Future of
Payments

JOURNAL OF
FINANCIAL SERVICES
PUBLISHED BY: **PROJECTIVE GROUP INSTITUTE**

01
2025

Projective
INSTITUTE

JOURNAL OF FINANCIAL SERVICES

Future of Payments

Contents

Dear reader,

Welcome to this, the inaugural edition of the Projective Group Institute's new Journal of Financial Services!

We're very excited to be launching our Journal at a time of immense challenge and change for the financial services industry, and we've drawn upon the deep subject matter expertise of the many renowned contributors to this edition of the Journal to bring you what we hope you'll find to be a highly stimulating series of articles.

We'll be publishing editions of the Journal on a regular basis, and each time we will be focusing on those topics our Advisory Board members, who are leading academics and executives, are telling us are of key strategic importance to them. And it's for that reason that we've chosen to focus this edition on the world of Payments.

Payments has gone from being an often-overlooked, quite slow-changing, typically back-office, function to becoming one of the most transformed - and transformative – functions in the financial services industry. And all of that has happened within the space of only a few years. Digitization, cloud native technology, financial crime and fraud, artificial intelligence, and many other recent developments, combined with ever-greater regulatory scrutiny and ever-increasing client expectations, have created the perfect storm for legacy Payments providers and have opened this area up to newer and more agile competitors.

We focus on the drivers of that transformation, the implications of those drivers for the various players in the Payments value-chain, and the key decision points firms will therefore soon face if they intend to remain leaders in this field.

I'm conscious that in creating the articles in this Journal, many individuals have spent many hours researching and writing, and I'm very grateful for their time and expertise!

I look forward to getting your feedback on our new Journal of Financial Services, and to speaking with you again soon.

Stefan Dierckx, Founder & CEO, Projective Group

Future of Payments

The future of Payments: quo vadis Europe?

Christophe Bonte,
Senior Policy Adviser,
European Banking Federation

ABSTRACT

Europe's payments sector is facing significant and unprecedented changes. With the constant emergence of new technologies, payments are probably the financial activity most affected by innovation. Furthermore, regulation continues to impact all aspects of payments. With the fast geopolitical changes and considering the crucial role it plays in the economy, the payments sector is increasingly driven by political imperatives. Sovereignty, competitiveness, and resilience have become key issues that strongly influence the future of payments in Europe. In this article, I examine the challenges and opportunities associated with the accelerating digitalization of the payments landscape in Europe, a trend intensified by the rollout of instant payments. I will also discuss the European authorities' plan to create a state-backed retail digital euro, in contrast with most other jurisdictions across the world, and how this may impact the functioning of the European payments market, the innovation capacity of banks, and potentially financial stability if the project is not properly framed. All these developments lead to increased pressure on security of payments, which with fraud levels remaining high, has become an issue that must be combated by all relevant actors.

1. The digital (r) evolution of European payments

The European payments industry is undergoing a period of radical transformation. Digitalization is profoundly reshaping the payments sector in Europe, with the emergence of new technologies that are improving the user experience, expanding the offerings of payment service providers (PSPs), streamlining the operations of commercial banks, and impacting up to the role and activities of central banks.

1.1 Digital payments are on the rise

For some time now, and much more clearly since the COVID-19 pandemic, we have observed a significant decline in the use of cash for retail point-of-sale (POS) payments and a growth in digital payments, particularly online and mobile. Today, payments are no longer only digital, but solutions are increasingly mobile. The wallet is the phone and vice versa. There has been a clear shift towards digital payments in the euro area, although these have not yet overtaken cash payments whose attractiveness is intact and which will likely remain a preferred payment option [ECB (2024a)], especially in extreme scenarios such as war, a massive cyber-attack, or a major power outage.

With the acceleration of innovation, payments are fundamentally becoming more instantaneous, frictionless, and integrated into the customer journey. While they are often invisible, yet payments remain a vital aspect of the economy and the systems and networks that support it.

Another feature is that the world of payments is now expanding well beyond its traditional boundaries and integrating into other services. Open Banking and Open Finance, "Buy Now, Pay Later", the emergence of digital wallets and super apps provided by big techs [BdF (2024)], embedded payments, Central Bank Digital Currencies (CBDCs), crypto assets, to name just a few, are all important developments that are reshaping the payments sector like never before.

Clearly, payments are no longer the preserve of banks just as they are not characterized by the predominance of cash anymore. Many other players are involved in facilitating transactions, from the initial purchase to the final settlement. This is referred to as the payments ecosystem made up of infrastructure and technology providers, financial institutions, and third-party service providers, only to name the main actors.

1.2 Banks will continue playing an important role

While the payments (r)evolution challenges the role of banks, they will remain a major player in an increasingly digital and diversified payments sector. Not only have banks always been present in payments and in technology - think of online banking – but they are also well-established, safe, and trusted institutions. Moreover, banks are becoming even more digital in response to new competition from essentially non-financial institutions whose core business often lies outside the financial services sector, such as large online platforms that have built their success and attractiveness on the collection and processing of massive amounts of personal and commercial data.

Competition is positive if it contributes to further innovation and improves the user experience in a meaningful and accessible way. But it also implies that the principle of "same activity, same risks, same rules" applies to all companies that provide or offer payment services regardless of their qualification as PSP under the relevant legislation. Competition also implies enhanced cooperation and a clear allocation of liabilities particularly in terms of preventing, mitigating and combating payments fraud.

The European payments landscape has evolved significantly since the European Commission published its first Strategy for Retail Payments in the EU in 2020 [E.C. (2020)]. This action plan has been largely implemented and one of its key pillars, the generalization of instant payments, has been enforced.

2. The future is instant

In the age of social media where communication is instant, customers expect payments to be just as digital and fast. The COVID-19 pandemic only accelerated this trend. Within the Single Euro Payments Area (SEPA), standard credit transfers typically take one or two days to process, especially if they are cross-border. This will change with the implementation of the European Union (E.U.)'s Instant Payments Regulation (IPR).

2.1 The pioneering role of banks

In 2017, several European banks began implementing instant payments solutions after the European Payments Council (EPC) developed a common scheme, the SEPA Instant Credit Transfer (SCT Inst), at the request of the Euro Retail Payments Board (ERPB) [ECB (2015)], a high-level body chaired by the European Central Bank (ECB) and tasked with addressing strategic issues related to retail payments. At the time, it was felt that only a pan-European approach would contribute to a single market for payments, similar to what had been achieved with the SEPA Credit Transfer (SCT) scheme, which provides a common set of rules and standards for regular credit transfers.

The uptake of SCT Inst was, however, slow and very uneven across European countries, not only because the scheme was voluntary, but several obstacles prevented its widespread adoption. This is where the European Commission stepped in and proposed, in October 2022, legislation requiring all PSPs, such as banks, that offer their users a service of sending and receiving credit transfers in euro to also offer a service of sending and receiving instant credit transfers, for domestic and cross-border payments, at a cost no higher than that of standard credit transfers.

2.2 The operational challenges of IPR implementation

Regulation (E.U.) 2024/886 amending SEPA Regulation (E.U.) 260/2012 as regards to instant credit transfers in euro entered into force on April 8, 2024 [E.U. (2024)]. The new requirements of the Instant Payments Regulation will apply progressively and to PSPs located in the euro area first. Since January 9, 2025, euro area-based PSPs must be able to receive instant credit transfers.

The big bang date is, however, October 9, 2025, by which time euro area-based PSPs must be able to send instant credit transfers in euro and provide a service of Verification of Payee (VoP) for all credit transfers, whether instant or standard. As per this service, which must be free of charge, the payer's PSP must verify that the beneficiary's IBAN and name match, and to alert the payer of possible mistakes or fraud before authorizing a transaction. VoP must be performed across all initiation channels used by PSPs with their customers. PSPs located in an E.U. country outside the euro area must comply with the same obligations, but only from July 9, 2027.

The EPC developed a VoP scheme in record time. Published in October 2024 [EPC (2024a)], it will be operational on October 5, 2025, alongside the updated SCT Inst scheme rulebook, compliant with the IPR, and just days before the VoP service becomes mandatory under the new Regulation. With a few exceptions in the E.U., such as the Netherlands and Portugal, where VoP service already exists, VoP is a new service for all users.

Given that millions of transactions - both instant and non-instant credit transfers - will be subject to the new checks from the first day of application, PSPs are actively communicating the objectives and characteristics of the VoP service to their customers. It is in this context that the European Banking Federation (EBF) and several national banking associations have joined forces with consumers organizations. A dedicated Task Force of the ERPB has also defined a high-level, principles-based and non-binding guidance as well as a set of examples for possible use by PSPs, to facilitate a smooth introduction of VoP for end-users.

According to the IPR, an instant credit transfer implies that the funds must be on the beneficiary's account within 10 seconds. Today, technology has made it possible to process 99% of successful instant payment transactions in less than 5 seconds [ECB (2024b)]. The challenges lie more in the numerous obligations that must be fulfilled before the transaction is released, in the first place VoP.

An instant credit transfer can be initiated 24/7 via all the channels that can be used to place standard credit transfers, such as online or at a bank branch. However, if it is initiated through a non-electronic channel, it will be executed immediately after being entered into the PSP's electronic system. In addition, it will be possible to submit multiple payment orders for instant credit transfers in euro as a package, where PSPs already offer this possibility for standard credit transfers (bulk payments). In this case, if the payer is a corporate (not a consumer), it can decide to opt out from the VoP service.

Finally, the Instant Payments Regulation also implies significant changes to banks' financial sanctions operations. Since January 9, 2025, a new financial sanctions screening regime applies whereby all E.U.-based PSPs, regardless of their location, must check their customer records immediately after the publication or update of a new E.U. sanctions list, and at least once a day. This system thus moves away from transactions screening, which would have prevented frictionless instant payments. However, this does not exempt banks from continuing to perform transactions screening to ensure compliance with non-E.U. sanctions lists, such as the one of the U.S. Office of Foreign Assets Control (OFAC), in addition to customer screening. This may result in a lot of false positives and delays in the processing of instant payments.

2.3 Towards potential market shifts and new business opportunities

While adapting to the new rules, PSPs are integrating instant payments into their business strategy to take advantage of the opportunities and economies of scale created by the new Regulation, as eventually instant payments will become the new normal across Europe.

The rollout of instant payments is a powerful driver for the emergence of European-grown cross-border payment solutions, which have the potential to become pan-European champions. The success of SEPA demonstrates that Europe can build a private system that makes the E.U.'s Single Market a reality, including in payments.

Leveraging on the SCT Inst, the European Payments Initiative (EPI) - whose membership comprises more than 20 European banks - launched Wero in 2024. It is a unified account-to-account (A2A) private instant mobile payment wallet solution rolled out by banks in France, Germany, and Belgium to enable cross-border instant payment transactions. Luxembourg and the Netherlands will follow in 2026.

Likewise, the EuroPA initiative will make the mobile payment services of Bizum (a particularly popular solution in Spain and owned by the country's major banks), Italy's Bancomat, and MB Way from Portugal interoperable to the benefit of their users. Vipps MobilePay in the Nordic countries, Poland's Blik, and IRIS in Greece have recently joined the initiative and will gradually be integrated into operations.

Together, these countries account for the majority of digital payments in the euro area. While these solutions were launched with a focus on person-to-person (P2P) payments, they will gradually extend to e-commerce and eventually in-store payments (in 2026 for Wero, for example).

A mapping of European payment solutions carried out by the EBF shows that 20 of the 27 E.U. countries have an A2A private instant mobile payment solution, and only 7 have neither a domestic card scheme nor a mobile payment solution and rely entirely on the payment infrastructure of international card schemes such as Visa and Mastercard.

More recently, EuroPA and EPI launched a collaboration and announced their intention to work together towards interconnecting their solutions. The aim is to extend existing solutions beyond their national or regional markets to facilitate cross-border payments in Europe across all use cases (P2P and commercial payments both online and in-store) [EPI (2025)].

These solutions and initiatives respond not only to the changing needs of users in an increasingly digital payments market, but also to the heavy reliance on non-E.U. payment providers and the emergence of technological solutions offered by foreign companies. Despite having different infrastructural setups, these initiatives share the same goal and aim to expand to more countries, contributing to an even more integrated and sovereign pan-European payments market. But there is an elephant in the room: the digital euro.

3. The digital euro

In June 2023, the European Commission published a legislative proposal to establish a digital euro [E.C. (2023)]. The proposal was released after the Eurosystem launched an investigation phase on introducing a digital euro in October 2021. Two years later, the ECB's Governing Council decided to move to the next phase of the digital euro project, the preparation phase, which will last until October 2025. The Governing Council will then decide on the potential launch of the next phase, or the continuation of the current preparation phase. The decision by the ECB's Governing Council on whether to issue the digital euro is subject to the adoption of the legislative act currently being negotiated by the European co-legislators.

The digital euro will be a retail CBDC, and as such would be a form of central bank money that is directly accessible to the public, like cash, and with the status of legal tender.

3.1 The rise of CBDCs

CBDCs have become a major topic of discussion among policymakers, central banks, and financial institutions worldwide, spurred by Facebook's announcement of Libra (later renamed Diem) in 2019. The proposed stablecoin aimed to create a global private digital currency outside the control of central banks, prompting widespread concerns about monetary sovereignty, financial stability, and regulatory oversight.

This development, combined with the accelerating digitalization of finance and declining use of cash, has prompted central banks to legitimately explore digital currencies. While some countries have made significant progress in launching a CBDC, many others are still in the research phase, weighing the potential benefits and risks.

CBDCs can be broadly categorized into two categories: retail CBDCs (designed for use by the general public) and wholesale CBDCs (intended for financial institutions to settle large-value transactions). Different countries have pursued work on CBDCs for varying reasons, ranging from improving financial inclusion to strengthening monetary policy effectiveness and enhancing cross-border payments.

To date, only a handful of countries have fully launched a retail CBDC, with limited success. The Bahamas launched the Sand Dollar in 2020, Nigeria the e-Naira in 2021, and Jamaica JAM-DEX in 2022. Most larger economies have questioned the need for such an initiative at this stage. In several countries, the central bank or ministry of finance has stopped the project (Sweden, U.S.), is reevaluating its plan (U.K.), or concluded from the outset that there is currently no need nor genuine interest in a retail CBDC (Switzerland).

3.2 The European approach

In contrast, Europe, and the euro area in particular, has taken a different direction and chosen a distinct approach by positioning the digital euro as more than just a digital equivalent of cash. Unlike other CBDCs around the world, the digital euro is linked to a digital wallet and instant payments infrastructure, raising fundamental questions about its impact on banks, financial stability, and competition within the European payments ecosystem.

The reasons and objectives for launching a digital euro have evolved over time. According to the ECB and the Commission, the main rationale for the digital euro stems from the declining use of cash, the increasing digitalization of finance, and concerns about monetary sovereignty.

Since work on the digital euro began, Europe has faced a changing geopolitical landscape, with the emergence of new political priorities, such as competitiveness, strategic autonomy, and resilience. In this context, the sovereignty of retail payments has gained importance and attention from European policymakers. Furthermore, the ECB's digital euro project has evolved, and so have the perspectives of the banking sector. Meanwhile, the legislative process has advanced at a slow pace.

As currently designed by the ECB, the digital euro risks duplicating existing private payment solutions, already being developed and scaled to address the legitimate need for greater sovereignty in European retail payments, which are currently too dependent on foreign actors. This duplication could result from the digital euro's potential to offer similar functionalities to existing private instant payment solutions, such as mobile wallets or online payment platforms. Moreover, it could impose an overly prescriptive and complex set of requirements, hindering the innovation capacity and thus the competitiveness of European banks, as well as the European Commission's simplification objectives. Finally, it imposes high costs on intermediaries and potentially also undermines financial stability. These three areas of possible impacts are detailed below.

3.3 Impact on the role of banks and risks to financial stability

One of the most pressing concerns about the digital euro is the risk of bank disintermediation. If consumers and businesses shift deposits from commercial banks to digital euro accounts, which will constitute a liability of the central bank and therefore not appear on banks' balance sheets, banks could experience a decline in their deposits. This, in turn, could reduce their lending capacity and increase the cost of credit. In times of financial stress, a rapid shift of deposits into digital euro holdings could exacerbate liquidity shortages, potentially creating systemic risks.

It is encouraging that the ECB is putting in place safeguards, such as holding limits, to prevent the digital euro from being used as a store of value. A study published by Copenhagen Economics in December 2023 examined four different holding limit scenarios and their impact on financial stability and consumer welfare. It concluded that the lower the holding limit, the more limited the loss of deposits [Copenhagen Economics (2023)].[1] Low holding limits that are stable over time are necessary to prevent the digital euro from altering the traditional bank funding model, making it more difficult for banks to fulfil their strategic role in meeting Europe's financing gap and contributing to the massive investment needs triggered by the green and digital transition and increased security spending.

3.4 Impact on the innovation capacity of banks

The potential rollout of the digital euro entails significant costs for the banks that will be mandated to distribute it.[2] By having to commit high resources into its implementation, banks risk missing out on their own innovation and losing competitiveness.

Furthermore, a digital euro will likely absorb all the necessary resources that have not yet been deployed to meet the large number of regulatory obligations that require considerable investment in the coming years (Instant Payments Regulation, Anti-money Laundering Regulation, Digital Operational Resilience Act, European Accessibility Act, Digital Identity Regulation, Payment Services Regulation, ...).

In reality, the generalization of instant payments will largely achieve the same political objective as the digital euro, i.e., enhancing European competitiveness and strengthening sovereignty in payments, most likely at a much lower cost. The European payments industry cannot afford two major and competing mandatory projects. If the digital euro requires duplicative investments in parallel infrastructures, banks could face prolonged periods of reduced funding for innovation and financial pressure.

3.5 Overlap with existing payment solutions

Unlike other CBDCs designed to complement existing payment methods, the digital euro is positioned as a payment instrument that could interact directly or even unfairly compete with existing European payment solutions. These solutions are increasingly exploiting the opportunities and economies of scale created by the deployment of instant payments to expand reachability and better compete with non-E.U. providers, as explained above. This risk will be accentuated by the mandatory acceptance of the digital euro, which will become legal tender.

The E.U. already has a dynamic, secure, and well-functioning electronic payments market. Today, for their retail payments, European consumers and businesses have access to a variety of methods and instruments to meet their different needs, including (instant) credit transfers and direct debits, debit and credit cards, and cash. They can initiate payments through a multitude of solutions and channels, such as mobile banking, digital wallets, mobile payments, contactless payments, through payment initiation service providers (PISPs), and more. This reflects an active, competitive, and constantly evolving sector, with new business models and new players entering the ecosystem. If the digital euro fails to integrate seamlessly with existing banking and payment solutions, it could inadvertently drive users toward large non-E.U. digital wallet providers and international card schemes, whose dominance it is intended to reduce.

A key concern is whether the digital euro will create an uneven playing field, where banks that will be mandated to distribute the digital euro bear the costs of implementation while large non-E.U. platforms benefit from the new payment infrastructure without contributing to liquidity, security, or fraud prevention. Such a scenario could fundamentally alter the retail banking model, with a consequent erosion of related revenue streams that may affect banks' profitability, which is essential for their resilience.

3.6 A case for a wholesale digital euro

Given the concerns raised above, the approach of prioritizing a wholesale CBDC over a retail digital euro is preferred. A wholesale CBDC could improve the efficiency of interbank settlements, strengthen the resilience of financial markets, and contribute to monetary sovereignty without displacing bank deposits, affecting retail banking models, or disrupting established payment systems.

1. With a holding limit at €3,000, the study finds that the digital euro could lead to an outflow of up to €739 billion of bank deposits in the euro area. This corresponds to a loss of 10% of the total household deposit base and 3% of the total bank liabilities. With a holding limit of €500, the loss of deposits would be limited to €139 billion, a decrease of 81% compared to a €3,000 holding limit.

2. A recent study by PwC estimates that banks would face initial costs for the implementation of the digital euro - excluding an offline functionality, multiple accounts and running costs - that could exceed €2 billion, with an average outlay of €110 million per bank. When extrapolated to the entire euro area, the total change costs could reach €18 billion; available at https://tinyurl.com/3kejfupr.

Additionally, a wholesale digital euro would be a real CBDC and align with broader political objectives, such as increasing the international role of the euro, strengthening financial sovereignty, and enhancing global cross-border payments in line with the G20 Roadmap [FSB (2024)]. It would have obvious use-cases and add value to its participants, the banks.

It is not surprising to see a rise in wholesale CBDC projects around the world, both domestically and across borders, including in Europe. In this regard, the ECB's recent announcement that it will provide an interoperable solution in the short-term and look into providing an integrated solution in the medium- to long-term is a step in the right direction [ECB (2025)].

3.7 A collaborative approach to strengthen the sovereignty of European payments

Strengthening the sovereignty of European payments is a strategic objective shared by the banking sector, the ECB, and the European co-legislators. All options should be explored, taking into account the deployment of European private instant payment solutions that take full advantage of the generalization of instant payments, and close the gaps where no such solutions exist.

If a digital euro is to emerge, it is essential that it leverages on investment made to build private solutions and reuses, where possible, infrastructures, processes, and industry standards already in place to minimize costs for PSPs that will be mandated to distribute the digital euro. It should also cater for a viable business and compensation model and preserve the stability and resilience of banks and their role in the European economy. This means that its introduction should be a simple value proposition that is released gradually to add clear value to all stakeholders. It is in this context that the EBF considers it essential to continue the close and constructive dialogue with the ECB and the co-legislators.

4. The changing nature of fraud

Finally, with the radical changes that characterize the payments sector as described above - the emergence of new technologies, the increase in digital payments, the speed of payments - also arises the fundamental question of payments security, and more specifically of cybercrime and fraud.

4.1 Fighting online fraud

Although fraud levels are declining thanks to effective measures such as strong customer authentication (SCA) and the implementation of a risk-based approach by PSPs [EBA/ECB (2024)],[3] new types of fraud are on the rise with techniques constantly evolving, such as those resulting from social engineering, which uses psychological manipulation to push users into making payments they would not have otherwise made. Social engineering increasingly leads to fraudulent authorized push payments (APP) [EPC (2024b)]. A typical example is bank employee impersonation when a customer receives a phone call, text message, or email appearing to come from a bank.[4]

These new forms of fraud highlight that digital fraud and scams affect a much broader and more complex matrix than just the point of payment but involve electronic communication channels and the widespread use of social networks. It is, therefore, more appropriate to refer to online fraud than payments fraud, as most fraud is enabled outside the banking system and, more generally, the payments value chain.

Effective action against fraud driven by social engineering is crucial to maintaining secure, trustworthy, and competitive payment systems. Banks invest heavily in fraud prevention and control, but banks alone cannot combat fraud and be solely responsible for phenomenon that occurs outside their sphere of competence and of which they are also victims.

4.2 A holistic approach is required

A collective, multi-stakeholder approach, based on cross-sectoral collaboration, is needed, as high-

3. There is no detailed statistics as regards to payment fraud in the E.U. apart from this report whose scope is limited to PSD2 and the methodology used raises questions that we do not address here.
4. Revolut's "Consumer security and financial crime report" shows that, in the second half of 2024, over half of APP cases were purchase scams (56%), followed by job scams (20%), investment scams (10%). Impersonation scams, romance scams or invoice scams are other sources of fraud; available at https://tinyurl.com/3vjvapp5.

lighted in a recent ERPB report on fraud to retail payments [ERPB (2024)]. It is essential that all actors – beyond banks - involved in the fraud chain share responsibility, including through the introduction of legal obligations for fraud prevention measures by telecom operators and online platforms, where most fraud originates, and a fair allocation of liability that would make everyone involved part of the solution.[5]

Other jurisdictions, such as Australia and its innovation Scam Prevention Framework, are already taking steps in this direction. The E.U. could draw inspiration from this initiative. Currently, its regulatory response is fragmented across different pieces of legislation dealing with payments, primarily the review of the Payment Services Directive (PSD2), but also the activities of very large online platforms, via the Digital Services Act. A holistic approach is urgently needed to combat fraud.

With the gradual adoption of instant payments, the risk of fraud may even increase, simply due to the ability to transfer money in seconds, which could lead to higher fraud losses and lower recovery.

4.3 Avoiding that instant payments become instant fraud

The new VoP service introduced by the Instant Payments Regulation aims precisely at preventing instant payments from turning into instant fraud. However, this mechanism cannot replace the technical measures taken by PSPs to protect customers against potential fraudulent payment orders. These measures include the application of a cooling-off period (or a delay applied by the PSP) when users increase their spending limits, which they can do at their sole discretion and with immediate effect under the IPR. This mechanism has proven very effective in fraud prevention in countries such as the Netherlands. In the extensive Q&As published in July 2024 to clarify the requirements of the IPR [E.C. (2025)], the European Commission acknowledged that such measure - which is part of sound risk management - does not violate the obligations of the new Regulation.

Increased sharing of fraud information and data, in line with the E.U.'s General Data Protection Regulation (GDPR), transaction monitoring (e.g., using artificial intelligence to detect fraud patterns), and customer education through fraud awareness campaigns are also important and useful tools to complement SCA and ensure reliable and secure payments while avoiding friction in the user experience. These measures are most effective when industry and authorities join forces through a public-private partnership.

The economic, societal, and security impacts that result from online fraud and its consequences for payments require a collective effort and a broader approach covering the entire chain of a fraudulent conduct and not just PSPs. Failure to do so would put European payment services competitiveness at risk and the European economy with it.

5. Conclusion

The Retail Payments Strategy for the E.U., published by the Commission in September 2020, is already five years old. It may need to be revised. Since then, the objective of strategic autonomy has come to the fore with the alteration of the geopolitical environment.

The sovereignty of payments has undoubtedly gained in importance and attention among European policymakers. The emergence of big techs in the payments sector has also been confirmed, as has the increase in online fraud and the use of new technologies such as digital identity and artificial intelligence, which can both help reduce fraud and generate new types of fraud. The CBDC debate has also evolved, with jurisdictions adopting sometimes radically different approaches, such as the decision by the euro area to develop a retail digital euro.

It is, therefore, essential that Europe has a strategic vision and a clear path for its payments sector, and banks must be part of this vision and this future. Indeed, because the banking sector is essential for financing the substantial investments needed to meet the immediate and long-term challenges, Europe needs a competitive, resilient, and profitable banking and financial sector.

This is where innovation plays a key role. While payments remain fundamentally a domestic activity, the digitalization of payment solutions has the potential to create a truly cross-border, pan-Euro-

5. PSR (2024) found that Meta platforms were linked to 54% of scam incidents (119,338 cases) and 18% of total losses (£62.7 million) in 2023. These observations are confirmed by the Revolut study as well.

pean retail payments market. Because digitalization knows no border, it can contribute to greater integration, thereby strengthening Europe's competitiveness and strategic autonomy. To achieve this, Europe needs simpler rules and an effective and balanced regulatory framework that fosters innovation, not hinders it, while also addressing the risks associated with the emergence of new technologies.

References

BdF, 2024, "The growth of big techs in the financial sector: which risks, which regulatory responses?" Banque de France, October

Copenhagen Economics, 2023, "Effects of a digital euro on financial stability and consumer welfare," December

EBA/ECB, 2024, "2024 report of payment fraud," European Banking Authority/European Central Bank

E.C., 2020, "Communication from the Commission on a Retail Payments Strategy for the EU (COM(2020) 592 final)," European Commission, September 24

E.C., 2023, "Proposal for a regulation of the European Parliament and of the Council on the establishment of the digital euro," European Commission, June 28

E.C., 2025, "Clarification of requirements of the Instant Payments Regulation," European Commission, July 28

ECB, 2015, "Instant payments across Europe by November 2017," European Central Bank, November 27

ECB, 2024a, "Study on the payment attitudes of consumers in the euro area (SPACE)," European Central Bank

ECB, 2024b, "High-level communication strategy with end users on instant payments: final report by the ERPB workstream," European Central Bank, ERPB/2024/003, May 29

ECB, 2025, "ECB commits to distributed ledger technology settlement plans with dual-track strategy," European Central Bank, July 1

EPC, 2024a, "Verification of Payee Scheme Rulebook," European Payments Council, October 10

EPC, 2024b, 2024 payment threats and fraud trends report," European Payments Council, EPC162-24/Version 1.0, November 22

EPI, 2025, "EuroPA and EPI launch collaboration to expand sovereign Pan-European payments," European Payments Initiative, June 22

ERPB, 2024, "Report of the ERPB Working Group on fraud related to retail payments," Euro Retail Payments Board, September

E.U., 2024, "Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro," European Union, March 19

FSB, 2024, "G20 roadmap for enhancing cross-border payments: consolidated progress report for 2024," Financial Stability Board, October 21

PSR, 2024, "Unmasking how fraudsters target UK consumers in the digital age," Payment Systems Regulator, December 17

WE MAKE THINGS HAPPEN.

Leading change in Financial Services.

BELGIUM
UNITED KINGDOM
THE NETHERLANDS
FRANCE
GERMANY
SWITZERLAND

www.projectivegroup.com

Projective INSTITUTE