Merchant Payments Coalition Europe

24 September 2025

Digital Euro: make it work for merchants

As we have stated in March 2024, the digital euro has the potential to transform European payments – lowering the average cost of payments, promoting innovation & competition, and placing Europe at the forefront of payment technology. Merchants are the business end-users of the EU payment ecosystem and are currently limited in their ability to negotiate fair terms with incumbent payment service providers to offer consumers affordable products and services.

A digital euro that is fit for purpose for merchants will benefit consumers and enhance competition across the Single Market while reducing dependency on third country payment actors.

Now that the legislation to enable the digital euro[1] and the preparations by the Eurosystem are reaching a decisive stage, we want to clearly express our expectations to ensure the digital euro realises the potential we see.

Key messages

- **Compensation model**: implement a simple and uniform cap of 4 cents per transaction for the merchant service charge instead of the caps proposed in the regulation.
- **Offline wallet**: enable offline use of the online digital euro wallet first to save time and cost and support consumer adoption.
- **Limit basics and do those first**: reduce the list of basic services where possible and launch basic services first, leaving sophisticated use cases (e.g. conditional payments) until later.
- **Phasing**: do in-store and e-commerce first to make the bulk of payments more resilient as soon as possible.
- **Merchant holdings**: allow merchants to hold digital euro to make payments to suppliers.
- **Reuse infrastructure**: implement a single open standardised European payments infrastructure that will benefit all stakeholders, making integration easier and allows public and private propositions to compete freely.

In the following sections our points and arguments are covered in more detail.

[1] https://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2023/0369/COM_COM(2023)0369_EN.pdf

1. Compensation model: we need to be 'better off'

- The digital euro should offer the lowest possible cost for merchants and must avoid replicating the high costs associated with card-based payment options available on the market.
- The legislative proposal includes an **inter-PSP**[2] fee (similar to interchange for card payments), that would be a part of the **Merchant Service Charge** (MSC) paid by retailers and wholesalers to their Payment Services Provider (PSP) and passed on by their PSP to the PSP of the payer (customer). The proposal also includes a cap on the total MSC as the lower of a) the MSC for comparable digital payment means or b) the relevant costs plus a small margin (Article 17.2).
- The Council is circulating a proposal to have a transitional Inter-PSP fee cap of 0,2%, inspired by the interchange fee cap for consumer debit cards, and thereafter the caps mentioned above would apply, reasoning that merchants should be 'no worse off'.
- **We are vehemently against an uncapped %-based fee and deem 0,2% as way too high**. Consumer debit cards have a different value/risk profile than the digital euro.
- The **public** digital euro is different from **private** payment methods, such as cards and account-to-account payments, as it comes with **mandatory** acceptance and **no credit risk** for the issuing banks[3].
- Merchant fees must therefore be well below other digital payment means, and simple to understand and apply.

➔ **Our ask: We call for an inter-PSP fee of 0,05% with a 2 cent/transaction cap. The total merchant service charge (MSC), that includes the inter-PSP fee, must be capped at 4 cent/transaction**.

- This meets the legislative requirement of a **uniform fee across the euro area**, because it's lower than the lowest fees merchants in certain member states pay today, which is in the 6-7 cents/transaction range.
- It will allow merchants to incentivise consumers to use the digital euro, supporting its adoption and making the ban on surcharging for digital euro more bearable.

➔ **Our ask: We reject the proposal for a 'relevant costs plus reasonable margin'-based cap, because it will be a huge exercise to do and keep updated as well as giving too much room for interpretation on which cost elements to include**.

- A digital euro MSC that is lower than anything other digital payments means allows merchants to recoup over time the investments and operational costs they incur to accept the digital euro.

2. Offline digital euro: simplify the design

- Currently the digital euro plans to have an online digital euro wallet and a <u>separate</u> offline digital euro wallet. The offline digital euro wallet would then be used if either the payer's or payee's device or both have no internet connection.
- The co-legislators seem to want both on- and offline to be implemented at the same time.
- Whilst we welcome an offline functionality of the digital euro to increase resilience, we fear a separate offline digital euro wallet will only confuse consumers and merchants and will be costly and complex to implement.
- If a separate digital euro wallet is launched, switching between both wallets must be seamless.

➔ **Our ask: instead, we need an <u>offline</u> functionality of the <u>online</u> digital euro wallet to come first.**

3. Digital euro services: get the basics right first

- The digital euro project plans all kinds of more sophisticated use cases, such as recurring or conditional payments, as sources of innovation.

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[2] PSP = Payment Service Provider

[3] Includes PSPs, together the so-called 'intermediaries'.

- **Our ask: in the context of resilience and reduced dependence on non-EU providers, we want the digital euro to provide basic one-off payments first.**
- Advanced use cases should come later and be left to the private sector enabling them to charge for Value Added Services.
- From the list of free-to-the-consumer basic services in Annex 2 of the legislative proposal should be removed:
  - (d) funding and defunding from/into cash – cash operations are expensive and mainly fixed cost (so no volume gains) for merchants and for intermediaries.
  - (f) digital euro payment transactions referred to in Article 13(4) – setting up automatic (de)funding will be quite expensive to implement and operate.

4. Implementation sequence: in-store and e-commerce first

- The implementation phasing as currently planned means that our sector would only start accepting the digital euro in-store after person-to-person and e-commerce payments are rolled out. This could be more than 3 years after person-to-person is rolled out.
- We understand the logic of doing simpler implementations first, however in terms of resilience and dependence on third country providers, in-store payments are much more vulnerable. In-store is where the bulk of consumer to retailer payments are: one-off purchases of groceries, fuel, medicine and public services, etc. In e-commerce there are more alternatives to cards and cash in the form of domestic account-to-account solutions.
- As customer journeys are increasingly omnichannel and customers expect payments to support that. This will increase consumer adoption of the digital euro.
- **Our ask: we need in-store and e-commerce payments to be prioritised over person-to-person payments**.

5. Digital euro holdings: enabling digital euro payments by merchants

- In the current proposal and design, all digital euro payments received by merchants will be immediately and automatically converted into commercial bank money, i.e. no digital euro holdings for business payees.
- **Our ask: for B2B payments in our sector, e.g. to suppliers, we need merchant holdings of the digital euro to avoid more expensive private payment means must be used.**
- For example, restaurants that receive consumer digital euro payments could then use those digital euros to pay for their next day supplies, avoiding the use of commercial cards, for which interchange fee was left uncapped in IFR[4]. Commercial cards fees and share in the payments mix have been rising sharply since IFR by 0,5% (1,75 -> 2,25%) and 400-500% (from 1 -> 4-5%) respectively.
- We understand that there could be limits in time or value for merchant digital euro.
- Alternatively, the proposed free conversion from digital euro to commercial bank money (waterfalling) should be complemented with free conversion from commercial bank money to digital euro. This would enable businesses to make digital euro payments, beyond refunds.

6. Reusing infrastructure: maximise economies of scale, whilst enabling competition

- In our view, the digital euro design has much in common with account-to-account payments from the private sector: payment terminal, NFC-kernels, QR-codes, intermediaries, access to clearing/settlement systems.

[4] Interchange Fee Regulation 2015/751

- However, time and again, we note assertions by politicians, banks and the public that the digital euro will run on a separate parallel infrastructure, thus creating much duplication, leading to complexity, reduced user adoption and higher costs.

➔ **Our ask: we call for a standardised open European Payments infrastructure that yields maximum economies of scale ('network effects') to all stakeholders whilst enabling both private and public propositions to use that infrastructure and compete on functionality and value/cost trade-off.**

- Of course, we acknowledge the need for that infrastructure to be resilient and not become the next single point of failure.

Call to action

- To capture the **potential** of the digital euro it needs to be designed and enabled in a way that is transparent, consumer-focused and **fit for purpose for merchants.**
- We call upon European institutions to **incorporate our asks into the digital euro legislation and design** to unlock its full potential and bring countless opportunities and benefits to European citizens.
- We call upon the legislators to **conclude the legislative negotiations on the digital euro framework in a timely manner** to ensure the much-needed resilience with European payment solutions.

Merchant Payments Coalition Europe

EuroCommerce, Ecommerce Europe, EACT, IATA, Independent Retail Europe and SME United have decided to start working more closely together on the topic of retail payments. Merchants across sectors share a common ambition for the future of retail payments in the EU, but also share specific concerns such as the rising payment costs. By creating this coalition, European retail associations aim to foster the exchange of information and views on ongoing legislative and regulatory developments and innovation.

Whilst each organisation within the coalition has its own responsibility and membership, together we coordinate our actions and make the merchants' voices heard more clearly. Merchants are an essential part of the payment ecosystem, with a direct connection to consumers, and are always directly and indirectly impacted by regulatory, technical and business developments on payments. We, therefore, advocate for their views and experience to be taken into account in these developments.