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[Yves Mersch: Innovation and digitalisation in payment services](#)

Speech by Yves Mersch, Member of the Executive Board of the ECB, at the Second Annual Conference on “Fintech and Digital Innovation: Regulation at the European level and beyond”, Brussels, 27 February 2018

The payments industry is currently experiencing considerable transformation driven by innovation. I welcome such innovation as it will increase both efficiency and competitiveness, and this will ultimately benefit society. We are seeing the emergence of new players, new channels to access payment services and new means of payment, all of which will significantly change the payments market. These developments are largely driven by digitalisation and the opportunities it brings. But there are also challenges, some of which I will explore here today.

Opportunities

One of the objectives of the revised Payment Services Directive (PSD2) is to foster innovation and enhance competition. We are already seeing numerous innovative solutions that make use of the opportunities created by PSD2, including services such as payment initiation services (PIS) or account information services (AIS). These were initially provided by new entrants to the market or fintech companies, but I understand that some banks are also preparing to provide these services and become third-party providers (TPPs) themselves. There are opportunities here for all players; each institution must find the right business model and strategy to be competitive in providing these services, an approach which will benefit their customers.

In order to provide PIS and AIS, a third-party provider will need access to the relevant information from banks, and this will need to be communicated securely, via an adapted customer interface or via a dedicated interface.

While access via the former is possible in principle, it would create fragmentation, as providers would have to develop and maintain a huge number of connections to all the different banks they communicate with. The plethora of technical solutions required would be an obstacle for new entrants. I therefore reiterate that only a dedicated and standardised technical interface – an application programming interface, or API – constitutes an efficient access solution that serves the needs of an integrated European payments market. I also believe that there should only be one – or at most a few – technical API specifications so that competition takes place at the service level and not at the technical specification level. We need to ensure that innovative services are built on harmonised and standardised technical foundations so that they can be made available across Europe.

Let me add some more general remarks in this context. We are in the process of building Europe's financial market infrastructure for tomorrow. Building it on individual or national solutions is anachronistic as these will no longer meet the needs of the market. Europeans demand services that are safe and efficient and give them pan-European access. We therefore need to apply common standards that work on a pan-European basis. The same principle was agreed when we built the Single Euro Payments Area – SEPA – and that is why SEPA uses the global standard ISO 20022. The Eurosystem also uses this standard for the infrastructures it operates – be it T2S^[1] or TIPS^[2], as well as upgrades to TARGET2 or its new collateral management system. Looking at the digital transformation and innovation under way, I urge all market participants to plan their investments based on common and future-oriented standards that ensure pan-European accessibility.

The regulatory level playing field

In order to increase competition in the area of payments, EU legislators introduced “payment institutions”, a new category of payment service providers, in the first Payment Services Directive. These institutions are allowed to provide payment services, and PSD2 states that PIS and AIS fall under the definition of payment services. Providers of such services have to be duly authorised and supervised.

I heard from some bankers occasionally that there was an issue of level playing field between new TPP entrants and incumbent banks. TPPs, they claim, face a lighter regulatory regime than do banks. In this context, let me just say that PSD2 as well as banking legislation govern the respective activities and that an institutional licence is required to conduct them, which implies that the entities will be supervised in line with the risks involved. Payment institutions are only allowed to provide a limited set of services, i.e. payment services. They are not allowed to take deposits and are only allowed to hold funds for the provision of payments. Credit institutions, by contrast, have a much wider scope of activities than payment institutions; they can engage in the whole spectrum of banking activities, including the holding of deposits and the granting of loans. Thus, while banks and payment institutions are indeed subject to different authorisation and supervisory criteria, this does not per se mean that there is an unlevel playing field. I have the feeling that those bankers who complain about the playing field

forget that some of their colleagues in the bank perform activities that go far beyond the provision of payment services. So I believe that there is indeed a level playing field and that the legislator has taken into consideration a risk-based approach.

Another request I sometimes hear is for regulatory sandboxes for fintechs. This is an area where, I would suggest, we exercise caution. It raises a lot of questions – where to start and where to stop, who to involve (or not) and which activities to include – to name just a few of the challenges. I'm not sure we have the right answers yet, but this is ultimately a matter for the legislators.

Challenges

Before concluding, I would like to mention cyber risks and the challenges of digitalisation. A virtue of central bankers is that they are, by nature, worried about risks and security. And one concern that is very closely linked to innovation and digitalisation is that of cyber risks. Increasing digitalisation exposes the entire ecosystem to increased cyber risks because of a greater reliance on the internet and thus a broader attack surface, which can be exploited by hackers using increasingly sophisticated techniques. As a result, financial market actors and infrastructures become susceptible to cyberattacks. Central banks and other authorities have identified those risks and issued guidance in that respect. The G7 published its “Fundamental elements of cybersecurity for the financial sector” and the CPMI/IOSCO issued its “Guidance on cyber resilience for financial market infrastructures” – to name just the most important publications. I strongly encourage all market players to consider cyber risks as critical to their institution and to draw up a fully fledged cyber strategy and response plan.

Conclusion

Innovation and digitalisation in payment services will significantly change the payments market. They offer opportunities for efficiency gains and improve the competitiveness of actors that embrace them. The legislative framework established by PSD2 supports such innovation and enhances competition. It offers a legislative basis for a level playing field between new entrant TPPs (fintechs) and incumbent banks. Regulatory requirements for TPPs and banks obviously differ but so does the spectrum of services that they provide and the level of risk that they encounter and need to protect against. I welcome if both fintech TPPs and banks were to make use of the opportunities granted by law and to compete for the most innovative and efficient provision of payment initiation services and account information services. They should build their services on common technical standards with a pan-European reach to benefit their customers and the European citizens in general. But they should pay careful attention to the cyber risks that accompany digitalisation and prepare their cyber strategies thoroughly.

Press release: UK Public Health Rapid Support Team deploys to Nigeria

The UK Public Health Rapid Support Team (UK-PHRST), a joint run effort of Public Health England and the London School of Hygiene & Tropical Medicine, is deploying to Nigeria to help control an outbreak of Lassa fever.

Nigeria is currently experiencing an unusually severe epidemic of Lassa fever – a viral haemorrhagic illness that is normally present in the country but on a lower scale. The outbreak is most prevalent in the southern Nigerian states of Edo, Ondo and Ebonyi.

Given the size of the current outbreak and the risk of further spread locally, the government of Nigeria has requested support from the UK-PHRST team.

The UK-PHRST team deployment includes an expert in patient management, 2 epidemiologists (experts in tracking outbreaks) and a logistician.

The UK-PHRST will provide technical and analytical support for the public health response to control this outbreak, and will also assist with important research on Lassa fever that can provide insight for controlling the disease in the future.

The team will be working alongside the Nigerian Centre for Disease Control, the World Health Organisation (WHO), and other experts in outbreak control to support the Nigerian government's response.

Professor Daniel Bausch, Director of the UK-PHRST said:

The Lassa fever situation in Nigeria has been worsening and now requires an escalated level of response in order to help the Nigerian government slow transmission and save lives.

We are proud to be assisting the government of Nigeria by offering specialist support that will benefit the country both in the immediate and long term.

Public Health Minister Steve Brine MP, said:

Viruses like Lassa fever do not respect borders – and it is only right that we share our expertise with countries facing serious outbreaks around the world.

Our invaluable Rapid Support Team will provide help on the ground in Nigeria to manage the spread of the virus, and grow the country's ability to protect itself from other dangerous diseases.

Humans usually become infected with Lassa virus from exposure to urine or faeces of infected rodents that are unique to Africa. The virus may also be spread between humans through direct contact with the blood, urine, faeces, or other bodily secretions of an infected person, though this tends to be less common. Typical symptoms include fever, sore throat, headache, abdominal pain and diarrhoea, with bleeding and shock in severe cases. The public health risk to the UK is low.

The UK-PHRST is funded by the UK government. It continually monitors infectious diseases and other hazards globally, identifying situations where the deployment of specialist expertise could prevent these threats from turning into a global outbreak. It also conducts outbreak-related research and focuses on building in-country capacity to prevent outbreaks with overseas partners.

Background

For latest case numbers of Lassa fever in Nigeria, please refer to the [Nigeria Centre for Disease Control's weekly reports](#).

UK-PHRST

UK-PHRST consists of public health experts, scientists, academics and clinicians ready to respond to urgent requests from countries around the world within 48 hours to support them in preventing local disease outbreaks from becoming global epidemics.

Informed by surveillance data, the UK-PHRST deploys on behalf of UK government in response to requests from low- and middle-income countries, as well as with the WHO and the Global Outbreak Alert and Response Network (GOARN).

The UK-PHRST has previously deployed members to Ethiopia (outbreak of acute watery diarrhoea), Nigeria (meningitis outbreak), Sierra Leone (water-borne disease/cholera risk), Madagascar (plague outbreak) and Bangladesh (diphtheria outbreak).

The core team consists of:

- epidemiologists (experts in tracking and understanding disease transmission)
- microbiologists (diagnosing the cause of an outbreak)
- clinical researchers (developing the best patient management practices)
- social scientists (community engagement during outbreaks)
- data scientists (managing data and modelling outbreak trajectories)
- infection prevention and control experts (advising on preventing transmission)
- logisticians

The UK-PHRST consortium of research institutions includes the University of Oxford and King's College London as academic partners.

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London School of Hygiene & Tropical Medicine

The [London School of Hygiene & Tropical Medicine](#) is a world-leading centre for research and postgraduate education in public and global health, with more than 4,000 students and 1,000 staff working in over 100 countries. The school is one of the highest-rated research institutions in the UK, is among the world's leading schools in public and global health, and was named University of the Year in the Times Higher Education Awards 2016. Our mission is to improve health and health equity in the UK and worldwide; working in partnership to achieve excellence in public and global health research, education and translation of knowledge into policy and practice.

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[Appeal for information on missing man in Kowloon City \(with photo\)](#)

Police today (February 27) appealed to the public for information on a man who went missing in Kowloon City.

Lui Wai, aged 77, went missing after he left an elderly home on Pau Chung Street yesterday (February 26) morning. Staff of the elderly home made a report to Police on the same day.

He is about 1.6 metres tall, 59 kilograms in weight and of thin build. He has a square face with yellow complexion and short grey hair. He was last seen wearing a grey and black jacket, white trousers with floral pattern and deep blue slippers.

Anyone who knows the whereabouts of the missing man or may have seen him is urged to contact the Regional Missing Person Unit of Kowloon West on 3661 8038 or 9020 6542, or email to rmpu-kw-2@police.gov.hk, or contact any police station.



[News story: Defence Minister hosts Polish counterpart at Allied Rapid Reaction Corps](#)

Following Mr Lancaster's visit to Poland in August 2017, the Polish Under Secretary of State has been in the UK for a two-day visit to discuss plans for the continued close defence relationship between the two countries.

The pair visited the UK's leading contribution to NATO, the Allied Rapid Reaction Corps. The high readiness force staff includes two Polish nationals, as well as UK nationals and personnel from 21 NATO countries.

Minister for the Armed Forces Mark Lancaster said:

Our defence cooperation with Poland continues to go from strength to strength. We recently signed a defence treaty together, only the second such treaty the UK has signed with another EU country,

signifying the importance of our relationship. We remain entirely committed to the security of our friends in Europe.

We are allies together in NATO and this visit has shown how our troops work side by side within the alliance to protect our interests.

The UK has deployed 150 military personnel to Poland as part of NATO's Enhance Forward Presence (eFP) in the region. [Defence Secretary Gavin Williamson visited these troops in December.](#)

As well as visiting the UK's leading NATO high-readiness headquarters, the Defence Minister and his Polish counterpart commemorated veterans at the Polish War Memorial and witnessed a Ground Based Air Defence demonstration at Salisbury Plain. They also held a series of bilateral talks following on from the successful signing of the [new defence treaty in December.](#)