



EUROPEAN CENTRAL BANK

EUROSYSTEM

ERPB engagement on digital euro fit in the payment ecosystem

Provisional outcomes for discussion – Competition & Synergies



27 February 2025

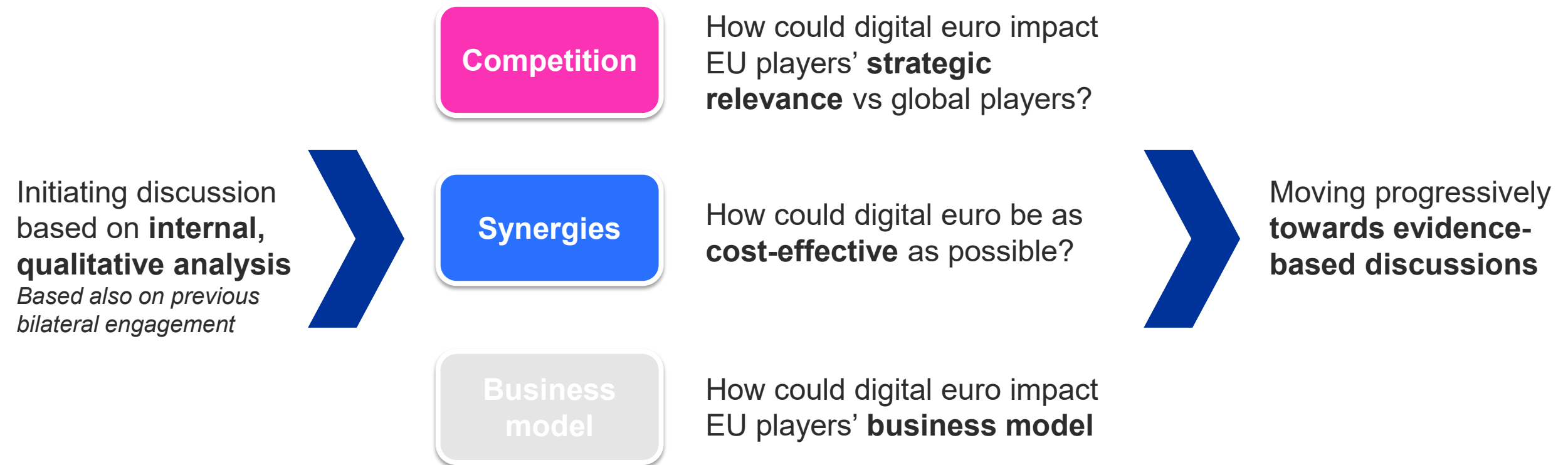
Digital euro project

A large, white, sans-serif number '1' is positioned on the left side of the image. The background behind the number is a vibrant gradient transitioning from purple at the top to blue and then to a light teal at the bottom. A diagonal white line separates this colorful area from a plain white area on the right.

1

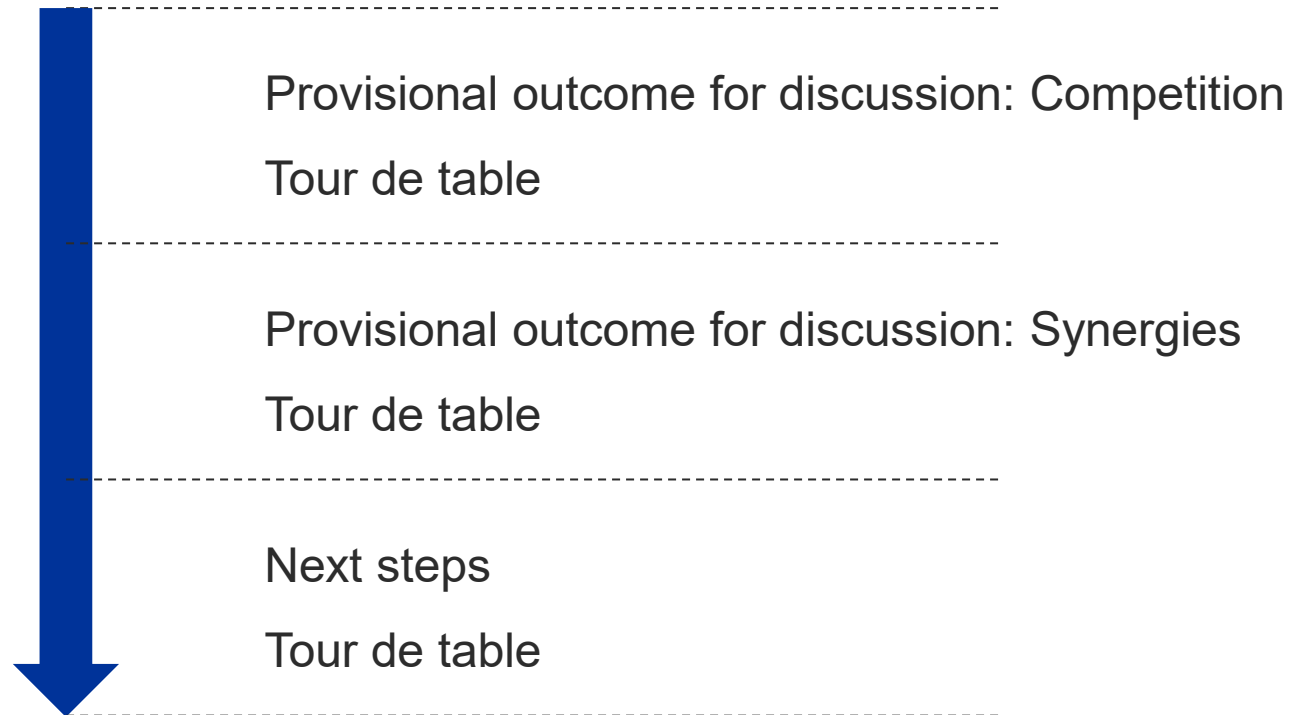
Housekeeping rules

Reminder: Engagement on “Fit in the Ecosystem” has been structured around three core themes*



* Identifying benefits and reducing potential risks/ unintended consequences

Agenda of today's joint outcome session





2

**Provisional outcome
for discussion:
Competition**

Main points shared (1/4)

Value driver	Rationale	Main points shared ¹
1. Better negotiation position vs ICS	<p><u>Countries without domestic schemes:</u></p> <p>No scheme fees would be charged on behalf of the Eurosystem. Having DEUR as relevant alternative for intra-EU transactions will ensure better negotiation position and substantially lower costs.</p> <p><u>Countries with domestic schemes:</u></p> <p>The same logic applies but to cross-border transactions more than domestic trx on domestic schemes, as domestic schemes already offer competitive fees to participating PSPs.</p>	<p><i>[Intermediaries]</i> Introduction of the digital euro may create an uneven playing field for countries with strong national or regional solutions.</p>
		<p><i>[Intermediaries]</i> Scheme fee represents only a small portion of the MSC. Introducing additional payment methods to circumvent scheme fees can also result in a decrease in economies of scale. Meanwhile, the negotiating power of ICS with acquirers is – contrary to the ECB view - not expected to improve by acquirers as a result of the introduction of the digital euro.</p>
2. Better negotiation position vs payment processors	<p>No DEUR processing fees. Having DEUR as relevant alternative for intra-EU transactions will ensure better negotiation position toward ICS, while potentially lowering the fees.</p>	<p><i>[Intermediaries]</i> While the Eurosystem does not intend to impose charges, it is important to note that payment processors will still need to be compensated. A decrease in transaction volumes for each payment method could reduce economies of scale, which may not lead to lower prices or enhanced bargaining power.</p>

Main points shared (2/4)

Value driver	Rationale	Main points shared ¹
3. Digital Euro bringing pan-European reach to distributing PSPs	DEUR will be accepted by merchants operating in the euro area. This ensures a maximal reach for issuing PSPs, competing with global payment players or e-shop payment apps, and moving volumes to PSP channels.	<p><i>[Intermediaries]</i> Payment volumes diverted from ICS could potentially flow towards large, non-European online platforms that offer payment wallet solutions. These platforms may benefit from the shift without incurring the costs associated with implementing the digital euro.</p> <p><i>[Intermediaries]</i> A digital euro may enable large issuing PSPs to reach merchants who prefer a single or limited number of PSPs to handle all their transactions within the euro area. However, this advantage may not be relevant for smaller banks that are not involved in this market.</p> <p><i>[Intermediaries]</i> According to intermediaries the compensation model should at least move from a 4 corner to a 6-corner model in case of “open funding”. Also, digital euro wallet and non-digital euro account should be within the same institution according to intermediaries.</p>
4. Attractive pricing at the POI	With capped merchant service charges , DEUR would have attractive pricing at the POI , pushing merchants to prioritize DEUR payments over ICS at the POS and moving volumes to PSP channels.	<p><i>[Intermediaries]</i> Merchants may prioritize digital euro payments over ICS only if customers are willing to adopt and actively use the digital euro. Merely offering lower fees to merchants might not be enough to encourage this shift.</p>

Main points shared (3/4)

Value driver	Rationale	Main points shared ¹
5. Digital Euro bringing offline solution to EU PSPs	In case of outage , payment volumes would partly move to DEUR offline functionality, further increasing volumes . Offline transactions would not be accessible to PSPs, but issuing PSP would still be compensated.	<p><i>[Intermediaries]</i> Existing infrastructures demonstrate significant resilience, and service interruptions are uncommon. There are contingency plans in place to address any potential issues although ECB questions their effectiveness . Also, offline functionality could be costly.</p> <p><i>[Merchants]</i> The offline functionality is a key feature of the digital euro and merchants look forward to seeing this becoming a reality (especially in countries without a domestic scheme).</p>
6. Less dependencies on pass-through digital wallets	If DEUR adoption takes up, pass-through wallets will be less of an unavoidable solution for issuing PSPs, rebalancing negotiating power in partnerships talks.	<p><i>[Intermediaries & Merchants]</i> Current pass-through wallet users will have the convenience of maintaining their existing payment preferences. Also, digital wallets UX/UI are outstanding, making it challenging for the digital euro to replicate.</p> <p><i>[Intermediaries]</i> Pass-through digital wallets providers could potentially obtain a PSP license to distribute the digital euro directly, enhancing their bargaining power. Despite this, they would still maintain significant leverage due to their strong market positions and ability to negotiate directly with PSPs.</p>

Main points shared (4/4)

Value driver	Rationale	Main points shared ¹
7. Less dependencies on staged and stored value digital wallets	With capped merchant service charges , digital euro would have attractive pricing at the POI , pushing merchants to prioritize DEUR payments over expensive staged / stored value wallets, fostering a direct relationship between merchants and PSPs.	<p><i>[Merchants]</i> Stand-alone digital euro wallet would need to coexist alongside other wallets. However, if its primary use is in e-commerce, similar to existing staged and stored wallets, this would not pose a significant issue.</p> <p><i>[Intermediaries]</i> Consumers often remain loyal to their preferred payment methods, particularly because these options may provide additional benefits such as dispute resolution, chargebacks, and buy now, pay later (BNPL) services. As such, it may be challenging to envision the digital euro matching these offerings.</p>
8. Guaranteed access at the forefront of digital front-ends	<i>“Digital euro should be accessed via one the main pages of the Internet website or an application, or any other front-end services, on an equal footing with non-digital euro payment accounts.”</i> Recital 63 will make sure that DEUR will always remain an option at the front-end.	<p><i>[Intermediaries]</i> PSPs should have the flexibility to choose how they offer services, whether through their own solutions or via the Eurosystem's digital euro app.</p> <p><i>[Intermediaries]</i> Marketing and communication campaigns are needed to drive adoption</p>

Key topics with widespread agreement

Topics

1

Payment standardization at the POI would allow cross-border banks, merchants and regional schemes to more **easily compete at an EU level**

2

Guaranteeing a digital euro payment channel at the front-end of **eCom websites** would ensure **fair competition vs predominant players**

3

Guaranteeing an attractive pricing would push merchants to **prioritize DEUR payments** over other payment **methods at the POS** and ensure **PSPs can retain the volumes**

Follow-up

No immediate follow-up unless advised by ERPB members

Different views reported, proposal to engage further on some specific topics

Topics

1

How could a digital euro **support domestic and regional schemes?**

2

How could a digital euro enhance **bargaining power and reducing scheme and processing fees through competitive positioning?**

3

How could an **offline digital euro** bring value to merchants and PSPs (through e.g., resiliency)?

4

How could a digital euro **enhance competition vs. digital wallets and X-Pays on the distributing side?**

5

How could the **digital euro** allow distributing PSPs to compete more at an **EU-level?**

6

Do you see any further **competition-related topic to investigate further?**

Follow-up

*Opportunity for **in-depth** exploration and discussion in a physical workshop potentially scheduled for **May 2025** to foster collaborative understanding*



3

**Provisional outcome
for discussion:
Synergies**

Main points shared (1/3)

Value driver	Rationale	Main points shared ¹
9. Digital integration in own solutions and wallets	Digital euro integration into PSPs' own solutions , such as banking or A2A apps and wallets, may retain customer relationship and serve as entry point to pan-euro area payments.	<p><i>[Intermediaries]</i> Ensuring compatibility with established solutions and wallets will enhance user adoption and more effectively position the digital euro within the ecosystem.</p> <p><i>[Merchants]</i> If the digital euro is available in commercial A2A apps and wallets, it may become more challenging for the ECB to control the look and feel and provide guidance on the user experience. If limited to commercial banking apps, it can be assumed that these interfaces are more uniform and somewhat standardized.</p>
10. Physical integration via co-badging	Co-badging could provide issuers a pan-euro area card-based alternative to ICS , leveraging on a trusted domestic card brand. Domestic schemes could maintain relevance as pan-euro area co-badging partner.	<p><i>[Intermediaries]</i> Digital euro could cannibalize primarily domestic card schemes, while ICS cards will not be discontinued</p> <p><i>[Intermediaries]</i> The priority should be on digital products, co-badging could lead to additional complexity.</p> <p><i>[Intermediaries]</i> It should be possible to set the same digital euro account in different digital euro wallets while respecting any holding limits. Additionally, MSC cap should be avoided - ECB is not responsible for setting the MSC.</p>

Main points shared (2/3)

Value driver	Rationale	Main points shared ¹
10. Physical integration via co-badging	Co-badging could provide issuers a pan-euro area card-based alternative to ICS, leveraging on a trusted domestic card brand.	<i>[Merchants]</i> For co-badged cards with the digital euro, it is crucial to maintain a seamless and fast UX , particularly for contactless payments. Requiring customers to choose between the digital euro and another scheme for each transaction could slow the process and negatively impact merchant turnover.
11. Reuse and harmonization of standards	Digital euro will reuse existing payment processes and reuse, or where needed establish, standards to create a pan-euro area acceptance network that can be leveraged by the private sector without the need for heavy own investments.	<p><i>[Intermediaries]</i> There is general support for reusing well-established and widely adopted standards and processes, such as those developed by the EPC (SCT Inst, SRTP, QR code, etc.), the Berlin Group initiative, NEXO standards, and CPACE standards, while leveraging the work of existing standard setters like ISO.</p> <p><i>[Intermediaries]</i> Banks should be allowed to reuse existing internal processes (e.g., onboarding) and front-end banking solutions</p> <p><i>[Merchants]</i> Legislators and/or the rulebook must clarify that compliance with 'mandatory acceptance' can be achieved by offering either QR-code or NFC for transaction initiation, so merchants are not required to provide both at each point of interaction.</p>
12. Bundling operational services through TSPs	PSPs may use TSPs for providing dig. euro services and reduce efforts. Domestic processors could potentially act as such.	<i>[Intermediaries]</i> TSPs are key players in the ecosystem, possessing strong expertise in providing PSPs with cost-effective and innovative solutions. Flexibility requested in deciding how to utilize them.

Main points shared (3/3)

Value driver	Rationale	Main points shared ¹
12. Bundling operational services through TSPs	PSPs may contract with technical service providers for providing operational digital euro services and reduce duplication of efforts. Domestic processors could potentially act as such service providers.	<p><i>[Intermediaries]</i> Some TSPs might offer digital euro-as a service (or dedicated services, e.g., Connector) for smaller PSPs.</p> <p><i>[Intermediaries]</i> Clarification is requested regarding whether processor charges will be covered by PSPs or the ECB.</p>
13. Leveraging existing certification capabilities	PSPs could benefit from relying on existing certification entities and capabilities where applicable and where compliant with the digital euro scheme.	<p><i>[Intermediaries]</i> The reuse of certification frameworks and principles is welcomed.</p>

Key topics with widespread agreement

Topics

1

By integrating the digital euro into existing PSPs' solutions, **established customer trust and familiarity can be leveraged**, potentially **speeding up adoption**

2

Supporting **reuse of well-established and widely adopted standards and processes**

3

Technical Service Providers play a relevant role in delivering **operational digital euro services** and **reducing duplication of efforts**, especially for small PSPs

4

Relying on **existing certification entities and capabilities** would be **beneficial for PSPs**

Follow-up

No immediate follow-up unless advised by ERPB members

Proposal to engage further on specific topics

Topics

1

How could the integration of the digital euro app be designed to **extract maximum benefits**?

2

How could **co-badging features** be leveraged while **legislation is still pending**?

3

What opportunities could **be leveraged from technical service providers**?

4

Do you see any further **synergies-related topic** to investigate further?

Follow-up



*Opportunity for **in-depth** exploration and discussion in a **physical workshop potentially scheduled for May 2025** to foster collaborative understanding*



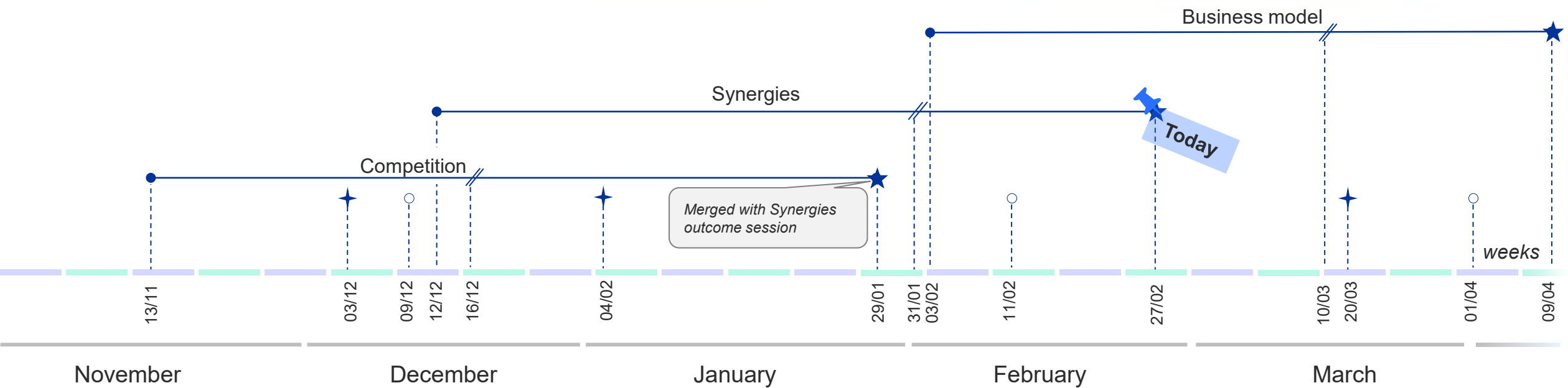
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Next steps

Next steps

-  Finalization of the **Business Model** theme (outcome session on 9 April).
-  Ad-hoc workstreams with **Consumers and Merchants** will be conducted in the **coming months**.

Reminder: high-level timeline



- ★ RDG meeting
- ERPB technical session on fit in the ecosystem
- ★ ERPB technical session on fit in the ecosystem joint outcome session
- Regular ERPB technical session
- // Cut-off date for collecting members' views on specific themes