



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE

President

Mr Auke Zijlstra
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 15 November 2024

L/CL/24/182

Re: Your letter (QZ-007)

Honourable Member of the European Parliament, dear Mr Zijlstra,

Thank you for your letter regarding the potential costs of the digital euro project, which was passed on to me by Ms Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 9 October 2024.

In your letter, you raise the question of how the digital euro could be cheaper for merchants than private alternatives. I would like to highlight that international card schemes currently account for 64% of card payments in the euro area. These can be very costly for merchants¹, who collectively pay a significant amount each year to international card schemes. And the cost is mostly borne by smaller merchants, who can incur charges three to four times higher than larger companies.² As a result, merchant associations strongly support the digital euro.³

The Eurosystem would bear the costs of establishing the digital euro scheme and infrastructure, as it does for producing and issuing euro banknotes – which, like the digital euro, are a public good. This would allow acquirers to offer competitive tariffs to merchants. By providing a true alternative to international card schemes, the digital euro would also put European merchants in a stronger position to negotiate better conditions with

¹ According to the most recent ECB payment statistics, international card schemes account for close to two-thirds (64%) of all electronically initiated transactions made with cards issued in the euro area. See also EuroCommerce, "[EU businesses' competitiveness impacted by current cards payments landscape – a call for urgent action](#)", Position paper – Payments, 8 July 2024.

² See EHI Retail Institute, [Zahlungssysteme im Einzelhandel](#), 2023.

³ See also EuroCommerce, "[Digital Euro: Merchants support a fast, innovative, and low-cost pan-European payment method](#)", Position paper – Payments, 12 March 2024.

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other, currently dominant providers. The digital euro would thus help support a competitive European payments market, which at present tends to be dominated by a few non-European players. Without the digital euro, the market could become even more concentrated, potentially leading to even higher costs for merchants.⁴

The European Commission's draft legislative proposal⁵ for the digital euro currently includes safeguards for merchants by proposing a cap to their fees.⁶ As such, merchants would not pay higher fees for the digital euro than for a comparable digital means of payment. This prevents payment service providers from exploiting the mandatory acceptance of digital euro by merchants as legal tender.

In your letter, you also raised the question regarding the cost of the digital euro project. We are committed to keeping development and potential operational expenses as low as possible, while delivering a digital euro that brings value to consumers and merchants.

By reusing existing standards and building on established infrastructures as much as possible, market participants could integrate the digital euro in a cost-effective way. The Rulebook Development Group, where all stakeholders are represented⁷, is taking this principle into account in its drafting of a single set of rules and standards for the digital euro.

The Eurosystem's costs will depend on the components and related services that would need to be developed and our rigorous procurement process ensures that we can obtain the best value for money. At the start of this year, we initiated the process of selecting potential providers.⁸ We issued calls for applications to establish framework agreements for five digital euro components expected to be operated by providers outside the Eurosystem.⁹ Other components, such as payment settlement, would be sourced from within the Eurosystem. The calls for applications included ranges of estimated total value for the framework agreements with external

⁴ In addition, such market power may be misused, as has emerged across various markets. In Canada, class action lawsuits alleging collusion to set higher interchange fees have been filed against certain banks as well as Visa and Mastercard. Similarly, the United States Justice Department filed a civil antitrust lawsuit earlier this week against Visa, claiming that Visa's exclusionary and anticompetitive conduct undermines choice and innovation in payments and imposes enormous costs on consumers, merchants and the American economy. It emphasised that Visa extracts fees that far exceed what it could charge in a competitive market and amount to a hidden toll adding up to billions of dollars imposed annually on American consumers and businesses. See also See Cipollone, P., "[From dependency to autonomy: the role of a digital euro in the European payment landscape](#)", introductory statement at the Committee on Economic and Monetary Affairs of the European Parliament, Brussels, 23 September 2024.

⁵ See European Commission, "[Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro](#)", COM(2023) 369 final, 28 June 2023.

⁶ The European Commission's draft legislative proposal for the digital euro also foresees that banks would be remunerated for the services they offer.

⁷ This group consists of representatives from the Eurosystem central banks and the European retail payments market, including merchant, consumer and intermediary associations. For more information, see Letter from Piero Cipollone to Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs of the European Parliament, on "[Update on work of digital euro Rulebook Development Group](#)", ECB, 5 September 2024.

⁸ For more information, see Letter from Piero Cipollone to Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs of the European Parliament, on "[Update on work of digital euro Rulebook Development Group and start of selection procedure for potential digital euro providers](#)", ECB, 3 January 2024.

⁹ The framework agreements could be used for the development of the following digital euro components: i) the alias lookup component, ii) the secure exchange of payment information component, iii) the fraud and risk management component, iv) the offline component, and v) a digital euro app and related software development kit. For more information, see "[Calls for applications for digital euro component providers](#)", MIP News, ECB, 3 January 2024. All the tenders and procurement opportunities can be found on the ECB's [website](#).

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providers¹⁰, determined by the responses received in the ECB's market research carried out in January 2023¹¹. These estimated costs not only cover the development of the component, but also their operation – a total period of ten years for three components, and 15 years for the remaining two. These ranges also include significant buffers to avoid new procurement processes having to start soon. We are currently assessing offers from potential providers¹², and will negotiate with them to finalise framework agreements. For the time being, the ECB has no financial commitment to these potential suppliers and only bears the administrative costs related to conducting the tender procedures. As per regular ECB practice, the outcome of the public tender procedure will be published on the ECB's website, and we will inform all the relevant stakeholders, including the co-legislators.

Please note that the Eurosystem would not charge or benefit from any digital euro transaction fees. As mentioned above, the Eurosystem would only bear its own costs, as it does for the production and issuance of banknotes. In the case of banknotes, these costs are more than compensated by the generated seigniorage.¹³ We can expect a similar outcome for the digital euro, but this would ultimately depend on the actual amount of digital euro held by users. Any net profits generated by digital euro seigniorage would be distributed to the euro area national central banks, in line with Article 33.1 of the Statute of the ESCB.¹⁴

It is important that the digital euro reflects its nature as a public good. Therefore, it would be free for basic use for consumers and cost-efficient for merchants. Mr Cipollone and I remain committed to engaging regularly with the European Parliament on this topic and more broadly on the digital euro. We appreciate all the work that the ECON Committee has done so far, and. Going forward, the ECB stands ready to provide continued technical support to co-legislators as needed.

Yours sincerely,

[Signed]

Christine Lagarde

¹⁰ The estimated total value for the framework agreements with external providers is €432 million, while the maximum value foreseen is €1.2 billion.

¹¹ For more information, see "[Market research on possible technical solutions for a digital euro](#)", MIP News, ECB, 13 January 2023.

¹² For more information, see "[Calls for applications for digital euro component providers](#)", MIP News, ECB, 3 January 2024.

¹³ Banknote seigniorage is the income earned by the ECB related to the issuance of banknotes, which is disclosed on the ECB balance sheet. It is the difference between the interest earned on securities acquired in exchange for banknotes issued and the cost of printing and distributing the notes.

¹⁴ See [Protocol on the Statute of the European System of Central Banks and of the European Central Bank](#), Official Journal of the European Union, C 202/230.

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