

## EBF Written Feedback to ERPB Engagement on Digital Euro Fit in the Payment Ecosystem End-user deep dive (merchants & consumers)

28 April 2025

### EBF general remark:

The following comments are to be considered on top of the extensive written feedback EBF provided to the three themes under the 'Fit in the payment ecosystem' workstream focused on intermediaries, i.e. Competition, Synergies and Business Model. They do not replace those comments but provide some additional feedback on the end-user deep dive from the perspective of intermediaries.

### Merchant value drivers

Theme	Item	Value driver	Rationale
Competition	#1	<b>Better negotiation position for merchants vis-à-vis incumbents (ICSs)</b>	In the two-sided retail payments market, which is characterised by strong network effects, where the value for each group increases as more participants join the other side, new market entrants will have difficulties competing with incumbents that have established wide networks. The digital euro that will be distributed by consumers' banks and accepted by merchants by way of its legal tender status, will create a viable alternative for merchants, aiming to re-balance merchants' negotiation capabilities.
<b>EBF feedback on the value driver and its impact</b>			
The EBF considers that the digital euro requires an easy and non-complex fee structure. At the moment, the digital euro creates pressure on existing solutions whereas it needs to be ensured that competition is still possible (no race to the bottom) and that there will be a viable business case for PSPs.			

Theme	Item	Value driver	Rationale
<b>Synergies</b>	<b>#2</b>	<b>Minimising implementation efforts through standardisation</b>	The Eurosystem is committed to drawing from and building on existing standards and scheme solutions as much as possible to create synergies and limit implementation costs. In addition, by establishing open standards, the digital euro aims to integrate seamlessly into existing digital solutions and allow domestic schemes to leverage on a pan-European acceptance network.

#### **EBF feedback on the value driver and its impact**

As a preliminary remark, we note that the scope of the analysis presented in the ERPB slides refers to national card schemes only. We would like to remind that several countries rely on domestic payment solutions based on mobile schemes, with the consequence that over 85% of European citizens/corporates have access to domestic card and/or mobile payments solutions.

Furthermore, clarification is needed on whether the percentage of card transactions based on international schemes (shown on slide 7) refers to domestic transactions only or includes also cross-border EU payments, and how this affects the calculation.

Having said that, minimizing implementation efforts through standardization is considered positively by the EBF, especially in relation to the technical standards, the pan-European acceptance network that can be leveraged by other EU and domestic payment solutions, and the inclusion of A2A and card schemes.

The inclusion of these elements should allow merchants to leverage the same technical standards on acceptance hardware and contractual benefits for acceptance of EU/domestic payments processing at POS.

A joint agreement on technical standards on acceptance devices will ensure the pan-European acceptance of payment solutions, promoting a common payment system among all members of the European community. This approach is essential to guarantee interoperability and pan-European acceptance of payment solutions, contributing to the creation of a unique and innovative payment system. It will also enable a gradual update on POI according to their life-cycle management, optimizing the investments.

Theme	Item	Value driver	Rationale
<b>Business model</b>	<b>#3</b>	<b>Public ownership of the project</b>	The digital euro, that will serve as public good available to all Euro Area citizens, will be issued by the ECB within its mandate of protecting monetary and financial stability. Profit maximization is not among the objectives set by the ECB to roll out the digital euro. Instead, introducing a digital euro would minimise the likelihood of adverse economic outcomes in the future and ensure the

			resilience of our payment system in an increasingly digital world.
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#### EBF feedback on the value driver and its impact

To ensure the sustainability of the European financial ecosystem, the EBF believes that the digital euro should refer to a 4-corner model, in which liquidity for (reverse) waterfall transactions should be drawn/transferred exclusively from/to a non-digital euro payment account held with the same intermediary as the digital euro account, at least for an initial period since the launch of the digital euro (e.g. 3-5 years).

If, conversely, it was deemed more important to ensure the widest possible participation in the distribution, as it is considered crucial to guarantee users the possibility of linking an account held with another intermediary, it would then be essential to also adapt the compensation model, which should consider the 6-corner model and thus also recognise remuneration for liquidity providers (both on payer and payee sides). However, the impact in terms of set-up and running cost and efficiency of the increased complexity of such a 6-corner model shall not be underestimated.

In such a scenario, considering that even large, non-European, online platforms could offer both payment accounts and acquiring services, it must be avoided that the intermediaries are confined to act solely as a liquidity source in the absence of adequate remuneration sources because this would lead to an unlevel playing field. This will also result in making large non-EU online platforms the users' everyday *de facto* provider of payment services.

Moreover, we believe that only a low holding limit that remains stable over time would ensure financial stability and avoid that the digital euro is used as a store of value with a significant negative impact on bank deposits and their liquidity position, ultimately affecting their capacity to lend to the economy. This is even more important in times of market stress. A low holding limit should match citizens' daily payment needs and ordinary day-to-day transactions. A low holding limit will in no way prevent citizens from paying with digital euros as the 'reverse waterfall' functionality would allow them to make payments exceeding their holding limit.

Theme	Item	Value driver	Rationale
Business model	#4	Informed decision making through transparency	With the absence of scheme fees, digital euro payment transactions should not only be priced competitively, but complexity in terms of transaction fee reporting should reduce significantly, improving merchants' capabilities to make informed business decisions.

#### EBF feedback on the value driver and its impact

It is welcome that the ECB bears the processing fees, but they are a fractional part of the cost borne by PSPs and therefore their exclusion would bring a very limited benefit.

In general, the competitiveness of the digital euro will largely depend on the rules that will determine the MSC, which are currently unclear (see feedback on Item 7).

The EBF would like to reiterate the need for an easy and non-complex fee structure of the digital euro as explained in our feedback to item #1.

## Consumer value drivers

Theme	Item	Value driver	Rationale
Digital financial inclusion	#1	Availability	The digital euro will help advance digital financial inclusion and address the needs of vulnerable groups that are underserved by PSPs or at risk of exclusion due to the digitalisation of financial services.

### EBF feedback on the value driver and its impact

It is unclear how the “risk of exclusion due to the digitalization of financial services” could be resolved by the digital euro, which would, in itself, be in a digital form.

While the digital euro will be a digital payment product and a digital form of cash, cash will not be abolished, and citizens will still be able to use central bank money for cash payments without digital adoption. Citizens in demand of digital payment solutions do not require analogue ways to use the digital euro (like via physical cards, ATMs, service desks). These solutions should become a day “n” feature and not a day 1.

The EBF therefore recommends adopting an agile and staggered approach with a minimum viable product and digital only design first, also to reduce costs for the intermediaries, project risk and allowing a proper finetuning of the digital euro to the users’ feedback.

Theme	Item	Value driver	Rationale
Digital financial inclusion	#2	Usability	To be successfully adopted by consumers, the digital euro would be simple to understand and “easy to use”, whether it is used to settle transactions via PSPs’ interfaces or via the digital euro app.

### EBF feedback on the value driver and its impact

Regarding inclusion and adoption, it is essential that the user experience (UX) of the digital euro is aligned with the standards provided by financial intermediaries which users are already familiar with. To enable a smooth transition and encourage adoption, the UX of the digital euro should draw inspiration from best-in-class solutions offered by the private sector and allow for flexible integration into existing user journeys at banks and other intermediaries. This approach will ensure continuity in the user experience, lower entry barriers, and strengthen users’ trust in the new instrument.

Theme	Item	Value driver	Rationale
Digital financial inclusion	#3	Accessibility	Accessibility of the digital euro is key as central bank money should be available to all, including persons with disabilities

			whose needs are not systematically met by private payment solutions.
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#### EBF feedback on the value driver and its impact

The EBF agrees with the objective of ensuring that the payment system is accessible to all citizens. In this context, we would like to remind that the digital solutions offered by banks are already developed according to the principles of accessibility and usability. There are many innovative payment solutions (e.g., wallets and wearables) designed specifically to address these needs. Accessibility is ensured by banks' compliance with the European Accessibility Act (EAA), which is not specific to the digital euro. Indeed, the EAA applies to all banking products.

Theme	Item	Value driver	Rationale
<b>Privacy, fraud prevention and resilience</b>	<b>#4</b>	<b>Privacy by design</b>	For online digital euro payments, privacy will be ensured by preventing the Eurosystem from directly linking transactions to individuals. Offline payments offer cash-like privacy without third-party validation. The digital euro uses privacy-enhancing technologies like pseudonymisation, hashing, and data encryption to secure and segregate data, protecting user identities.

#### EBF feedback on the value driver and its impact

Privacy by design is important to gain citizens' trust. A sound balance between privacy and anonymity must be found, to protect against money laundering and terrorism financing and other fraudulent and criminal behaviors.

Theme	Item	Value driver	Rationale
<b>Privacy, fraud prevention and resilience</b>	<b>#5</b>	<b>Fraud prevention</b>	The online digital euro will include a robust fraud prevention and detection mechanism through the establishment of the Risk and Fraud Management (RFM) component. This enhances PSPs' ability to detect fraudulent transactions that they might not otherwise identify by enriching their individual fraud risk assessments with insights on patterns and anomalies from a central infrastructure-level perspective.

#### EBF feedback on the value driver and its impact

The EBF considers that the features make sense and are taken in conjunction with other schemes. This will help to reduce fraud and enable a multi-stakeholder solution.

Theme	Item	Value driver	Rationale
<b>Privacy, fraud prevention and resilience</b>	<b>#6</b>	<b>Resilience</b>	The offline digital euro will enhance payment system resilience by enabling transactions without an internet connection, ensuring digital payments can continue during internet outages, thus maintaining economic activities.

#### **EBF feedback on the value driver and its impact**

We acknowledge the importance of resilience but would like to remind that incidents related to internet connections and power outages are currently limited in number and of short duration, and that there are already several market solutions (e.g. cards) that cater for most use cases when there is no internet connection.

Theme	Item	Value driver	Rationale
<b>Competition</b>	<b>#7</b>	<b>Free of charge</b>	With no scheme fees or processing fees charged by the Eurosystem and capped merchant service charges, these savings can be passed on to consumers. Additionally, the basic use of the digital euro, including opening an account, conducting transactions, and funding or defunding, will be free of charge for consumers.

#### **EBF feedback on the value driver and its impact**

First of all, the EBF would like to remind that there is no such a thing as a free service, hence speaking of the (basic use of the) digital euro being “free of charge” is misleading. Like for cash which most consumers believe is for free whereas it is not - as shown by various ECB studies too - it is essential to fully and rightly inform consumers that the distribution of the digital euro will have a cost. We should avoid communication around “free of charge” digital euro as this does not reflect the reality.

The question is then who bears these costs. While consumers must receive the largest possible benefit from the digital euro, it is equally important that all stakeholders involved – and particularly those who will have to invest the most to ensure the distribution of the digital euro – are properly considered in the compensation model, otherwise the digital euro will not be viable from a business model’s perspective. This is the reason why the EBF has always stressed the importance to achieve a fair and fully sustainable compensation model.

Specifically, as stated above, it is welcome that the ECB bears the processing fees, but they are a fractional part of the cost borne by PSPs and therefore its exclusion would bring a very limited benefit.

In general, we believe that it is not necessary to introduce a cap on the MSC, instead leaving its determination by the market, which is already highly competitive, thus ensuring adequate competition for the future.

Moreover, the introduction of a cap on the MSC would prevent banks from covering all the costs they will incur for providing digital euro services.

The introduction of a cap on the MSC constitutes a price intervention, which, as highlighted by the European Court of Auditors in its Special report *Digital payments in the EU* (published in January 2025), requires a solid justification and a limited duration, as there is a risk of replicating what has already been observed with reference to European digital payment regulations where: *"the criteria for assessing the adequacy of price interventions are unclear and there are no periodic reviews."* (para. 103 of the report).

The EBF suggests replicating the current card model, with a cap on the interchange fee and a MSC left to the market.

Additionally, the list of basic services provided "free of charge" should be revised, particularly for non-consumers, circumscribing the number of those services.

Theme	Item	Value driver	Rationale
Competition	#8	Universally accepted	The digital euro, as legal tender, could be used anywhere in the euro area for electronic payments in shops, online, or from person to person, much like cash today. It would be universally accepted and available for any digital payments across all euro area countries.

#### EBF feedback on the value driver and its impact

No comment at this stage.

Theme	Item	Value driver	Rationale
Competition	#9	A platform for innovation	The digital euro would offer a foundation for further innovation by private payment service providers, serving as a platform for a range of additional services such as cashback, loyalty programs, personalised product recommendations, digital receipts, and embedded payments.

#### EBF feedback on the value driver and its impact

The EBF considers premature to think about the innovation and revenue potential of additional services as much will depend on the final design - including the adopted technical solution - and market demand after the introduction of the digital euro, as well as on the compensation model and the possibility for PSPs to build profitable services on top of the digital euro. Also, the private sector is already developing new innovative services that fulfil customers' needs and evolve along their demands, irrespective of the introduction of the digital euro.

# RDG feedback request

Link to reviewed document: [2025-04-09 - Fit in the Ecosystem - End users.pdf](#)

12 May 2025

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## 1. General feedback

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- a) Note our position paper on the d€ compensation model: [Digital euro compensation model not needed and contradicts proposed regulation - EuroCommerce](#).
- b) In particular, that there should be no inter-PSP fee (same as with cash, also public money). Funding intermediaries should get their compensation from providing value-adding services or potentially from public funding.
- c) We call for reducing the list of basic services in the legislative proposal to the bare minimum, so funding intermediaries have more opportunities to charge consumers for digital euro services.
- d) An inter-PSP fee makes the digital euro unnecessarily complex and costly as the 4-party cards model has proven. It's time to break away from that card-based model.
- e) Merchants are prepared to cover the fee of their intermediaries to process digital euro transactions. Just like merchants do for cash handling services.
- f) An attractive business model including compensation is key for merchant endorsement of the digital euro.
- g) Failing that, merchants will do the bare minimum to meet the mandatory acceptance requirement but nothing more.
- h) It would be a huge missed opportunity to fundamentally change the European payments landscape into something more competitive, efficient and ready for innovation.
- i) As mentioned on previous occasions, merchants see the offline version of the digital euro as a key feature to ensure resilience of the system.

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## 2. Specific feedback on value drivers

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- a) Better negotiation position for merchants vis-à-vis incumbents (ICSs)

**EuroCommerce:**

The strong position of the ICS comes from 1) their infrastructure where their global presence had led to significant network effects (economies of scale) and 2) their propositions where standardisation and volume play a lesser role than distinctive features such as security, speed and convenience.

We therefore strongly feel that the digital euro project should somehow decouple the infrastructure for the digital euro from the digital euro proposition. The digital euro infrastructure should enable an open standardised, easy to integrate, low-cost road system (see Cipollone's [statement](#) in the European Parliament where he called it 'public railroads'), that is accessible for private and public payment propositions. This will reap the maximum economies of scale and enable 'least-cost-routing' (LCR) for merchants and intermediaries. LCR has proven to be a powerful tool to enhance competition in the U.S. and Australia.

The ECB should work closely together with EPI Company, EMPSA members and the Open Banking (PISP) community to establish this common European payments infrastructure.



Many of the building blocks are already there: TIPS/T2, EPC QR-code, CPACE NFC kernel, SPAA API-specs, Berlin Group open banking specs, etc.

**This LCR will give merchants a better negotiation position vs the ICS. The digital euro as a product proposition less so as many consumers already perceive their card or bank account to have digital euros.**

With the ICS, merchants have virtually no room for negotiation: interchange and scheme fees (in the widest sense) are a given and merely passed on by acquirers, especially under interchange++ models. The ICS don't negotiate with merchants for interchange or scheme fees because in most cases merchants are not members of the ICS.

Only the acquirer margin is subject to direct negotiation between merchant and acquirer and usually based on volume and provision of services (e.g. reporting, dispute resolution etc). Therefore, in the absence of scheme fees for the digital euro, the only other part would be the inter-PSP fee, where merchants would have no room for negotiation again. This is why we are so allergic to any semblance between the ICS fee model and that for the digital euro.

Last but not least, the surcharging ban for consumer cards means the merchants have less tools to incentivise consumers to pay with digital euro.

b) Minimising implementation efforts through standardisation

**EuroCommerce:**

Following from the above standardisation of a European payments infrastructure, implementation in merchants' acceptance infrastructures (including certification) but also in consumer-oriented provider infrastructures (intermediaries), will be significantly easier, cost-saving and customer-friendly.

As long as EPI, EMPSA members and Open Banking/PISPs, etc, each require their own integration, often at country level, those standardisation savings in time and money will not materialise.

c) Public ownership of the project

**EuroCommerce:**

We strongly support the Eurosystem's effort to ensure that in times of geopolitical unrest or even incidents, day-to-day payments can still be performed. Consumers need to be able to get their groceries, fuel, medicine in case of major outages whether accidental or from sabotage. We've said 'payments can be used as a weapon' long before President Lagarde did. We do however feel that the Eurosystem is over-complicating and over-engineering the digital euro, leading to resistance from many private incumbents. Whilst the prospect of conditional, recurring, variable, etc payments is of course exciting, **we feel the highest (or even only) priority should be given to one-off payments "buy now, pay now" also in offline mode.** These represent 80% of the volume and need to be guaranteed as part of the Eurosystem's effort to increase resilience. Everything else should wait and only be pursued once the basic payment functionality is realised. Even then, a thorough cost-benefit trade-off should be made and the Eurosystem should leave as much to the private market as possible.

d) Informed decision making through transparency

**EuroCommerce:**

We buy into the promise that the absence of scheme fees will make acceptance cost for the digital euro more transparent. It can be made even more transparent and easy to manage when no inter-PSP fees are charged to merchants. As mentioned above under 1. General feedback, inter-PSP fees make the digital euro overly complex and costly.

**Having to only deal with merchant's acquiring bank/provider costs (no inter PSP and no scheme fees), will achieve maximum transparency and cost efficiency for merchants.**

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