



EUROPEAN CENTRAL BANK
EUROSYSTEM

Fit of the digital euro in the payment ecosystem

13th ERPB technical
session on digital euro

1 October 2024



Digital euro project

A large, bold white number '1' is centered on the left side of the slide. The background behind the number is a vibrant gradient transitioning from purple at the top to blue and then teal at the bottom. A diagonal line separates this colorful area from a plain white background on the right.

1

**Why inaction is not
an option**

Europe's payment landscape is changing fast



Currently there is **no pan-European digital payment solution.**



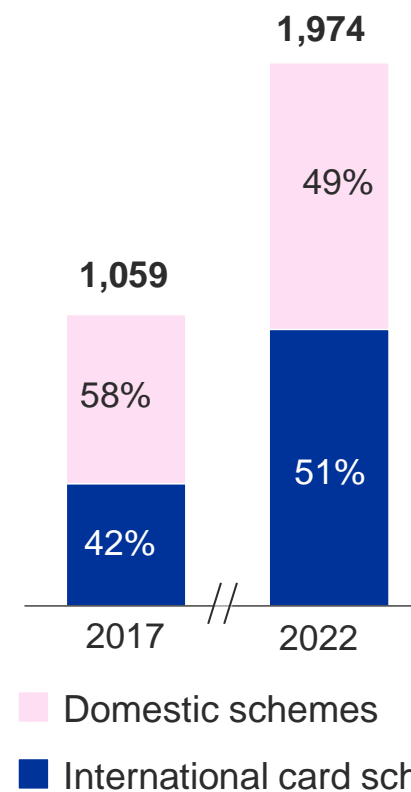
European private initiatives and domestic schemes struggle to scale up to pan-European level and compete with international card schemes (ICS).

- Non-European digital wallets are becoming increasingly popular.
- In payments, size matters: European players are small.



As a result, **foreign initiatives**, including those from China, Brazil and India, **can increase their footprint.**

Debit cards transaction value by scheme in the euro area
[Euro bn, % on transaction value]



Source: ECB, Girocard (Deutsche Kreditwirtschaft), Visa, Payment&Banking

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**Why a digital euro will
(also) benefit payment
service providers**

Engagement with all stakeholders ensures diverse needs are catered for

Extensive engagement on design decisions in the ERPB over the past years paves the way for further deep-dives:



Payment Service Providers

Deep-dive proposed today

- + Enhance competitiveness vis-à-vis global competitors
- + Pan-European merchant reach across use cases through open digital euro standards



Merchants

Deep-dive targeted for H1 2025

- + Increased access to European consumers base
- + Efficient, instant-settlement alternative to dominant solutions
- + Safeguards for setting of merchant fees



Consumers

Deep-dive targeted for H1 2025



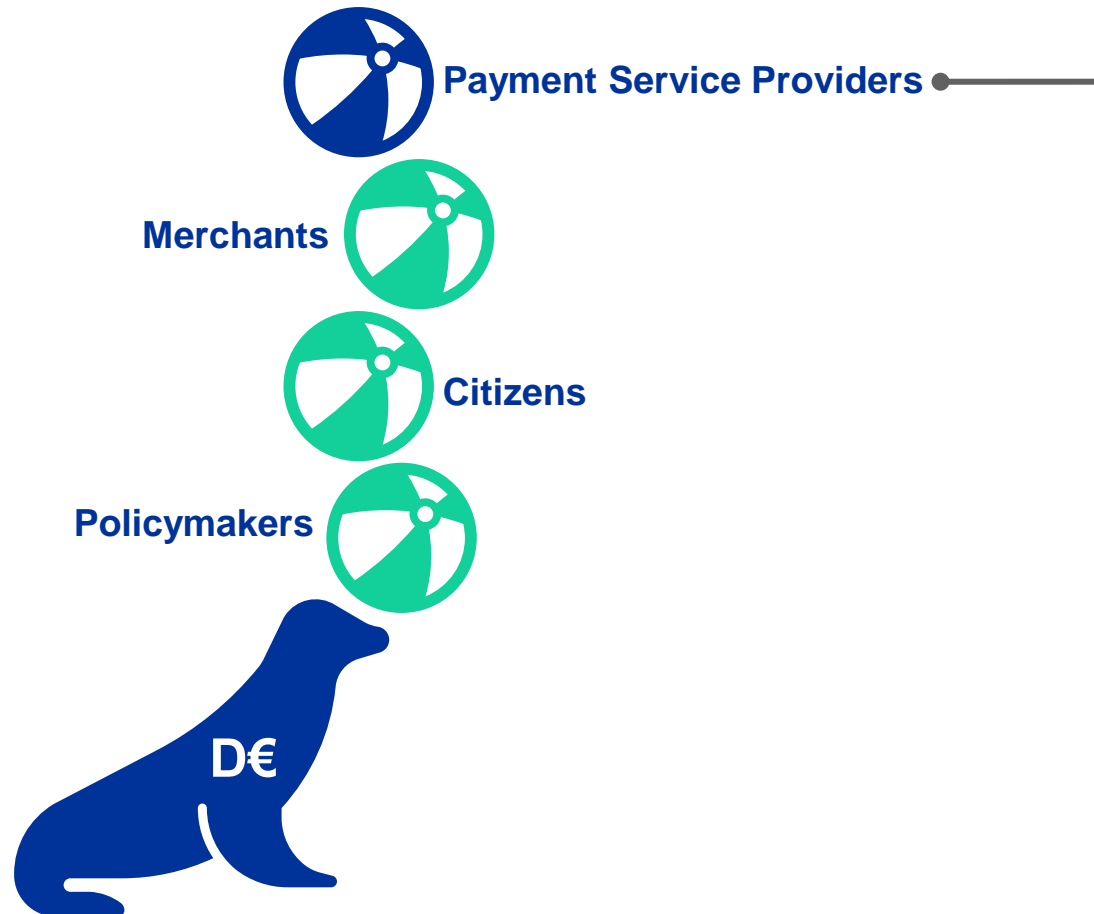
- + Ultimate beneficiary of increased competition in payments
- + Access to public money in digital age
- + High privacy option for everyday payments

European policymakers



- + Monetary sovereignty
- + Strategic autonomy

Balancing the digital euro value proposition and the enabling of private payment solutions



Digital euro project made conscious choices to support European payment service providers:

- Distribution through EU licensed PSPs, with only settlement done by central bank
- Compensation model that allows for both merchant- and interchange fees (up to EU legislator)
- Safeguards to limit attractiveness as means of investment
- Pan-European payment rails for private solutions via open digital euro standards
- Platform for innovation and value-added services based on Eurosystem-supported auxiliary services

A deep-dive into payment service providers' concerns can help unlock the full benefits of a digital euro

Today focus on two main **concerns of payment service providers**

1

Impact on bank
intermediation*

2

**Revenues and costs
of implementation**

3

**Interaction with other
market players**

* Dedicated workstream and corresponding stakeholder engagement, as known to the ERPB

Our value proposition: The digital euro is designed cost-conscious and will support PSPs business model...

Integrating into existing infrastructures

Digital euro Rulebook aims to **reuse existing standards** as much as possible*

PSPs may integrate digital euro services into their **existing app**, retaining client-relationship as trusted access point to digital euro

Fair compensation

A **fair compensation model** will generate cost savings for PSPs while providing necessary safeguards for merchants

Innovating on digital euro rails

PSP can **offer value-added services** built on *i)* Eurosystem-supported auxiliary services and on *ii)* digital euro open standards as an additional source of revenue

* See the latest [RDG report](#)

...and it would enable regional and domestic payment schemes to amplify their strategic relevance

Reducing dependencies

Eliminate dependency on international card schemes and international payment solutions for **providing contactless payments in physical shops** and for serving **e-commerce**

Schemes can leverage digital euro to **broaden their services and geographical reach**

Combining forces while retaining user choice

Schemes could **host digital euro in their apps*** or potentially **co-badge** in addition to or as alternative to ICS

* Subject to distinctive, harmonized “look and feel” as per digital euro rulebook

3

Identifying, sizing, and harvesting benefits together

Our proposal for a dedicated
engagement stream

Engagement on “Fit in the Ecosystem” will be structured around three core themes*



* Identifying benefits and reducing potential risks/ unintended consequences

The engagement will kick off with the competition theme

Competition

First discussion:
Q4 2024 - Q1 2025

Impacting PSPs'
bargaining power

Impacting PSPs'
competitiveness

Co-existence

Synergies

Second discussion:
Q4 2024 - Q1 2025

Synergies in the
front-end

Synergies in the
back-end

Business model

Third discussion:
Q1 2025 - Q2 2025

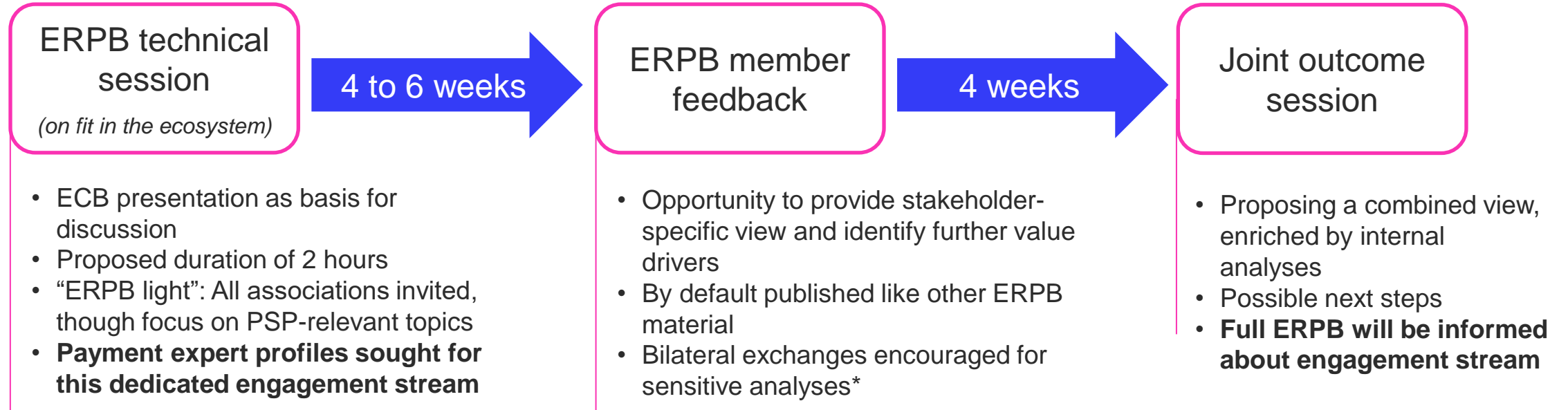
Compensation*

Implementation
cost

Operating cost

* Subject to legislation

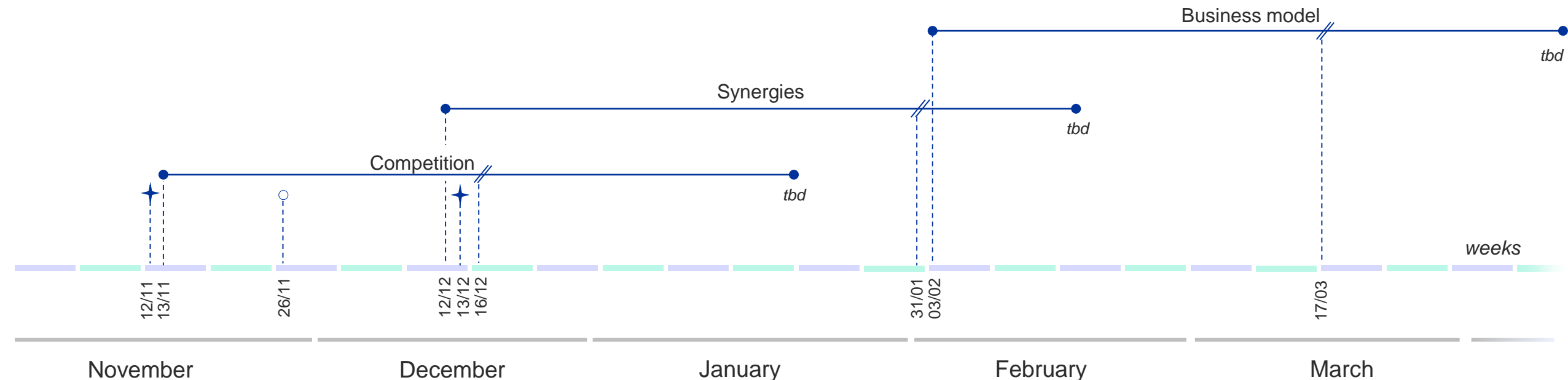
The proposed structure per theme is in line with the tried-and-tested approach of the ERPB technical sessions



Main objective:
Identifying, enriching and sizing value drivers considering all viewpoints

* By default, ongoing individual engagement on “fit in the ecosystem” (e.g., with bank associations, schemes, PSPs etc.) to be subsumed in this stream

High-level timeline proposal



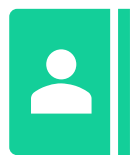
- ✦ RDG meeting (tentative dates)
- ERPB technical session on fit in the ecosystem
- Regular ERPB technical session
- ⧘ Cut-off date for collecting members' views on specific themes

ERPB technical session members are invited to:



Provide feedback on the high-level presentation by 1 November

- For each of the three themes, sharing a 1-pager:
 - How could digital euro impact EU players' strategic relevance?
 - How could digital euro be as cost-effective as possible?
 - How could digital euro impact EU players' business model?
- Do you see any additional discussion points that should be covered under one of the three themes?



Nominate experts for this specific engagement stream by 1 November

- Payment background sought specifically
- In the absence of (a) nominated expert(s), the invitation will be addressed to the regular ERPB member

Key dates - summary

Discussions	Kick off session	Cut-off time for comments
Competition	12/11/24	16/12/24
Synergies	12/12/24	31/01/25
Business model	03/02/25	17/03/25