



EUROPEAN CENTRAL BANK

EUROSYSTEM

ERPB engagement on digital euro fit in the payment ecosystem

Provisional outcome for discussion
– Business model



9 April 2025

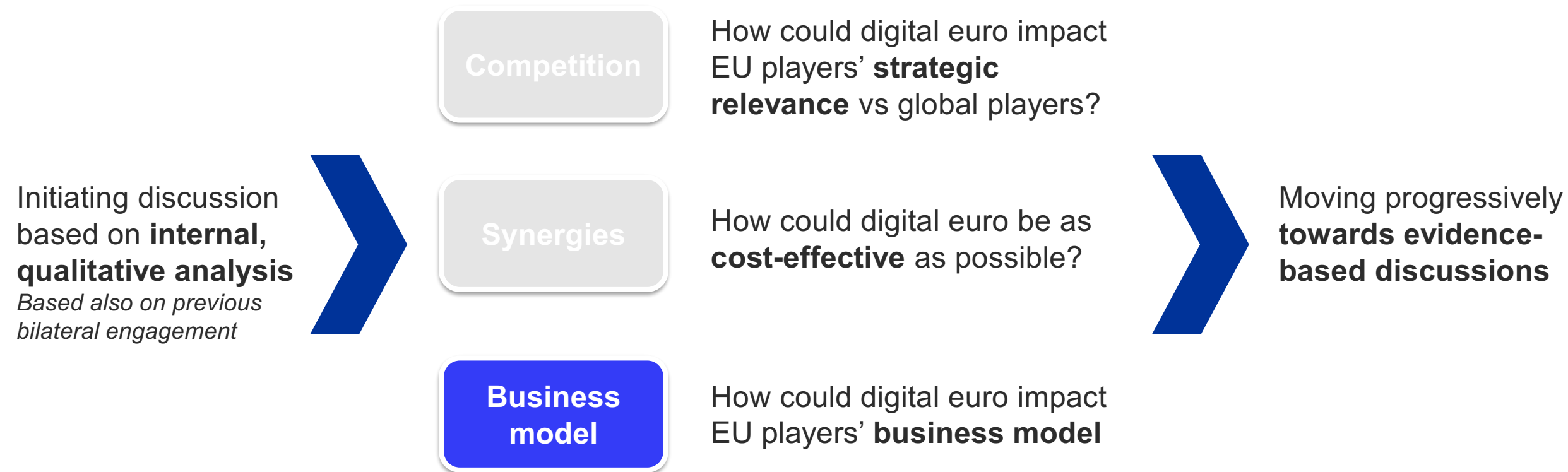
Digital euro project

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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



Provisional outcome for discussion: Business model
Tour de table



Session focusing on Merchants and Consumers
Tour de table

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2

**Provisional outcome
for discussion:
Business model**

Main points shared (1/5)

Value driver	Rationale and questions	Main points shared ¹
14. Keeping investment and maintenance cost low through reuse of existing processes and infrastructure	<p>PSPs and the Eurosystem may jointly identify relevant cost drivers and actionable mitigation measures, improving the overall business model of a digital euro.</p> <p><i>What are major cost drivers, how are those assessed and what would be actionable mitigation measures without compromising the digital euro's overall value proposition?</i></p>	<p><i>[Intermediaries]</i> Reducing scope and features of digital euro key to lower investment cost, preferably “digital only” product (with focus on NFC); dropping offline and non-digital features could reduce investment cost by 50%</p> <p><i>[Intermediaries]</i> Incremental introduction of digital euro with MVPs and simple use cases first</p> <p><i>[Intermediaries]</i> No strict requirements on ATM functionalities</p> <p><i>[Intermediaries]</i> Payment processing of digital euro would work best if settlement and authorisation were decoupled</p> <p><i>[Intermediaries]</i> Reuse of SCT Inst settlement infrastructure instead of DESP</p>

Main points shared (2/5)

Value driver	Rationale and questions	Main points shared ¹
14. Keeping investment and maintenance cost low through reuse of existing processes and infrastructure	<p>PSPs and the Eurosystem may jointly identify relevant cost drivers and actionable mitigation measures, improving the overall business model of a digital euro.</p> <p><i>What are major cost drivers, how are those assessed and what would be actionable mitigation measures without compromising the digital euro's overall value proposition?</i></p>	<p><i>[Intermediaries]</i> Important to reuse existing infrastructure, processes and standards but true “reuse of the existing” may be unlikely judging from current discussions</p> <p><i>[Intermediaries]</i> List of basic services should be reduced, e.g., physical cards for free should not be mandated*</p> <p><i>[Intermediaries + Merchants]</i> The more stable the rulebook, the lower the frequency and complexity of changes, the better to contain maintenance and running cost</p> <p><i>[Intermediaries + Merchants]</i> Establishing common merchant acceptance for both digital euro and private solutions would be a significant benefit</p> <p><i>[Merchants]</i> No forced acceptance of all technologies; grace period to align with terminal replacement cycles</p>

*Not mandated under legislative draft

1. Main points shared based on market feedback available on the ECB website:
[Written feedback after the Business model session \(Fit in the ecosystem\)](#)

Main points shared (3/5)

Value driver	Rationale and questions	Main points shared ¹
15. No scheme and processing fees	<p>Eurosystem will bear scheme and processing cost, impacting transactional cost favorable.</p> <p><i>Which concrete suggestions could further optimize the compensation model for all parties involved?</i></p>	<p><i>[Intermediaries]</i> No scheme and processing fee argument not convincing due to purported high digital euro investment cost and lower ICS volumes entailing an increase in those fees</p> <p><i>[Bank intermediaries]</i> Ideally no open funding – same account and funding PSP. With open funding split inter-PSP fee based on proportional cost, but difficult to monitor and enforce; allow charging of manual funding</p> <p><i>[Intermediaries]</i> Banks should be able to charge an account fee and fees after high # transactions or withdrawals; list of basic services should be reduced in general</p> <p><i>[Intermediaries]</i> Heterogeneous debit card (likely comparable means of payment) fee landscape in Europe with inter-PSP fee <20bps could lead to race to bottom and erode any business model</p> <p><i>[Intermediaries]</i> Eurosystem should subsidise all infrastructure and processing cost (e.g., in countries with local processors) to ensure level playing field</p>

Main points shared (4/5)

Value driver	Rationale and questions	Main points shared ¹
15. No scheme and processing fees	<p>Eurosystem will bear scheme and processing cost, impacting transactional cost favorable.</p> <p><i>Which concrete suggestions could further optimize the compensation model for all parties involved?</i></p>	<p><i>[Intermediaries]</i> Eurosystem could funnel part of seigniorage fee to banks as compensation for forced loss of innovation cost and loss of interest income</p> <p><i>[Merchants]</i> Eurosystem could directly compensate the funding PSP in open-funding scenario; there should be no inter-PSP fee for the funding PSP as it bears no counterparty risk</p> <p><i>[Merchant]</i> Merchant fees should be fixed amounts per transaction and zero for low transactions to encourage small merchants to embrace digital euro</p> <p><i>[Non-bank intermediaries]</i> There should be no merchant fee cap, rather left for competition</p>

Main points shared (5/5)

Value driver	Rationale and questions	Main points shared ¹
16. Innovation potential and additional revenue from non-basis services	<p>PSPs can offer a range of additional and innovative services linked to or built on digital euro. These services are not subject to caps and can be fully monetized.</p> <p><i>How is the innovation and revenue potential for additional services considered?</i></p>	<p><i>[Intermediaries]</i> Many of the mentioned services already free or part of an account/package fee today – generally little potential in those VAS; premature to discuss VAS in general</p> <p><i>[Intermediaries]</i> Cashback, loyalty programs, personalised product recommendation, digital receipts and embedded payments amongst the more popular use cases</p> <p><i>[Intermediaries]</i> Merchants and 3rd party intermediaries more promising segment than consumers</p> <p><i>[Intermediaries]</i> Necessary to have two-way interoperability between digital euro and private schemes to create synergies for value-added services</p> <p><i>[Intermediaries]</i> Scheme should only regulate the bare minimum and stay at technical level</p> <p><i>[Non-bank Intermediaries]</i> Multiple accounts important to foster VAS innovation</p> <p><i>[Merchants]</i> Batched processing for merchants, split, conditional and pre-authorised payments important value-added service use cases</p>

Key topics with widespread agreement

Topics

1

No strong requirements on ATMs

2

Staggered approach for digital euro rollout, subject to legislative requirements

3

Open funding as in draft legislation, while stimulating wide adoption and innovation, **may hamper strengthening European strategic autonomy**

4

Establishing **merchant acceptance usable by private solutions**

Follow-up

No immediate follow-up unless advised by ERPB members

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

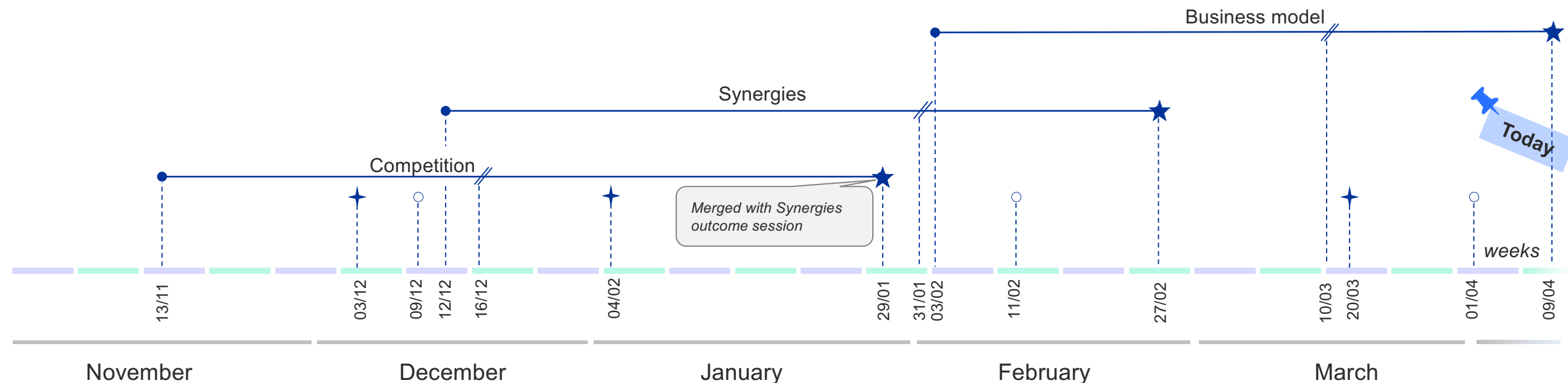
Topics

- 1 How could a **staggered introduction in line with the legislative proposal look like?** Which features could be prioritized?
- 2 **Within the framework** of the legislative proposal, how could the **compensation model be calibrated** to compensate **effort** and **liability**?
- 3 **Why** are there **diverging views** on **reusability** of **existing processes** (e.g., fraud management)? Where and why would **not decoupling settlement** verification and recording pose difficulties?
- 4 What is the **view on “Digital euro as a service”** and are there **any roadblocks** to make a **build-or-buy decision**?
- 5 Do you see any further **business model related topics** to **investigate further**?

Follow-up

*Opportunity for **in-depth** exploration and discussion **in the physical workshop scheduled for 19-20 May 2025** to foster collaborative understanding*

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