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| From: | Presidency |
| To: | Working Party on Financial Services and the Banking Union (Digital Euro Package)<br>Financial Services Attachés |
| Subject: | Digital euro - WP meeting on 10 November 2025 - Presidency discussion note on the compensation model |

Danish Presidency
Council of the European Union

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# Presidency discussion note on the compensation model

Working Party on Financial Services and the Banking Union

10 November 2025

**Regulation on the establishment of the digital euro**

Meeting on 10 November 2025

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# Introduction

The Presidency would like to recall that the compensation model has been discussed several times during the past years and was at latest discussed at the Council Working Party (CWP) on the 17th of October 2025. During the most recent discussion **Member States expressed general support for the Presidency's suggestion for the final phase of the compensation model, while further work remained in order to find a balanced approach to the transitional period** of the compensation model.

The Presidency has, based on the written comments, as well as the past discussions on this topic, worked on the model for the first years after the issuance of the digital euro and on the concrete legal drafting related to the following years (final phase).

In short, the Presidency propose that for the first five years (transitional period), the Merchant Service Charge and the Inter-PSP caps would be based on a euro area average of comparable means of payments, consisting of international and national debit cards. The ECB would be responsible for calculating the caps based on input from the Member States. Within the same exercise, the ECB would also calculate average national caps based on comparable means of payments. For Member States where the national cap is significantly lower than the euro area average, the national average cap would apply. After five years, the Commission would evaluate whether the conditions for the application of the cost-plus model are complied with. If that is not the case such evaluation would take place on a yearly basis until the cost-plus model can be applied. In any event, a review of the full compensation model would be foreseen ten years after the years.

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# Chapter I

## 1.1. Transitional fee cap structure of the digital euro

The Presidency recalls that the transitional fee cap structure was discussed at the Council Working Party (CWP) meeting on 17 October. While several Member States supported the Presidency's proposed approach, implying harmonised caps for the merchant service charge (MSC) and inter-PSP fee based on euro-area average fee levels for international debit cards, a number of delegations expressed concerns about the potential implications of fully harmonised caps from the first issuance of the digital euro on the achievement of the objectives of the digital euro on the markets where average fee levels remain significantly below the euro-area average. More specifically, some Member States argued that if **a rigidly uniform approach were to apply from the first issuance of the digital euro, such approach would undermine the three objectives set out in Article 15(2)**, given the highly heterogeneous payment landscapes.

While acknowledging the overall objective of achieving a harmonised framework based on the cost-plus model, several delegations underlined the importance of allowing a certain degree of flexibility given the heterogeneity across payment markets. A number of Member States raised the possibility of introducing national discretion in setting the fee caps during the transitional period to better reflect domestic market conditions. However, the Presidency recalls that such an approach is legally challenging given the legal basis of Article 133 TFEU as it may be seen as undermining the uniform character of the digital euro.

Against this background, the Presidency seeks to find a balance between Member States' concerns and a legally sound, transparent and objective framework. **The Presidency has therefore considered adjustments to the definition of comparable means of payment and to the application of fee caps** in the transitional period.

### *1.1.1 Euro-area uniform caps and heterogeneity of payment market conditions*

The Presidency recognises concerns raised by several Member States regarding the possibility of allowing national discretion in setting the caps during the transitional period. However, it should be recalled that the legal basis of Article 133 TFEU empowers **the Union to adopt the measures necessary for the use of the euro as a single currency.** While the legislator disposes of a margin of discretion in determining what measures are necessary to achieve the objectives of the draft Regulation, providing national discretion in an area concerning a single currency would go to the core elements of the area in question. Allowing Member States to determine the caps individually could therefore risk undermining the uniform character of the Regulation and the integrity of the single-currency framework.

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The extensive discussions on the compensation model have shown that it is difficult to design a one-size-fits-all framework at the point of first issuance that would, from the first issuance of the digital euro, meet all the objectives set out in Article 15(2) across the euro area. On the other hand, allowing application of caps that would cater for the objectively existing heterogeneity, would be better suitable for achieving the objectives on a transitional basis after the first issuance of the digital euro. Therefore, in order to facilitate a smooth and effective introduction of the digital euro, **the Presidency considers that the compensation model should therefore be able to take into account existing heterogenous market realities until a single approach to caps, the cost-plus model, can be applied**. However, the Presidency deems it essential that any **such solution remains temporary, objectively justified by market conditions, proportionate in terms of scope and limited to what is necessary to achieve the objectives of the Regulation and to ensure the workability and effectiveness of the framework**. In short, the approach should be legally defendable and institutionally balanced to make the framework viable during the initial years after the first issuance.

The proposed model establishes a single, data-driven procedure ensuring that differences between national markets are reflected through objective statistical input, rather than through discretionary national measures. Under this approach, PSPs will report fee data for comparable means of payment to the ECB and NCBs, covering both inter-PSP fees and MSCs. The ECB, using a common methodology for both calculations, will calculate:

1. the euro-area average (euro-area uniform cap); and
2. the national averages (national cap).

The euro-area uniform caps, calculated by the ECB, will apply across all Member States. However, where the ECB's calculation shows that a **Member State's national average is lower than the euro-area average, that national fee cap will automatically apply to transactions in that Member State, unless the deviation between the two is statistically insignificant.** In such cases, the euro-area uniform cap will remain applicable. This mechanism aims at ensuring that the approach remains harmonised in structure and legal form, while reflecting heterogenous market conditions through centrally determined and objective data. The determination of the caps will rely on the same methodology for both euro-area and national averages, ensuring consistency and comparability. The process will not require additional data collection or administrative procedures, as the ECB and NCBs will compile all necessary data in cooperation with national competent authorities as a part of the calculation of the euro-area average cap.

The arrangement is **strictly transitional and limited in time**, remaining in effect only until the conditions for the application of the cost-plus framework are met.

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In summary, the proposed compromise maintains the euro-area uniform cap as the general rule, while providing a narrowly defined mechanism to account for objectively existing market heterogeneities through objective and verifiable data. By doing so, it aims at supporting a smooth and effective introduction of the digital euro across all Member States.

***1.1.2 Including domestic payment cards as comparable means of payment in the transitional period***

The Presidency also acknowledges the **concerns raised by Member States that the expected outcome of caps based on the MSC and inter-PSP fee referenced to the euro-area average fee levels for international debit cards would not sufficiently align with market realities**, in particular in Member States where domestic payment solutions play a dominant role. At the same time, the Presidency notes that other Member States cautioned that including national schemes too broadly could create unintended consequences, notably by incorporating payment instruments whose scope and functionality are not comparable to the digital euro. This, in turn, could artificially lower the calculated caps based on means of payment that are not equivalent in practice. Against this background, the Presidency considers it important to establish a balance that ensures both representativeness of the European payment landscape and functional comparability with the digital euro.

With a view to aligning the digital euro fee structures more closely with the actual fees observed in the European payment landscape, **the Presidency therefore proposes that the comparable means of payment definition should encompass both international and domestic debit card schemes that fulfil the same functional criteria as the digital euro**. In practice, this means including only domestic debit cards that are usable both at the **point of sale (POS) and in e-commerce environments**.[1] This would aim at ensuring a fair and relevant comparison that reflects the full range of services and applications that distributing and acquiring PSPs are required to provide for the digital euro, especially during the transitional period.

Furthermore**, the Presidency proposes that the comparable means of payment cap would be determined through a harmonised data collection process**. PSPs would report data on relevant comparable means of payment to the ECB/NCBs, which would calculate both the euro-area averages and the corresponding national averages for the inter-PSP fee and the MSC. The calculation would be based on the weighted average fee level of consumer-based

[1] Out of the domestic card schemes, it is the Presidency's understanding that only Bancontact and Cartes Bancaires can be currently used both at the POS and e-commerce.

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international and domestic debit cards over the past [12] months relative to the aggregate value of payment transactions in the same period.

## 1.2. Final fee cap structure of the digital euro

### *1.2.1 Implementation of the final cost-plus model*

Building on the discussions held in the CWP on 17 October, the Presidency notes broad support among Member States for the proposed long-term compensation model based on a cost-plus framework as the foundation for the permanent digital euro fee structure.

Furthermore, **Member States generally agreed that the Commission should, five years after the first issuance of the digital euro, evaluate whether the conditions for applying the cost-plus framework are fulfilled.**

The Presidency proposes that, at the time of the evaluation, the conditions for applying the cost-based model are not yet fulfilled, **the Commission should continue to reassess the situation on an annual basis, for a total period of five additional years**. The extension of the evaluation period to a total of five years would align the overall timeline with the proposed review clause in Article 41 (ten years after the issuance of the digital euro), thereby ensuring coherence and predictability across the regulatory framework. This approach aims to provide a clear and data-driven mechanism for activating the cost-plus model as soon as empirical and market conditions permit, while safeguarding legal certainty, proportionality, and continuity during the transitional period. Accordingly, it is proposed that **the Commission should determine that the conditions for the application of the cost-plus model are complied with by means of an implementing act adopted in comitology (examination procedure)**.

*1.2.1.1 Methodology for calculating the caps under the cost-plus model*

The Presidency recalls that discussions at the CWP on 17 October confirmed **broad support among Member States for the principles governing the methodology for calculating fee caps under the cost-plus model**. However, delegations raised a number of clarifying questions regarding procedural and technical aspects of the methodology.

Member States broadly supported **a cost-plus model based on a statistically representative sample of cost-efficient PSPs**, highlighting the importance of ensuring a sample that adequately reflects country-specific differences in market size and business models across the euro area. Member States also supported the **inclusion of a reasonable profit margin**, provided it is transparently defined and consistent with market norms.

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Several delegations requested clarifications on how representativeness of the sample would be ensured, including the possible role of NCAs in identifying payment service providers. The Presidency recognises the importance of establishing a clear and objective framework for determining cost-efficient PSPs, while avoiding unnecessary administrative procedures or the perception of national nomination. The Presidency notes that since the sample is determined on the basis of statistical representativeness, formal designation by NCAs would not be required, as the selection would derive directly from objective criteria defined in the methodology. At the same time, the Presidency considers it important that NCAs are closely involved in the process, in order to ensure that national market characteristics and structural differences are adequately reflected. The Presidency therefore proposes to clarify that the Commission, in cooperation with the European Central Bank, should determine the representative sample in accordance with harmonised statistical principles but NCAs should provide relevant input in order to contribute to the completeness and relevance of the underlying data.

Delegations also raised **concerns about the complexity of data collection and the need for clear guidance on the definition and allocation of cost elements.** The Presidency acknowledges these points and proposes that the Regulation should set out the key parameters and guiding principles of the methodology, such as the definition of cost categories, the treatment of fixed and variable costs, and the criteria for cost efficiency, while entrusting the Commission, in close cooperation with the European Central Bank, with developing the detailed technical methodology through an implementing act adopted under the comitology procedure.

**Drafting suggestions**

**Article 17a – Fees on digital euro payment services during a transitional period**

**1. During a transitional period of a minimum of five years from the first issuance of the digital euro and until the implementing decision provided for in Article 17c has been adopted by the Commission, the caps on the inter-PSP fee and on the merchant service charge applicable to the mandatory digital euro payment services shall be determined in accordance with this article.**

**2. The euro-area uniform caps for both the inter-PSP fee and the merchant service charge and the national caps for both the inter-PSP fee and of the merchant service charge for comparable means of payment shall be calculated by the European Central Bank in accordance with the methodology referred to in Article 17b.**

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**3. The euro-area uniform caps referred to in paragraph 3 shall apply throughout the euro-area.**

**4. By way of derogation from paragraph 3, where a national cap for the inter-PSP fee or the merchant service charge, or for both, is lower than the euro-area uniform cap, the national cap shall apply to transactions taking place in that Member State, provided that the deviation from the euro-area uniform cap is statistically significant. The Commission will be mandated with the task to define whether the difference is statistically significant with the technical assistance of the ECB.**

**Article 17b – Methodology for calculating the fee caps**

**1. A methodology for calculating caps for the purpose of Articles 17 and 17a shall be established in accordance with the requirements in this Article.**

**2. The calculation of fee caps for the purpose of Article 17 shall be based on a statistically representative group of cost-efficient payment service providers representative of national payments market. The cost-efficiency shall be measured by reference to the average cost per transaction for the provision of digital euro services in accordance with Annex II and IIa.**

**3. The methodology for calculating the fee caps for the purpose of Article 17 shall include the following accounting and reporting requirements:**

**(a) the information to be provided by payment service providers;**

**(b) accounting methods which ensure a transparent and reliable recording of costs and data transmission that can be attributed to the digital euro;**

**(c) the cost categories to be considered; and**

**(d) the format and frequency of the reporting.**

**4. For the purpose of paragraph 3, the European Central Bank and National Central Banks shall collect and aggregate the relevant unit cost data and profit margins from the statistically representative sample of cost-efficient PSPs referred to in paragraph 2. The European Central Bank shall share aggregated data with the Commission.**

**5. The methodology for calculating fee caps for the purpose of Article 17a shall:**

**(a) be based on means of payments covering both international and domestic debit card schemes that are usable at the point of sale and in e-commerce;**

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(b) provide that only consumer debit card schemes complying with the characteristics referred to in point (a) shall be included in the calculation;

(c) provide that the calculation shall be based on the weighted average fee level based on volume of the inter-PSP fee and the merchant service charge applied to the means of payment referred to in points (a) and (b) during the preceding twelve-month period, relative to the aggregate value of payment transactions in that period;

The methodology shall include the criteria to assess the representativeness of payment service providers. The national competent authorities shall be able to provide input to that end.

The methodology shall also include a definition of the threshold for determining the existence of a statistical significance for the purpose of Article 17a(4), ensuring that minor statistical deviations do not affect uniform application.

6. For the purpose of paragraph 5, the European Central Bank shall collect and aggregate relevant fee data from a statistically representative sample of payment service providers offering services for comparable means of payment and may validate such data with merchants receiving those services.

The data collection shall take place on an annual basis to enable the regular recalibration of the fee caps. The European Central Bank shall publish aggregated data on fee levels annually to promote market transparency and support well-functioning market conditions.

7. For the purpose of establishing uniform conditions of application of this Article, the Commission shall, no later than one year from the entry into force of this Regulation, implement the methodology by means of implementing acts adopted in accordance Article 39(2).

Article 17c – Evaluation

1. Five years after the first issuance of the digital euro, the Commission shall assess if the following conditions are met:

(a) sufficient and reliable data on payment service providers' costs incurred for the provision of digital euro payment services are available;

(b) average unit costs are sufficiently stable;

(c) the application of the fee cap based on actual costs can be expected to achieve the objectives set out in Article 15(2).

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**2. Where the conditions referred to in paragraph 1 are met, the Commission shall adopt an implementing act to that end in accordance with Article 39(2).**

**3. If, based on the evaluation, the Commission concludes that the conditions set out in paragraph 1 are not complied with, it shall provide the reasons for such conclusion.**

**4. If the conditions set out in paragraph 1 are not met, the Commission will conduct the evaluation on a yearly basis, up to a maximum of five years.**

**5. The European Central Bank shall provide technical assistance to the Commission by means of collecting, aggregating and validating data for the purposes of this Article. Such data shall be updated annually by the European Central Bank and published in aggregated form to promote transparency and well-functioning market conditions.**

**Article 41 — Review [To be added to existing Article 41]**

**4. Ten years after the initial issuance of the digital euro, the Commission shall conduct a comprehensive review of the compensation model established under Articles 17, 17a, 17b and 17c.**

**5. In its review, the Commission shall inter alia assess: (a) the effectiveness of the model in achieving the objectives set out in Article 15(2); (b) the proportionality of administrative and reporting obligations; and (c) the need for regulatory adjustments to ensure alignment with the fee structures applicable to other retail payment instruments. The Commission shall submit a report on the outcome of the review to the European Parliament and to the Council and may, where appropriate, submit relevant legislative proposals.**

**Recitals (new)**

**(a) In order to ensure the effective use of the digital euro as legal tender, to prevent unjustified or disproportionate charges for merchants, and to provide adequate compensation for payment service providers, this Regulation should establish rules on fees and charges that duly take into account the fact that the use of the digital euro will develop over time and that it may only reach a sufficiently stable situation after a significant period of time has lapsed.**

**(b) During the initial phase after the first issuance of the digital euro, the absence of reliable cost data and the lack of stabilised unit costs do not permit to base the fee caps on actual costs incurred for the provision of digital euro payment services. Consequently, it is necessary to foresee that the fee caps applicable during the transitional period be based on relevant data concerning comparable means of payment. It is expected that at least five years will be needed before the level of use of the digital euro is sufficiently stable. Both the merchant service charge and the inter-PSP fee should therefore be capped by reference to the euro area-wide uniform cap based on the fee levels observed for comparable means of**

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payment, ensuring fairness, predictability and simplicity during the transitional period of implementation.

(ba) In view of the considerable heterogeneity of payment services markets across the Union, it is recognised that the application of a uniform euro area-wide cap from the outset would undermine the achievement of the objectives of the Regulation in important parts of the euro area where the average fee levels for comparable means of payment remain substantially below the euro-area average. In such situations, application of a uniform approach would alter competitive dynamics, discourage participation by payment service providers, or impose an excessive burden on merchants. On the other hand, allowing application of caps that would cater for the objectively existing heterogeneity, would be better suitable for achieving the objectives of the Regulation on a transitional basis after the first issuance of the digital euro.

(bb) It is therefore necessary to reconcile the need to take into account objectively existing heterogenous situations with the requirement for a harmonised and legally uniform approach. For that purpose, the fees should be set on the basis of objective and verifiable data collected at Union level. The euro-area average levels of the merchant service charge and the inter-PSP fee should constitute the general reference point for setting the euro-area uniform caps. At the same time, it is appropriate to allow, on a transitional basis, the use of a national fee cap where that cap is lower than the euro-area uniform cap by a statistically significant margin. Such approach is limited in time and proportionate in view of the complexities of the context in which the digital euro compensation model is required to function and is designed to facilitate the orderly introduction of the digital euro.

(bc) Consequently, for the purposes of the transitional period, it is appropriate to determine the fee caps by reference to comparable means of payment that reflect existing market practices. Using such benchmarks makes it intended to ensure that the level of the merchant service charge and the inter-PSP fee for mandatory digital euro payment services remains consistent with conditions observed in the wider payments market. Such approach provides a transparent and predictable reference point during the transitional period, avoids undue distortions of competition, and supports a fair relationship between the costs of the digital euro and those of comparable instruments.

(c) Five years after the first issuance of the digital euro, the Commission should evaluate whether the conditions for the application of the cost-based approach are complied with. The Commission should in particular assess whether sufficient and reliable data on payment service providers' costs incurred for the provision of digital euro payment services have become available, whether average unit costs are sufficiently stable, and whether the application of the cost-based fee cap would achieve the objectives set out in Article 15(2). If the Commission concludes that those conditions are met, it should adopt an implementing act to this end If the Commission considers that those conditions are not met, it should justify its conclusions and repeat the evaluation on a yearly basis, for a maximum of five years.

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**(g) If the conditions for the application of the cost-based fee cap are not complied with, the transitional model period based on the comparable means of payment should continue to apply to provide legal certainty and preserve market stability.**

**(f) The methodology for calculating the fee caps should be provided. For that purpose, the cost plus-based fee cap should reflect the relevant costs of providing digital euro services, including a reasonable margin of profit, based on a statistically representative group of cost-efficient PSPs designated by national competent authorities based on clearly defined accounting and reporting parameters. In so doing, the methodology should ensure that the framework is fair, transparent and economically sustainable once sufficient and reliable cost information becomes available.**

**(fa) The methodology for calculating the fee cap based on comparable means of payment should provide the rules for the determination of the merchant service charge and the inter-PSP fee, so that they reflect the fee levels applicable to comparable means of payment across the Union, including both international and domestic debit card schemes that are usable at the point of sale and in e-commerce, based on a weighted average based on volume of the relevant fees applied during the preceding twelve-month period relative to the aggregate value of payment transactions in that period and on data collected from statistically representative samples of payment service providers. In so doing, the methodology should ensure that the transitional framework remains transparent, harmonised and proportionate to market conditions.**

**(e) In order to provide for uniform conditions of implementation, the Commission should be empowered to adopt implementing acts to implement the methodology for calculating the fee caps both based on costs and comparable means of payment. referred to in this Regulation. Such methodology should be adopted not later than [12] months from the entry into force of this Regulation.**

**(h) Ten years after the first issuance of the digital euro, the Commission should conduct a comprehensive review of the overall compensation model. This review should assess the continued effectiveness, proportionality, and market relevance of the regulatory framework, including in comparison to other means of payment, and determine whether other models could better achieve the objectives of this Regulation. In that context, the Commission may submit relevant legislative proposals.**

**(i) To ensure transparency and consistent data across Member States, the European Central Bank should provide technical assistance to the Commission in the collection, aggregation and validation of fee and cost data from payment service providers and merchants. The European Central Bank should publish aggregated results periodically to promote transparency and well-functioning market conditions.**

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**Questions 1-4 for Member States**

***Q1.*** *Do Member States agree with the Presidency proposal for a new Article 17a?*

***Q2.*** *Do Member States agree with the Presidency proposal for a new Article 17b?*

***Q3.*** *Do Member States agree with the Presidency proposal for a new Article 17c?*

***Q4.*** *Do Member States agree with the Presidency proposal for new recitals accompanying Articles 17a, 17b and 17c?*

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# Chapter II

## 2. Compensation for offline digital euro transactions

The Presidency notes that there was broad support among Member States for retaining an offline compensation model whereby the **caps applicable to online digital euro transactions should, wherever feasible, also apply to offline transactions**. With a view to ensuring a high level of data privacy, delegations broadly agreed that the offline model should rely on a proxy-based allocation of inter-PSP fees, reimbursing distributing PSPs on the basis of a metric that approximates the provision of services for offline transactions, given that the offline transactions do not process the identifier of the distributing PSP.

The Presidency recalls that the MSC cap applicable to online transactions can be applied identically to offline transactions, regardless of the compensation model chosen. Furthermore, the inter-PSP fee structure under the proposed transitional period, including the lower national cap applying to transactions taking place in that Member State, can be similarly replicated in the offline environment. This is possible because the location of the recipient is known for both online and offline digital euro transactions and used to determine the applicable inter-PSP fee for a given transaction.

Against this background, **the Presidency proposes to align the proposed transitional period for both online and offline digital euro transactions. This would allow the application of lower national caps for both transaction modalities**, ensuring that that merchants and their payment service providers face consistent fee structures for both, reducing the risks of discrimination between online and offline digital euro. The detailed methodology for offline compensation, including the selection of proxy metric(s) and the calculation of the redistribution mechanism, should be specified in an implementing act adopted by the Commission, after consulting the European Central Bank.

The Presidency acknowledges that proxy-based methodology does not necessarily reflect the actual cost distribution, which should remain the guiding principle for the long-term model. **The Presidency therefore proposes that the offline compensation mechanism be explicitly reviewed by the Commission after five years after the initial issuance of the digital euro**. Furthermore, a recital is proposed to clarify that the offline model may be adjusted or replaced in light of operational experience, cost evidence and technological developments, to ensure continued alignment with the objectives set out in Article 15(2).

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**Drafting suggestions:**

**Article 17d - Compensation for offline digital euro transactions**

**1.The merchant service charge and inter-PSP caps referred to in Articles [17 and 17a] and applicable to online digital-euro payment services shall also apply to offline digital-euro transactions.**

**2. For the purposes of determining the compensation between payment service providers for offline digital euro transactions, a proxy-based allocation mechanism shall apply.**

**3. Under the mechanism referred to in paragrapg 2, acquiring payment service providers shall transfer the applicable inter-PSP fee to a common inter-PSP pool managed by the European Central Bank. The amounts accumulated in that pool shall be redistributed to distributing payment service providers in proportion to the funding and defunding services they provide in relation to offline digital euro transactions.**

**4.The detailed methodology for the proxy-based allocation mechanism and for the calculation of the redistribution referred to in paragraph 3 shall be laid down in an implementing act adopted by the Commission in accordance with Article 39(2), after consulting the European Central Bank.**

**Article 41 - Review**

**4. […] By five years from the first issuance of the digital euro, the Commission shall present to the European Parliament and to the Council a report on the compensation for offline digital euro transactions referred to in Article 17d.**

***Recital accompanying Article 17d***

**(XA) In the absence of connectivity to payment service providers, offline digital euro transactions do not generate transaction-level data that would allow the costs of individual operations to be allocated directly among the payment service providers involved. Without a compensatory mechanism, the distribution of costs and revenues between acquiring and distributing payment service providers could therefore diverge from that applying to online transactions, distorting the interplay between the two modalities. To address this challenge while maintaining the high level of data privacy inherent to the offline functionality of the digital euro, the compensation for offline transactions should rely on a proxy-based allocation mechanism. That mechanism should make it possible to remunerate distributing payment service providers for the funding and defunding services they perform, without requiring the processing of personal or transaction-level data. The merchant service charge**

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**applicable to mandatory online digital euro payments should also apply to offline transactions, ensuring consistency and simplicity for merchants.**

**(XB) Under that proxy-based mechanism, acquiring payment service providers should contribute a defined proportion of the merchant service charge to a common inter-PSP pool managed by the European Central Bank, from which inter-PSP compensation would be redistributed to distributing payment service providers in accordance with their respective funding and defunding activity. The detailed methodology for that mechanism should be laid down in an implementing act adopted by the Commission in accordance with the examination procedure referred to in Article 39(2), after consulting the European Central Bank. The offline compensation model should be reviewed, so as to ensure that it remains proportionate, cost-reflective and consistent with the objectives set out in Article 15(2).**

**Questions 5-6 for Member States**

***Q5.*** *Do Member States agree with the Presidency's proposal to Article 17d and its accompanying recital?*

***Q6.*** *Do Member States agree with the Presidency's proposal to Article 41(4)?*

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# Chapter III

## 3.1 Open funding reverse waterfall

At the Council Working Party meeting on 17 October, the Presidency recalled its proposal to exclude the open-funding reverse waterfall functionality between two different PSPs from the list of mandatory services in Annex II. Instead**, the Presidency proposed that the reverse waterfall functionality should not be mandatory but, where offered, should be provided free of charge to natural persons**. The provision of such functionality could be governed by contractual arrangements between the PSPs concerned.

**A majority of Member States expressed support for ensuring that funding and defunding services, including the reverse waterfall functionality, remain free of charge for consumers.** Some delegations underlined that removing the open-funding reverse waterfall functionality from the list of mandatory services could reduce competitive pressure among distributing PSPs and risk lowering the quality of digital euro services available to users. Other delegations, however, **pointed to possible risks for Europe's strategic autonomy if non-European actors were to assume a significant role in the provision of digital euro services, and therefore advocated for a more cautious approach to open-funding functionalities.** Some Member States suggested that it should be considered whether other types of automated open-funding services, such as event-driven or threshold-based top-ups, should also be made non-mandatory for PSPs to provide to their users.

**While the Presidency acknowledges these concerns, the suggestion did not receive broad support from other Member States and is therefore not considered sufficient to justify the broader exclusion of automated open-funding functionalities from the list of mandatory services at this stage.** Removing these services could limit the usability of the digital euro for consumers and merchants, reduce convenience, and risk undermining one of the core objectives of the Regulation, ensuring that the digital euro can be used seamlessly across the euro area. In addition, such an exclusion could indirectly restrict users' ability to choose different PSPs for their digital euro and non-digital euro accounts, thereby limiting competition and innovation in the distribution of digital euro services.

Against this background, **the Presidency considers that maintaining the approach discussed at the 17 October meeting remains a balanced way forward.** The Presidency further notes that this approach could be re-examined as part of the Commission's review of the Regulation, allowing for possible adjustments in light of market developments.

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## 3.2 Mandatory digital euro payment services provided free of charge

Following the discussion on the 17 October the Presidency has compiled the take aways from the discussion as well as the written input from Member States. The outcome of this assessment is shown in the table below.

**The Presidency proposes the following for the mandatory digital euro payment services in Annex II:**

| **To be offered mandatorily under Annex II** | **To be offered for free** |
|---|---|
| **(a)** opening, holding, managing and closing one digital euro payment account per payment service provider, including consulting balances and transaction records; | **Yes** – the PSP may charge for opening a second digital euro payment account for a customer who has already been provided with one free account. |
| **(ba)** switching of payment service provider as referred to in Article 31 and Article C; | **Yes** |
| **(c)** manual and automated funding and defunding from or into non-digital euro payment accounts, including funding and defunding operations as referred to in Article 13(4), except funding operations referred to in Article 13(4b), if the digital euro payment account and the non-digital euro payment account are provided by different PSPs; | **Yes** – open funding funding operations referred to in Article 13(4b), where the digital-euro payment account and the non-digital-euro payment account are provided by different PSPs, should also be free of charge when offered to the digital euro user. |
| **(d)** manual funding and defunding from or to euro banknotes and coins if the distributing payment service providers provides such services for non-digital euro payment accounts, and only in the same manner in which the distributing payment service providers provides such services for non-digital euro payment accounts as referred to in Article 13(3); | **No** - PSPs able to charge consumer fee for cash services, provided that the fee does not exceed the fee for cash services for non-digital euro payments accounts and the fee is reasonable and proportionate. |

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| **(e)** enabling the initiation and reception of online and offline digital euro payment transactions, including standing orders and pre-authorisation service for online digital euro payment transaction; | **Yes** |
| **(g)** providing one payment instrument for the execution of online digital euro payment transactions and one payment instrument for the execution of offline digital euro payment transactions, such as referred to in letter (e); | **Yes** – Consumers may choose either one free payment instrument, typically a mobile application covering online and offline use, or two instruments, such as a card and an app, in which case one may be subject to a fee if both cover overlapping functionalities. In all cases, consumers must have access to all mandatory digital euro payment services. |
| **(h)** providing pre-dispute services as referred to in Article 2 | **Yes** |
| **(i)** providing dispute services as referred to in Article 27 | **Yes** |

**Question 7 to Member States:**

***Q7.*** *Do Member States have comments to the Presidency's suggestions on which mandatory digital euro payment services that should be provided free of charge?*

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## 3.3 Mandatory digital euro acquiring services subject to MSC cap

Following the discussion at the meeting on 17 October, the Presidency has compiled the main takeaways from that exchange, together with the written input provided by Member States. The outcome of this assessment is set out in the table below.

**The Presidency proposes the following for the mandatory digital euro acquiring services in Annex IIa:**

| **To be offered mandatorily under Annex IIa** | **Subject to MSC cap** |
|---|---|
| **(a)** opening, holding, managing and closing of digital euro payment accounts, including consulting balances and transactions; | **Yes** |
| **(b)** funding and defunding operations as referred to in Article 13(4); | **Yes** |
| **(c)** enabling the reception of online and offline digital euro payment transactions, including pre-authorisation service for online digital euro payment transactions. | **Yes** |
| **(ca)** initiating refund transactions. | **Yes** |
| **(e)** providing pre-dispute services as referred to in Article 2. | **Yes** |
| **(f)** providing dispute services as referred to in Article 27. | **No** |

**Question 8-9 to Member States:**

***Q8.*** *Do Member States have comments to the Presidency's suggestions on which mandatory digital euro acquiring services that should be provided free of charge?*

***Q9.*** *Do Member States have other comments to the note provided by the Presidency on the compensation model?*