

Response to European Commission's adoption for a proposal for a Regulation on the establishment of the digital euro¹.

Bizum would like to thank the European Commission for the opportunity to provide feedback on this proposal for a Regulation. Please find below these lines our detailed comments on the proposal.

1. Introduction to Bizum.

1.1. General overview.

Bizum, S.L. (hereinafter "Bizum"), is a Spanish company that **provides information society services**². It was set up in 2016 as an innovative and collaborative project of the Spanish banking industry. Its aim is to offer a payment solution based on the instant transfer of funds between users' accounts in an efficient, fast, and secure manner.

Bizum currently has a network that brings together **more than 24.6 million users (and expects to reach 25 million before the end of 2023)**, 37 Spanish and Andorran credit institutions, more than 50,000 businesses (including hundreds of public bodies) and over 8,700 NGOs. It provides a **value-added service** for payment service providers members and their customers, covering around 99% of the Spanish market share. **Bizum's functionalities allow linking in the same register -a database or directory- the telephone³ number and the IBAN code of a user's bank account, together with other relevant data about the user** (ID number, first and last name, alias⁴, and optionally email or postal address). The information in the directory enables immediate transfers to be made using the users' phones as proxies.

Instant transfers, universality, convenience, security and easy activation are the main benefits that Bizum offers to the user. Bizum is, therefore, a **payment solution that complements the basic functionalities of its member institutions, making them more**

¹ Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro (hereinafter, the "proposal for a Regulation").

² In Spanish, "prestadora de servicios de la sociedad de información".

³ Please note that when referred as a mobile phone or phone it means smartphone, which is used interchangeably.

⁴ The Bizum's "Alias" consists of the user's full name followed by the initials of both last names. Please, note that in Spain it is usual to have two family names, the first one of both parents. (e.g., PEDRO GARCÍA FERNÁNDEZ would be "PEDRO G.F.").

attractive and allowing them to offer services that improve and enrich the user experience.

Bizum is the only mobile payment solution using the European scheme established by the European Payments Council (EPC) SEPA Instant Credit Transfer (SCT Inst) for all its use cases. Bizum's services are currently available in Spain and Andorra⁵. However, interoperability with other European payment solutions is one of the major key points in Bizum's roadmap for the coming years.

Bizum is also a member of the European Mobile Payments System Association (EMPSA), from which it is committed to interoperability and the establishment of a pan-European mobile payment solution. In this regard, it is worth highlighting the existence of value-added solutions like Bizum in 14 Member States.

1.2. Bizum's role in the development of the digital euro.

With regard to this proposal for a Regulation, Bizum's staff has been appointed by the Eurosystem as a member of the Digital Euro Market Advisory Group. Bizum has also participated in the progress of the Rulebook Development Group (RDG), which develops functional, technical and operational aspects of the digital euro. In particular, Bizum has participated in two workstreams which are focused on (1) authentication and identification and (2) compatibility. Bizum employees have closely followed and advised the conceptualization of the digital euro and our aim to continue to contribute during the legislative process to enrich the text that will finally be adopted.

On a national level, Bizum is leading the "Working Group of Spanish Financial Institutions for the Preparation of the Possible Issuance of the Digital Euro by the ECB". Bizum has participated in its capacity as a company specialised in added-value payment solutions. The working group has carried out a Proof of Concept (POC) to prepare the sector for the possible issuance of the digital euro by the ECB and has already shared the main conclusions with the Eurosystem. Bizum is also a member of the Spanish Central Bank's National Payments Committee⁶, providing input on the market evolution of retail payment services with the aim of ensuring alignment with European initiatives towards a stronger, more innovative, and integrated European payments market.

⁵ The derived payments are processed in the immediate transfer subsystem of the National Electronic Clearing System ("Sistema Nacional de Compensación Electrónica" or SNCE), operated by Iberpay and supervised by the Bank of Spain ("Banco de España"). These payments are settled on a real-time basis on technical accounts of the European Central Bank (TARGET Instant Payment Settlement or TIPS).

⁶ [See details on the nature and composition of the National Payments Committee.](#)

2. General considerations of the legislative proposal.

(2.1) Bizum welcomes the opportunity to provide the European Commission (hereinafter the "Commission") with its comments on the proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro.

(2.2) Bizum appreciates the significant efforts made by the Authorities to properly understand the needs of entities and users, and to create a pragmatic regulatory framework that supports the rapidly changing business realities and challenges that the market faces nowadays.

(2.3) Bizum considers that the Commission has appropriately included in the proposal for a Regulation many positive points in areas where users had expressed their concerns in several market studies. This is the case of the potential loss of privacy when using a potential digital currency issued by a public body. As stated in recitals 71-73 of the proposal for a Regulation, the fact that payment service providers will be the controllers of personal data will help to minimize the amount of user information to be shared with third parties. This will allow financial institutions to continue to manage their customers' data in compliance with the Prevention of Money Laundering and Terrorist Financing (AML/CFT) rules and with those related to the prevention and detection of fraud and with the fulfilment of obligations concerning taxation and tax avoidance.

(2.4) The new proposal for a Regulation covers aspects for which value-added services like Bizum specifically count on a high level of adaptability, both because of the extent to which its solutions are widespread in the current market, and because they already cover the main use cases envisaged for this new digital currency.

In Bizum's case, to distribute the digital euro also stems from the availability of a database of more than 24,6 million users with information validated in the Know Your Customer (KYC) processes of banks. It could facilitate the processes of registration of users when signing up for digital euro accounts, as well as allow for an easier management of funds between digital euro accounts and the application of limits. In addition, Bizum is already available in almost 50,000 merchants as a payment option, so accepting digital euro payments could reduce the efforts to accept this new payment solution for these operators.

Moreover, the existence of value-added services that aggregate large volumes of users would facilitate the ability to meet any information needs that may be requested by the European Central Bank or the national central banks to resolve any

operational issues or problems within the legitimate interest provided for in recitals 76 and 77 of the proposal for a Regulation.

On the other hand, in terms of **customer identification**, Bizum's directory already **applies the service limits per ID registered in its database**, regardless of whether the latter has more than one registered telephone number. The existence of these processes, therefore, facilitates their **adaptation to support the management of holding limits per citizen** that may be required by the digital euro Regulation, as provided for in art. 16 of the proposal for a Regulation.

(2.5) The actual functioning of **value-added solution like Bizum favours the reduction of the learning curve for users and merchants in the adoption of the digital euro**, as it is a solution that they already use on a daily basis. This aspect undoubtedly helps to **ensure the necessary level of awareness and knowledge of the different aspects of the digital euro**, as stated in recital 13 of the proposal for a Regulation.

Indeed, the **simplicity** that characterizes the **user experience** offered by financial institutions through these solutions, could serve as a **facilitator in bringing digital euro payment services to the public** and, in particular, to people who are elderly or **at risk of financial exclusion**, which is one of the Commission's main concerns (recital 54).

(2.6) **At the operational level of its value-added service**, Bizum already has its own **service regulations**, which define the functionalities and user experience that entities make available to users in their Apps. These regulations could implement additional requirements that would apply in the event of the launch of a potential digital euro, such as the **labelling of digital euro payment accounts with the official digital euro logo** (recital 63).

Moreover, the functioning of **Bizum's value-added solution also aligns it with other aspects regulated in the proposal for a Regulation**. This is the case of recital 64, which states that **transactions in digital euro have to be settled in a few seconds**. Indeed, **Bizum is currently the only European mobile payment solution based on instant Single Euro Payments Area (SEPA) credit transfers for all the use cases available**, which means that its procedures are already prepared to **support real-time processing and settlement of transactions**. However, the value-added solution that Bizum has built on the SEPA Instant Credit Transfer (SCT Inst) standard is also **compatible with other forms of settlement** that will eventually become standard in Europe, as foreseen within the digital euro framework.

(2.7) To further illustrate the ease of adaptation of value-added services like Bizum, it should be noted that the **use of proxies** (e.g., the telephone number or the email)

as a payment identifier for users will be necessary to support certain use cases of the digital euro.

3. Recommendations on the legislative proposal

3.1. Distribution of the digital euro.

3.1.1. Obligation for the digital euro to cover different use cases for retail payments (recital (4)).

The proposal for a Regulation provides for different use cases ((C2C, C2B, B2C, C2G, B2G, G2B, B2B, G2G and M2M)) of retail payments to be covered by the digital euro.

As part of this obligation on credit institutions to distribute the digital euro and support these use cases, Bizum considers that intermediaries should be free to choose under which specific interfaces each of these use cases is supported. The aim would be to **allow existing interfaces or processes to be reused** when implementing the new functionalities of the digital euro. This would mean that operators like Bizum could cover the use cases that fit with the operation of its value-added solution.

3.1.2. Compensation to financial intermediaries (art. 15 and recital (45)).

It would be desirable for financial intermediaries to be able to receive **fair compensation for the services provided for the adoption and use of the digital euro**, in line with the provisions of the Proposal. **The possibility of introducing limits on charges to merchants obliged to accept the digital euro by intermediaries, should not prevent financial intermediaries from receiving fair compensation.** As proven by other experiences in the past, allowing intermediaries to receive a fair remuneration for the services rendered on the distribution of the digital euro would not only help intermediaries to encourage its adoption and usage by users and merchants but also serve as an incentive for them to develop solutions and different and innovative use cases.

3.2. Implications for Competition regulations.

3.2.1. Guarantee of access without discrimination to the hardware components of the devices (recital (69) and art. 33).

The proposal for a Regulation establishes as **essential that front end service providers for the digital euro and issuers of European Digital Identity Wallets gain access to Near Field Communication (NFC) technology on mobile devices.** In this respect, in line with the obligation for device manufacturers to allow third parties access to hardware elements, which will be imposed on companies considered “gatekeepers” in the application of the Digital Markets Act⁷, **Bizum considers it essential that objective, reasonable and non-discriminatory criteria are established to guarantee this access to hardware elements with a view to offering digital euro services to users.** Specifically, the aim would be to guarantee access on equal terms to the NFC antenna and to the so-called "secure elements" of mobile devices, such as Universal Integrated Circuit Cards, embedded SE, etc.

The option of using QR codes as an the only alternative to NFC capabilities (which could contribute to a greater independence from international card schemes and mobile device manufacturers), could put the adoption of the digital euro at risk, as it would limit the quality of the user experience offered to end-users, always require connectivity, and would require a learning period of this form factor by the market, as today QRs barely account for 3% of payments in Europe⁸.

3.2.2. Need for proportionality in the requirements for entities distributing the digital euro.

Given the obligation that credit institutions will have towards the **distribution of the digital euro** and the possibility that other PSD2 operators provide services related to it, **Bizum considers it essential that the criteria or requirements for each of the services are the same.** Therefore, the negative impact in competitive terms that would result if entities with a lesser regulation are favored, would be avoided.

3.3. Efficiency by leveraging existing procedures, infrastructures and solutions.

3.3.1. On the possibility for users to sign up only for a digital euro account with a payment service provider (art. 22 and recital (9)).

The proposal for a Regulation also sets that digital euro users will not need to have or sign up for other non-digital euro payment accounts nor other financial products.

This provision would **hamper the ability to reuse certain procedures** of these entities (as any synergies derived from an existing commercial relationship with a holder of

^{7 7} Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828.

⁸ [Copenhagen Economics – Standardising QR Code payments in Europe.](#)

a commercial euro account could not be leveraged for the onboarding of their digital euro account in this scenario).

It would also **reduce the potential for reusing investments in existing payment infrastructure**, such as the Know Your Customer (KYC) system, as an *ad-hoc* solution for the digital euro would be required in such cases. Besides, it would introduce **implications whose impact would be difficult to predict**, as they do not exist in the actual market. This would be the case, for example, of a user who only contracts a digital euro account in an entity, who would have access to the digital channels of said operator and would operate with it without the need to have any cash balance at the entity (as it would be an account at the European Central Bank), introducing complexities in terms of defining which party should be in charge of authenticating digital euro payments and waterfall mechanisms (the digital euro account holding entity or the intermediary providing a commercial euro account for funding purposes).

3.3.2. Favoring the compatibility with existing payment solutions (recital (59)).

The design and potential issuance of a digital euro by the Eurosystem aims to **facilitate the interconnection of the payment markets of the EU Member States**. In this respect, although Bizum considers that the implementation of a new infrastructure for the development of an EU-wide cross-border payment solution is appropriate, it is **desirable that the payment infrastructures and solutions already available can play a relevant role and be adapted to the new functional or technical requirements of the digital euro**. This would allow current **valuable services (which already account with a significant active user base) to be reused and interconnected** with those of other countries or with new infrastructures developed *ad-hoc* for this payment solution.

This should be understood **without prejudice to any measures that the European Central Bank may take** to ensure that the digital euro is compatible with private digital payment solutions at the point of interaction and in person-to-person payments.

3.3.3. Favoring the generation of efficiencies.

The possibility of **reusing existing payment infrastructures and other services** would also **help to generate efficiencies and reduce the efforts of intermediaries in implementing the digital euro** in each Member State. The possibility of building on existing services in terms of user onboarding, limit management, authentication mechanisms, dispute resolution systems or fraud prevention processes would be particularly **useful to allow coexistence between private payment solutions and the digital euro**. Furthermore, it would entail a **lower cost of adaptation** in general terms

among market operators, **facilitating greater efficiency**, for example, in **key processes such as fraud prevention by payment service providers**, which is considered a priority by recital 68 of the proposal for a Regulation.

Reusing existing infrastructure would also help generating efficiency on the costs for market adoption, as users already enrolled in current payment solutions could gain access to the digital euro conveniently with a relatively low investment compared to the cost of acquisitions of an equivalent amount of users from scratch.

3.4. Difficulties of applying control mechanisms in the case of contracting more than one digital euro account (art. 22 and recital (39)).

The proposal for a Regulation acknowledges the **possibility of holding more than one digital euro account**. In this regard, Bizum considers that **being able to hold more than one digital euro account**, either with the same payment service provider or with different entities, **makes it significantly more difficult to implement control mechanisms with regard to the management of a user's holding limits**.

A practical example of this difficulty will reside in the fact that **the user**, when accessing the digital euro system through different accounts in several channels or platforms, **will be obliged to inform each of these intermediaries on how to allocate the holding limit in digital euros in each account**. Another example would be the possibility of jointly contracting digital euro accounts, in which several holders would share the same holding limit, and which would make it **difficult to manage the balance that users are allowed to dispose in these accounts**. Therefore, there are a range of situations that would imply **new requirements to be implemented** in the market.

3.5. Limitation of current payment regulations to transfers between accounts (recital (55)).

The functionalities defined for the digital euro cover some scenarios (e.g., recital (55)) which are not allowed for account to account payments under the current payment rules, but which are accepted for card payments.

For example, as already pointed out by the EBA in its [responses](#) to the consultations on the application of SCAs to inter-account payments, this payment instrument does not allow the beneficiary of a payment to directly apply an SCA waiver in order to reduce friction for the customer in a purchase process. **This asymmetry puts account-to-account payments at a disadvantage compared to other solutions**. In this sense, this regulation on the future digital euro (together with other legislative proposals in parallel, especially the review on the Payment Services Directive) would

be a good opportunity to **establish fair, equal, and proportionate requirements between different payment instruments in Europe**, which would ensure fair competition in the market and the delivery of the best payment experiences to end-users.

3.6. Implications of the Eurosystem App (art. 28 and recital (61)).

Bizum considers it is **crucial to clarify in what terms this Eurosystem App or channel will be an interface through which the user will be able to access the digital euro use cases** offered by an intermediary. It would also be appropriate to **clarify whether the provider of this channel will play any role**, for example, in terms of delegation of authentication, payment initiation, etc.

Bizum considers that **it should also be clarified with which operator** (either the Eurosystem or the application provider) **the user would eventually sign the Terms and Conditions of use of the interface**. Finally, it would also be useful to **define an appropriate liability framework** between the application provider and the intermediaries providing digital euro account services to the interface user. This will determine who should provide support and assistance to the user or the intermediary in the event of any incident.