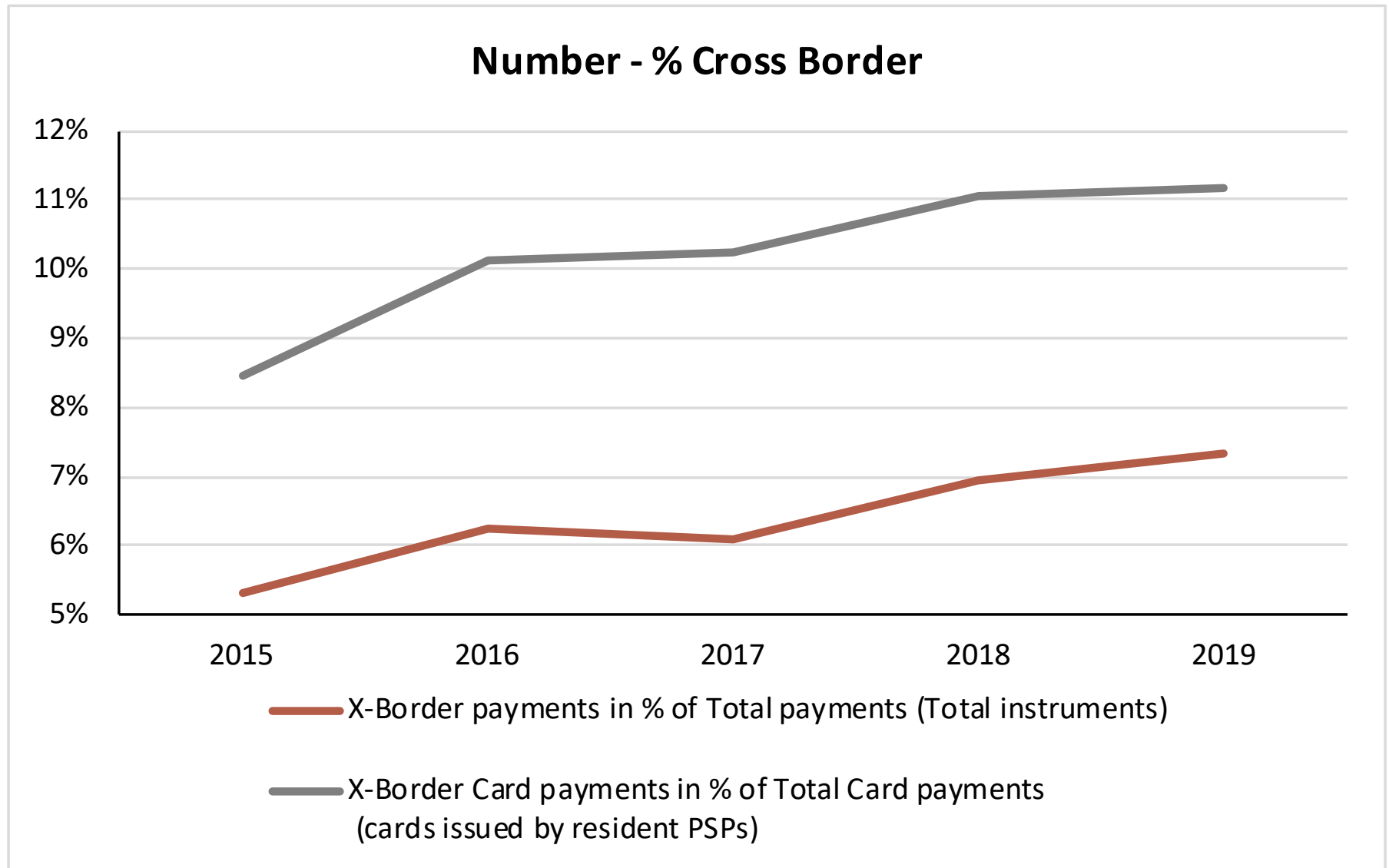
**Single payments market**

**EU launched SEPA (Single European Payments Area):**

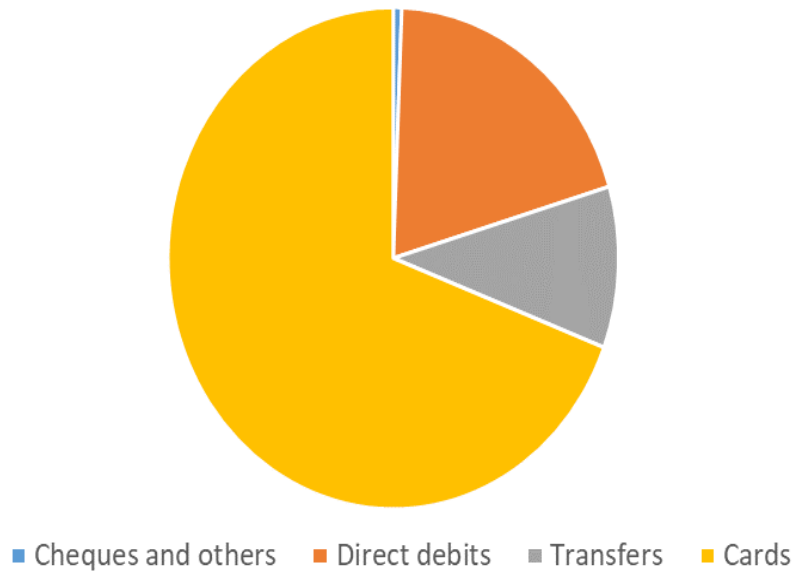
- **Harmonized set of pan-European payment instruments**
- **Emphasis on credit transfers and direct debits**

**However:**

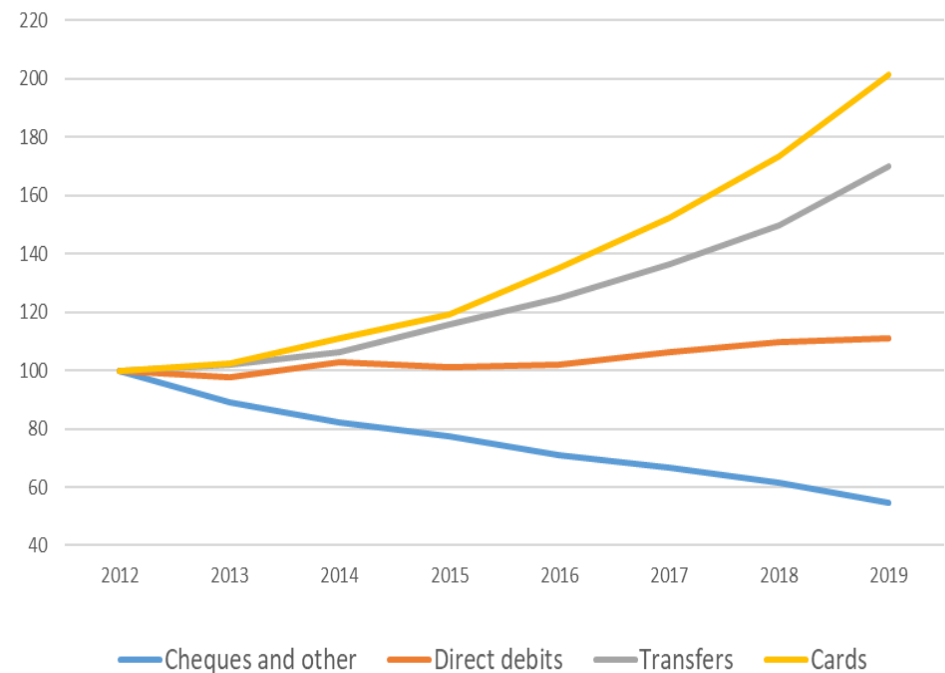
- **Cross-border payments still limited**
- **Cards dominate**
- **Local solutions are quite efficient and innovative**



Use of different payment instruments in Spain  
(2019 - number of transactions)

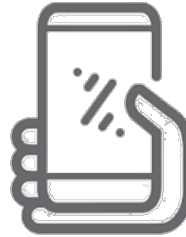


Evolution of retail payments in Spain  
number of transactions (2012=100)



📶 bizum

Si llevas móvil,  
llevas dinero.



*With your mobile phone, your  
money along*

- A single solution for mobile instant payments
- SCTinst compatible (i.e. instant payments)
- Value-added service linking mobile numbers with bank accounts
- Developed cooperatively by most credit institutions in Spain
- P2P, e-commerce and (soon) purchases at physical point-of-sale



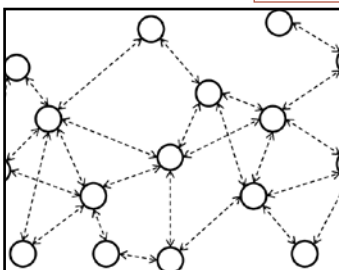
Cross border payments  
limited but growing

- *Globalisation*



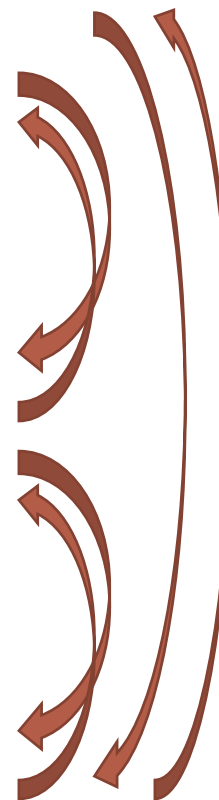
New players

- *FinTechs*
- *BigTechs*



New technologies

- *DLT*



Big Techs	International card schemes
Non European	Non European
Vertical integration	Horizontal integration
External to the financial system	Embedded in the financial system
Potentially their own denomination - stablecoins	Commercial bank money - euros



- Big Techs are following different strategies with quite different implications for the status quo → alternative scenarios looking forward



*The Eurosystem decided in November 2019 to foster pan-European payments solutions that adhere to 5 objectives*



BigTech activities

Financial sector activities

Social media

Messaging apps

Retail e-commerce

Advertising

Multimedia platforms

Search engines

Payments

Accounts

Credit provision

Insurance

Deposit taking

Big data analytics

Cloud services

Front-end services

Back-end activities

?

PSD1 and PSD2

AML Directives

Proposal for a  
Regulation on  
markets in  
crypto assets

Proposal for a  
Regulation on  
digital  
operational  
resilience

*Commission communication "Action Plan on FinTech, including a Strategy on an Integrated EU Payments Market"*

- tackle fragmentation in the Digital Single Market for financial services
- ensure that the EU regulatory framework facilitates digital innovation
- create a European financial data space to promote data-driven innovation
- address new challenges and risks associated with the digital transformation

“The Commission will therefore pay particular attention to the principle **“same risk, same rules, same regulation”**, not least to safeguard the **level playing field** between existing financial institutions and new market participants”

- **Central Bank Digital Currency (CBDC):** A new liability of the central bank
  - In digital format, like reserves
  - But widely available, like cash
- **A valid solution to deal with some scenarios**
- But is **not a solution without costs** (financial stability implications, among others)
- **ECB has published today an interesting report: “Report on a digital euro”** (worth reading!)

## Some takeaways

- Cross border payments have suffered shortcomings for a long time (but the situation at the national level in many countries is of relative efficiency)
- The landscape is likely to change quickly: Big Techs might be a game-changer
- Retail payments might be ripe for disruption. Providing a level playing field may prove crucial: similar activities with similar risk have to be subject to the same rules.
- Central banks have a legitimate interest here. They need to be proactive: catalyzing private initiatives and exploring new tools like CBDC
- Fresh impulse(s) -G20, CPMI, FSB, EC, Eurosystem- more than welcome. Delivering is always the challenge

Thank you for your attention

