

Future of cash after COVID

ESTA WEBINAR

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Secretary General

Visa Position Paper

Contactless limits & SCA readiness
in COVID-19 context

March 2020

1. Introduction

In order to limit the transmission of COVID-19, Visa is seeing increased interest from markets and individual clients to increase contactless limits across Europe to facilitate consumers' ability to make card or mobile payments more easily and securely without having to enter their PIN. Visa is committed to working with clients, local governments and regulators to support any

Introduction

We strongly support the actions taken by European regulators to combat the Covid-19 pandemic. We are fully committed to assist all regulators in this crucial battle.

In particular, we welcome the European Banking Authority's [recommendation](#) to increase the authentication limit to EUR 50 per contactless transaction and the actions taken by national regulators in this respect.

We call upon European regulators to recommend also an increased cumulative limit for contactless transactions. This would enable more transactions to take place without physical contact and therefore limit virus spreading.

Furthermore, we ask the European regulators to consider

Contactless limits virus spreading

Using cash is extremely risky. Handling and exchanging cash help virus spreading. The virus may survive several days on paper money. During this period, the same banknotes and coins

Contactless is safest payment method. Contactless payments help limit virus spreading by ensuring social distancing. The cashier does not touch the card. The cardholder does not need to touch the cashier.

Both Visa and MC beg the EU for the exact same things:

1) Increase contactless cumulative threshold from €150 to €250

As a consequence of the above, we would also support raising the cumulative threshold for contactless transactions from €150 to €250 before SCA is required. This would allow consumers to make more contactless transactions, as long as no single transaction is above €50, while maintaining the same level of security of payments. (Source: Visa)

2) Increase to allow any number of transactions within the threshold (currently limited to 5)

In particular, we call upon regulators to recommend a cumulative limit of EUR 250, using the flexibility provided by the EBA's [Q&A](#) regardless of the number of transactions, under the current exceptional circumstances and for the duration of the pandemic.

(Source: MasterCard)

Extension to security commitments deadlines



mastercard

Extension for transition to SCA

For the above reasons, we believe an extension of the current December 31, 2020 deadline for transition to SCA is necessary. The most impacted industry stakeholders would welcome and well receive such an extension.

Both companies beg financial authorities for additional time to migrate to Strong Customer Authentication (SCA) for contactless. In other words:

“Increase the limit now, and the security of payments later”

Security gap through the card contactless facility

Contactless card transactions have low fraud rates

Source: Visa

Contactless cards experience among the lowest fraud rates of any type of payment. In countries where contactless payments are used widely, fraud at the point of sale has remained at historic lows, typically less than 2 basis points. At the same time, from experiences in other countries where the contactless limit has been raised significantly, we have also seen a significant shift in the volume of transactions from contact to contactless without any increase in contactless fraud rates.

Contactless is safest payment method. Contactless is spreading by ensuring social distancing. The cashier uses the card. The cardholder does not need to touch the card.

(Source: MasterCard)

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Outsmarting the PIN code

01.09.2020 | News
By: Felix Würsten | 2 Comments

A PIN code is usually required at the checkout when paying large sums by credit card. ETH researchers have now discovered a flaw in the security system of some credit cards.



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Card present transactions are already very secure. Their fraud level is about 1 bp and constantly decreasing.

Source: MasterCard Position paper, 15.04.2020

- Card-present fraud (POS terminals) went up by +3.6%
- Card fraud grows twice faster than card transactions:
 - Value: Card fraud +13% vs card transactions + 6.5%
 - Volume: Card fraud + 25.1% vs card transactions + 11.3%.
- Card-Not-Present much less secure: 80% of the fraud

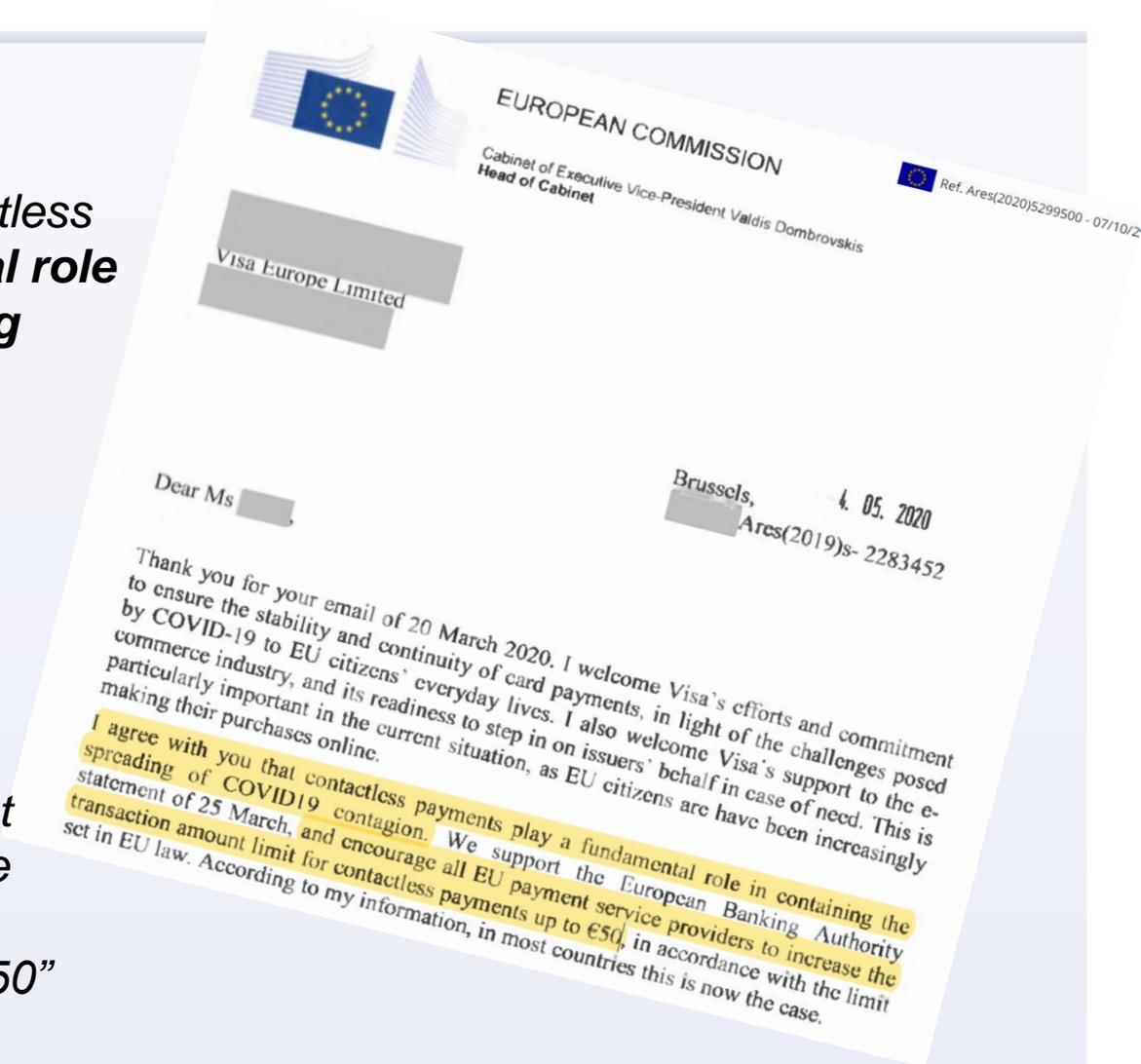
(Source: ECB, 6th report on card fraud*, all figures are 2018 vs 2017)

Commission's response

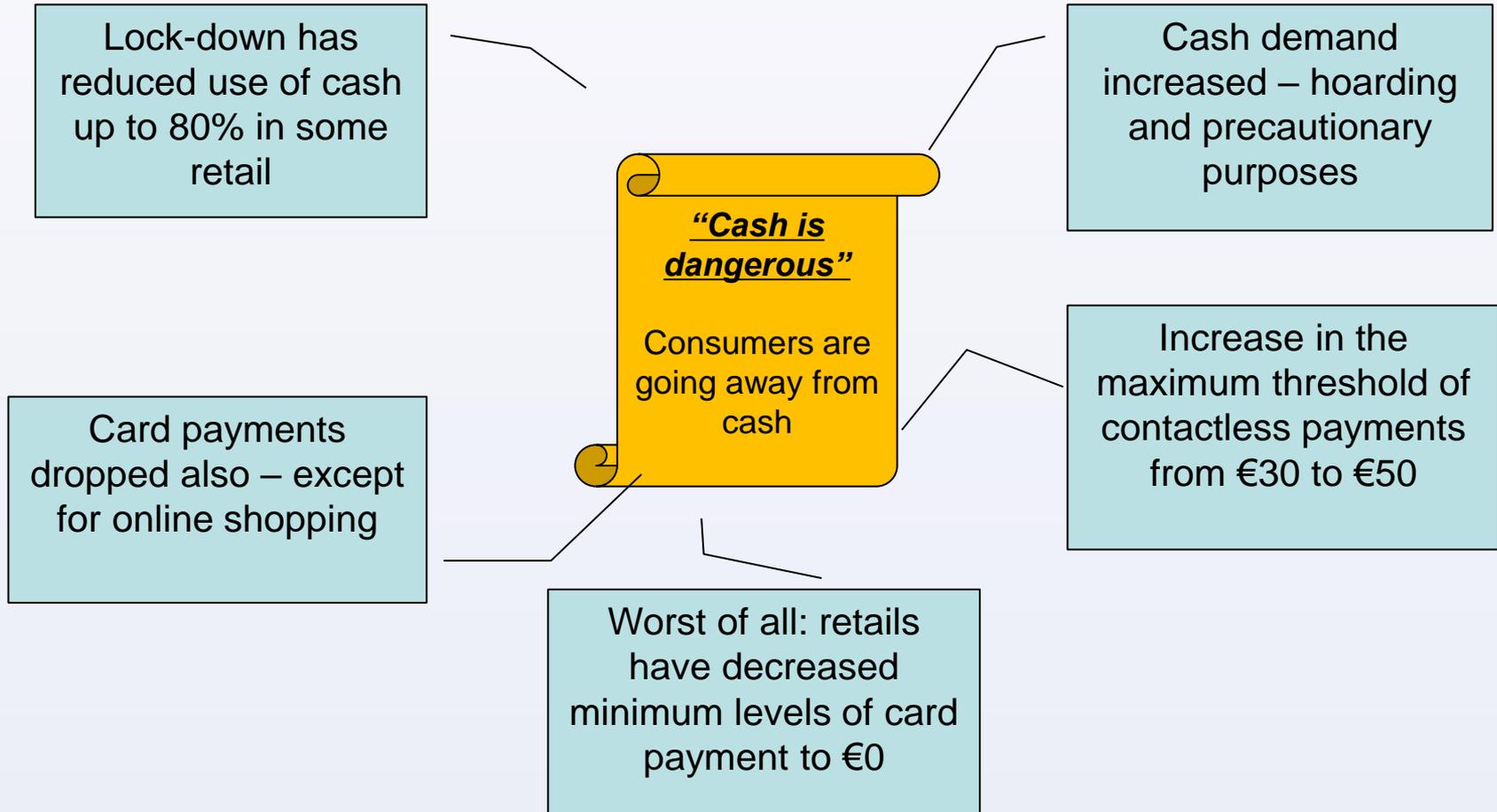
*"I agree with you that contactless payment play a **fundamental role** In containing the spreading of Covid19 contagion"*

"

We encourage all EU payment services providers to increase the transaction limit for contactless payments up to €50"



COVID: worth 10 years of war on cash



New payment habits gained during the sanitary crisis will no go away easily

- EUCJ is ruling on legal (Joint Cases C-422/19 and C-423/19)
- Opinion of the Advocate General released on 29 September 2020:
 - Legal tender of cash is a primary law provision
 - Cash is “the means of payment by default, it **must be accepted**” unless:
 - a. otherwise agreed independently by the parties, or
 - b. unless otherwise provided by regulation restricting its use as a means of payment for *public reasons*

- **Public reasons:** essentially three (fight against terrorism, crime and tax fraud, and related money laundering)
- **Weak legal basis:** a *recital* of the regulation 974/98 on the introduction of the euro...: "limitations on payments in cash for public reasons are not incompatible with the status of legal tender"
- Some contest the argument, as the regulation only applies to the passover period to the euro, not after.

- Second motive: contractual freedom, or “*private reasons*”
- **No legal basis** provided by the AG
- No clear distinctions between “public” and “private reasons” in his analysis.
- ESTA disagrees: it is not up to anyone to decide whether legal tender of cash is enforced (or not)
- **Legal tender implies legal certainty of acceptance**

- AG states that the EU has not ruled out that non physical forms of currency might have legal tender
- AG of the view that right to pay in cash is “subjective “ if there are other “lawful means of payments” available.
- ESTA disagrees. Legal tender implies a full backing of money by central banks; however:
 - Scriptural money : possibly eroded by negative interest rates
 - Subject to “hair cuts” under the EU deposits guarantee scheme of €100.000 max

- AG states that any law banning cash altogether in law or *in fact* would be incompatible with EU
- “Contractual agreement” (“*cash not accepted here*”) allows market forces to phase out cash
- No derogation to legal tender should therefore be allowed on such grounds

Legal tender must mean an *obligation* to accept cash as a payment

Thank you !