



European Payments Initiative EPI is a significant pillar of digital sovereignty in retail payments



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ABSTRACT

The European Payments Initiative EPI is intended to counter the dominance of global card networks and Big Tech companies with an independent European retail payment solution. With the support of the European institutions, European banks and payment service providers are developing the infrastructure for payment transactions. EPI is part of a set of initiatives including the digital euro and the GAIA-X European cloud. Together, they stand for Europe's move towards digital independence and sovereignty.

European companies and institutions have realized that digital independence is critical for the sovereignty of the Europe and the prosperity of the economic area. The EU has already launched initiatives such as GAIA-X, the European cloud project, and there are elaborations around a digital euro as a Central Bank Digital Currency (CBDC) of Europe. GAIA-X will create an autonomous digital infrastructure for the digitalization of various sectors such as energy, transport, agriculture, health and finance. The digital euro as a sovereign digital currency with highest standards of transparency, security and legitimacy will be the answer to private cryptocurrencies and Stablecoins.

Europe reacts and becomes active

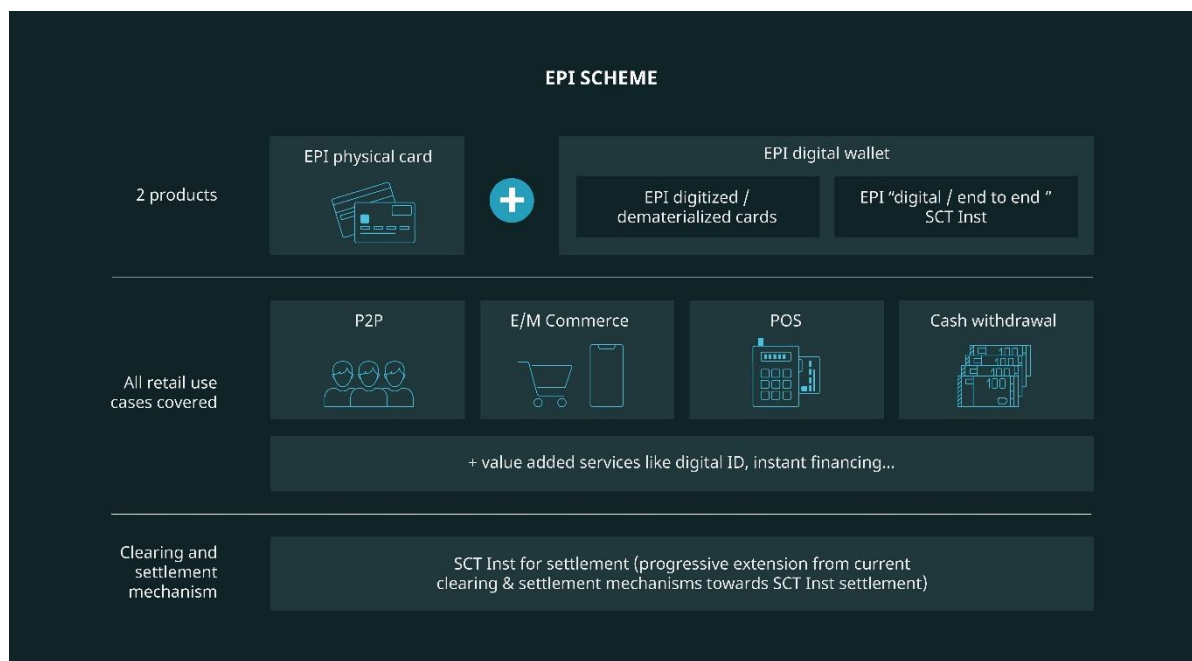
In parallel, major European banks have launched the European Payments Initiative (EPI) aiming at sovereignty in retail payments. Currently, 31 commercial banks as well as the two largest European payment service providers have joined forces in this initiative, supported also by the European Commission and the European Central Bank. EPI is the long overdue answer to the dominance of global payment giants: the goal is to create a payment solution

centered on European banks as an alternative to large global payment schemes and big digital corporations which are increasingly agitating the financial sector and security standards with their payment offers. In effect, the EPI would strengthen the competitiveness and resilience of the European banks in the retail payments space.

EPI has set itself the task of overcoming the fragmented European retail payment landscape with a coherent payment portfolio consisting of an EPI card, an EPI digital wallet and the necessary digital infrastructure, which is based on the European payment area SEPA adopted in 2014.

The advantages of EPI

The payment use cases that the EPI payment solution will support include paying by card or with the mobile phone instore at the POS-terminal, withdrawing cash from ATMs and conducting online transactions. There are also plans for fast Europe-wide peer-to-peer payments, which are currently mainly covered by Fintechs, if at all, in a fragmented way. Furthermore, instant payments will be supported, leveraging the already established European infrastructure of the SEPA Instant Credit Transfer (SCT Inst). Transfers are processed within a few seconds – almost in real time –, which increases the attractiveness of this payment option in various situations. At the same time, the EPI digital wallet could become a suitable platform for handling a future digital euro, even if the latter is not part of the EPI scope as of today.



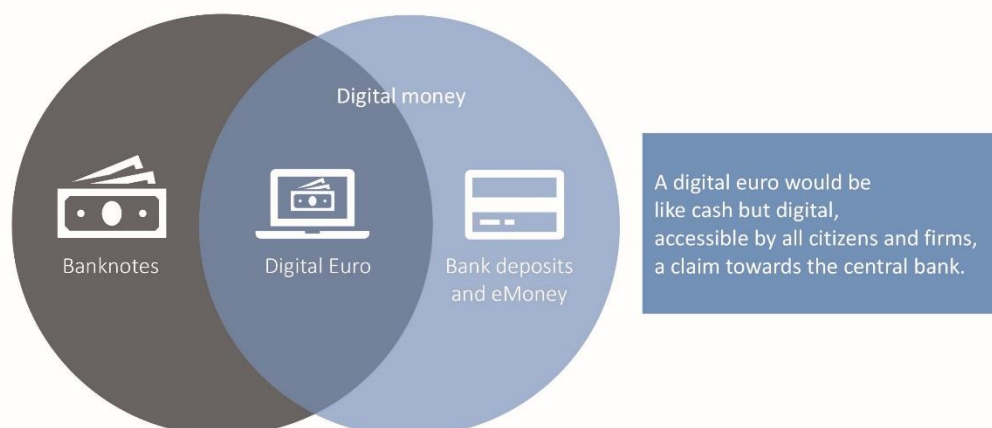
Unlike Big Tech companies in the retail finance and payments space, EPI does not and cannot link payment data with other customer data. EPI does not store personal histories of search engine queries, website visits or order transactions that could be merged, analyzed, and marketed with financial transaction data. Hence, when it comes to data protection, data integrity and data sovereignty, the European initiative has a significant advantage over many current alternatives. The increased security of financial transactions is an important argument for the acceptance of the EPI payment system in retail. In addition to the aforementioned transaction security, decisive success factors are convenient, uncomplicated processing and an attractive price and conditions model.

EPI and the digital euro

EPI and the digital euro are complementary, both aiming at strengthening the retail payments sovereignty of Europe. The EPI card, the digital wallet, and parts of the infrastructure behind them could become predestined channels for the digital euro, on which it can be circulated and “parked”. As a CBDC, the digital euro is the future, state-legitimized European digital version of cash and thus the secure alternative to cryptocurrencies and Stablecoins. Unlike these two, the digital euro would be neither a highly volatile speculative object nor based on a business model designed for profitability or opaque data-gathering.

Digital Euro What is In

Issued and guaranteed by the European system (ECB and national central banks)





A CDBC combines the advantages of cash with the speed and convenience of digital payment options, without leading users into dependencies and causing additional costs. It allows

people, businesses and organizations to pay each other, make purchases and carry out transactions anywhere, anytime. As a central bank currency, the indispensable parameters of privacy, sovereignty and data protection are guaranteed. Because it is issued by the respective central bank, a CBDC has a high degree of legitimacy, stability and trustworthiness.

Central Bank Digital Currencies are already in the project and test phase in many countries and economic areas. According to a study by the Bank for International Settlement from 2020, almost 80 percent of the world's central banks are working on CBDC projects. The Bank of England recently set up a task force, Sweden extended the test phase for its own CBDC just now, and China announced the introduction of the digital currency DCEP (Digital Currency Electronic Payment) for the Winter Olympics in February 2022. It is therefore even more important to get the digital euro off the ground quickly. The initial ignition for this has already taken place: The European Central Bank is currently evaluating the specifications of a digital euro to actively shape the framework conditions and rules of the future digital currency order.

Europe's need for EPI

Comparing from user perspective: → Different strengths

	I can see where my money went	I can make a payment that is anonymous	I can use my payment instrument to make a reservation	I can make payments completely offline	I can make online payments	I have no limitations on the amount I store and pay (*)
EPI European Payments Initiative	+	-	+	-	+	+
 (token-based approach)	-	+	-	+	+	-
 (cash)	-	+	-	+	-	-

Like GAIA-X and the digital euro, the EPI is not only a substantive alternative to the established global structures, but also a cultural counter-design. Instead of the dominance of a handful of private or state-controlled digital corporations, the European approach stands for the cooperation of stakeholders across Europe in the creation of an independent and secure common payment infrastructure that takes all interests into account. This is a



complex process, but the result is more acceptable, consensual and sustainable for all facets of society. To this end, EPI will bring together the best 'paytech' specialists and forward-looking companies of Europe, who have already proven their expertise not only in their home markets but also in global competition.

Hence the EPI has the potential to serve as yet another crystallization point of supreme innovation and creativity of Europe in building digital infrastructures. With the EPI card and digital wallet in the hands of millions of consumers across the continent, the initiative would provide the next, highly visible integration point for European citizens by showcasing European leadership for convenient and secure digital applications – “made in Europe”.