

Terms of Reference for the Working Group on Cryptotechnologies and Smart Payments

Background and context

The European payments industry has rapidly evolved in recent years. Advances in technology have pushed the industry to explore new challenges and opportunities to respond to customer expectations. These drivers paired with the intervention of regulators to foster competition, consumer protection and innovation paved the way for the emergence of new initiatives in the payment ecosystem such as instant payments and open banking.

While each of these changes is important in their own right, the combination of faster transfers, rich data, and increased process automation points to a larger shift that is altering customer payment experience.

Increased process automation in the financial sector, coupled with the rise of new technologies such as distributed ledger technology ('DLT') and artificial intelligence ('AI'), are moving society in a direction where autonomous devices increasingly interact with each other without manual intervention. In the sphere of payments and banking, this trend (often referred to as the 'Internet of Things' or 'IoT') will require financial institutions to develop mechanisms that enable automated, instant payments including small value online payments or micropayments. Today's banking infrastructure is evolving to adapt to the growing 'smart economy', and European banks are assessing new strategies to transform their IT and business models to embrace this change.

Following the successful publication of the EBA Cryptotechnologies Working Group's ('CWG') reports on trade finance, international payments, security and identity issues, and regulatory technologies ('RegTech'), the EBA Board decided to extend the CWG's mandate to explore how financial infrastructures should evolve to enable secure and flexible ecosystems for smart payments and the Internet of Things.

Activities to be undertaken

By exploring the world of smart payments, the EBA can build on the progress of the CWG and help its member institutions define an approach to leverage emerging technologies to transform themselves into digital players in the 'smart economy'. Achieving this will require an understanding of the elements that a smart payments landscape would need to have to make it work, including:

- Infrastructure
- Standards
- Cryptographic security
- Identity
- Access
- Currency

By collaboratively exploring these topics and defining the mechanisms and needs for banks to enable a 'smart economy', the EBA can make a significant contribution to thought leadership on the topic of smart payments, an area that has been underexplored in recent years. By bringing together EBA members to learn about and

explore the opportunities of smart payments, the EBA Cryptotechnologies and Smart Payments Working Group ('CSPWG') can make a forward-looking contribution to payments in an era where financial institutions are challenged to meet customers' expectations and stay relevant in the digital economy.

The goal of this engagement is the publication of an information paper on how banks can prepare for and benefit from cryptotechnology-enabled smart payments to be delivered at EBAday in June 2019.

Communication activities

The objective will be to help EBA members understand the needs, challenges, and opportunities of the move towards smart payments and share conclusions with a wider audience at EBAday and other EBA educational and networking activities. By doing so, the CSPWG aims to significantly contribute to the wider industry discussion on smart payments and help developing a forward-looking approach to the topic that can be used by financial institutions and other stakeholders in Europe and beyond.

Composition and organisation

The number of working group members should number circa 30.

Members of the CSPWG are the members of the former subgroup of the Open Banking Working Group or members designated by the Board of the EBA among existing Board members as well as representative delegates and industry experts at the level of EBA members and Associate members.

The CSPWG will be chaired by an EBA Board member and facilitated by EBA staff with the support of other resources as are required and approved by the Board.

Frequency and duration

The CSPWG will come into existence for an initial six-month period which might be extended as further deliverables are approved by the Board. The CSPWG will interact mainly through conference call facilities.