

## EPIF response to the European Commission's consultation on the Digital Euro draft proposal

EPIF very much welcomes the opportunity to provide written feedback to the European Commission's draft proposal establishing the digital euro.

Our members welcome many provisions in the proposal that bring further clarity to market participants, notably in terms of the legal certainty on the **issuance and issuance liability**, the possibility for citizens to **hold multiple wallets** and the **alignment with the future rules of the Payment Services Regulation (PSR)** for digital euro payment transactions.

However, EPIF still has concerns with some other elements of the proposal, including on the **exemptions for mandatory acceptance**, obligation to introduce **offline functionalities from first issuance** and the “**digital euro app**”.

The EPIF views on the main points of the proposal are as follows:

- **Role of intermediaries:** It is important to ensure that front-end services for the digital euro, including the full customer journey and necessary fraud prevention elements, should remain under the full responsibility of the intermediary PSPs.
- **Digital euro wallet accounts:** Our membership fully endorses the provision that allows end-users to hold multiple digital euro wallets. It is an essential element to encourage competition and foster innovation amongst market players for the provision of digital euro services as well as in safeguarding consumer choice and financial inclusion.
- **Digital Euro App:** The provision of a fully-fledged digital euro app by the ECB, directly competing for front-end services provided by PSPs seems unnecessary. If provided, it should only address specific gaps and should not be imposed by default on all distributing intermediaries. Moreover, the digital euro app should not constitute a tool for the provision of payment services by non-PSP.
- **Compensation and business model:** We welcome the acknowledgement in the draft proposal of having a sustainable business model and a compensation scheme supporting the distribution of the digital euro. It is essential that policy makers recognize the need to have an underlying business model to guarantee the involvement of all market players to guarantee the success of the project.
- **Offline digital euro services:** EPIF believes that offering customers greater privacy in digital euro is an important part of the project and an added value for end-users. Nevertheless, we caution against a mandatory provision of offline digital euro from the first issuance given its technological complexity, the higher risk it entails and the additional costs it would require from the start. Furthermore, our membership does not support the view that all PSPs should be mandated to offer offline services. PSPs have

different business models which might not always be suitable for the offering of offline functionalities.

- **Holding limits for merchants:** The draft proposal does not seem to differentiate between holding limits for individuals and holding limits for merchants. In our view, higher holding limits for merchants would be imperative to ensure a smooth operation of their services and to avoid triggering high-frequency waterfall/reverse waterfall operations that can impeded the good functioning of digital euro end-to-end processes and settlement, with the potential to add to costs and inefficiency for merchants.
- **Exemptions for mandatory acceptance:** We welcome the possibility of having exemptions to the mandatory acceptance; however they must be drafted in a way that ensures legal certainty and clarity for all market players and most importantly, for the consumers. Certain elements need to be further specified to ensure such level of certainty, such as what would constitute a *prior agreement* and *good faith* under the draft Regulation. Additionally, the proportionality of requiring those accepting digital payment instruments to also accept digital euro payments should be further assessed.
- **Interoperability between schemes:** We welcome the approach of promoting interoperability between the digital euro technical and business standards and existing payment solutions for the benefit and efficiency of the European payments market. This is of particular relevance with regards to the SEPA related schemes, in particular the SEPA instant credit transfers.
- **Privacy:** We welcome the clarifications on the draft proposal on the explicit limitations for the processing of personal data by PSPs, the Eurosystem and providers of support services. However, we believe that further details and safeguards should be developed in regard to the centralized database to be developed by the Eurosystem as envisaged in Article 35(8).
- **Self-custody wallets:** We would welcome a consideration of PSPs opting to offer a self-custody wallet option. If combined with a risk-based approach for low-value/low-risk payments, this could help preserve the privacy value that many users attribute to cash today

We look forward to collaborating with the European Parliament and the Council to ensure a strong legislation that encourages the uptake of the digital euro across market participants and end-users.

## ABOUT EPIF (EUROPEAN PAYMENT INSTITUTIONS FEDERATION)

**EPIF**, founded in 2011, represents the interests of the non-bank payment sector at the European level. We currently have over 190 authorised payment institutions and other non-bank payment providers as our members offering services in every part of Europe. **EPIF** thus represents roughly one third of all authorized Payment Institutions (“PI”) in 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

**EPIF** seeks to represent the voice of the PI industry and the non-bank payment sector with EU institutions, policy-makers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and constantly evolving environment. It is our desire to promote a single EU payments market via the removal of excessive regulatory obstacles.

We wish to be seen as a provider for efficient payments in that single market and it is our aim to increase payment product diversification and innovation tailored to the needs of payment users (e.g. via mobile and internet).