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## **WORKING DOCUMENT**

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**From:** Presidency  
**To:** Working Party on Financial Services and the Banking Union (Digital Euro Package)  
Financial Services Attachés

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**Subject:** Digital euro - Presidency discussion note on compensation, WP 15-16.05.2025  
- Replies by 20 MS

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**EN**

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Thank you for your cooperation!

<b>Presidency discussion note on compensation (WK 5982/25)</b>	<b>MS comments</b>
<b>1. Main tenets for the caps to the MSC and the inter-PSP fee during the transition period</b>	FR <b>(MS comments):</b>  We reiterate the importance of conducting our debates in the Council on the basis of substantial impact studies, given the impact of this project on the payment industry and more generally on all administrations, businesses and citizens of the European Union, if only in terms of costs. We strongly reiterate this request to the Commission and the ECB.  In addition, the ECB published a press release on card payment networks and processors on 28 February. For our discussions on the digital euro and, more generally, the sovereignty of means of payment in Europe, we would like to ask the ECB to communicate this note in its complete version to the members of the Council.  We also believe that the economic viability of the project should be reflected in the price, as other means of payment shall not subsidize digital euro. Excessive costs of digital euro will be transferred through other fees if a cap is put in place.

We also strong reiterate our position on the need of interchange fee. This remuneration is vital for market players, especially new actors that foster innovation.

NL

(MS comments):

**NL general comment:** For us, a discussion of the transitory model is linked to discussions of the long-term model. One cannot be decided upon without the other, and we would propose a holistic discussion of both models in the next CWP.

We are aware that it is very difficult to gauge the effects of certain approaches to the compensation model, given that the digital euro is a new means of payment and there is no data available. Therefore we believe having a transitory path towards a long-term compensation model is a sensible approach, as this allows us to learn from incoming data and calibrate the compensation model accordingly. It is sensible to cap the MSC for merchants which are subject to the mandatory acceptance provisions of the digital euro, especially to support the uptake and distribution in stores in the beginning. This also protects merchants from the market power of PSP's. Similarly, it is sensible to cap the inter-PSP fee to proportionately compensate both acquiring and distributing PSPs for their work.

In the long term, however, the compensation model must be based on the actual costs of the digital euro infrastructure, meaning that we should phase out the reliance on comparable means of payment over time for the digital euro compensation model. If this means digital euro payments become more expensive for merchants than other types of payments, we should accept this. Both cash and existing digital payment methods have their own, distinct compensation model which, albeit regulated, reflect the costs of maintaining the respective payment methods. This should be the case for the digital euro as well. If the compensation model is not

	<p>cost-based, there is a risk that contributing to the digital euro infrastructure is a long term loss for European PSPs, as digital euro transactions could be more expensive to facilitate than current digital payment methods, which have developed over decades. This could hurt their competitiveness and stifle the ability to innovate payment methods on top of and alongside the digital euro.</p>
<p><b>1.1 Caps for the MSC</b></p>	
<p><b>1.2. Inter-PSP fee cap</b></p>	
<p><i>Q1. Do you agree with a dual cap for the MSC based on a 'no worse off cap' and an EA-uniform MSC cap during the transitional period?</i></p>	<p>AT (MS comments):</p> <p>We support the general idea of a transitional fee model that however <b>later must be modified</b> by a cap based on relevant costs including a reasonable margin of profit. Reaching a widespread usage – and not only acceptance – of the dEUR requires a <b>balanced approach with acceptable fees for merchants with mandatory acceptance and reasonable revenues for PSPs</b> to cover costs and foster innovation. Further, the concept behind a fee cap must be manageable and simple and shall not require strong efforts to monitor its implementation. Therefore, applying solely the EA uniform MSC cap would be an easier and simple way forward, without creating substantial burden for PSPs (vis-à-vis the two-cap transitory model) but protecting small and medium-sized merchants. Still, we need more in-depth analysis on the impact of the EA uniform MSC cap on merchants and PSPs.</p>

As for the no worse off cap, the inclusion of credit transfers and direct debits at the PoI as part of the “comparable means of payment” definition is not supported. Such definition is in our view too wide and comparable means of payment shall only include debit cards.

Lastly, any final solution must ensure that high risk industries do not benefit from the application of the cap model.

BE

(MS comments):

Yes, for the sake of consensus.

BG

(MS comments):

We are inclined to support this approach.

DE

(MS comments):

General remarks on compensation model:

We would like to express our appreciation for the way that the Presidency built on the extensive work of our ESP colleagues to further develop the proposal for the transitional model and put forward concrete drafting suggestions. Although we see room for improvement in certain parts of the text, we are confident that the proposal will meaningfully advance the discussion.

*Simplification:*

- As the note compellingly demonstrates, designing a compensation model that is both functional and fair for all stakeholders is an inherently complex task.

- At the same time, the urgency of reducing bureaucratic burdens on businesses is constantly growing.
- Disproportionate complexity should be avoided.
- We therefore encourage further simplification of the transitional model – particularly by eliminating one of the two MSC caps.

*Fair compensation for PSPs:*

- We should make sure to offer the banking sector a credible prospect that the provision of digital euro related services will at least be cost-covering in the medium term.
- Securing the buy-in of the banking sector is essential, as banks will serve a critical function as distributors of the digital euro. Any outcome that would knowingly render the digital euro a fundamentally loss-making proposition for banks must therefore be avoided.

*Transitory model:*

- While we see the benefits of starting with a model that is relatively closely aligned with existing concepts and adopts a simplified approach, we should only agree on a transitory model if we know what the final model will look like.
- The basic outline of the final model must be part of the Regulation at Level 1. It is crucial for the project's long-term success that market participants can adapt their business models to the final compensation model early on.
- Furthermore, we should make sure that after five years the final model is fully implemented. Should the unit costs for digital euro services not have sufficiently stabilized by that point, the MSC cap of the transitory model could be maintained (as additional cap) for a certain period to avoid sudden and disproportionate increases in merchant fees.

*Final compensation model:*

- We believe that the final compensation model should not seek the comparison to fee structures for existing means of digital payment as none of them really fit.
- After a transitory phase, when sufficient data on the unit costs for ‘digital euro’-services are available, PSPs should be compensated according to the cost-plus approach, including a reasonable margin of profit.
- Wherever possible, cost savings resulting from the ECB providing infrastructure services free of charge should be passed on to merchants.

*Scope of mandatory acceptance:*

- The proposal to limit the scope of mandatory acceptance is highly welcome, as it contributes to simplification and reduction of unnecessary burden.

Answer to Q1:

- We are reluctant to support the proposal for a two-pronged cap.
- We understand the underlying rationale of the ‘no worse off clause’ and the EA-uniform MSC cap. However, we are concerned about the complexity and the long-term relevance of the proposal. Bearing in mind that this would only apply during the transitory phase, we are wondering whether we should, in the interest of reducing bureaucratic burden, simplify the approach – even if this comes at the expense of achieving optimal fairness in individual cases.
- We would therefore prefer the application of a single cap. Any possible shortcomings of the application of only one cap seem acceptable for a transition period. In any event, such a cap would

be limited in time and be replaced by a more sophisticated long-term compensation model. As said before, the cost-plus approach would seem more appropriate in this context, as it would concentrate on the actual costs and could be developed over time without the flawed comparison to other means of digital payment.

- In evaluating which of the two caps should be applied, the following considerations guide our thinking:

*“no worse off” cap*

- The primary policy objective of the caps is to ensure that merchants with an acceptance obligation are not placed at a disadvantage compared to the costs they incur for comparable means of digital payment. In principle, we consider the ‘no worse off clause’ sufficient to guarantee this.
- At the same time, the ‘no worse off clause’ considers heterogeneities among merchants (including filed of activity), in the payments market and among MS.
- Another advantage is that the ‘no worse off cap’ can be determined solely based on the contractual relationship between the merchant and the acquiring PSP, without any need for reporting to NCAs or other institutions.
- That said, we continue to have significant concerns about whether the combination of the no-worse-off clause and the inter-PSP fee cap will result in a coherent and sustainable remuneration model. Specifically, we are concerned that due to the broad reference to the fees for comparable means of digital payment and foreseeable market developments – particularly the rise of A2A solutions – the capped MSC for the digital euro may end

up being so low that an inter-PSP fee of 0.2% of the transaction volume would no longer be covered.

- This risk is already clearly emerging today: In some MS direct debits are widely used at the POI. Usually, direct debits are a very cost-effective payment method. If they were included as a comparable means of payment, this could trigger an unduly low MSC fee cap (potentially close to 0), rendering it very challenging or rather impossible for PSPs to cover their costs.
- An outcome that would knowingly render the digital euro a fundamentally loss-making proposition for banks must be avoided. In our view, securing the buy-in of the banking sector is essential, as banks will serve a critical function as distributors of the digital euro. To achieve this, we should make sure to offer them a credible prospect that the provision of digital euro related services will at least be cost-covering in the medium term.
- One possible solution to this problem would be to apply the no-worse-off clause exclusively to debit cards. However, this would ultimately lead to the unintended outcome that merchants would, for the foreseeable future (i.e. until the final compensation model kicks in), be forced to accept debit cards in order to benefit from the MSC cap.

*EA-uniform MSC cap*

- As a matter of principle, we regret that an EA-uniform cap would not allow for the consideration of specific market circumstances such as diverse pricing strategies and business models of acquirers. In this respect, the ‘no worse off’ cap offers a clear advantage due to its greater flexibility.

- That said, we are aware that many MS are concerned that small merchants with limited negotiating power could be disadvantaged by their acquirers, risking the perpetuation of existing market distortions. We do not fully share this assessment, since the higher fees for smaller merchants can often be attributed to proportionally higher fixed costs per transaction, given the economies of scale. Moreover, applying such average MSC cap would render business models of acquirers specialising in small merchants unsustainable, as they lack the ability to offset lower margins through cross-subsidization with larger merchants who typically contribute a significant share of the total MSC revenue.
- Despite our reservations about the vulnerability of small merchants, we consider the EA-uniform MSC cap to be a feasible solution – both to ensure a consistent reference to debit cards in relation to the MSC cap and the inter-PSP fee cap, and to safeguard against any unintended, indirect obligation for merchants to accept debit cards.
- To make such a cap workable, we believe the following issues need to be addressed:
- First, we should make sure that the proposed EA-uniform MSC cap would reliably cover an inter PSP fee of 0.2%. According to the technical seminar given by the ECB, the average MSC fee for debit cards in the Euro Area is 4.4%, but once you deduct charges for ancillary services – such as terminal rental or risk coverage – the average MSC for only the basic services will be substantially lower. We would therefore ask the ECB for an assessment whether the EA-uniform MSC cap would still remain above 0.3%, so that we could avoid consistently reducing the inter-PSP fee cap applying the two thirds / one third ratio.

- Second, we also identify potential distortions arising from the interaction between the EA-uniform MSC cap and the inter-PSP fee cap. If the latter were indeed based on the country-specific implementation of the interchange fee cap for debit cards, this framework could be undermined if the MSC cap is determined using the average MSC across the entire Euro Area. In countries where the interchange fee is capped significantly below 0.2%, the MSC tends to be correspondingly lower. Consequently, it is questionable whether the average MSC will actually reach or exceed 0.3%. We would be interested to hear the ECB's view on this risk.
- Third, we continue to see significant challenges in the practical application of this cap. In particular, we wonder how we can make sure that the basic acquiring services for a digital euro are indeed comparable to existing acquiring services for debit cards.
- Fourth, we should make sure that high-risk merchants, such as casinos or betting shops, do not benefit from the cost-reducing effect of an average MSC cap. We have taken note that the ECB considers a risk-based increase of the MSC beyond the cap to be unproblematic, as it views the risk-related surcharge as a separate fee component that is not referring to the basic services. We can follow the reasoning, but would advocate for this to be clearly set out in the recitals.

EE

(MS comments):

EE: We agree.

EL

(MS comments):

**EL:** While we agree that this could promote the adoption of the digital euro, we are also concerned that defining and implementing a dual cap might be very complex.

ES

(MS comments):

Yes.

**The EA uniform MSC cap allows to protect small merchants.** The gathering of data will in any case be needed to monitor the effects of the no worse off and for the review of the compensation model before determining the final model.

**We consider these caps should be maintained in the final model as a safeguard to protect merchants** until costs are stabilized.

FI

(MS comments):

We agree

FR

(MS comments):

As indicated in previous working groups, France is opposed to capping merchant commissions. The acquisition market is competitive and European retailers have a wide choice of options.

We believe that forcing the price of the digital euro as low as possible will have adverse side effects on the quality and cost of payments in Europe. It could lead to the disappearance of efficient and affordable means of payment, such as domestic card networks or SEPA credit transfers and direct debits.

We fear that MSC caps will be passed on to other charges such as Eftpos terminals.

The concept of no-worse off seems rather problematic in terms of competition law.

HR

**(MS comments):**

Yes, we agree with a dual cap for the MSC based on a ‘no worse off cap’ and an EA-uniform MSC cap during the transitional period.

IE

**(MS comments):**

IE supports the dual cap. “No worse-off cap” is reasonable and the EA-uniform MSC cap allows non-euro areas to also have a level of capping.

We agree in principle that the MSC for digital euro basic acquiring services should be the lower of two thresholds i.e. i) MSC for comparable means of payment (‘no worse off’ MSC cap) and an EA-uniform MSC cap. However, the level of ambiguity associated with MSC across the euro area remains a challenge in implementing this approach. While we agree with this approach in theory, the practical implementation may be challenging given the lack of data.

Further, the MSC should be competitive relative to ICS in Member States who do not have a domestic card scheme.

IT

(MS comments):

Yes, in line with what we stated in the previous questionnaire on the compensation model, we see merits in having two caps, especially to benefit small merchants.

LT

(MS comments):

We agree. It is important to consider the implications of the digital euro becoming legal tender, particularly with regard to safeguarding merchants, especially those who are small.

LU

(MS comments):

**LU:** as a general remark we would like to recall our skepticism about the ex-ante intervention in the price setting mechanism of the market and about the introduction of caps. Due to its legal tender status and its public good nature, the digital euro must come along with a fair and well-balanced compensation model that does not put extreme burdens either on the distributing PSPs nor on the merchants accepting the digital euro.

The compensation model of the digital euro shall reflect the costs of offering this payment services and shall be subject to the conditions of a market that is already very competitive.

In the spirit of compromise, we can support a no worse off clause applicable to the MSC during the transition period, however we do not support the EA uniform cap.

LV

(MS comments):

We agree with the proposal, but to share some concerns. We lack the market data on the structure of current acquiring fee and business models that PSPs apply. The Eurosystem does not gather such data on merchant service charges as it is considered sensitive data. From analyzing the available data, the scheme fee is the smallest part of the overall merchant service charge. We fear that the market concerns are valid, f.e. if the cap for servicing (f.e. small merchants) is set too low, smaller PSPs may exit the acquiring business as such. On the other hand, merchants raise concerns that by introducing caps (which they are in favor of), the PSPs could raise current non fees that are not-related to digital euro to compensate for potential losses. Another thing is that acquiring services apply different business models, sometimes working with losses to gain network. This opens the door also for non-EU BigTech companies that could provide digital euro acquiring services at a loss, just to gain traction on their other business sides, further pushing European PSP out of competition.

NL

(MS comments):

**NL comment:** Yes, we cautiously support this approach for the duration of the transitory model, depending on the final compensation model. The no-worse-off cap protects merchants from higher charges and makes the digital euro an attractive proposition during its introduction. In the long-term, however, the MSC should be based on the actual costs made by PSPs for facilitating and processing payments.

PT

(MS comments):

We remain sceptical regarding the “no worse-off MSC cap” being defined on an individual basis (i.e. per PSP and payee). We consider it may have the unintended consequence of increasing the price of non-digital euro

electronic means of payment. We also doubt that any safeguard included in the text will be sufficient to prevent this effect. Before deciding on such approach, it would be important to gather relevant information on the effectiveness of safeguards introduced in other legislation, such as the Instant Payments Regulation, in preventing price increases.

Moreover, we maintain our concerns regarding the establishment of a “*transitional period*” at least following the approach proposed in the Discussion Note.

The proposed way forward is unnecessarily complex when simplicity should be our goal. It imposes the burden of defining both a transitional and a supposedly definitive compensation model, without addressing the initial problem: our lack of sufficient information to determine which model should be implemented.

Alternatively, we would be comfortable with establishing a compensation model, complemented by a review clause, allowing for the COM, within a period of three or five years to propose adjustments to such model, after gathering and assessing the relevant information and if necessary.

Lastly, and on a more positive note, we can agree with having an EA-uniform MSC cap to protect small merchants, as this addresses our primary concern in establishing such caps.

SE

(MS comments):

	<p>The solution proposed by the presidency seems reasonable.</p> <p>SI (MS comments):</p> <p>SI: Given that merchants will be obliged to accept digital euro, we would suggest setting the MSC cap even lower than the comparable fees for card payments. However, we are willing to accept a compromise if the majority of Member States support this solution.</p> <p>SK (MS comments):</p> <p>We agree. We support the introduction of EA-uniform MSC cap, which has a potential to protect smaller enterprises.</p>
<p><i>Q2. Do you agree to cross-refer the inter-PSP fee cap to Article 3(2) IFR, so that it will not be homogeneous in all MSs?</i></p>	<p>AT (MS comments):</p> <p>A uniform inter-PSP fee cap is preferred, as the reference to Art 3 (2) IFR promotes country-fragmentation.</p> <p>BE (MS comments):</p> <p>Yes, <u>for the sake of consensus</u>.</p> <p>BG (MS comments):</p> <p>We are inclined to support this approach.</p> <p>DE (MS comments):</p> <ul style="list-style-type: none"><li>• For the transitory phase, we generally recognise the benefits of a fixed inter-PSP fee. This could serve as a way to compensate</li></ul>

PSPs for their investment costs and help to incentivise PSPs to offer the digital euro. This is clearly welcomed.

- Additionally, the alignment ensures that issuing PSPs are not incentivised to crowd out private means of payments, which could be the case if the inter-PSP fee were substantially higher than the one set out in the IFR.
- Subject to further evaluation, we are inclined to support the proposal for a cross-reference to Article 3(2) IFR, as it accommodates the heterogeneities of different MS' markets.
- However, to provide a final assessment, we need a clearer understanding of whether foregoing a uniform cap could lead to significant distortions within the single market. We also wonder whether the application of a lower MS cap should be an automatism or whether this should be an option for the MS to decide on.
- In any case, we consider a dynamic reference to the IFR preferable over setting a fixed percentage in text.
- We would furthermore like to draw attention to a technical implementation aspect. The IFR does indeed set the inter-PSP fee cap. However, it does not set the actual inter-PSP fee (that fee could be lower than 0.2%). Hence, under the current drafting all issuing and acquiring PSPs would have to bilaterally negotiate the actual fee level, respecting the cap.
- Finally, we believe that after the transitory phase, a more digital euro focussed model, covering the actual costs plus a reasonable margin of profit would be preferable. It must be ensured that also businesses and consumers benefit from the services offered free of charge by the ECB to the PSPs.

EE

(MS comments):

EE: We agree.

EL

(MS comments):

**EL:** This approach would align with the existing realities of the card payment market, which already features national specificities (permitted by the IFR.

ES

(MS comments):

**Yes.** It is less interventionist and allows that the MSC no worse off cap and inter-PSP cap are better aligned. It will allow to eliminate the 1/3; 2/3 rule, which presented some practical problems by allowing PSPs to infer the pricing strategy of a competitor and by making the revenue of the distributing PSP dependent on the decision of a third party, not being able to know the revenues ahead.

As the COM hinted in the CWP, **if there are legal problems to introduce this cross-reference to the IFR and a homogeneous inter-PSP fee cap is introduced; other solutions should be found** that cater for the fact that the MSC can be lower than the inter-PSP fee, such as the introduction of a **floor to the MSC cap.**

FI

(MS comments):

We agree

FR

(MS comments):

A European means of payment requires uniform rules throughout the Union. We are therefore in favour of a uniform interchange ceiling, based on the 0.2% of the IFR regulation, and we are opposed to national clauses that we believe should be removed.

By definition, a regulation requires maximum harmonisation: interchange must be harmonised at European level.

IE

(MS comments):

IE does not agree with this proposal. While the methodology seems reasonable, it allows for fragmentation in inter-PSP fees charged between Member States. It introduces heterogeneity as it depends on MS implementation of the IFR.

IT

(MS comments):

Yes, as it has the advantage of being less complex to implement, removing the need for an additional provision to tackle the case of a too low MSC. Also, it reuses an existing methodology, with which PSPs are already familiar and heterogeneity could be considered a minor issue since it is due to national regulations that still fall within the European regulatory framework (i.e. below the cap of 0.2%)

LT

(MS comments):

We would like to suggest that the inter-PSP fee cap be framed as it is in Article 3(2) IFR, in case this is legally preferable to a cross-reference. We would like to express our support for a uniform cap, as we believe that this would help to maintain the uniformity of the euro as the single currency for all euro area countries. We believe that this would help to preserve the singleness of the euro currency.

We would like to clarify how it will be applied in the context of cross-border digital euro transactions (for example, if the payer is in one EA MS and the payee is in another EA MS).

In addition, it may be beneficial to consider reviewing the inter-PSP fee after the transitional period.

LU

(MS comments):

LU: we refer to the intervention of CLS during the las CWP and the explanation concerning the differences between the two pieces of legislation and the legal concerns arising from a non-harmonized approach.

LV

(MS comments):

We agree to cross-refer the inter-PSP fee cap to Article 3(2) IFR

NL

(MS comments):

**NL comment:** We can agree to heterogeneity during the transition phase, as data is collected on actual costs. Using the IFR-reference would make the caps easy to explain and communicate. However, the IFR article on the inter-PSP fee was not designed with new payments methods such as the digital euro in mind, nor was this the case when applying the Member State Option. If we decide on this model for the inter-PSP fee, we should realise that PSPs might not be sufficiently remunerated, even without being charged for scheme and settlement fees. This means having higher package fees or higher rates on other products of banks and PSPs. We should revisit this discussion when discussing the long-term compensation model.

PT

(MS comments):

	<p>In case the proposed approach is accepted by the majority of Member States, namely by introducing an equivalence with debit cards, we are open to supporting the approach proposed by the Presidency.</p> <p>SI (MS comments): SI: Yes, we agree.</p> <p>SK (MS comments): We would prefer homogenous cap in all MSs.</p>
<p><i>Q3. Do you have comments to the drafting suggestions?</i></p>	<p>AT (MS comments): -</p> <p>BE (MS comments): No.</p> <p>DE (MS comments):</p> <ul style="list-style-type: none"><li>• We will shortly be submitting a separate, comprehensive text proposal for the transitory model. For now, we would like to highlight the following:</li><li>• From our perspective, fundamental questions regarding the design and structure of the final compensation model remain unresolved. As we have stated on several occasions, such model should be built on a cost-plus approach.</li></ul>

- Whether elements such as caps from the transitory model should be retained in the final model remains an open point for discussion. In this regard, we have reservations about the wording in Article 17, which states that ‘after the transitory period, an additional cap based on the relevant costs incurred by payment service providers for the provision of digital euro payment services, including a reasonable margin of profit, shall apply’.

EE

(MS comments):

EE: Not at this stage.

ES

(MS comments):

No

FR

(MS comments):

We have no further comments.

IE

(MS comments):

No comments

IT

(MS comments):

Yes, we would for the time being delete this sentence: “After the transitory period, an additional cap based on the relevant costs incurred by payment service providers for the provision of digital euro payment services, including a reasonable margin of profit, shall apply.”

This aspect is not discussed in the note, as it declaredly tackles the temporary period only. Disciplining what happens after the transitory

period is a very significant part of the compensation model. Hence, we would suggest to dedicate a discussion to the final model.

LT

(MS comments):

We suggest not to apply the provisions on MSC caps for high-risk activities. Those activities could be listed in L2.

NL

(MS comments):

**NL comment:** No, we do not have comments with regards to the transitory period. We would, however, like to stipulate that we should discuss the transitory period alongside the long-term compensation model as the feasibility and proportionality of the first should be seen in unison with the latter. We understand that the compensation model will be discussed in the next CWP as well and look forward to a holistic discussion.

PT

(MS comments):

For the moment, our comments are preliminary and will be further developed in written comments.

Nonetheless, we believe the following segment of Recital 43 should be deleted: “*Merchants that do not have an obligation to accept digital euros will not benefit from the cap to the merchant service charge*”, as well as the same reference on the third paragraph of Article 17(2a).

Should the policy decision contained in this provision be retained, we would like to highlight that Article 17(2a) still needs some adjustments.

As currently drafted, *a contrario* interpretation could suggest that MSC

charges are not allowed outside the specified situations, which we believe does not reflect the intended outcome.

While we understand the rationale of the proposed approach (the establishment of caps are justified by the legal tender status of the digital euro), we are concerned about the negative incentives this option may create from a policy point of view. Benefitting from the caps established under this Regulation, may be the most effective way to promote the adoption of the digital euro in cases where its acceptance is not mandatory.

**Drafting suggestions:**

**Recital 42**

*(...) ~~Merchants that do not have an obligation to accept digital euros will not benefit from the cap to the merchant service charge.~~ (...)*

**Article 17**

2a). (...) Payment service providers offering acquiring services may charge their clients natural or legal persons as referred to in Article 12a(1) point (a) established or residing in the euro area ~~that do not benefit from an exception to the obligation to accept digital euros under Article 9(a)~~ a merchant service charge that shall not exceed the lowest of the following two amounts:

SI

(MS comments):

SI: /.

<p><b>2. Implementing MSC caps: methodology, reporting, compliance</b></p>	
<p><b>2.1 Content in L1 and L2</b></p>	
<p><b>2.2 Application of the ‘no worse off’ MSC cap</b></p>	
<p><b>2.3 EA uniform MSC cap: Calculation and reporting obligations</b></p>	
<p><i>Q4. For the application of the no worse off MSC cap, do you prefer the proposed standardized methodology for calculating the MSC for comparable means of payment to determine the lowest MSC and that could be further specified in L2 (standardized option)? Or do MS prefer to simply introduce a transparency obligation for acquiring PSPs on the fees charged for basic acquiring services for comparable means of payment without providing a standardised methodology (flexible option)?</i></p>	<p>AT (MS comments): See our reservations regarding the no worse off clause above. In case the proposed no worse off clause is implemented, we would rather opt for the “flexible option” as a less intrusive and less burdensome measure.</p> <p>BE (MS comments): We are slightly in favour of the flexible option.</p> <p>DE (MS comments):</p> <ul style="list-style-type: none"> <li>• First of all, we believe that any price cap, which essentially is an intervention by the regulator, must be adequately addressed at Level 1. Therefore, we support maintaining the main elements of the methodology of the caps (as well as the reporting and compliance requirements) in the Level 1 text.</li> <li>• We reiterate our concern, that the proposed transitional model – due to insufficient data – cannot be grounded in the actual costs of the digital euro and thus can only serve as an approximation. Therefore, it is imperative that the model remains as straightforward as possible to avoid unnecessary complexity. Minor ambiguities in individual cases and details are acceptable until a final cost-plus-based model is implemented.</li> </ul>

- As previously mentioned, we are therefore inclined to reject the ‘no worse off’ cap due to the disproportionate bureaucratic burden it would impose. If such cap is nevertheless applied, we tend to support the flexible approach for the calculation of the ‘no worse off’ MSC.
- The standardized approach, which mandates acquirers to periodically calculate the MSC for all comparable means of payment offered to each client, appears excessively burdensome:
  - Firstly, it remains unclear how to establish sufficient comparability between the basic services for a digital euro and the essential components of other means of digital payment. For instance, the central ‘digital euro’-service of funding and defunding lacks an equivalent in currently prevalent means of payment.
  - Additionally, as the Presidency rightly notes, comparable means of payment may be billed in different ways than a percentage fee or they may be bundled in packages. The effort required to unbundle them and calculate a weighted MSC for each of them seems disproportionate to the intended goal of most accurately determining the lowest MSC.
- Instead, the calculation and decision should be left to the merchants. This alleviates the burden on PSPs and provides greater flexibility to negotiate diverse pricing strategies between acquirers and merchants. The latter often have a good understanding of which payment method is the most cost-effective for them; this would be even more true, if the cap would only reference the MSC payed by the merchant for debit cards.
- To provide them with a solid foundation for decision-making, acquirers should be obligated to disclose information on the fees charged for basic acquiring services. We concur that these

transparency requirements should not mandate standardized disclosure.

- However, within the ongoing negotiations of the Payment Services Regulation, there is a discussion about obligating acquirers to separately disclose specific fee components. We should closely monitor the progression of these negotiations, as such transparency obligations would greatly facilitate merchants' ability to compare different MSCs in the future.

EE

**(MS comments):**

EE: We prefer the flexible option and as little administrative burden as possible. However, some standardisation and transparency obligations towards merchants are warranted and would promote legal clarity.

EL

**(MS comments):**

EL: Given the goal of ensuring a "no worse off" scenario for merchants while promoting widespread adoption of the digital euro, the standardized methodology (Option 1) is preferable.

ES

**(MS comments):**

**We prefer a flexible methodology focused on transparency and aligned with PSD/PSR negotiations.** Making sure that the contract clearly states the pricing for comparable means of payment and replicates (or enhances) that pricing for digital euros.

Both flexible and standardized methodology have trade-offs:

**On the one hand, a standardised methodology** can protect merchants by allowing them to more easily detect the lowest comparable means of payment (apply the no worse off) and can help easily determine compliance for NCAs. However, this methodology is not suitable for

pricing strategy of the MSC different to a % of the value of the transaction.

- Let's take the following example: Imagine that the pricing of comparable means of payment is an MSC consisting of a fixed fee of 50€/month for transactions for transactions under 12.000€/year; and 0,05% of the value of the transaction for transactions above 12.000€. Imagine the value of D€ transactions in a year is 6000€, so the fee charged would be 600€ (50€/month x 12 months), which would derive in an MSC = 10% (using the standardized methodology). On the other hand, imagine the value of transactions with debit cards is 24.000€; the MSC, according to the standardized methodology, would be 2,5% ( $0,05\% \times 12.000 = 6€ \rightarrow (600 + 6) / 12.000$ ).

⇒ **This way, using the same pricing strategy, the standardized methodology says that it is charging more for D€ than for comparable means of payment** and would oblige to make an important adjustment at the end of the year. The example is exaggerated but illustrates the problematic.

**On the other hand, a flexible methodology** should ensure that the merchant has information on the fees charged and can verify the compliance. Knowing, however, that claims will be more complicated to resolve and that, for small merchants, it can be more difficult to determine the lowest means of payment.

FI

(MS comments):

We would prefer a flexible option via transparency obligations, but we are not against a standardized methodology either. In case of transparency obligations, some guidance on the minimum level of transparency is likely needed.

FR

(MS comments):

As previously stated, we are opposed to the capping of CSMs and we do not identify any market loopholes in the competitive payment acquiring sector.

So, although we are rather sceptical about the need for transparency, we welcome this simplified proposal, which is moving in the right direction.

HR

(MS comments):

According to the information provided in the Presidency discussion note on compensation we prefer proposed standardized option. We find that this option makes the verification of compliance with the no 'worse off' MSC cap easier for the merchant despite mentioned practical implementation difficulties.

IE

(MS comments):

IE is flexible but with a slight preference for the standardised option. The ability of merchants to verify compliance is very important. Whilst it does place a greater burden on PSPs, they have great capacity to deal with as compared to the flexible option which increases the burden on merchants instead. Additionally, it provides a more accurate estimation for the MSC cap with the possibility for it be revised to reflect the most recent 12 months' transaction data.

IT

(MS comments):

This choice poses a delicate trade-off. On the one hand, we find the standardized methodology more precise and accurate, but we also acknowledge the burden on PSPs to run a calculation for each payee they serve. On the other hand, we appreciate the lower burden on PSPs of the flexible methodology, but we are also concerned that payees will be left in a very tough spot, where they are requested to make sense on their own of a list of information disclosed by PSPs. It is easy to guess that this would harm smaller merchants the most, e.g. those that don't have (abundant) dedicated resources to manage accounting and admin tasks.

In light of this, between the two proposed options we would favour the standardized methodology over the flexible one.

Please let us also take the chance to present an additional possibility, namely to stick for the temporary period to the fee applied to debit card transactions, thereby simplifying the definition of comparable means of payment and the calculation of the MSC on comparable digital means of payment. This would be consistent also with the other two proposed parameters (see Chart 2) and would allow merchants to directly compare the fees applied to digital euro transactions with one payment instrument only, reducing the burden also on their side.

LT

**(MS comments):**

Mostly, we support the methodology, which involves a relatively minimal administrative burden for all parties involved.

Nevertheless, we prefer the proposed standardized methodology for calculating the MSC for comparable means of payment. We suggest that

EC or EBA would make calculations, not only the ECB while the ECB is the owner of the product and should not set fees.

LU

(MS comments):

LU: we are in favour of a simple and efficient approach concerning the MSC.

In our view a transparency requirement for acquirers towards their clients is sufficient without additional data gatherings or checks to be performed by NCAs or other regulatory bodies.

LV

(MS comments):

We are in favor of simplicity - Option 2 and introducing transparency obligation for acquiring PSPs on the fees charged for basic acquiring services. With the digital euro it should be made as easy as possible for the merchant to raise a complaint against his PSP if he feels that he is being overcharged. Favorably, the merchant should resolve this issue with its PSP. If the result does not come to an agreement, then it could be raised to NCA to resolve.

NL

(MS comments):

**NL comment:** We have no strong opinion for a standardized or flexible option. However, given the burden already existent on PSPs, we would currently favour the flexible option in which merchants can compare and contrast the pricing of the MSC.

PT

(MS comments):

While we maintain our position regarding the proposed model and wish to clarify that, for that reason, none of these options appear adequate from

	<p>our point of view, we would prefer Option A (standardized calculation). Our main concern with the proposed approach results from the added complexity of calculating the cap on the MSC since it is established in an individual basis. The flexible option appears to exacerbate these concerns.</p> <p>SE (MS comments): We see merit in both options and remain flexible.</p> <p>SI (MS comments): SI: /.</p> <p>SK (MS comments): Both options have their appeal. We have a preference for standardized option. If flexible option is chosen, with the aim to ease its application, it could be considered to limit the reference to debit cards only.</p>
<p><i>Q5. Regardless of the methodology for the “no worse off” MSC cap, do you agree with introducing transparency requirements on acquirers towards their clients, and reporting obligations on aggregate data to NCAs for monitoring purposes as well as entrusting NCAs with the tasks of managing complaints of merchants and ensuring compliance with the fee caps?</i></p>	<p>AT (MS comments): <u>Transparency</u>: We support future transparency obligations for acquirers but should be careful with not overburdening PSPs in the build-up of providing dEUR services and opt for a careful approach on this matter. We further should seek alignment with the discussions on PSD/PSR transparency obligations.</p> <p><u>Reporting Obligations</u>: So far, we have no clear picture on the technical implementation of reporting obligations from PSPs to NCAs and the associated costs and resources needed. Any reporting obligation shall be kept to a minimum to 1) allow the calculation of the EA uniform cap and</p>

2) the development of the final compensation model. We agree on using a representative sample, while the representativeness of the sample of PSPs to be used could be determined by NCAs at a national level considering the specificities of the national payment markets and the volume of transactions in debit cards.

Managing complaints of merchants: As for Art 17 (3) and (7a) DER, we are skeptical to introduce a separate authority that manages complaints of merchants and ensures compliance with fee caps. Merchant complaints should be handled by civil courts.

BE

(MS comments):

Yes.

DE

(MS comments):

Transparency obligations and reporting:

- Given our preference for a flexible approach to the calculation of the ‘no worse off’ MSC cap, we recognize the merits of introducing additional transparency obligations for acquirers towards merchants.
- However, it is important to note that Article 12 of the IFR already establishes transparency requirements, which are currently under discussion for potential expansion within the framework of the PSR negotiations. We must ensure alignment with any new transparency obligations introduced as a result of these negotiations, particularly concerning the breakdown of individual fee components, so that they do not contradict any ambition to simplify and streamline EU regulation in the financial market sector.

- For the purpose of monitoring price developments in MSCs, acquirers should be required to report relevant MSC data to NCSs. However, we expressly welcome the Presidency's proposal to limit the corresponding reporting obligations to just two aggregated data points. This will significantly reduce the burden while still enabling the NCAs to detect potential maldevelopments.
- At the same time, we recognize the necessity to align these reporting obligations with those potentially introduced under the PSR.
- Finally, it should be ensured that NCAs would have a solid legal basis for requesting and processing the relevant data points.

Compliance regime:

- We can only partially support the proposed compliance regime. In our view, two aspects should be distinguished: (1) compliance with transparency obligations and (2) the obligation of acquirers to offer 'digital euro'-services at the price of a comparable means of payment chosen by the merchant.
- Regarding the transparency requirements, we generally agree with the proposal. The powers of the NCAs to ensure compliance with the transparency obligations should align with the powers granted under Article 9 IFR and any future related provisions in the PSR/PSD3, assuring consistency across all frameworks
- As far as legal enforcement of the acquirer's obligation to offer 'digital euro'-services for a capped MSC is concerned, we believe that civil courts appear to be the more appropriate forum. In our view, these are primarily civil law disputes, for which supervisory intervention is not warranted.

EE

(MS comments):

EE: We agree with transparency requirements but are cautious about increasing the administrative burden related to reporting obligations and complaints management.

EL

(MS comments):

EL: Yes, I strongly agree with introducing these transparency requirements, reporting obligations, and entrusting NCAs with complaint management and compliance tasks.

ES

(MS comments):

Yes.

Transparency towards merchants is necessary. Need to build on transparency obligations derived from PSD/PSR.

Monitoring the effects of the no worse off clause on comparable means of payment is important and necessary to assess the long term compensation model (even if it is cost based shall have some link to comparable means of payment)

To reduce burdens, NCAs should receive aggregated data.

NCAs should manage complaints to ensure compliance with MSC caps.

FI

(MS comments):

We agree with the transparency requirements.

We would like to have member state flexibility on designating the authority or body that handles the complaints. It could also be an out-of-court body who manages complaints. We would also like to point out

that Article 15 of the Interchange Fee Regulation is based on out-of-court complaint procedure.

FR

(MS comments):

We are open to this transparency obligation. It seems to us to be a better solution than any capping.

We are opposed to reporting to the national supervisory authorities, whose main task is to combat fraud and scams, which is the priority of the public authorities in protecting European consumers. Such control of the prices of procurement services would be secondary.

As indicated above, the ANC would have no additional resources to carry out control tasks related to the digital euro.

HR

(MS comments):

Yes, we agree with introducing transparency requirements on acquirers towards their clients, and reporting obligations on aggregate data to NCAs for monitoring purposes as well as entrusting NCAs with the tasks of managing complaints of merchants and ensuring compliance with the fee caps.

Regarding new proposal of the PL PRES in the Article 17(2c), we find that transparency requirements should be further specified i.e. in which way acquiring PSPs should disclose to their clients with acceptance obligations the fees charged for the provision of basic services listed in Annex IIa (letter "a" is not stated).

For example, Article 12 of the Regulation EU) 2015/751 on interchange fees for card-based payment transactions prescribes that: "Contracts between acquirers and payees may include a provision that the information regarding the amount of any charges for the card-based payment transaction, indicating separately the merchant service charge and the amount of the interchange fee, shall be provided or made available

periodically, at least once a month, and in an agreed manner which allows payees to store and reproduce information unchanged.

IE

(MS comments):

IE agrees with this proposal. Increased transparency for merchants would allow them to compare fees; this would also allow merchants to compare fees. IE welcomes the proposal for Member States to appoint NCAs for monitoring purposes and ensuring compliance with fee caps.

IT

(MS comments):

Yes

LT

(MS comments):

We agree with introducing transparency requirements on acquirers towards their clients, and reporting obligations on aggregate data to NCAs for monitoring purposes.

As regards the managing of complaints, we believe that this task should not be entrusted to NCAs as it would create a disproportionate administrative burden. Perhaps a possible option would be to apply the current practice where the customer and acquirer must first try to reach an agreement between themselves.

LU

(MS comments):

LU: in our view the transparency requirements on acquirers towards their clients are sufficient. Additional reporting obligations on aggregate data to NCAs for monitoring purposes are unnecessary. NCAs are already tasked with handling customer complaints, so a complex reporting mechanism is not needed to analyse and resolve individual complaints

LV

(MS comments):

We agree.

NL

(MS comments):

**NL comment:** Yes we agree. The reporting obligation is also necessary to have full information on the costs of the digital euro infrastructure, as this is important for determining the cost-based caps for the compensation model after the transitory compensation model has passed.

PT

(MS comments):

We have some doubts regarding some of these aspects, namely:

- It is unclear how the transparency obligations to be established in DER would articulate with what is currently being discussed in PSR.
- Also, while aggregate data reporting can support monitoring, we would appreciate more detail on the frequency and granularity of the expected reporting obligations. There is a risk that overly

	<p>prescriptive obligations could lead to increase administrative burdens, particularly for smaller acquirers.</p> <p>— We can support entrusting NCAs with the tasks of managing complaints of merchants and ensuring compliance with the fee caps.</p> <p>SI (MS comments):</p> <p>SI: We welcome the emphasis on transparency and support the proposed reporting obligations. Nevertheless we believe that entrusting NCAs with the tasks of managing merchant complaints and ensuring compliance with the fee caps may place a disproportionate burden on supervisory bodies. In this context, we would caution against introducing supervisory tools that go beyond those already available to our NCAs under existing frameworks.</p> <p>SK (MS comments):</p> <p>We agree.</p>
<p><i>Q6. As regards the methodology to calculate the EA-uniform MSC cap, do you agree with the proposal to include only debit cards based on statistically representative group of PSPs following the suggestions of the Presidency?</i></p>	<p>AT (MS comments):</p> <p>Yes.</p> <p>BE (MS comments):</p> <p>Yes, <u>for the sake of consensus.</u></p> <p>DE</p>

(MS comments):

- We are not fundamentally opposed to the establishment of representative groups of PSPs for the calculation of the average MSC fee. However, while we acknowledge the Presidency's intent to reduce bureaucracy by minimizing the data volumes to be processed, we believe that this approach necessitates NCAs to develop complex and potentially legally challengeable methodologies to determine these representative groups, thereby adding significant complexity. We are concerned, that here we are duplicating the complicated approaches originally foreseen in the Commission proposal.
- In contrast, the proposal to consider only the data from debit card transactions instead of referring to all comparable means of digital payment appears appropriate to avoid inconsistencies in relation to the inter-PSP fee cap and to reduce burdens. However, the question still remains whether a uniformly established MSC cap for the entire Euro Area might regularly lead to a situation, where it is not sufficient to cover the inter-PSP cap in those countries that fully exploit the leeway granted in Article 3(2) IFR.

EE

(MS comments):

EE: We agree.

EL

(MS comments):

EL: Yes, we agree to include only debit cards.

ES

(MS comments):

Yes.

FI

(MS comments):

Yes for the transitional period.

In some member states account-based payments are being used also at the PoS, but the compensation model also differs from card-based payments. It would likely be complex to try to take this into account during the transitional period. Therefore, we are OK with including debit cards only.

FR

(MS comments):

As indicated before, we are opposed to MSC capping.

HR

(MS comments):

Yes, we agree with the proposal to include only debit cards based on statistically representative group of PSPs following the suggestions of the Presidency.

We agree with the PL PRES that the representativeness of the sample of PSPs to be used could be determined by NCAs at a national level considering the specificities of the national payment markets and the volume of transactions in debit cards. NCAs may grant derogations where the reporting burden would be disproportionate in view of the size of such reporting agents or other thresholds.

IE

(MS comments):

IE agrees with proposal to include only debit cards as it reduces the no. of data inputs, simplifying the calculation. Seeks clarification on the

calculation of the “Transaction Fee”. The amount used should be inclusive of any rebates.

We agree to limit the proposal to include only debit cards as per the reasons listed by the Presidency. We have no objection to calculating the average based on the data provided by a representative group of PSPs and welcome that this is determined by NCAs at a national level.

IT

(MS comments):

Yes. We would appreciate a deep dive on how to identify the relevant sample, as it would be critical to adequately represent also smaller players.

LT

(MS comments):

We agree with the proposal to include only debit cards.

As regards the statistically representative group, we would like to suggest to define what is meant by the term 'representative group'. It is important to acknowledge that small countries may have only 2-3 acquirers at their disposal. It is worth noting that cross-border provision of services is a common feature of the acquiring business. We would like to suggest that it would be beneficial to have a clear methodology for composing the representative group, as well as a methodology for calculating average MSC.

LU

(MS comments):

LU: we do not support the introduction of an EA- uniform MSC cap; for these reasons we will refrain on specific comments in the components of the methodology.

LV

(MS comments):

We agree with the proposal.

NL

(MS comments):

**NL comment:** We support having a representative group of PSPs instead of all PSPs, although we have no strong opinion on this.

For the methodology, we would include other types of payments as well, notably instant payments which will increasingly become the standard and is arguably a more comparably means of payment than debit card transactions.

PT

(MS comments):

As previously mentioned, we have reservations about the methodology used to calculate the EA-uniform MSC cap based on debit cards. This approach relies on a parallel with card payments, which may not be appropriate for other comparable means of payment. Nevertheless, we are open to involving a representative group of PSPs as a reference for certain aspects of the compensation model. Nonetheless, we oppose to attributing to NCAs the task to determine which PSPs will be part of such representative group, unless the text provides certain criteria for such

	<p>determination. This would ensure certain uniformity and harmonisation across the Union.</p> <p>SE (MS comments):</p> <p>We are considering the need for also including direct-debit payments at point of sale. These constitute an increasingly large proportion of payments in the Nordic countries, which are characterized by a high level of digitalization. This would likely also contribute to a lower calculation of fees.</p> <p>SI (MS comments):</p> <p>SI: It may be reasonable to consider including the fees of A2A schemes in the methodology for calculating the EA-uniform MSC cap, rather than relying on debit card fees, given that card scheme fees are excessively high.</p> <p>SK (MS comments):</p> <p>We agree with the inclusion of debit cards only, but we are not convinced that statistically representative group of PSPs is justified. More information on how the sample will be chosen would be welcomed. Depending on the sample creation calculation could be skewed towards larger players while omitting data from smaller, potentially more innovative PSPs.</p>
<p><i>Q7. Have you got any other comments on this section and on the drafting suggestions?</i></p>	<p>AT (MS comments):</p> <p>-</p>

BE

(MS comments):

No.

DE

(MS comments):

- We will shortly be submitting a separate, comprehensive text proposal for the transitory model.
- However, we would like to seize the opportunity to express our strong support for the fact that the proposed wording in Article 13 now explicitly provides for the possibility to charge package fees for a bundle of services comprising of both ‘non-digital euro’- and basic ‘digital euro’-services – something we have constantly called for.
- A meaningful discussion of this proposal will require a closer look at the annex on free basic services, whose precise scope also warrants further attention. We would like to thank the Presidency for this proposal, which we consider a solid foundation for such debates.

EE

(MS comments):

EE: Not at this stage.

ES

(MS comments):

No

FR

(MS comments):

We have no further comments.

IE

(MS comments):

In addition to above, IE notes the suggested calculation of the EA uniform MSC cap is as follows:

EA uniform MSC cap = EA average MSC for debit cards (domestic + international card schemes)

However, IE proposes that the EA cap would consider the net MSC for debit cards in order to account for rebates and other deductions that may be applied.

Further clarification on the calculation of “transaction fee” would be appreciated.

IT

(MS comments):

No

LT

(MS comments):

We would like to draw your attention that payment initiation service (PIS) combined with instant payment is based on a different pricing model. PISPs get free access to Account Servicing PSPs and Merchant pays MCS only to PISPs. There is no inter-PSP fee in this model. We suggest that the

	<p>comparable means of payment at POI should be limited to those based on the four-party model (IFR terms).</p> <p>LV (MS comments):</p> <p>The no worse off clause should be calculated excluding the scheme fee paid by the PSP to card schemes. Otherwise, the merchant would actually pay more to his PSP, because the digital euro would not have scheme fees. By excluding in the calculation the scheme fee, then by default the digital euro payments would be rightfully cheaper for the merchant and neutral for the PSP.</p> <p>NL (MS comments):</p> <p><b>NL comment:</b> We propose that it should be made clear in recital 44b that the fees for comparable means of payments should be disclosed <u>pro-actively and in a simple and clear manner</u> to the merchants by the PSP.</p> <p>PT (MS comments):</p> <p>For the moment, as we believe that some of these policy decisions warrant further discussion, we consider it premature to introduce changes to the text.</p> <p>SI (MS comments):</p> <p>SI: /.</p>
<p><b>3. Scope of the acquirers' obligation to provide digital euro acquiring services</b></p>	
<p><b>3.1 Payees with the right to receive basic digital euro acquiring services</b></p>	

3.2 List of basic digital euro acquiring services	
<p><i>Q8. Do you agree with the drafting suggestion for Article 14.1bis, establishing an obligation on PSPs that are already providing acquiring services to merchants to provide basic acquiring services to their clients that are obliged to accept digital euro?</i></p>	<p>AT (MS comments): Yes.</p> <p>BE (MS comments): Yes.</p> <p>DE (MS comments):</p> <p><u>General remarks:</u></p> <ul style="list-style-type: none"> <li>• Even though the issue has not been addressed in the Presidency’s questions, we would like to express our strong support for the proposed limitation of the scope of the mandatory acceptance. However, we still see the need to amend Article 10 accordingly and restrict its scope to consumers only.</li> <li>• We fully agree that payees who – in the course of their business interactions – only accept credit and direct debit transfers as digital means of payment should not be obliged to accept the digital euro.</li> <li>• We further support the approach to include an exception for B2B transactions. However, it is of highest political importance to us, that the digital euro is indeed B2B-ready. This means: First, technically the DESP must be ready to serve the needs of businesses. Second, the legislative proposal must be ready to cater for B2B transactions. We therefore appreciate that the Presidency has now explicitly clarified this policy objective in its drafting suggestions for Recital 18. Consideration should be</li> </ul>

given, however, to moving this wording top a recital specifically addressing infrastructure.

- Finally, we would like to point out that Recital 18 provides for an exemption from the acceptance obligation also for such legal persons and self-employed natural persons that exclusively accept cash. However, this exemption is not reflected in Article 9(a2). We therefore propose that a discussion be held at the upcoming CWP on whether businesses can comply with their legal tender obligations by accepting either euro banknotes and coins or the digital euro.
- If accepting cash is not deemed sufficient, consideration should be given to how businesses that currently do not accept any other digital means of payment at the POS can be guaranteed access to the necessary acquiring services. Under the current draft, such businesses would first have to conclude a contract for at least one other digital payment instrument before profiting from the provision in Article 14.1bis.

Answer to Q8:

- We are supportive of the direction of travel but still see a need for adjustments in the wording. We will therefore submit a separate, comprehensive text proposal for the transitory model.

EE

(MS comments):

EE: We agree.

EL

(MS comments):

EL: Yes, we agree.

ES

(MS comments):

Yes, together with the limitation of mandatory acceptance suggested for article 9.

FI

(MS comments):

Yes, provided that the wording also covers new merchants.

FR

(MS comments):

Cash acceptance is compulsory for retailers in many EU Member States, including France. Retailers have a competitive offer to collect their takings.

European credit institutions have no obligation to distribute cash to individuals or to provide cash deposit services. The provision of these services is not a prerequisite for obtaining their banking licence.

We are therefore opposed to an obligation for PSPs to offer digital euro acquisition services.

HR

(MS comments):

Yes, we agree with the drafting suggestion for Article 14.1bis, establishing an obligation on PSPs that are already providing acquiring services to merchants to provide basic acquiring services to their clients that are obliged to accept digital euro.

We also support Recital (40) which states that any payee not already contracting acquiring services from a payment service provider may still request acquiring services for digital euro.

IE

(MS comments):

Given the legal tender status of the digital euro and a “no discrimination” principle of the digital euro with current market practices, IE agrees with the drafting suggestions in Article 14.1bis on placing an obligation on acquiring PSPs to provide basic acquiring services upon request to their (merchant) clients under acceptance obligations.

IT

(MS comments):

Yes, this would be necessary to allow merchants to fulfil their mandatory acceptance obligation without being exposed to the risk of facing unfair fees.

LT

(MS comments):

We agree with the drafting suggestion for Article 14.1bis.

However, we would like to respectfully express our concerns about the recital 18 change. The DER does not explicitly address the B2B use case. And its mention in the recital requires its explicit stipulation in the DER. We do not support expanding the digital euro scope to B2B use case.

LU

(MS comments):

LU: the general obligation applied to all PSPs to provide with digital euro services is sufficient.

In our view further granularity is not necessary in the text. In some cases, it will be very difficult to make a clear cut between the basic acquiring services and other services or to unbundle and split package fees for different types of payment instruments. The conditions and modalities to provide these services should be left to the market participants.

LV

(MS comments):

We agree with the drafting suggestion for Article 14.1bis.

NL

(MS comments):

**NL comment:** Yes, we believe this is necessary to make sure that PSPs will provide digital euro services for merchants.

PT

(MS comments):

Yes, we are open to support introducing such an obligation.

SI

(MS comments):

SI: Yes, we agree.

SI: Although this is not directly related to the question, we would like to add that we have noticed the drafting suggestion in the Presidency note still contains the text on legal tender that we raised during the April CWP meeting. We do not agree with the new *definition of POI (new Article 2)*, which requires further refinement and we consider the proposed new Article 9(a2) —which excludes from the mandatory acceptance all merchants that only accept credit transfers, direct debits, and/or cash—to be overly broad, *in particular, the term "credit transfers" raises concerns, as it lacks sufficient precision and could lead to divergent interpretations.*

	<p><b>In our view, the proposed approach would (unintentionally) exclude merchants who accept payments via apps such as WERO or, in the case of Slovenia, the national solution FLIK that are essentially instant payments and as such a subgroup of credit transfers.</b> If such payment methods become increasingly common across the euro area, this could lead to a situation where a significant number of merchants would no longer be required to accept digital euro payments.</p> <p>Given that the PL PCY acknowledged during the April CWP meeting that the new proposal contains an error, we would like to propose a narrower formulation that would more adequately address the outcome of the discussion at the CWP meeting in January. <b>We are open to a compromise that excludes non-point-of-interaction (non-POI) merchants, provided that the definition of POI in new Article 2 is more clearly specified and the term "credit transfer" in new Article 9 should be further clarified.</b></p> <p>SK (MS comments): We agree.</p>
<p><i>Q9. Do you agree that the capped MSC is the only charge that shall apply for the provision of basic acquiring services?</i></p>	<p>AT (MS comments): Yes.</p> <p>BE (MS comments): Yes.</p> <p>DE</p>

(MS comments):

- Yes, we agree with the rationale.

EE

(MS comments):

EE: We agree.

EL

(MS comments):

EL: Yes, we agree.

ES

(MS comments):

Yes

FI

(MS comments):

Yes

FR

(MS comments):

As previously stated, we believe that the free market will be the best way to provide European retailers with competitive and efficient payment methods.

We therefore consider that capping the MSC or restricting the commission will necessarily have knock-on effects on other unregulated payment methods that provide an excellent service today.

We are therefore opposed to this. Acquirers must be free to charge for the services they offer according to their customers' needs.

IE

(MS comments):

IE believes it is critical that all of the basic services are covered by the cap, this includes the addition of the waterfall given the zero holding limit placed on merchants.

IT

(MS comments):

Yes

LT

(MS comments):

We agree. Additionally, we also suggest considering inclusion of a clause on prohibition of circumvention of MSC caps. Acquirers may increase fees on other services provided to merchants to unjustifiable level.

LV

(MS comments):

We agree.

NL

(MS comments):

**NL comment:** PSPs should be allowed to charge a reasonable package fee for their services to merchants, just like this should be the case for consumers who wish to use digital euro and non-digital euro payment services. Merchants pay fixed subscription fees for their payment servicing, and additional transaction costs for each transaction performed. We see no reason why this could not be the case for digital euro payments, although we can imagine, that one fixed fee applies in case both digital euro and non-digital euro payments are being moved through the same portal.

We would signal once again that if PSPs do not have their costs compensated for distributing the digital euro and processing transactions,

	<p>other ways will be found to retrieve investments and costs. On the consumer side, this could be the package fee or the interest rates provided on savings and required for loans. On the merchant side, this could also be either the package fee or for example the interest rates required for making loans. This is the effect of capping fees. In the end, the costs will be borne by merchants and – indirectly – consumers.</p> <p>PT (MS comments): We agree that the capped MSC is the only charge that shall apply to the provision of basic acquiring services.</p> <p>SI (MS comments): SI: Yes, we agree.</p> <p>SK (MS comments): We agree.</p>
<p><i>Q10. Do you agree to the suggested list of basic acquiring services in a new Annex IIa of the Regulation?</i></p>	<p>AT (MS comments): Yes, we agree with the proposed list of basic acquiring services in Annex IIa. It is important that all services essential for accepting digital euro payments are included. This provides legal clarity and protects merchants from excessive charges.</p> <p>BE (MS comments): Yes.</p> <p>DE (MS comments):</p>

- In general, we support the idea of introducing a second list of basic acquiring services.
- Based on our preliminary analysis, we can also agree to the proposed scope of the list.
- We agree that the list should be drafted at a sufficiently high level. This is a necessary pre-condition for including a wide variety of acquiring PSPs with different business models.
- We would further suggest to provide for a review of that list as part of the finalization of the long-term compensation model.
- Lastly, we were wondering whether there should be a designated entity that can provide clarifications on whether specific services are deemed basic services or not.

EE

(MS comments):

EE: The list needs revision once the final model is decided.

EL

(MS comments):

EL: Yes, we agree.

ES

(MS comments):

**We have some concerns** regarding this list, and we believe **a deeper understanding on the functioning of the acquiring services in digital euros is needed** before making a decision. Also, we think that the provision should be high level and specificities should be included in the rulebook.

**First of all, there are differences when we use a no worse off MSC cap than when we use a cost based homogeneous cap:**

- **With the application of the no worse off MSC cap this list could be wider and it would even not be necessary to define a specific list.** Just with a no discrimination clause (the no worse off MSC cap) and obliging to provide the same acquiring services as with comparable means of payment (all of the services that the acquirer is currently providing), it will be possible to take into account the different risks of different sectors (that justify different pricings). Right now, when onboarding a customer, the risk of the customer is taken into account for the determination of the MSC, regardless of the fact that later fees are charged for chargeback, dispute resolution or fraud management (managing the risk of the merchant is within the pricing and it is difficult to separate). We think that the no worse off can be easy to understand for merchants if the same pricing clause is included for the D€ as for a comparable means of payment, encompassing the same services. Introducing a list of services that must be provided subject to a cap and leaving other services out can be confusing for the merchant, when seeing that in the end it might be paying more for acquiring services, due to these voluntary services, that, the merchant does not need to contract but will want to contract (e.g. even if dispute management is not included, the merchant will want it, and it will be charged separately, which will make the verification of the no worse off more complicated).
- **With the application of a homogeneous MSC cap:** It is not possible to take into account the different risks among merchants. In this case it is necessary to define a list of services that reduces the amount of services to allow PSPs to charge for other services.

**We believe that the specificities of the list of basic services will need to be further developed in the rulebook,** since many of the needed services will depend on how the acquiring of D€ payments works. We support having a technical seminar on how the acquiring of D€ would work. **In any case, from the suggested list we see:**

- It is important to include as basic service: **enabling the reception of payments and enabling the initiation of payments ONLY as long as the initiation is to make refunds (as a result of the net value of the transactions)**. Making other types of payments by the merchant (e.g. payments of the merchant to its providers...) should not be part of the basic acquiring services. What exactly is needed for enabling the reception of payments and initiation (for refunds) could be **further developed in the rulebook in close cooperation with the industry**. In any case, this should include (i) the provision of a device to receive the payments (physical or virtual), a task that could be outsourced by the acquirers according to current practices, (ii) the authentication of payments (sending the processor the message to check with issuer PSPs that the payer has funds), (iii) the consolidation of amounts to be paid.
- **Currently, acquirers need to onboard their clients and perform KYC. Based on this, an MSC is charged that takes into account the risk of the client, including the risk of fraud.** The activity of the merchant is crucial. Any activity where the payment and the provision of the service are not simultaneous (travel agencies, airlines) the risk is higher than for restaurants or supermarkets where payment and consumption are near. All this is taken into account in the MSC. Therefore, it seems reasonable that onboarding (not necessary since they are current clients) and risk management should be part of the basic services, since it will be difficult to separate this from the fee charged as an individual service, it is not a service. On the contrary, **dispute management, chargebacks, consultation of operations, ticket duplications could be considered value added services with separate fees, since they can be charged separately.**
- **The opening, holding managing and closing of the account is a complicated matter.** We will need to **better understand how the acquiring of D€ works** in order to make a decision. Currently, acquirers do not open accounts for merchants, acquirers hold an

omnibus account where they receive the MSC – inter-PSP fee-processing fee – scheme fee. With this account they make the payments to the merchants in their respective accounts at the end of the day. This allows that merchants do not keep receiving the payments instantly but rather at the end of the day, simplifying the management, which we think is desirable.

**It seems reasonable to us that the digital euro account to which the payment is made should be with the same entity where the merchant has the account where the waterfall and reverse waterfall would take place (not necessarily the acquiring PSP).** This could be a requisite to simplify the acquiring services. Being the same entity, it would not be necessary to remunerate the entity for carrying out the waterfall and reverse waterfall.

**However, the payment is received by the acquirer. We need to understand** whether the acquirer will need to receive the payments in D€ or whether **it could be possible to replicate** the current model where the acquirer receives the money in an omnibus account and then makes the payment. This omnibus account is not in the name of merchants, but of the PSP. **We need to understand if it will be technically possible to receive the payment directly into an account that is not a D€ account.** Further understanding is needed before introducing as a basic acquiring service in the annex the need to open a D€ account for the merchant.

**Another matter, related to the compensation model, though not strictly related to the list of basic services, is what will happen in those cases where a MS has an efficient national payment processing entity.** We believe that the D€ should reuse infrastructure as much as possible, and to avoid duplication of investments, these EU infrastructures should be reused. In those cases, the processing fees will still need to be paid to that entity (in exchange the ECB infrastructure will not need to process the domestic payments in those MSs, saving money). We believe that the ECB shall pay those fees, so that acquiring PSPs of countries with national processors are not at a disadvantage. This should also be taken into account

when discussing the **long-term cost-based model**, where it will be important to take into account if there are heterogeneities between MSs.

FR

(MS comments):

We are opposed to a list of basic acquisition services because we do not believe that acquirers are obliged to provide such services.

IE

(MS comments):

IE supports the list, provided Annex IIa is sufficiently comprehensive.

IT

(MS comments):

Yes. We suggest to clarify if the provision in AnnexII(a) point b) "Enabling the initiation and reception of online and offline digital euro payment transactions" includes also the provision of a POS terminal.

LT

(MS comments):

We agree. Nevertheless, from a practical perspective, it would be helpful to clarify what the 'consulting balances and transactions' include, whether they are included once a month or at any time. If it would be helpful, we could perhaps suggest "digitally in the manner acceptable to the user (U2A or A2A) at any time during the acquirer's systems' operating hours".

LV

(MS comments):

The list should be revised, f.e. whether or not include also fraud management and/or commercial dispute management initiation in the list.

	<p>NL (MS comments): NL comment: Yes, we agree.</p> <p>PT (MS comments): At this stage, we would like to highlight that establishing a highly prescriptive and detailed list may pose challenges in ensuring its adequacy considering future market developments.</p> <p>SI (MS comments): SI: Yes, we agree.</p> <p>SK (MS comments): We agree.</p>
<p><b>4. Duration of the transitional model</b></p>	
<p><i>Q11. Do you agree that the transitory period of the compensation model should not be longer than 5 years?</i></p>	<p>AT (MS comments): Yes, we agree to the 5 years transitory period and the proposed shortened period for a dedicated report by the COM. We agree that a transitory compensation model is needed, however the final state of the compensation model shall be clear and transparent from the beginning.</p> <p>BE (MS comments): Yes, a report from the Commission should come earlier.</p> <p>DE</p>

(MS comments):

- While we can support starting with a transitory regime, we are still concerned about its shortcomings. We believe that the comparison with fees for other means of digital payment, which are by their nature not fully comparable, cannot in the end adequately ensure a compensation for ‘digital euro’-services that is both cost-effective and cost-covering.
- Therefore, we believe that a 5-year transitory period should be the absolute maximum. This timeframe seems adequate to obtain sufficient numerical evidence on relevant unit costs for digital euro transactions to operate the long-term compensation model. Should the unit costs for digital euro services not have sufficiently stabilized by that point, the MSC cap of the transitory model could be maintained (as additional cap) for a certain period to avoid sudden and disproportionate increases in merchant fees.
- It should be set out clearly in the text that after 5 years the final model should already be operational. To this end, we should make sure that after five years, the review and calibration process for the long-term model is finalised. We therefore welcome that under the new proposal, COM is now expected to present its report after just three years. This allows sufficient time to incorporate any findings into a possible fine-tuning of the final compensation model.
- Finally, we would like to stress once again, that the main elements of the final compensation model must be included in the Level 1 text. Early adaptation to the final compensation model is crucial for the project’s long-term success.

EE

(MS comments):

EE: We agree.

EL

(MS comments):

EL: We consider that the transitory period should be as short as possible.

ES

(MS comments):

We believe this transitory period should serve various purposes:

- Allow PSPs to have higher caps, allowing to compensate for investment costs in the initial years, acting as lever to encourage a wide distribution of the digital euro in the initial years
- Protect merchants
- Collect information to evaluate the best compensation for merchants.

If in the end a cost-based model is adopted maintaining the transitional model (based on the no worse off clause), we think that 5 years is reasonable.

If in the end a cost-based model is adopted without safeguards, we think it should be a time limit where the average costs have stabilized, to avoid cliff off effects. This could take longer than 5 years.

FI

(MS comments):

Yes

FR

(MS comments):

We believe that five years is a minimum for the transitional period and we are open to this question.

If the transitional period is to last at least five years, an initial analysis report would benefit from being adopted within two years of the introduction of the digital euro, in order to adapt the transitional framework if necessary.

IE

(MS comments):

IE agrees that the transitory period of the compensation model should not be longer than 5 years and this process should commence earlier to ensure it is completed within the five-year target. Further, we note Recital 42b states that the methodology for the fee caps should be reviewed three years after the issuance of the digital euro. We deem this timeline appropriate given the level of innovation and pace of technological development in the payments space. Moving to the cost-based cap is preferred and facilitating that is of importance.

IT

(MS comments):

Yes, we find 5 years as a reasonable timeframe. A shorter one may provide too little or biased information due to the time that the uptake a new payment method may require to reach a meaningful volume. A longer one may prevent timing adjustments, if need be.

LT

(MS comments):

We think that five years might be a little bit too short period of time to gather reliable data. To have a reliable methodology after five years, it would be necessary to gather data two years after the digital euro issuance.

Practice shows that, when introducing a new product, higher costs are incurred in the first few years and the product is not yet widespread, so the methodology would be based on the basis of higher costs. We are more in favour of setting a “corridor”.

LV

(MS comments):

We agree.

NL

(MS comments):

**NL comment:** Yes we agree.

Digital payment methods, like iDEAL, have not been stable in their transaction value since first being introduced, as they continue to win market share in a digitizing payments landscape. Still, we believe unit costs of going concern digital euro transactions should be central in the long-term compensation model. If, like with iDEAL, transaction volumes keep rising after year 5, the costs can be recalibrated again in the next review of the Regulation. This could be made clear in the review clause of article 41. If unit costs for digital euros are more expensive after the transitory period, this should be reflected in the caps on fees.

PT

(MS comments):

While we are open to support the period of five years as a transitory period, we have some doubts on the proposed approach. The second paragraph of Article 17(2) appears to imply that, following this period, the compensation model will be reviewed regardless of the findings of the COM's report. It should be noted that the report may conclude for the adequacy of keeping the transitory period, in view of the circumstance,

	<p>recognized by the market, of transaction volumes not being yet sufficiently stabilised.</p> <p>SE (MS comments): See answer to Q11.1</p> <p>SI (MS comments): SI: Yes, we agree.</p> <p>SK (MS comments): We agree.</p>
<p><i>Q11.1 [additional question] Do you agree with setting a 'corridor' in the Regulation (instead of a fixed-length transitional period), with the exact length to be set by the Commission's implementing decision when the criteria are met (i.e. sufficient data on costs are available and the level of use is stable), after consulting the ECB and with comitology?</i></p>	<p>AT (MS comments): We are open to discuss a reasonable corridor solution, but with a clear final and unconditional deadline.</p> <p>BE (MS comments): Yes.</p> <p>DE (MS comments):</p> <ul style="list-style-type: none"><li>• We could support the introduction of a corridor, provided it is understood to mean that the cost-plus approach would come into effect after five years, while the caps set out in the transitional model would remain applicable in parallel during another transitional period (defined as a corridor).</li></ul>

- This approach would allow for greater transparency regarding the actual costs of the digital euro and give market participants more time to prepare for the implementation of the final model.
- Within the corridor, COM could then suspend the continued application of the parallel caps from the transitional model once unit costs have sufficiently stabilized.

EE

(MS comments):

EE: We are open to setting a ‘corridor’ in the Regulation. However, any solution should give legal certainty to the market from a short-term and long-term perspective.

EL

(MS comments):

EL: Yes, we agree.

ES

(MS comments):

We could agree, as long as the aforementioned parameters are taken into consideration. The minimum time of the corridor should not be too short to allow PSPs to have a reasonable time to implement the distribution (so they can operate with legal certainty).

FI

(MS comments):

Yes

FR

(MS comments):

We are open for this option.

IE

(MS comments):

IE recognises the need for the transitory period to be long enough to facilitate the proper functioning of the cost-based caps. IE preference is for the fixed-length transitional period but is open to support a ‘corridor’ provided the criteria are sufficiently prescriptive and are achievable within a reasonable amount of time in relation to the proposed fixed-length transitional period.

IT

(MS comments):

Yes

LT

(MS comments):

We agree

LU

(MS comments):

LU: we are open to consider a flexible approach,

NL

(MS comments):

**NL comment:** We understand the necessity of a corridor to determine price and unit cost developments. However, if the digital euro remains more expensive than comparable means of payment, we cannot keep cross-subsidizing the digital euro infrastructure by not remunerating PSPs sufficiently. After the initial introduction has taken place and prices have stabilized, even if this is at a higher level, the compensation model should be cost-based and harmonized. We can agree to a corridor of four to six years to collect data and for the uptake to stabilize. If after six

	<p>years costs of the digital euro are higher than for comparable means of payment, this should be reflected in the compensation model.</p> <p>PT (MS comments): Yes, we agree.</p> <p>SE (MS comments): We agree with the COM that there might be a need for increased flexibility and the possibility for adjustments in level 2.</p> <p>SI (MS comments): SI: We agree with the proposed approach of setting a ‘corridor’ in the Regulation. Furthermore and in line with the discussion held during the February CWP meeting, we would like to propose that the draft Regulation include a provision requiring the Commission to report every two years until the end of the transitional period on the adequacy of the compensation model. This report should be prepared in consultation with the ECB. We therefore propose to include a reporting obligation for the Commission in Article 41 of the draft Regulation. We believe this addition would strengthen transparency and ensure continued alignment of the compensation model with actual market developments.</p> <p>SK (MS comments): We have a preference for fixed transitional period. If a corridor is set, 5 years should be its upper limit.</p>
<p>5. Offline compensation model</p>	

*Q12. Do you agree with the proposed application of the caps for the transitional model to the offline modality, including the split of the MSC to ½ for the distributing (funding) PSP and ½ for the acquiring (defunding) PSP that reflects their respective tasks?*

AT

(MS comments):

Privacy is a key element of the dEUR and we must ensure that it is not undermined by the fee distribution scheme. The proposal seems pragmatic and we agree with assumptions made. Depending on the level of the applicable MSC cap, there could be an incentive to have clear preference for either online or offline payments for acquirers. For responding to any unintended consequences, we suggest to include a review clause in the final regulation.

BE

(MS comments):

We could support this proposition, in principle, for the sake of compromise.

DE

(MS comments):

- We generally support the proposed outline for a compensation model for offline transactions.
- We still have doubts, though, about the extent to which the scope of services for PSPs in the offline version is truly comparable to the online version, and thus whether applying the same MSC is genuinely justified.
- Nonetheless, we acknowledge the validity of the Presidency's argument that we should seek to minimise incentives for PSPs to promote the use of one digital euro modality over the other.
- Absent any better proposal, we therefore currently support the application of the single (i.e. non-duplicative) MSC cap to the offline version.
- Regarding the proposed even split of the fee between acquiring and distributing PSP, we would still ask the ECB for clarifications

regarding the expected scope of services or tasks that acquiring and distributing PSPs would be required to perform. In addition, we would welcome obtaining a better understanding of the incurred costs (and, in particular, any necessary investment costs) in order to make a well-founded decision on a fair allocation of the MSC. Would the evenly distributed split of the MSC to ½ for the distributing and ½ for the acquiring PSP reflect the actual distribution of costs and revenues incurred by both PSPs?

- We also see merit in mandating the Commission to determine the purely technical details via a delegated act; this should include the metrics that should be used as a proxy for offline compensation.
- Finally, it should be emphasized that we can only endorse a distribution key that can be applied without relying on any transaction data. It is of utmost importance to us, that we do not jeopardize the high level of privacy protection enabled by the offline version.

EE

**(MS comments):**

EE: The approach seems justified based on current information.

EL

**(MS comments):**

**EL:** We are of the view that fee caps for offline digital euro payment transactions should, whenever possible, be the same as for online transactions.

ES

**(MS comments):**

Yes. However, we want to mention two aspects:

1. With the adoption of a flexible implementation of the no worse off MSC cap (which we support), it will be necessary to have information on the amount of transactions made (not just the value

defunded). We would like to know if this information could be obtained from the secure element of the

2. The second aspect is, if, in the end a homogeneous inter-PSP fee cap is introduced, we wonder whether it would be more suitable to maintain the same cap in order to ensure higher parallelism with online compensation model.

FI

(MS comments):

Yes

FR

(MS comments):

We are paying close attention to the terms and conditions of the off-line mode, whose economic model must not reduce the confidentiality offered to EU citizens.

We are open to all models that guarantee this confidentiality.

The 50-50 split is the simplest, but implies that PSPs are all distributors and purchasers. However, some only provide acquisition or distribution services.

We are open to a distribution key other than 50-50, closer to the costs and risks taken by each of the players.

IE

(MS comments):

IE doesn't have a strong opinion but notes that that the split of the MSC evenly between the distributing PSP and acquiring PSP is a simplification of a very complex model and does not reflect the complexity of the market.

The complication this introduces to offline fees demonstrates another

reason why the IFR approach is not desirable given that the EA uniform approach would be suitable for the proxy method

IE agrees that the proposed application of the caps for the online modality should also be applied to the offline modality. This alignment is important to minimise incentives for PSPs to promote the use of one digital euro modality over the other.

While IE agrees in principle with the 50/50 split in the MSC in the absence of detailed information on the breakdown of fees, we would need further information on the breakdown of fees and costs associated with distributing (funding) PSP and acquiring (defunding) PSPs to determine how best the MSC should be allocated, taking into account national specificities. IE notes that the total MSC still varies between countries due to differences in domestic interchange fee caps, unregulated scheme fees, highly variable acquirer margins driven by local market conditions, and differing payment habits.

IT

(MS comments):

Yes, we find it a reasonable compromise to remunerate PSPs while not infringing the fundamental and unquestionable privacy requirements of the offline solution.

LT

(MS comments):

We agree

NL

(MS comments):

**NL comment:** In light of the data provided and given the limitations which the level of privacy for offline functionalities requires, it seems fair to do a 50/50 split of the fee between the acquiring and funding PSP.

We would however prefer using the number of offline funding transactions as alternative metric for the proxy. The costs of a payment at lower levels under the offline holding limit should be similar for different transaction sizes and the offline compensation model could reflect this. If this requires the PSPs to collect more data in offline payments than the method proposed by the presidency, we could also support the proxy proposal by the Presidency.

PT

(MS comments):

We agree that the fee caps for offline digital euro payment transactions should align with those for online transactions. However, we need to further consider the proposal to unbundle the MSC. We also question whether the Eurosystem should assume the proposed role in allocating compensation to PSPs. We would prefer a solution implying the processing of data including the distributing PSP identifier.

SI

	<p>(MS comments):</p> <p>SI: Yes, we agree.</p> <p>SK</p> <p>(MS comments):</p> <p>Taking into account lack on any data on the costs of respective PSPs, we do agree with the proposed split during the transitional period.</p>
<p><i>Q13. Do you agree with the corresponding drafting suggestions?</i></p>	<p>DE</p> <p>(MS comments):</p> <ul style="list-style-type: none"><li>• At this stage, we have only made minor revisions to the draft text (see below), as we believe the following questions need to be clarified before moving forward with a final assessment:<ul style="list-style-type: none"><li>○ First, we wonder why the drafting suggestions for Recital 43a require the acquiring PSP to provide the Eurosystem with information on the amounts defunded by individual merchants as well as the MSCs paid by the respective merchants. As we understand the compensation model, it would be sufficient if PSPs only contributed 50% of the MSCs collected during a given period to a common inter-PSP fee pool operated by the ECB. The ECB would then distribute the amounts based on a distribution key reflecting each distributing PSP's share of total funding. This process would not require information on the total amounts defunded by individual merchants. We would therefore welcome a better understanding of the purpose for collecting this data.</li><li>○ Second, we want to raise the issue of what might be considered a reasonable settlement period. Given the potential time lag between funding and actual payment with digital euro, we should make sure that distortions are avoided.</li></ul></li></ul>

**Article 17:**

*(2a) [...]*

*Payment service providers shall not offer or request an inter-PSP fee per transaction of more than the percentage of the value of the transaction exceeding the cap for domestic debit card transactions established in Article 3.24. of the Regulation (EU) 2015/751 for any digital euro transaction.*

*For offline digital euro transactions, payment service providers offering acquiring services shall transfer half of the merchant service charge that they receive for offline transactions to the European Central Bank. The European Central Bank shall distribute, on a [monthly/other periodicity] basis, the total amounts received in this facility to payment service providers offering digital euro payment accounts in proportion to the share of their customers' funding of offline digital euro wallets ~~accounts~~ in the total amount of funding of offline digital euro wallets ~~accounts~~ in that same time period.*

EE

**(MS comments):**

EE: Based on a preliminary assessment, we agree.

ES

**(MS comments):**

No

FI

**(MS comments):**

Yes

FR

**(MS comments):**

Once again, we are opposed to national rules capping interchange for a European means of payment.

If we follow the proposed wording, States could be encouraged to set interchange very low, or even at zero. In this way, their retailers and acquirers would pay nothing and would therefore not contribute to the

common fund. PSP distributors could nevertheless receive a proportionate share of the fund without contributing to it. National rules therefore prevent any pooling as proposed.

IE

(MS comments):

IE agrees in principle with Recital 43a and support the drafting suggestion contained in Article 17 (2a) which states “*Payment service providers shall not offer or request an inter-PSP fee per transaction exceeding the cap for domestic debit card transactions established in Article 3.21. of the Regulation (EU) 2015/751 for any digital euro transaction..*”.

Should further information on fees and costs be made available at a later stage, IE would welcome the opportunity to make drafting suggestions at that stage.

IT

(MS comments):

Yes

NL

(MS comments):

**NL comment:** We agree with most drafting suggestions, but in light of our answers above, we propose the following changes [in red]:

**Recital 43 [PCY drafting on IFR:** “This provision allows Member States to define a per transaction interchange fee cap of 0,2% of the value of the transaction or lower and allows to include a maximum fee amount as a limit on the fee amount resulting from the applicable percentage.

This cap will not be harmonized across Member States **for the duration of the transition period.**”

**Recital 44b [PCY drafting on flexible calculation]:** To ensure an adequate application of the ‘no worse off’ MSC cap, acquiring PSPs will be obliged to disclose **proactively, clearly and in a simple manner** the exact fees charged for comparable means of payment attributable for the basic acquiring services contained in Annex II. In case the acquirer is charging package fees for basic and non-basic services, it will have to allocate a proportion of the price to basic services.

**Article 17 (2):** For the purpose of Article 15(2), any merchant service charge or inter-PSP fee in relation to digital euro payment transactions shall comply with the principle of proportionality. Any merchant service charge or inter-PSP fee shall be subject to caps. During a transitory period of [X years] from the introduction of the digital euro, the caps shall be based on the fees or charges requested for existing means of payment. After the transitory period, **an additional** cap based on the relevant costs incurred by payment service providers for the provision of digital euro payment services, including a reasonable margin of profit, shall apply.

**Article 41(3).** By 3 years from the first issuance of the digital euro, the Commission shall present to the European Parliament and to the Council a report on:

- a) whether there is a sufficient and effective access to and acceptance of the digital euro in the euro area.
- b) **the development of transaction volumes and unit costs of the digital euro in comparison to comparable means of payment, and shall provide recommendations on the calibration of the compensation model after the transitory period.**

	<p>PT (MS comments): For the moment, as we believe that some of these policy decisions warrant further discussion, we consider it premature to introduce changes to the text.</p> <p>SI (MS comments): SI: Yes, we agree.</p>
<p>end</p>	<p>AT (MS comments): end</p> <p>BE (MS comments): end</p> <p>BG (MS comments): end</p> <p>DE (MS comments): end</p> <p>EE (MS comments): end</p> <p>EL (MS comments):</p>

		<b>end</b>
ES	(MS comments):	
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FI	(MS comments):	
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LU	(MS comments):	
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LV		

	(MS comments):	<b>end</b>
NL	(MS comments):	<b>end</b>
PT	(MS comments):	<b>end</b>
SE	(MS comments):	<b>end</b>
SI	(MS comments):	<b>end</b>
SK	(MS comments):	<b>end</b>