EuroCommerce
Messages on the Digital euro regulation proposal

3 key messages
On 28 June 2023, the European Commission launched a Digital euro regulation proposal

Our key messages:

1. Fairer Transaction Fees
2. Merchant Choice for Digital Euro and Cash
3. Preserving Privacy in the Digital Realm
1. Fairer Transaction Fees:

Merchants require a ‘fee-per-transaction’ model for digital euro as close to zero as possible. And no fee for low value payments.

Why:

1. **Economies of Scale:** Larger volumes should reduce costs for merchants. Ad-valorem fees (%) are economically not justifiable. (not covered in regulation)

2. **Minimal Fees:** Retailers expect almost zero fees due to reduced risk and costs covered by the ECB. (Article 15.2 and 17.6)

3. **Benchmarks are not the target:** Digital euro pricing shouldn’t be compared to existing diverse and inefficient national models. It’s a different animal requiring a different approach. (Articles 17.2 (b), 17.5 (c), and 17.5 (d))

4. **Limited Negotiation:** should there be mandatory acceptance, merchants will have limited negotiation space and need safeguards against overly high PSP fees. (Article 7)

Merchants support a competitive digital euro. It should have minimal fees, ideally close to zero, and not be compared to existing payment methods' prices.
2. Merchant Choice for Digital Euro and Cash:

If merchants will be required to accept digital euro, they require **clarity and consistency** around the **mandatory acceptance** of digital euro (and of cash).

**Why:**

1. **Cost-Effective Implementation:** Reuse existing technology to save on implementation costs for the digital euro, avoiding replication of current payment systems without legislative coverage.

2. **Flexible Payment Methods:** Merchants shouldn’t be required to adopt all digital payment technologies (e.g., QR code, NFC) as no legislation mandates universal implementation.

3. **Merchant Freedom:** Enhance merchant freedom by shifting the logic of 'not allowed, except...' (as outlined in Article 9 and Article 10) to 'allowed, provided...'

Merchants favor a digital euro that integrates easily into existing systems. They should have the freedom to choose acceptance, with accessible exemptions and exclusions, respecting their contractual freedom.
3. Preserving Privacy in the Digital Realm

Digital euro should allow for an **innovative framework** to emerge so that value added services can be developed by PSPs and intermediaries. Digital euro should offer **cash-like privacy online**.

**Why:**

1. **Innovative Framework:**
   a) **Conditional Payments**: Digital euro should support conditional payments (Article 24).
   b) **Incentivize PSPs**: Encourage new services by removing inter-PSP fees, widening profit margins (Recital 1, 26, 30).
   c) **Multiple Accounts**: Allow users to have multiple accounts (Article 13.7).

2. **Greater Privacy:**
   a) **Self-Custody Wallets**: Users should control transaction signing keys (not covered by legislation).
   b) **Tiered KYC/SCA**: Implement lower due diligence for lower-risk transactions (not covered by legislation).
   c) **Neutral KYC/SCA**: Use identity wallets for digital euro KYC and SCA (Article 25).
   d) **Offline functionality**: allow consumers to pay as anonymous as possible (Article 2.15, 23 and 30)

Merchants support a digital euro that promotes innovation and provides strong online privacy, similar to cash transactions. This enhanced privacy and innovation will drive customer and merchant adoption, ensuring the digital euro’s success.