



## EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL  
MARKETS UNION

### CONSULTATION DOCUMENT

### TARGETED CONSULTATION ON A DIGITAL EURO

#### **Disclaimer**

This document is a working document of the Commission services for consultation and does not prejudice the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

The responses to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal Commission proposal.



You are invited to reply **by 14 June 2022** at the latest to the **online questionnaire** available on the following webpage:

[https://ec.europa.eu/info/publications/finance-consultations-2022-digital-euro\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-digital-euro_en)

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses.**

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published in accordance with the privacy options respondents will have opted for in the online questionnaire.

Responses authorised for publication will be published on the following webpage:  
[https://ec.europa.eu/info/publications/finance-consultations-2022-digital-euro\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-digital-euro_en)

Any question on this consultation or issue encountered with the online questionnaire can be raised via email at [fisma-digital-euro@ec.europa.eu](mailto:fisma-digital-euro@ec.europa.eu).

## INTRODUCTION

In [March 2021, the Eurosummit](#)<sup>1</sup> called for a stronger and more innovative digital finance sector and more efficient and resilient payment systems and stated that exploratory work on a digital euro should be taken forward.

The introduction of a digital euro aims to preserve the role of public money in a digital economy. Preserving the accessibility and usability of central bank money in the digital era is key to protect monetary sovereignty and the well-tested two-layer monetary system based on convertibility of regulated/supervised forms of money into central bank money. Central bank digital money would thus complement cash in providing a monetary anchor to the payments system by ensuring that private money can always be converted in safe public money. This would support confidence in the singleness of money and financial stability in the digital age.

In addition, the [digital finance and retail payment strategies of the Commission](#)<sup>2</sup> adopted in September 2020 supported the emergence of competitive pan-European payment solutions and the exploration of a digital euro, while continuing to safeguard the legal tender status of euro cash<sup>3</sup>. The [ECB's retail payment strategy](#)<sup>4</sup> shares similar objectives. The digital euro should be considered in the context of ongoing efforts to reduce the fragmentation of the EU retail payments market, promote competition and innovation, including the full roll-out of instant payments, and industry initiatives to offer pan-European payment services, such as the [European Payments Initiative](#), while ensuring that cash remains widely accessible and accepted.

In October 2020, the [ECB issued its report on a digital euro](#)<sup>5</sup> and between October 2020 and January 2021 the [EBC ran a public consultation on a digital euro](#)<sup>6</sup>. The ECB's public consultation surveyed both the general public and the financial, payment and technology professionals and sought their opinion on the main features of a digital euro. Out of the 8221 responses, 94% of the respondents identified themselves as citizens. Central banks from non-euro area Member States also envisage issuing digital currencies. In addition, the [ECB commissioned a study on new digital payment methods](#)<sup>7</sup> that provides a thorough understanding of the current payment habits of citizens of euro area Member States and specifically their attitudes toward digital payment methods.

For a digital euro to be used as the single currency, concurrently with euro banknotes and coins, it would require a Regulation of the co-legislator, upon a proposal by the Commission, on the basis of Article 133 TFUE. Moreover, additional legislative adjustments of the current EU legislative framework to adjust to the digital euro and possibly to digital currencies issued by central banks of non-euro area Member States may be needed (e.g, definition of funds under [PSD2](#)). The implementation of the digital euro within the legal framework, will generally fall under the competence of the ECB.

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<sup>1</sup> <https://www.consilium.europa.eu/media/48975/25-03-21-eurosummit-statement-en.pdf>

<sup>2</sup> [https://ec.europa.eu/info/publications/200924-digital-finance-proposals\\_en](https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en)

<sup>3</sup> See also ECB cash 2030 strategy [https://www.ecb.europa.eu/euro/cash\\_strategy/html/index.en.html](https://www.ecb.europa.eu/euro/cash_strategy/html/index.en.html)

<sup>4</sup> <https://www.ecb.europa.eu/pub/pdf/other/ecb.eurosystemretailpaymentsstrategy~5a74eb9ac1.en.pdf>

<sup>5</sup> [https://www.ecb.europa.eu/pub/pdf/other/Report\\_on\\_a\\_digital\\_euro~4d7268b458.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf)

<sup>6</sup> [https://www.ecb.europa.eu/paym/digital\\_euro/html/pubcon.en.html](https://www.ecb.europa.eu/paym/digital_euro/html/pubcon.en.html)

<sup>7</sup> [https://www.ecb.europa.eu/paym/digital\\_euro/investigation/profuse/shared/files/dedocs/ecb.dedocs220330\\_report.en.pdf](https://www.ecb.europa.eu/paym/digital_euro/investigation/profuse/shared/files/dedocs/ecb.dedocs220330_report.en.pdf)

For this purpose, the present targeted consultation complements the ECB's public consultation. It aims to collect further information from industry specialists, payment service providers (including credit institutions, payment and e-money institutions), payment infrastructure providers, developers of payment solutions, merchants, merchant associations, consumer associations, retail payments regulators, and supervisors, anti-money laundering (AML) supervisors, Financial Intelligence Units, and other relevant authorities and experts. This targeted consultation will gather further evidence on the following issues:

Users' needs and expectations for a digital euro

The digital euro's role for the EU's retail payments and the digital economy

Making the digital euro available for retail use while continuing to safeguard the legal tender status of euro cash

The digital euro's impact on the financial sector and the financial stability

Application of [anti-money laundering and counter terrorist financing \(AML-CFT\)](#) rules

The privacy and data protection aspects

International payments with a digital euro

This targeted consultation in no way prejudices whether and how these issues will be covered in a legislative proposal by the Commission, or the future scope of that proposal.

For an overview of design options and policy issues discussed in that consultation, please refer to the [ECB report on a digital euro](#)<sup>8</sup>.

Stakeholders are invited to explain their reasoning and provide quantitative evidence or estimates, where appropriate.

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<sup>8</sup> [https://www.ecb.europa.eu/pub/pdf/other/Report\\_on\\_a\\_digital\\_euro~4d7268b458.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf)

## CONSULTATION QUESTIONS

### 1. USERS' NEEDS AND EXPECTATIONS

*The digital euro would be available for retail payments<sup>9</sup>. Like cash, it would be public money (a direct central bank liability), but in electronic/digital form. The overarching policy objective of digital euro is to preserve the role of public money in the digital age by providing a digital public money alongside cash. This would protect the role of public money as a stabilising anchor for the payments system even as cash use declines, preserve monetary sovereignty and support the competitive provision of financial services. The digital euro may bring benefits to the retail payment market, financial inclusion, the digitalisation of the economy, the EU's open strategic autonomy<sup>10</sup> and the international role of the euro<sup>11</sup> among others.*

*Achieving these objectives requires in turn that a digital euro is widely adopted and thus that it fulfils the needs and expectations of prospective users. It is therefore important to identify these.*

1. *How important do you think the possible following aspects of the digital euro would be for people?*

*Please rate each aspect from 1 to 5, 1 standing for 'not important' and 5 for 'very important'.*

	1	2	3	4	5	Don't know/not applicable
Availability of flexible privacy settings that can be adjusted to suit the payment occasion			X			
Wide availability and user-friendly onboarding process					X	
Always an option for the payer to pay anywhere / to anybody in the euro area with digital euro			X			
Easy to use payment instrument (e.g. contactless, biometric authentication)					X	

<sup>9</sup> To be commonly understood as payments between consumer, businesses and public authorities.

<sup>10</sup> Open Strategic Autonomy enables the EU to be stronger both economically and geopolitically - by being: (i) Open to trade and investment for the EU economy to recover from the crisis and remain competitive and connected to the world (ii) Sustainable and responsible to lead internationally to shape a greener and fairer world, reinforcing existing alliances and engaging with a range of partners (iii) Assertive against unfair and coercive practices and ready to enforce its rights, while always favouring international cooperation to solve global problems.

<sup>11</sup> [https://ec.europa.eu/info/business-economy-euro/euro-area/international-role-euro\\_en](https://ec.europa.eu/info/business-economy-euro/euro-area/international-role-euro_en)

<i>Account-based payment instrument<sup>12</sup></i>					X	
<i>Bearer-based payment instrument</i>	X					
<i>Real time settlement / Instant reception of funds</i>				X		
<i>Cost-free for payers</i>					X	
<i>Payment asset is credit risk-free (central bank liability)</i>					X	
<i>Offline payments (face to face without connectivity)</i>		X				
<i>Ability to program conditional payments</i>				X		
<i>Other benefits (please specify)</i>					X	

First of all, allow us to stress that EPIF fully support the ECB task to promote the smooth operation of payment systems and we agree that the safety and efficiency of the payment system is essential for a stable and well-functioning financial system and will contribute to confidence in the currency. EPIF agrees with the ECB that while cash is still the dominant means of payment and should remain an option for consumers, new technologies and the increasing demand for immediacy from consumers are changing the way European citizens pay and the role of fast electronic payments is expanding.

The digital euro should equally connect to all non-bank-account-based payment solutions and replicate the current diversity in the payment ecosystem. Consumers will be more likely to adopt a CBDC if it is easily and widely used, safe and free of charge to them. To ensure this, the digital euro should make use of existing acceptance infrastructure and be supported by known and identifiable payment methods that are linked to the user's existing devices and accounts.

As stated by a majority of respondents to the ECB's consultation on a digital euro, an account-based solution would be our preferred version of introducing this CBDC. By allowing regulated PSPs to distribute a digital euro this would strengthen trust and security in this new mean of payment and create a strong counterpoint to cryptocurrencies and CBDCs of other jurisdictions.

## 2. How important do you think the following aspects of the digital euro would be for merchants?

Please rate each aspect from 1 to 5, 1 standing for 'not important' and 5 for 'very important'.

	1	2	3	4	5	Don't know/not applicable
<i>Low acquiring/merchant fees</i>	X					
<i>Better acquiring services</i>			X			

<i>Standards for EU wide acceptance infrastructure (e.g. POS), allowing for pan-European payments</i>				X		
<i>Account-based payment instrument</i>					X	
<i>Bearer-based payment instrument</i>	X					
<i>Real time settlement / Instant reception of funds</i>					X	
<i>Offline payments (face to face without connectivity)</i>				X		
<i>Other benefits (please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

As stated before, the digital euro should equally connect to all non-bank-account-based payment solutions. Ensuring interoperability between the digital euro and other forms of national and international payments systems is necessary to avoid weakening existing mechanisms and harming consumers and businesses. To be successful, the digital euro should also provide an added value to merchants that goes beyond low fees. Lower fees can foster adoption, but this will also depend on the costs the merchants will face.

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<sup>12</sup> The digital euro may function as an account based system (verification of transactions by an intermediary), as a bearer instrument (or token, with verification by parties of a transaction), or a combination of the two. For further explanation, see the ECB report on digital euro. It must be noted that DLT-based solutions are not exclusive of a specific design option, and can be carried out using an both account-based and bearer based instrument

3. *In view of the most important value-added features you consider a digital euro may bring to people (see question 1), in which payment situations do you think the digital euro would bring that added value for **people**?*

*Please rate each scenario from 1 to 5, 1 standing for 'no added value' and 5 for 'very significant added value'.*

	1	2	3	4	5	Don't know/not applicable
<i>Paying with / transferring digital euros to a (natural) person face-to-face</i>		X				
<i>Paying with/transferring digital euros to a (natural) person remotely</i>				X		
<i>Paying for goods or services at a point of sale (face-to-face)</i>		X				



<i>Paying for goods or services remotely (e-commerce)</i>			x			
<i>Machine to machine Payments (Industry 4.0, IoT)<sup>13</sup></i>					x	
<i>Paying in situations without connectivity – offline face to face payments</i>		x				
<i>Other situations (please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

Given the numerous options provided to consumers and businesses by the payments industry in Europe, a digital euro should strive to address existing gaps. Added value for consumers and business for in-store or online payments is likely to be limited. On the other hand, peer-to-peer payments as well as machine-to-machine payments are currently underdeveloped in Europe. These could therefore be focus areas for the deployment of the digital euro and would bring about tangible added value for consumers and businesses. ECB needs to carefully evaluate the future trends and how digital euro could bridge the gaps in the future. Also, ECB needs to carefully consider the role of other digital assets, stablecoins, smart lending etc

<sup>13</sup> Machine to Machine payments refer to smart contract based transfers of digital assets between machines such as autonomous cars, manufacturing machines, electricity charging stations and the like. Such transfers of digital assets are conditional upon meeting certain requirements which are coded into the smart contract. For smart contracts see <https://www.eublockchainforum.eu/video/educational/smart-contracts-simply-explained>.

4. *In view of the most important value-added features you consider a digital euro may bring to businesses/merchants (see question 2), in which payment situations do you think the digital euro would bring added value for **businesses/merchants**?*

*Please rate each scenario from 1 to 5, 1 standing for ‘no added value’ and 5 for ‘very significant added value’.*

	1	2	3	4	5	<i>Don't know/not applicable</i>
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<i>Getting paid in physical shops, marketplaces, etc.</i>		X				
<i>Getting paid in e-commerce</i>		X				
<i>Paying invoices</i>		X				
<i>Trade finance</i>			X			
<i>Machine to Machine payments</i>					X	
<i>Paying in situations without connectivity – offline face to face payments</i>					X	
<i>Others (please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence.*

The digital euro should not strive to compete with innovative payment options that already exist today in many contexts. Rather, the digital euro should become an efficient infrastructure for regulated PSPs to offer additional added-value solutions on top of. It could also serve to address existing gaps in payment services across Europe but also serve the future needs of the payment ecosystem.

*5. How important would the following policy outcomes related to the possible issuance of a digital euro be in your opinion?*

*Please rate each objective from 1 to 5, 1 standing for 'not important at all' and 5 for 'very important'.*

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Don't know/not applicable</i>
<i>Providing access to public money in digital form for everyone</i>					X	
<i>Monetary sovereignty</i>			X			
<i>A stronger open strategic autonomy for the EU</i>	X					
<i>A broader access to digital payments for people with less digital skills, disabilities or</i>				X		

<i>other physical vulnerabilities</i>						
<i>A broader access to digital payments for unbanked people (i.e. without bank account)</i>					x	
<i>Enabling for pan-European payments</i>				x		
<i>Preserving privacy and data protection in payments</i>					x	
<i>Development of the EU's digital economy innovation</i>					x	
<i>Facilitating the provision of Europe-wide private payment solutions</i>					x	
<i>Providing a European public alternative to the emerging new payment solutions such as crypto assets, stablecoins and foreign CBDCs</i>		x				
<i>Decrease payment costs</i>	x					
<i>Other (please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

We support a prudent approach to the development of a digital euro to ensure that not only the stability of the financial system remains intact but also the ECB's policy decisions are being met. We think that the European Commission and European Central Bank should compare the suitability of a digital euro with existing systems and other ongoing improvements to payments infrastructure — such as instant payments — to find the approach that best supports consumers and merchants.

*6. What aspects or features of the digital euro would be important to support financial inclusion?*

*Please rate each aspect from 1 to 5, 1 standing for 'not important' and 5 for 'very important'.*

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Don't know/not applicable</i>
<i>Easy process of onboarding</i>					x	
<i>No need for bank account</i>					x	
<i>Easy payment process (initiating and authenticating a payment transaction)</i>					x	

<i>Accessible device for payments (e.g. chipcards)</i>			X			
<i>Enabling of offline, peer-to-peer transactions</i>		X				
<i>Other (please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

## 2. THE DIGITAL EURO'S ROLE FOR THE EU'S PAYMENT SYSTEMS AND THE DIGITAL ECONOMY

Over the past decades, the EU's retail payment market has significantly developed and the offering of payment solutions has broadened, with faster, safer and more secure payment solutions being offered to wider segments of the population. The access to payment accounts has also been facilitated by legislation granting the right to every citizens to a payment account with basic services. However, as stated in the Commission's Retail Payments Strategy, the market is still fragmented and is highly dependent on very few global players to provide payment solutions that work across border in the euro area, even though there are some new promising market initiatives. The digitalisation of the economy has also created new payment needs. Crypto-assets, stable coins and foreign CBDCs may also carve out a part in the EU's retail payment market. A digital Euro can have various design features. We would like to better understand how the digital euro could further improve pan-European payments, strengthen Europe's open strategic autonomy, improve competition and support the needs of the digital economy while encouraging private innovation.

### 2.1. The digital euro's role in supporting pan-European payments and strengthening Europe's open strategic autonomy

7. What aspects or features of the digital euro would be important to support pan-European payments and to strengthen Europe's open strategic autonomy?

Please rate each aspect from 1 to 5, 1 standing for 'not important' and 5 for 'very important'.

	1	2	3	4	5	Don't know/not applicable
A new form of pan-European instant digital payment complementing the existing offer for point of sale (POS, face to face payments in e.g. shops) and e-commerce <b>without</b> a (quasi) universal acceptance in physical and online shops				x		
A new form of pan-European instant digital payment complementing the existing offer for point of sale (POS, face <b>with</b> a (quasi) universal acceptance in physical and online shops		x				
A public digital means of payments that can be offered through all available payment solutions					x	
A digital payment means allowing for online						

<i>third-party validation of transactions</i>					x	
<i>A digital payment means allowing for offline peer-to-peer transactions</i>				x		
<i>A digital means of payment offering programmable payment features</i>					x	
<i>Other (please specify)</i>						

*For those aspects you deem most important, can you explain why?*

In order for the digital euro to be a success and strengthen the European payments landscape, the digital euro should be modelled on the existing intermediated system and designed to allow banks as well as non-bank PSPs to build innovative payment solutions.

8. *How would the following aspects of a digital euro support a diversified and competitive retail payments market, where a variety of payment service providers offer a broad range of payment solutions?*

*Please rate each aspect*

	<i>positively affect</i>	<i>negatively affect</i>	<i>does not affect</i>	<i>Don't know/not applicable</i>
<i>Allowing for the distribution of the digital euro to take place through regulated financial intermediaries (Payment Service Providers)</i>	x			
<i>Offering another form of central bank money in the context of a declining use of cash for payments</i>	x			
<i>Existence of holding caps or interest and fees on large holdings to limit the store of value in the form of digital euros (for financial stability reasons)</i>	x			
<i>Using the digital euro acceptance network to foster pan-European private sector initiatives</i>	x			
<i>Other (please specify)</i>				

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

See our response to Question 1.

## 2.2. The digital euro's role for the digital economy

9. How important the following possibilities for the use of a digital euro would be to support the development of the EU's digital economy?

Please rate each aspect from 1 to 5, 1 standing for 'not capable at all' and 5 for 'very capable'.

	1	2	3	4	5	Don't know/not applicable
Possibility for programmable payment functionalities provided through the digital euro solution					x	
Possibility for integration with other payments solutions (independent of what technology they use)					x	
Integration with platforms relying on distributed ledger technology (DLT)/blockchain <sup>14</sup> for smart contracts applications (beyond payments)			x			
Possibility for micro and stream <sup>15</sup> payments				x		
Machine to Machine payments <sup>16</sup> (Industry 4.0, internet of things (IoT))					x	
A digital euro that connects with the European Digital Identity Wallet ecosystem <sup>17</sup>					x	
Other (please specify)						

To the extent you deem it necessary, please explain your reasoning including whether the elements of a digital economy outlined above would be better achieved if the digital euro

<sup>14</sup> A Distributed Ledger is a database that is shared and synchronized across multiple sites, institutions, or geographies, accessible by multiple server operators. A distributed ledger stands in contrast to a centralized ledger, which is the type of ledger that most companies use today. Blockchains are a type of distributed ledger (see at <https://www.eublockchainforum.eu/video/educational/how-does-blockchain-work-simply-explained>).

<sup>15</sup> Stream payments relate to consecutive execution of micro payments to pay for on-demand services, e.g. video, music, electricity recharging.

<sup>16</sup> Machine to Machine payments refer to smart contract based transfers of digital assets between machines such as autonomous cars, manufacturing machines, electricity charging stations and the like. Such transfers of digital assets are conditional upon meeting certain requirements which are coded into the smart contract. For smart contracts see <https://www.eublockchainforum.eu/video/educational/smart-contracts-simply-explained>).

<sup>17</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_21\\_2663](https://ec.europa.eu/commission/presscorner/detail/en/IP_21_2663)

*is a bearer-based instrument or an account-based system, and provide quantitative evidence or estimates.*

*10. What use cases in your sector would you see for a digital euro? Please briefly explain the use case(s) you see pertinent.*

Rolling out the digital euro will need to take into consideration technological aspects, operational, compliance, financial, as well as the business case and consumer preferences.

The use cases will depend on the design of the digital euro and vice versa. The membership of EPIF is accustomed to work with different payment solutions and will seek to ensure to provide our customers with a safe, innovative, cost-efficient and seamless payment experience. Key design features would need to determine:

- The relative function of the respective parties in any payment chain,
- The technology adopted,
- Whether the digital euro is account based or a bearer product and the associated utility for market participants;
- Whether it is designed for retail vs wholesale market applications and the level of adoption;
- The investments required to implement the digital euro; and
- The impact on existing products and services that PSPs are providing or that are under development, such as the role out of instant payment solutions.

EPIF would therefore urge the ECB and the European Commission to engage in early communication and dialogue with the industry regarding the design of the digital euro and not inadvertently lead to the locking in of certain technologies or business solutions at the expense of competition and ongoing market innovation.

In the interest of financial inclusion, EPIF would welcome a wide range of retail focused use cases allowing individuals to pay for many or all of their basic daily transactions. While EPIF believes the main value in this regard comes from digital payments, we welcome the option of off-line solutions.

Maybe more innovative and adding an entirely new use case is the ability to move to smart contracting solutions that allow for automated payment solutions, as well as micro and stream payments

EPIF is also a strong proponent of cross-border payments between the EU and other parts of the world. We therefore welcome global cooperation on CBDCs that would allow for the use of the digital euro also for international payments.



### 3. MAKING THE DIGITAL EURO AVAILABLE FOR RETAIL USE WHILE CONTINUING TO SAFEGUARD THE LEGAL TENDER STATUS OF EURO CASH

*In the Euro area, the euro banknotes have the status of legal tender as stipulated by the [Treaty on the Functioning of the European Union](#). The status of legal tender of coins denominated in euro is laid down in [Council Regulation No 974/98](#). The concept of legal tender of euro cash as interpreted by the CJEU implies: (i) a general obligation in principle of acceptance of cash by the payee (ii) at full face value (iii) for the settlement of the monetary debt by a payer.*

#### 3.1. The digital euro's role for the digital economy

*Since a retail digital euro would be another form (digital, not physical) of central bank money, it could also be given legal tender status, as is the case for banknotes and coins. Legal tender status should ensure a wide acceptance of the digital euro. This would however have implications on its distribution and acceptance. In particular, legal tender status could imply that a payee cannot generally refuse a payment by a payer in digital euro and that the digital euro would have to be universally accessible.*

*The concept of legal tender is enshrined in Union law but not defined in detail. According to the ECJ, the status of legal tender implies that a means of payment having legal tender involves a default obligation to accept it at full face value in payments and a corresponding default right to pay with it, unless that obligation and right are restricted for reasons of public interest, or waived by contractual agreement. In principle, the status of legal tender does not preclude the parties from agreeing to use other means of payment or other currencies. If the concept of legal tender was defined in EU legislation, this would regulate legal tender in detail at Union level, and any exceptions could be specified.*

*This section seeks to address these issues and seeks to get your views as regards the potential impacts of the legal tender status in general and on your institution.*

#### Possible introduction of legal tender for the digital euro

*11. To achieve the digital euro objectives, how important do you consider it is that a payer always has the option to pay with a digital euro as a form of currency having legal tender status?*

*Please rate your answer from 1 to 5, 1 standing for 'not important' and 5 for 'very important'.*

- ☐ ~~1 Not important~~
- ☐ ~~2 Rather not important~~
- ☐ ~~3 Neutral~~
- ☒ ~~4 Rather important~~
- ☐ ~~5 Very important~~
- ☐ Don't know / no opinion / not applicable

*Please explain why. To the extent you deem it necessary, please consider how this could be better achieved.*

EPIF considers the Digital Euro as a complement to cash, that can facilitate payment needs, where cash is not suitable or accessible to people. However, EPIF has some reserves about the mandatory acceptance of the Digital Euro. The private sector has developed a variety of cashless payment solutions for a wide range of use cases, which decrease the need for a mandatory acceptance of digital euro payments. In addition, EPIF understands that there are a number of barriers that limit this possibility, since it would require the possession of some technical infrastructure or the entrance into a relationship of some sort of financial intermediary. Insofar as the Digital Euro does not entirely replicate privacy and anonymity properties of cash, mandatory acceptance may also be conflicting with the status of cash as legal tender. Against this background, as long as the notion of legal tender is not congruent to mandatory acceptance, EPIF is agnostic as regards to legal tender status.

Without disregard of the above, EPIF recognizes that mandatory acceptance would promote the uptake and usage of a Digital Euro and therefore does not reject the possibility of a mandatory acceptance in the future. It would however be critical not to have such mandate since day 1 of a Digital Euro in order to allow enough time for the necessary technical adjustments and adaptations.

At the same time, parties not accepting digital payments today should not be forced to accept the digital euro. The digital euro should sit next to existing payment solutions. The rate of adoption should depend on the value proposition to the respective parties involved. It should be market led.

12 Do you see advantages in regulating legal tender in detail at Union level, including any possible acceptance exceptions, by including a definition of legal tender status for the digital euro in EU legislation?

☒ ~~Yes~~

☒ ~~No~~

☐ **Don't know/no opinion.**

*To the extent you deem it necessary, please explain your reasoning and the advantages/disadvantages.*

As explained above, EPIF has reservations about mandatory acceptance, particularly if such mandatory acceptance is enforced since day 1 of a Digital Euro. We also note that from the perspective of processing payment transactions, the status as legal tender does not interfere. Important for EPIF members is that payment institutions get non-discriminatory access to clearing and settlement infrastructure. Accordingly, EPIF is agnostic towards the legal status of the Digital Euro insofar as the status determines neither acceptance nor access to infrastructure.

13. *Should the legal tender status of the digital euro take inspiration from the current legal tender status of banknotes and coins, while addressing the specificities of a*

*digital form of payment?*

~~a. Yes~~

~~b. No~~

c. **Don't know/no opinion.**

*To the extent you deem it necessary, please explain your reasoning for and against.*

The status of Digital Euro as legal tender should not determine any of the design options raised in this consultation as far as related to the role of private sector intermediaries.

14. *If the legal tender of the digital euro was defined in EU legislation, would there be a need for (justified and proportionate) exceptions to its acceptance?*

a. No

b. *Yes, for merchants not accepting digital means of payment*

c. *Yes, for small merchants*

d. *Yes, but exceptions should be further specified by Member States*

e. *Others, please specify*

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

*See Q11*

15. *Should there be a provision to require that the additional exceptions proposed by Member States are subject to approval by the European Commission after consulting the ECB?*

a. Yes

b. **No**

c. no opinion

*Please explain.*

EPIF believes that Member State discretions, at least within the Eurozone, would lead to undue fragmentation.

16. *Should there be a provision for administrative sanctions for digital euro non-acceptance?*

a. Yes

b. No

c. no opinion

*Please explain.*

*As mentioned above, EPIF declines mandatory acceptance.*

17. *If the legal tender status of the digital euro was defined in EU legislation, should it include rules that ensure digital euro is always an option for the payer, so following categories of payees cannot unilaterally exclude digital euro acceptance within its general contractual terms and conditions?*

	Yes	No	Don't know/not applicable
Government	x		
Utilities providers	x		
Large companies		x	
Merchants that accept private electronic means of payment	x		
Others, please specify			

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

While we advocate for an incremental adoption, we have stated at the outset that the members of EPIF have an interest in providing different payment solutions to customers that reflect their preferences and a seamless payment experience. As a result, we have no doubt that our members will actively contribute to the level of acceptance of the digital euro throughout society and with merchants in particular. Nonetheless, we believe that at this stage this should not be made a legal stipulation on merchants who do not accept digital payments. We have no doubt the value will be obvious but might not materialize for all parties at the same time.

### **Estimation of costs**

*This section mainly aims at assessing the costs incurred by stakeholders should the digital euro receive legal tender. While costs would very much depend on the design and functionalities of a digital euro, we are looking at broad estimates and further explanation, including on cost drivers, which will inform Commission impact assessment.*

*18. Technological and business developments might radically change the current way of payment acceptance (e.g. phones used as terminals). Irrespective of digital euro, how do you expect the cost of the acceptance infrastructure (not the transaction fees) to change with technological developments over the next 5 years?*

- a. 1 significant decrease in cost*
- b. 2 some decrease in cost*
- c. 3 no change in cost*
- d. 4 some increase in cost*
- e. 5 significant increase in cost*
- f. Don't know/ no opinion*

*Please explain your reasoning and provide quantitative evidence or estimates.*

New technologies are emerging that are reducing certain acceptance costs, such as through mobile POS systems. However, due to increasing security and compliance requirements, acceptance infrastructure is unlikely to become cheaper within the coming years. Larger merchants are also investing in more complex hardware to match customer expectations around the payment experience. We therefore foresee some increased costs in payment acceptance over the coming years, irrespective of the introduction of a digital euro.

We expect that the digital euro will be integrated into existing payment wallets in the same way as other modes of payment (e-money, cards and ideally private crypto asset solutions). The digital euro would thereby build on existing technology solutions and provide the customers with the largest degree of choice as to the use of particular payment solutions for respective use cases.

We might expect higher levels of investment for the use case of the digital euro in wholesale markets or to integrate the euro into smart contracts (programmable euro) and/or industrial processes. This is compensated by increased sales, potential higher savings and incentives that the digital euro might deliver in such environments.

19. The digital euro might be granted legal tender status that merchants would need to adhere to. Which and what type of additional costs would merchants face when starting to accept payments in digital euro?

	With legal tender status	Without legal tender status
Type of additional costs	<ul style="list-style-type: none"> <li>- New acceptance device</li> <li>- Upgraded payment experience</li> <li>- Back-office reconciliation</li> <li>- New acquiring contracts</li> </ul>	- Depending on choice of accepting digital euro or not

Please explain your reasoning and provide quantitative evidence or estimates.

If this is linked to mandatory acceptance then merchants of all sizes would face higher IT investment costs without in all cases seeing the potential benefits from Day One.

20. For merchants to be equipped to accept the digital euro, new POS terminals, new software or new app-based POS solutions may be needed. Please provide an estimate of the incremental costs necessary to accept payments in digital euro

	Merchants already accepting electronic payments	Merchants not yet accepting electronic payments
	In EUR per terminal	In EUR per terminal
One off costs related to (new) POS terminals for accepting payments in digital euro :		
One-off costs related to software:		
Annual cost for maintenance, licences etc.		
Others please specify		

Please explain your reasoning and provide quantitative evidence or estimates/ranges.

EPIF, founded in 2011, represents the interests of the non-bank payment sector at the European level. We currently have over 200 authorised payment institutions and other non-bank payment providers as our members offering services in every part of Europe.

All of our members operate online. Our diverse membership includes a broad range of business models, including:

- Three-party Card Network Schemes
- E-Money Providers
- E-Payment Service Providers and Gateways
- Money Transfer Operators
- Acquirers
- Digital Wallets
- FX Payment Providers and Operators
- Payment Processing Services

- Card Issuers
- Independent Card Processors
- Third Party Providers
- Payment Collectors.

Against this backdrop, EPIF is not well positioned to answer this question and defers instead to responses by its members representing some of the different business models.

*21. Would these costs differ depending on whether the digital euro would be account-based or bearer based?*

- a. Yes, account-based would be less costly*
- b. Yes, bearer-based would be less costly*
- c. No difference*
- d. Don't know/ no opinion*

*Please explain your reasoning and provide quantitative evidence or estimates.*

What differentiates our membership from many of the other trade associations representing the payment sector is that our members do not necessarily rely on account-based payments. Any design of the digital euro should take this unique feature into consideration.

EPIF is therefore interested to be involved directly or through its members in the ongoing discussions on the product development and design of the digital euro, the attributes and characteristics any use case of the digital euro would require, the technological solutions, the inter-relationship with the current EU payment ecosystem, ensuring there are no commercial distortions (level playing field) and the agreement on any common features, such as schemes or governance arrangements.

*22. How important would the aspects listed below be for Merchants to counterbalance the one-off investment cost of new point of sale (POS) terminals or software that can handle digital euro payments?*

*Please rate each aspects from 1 to 5, 1 standing for 'not important' and 5 for 'very important'.*

	1	2	3	4	5	Don't
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						<i>know/not applicable</i>
<i>Possible savings on the transaction costs of digital euro payments</i>			x			
<i>With the same (new) POS terminals purchased for digital euro payments, the possibility for merchants to accept other payment solutions offered by supervised private intermediaries</i>					x	
<i>The possibility for merchant to accept digital euro payments from payers using a variety of devices e.g. smartphones, chipcards, wearables or other devices and contactless functionality (e.g. NFC antennas)</i>					x	
<i>Others (Please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

The easiest way for merchants to accept the digital euro would be to leverage existing payment networks that provide fast, reliable and secure payment acceptance for merchants. This would provide merchants with more choice and increased turnover, offsetting the costs of acceptance. Digital payment options would also allow merchants to increase customer satisfaction and loyalty.

### ***Merchant fees***

23. *For merchants to be equipped to accept the digital euro, services of intermediaries may be needed. Taking into account the (possible) mandatory acceptance of the digital euro in case it has legal tender status, should any boundaries to the fees that may be applied to merchants be set?*

- a. *Yes*
- b. *No*
- c. *Don't know/ no opinion*

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

We do not support setting fee boundaries for payments in digital euros. As the digital euro represents a new form of currency but not necessarily a new payment system, the fees associated with payment acceptance should be set by market participant and depend on the costs incurred by PSPs as well as added-value services provided by regulated PSPs. Merchants should be free to choose from a wide variety of payment services from a competitive landscape. Price regulation would stunt innovation and decrease the strength of the digital euro compared to other CBDCs in development.

24. *Please qualify the following statements with regard to how merchant fees could be designed*



*Please rate each aspect from 1 to 5, 1 standing for 'strongly disagree' and 5 for 'strongly agree'.*

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Don't know/not applicable</i>
<i>Fees on digital euro payments should be based on real costs and a reasonable profit</i>	<sup>x</sup>					
<i>Fees on digital euro payments could be based on</i>	<sup>x</sup>					

<i>the volume or value of transactions, if and insofar the volume or value has an impact on the real costs of intermediation</i>						
<i>Multilateral interchange fees consistent with the Interchange Fee Regulation may be taken into account in the initial calibration of the fees on digital euro payments</i>	x					
<i>Fees calculated in another way (please specify)</i>					x	

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

The fees for payment acceptance, whether in digital euro or in non-CBDC euros, should be set by the market while respecting existing EU legislation such as the Interchange Fee Regulation. Innovation and value for consumers and merchants is best maximised if PSPs compete openly and fairly and offer a range of added-value services. Prescriptive fee calculation methods would be harmful to this principle and lead to less innovation and competition on the European payments market.

*25. Should there be a prohibition on surcharges on payments with digital euro?*

- a. Yes*
- b. no*
- c. Don't know/not applicable*

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

EPIF believes that surcharging is detrimental to consumer choice, consumer protection and to the functioning of the payments sector. EPIF therefore urges the Commission to create a true level playing field between card and non-card payments by banning the practice altogether. In practice, surcharging is fully banned in most Member States, which has fostered the emergence and success of alternative payment providers in those markets. The experience of our members shows that merchants have seen the benefits via increased sales. In Member States where the practice was not banned, EPIF members instead see that the national discretion creates confusion for merchants when they want to begin selling across borders to EU jurisdictions where the practice is banned.

### 3.2. The legal tender status of euro cash

As mentioned in Commission retail payment strategy, while promoting the emergence of digital payments to offer more options to consumers, the Commission will continue to safeguard the legal tender of euro cash. The legal tender of euro banknotes as *lex monetae* is enshrined in Article 128(1) TFEU, according to which ‘the banknotes issued by the European Central Bank and the national central banks shall be the only such notes to have the status of legal tender within the Union’. Furthermore Commission Recommendation of 22 March 2010 on the scope and effects of legal tender of euro banknotes and coins defines three core features for the legal tender: mandatory acceptance, acceptance at full face value and power to discharge from payment obligations ([Official Journal L 83, 30.3.2010, p. 70–71.](#)). Next to this, according to the ECJ, the status of legal tender implies that a means of payment having legal tender involves a default obligation to accept it at full face value in payments and a corresponding default right to pay with it, unless that obligation and right are restricted for reasons of public interest, or waived by contractual agreement. The Commission will assess whether recognising the legal tender status of the digital euro also results in a need to define in a binding EU legislative proposal the meaning of legal tender for cash, in line with CJEU jurisprudence, to ensure coherence. We would therefore like to understand better the implications of the possible granting of legal tender status to the digital euro for the definition of legal tender of cash.

26. If it were decided to include a definition of legal tender status for the digital euro in EU legislation, please state your opinion on the following statements regarding the legal tender status of euro cash (banknotes and coins):

<i>Statement</i>	<i>Yes</i>	<i>No</i>	<i>No opinion</i>
<i>The current situation where the legal definition of the legal tender status of cash is set out in the 2010 Recommendation and ECJ jurisprudence is adequate.</i>			<input checked="" type="checkbox"/>
<i>Legislative action at EU level is needed to enhance legal certainty and enshrine the legal tender status of euro cash in secondary law.</i>			<input checked="" type="checkbox"/>

*Please explain your answers.*

27. According to your organisation, is there a need for a further definition of justified exceptions to the general principle of mandatory acceptance if those are grounded on reasons related to the 'good faith principle'<sup>18</sup>?

- a. Yes
- b. no
- c. *no opinion*

*Please explain.*

28. Which of the following exceptions should be defined?

<b>Exception</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<i>No party shall be obliged to accept more than 50 coins in any single payment (except for the issuing authority and for those persons specifically designated by the national legislation of the issuing Member State);</i>			x
<i>If refusal is for security reasons;</i>	x		
<i>If the value of the banknote tendered is disproportionate compared to the value of the amount to be settled;</i>			x
<i>If a retailer has no change available;</i>			x
<i>If there would be not enough change available as a result of that payment for a retailer to carry out its normal daily business transactions;</i>			x
<i>Any other exception – see below</i>			

*Please explain.*

We welcome increased legal certainty but again we refer to our earlier answers on the adoption of the digital euro which should be incremental and run in parallel with the value proposition of the digital euro for the respective merchant.

29. *Should there be a provision to require that additional exceptions to the mandatory acceptance principle may be proposed by Member States subject to approval by the European Commission after consulting the ECB?*

- a. Yes
- b. No
- c. no opinion

*Please explain.*

We have already expressed our concerns about the fragmentation in the EU Single Market.

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<sup>18</sup> Notwithstanding the preliminary judgment of the CJEU in Joined Cases C 422/19 and C 423/19, which states in par. 55 that it is not necessary that the EU legislature lay down exhaustively and uniformly the exceptions to that fundamental obligation, provided that every debtor is guaranteed to have the possibility, as a general rule, of discharging a payment obligation in cash.

30. *Should there be a provision for administrative sanctions for cash non- acceptance?*

- a. *Yes*
- b. *No*
- c. *no opinion*

*Please explain.*

31. *Should the legislative proposal confirm the prohibition on surcharges on payments with euro banknotes and coins?*

- a. *Yes*
- b. *No*
- c. *no opinion*

*Please explain.*

As stated above, EPIF is highly critical of surcharging practices.

32. *Since the effectiveness of the legal tender status of cash presumes the widespread possibility of having access to it, should there be a provision which aims to guarantee the availability of cash, such as an obligation on Member States to adopt rules to ensure sufficient access to cash and report these rules to the Commission and the ECB?*

- a. *Yes*
- b. *no*
- c. *no opinion*

*Please explain.*

EPIF agrees with the ECB that a digital euro would be introduced alongside cash and it will complement it but not substitute it.

Merchants and customers should have access to a broad choice of payment solutions. There should be room for cash payments, account-based payments, innovative payments but also card payments. Card payments will remain an important element of the overall mix of payment solutions.

Customers on average use a number of different modes of payment depending on the context of the transaction: online vs face-to-face, the size of the transaction etc. Overall, the number of transactions is increasing. Despite the rise of new means of payment and the online world, cash payments remain an important part of the overall mix of choices.

In Europe, several Member States are moving towards a cashless economy. EPIF sees the convenience of electronic payments for online shopping, automatic bill paying, and online hotel bookings etc. While many citizens take these frictionless payments for granted, not everyone uses online solutions.

The financial industry should step up to more inclusive innovation and offer consumers solutions regardless of where they live and embrace the complexity of a world where cash and digital payments coexist far into the future.

#### 4. THE DIGITAL EURO'S IMPACT ON THE FINANCIAL SECTOR AND FINANCIAL STABILITY

*The digital euro could be distributed centrally by the Eurosystem or with the help of private sector intermediaries. In either case, the digital euro would likely have an influence on financial intermediaries' balance sheets, income statements, business model and services. In this section, we would like to understand better how financial intermediaries perceive the impact of the digital euro and how they could offer additional value to the digital euro, also depending on whether the digital euro is account based or bearer instrument/token based<sup>19</sup>.*

*33. What do you think the impacts of a digital euro would be on the business of providers of payment services and crypto-asset services?*

	<i>Positive impacts/ opportunities</i>	<i>Negative impacts/ challenges</i>
<i>Credit institutions</i>	<b>Programmable money tied to obligations of account holders</b>	
<i>Other payment services providers</i>		<b>Potential decline in revenue driven by lower processing costs to consumer</b>
<i>Crypto-asset services providers</i>	<b>Greater transparency in KYC and customer identification / verification of funds</b>	

Please see our answer to Question 10. The success of the digital euro will depend on its technological aspects, operational, compliance, financial, as well as the business case and consumer preferences. An account-based digital euro distributed by regulated PSPs – as advocated by a majority of respondents to the ECB public consultation – could provide opportunities to build added-value services on top of the digital euro. This could lead to increased choice for consumers and merchants and accelerate innovation in the European payments market.

We therefore strongly advocate for an intermediated model for the distribution of the digital euro.

*34. How important would it be to limit the store of value function of the digital euro by, introducing holding caps, limitations to transactions, or different interest and/or fees disincentives on large holdings?*

*Please rate each aspects from 1 to 5, 1 standing for 'not important at all and 5 for 'very important.*

	1	2	3	4	5	Don't know/not applicable
<i>For financial stability purposes (e.g. to prevent bank runs in crisis situations)</i>						x
<i>To prevent that the digital euro structurally disintermediates credit institutions (e.g. large conversion of bank deposits to digital euro)</i>						x
<i>Other (please specify)</i>						

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<sup>19</sup> [See ECB Report on a digital euro, October 2020](#), section 5.1.5 on transfer mechanism for a presentation of the digital euro design options.



*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

The impact will ultimately depend on the link between the digital euro and the ECB's interest rate policy. Please note that private stable coin solutions are banned under MiCA from offering interest. This creates possible distortive effects.

35. How would holding limits or disincentives to the store of value function affect the usability of the digital euro in the various use cases below?

Please rate each aspects from 1 to 5, 1 standing for 'significantly decrease in its usability' 3 'no change in its usability' and 5 for 'significant increase in its usability'.

	1	2	3	4	5	Don't know/not applicable
Person-to-Person payments		x				
Person-to-Business payments		x				
Business-to-Business payments		x				
Machine-to-Machine payments		x				
Other (please specify)		x				

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

As payments are based on economies of scale, there is always a correlation between the usability, costs and accurateness of a payment solution and the size of the possible transactions or volume of transactions that can be executed. Introducing reasonable holding limits should, however, have limited to no impact on the majority of payments. Large B2B transactions could potentially be hampered but this would again depend on the design of the digital euro. Designing the digital euro so that deposits would need to be immediately transferred and converted by recipients into cash or reserves should enable B2B payments to function even given holding limits.

36. How would a retail digital euro **without** any holding limits or disincentives for store of value function impact the following aspects of the **EU credit institutions**?

Please rate each aspects from 1 to 5, 1 standing for 'significant decrease' and 5 for 'significant increase'.

	1	2	3	4	5	Don't know/not applicable
Volume (value) of retail deposits						x

<i>Volume (value) of corporate deposits</i>						X
<i>Liquidity / bank run risk</i>						X
<i>Volume (value) of new credit provision</i>						X
<i>Revenue from payment services</i>						X
<i>Net interest revenue</i>						X
<i>Ability to perform anti money laundering</i>						X

<i>(AML) and other compliance obligations</i>						
<i>Costs due to operational risk in retail payments</i>						x
<i>Other (please specify)</i>						

*To the extent you deem it necessary, please explain your reasoning including whether your assessment would depend on whether the digital euro is a bearer- based instrument or is account-based and provide quantitative evidence or estimates.*

EPIF does not represent credit institutions and cannot comment on this question.

37. What are the risks and impact on **credit institutions** of the non-issuance of a digital euro, for example in the scenario of a successful stablecoin in the EU?

EPIF does not represent credit institutions and cannot comment on this question.

38. How would a retail digital euro **without** any holding limits or disincentives for store of value function impact the following aspects of the **EU payment service / crypto-asset service providers (excluding credit institutions)**?

*Please rate each aspects from 1 to 5, 1 standing for 'significant decrease' and 5 for 'significant increase'.*

	1	2	3	4	5	Don't know/not applicable
<i>Volume (value) of funds on payment accounts hosted by payment institutions, e-money institutions or crypto-asset service providers</i>		x				
<i>Volume (value) of payments initiated by payment service providers or crypto-asset service providers from third party accounts</i>		x				
<i>Direct revenue from payment or crypto-asset services</i>			x			
<i>Revenues from investing the balance of payment or crypto-asset accounts</i>			x			
<i>Revenues from data management</i>			x			
<i>Ability to perform AML and other compliance obligations</i>				x		

<i>Costs due to operational risk in retail payments and crypto-asset services</i>			x			
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Other (please specify)						
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*To the extent you deem it necessary, please explain your reasoning including whether your assessment would depend on whether the digital euro is a bearer- based instrument or account-based and provide quantitative evidence or estimates.*

A digital euro without any holding limits might adversely affect the financial sector in a number of ways, all of which would ultimately have a negative impact on consumers and businesses that rely on having access to safe, efficient, and innovative financial services. A digital euro without any holding limits and directly distributed by the ECB to consumers and business could severely disrupt the existing and well-functioning payment system in Europe.

A digital euro that does not include private sector participation risks losing the innovation that is critical to ensuring improvements to the financial ecosystem. In addition, while stablecoins and certain other private developments have been designed with interoperability and the private sector in mind, a digital euro that shuts out the private sector would negatively impact a core aspect of the European economy, with the potential for significant disruption.

*39. Where could duly licensed financial intermediaries offer value in the distribution of the digital euro?*

*Please rate each aspects from 1 to 5, 1 standing for 'no value' and 5 for 'very significant value'.*

	1	2	3	4	5	Don't know/not applicable
Experience in on-boarding of customers					X	
Experience in Know Your Customer (KYC) and AML checks					X	
Efficient transaction verification and execution					X	
Experience in customer management					X	
Developing additional services using the digital euro					X	
Existing IT system for customer, front and back office services that could be adapted to the digital euro					X	
Other (please specify)						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

Please also see our answer to Question 10. The membership of EPIF is accustomed to work with different payment solutions and will seek to ensure to provide our customers with a safe, innovative, cost-efficient and seamless payment experience.

With regard to the design of the digital Euro, EPIF believes that the digital euro needs to be designed and structured in a way that does not discriminate non-banks so they have equal access as account-based payment services providers. The digital euro should deliver settlement finality and it should be interoperable with other payments solutions. In order to achieve that, EPIF members would like to see the Settlement Finality Directive amended in order to allow non-bank payments providers to have access to the intra-bank payment system as long as they comply with the ECB requirements.

The ECB has repeatedly stated that it has no intention to provide the front-end solutions to the customers. Therefore, direct access to the interbank payment systems is key for non-bank payments providers to be able to compete equally with banks. In both sides, back-end and front-end, banks and non-banks payments providers should be able to compete on equal terms in order not to distort competition. EPIF stresses the importance of allowing non-banks payments sector the possibility of being part of the distribution framework and provide the front-end solutions.

40. *How much increase, do you expect, in payment service providers' (including credit institutions') expenses related to the distribution of the digital euro? Please consider all possible cost elements (e.g. front office and back office services, administrative costs, IT costs, compliance cost etc.)<sup>20</sup>*

*Please rate each aspects from 1 to 5, 1 standing for 'no increase at all' and 5 for 'very significant increase'.*

	1	2	3	4	5	Don't know/not applicable
<i>One-off expenses</i>						x
<i>Annual expenses</i>						x
<i>Others, Please specify</i>						

*Please explain your reasoning and provide quantitative evidence or estimates/ranges on these expenditures.*

As explained in Question 20, EPIF represents many different business models.

EPIF is therefore not well positioned to answer this question and defers instead to responses by its members representing some of the different business models.

41. *Using the digital euro, what **additional services** could your financial institution develop for your customers?*

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates/ranges on the benefits expected from these additional services.*

EPIF believes that there could be many new use cases dependent on the actual design of the digital euro. We have in particular referred to the application in wholesale markets and DLT / smart contract based solutions.

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<sup>20</sup> *While costs would very much depend on the design and functionalities of a digital euro, we are looking at broad estimates and further explanation, including on cost drivers, which will inform Commission impact assessment*



## 5. APPLICATION OF ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING (AML-CFT) RULES

*Intermediaries required to implement AML/CFT rules must conduct due diligence on their clients. These measures need to be performed for example, when a user opens an account, when transactions are carried out, or when there is a suspicion of money laundering or terrorist financing. While specific AML/CFT rules may need to be devised based on the exact design features of a digital euro, general views related to the implications of AML/CFT measures for intermediaries and estimation of compliance benefits/costs are welcome.*

42. How various design models of a digital euro would impact the AML/CFT compliance costs of private intermediaries? (1 = 'no impact', 5 = 'very high increase in cost')

<i>Design option</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Don't know/not applicable</i>
<i>Account-based digital euro, available online<sup>21</sup></i>						x
<i>Bearer-based<sup>22</sup> digital euro, available online</i>						x
<i>Bearer-based digital euro, available offline</i>						x

*For each option, please provide quantitative/qualitative evidence or estimates if available.*

As explained in Question 20 EPIF represents many different business models.

EPIF is therefore not well positioned to answer this question and defers instead to responses by its members representing some of the different business models.

43. *Intermediaries will have to perform a series of controls and checks according to AML/CFT requirements. In comparison with existing requirements applying to other means of payments, what would be the specific challenges with digital euro payments to best ensure prevention and combat of money laundering and the financing of terrorism?*

Again, this depends on the exact design of the digital euro. It is important that the digital euro still allows customers to transact in private and that the needs of security and law enforcement are balanced with those of data privacy. This would certainly facilitate the adoption of the digital euro.

In a bearer-based design, it would be necessary to somehow link a person's identity to a wallet address. Given that it may be possible to create multiple wallet addresses, this could be a large challenge. It would also raise the question of whether an onboarding process by the ECB would be necessary in order to ascertain the person's identity, the origin of their funds as well as the ultimate beneficiary of a digital euro wallet.

In an account-based system, checks would be performed largely to the same extent as today. However, linking digital euro wallets to a strong digital identity infrastructure could facilitate the performance of AML/CFT compliance. Instituting thresholds on the value and volume of digital euro payments could also limit the use of the CBDC for illicit purposes.

*44. In case the digital euro provides for a functionality that would allow the user to perform **low-value transactions offline**, what challenges do you think this*

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<sup>21</sup> In an account-based model, payments in digital euro would be initiated by end users but transferred by supervised intermediaries managing accounts on their behalf. In this scenario, AML/CFT requirements are expected to be performed by supervised intermediaries distributing the digital euro.

<sup>22</sup> In a bearer-based model, payments in digital euro would be initiated and transferred by end users directly, without the need of a third party (supervised intermediary) playing a role in the transaction. Supervised intermediaries may be involved in the system, notably for the performance of AML/CFT requirements such as the onboarding of users, in addition to other activities such as the loading digital euro funds into digital euro wallets.

*functionality could generate in the prevention and combat of money laundering and the financing of terrorism?*

We draw attention that the 5 Anti-Money Laundering Directive already foresees this holds for low value transactions, including in anonymized e-money products. EPIF has expressed concern these thresholds are proposed to be removed in the latest AML revision. We believe the thresholds should be reinstated, not least to deal with the use case set out by this question.

*45. In your opinion, how would the risks related to money laundering and terrorism financing of a digital euro allowing the user to perform low-value transactions offline (proximity payments) compare to other payment options listed below?*

*Please indicate in each line your assessment of the relative risks.*

	<i>Low-value offline digital euro transactions less risky</i>	<i>Low-value offline digital euro transactions equally risky</i>	<i>Low-value offline digital euro transactions more risky</i>	<i>Don't know/not applicable</i>
<i>Digital euro online payments</i>		x		
<i>Cash payments</i>	x			
<i>Online payments in commercial bank money</i>		x		

*For each option, please provide quantitative/qualitative evidence or estimates if available.*

## 6. PRIVACY AND DATA PROTECTION ASPECTS

The ECB's public consultation on the digital euro indicated that future users of the digital euro see privacy as one of the most important elements. Ensuring an appropriate level of privacy and data protection for the user of a digital euro is important to foster public trust in a digital euro, which underpins its adoption and use. Any processing of personal data must be in line with the Union data protection legislation, including the [GDPR](#)<sup>23</sup> and the [EUDPR](#)<sup>24</sup>.

46. Which features could appropriately enhance the privacy and data protection of the digital euro users? Note that these features are without prejudice to the lawful grounds of processing, as specified in Article 6 GDPR and the application of AML requirements, as appropriate.<sup>25</sup>

Please rate each business case from 1 to 5, 1 standing for 'not appropriate at all' and 5 for 'very appropriate'.

	1	2	3	4	5	Don't know/not applicable
Ability to mask the identity of the payer or the payee to each other ('peer-to-peer pseudonymity')	x					
Ability to mask the identity of the payer or the payee to the other party's intermediary ('intermediary-to-intermediary pseudonymity')				x		
Ability to limit the knowledge on the identity of the payer or the payee to the central bank, and/or other third party intermediaries not involved in the transaction				x		
Ability to completely hide the identity of the payer and payee for low-value offline transactions		x				

Please explain your answer to question 46:

The request by users for a large amount of privacy in digital euro transactions is understandable. However, the more anonymity the digital euro provides, the less intermediaries will be able to conduct AML/CFT checks that require information on the origin of funds as well as the ultimate beneficiary. Policymakers should strive to find the right balance between safeguarding users' information, while allowing intermediaries to conduct the appropriate checks in compliance with EU and national legislation.

47. The Commission has identified a number of potential activities related to digital euro that could entail the lawful processing of personal data by either private intermediaries or central banks in charge of initiating the digital euro

- <sup>23</sup> [Regulation \(EU\) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC \(General Data Protection Regulation\) \(Text with EEA relevance\)](#)
- <sup>24</sup> [Regulation \(EU\) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation \(EC\) No 45/2001 and Decision No 1247/2002/EC \(Text with EEA relevance.\)](#)
- <sup>25</sup> The processing of personal data is lawful when carried out in accordance with Article 6 GDPR. This includes, for example, the processing of personal data for the performance of a task carried out in the public interest (e.g. AML/CFT requirements) or for the performance of a contract.

transactions and services. How appropriate are those activities for the lawful processing of personal data?

Please rate each activity case from 1 to 5, 1 standing for 'not appropriate' and 5 for 'very appropriate'.

Purposes	1	2	3	4	5	Don't know/not applicable
<i>Fight against money laundering, organised crime / terrorism</i>					x	
<i>Enforcement of tax rules</i>					x	
<i>Payments settlement purposes</i>					x	
<i>Management of operational and security risks</i>					x	
<i>Enforcement of potential holding limits</i>					x	
<i>Additional innovative online services and functionalities</i>					x	
<i>Other, please specify</i>						

To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.

As said before it is important that the digital euro still allows customers to transact in private and that the needs of security and law enforcement are balanced with those of data privacy. This would certainly facilitate the adoption of the digital euro.

48. Should the central bank be able to access personal data for the purposes listed below?

	Yes	No	Don't know/not applicable
<i>Payments settlement purposes</i>	x		
<i>Operational resilience/security risks assessment and mitigation purposes</i>	x		
<i>AML/CFT</i>	x		
<i>Fraud</i>	x		
<i>Other, please specify</i>			

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

49. *Should users of a digital euro have the possibility to ‘opt-in’ and allow their personal data and payments transaction data to be used for commercial purposes, for example to receive additional services from intermediaries?*

- *Yes*
- *No*
- *Don’t know/no opinion*

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

The theoretical option would give more flexibility to the evolution of new products and services to customers.



## 7. INTERNATIONAL PAYMENTS WITH A DIGITAL EURO

While the digital euro is primarily aimed to be used within the euro area, questions about potential cross border use within or outside the EU (including by tourists and businesses) arise. While this may bring user benefits, its impacts on third countries' economies and monetary systems may be significant. While the ECB's consultation asked about the use outside of the euro area, we would like to better understand which use cases could be desired in the international context.

50. How desirable would it be that the digital euro is available for the following users and use cases?

Please rate each use case from 1 to 5, 1 standing for 'not desirable at all' and 5 for 'very desirable'.

	1	2	3	4	5	Don't know/not applicable
<i>Euro area (EA) residents and intra EA payments</i>					x	
<i>Non-resident visitors to the EA (tourism dimension)</i>				x		
<i>Selected non-EA residents for trade purposes with third countries</i>				x		
<i>All international retail transactions with third countries without limits on residency and geography of transactions (trade dimension)</i>					x	
<i>Other Please specify</i>						

To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.

EPIF is a strong proponent of cross-border payments between the EU and other parts of the world. We therefore welcome global cooperation on CBDCs that would allow for the use of the digital euro also for international payments

51. If the digital euro is available for EU citizens living outside of the euro area, how do you assess the impact (risks) of the following aspects in these **non-euro-area** Member States?

Please rate each aspects from 1 to 5, 1 standing for 'no negative impact/ increase in risk' and 5 for 'very significant negative impact/increase in risk'.

	1	2	3	4	5	<i>Don't know/not applicable</i>
<i>Financial disintermediation</i>						x
<i>Financial stability</i>						x
<i>Monetary autonomy</i>						x
<i>Capital movements</i>						x
<i>Others Please specify</i>						

*To the extent you deem it necessary, please explain your reasoning and provide quantitative evidence or estimates.*

Much depends on the size and nature of the relevant third country economy.