



To:
EP Rapporteurs and shadows
Spanish and Belgian Presidency
European Commission – DG FISMA

Cc:
Group Coordinators ECON EP
Spanish and Belgian Perm Reps and Deputy
Chairs and Vice Chairs EP ECON Committee
Perm Reps
BEUC
ECB

Brussels, 24 November 2023

Joint open letter to co-legislators, calling for ‘close to zero fees’ to make digital euro remuneration work for consumers and merchants

We write to raise our joint concerns with regards to the development of the remuneration model to be covered by the co-legislators in the legislative proposal on the digital euro.

In principle, we welcome the digital euro as an additional payment method, but it must be designed and implemented in a way that ensures that a sufficient number of consumers embrace it and that ensures that the cost of acceptance by merchants is affordable.

We are closely engaged with and are following the work of the project team of the digital euro and are keen to help introduce this new European payment method, in a way that enhances competition and affordable pricing, as an alternative to the current, non-EU relatively dominant card-based payment methods.

Along with instant payments, we hope that the digital euro not only boosts competition, but that it will also offer simpler fee structures to help drive its acceptance. These structures should incorporate a fee-per-transaction, rather than applying a percentage of value and should ensure no fee for low value payments. Fundamentally, ensuring measures to lower the average costs of payments, which have steadily increased in recent years, will be key to the widespread adoption of the digital euro, indeed, Mr. Panetta (ECB) also confirmed this in the EP ECON committee on 4 September 2023 stating that: ‘...there will be no extra charge...’ and ‘...(digital euro) would push down, not up, commissions (fees)...’.

Rationale for lower digital euro acceptance costs:

- Digital euro falls in the realm of a public infrastructure, owned by the ECB.
- There is no private network/scheme to run.
- Transactions settle instantly, so there is no counter-party risk and no fraud risk.

Therefore, the four-party model (with interchange fee) does not apply to the digital euro. Rather than compensating Payment Service Providers (PSPs) by replicating the remuneration model of a private scheme we encourage you instead to ensure that PSPs are compensated via Value Added Services, to be offered to consumers and merchants in place of an ‘interchange’ fee.

We are keen to ensure that the digital euro represents a compelling offering for customers, but the key to success will be whether levels of consumer adoption warrant the necessary investments (including time, resources, processes and infrastructure) in the project.

In addition, whilst the basic premise of digital euro is to provide cash in digital form, we also see the potential for innovative use cases. A key benefit to both consumers and merchants, is the

offline use case which would mean that at times of internet or power outages, an adequate number of transactions made with the digital euro, can still take place. This would help make the digital euro a valuable asset in supporting resilience and fall back, much like cash is today.

In summary, we would like to highlight the following recommendations:

- **Fees:** the total cost of acceptance should be as close to zero as possible and on a fee-per-transaction basis, not as a percentage of value, with no fee applying for low value payments. At the very minimum, percentage-based fees should be capped to a certain amount.
- **Capped fees:** with the acceptance of the digital euro planned to become mandatory yet 'free to consumers for basic use' (F. Panetta 17 May in the EP), our sector needs strong safeguards against the imposition of overly high fees charged by banks and Payment Service Providers (PSPs). This means that if they cannot be set at zero, they should be as close to zero as possible. The proposed caps related to 'comparable payment methods' should however not be perceived as a target fee for the PSPs be reached. We respectfully expect and request that digital euro merchant fees should be considerably lower than any current payment method.
There is ample evidence that the 2-sided payments market is inefficient and that – without regulation – it will not lead to competitive pricing. Indeed, this, notably, is the reason why the EU introduced the IFR 8 years ago. Without caps, there's a high probability or even certainty that pricing will be disproportionate or even excessive.
- **No mandatory acceptance:** if the digital euro is made attractive for consumers and merchants, both will be more than happy to embrace it. However, by forcing acceptance, with only a handful of exemptions, coupled with measures to ensure a prohibition to surcharge, merchants are unlikely to be attracted by the digital euro.
- **New infrastructure and processes:** whilst existing systems and processes should be re-used as much as possible, to avoid lengthy and costly updates, upgrades and retraining, the digital euro should not seek to replicate the current landscape, as this would potentially limit future innovation.

We would appreciate an in-person discussion with you on these issues, as soon as possible, and we look forward hearing from you at your earliest convenience.

Yours sincerely,

E-Commerce Europe, EuroCommerce, Independent Retail Europe, IATA & SMEUnited

Ecommerce Europe is the sole voice of the European Digital Commerce sector. It represents, via its national associations, more than 150,000 companies selling goods and services online to consumers in Europe. Ecommerce Europe acts at European level to help legislators create a better framework for online merchants, so that their sales can grow further.

EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector. More information on www.eurocommerce.eu/payments.

Independent Retail Europe is the European association that acts as an umbrella organisation for groups of independent retailers in the food and non-food sectors. Our members are groups of independent retailers, associations representing them as well as wider service organizations built to support independent retailers. Independent Retail Europe represents 23 groups and their over 462.000 independent retailers, who manage more than 737.000 sales outlets, with a combined

retail turnover of more than 1,385 billion euros and generating a combined wholesale turnover of 604 billion euros. This represents a total employment of more than 6.391.000 persons.

The **International Air Transport Association** (IATA) is the trade association for the world's airlines, representing some 300 airlines or 83% of total air traffic. We support many areas of aviation activity and help formulate industry policy on critical aviation issues.

SMEUnited is the association of crafts and SMEs in Europe with around 70 member organisations from over 30 European countries. SMEUnited is a recognised employers' organisation and European Social Partner and acts on behalf of crafts and SMEs in the European Social Dialogue and in discussions with the EU institutions.