

# European Central Bank (ECB) update of the Regulation on payments statistics: summary of merits and costs

*The ECB has been compiling payments statistics since 2014 on the basis of ECB Regulation ECB/2013/43 (hereinafter referred to as “the Regulation”). In line with the normal practice to regularly review the ECB statistical regulations, the ECB has now completed a review of the existing requirements following a comprehensive merits and costs procedure (MCP) that was initiated in the autumn of 2017.<sup>1</sup> As a result of this review, a proposal has now been put forward for a substantial update of the Regulation. This update aims to enhance the statistical framework in order to take account of new payment services available in the market and related developments in European legislation<sup>2</sup>. This update also caters for a wider range of uses of payment statistics. The following is a summary of the euro area results for the MCP in line with the ECB’s commitment to transparency<sup>3</sup> in developing regulations on statistics.*

## Background

Payment systems play a pivotal role in any modern economy. They facilitate the flow of money within the economy and have a significant bearing on the efficiency and stability of financial markets. With a view to enhancing transparency of these systems and in order to support the integration within the market for European payment services, since 2000 the ECB has been collecting and publishing comprehensive annual statistics that cover cashless payments and payment systems in the European Union (EU) Member States<sup>4</sup>. Since 2014, these statistics have been based on the regular collection of harmonised data from payment service providers (PSPs) within the scope of the Regulation.

Since the Regulation was first adopted, there have been a number of changes in the payments landscape both in Europe and globally that needed to be reflected in the update of the Regulation. The integration of payments in euro through the single

<sup>1</sup> See: [“The ECB’s merits and costs procedure in the field of European statistics”](#).

<sup>2</sup> [Directive \(EU\) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market \(PSD2\)](#) was updated to include new payment services and to provide for the authorisation of new types of payment institutions providing those services, while at the same time introducing measures to enhance the security of electronic payments. Additionally, the new definition of cross-border card payments provided in the [Interchange Fee Regulation \(Regulation \(EU\) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions\) \(IFR\)](#) introduced, inter alia, changes in the reporting regime of those payments.

<sup>3</sup> See: [“Transparency in developing new ECB regulations on European statistics”](#).

<sup>4</sup> Monthly data are also published on TARGET and other large value payment systems (LVPS) and on cross-border collateral in Eurosystem credit operations.

euro payments area (SEPA), the entry into the market of new service providers and innovations and new payment solutions, such as digital wallets, contactless and mobile payments were all issues considered carefully in the process of updating the Regulation. Additionally, the aim has been to serve all uses of payment statistics with a single Regulation, including that of better monitoring of cross-border trade. In updating the Regulation, relevant changes to the EU legislation have also been taken into account, in particular the [amendment to the Payment Services Directive EU 2015/2366 \(hereinafter referred to as PSD2\)](#).

The Regulation's proposed wider scope is to cover data on fraudulent payment transactions, which are needed for the ECB's oversight function. PSPs are already required to report statistics on fraudulent payments to their national competent authorities for supervisory purposes on the basis of European Banking Authority (EBA) Guidelines. In order to avoid duplicate reporting of statistics on fraudulent payment transactions under the EBA Guidelines and the updated Regulation, the methodological alignment of these two legal frameworks has been a high priority. Such an alignment would facilitate a single reporting of these statistics to the respective national authorities (for both oversight and supervisory purposes).

## 1 [Assessing the new user requirements](#)

In September 2017, responding to the emergence of the new requirements, the Statistics Committee of the European System of Central Banks (ESCB) initiated a merits and costs procedure in order to update the Regulation on payments statistics. As a first step, a fact-finding exercise was launched in early 2018 that assessed both the feasibility of reporting the requested statistics and the methodological aspects of the future reporting requirements. During the fact-finding, the following issues were considered:

- **New products and services:** The fact-finding exercise assessed the feasibility of reporting statistics on digital wallets, mobile peer-to-peer/customer-to-business (P2P/C2B) payment solutions, payments initiated at automated teller machines (ATMs) and point of sale (POS) terminals, e-commerce payments, payments initiated by payment initiation service providers (PISPs)<sup>5</sup>, services provided by account information service providers (AISPs), payments using cards provided by card-based payment instrument issuers<sup>6</sup>, and instant payments. The fact-finding exercise made it clear that statistics on new payment products and services needed to be reported and that each of these new reporting requirements should be clearly explained in order to ensure adequate reporting.

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<sup>5</sup> Payment initiation service providers can initiate payments on behalf of the payer; however, the payer could otherwise initiate a credit transfer or card payment, while a payee could initiate a cheque or direct debit payment.

<sup>6</sup> A card-based payment instrument issuer is a payment service provider that issues and executes card-based payments but does not manage the account of the payment service user.

- **New items arising out of developments in EU legislation:** PSD2 defines two new types of payment services: payment initiation services and account information services<sup>7</sup>. The fact-finding exercise assessed which PSPs should report either of these services. Additionally, the charges to retailers for processing card payments are subject to new limits under the [Interchange Fee Regulation \(EU\) 2015/751 \(hereinafter referred to as IFR\)](#). This Regulation also redefined the concept of a cross-border card payment. The feasibility of reporting statistics to take account of these changes was assessed and it was established that it would be feasible to report them.
- **Fraud statistics and other breakdowns for oversight of payment instruments:** The security of retail payments has become an important issue for the proper functioning of a pan-European payment system. The feasibility of reporting statistics on fraudulent payment transactions and on measures to protect payment service users from fraud in order to serve the ECB's oversight function was also assessed. It covered authentication methods and the means used to commit payment fraud as well as the means by which a payer's payment credentials might be compromised. It was also assessed whether it would be feasible to report who bears the loss when fraud was committed. Furthermore, the feasibility of reporting payments and fraudulent payments separately for each payment scheme was assessed.

While the fact-finding showed that reporting statistics on fraudulent payments would be less straightforward than reporting payment statistics, it was also clear from the responses that most of the requested statistics could be reported. One of the issues identified, however, was the timing of the reporting of these statistics, as fraud might not become apparent until sometime after a payment is made.

- **More frequent card statistics with enhanced timeliness:** In order to use payments statistics to support the monitoring of cross-border trade, a global geographical breakdown would be required along with a breakdown of payment beneficiaries by business sector. These statistics required enhanced timeliness and increased frequency and a number of options were assessed. In addition, for the forecasting of gross domestic product (GDP), the feasibility of reporting aggregate series on a monthly basis with timeliness of 7 or 15-20 calendar days was assessed. The main conclusion of the fact-finding was that some breakdowns may be difficult to report with sufficient quality at high frequency and with increased timeliness.
- **Matters requiring clarification:** The opportunity was taken to address difficulties with reporting some items (e.g. card payments reported by the issuing institution and by the acquiring institution) under the current Regulation

<sup>7</sup> "Payment initiation service" means a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider. "Account information service" means an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment service provider. The institutions that host these payment accounts are also known as "account servicing payment service providers".

(ECB/2013/43). At the same time, the feasibility of reporting geographical breakdowns based on the European Economic Area, as opposed to an EU basis, was assessed. The conclusion was that it would be possible for these items to be reported.

- **Reference data on new types of payment institutions in RIAD:** The ECB's Register of Institutions and Affiliates Database (RIAD) should include, inter alia, an up-to-date list of payments statistics of relevant institutions. The new PSPs introduced by PSD2 would have to be included in that list. The feasibility of including those institutions was assessed. The outcome was that it would be possible to include the relevant reference data in RIAD.
- **The treatment of data currently required by the Guideline on monetary and financial statistics (ECB/2014/15):** The opportunity was taken to assess whether national retail payments markets had developed so that some statistics that are currently only reported when available could now be included in the items that reporting agents would be required to report under the revised Regulation (e.g. over-the-counter cash withdrawals and deposits). The fact-finding exercise concluded that all requirements currently included in the Guideline could now be part of the updated Regulation with the exception of transactions via telecommunication, digital or IT devices, which are no longer considered payment services under the payment services framework.

The outcome of the fact-finding exercise was key in developing the initial proposals for enhancing the statistical requirements contained in the Regulation. This formed the basis for the subsequent cost assessment. In order to measure the costs of implementing these requirements, a questionnaire was addressed to the national central banks (NCBs) and reporting agents that would participate in the cost assessment in accordance with national practices.

## 2 Assessment of costs and merits

A **cost assessment** was conducted by the NCBs, which liaised closely with the reporting agents.<sup>8</sup> The cost assessment comprised both the set-up costs associated with the storing and processing of data within the reporting institution and the recurrent costs of reporting. The costs of implementing the requirements related to fraud were part of the cost assessment, despite the fact that fraud data are to be collected and reported to the ECB and the EBA under PSD2 even in the absence of the Regulation.

The main cost drivers were similar across countries:

- **Level of detail:** The large increase in the volume of data to be reported was one of the cost drivers, but only in cases where the additional data were not already available in the reporting systems of the PSPs for other purposes.

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<sup>8</sup> The cost of the potential reporting requirements was assessed on a scale from 1 (low cost) to 5 (very high cost) separately for each requirement and in different combinations.

Thus, the increase in the number of breakdowns related to new payment services and the need for sectoral data (the Merchant Category Codes (MCC)) were considered costly by some reporting agents. On the other hand, the extension of the geographical coverage for some items has also led to a considerable increase in the reporting scope, but the breakdown of the information by country did not seem to be among the main cost drivers.

- **Timeliness:** Reporting monthly data to support GDP forecasting 7 or 15-20 calendar days after the end of the reference period was assessed to be very costly.
- **Frequency:** The costs of reporting fraud statistics were assessed separately for a semi-annual frequency and for a quarterly frequency. For the statistics for monitoring cross-border trade, annual, quarterly and monthly reporting frequencies were individually costed. For data collected for the purposes of GDP forecasting, the cost of monthly reporting was assessed. Reporting at monthly frequency was generally identified as a significant cost driver. The existence of multiple requirements at both monthly and quarterly frequencies was itself a cost driver, resulting in different, overlapping rounds of production.

Regarding the reporting of fraud data specifically, the costs stem from the fact that such data might come from different sources and at different times, which presents greater difficulties in terms of gathering and storage.

After the cost estimation, a **merits assessment**<sup>9</sup> has been conducted by users to evaluate the extent to which the collection of new statistics would contribute to the fulfilment of the tasks of the ESCB.<sup>10</sup> While the cost assessment is purely numerical, the merits assessment entails both a numerical and a qualitative assessment. Users were also asked to take note of the costs and reassess their requirements in order to minimise the costs for reporting agents.

Following this, a **matching of merits and costs** regarding the collection of new statistics on payments was the final step taken before drafting the updated Regulation. In this phase, some proposed breakdowns and detailed requirements of the original proposal were removed as they were considered to be overly costly in relation to the associated merits, including some breakdowns on fraudulent payments.<sup>11</sup> Additionally, the MCC are to be reported only when already available to the reporting agents. However, the ECB encourages reporting agents to ensure future collection and reporting of these codes in case they are currently not available.

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<sup>9</sup> Merits provided by ESCB committees (the Market Infrastructure and Payments Committee, the Monetary Policy Committee, the Financial Stability Committee, the Market Operations Committee, the European Systemic Risk Board's Advisory Technical Committee, the Banknote Committee and the Statistics Committee), the European Commission (Eurostat), the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA).

<sup>10</sup> The tasks of the ESCB are described in Article 3 of Protocol (No 4) on the Statute of the European System of Central Banks and of the European Central Bank, which is available on the [ECB's website](#).

<sup>11</sup> The attributes "Payer acted fraudulently" and "MOTO" were removed because of their perceived high cost, despite their relatively high analytical value. The level of detail was considerably reduced.

Steps were also taken to reduce the frequency and relax the time schedule of reporting to what is strictly necessary. As a result, statistics on fraudulent payments are to be reported semi-annually with timeliness of 5 months while statistics for monitoring cross-border trade and headline payment statistics are requested on a quarterly basis and with two months' timeliness. No monthly collection of statistics is proposed in the updated Regulation. Nonetheless, reporting agents benefiting from a derogation are to report a reduced set of data annually.

The matching of merits and costs was approved by the ESCB's Statistics Committee in July 2019, which paved the way for the updated Regulation now under public consultation.

### 3 The ECB's interaction with reporting agents and supervisory authorities

The banking industry was closely involved in the development of the proposal for the matching of merits and costs. At the national level, during the assessment of costs some NCBs contacted either the principal national payments associations in the country or the national supervisory authority. These institutions were invited to share the cost assessment questionnaire with their members or supervised entities, as appropriate. Other NCBs contacted a sample of key reporting agents. Additionally, the ESCB's Statistics Committee exchanged views on methodological issues with representatives of the European Banking Federation.

In particular, during the annual dialogue meetings of the ESCB's Statistics Committee, representatives of the industry had the opportunity to express their concerns and suggestions on the new reporting statistics that were requested to achieve an efficient and future-proof legislative proposal on payment statistics.<sup>12</sup> This is of particular importance considering the rapid development of retail payments markets. The EBA supported the process to update the Regulation, formally through the user consultation and merits assessment and practically with EBA staff acting as observers in the respective ESCB Task Force on Payments Statistics. This Task Force focused in particular on the methodological alignment of the ECB and EBA requirements on fraudulent payment transactions to minimise the reporting burden and advance the coherence of supervisory and oversight information on payments.

As a final step of this extensive consultation, the public consultation on the draft Regulation has been launched, with a deadline of 9 April 2020.

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<sup>12</sup> These meetings were held on 16 March 2018 and 15 March 2019 as part of the regular dialogue with banking industry on ESCB statistics.

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