

# Merchant Payments Coalition Europe

March 2024



## Digital Euro: Merchants support a fast, innovative, and low-cost pan-European payment method

The digital euro has the potential to transform European payments – increasing efficiency, promoting innovation, and placing Europe at the forefront of payment technology. Merchants are the business end-users of the EU payment ecosystem and are currently limited in their ability to negotiate fair terms with incumbent payment service providers to offer consumers affordable products and services. **A balanced digital euro project will secure fairer competition across the Single Market while reducing dependency on foreign payment actors** and supporting EU competitiveness on the global stage.

### Who benefits?

- European **consumers** will benefit from lower prices, increased choice in payment options, offline resilience, and improved privacy and inclusion.
- **Merchants** stand to benefit from lower costs, faster settlement times, offline resilience, more payment options and enhanced working capital efficiency.
- **Financial institutions** will be able to explore innovative service offerings and new revenue streams.

To capture this potential, the digital euro needs to be designed in a way that is transparent, consumer-focused and proportionate for merchants. **We support a digital euro developed as a common public payment infrastructure.** Much like physical infrastructure such as public roads and highways facilitate economic activity, a common public payments infrastructure for the digital euro will unlock unique benefits for European citizens.

### 5 unique advantages

1. **Universal payments:** A resilient European payment method for all use cases across the eurozone, whether online or in-store.
2. **Lower prices:** Reduced processing costs lead to lower prices of goods and services.
3. **Greater privacy:** Balancing enhanced privacy with Anti-Money Laundering (AML) oversight, akin to the privacy of cash transactions.
4. **Improved digital financial inclusion:** Providing electronic payment access for the unbanked and those who do not want to use cards or digital wallets, fostering participation in the digital economy.
5. **Enhanced innovation:** Promoting competition, innovation, and new payment experiences.

To fully unlock the potential of the digital euro, Europe needs to incorporate specific **technical design choices**.

### Technical requirements

- **Privacy by design:** Integration of self-custody wallets, where the users can manage the keys to sign transactions themselves, for enhanced online privacy for consumers and merchants.
  - **Improved financial inclusion:** Accessible digital euro accounts through eIDAS (European identity) wallets with varying levels of due diligence based on risk.
  - **Enhanced Innovation:** Enabling users to hold multiple wallets for different purposes and encouraging new value-added services notably through conditional payments, e.g. pay on delivery, pre-authorisation, etc.
- Careful consideration of the compensation model is crucial to create the right economic incentives for all participating stakeholders of the digital euro ecosystem and to promote innovation.

Merchants have a key role to play in promoting the use of the digital euro by consumers and should therefore be incentivised to promote it through an attractive & competitive fee model.

### Requirements for pricing structures and governance processes

Pricing structures and governance processes should meet the highest degree of transparency and openness so businesses can make informed decisions. Only then will the digital euro contribute to a more competitive retail payment landscape, helping to address current imbalances between merchants and Payment Service Providers (PSPs) and card schemes such as Mastercard or Visa.

- **New compensation structure:** A single, fixed per-transaction fee as close-to-zero as possible, with low-value transactions to be processed free of charge, will be essential to encourage the European Union's 24.3 million small, medium and large enterprises (SMEs) to support the digital euro. A percentage-based fee can only be justified if the resulting fee amount is capped because costs associated with processing transactions are not related to the value of such transactions.
- **No interchange fee:** The economic nature of the digital euro does not require an inter-Payment Service Provider fee to be levied. Issuing PSPs will not face credit risks as digital euro holdings are recorded on central bank books. In addition, the settlement of digital euro transactions will be processed instantly, by definition eliminating any default risk.

#### Successful examples in India and Brazil

*The digital euro should build on successful examples such as the Unified Payments Interface (UPI) in India and the PIX instant payment platform in Brazil. These two solutions operate without interchange fees, have no shortage of consumer wallet offerings, and have achieved remarkably high adoption, all while avoiding unnecessary fees on merchants, promoting innovation, and ensuring widespread consumer adoption. The new **European Payments Initiative** also aims not to charge any interchange-like fees.*

- **Intermediary investment recovery:** Intermediaries should aim to recover investments through innovative value-added services, for example, based on conditional payments while limiting free basic services for consumers to core transaction services. Consumers should be charged for the use of other basic services, such as cash deposits and withdrawals to and from their digital euro account.
- **Public monitoring of fees:** Fees imposed on SMEs and businesses for the acceptance of digital euro services should be consistent with the direct costs faced by digital euro PSPs. To this end, the European Central Bank, in cooperation with National Competent Authorities, should set up a system to guarantee public monitoring of digital euro-related fees.
- **Protection of merchant investments:** Merchant's obligation to accept digital euro is proportionate when sufficient digital euro payments will be flowing to warrant their investments in digital euro acceptance infrastructure. Those investments are rendered useless if consumers do not adopt the digital euro as a payment method.

We call upon European legislators to incorporate these principles into the digital euro framework to unlock its full potential and bring countless opportunities and benefits to European citizens.

We also call upon the legislators to conclude the legislative negotiations on the digital euro framework in a timely manner to ensure a prompt update of the EU payment legislation in line with the pace of the evolution of the payment market.

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### Merchant Payments Coalition Europe

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

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

