



Brussels, 13 March 2025

ERPb consultation

Fit of the digital euro in the payment ecosystem:

Competition and Synergies

EACB response

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This is the EACB feedback following the ECB presentation on “Digital euro fit in the payment ecosystems: Provisional outcomes for discussion – Competition and Synergies” at the ERPB technical session on 27 February 2025.

1. Provisional outcome for discussion: Competition

Value driver 1 (ECB slide 6): The ECB’s summary provides that *“Meanwhile, the negotiating power of ICS with acquirers is unlikely to be impacted by the introduction of the digital euro.”* The statement should rather be that, the negotiating position with ICS in general would not improve. Reduced volumes on issuing side would also have an effect – reduced economies of scale and higher costs.

Value driver 3 (ECB slide 7) misses the following important input submitted by the stakeholders:

- The compensation model should at least move from a four corner to a six corner model, as per the currently envisaged design of the digital euro. However, it is worth reiterating our preference for a reduction of roles and complexity – digital euro wallet and non-digital euro account should be within the same institution.
- The total number of payments is unlikely to be affected by the introduction of the digital euro. There is no evidence that payments are not being made today because of a lack of a suitable payment method. Therefore, distribution across payment methods is a zero-sum dynamic. In markets where electronic payment is well matured, electronic payment volumes will not be affected to any relevant extent. Distribution over a greater number of payment methods will result in reduced economies of scale, ultimately increasing the economic costs.

Value driver 4 (ECB slide 7) misses the following important input submitted by the stakeholders: Attractive digital euro pricing and legal tender status will cannibalise local and pan-European schemes, rather than the ICS. This illustrates that the framing of “digital euro vs ICS” leads to the wrong conclusion. Instead, the focus should be on European solutions to remain competitive, and how to achieve this.

Value driver 6 *“Less dependencies on passthrough digital wallets”* (ECB slide 8): We consider that non-European wallet platform dominance, with the obtention of PSP license, is a very important risk, which could be magnified depending on the compensation model/fee distribution choices.

Key topics with widespread agreement, according to the ECB (ECB slide 10):

Point 1 states *“Payment standardization at the POI would allow cross-border banks, merchants and regional schemes to more easily compete at an EU level.”* We agree with this statement. In addition, it should be noted that the part of cross-border transactions in comparison with domestic transactions is very low.

Point 2 states *“Guaranteeing a digital euro payment channel at the front-end of eCom websites will ensure fair competition vs. predominant players”*. We disagree with this statement – fair competition cannot be triggered by mandatory acceptance for one product.

Point 3 states *“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”*. It is unclear what “retain the volumes” mean and what volumes are being retained? Intermediaries might get the digital euro volumes, not retain these. And if intermediaries get the digital euro volumes, they would lose A2A or card volumes. Therefore, intermediaries would not retain these



values. Besides, the choice of means of payments belongs to the customer, not the merchant. Also, the risk of BigTech is not taken into account in the ECB statement. Thus, we disagree with the ECB's conclusion that point 3 is a topic with widespread agreement.

Different views reported (ECB slide 11):

We appreciate the possibility to discuss different views. However, all questions listed by the ECB start with "how", while the "why" and "what" are equally important. The questions "why" and "what" need to be discussed and addressed in the first place, otherwise discussing the "how" risks being unproductive.

Point 1: The ECB question is *"How could a digital euro support domestic and regional schemes?"* We would like to point that schemes do not only touch upon POS but also e-commerce and P2P, as there are also home-grown scheme solutions on these type of transactions.

Point 6 on any further competition-related topic to investigate further:

- We believe that competition should be discussed considering resilience and the risk of non-EU actors such as BigTechs potentially dominating the digital euro market.
- Furthermore, we want to highlight that resilience could only be achieved with smartphone-free solutions, as the tech market for the hardware is directly in the hands of international BigTechs.
- One of the main issues relates to the risks of co/tri-badging and the likely negative impacts on national schemes.

2. Provisional outcome for discussion: Synergies

Value driver 9 (ECB slide 13): We support the following statement by merchants: *"If limited to commercial banking apps, it can be assumed that these interfaces are more uniform and somewhat standardized."*

Different views reported (ECB slide 17):

Point 2: The ECB question is *"How could co-badging features be leveraged while legislation is still pending?"*:

- This question seems irrelevant to some countries as not all countries have a domestic and ICS scheme.
- Also, it is unclear what the ECB foresees to leverage as the legislation is still pending.
- We would like to stress once again the risks related to physical integration of digital euro via co-badging. We do not see how co-badging could benefit European home-grown schemes, as their acceptance network would not be extended to the digital euro, even if they use the same kernel (CPACE). Meanwhile, the integration and maintenance complexity for issuers, especially in the case of tri-badging, could lead issuers to remove the European home-grown scheme from their cards to avoid managing tri-badging. Ultimately, this could result in issuers removing European home-grown solutions, as very few issuers are likely to remove ICS from their cards, which would be detrimental for end-users.
- From our point of view, more relevant questions related to co-badging that would deserve further discussion are:
 - Is there a need for a digital euro card?
 - Are legal discussions on co- or tri-badging entirely left to the participants or is there EU or local law providing guidance? (for participants without two schemes on a card).



In terms of prioritisation of the topics identified by the ECB, in our opinion, the first question (*How could the integration of the digital euro app be designed to extract maximum benefits?*) has most relevance. The digital euro integration in existing banking apps could drive adoption of the digital euro. Consumers would not need to onboard to different companies or install a separate app. To ensure that consumers would benefit from the digital euro, a connection from the payments account from the credit institution already serving the consumer to the single digital euro account held by that consumer at that same credit institution is required. This ensures high-level UX as merchants have confirmed in their written feedback. An ECB app could suffice for banks not able to integrate the digital euro into their app or when a banking app is not present. Connecting one commercial bank account to one digital euro account at the same credit institution would be our preferred option: one commercial bank account simplifies onboarding, AML, fraud, sanctions, clear accountability, simplified internal architecture, strategic autonomy and good UX. In general, reduction of roles and complexity (i.e. digital euro wallet and non-digital euro account to be within the same institution) would solve some of the issues under discussion. To this end, the possibility to have the waterfall mechanisms between different PSPs (funding and digital euro account) should be eliminated as it augments complexity for both users and PSPs.

Contact:

The EACB trusts that its comments will be taken into account.

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EBF feedback to ECB provisional outcomes of ERPB written feedback to Competition and Synergies under 'Fit in payment ecosystem'

18 March 2025

EBF general remarks:

The EBF welcomes the opportunity to provide feedback to the presentation made by the ECB in the ERPB joint outcome session of 27 February on Competition and Synergies under the 'Fit in the payment ecosystem' workstream.

We positively note that our main feedback is generally reflected in the high-level summary prepared by the ECB.

Ideally however, we should have received the presentation well ahead of the joint session in order to be able to properly react and have an interactive discussion, or to have the joint session scheduled at a later date to be able to prepare for the discussion.

In general, the initial reactions of participants are reflective of the complexity and breath of important aspects to be considered for the purpose of beneficial outcomes of these important discussions.

The successive written feedback procedures already create a massive workload for trade federations and their members. In light of this, we should avoid adding extra pressure and make a more efficient use of the online sessions when they are scheduled.

Having said that, the EBF continues to believe that this discussion is crucial for the overall efficiency and attractiveness of the digital euro, hence the importance to continue to engage in an open and constructive manner and take the time that is necessary to discuss the many individual aspects - that are both important and complex - that fall under this engagement.

We therefore welcome the proposal to organise an overall 'Fit in the payment ecosystem' session at a later date and would like to insist on the importance to prepare this session well in advance and allow the right experts around the table considering the multiple issues that are up for discussion.

In this respect, we have identified, at this stage, the following topics as relevant for a further deep dive discussion:

- Payment standardisation at POI (slide 10 – item 1)
- How could a digital euro support domestic and regional schemes? (slide 11 – item 1)
- How could a digital euro allow distributing PSPs to compete more with non-EU players (and not at an EU-level as stated in the slide)? (slide 11 – item 5)
- Integration of digital euro into existing PSPs' solutions (slide 16 – item 1)
- Reuse existing standards and processes (slide 16 – item 2)
- Leveraging existing certification capabilities (slide 16 – item 4)

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- How could the integration of the digital euro app be designed to extract maximum benefits? (slide 17 – item 1)
- How could co-badging features be leveraged while legislation is still pending? (slide 17 – item 2)
- What opportunities could be leveraged from technical service providers? (slide 17 – item 3)

EBF more detailed remarks on some of the value drivers:

Value driver #5: Digital Euro bringing offline solution to EU PSPs

The feedback from merchants needs to be put into context. As already stated in our written feedback regarding the Competition theme, offline functionality will require to replace or to upgrade almost all European POS and ATMs and this at a disproportionate cost in comparison with the potential benefits and unlikely to be recovered by any compensation scheme as we see in the discussion today. In this respect, while we recognise that the offline functionality could contribute to the resilience of payment systems, however it would not solve everything. Furthermore, such resilience deserves further scrutiny as it raises many important questions (in relation to the compensation, AML/KYC checks, taxation, etc.).

Value driver #10: Physical integration via co-badging

As already stated in our written feedback regarding the Synergies theme, introducing a co-badged card for the digital euro could add complexity and confusion for users. Issuers might lack economic incentives to switch from ICS co-badged cards to digital euro co-badged cards due to rebates. Additionally, to avoid managing tri-badging, issuers might keep only two schemes, potentially removing the domestic scheme. This could lead to the decline of domestic card schemes, therefore further weakening EU players.

Value driver #11: Reuse and harmonization of standards

We note that one important aspect from our written feedback is missing from the main points highlighted on slide 14, i.e. the possibility for banks to reuse existing internal processes (like e.g. onboarding) and front-end banking solutions so as to exploit economies of scale, decrease the latency of various interactions and ultimately minimise the time and costs associated with the digital euro project.

**ESBG Feedback to the ERPB Fit in the Ecosystem
'Competition and Synergies - Outcome Session'**

Slide 6

'Introduction of the digital euro may create an uneven playing field for countries with strong national or regional solutions.'

A scheme where fees are regulated by law is clearly an unlevel playing field.

'A decrease in transaction volumes for each payment method could undermine economies of scale, which may not lead to lower prices or enhanced bargaining power.'

Payments is volume driven.

Slide 7

'Payment volumes diverted from ICS could potentially flow towards large, non-European online platforms that offer payment wallet solutions.'

ESBG: Payment volumes would also be diverted from European schemes, e.g. IP and EPI.

'this advantage may not be relevant for smaller banks that are not involved in this market.'

This is true, in the current world the vast majority of transactions are domestic (95%).

Slide 9

'Massive marketing and communication campaigns are needed to drive adoption'

This general wording leaves room for the Eurosystem to launch massive marketing campaigns. In this sense, it would not be our feedback, as we believe that the digital euro will mainly substitute domestic payment schemes. We want to support the success of the digital euro, but we do not want unfair competition.

Slide 10:

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

Do not agree, as non-European players that dominate eCom can integrate the digital euro into their own wallets (backward integration) (no MSC). Banks would only have the role of - so far - free of charge account management.

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

It may be possible to retain the transaction volumes, but if the digital euro takes over a significant market share, this will probably have a negative impact on the earnings situation. While there cannot be fair competition where pricing is determined at a political or scheme level.

Slide 11:

Further engagement would be good, but concerns need to be seriously taken on board with changes in policy adopted (e.g. to points 2 and 5). #2 is related to volume and the competition with other European schemes, and not only ICS. #5 Most PSP's, in this case banks, are domestic oriented and not direct on EU level.

Slide 14:

'For co-badged cards with the digital euro, it is crucial to maintain a seamless and fast UX, particularly for contactless payments.'

In several MS markets there are no domestic card brands (with which to co-badge). More pertinently, ESBG does not support the introduction of digital euro cards.

Slide 17:

'#2 How could co-badging features be leveraged while legislation is still pending?'

We do not see the apparent value of the physical card in any context, co-badging remains challenging and will require investment with little return.

Slide 19:

'Ad-hoc workstreams with Consumers and Merchants will be conducted in the coming months.'

The first meetings on competition and synergies lacked separation, but feedback was obtained from consumers, merchants and intermediaries. We welcome the fact that a separation is now being sought for the deep dives, but we would ask to do that with all three stakeholder groups.

I am writing you to provide the feedback of EPIF on the outcome presentation of the Competition and Synergies technical sessions.

I would also like to take the opportunity to ask you whether the ERPB has more visibility on the week or date for the physical meeting you are planning to organise within the Fit in the Ecosystem workstream, that was mentioned during our last meeting.

Next week, EPIF members will all convene for our general meeting and it would be extremely helpful to have more information on such an important meeting, that we definitely plan to attend.

Thank you in advance for your cooperation on this.

Please find below some points that EPIF would like to see better represented in the outcome presentation.

Competition:

- Value driver n.2

We would much appreciate if EPIF's point on the potentially significant implementation cost and its impact and pass through to the fees could be included in the summary.

- Value driver n.3

EPIF would appreciate if our considerations on the need of having interoperability with settlement solutions in instant payments in e-money or commercial bank money could be included in the summary.

Synergies:

- Value driver n.9

We appreciate that the ERPB has taken into account our considerations of compatibility with existing solutions and wallets. However, we would very much welcome if the summary could also mention the need of avoiding a too high standardization of the apps, leaving it to PSPs to define functionalities.

- Value driver n.10

EPIF would appreciate it if our point on the need of having a fair remuneration framework for additional services coupled with a narrow definition of the core services, on the acceptance of multiple wallets, and on avoiding price regulation could be included in the summary.