



Council of the European Union
General Secretariat

**Interinstitutional files:
2023/0212 (COD)**

Brussels, 19 April 2024

WK 5555/2024 REV 1

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Financial Services and the Banking Union (Digital Euro Package) Financial Services Attachés
Subject:	Digital euro - Presidency questionnaire on the compensation model - consolidation of replies by 20 MS

Please note that the attached consolidation has been updated to cover answers by 20 delegations.

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Questions from the Presidency	MS comments
1. In your jurisdiction, what would be the most relevant “comparable means of payment” as described in Article 17(2)(b)? Please briefly describe them, highlighting their similarities and differences with the digital euro.	AT (MS comments): AT: General remarks: In line with recital 44 of the Regulation, we believe that international card schemes (ICS), national card schemes (NCS) as well as instant payments at the point of interaction (POI) should be considered comparable payments as described in Art 17 para 2 point (b). In addition, we think that there should be a discussion on whether digital wallets such as PayPal should also be considered comparable means of payments, even if they do not necessarily fall under the category of "Instant Payments at the POI". Most relevant comparable means of payment: In Austria, there are several means of payment that could be considered “comparable means of payment” as described in Article 17(2)(b) of the Regulation. The following are the most relevant: 1. Card Payments/Mobile Payments based on ICS: Credit and debit cards are the most commonly used digital means of payment in Austria. Point of Sale: According to the Payment Methods Study 2023 conducted on behalf of the Austrian National Bank (OeNB), the transaction share of payment cards (debit and credit cards) at the point of sale (POS) is 30%. Mobile payments via mobile phones or wearables are perceived significantly less positively by users than card payments. Austria is mainly reliable on international card schemes (VISA & Mastercard with more than 80% market share). Our

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	main domestic debit card scheme is Master Card Debit (90%). There are no national card schemes as of now. Similar to the digital euro, card payments are processed electronically and can be used in e-commerce as well as in physical stores and international cards can be used nearly everywhere in the Euroarea. The user experience when using the digital euro (e.g. dEUR card or app) will be similar to using credit or debit card or mobile payments based on ICS (e.g. dEUR and ICs use NFC-technology) However, ICS-payments are usually not instant. In contrast to the digital euro, there is no legal obligation to accept debit and credit card payments and payments do not have to be free of charge for consumers. 2. Bank Transfers: The most widely used bank transfer system in e-commerce is the Electronic Payment System (EPS), which allows customers to make payments online directly from their bank accounts. That is similar to the digital euro in the sense that both rely on European infrastructure, and the funds originate directly (bank transfer) or indirectly (digital euro waterfall) from the payer's bank account. However, bank transfers can sometimes take longer to process compared to the expected instantaneous digital euro transactions, Therefore, as proposed by the Commission, only instant bank transfers at POI should be considered as comparable means of payment. One example for an instant bank transfer solution at POI in AT would be Bluecode. 3. Digital Wallets: The most commonly used digital wallet in Austria is PayPal. Especially in the e-commerce scenario (and the P2P Use

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	Case), the digital euro shares many similarities with digital wallets like PayPal: They are both intended to be widely accepted in the euro area and are (in case of Paypal at least partial) instant payments. Differences are that the d€ is intended to be more private, can be used everywhere and totally free of charge for the consumer. BG (MS comments): Recital 44 of the Proposal for a Regulation on the establishment of the digital euro states that international card schemes regulated under Regulation (EU) 2015/751 of the European Parliament and the Council, national card schemes, and instant payments at the point of interaction provided by payment service providers should be considered comparable means of payments. Pursuant to Article 2, point 25 of the Proposal for a Regulation on the establishment of the digital euro “comparable digital means of payment” means digital means of payment, including debit card payment and instant payment at the point of interaction but excluding credit transfer and direct debit that are not initiated at the point of interaction. We consider that card payments are relevant comparable means of payment for Bulgaria.

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	CZ (MS comments): card payments and instant payments (comparable for payments in online digi euro) • 24/7/365 • fast processing and clearing • transactions initiated by payer As for the offline payments in digital euro, there is no comparable means of payment. DE (MS comments): Overall, in Germany the share of <i>cash</i> payments at the point of sale (POS) in terms of sales volume was at 37,5% in 2022, while payments with <i>Girocard</i> amounted to 44,8% (<i>increased</i> from 11,5% in 2005), <i>direct debiting</i> to 6,1% and <i>credit card payments</i> to 8,2%. For payments at the Point of Sale (POS), in Germany the most relevant ‘comparable digital means of payment’ is “Girocard” with 7.479 Million transactions in 2023 and a total sales volume of EUR 304 Billion. Girocard is a national debit card scheme owned and

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	governed by the German Banking industry. Credit cards and mobile payment solutions are also used for point of sale-payments but account for a much smaller share (for further details, see answer to Q2). For payments in eCommerce, a diverse set of solutions exists. In descending order of relevance for online payments: <i>PayPal</i> (29,6%), <i>credit transfers</i> (post-invoicing; 23,8%), <i>direct debits</i> (20,9%) and <i>credit cards</i> (12,1%) (2022 data). This gives rise to an important observation for the German payments market: <i>Credit transfers</i> or <i>direct debits</i> are widely used in Germany. This is true not only for eCommerce (see 23,8% market share above), but for numerous day-to-day payments (e.g. invoices by craftsmen, doctors or lawyers) and recurring payments (e.g. rent, services, insurances). Under the Commission's proposal, credit transfers or direct debits would be considered as "comparable digital means of payment", if they are initiated at the point of interaction (Art. 2 (25)) (and we don't want to imply to change this), which would likely only be a small fraction of these payments. We don't want to imply in any way that this definition should be changed, but rather

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	highlight the challenge that the four party compensation model proposed for the digital euro does not fit for these types of payments and could likely lead to higher rather than lower payment processing costs for payees in these cases (please see our comment at No. 5 below). P2P: Paypal could be considered as a relevant comparable means of payment given its dominant position in the market as outlined above. Paypal data is only available on an accumulated worldwide basis. DK (MS comments): To our understanding, the digital euro will be a new means of payment with an associated payment solution. So, we do not find that there are obvious comparable payment methods that are digital. In our opinion, the digital euro is most comparable to cash payments. However, we have identified the following services which we use today, but each of which have different characteristics compared to the digital euro: international debit cards, a mobile payment solution based on instant payments called <i>MobilePay</i> and the domestic debit card scheme, <i>Dankortet</i>.

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	Basically, fees and charges are very different across payment methods, and are closely linked to the consumer protection that the respective payment methods have built in – and what it costs who to maintain that consumer protection. Though, some similarities and differences between a digital euro and the means of payment MobilePay, Dankortet and an international debit card are: <u>Similarities:</u> - A digital euro will be distributed by payment service providers (e.g. banks) who will handle AML and KYC as they do for the other three payment solutions. - A digital euro could be used for P2P transfers as is the case with MobilePay. - The fees for a digital euro appear to be regulated (based on the Regulation), as is the case for e.g. Dankortet. - A digital euro could in practice be used via a mobile wallet or a physical payment card – as is the case with the other three payment solutions. <u>Differences:</u> - These are, by their very nature, different currencies – DKK and EUR. - A digital euro is central bank money, and the three alternatives are all based on private bank money. - A digital euro will involve an instant transfer as the case (typically) is with MobilePay, while debit card are not instant

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	payments. - A digital euro will not use the card infrastructure and thus probably bypass the infrastructure of Visa and Mastercard. - Business (in an EA country) will in principle be obliged to receive a digital euro, while businesses may refuse to receive, for example, international debit cards. EE (MS comments): For online digital euros the most relevant “comparable means of payment” are debit card payment and instant payment, while for offline digital euros combination of cash and debit card payment. EL (MS comments): In our view, all electronic means of payment, including card payments, fall within the concept of comparable means of payment of Art.17(2)(b). ES (MS comments): PRELIMINARY COMMENT: We are carefully considering the potential impact of a digital euro on business-to-business payments where traditional SEPA instruments are very developed (direct debits and credit transfers, mainly). Therefore, in relation with the possible substitution effect of the digital euro with account-to-account SEPA instruments, all our considerations are very preliminary. Additionally,

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	we think it could be fruitful to organize a structured debate regarding the digital euro in B2B payments. The Commission's proposal is not fit for a B2B world, because it does not take into consideration as comparable means of payment, those instruments that are not used at the point of interaction (i.e. many A2A SEPA). Nonetheless, the proposal makes it completely possible to initiate and receive B2B digital euro payments. First of all, it is important to discuss the scope of the legal tender obligation in the B2B world. Depending on this, then we can discuss the specific remuneration model. It is clear that Article 17(1) only aims to protect consumers in some cases. So for these consumers, in any case, receiving and initiating payments would be free. Therefore, it follows that businesses initiating payments can be freely charged by PSPs. Nonetheless, what happens in the case of businesses receiving payments? Article 17(2) aims to protect merchants from the legal tender obligation. However, in a B2B world, how does this "legal cap/protection" should work? When a merchant receives a payment, should it be capped both in the C2B and in the B2B world? Debit card payments: • Similarities: ○ Digital means of retail payments ○ Consumer friendly ○ Need to have available funds prior to initiation. • Differences: ○ Only useful in POS and e-commerce transactions, not for Gov payments, P2P or more innovative cases (M2M). ○ Not available offline (with payment finality/settlement and fraud 100% prevention)

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	○ Better redress/dispute mechanisms (depending on whether the digital euro finally includes a wide dispute resolution mechanism) ○ The card company may give additional added value services to the cardholder. ○ Personal data exposure to different actors. ○ Need to hold a physical card (unless tokenized in a digital wallet) with risk of loss. Credit transfers: • Similarities: ○ Digital means of retail payments ○ Need to have available funds prior to initiation. • Differences: ○ Even if technologically possible (especially for instant transfers), credit transfers are not widely used in POS and e-commerce segments. For instant transfers (especially those that go through the Bizum channel), they are widespread in the P2P segment and there are increasing use cases in e-commerce. The company is working to extend these payments in the POS. ○ Less consumer friendly: not good integration with smartphones or with new payment cases, such as recurring payments or subscriptions. This is due to legal barriers (e.g. SCA rules) and competition problems with digital gatekeepers. ○ If there is no IBAN check, the complexity and uncertainty for the user is higher than when paying with a payment card. This may become less relevant when the new

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	regulation on IBAN check enters into force. In principle, the digital euro could have systems similar to IBAN check. ○ How comparable is the dispute mechanisms in credit transfers with the digital euro ones depends on final design of D€. ○ The daily operative of some economic sectors is very dependent on credit transfers (e.g., salaries, pensions, tax payments,...), so if they are to be substituted by digital euro payments, adjustment / switching costs may be high for PSPs. Direct debits: • Similarities: ○ Digital means of retail payments. However, direct debits are generally used in very specific segments of the payments market (e.g., utilities, providers, B2B,...). ○ Need to have available funds prior to initiation. • Differences: ○ Direct debits give payers the unconditional right to refund. This right is unlikely to exist in the digital euro ecosystem. ○ It appears that there is less innovation in direct debits (compared to card payments or instant credit transfers). ○ The daily operative of some economic sectors is very dependent on direct debits, so if they are to be substituted by digital euro payments, adjustment / switching costs may be high for PSPs. Cash: • Similarities: ○ It can be a substitute of offline digital euro payments, in

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	terms of conceptualization, resilience, inclusion and privacy. Therefore, some lessons can be taken from the compensation model of cash withdrawals. • Differences: ○ It is useless in a digital economy. ○ It is the simplest payment system. FI (MS comments): Visa and Mastercard credit and debit cards, MobilePay-payment application, Siirto-mobile payment application, Apple and Google's and other providers wallets used for initiation of payments. Online payment bridges for online banking ("payment button" to pay using credit transfers in e-commerce"). HR (MS comments): According to the Recital (44) of the Proposal comparable means of payments should be considered international card schemes regulated under Regulation (EU) 2015/751 of the European Parliament and the Council, national card schemes and instant payments at the point of interaction provided by payment service providers. In Croatia, there is no national card scheme comparable to the digital euro, nor national solutions for instant payments at the point of interaction.

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	Classic international four corner card compensation schemes mostly prevail in Croatia. IT (MS comments): IT: The most relevant comparable means of payment used at the Point of Interaction (POI) in our jurisdiction are the card solutions (i.e. debit cards and prepaid cards, excluding credit cards because of their intrinsic nature as “borrowing instruments” which the digital euro will not have). The domestic card solutions to be considered are: a) PagoBANCOMAT® which is used for payments at Point of Sale (POS) b) BANCOMAT Pay® which is used for digitalized transfers to pay and send money via smartphones, online and in stores (P2P, P2B and P2G); unlike PagoBANCOMAT®, this second solution is currently not widely adopted. The “four-party” international card solutions to be considered are: a) Mastercard which is used for payments at the POS and online; b) Visa which is used for payments at the POS and online. In the Italian market, another very important player is PostePay, who offers to its very sizeable customer base debit and prepaid cards cobranded with the above mentioned International Card Schemes (ICS); for this reason it is not considered in the domestic solutions. Other comparable means of payment are the closed loop solutions at the POS and online (or e-money solutions such as PayPal and Satispay) and

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	the online account-to-account solutions (i.e. credit transfers and direct debits). These solutions still have a low level of adoption at the POI (in total they account for around 20 per cent). With regards to the similarities with the digital euro, card solutions (e.g. ICS and PagoBANCOMAT®) seem the closest comparable means of payment; solutions like BANCOMAT Pay®, being fully digital, also show many similarities. LT (MS comments): The international card schemes (Mastercard and Visa, further - ICS) are the most comparable means of payment in Lithuania. There are no national payment instruments in Lithuania (e.g. similar to Bizum). Similarities are as follows: 1) digital payment instrument for retail payments, 2) can be used online and in physical stores throughout the euro area (use cases: consumer to business, consumer to government), 3) based on a four-party scheme, 4) can be added to digital wallets (e.g. ApplePay), 5) can be accompanied by a physical card for convenience, 6) can be integrated into the PSP's app, and 7) is a subject to limitation of the interchange fee, 8) cash withdrawal at ATMs. Differences are as follows: 1) the digital euro will be central bank money and private payment instrument while Mastercard and Visa are private payment instrument, 2)

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	you will only be able to pay with the digital euro in the euro area while with ICS you are able to pay worldwide online and in physical stores, 3) you will be able to pay with the digital euro when you are offline, 4) you can pay with the digital euro in person to person case, 5) with the ICS, your money is in a payment account with a PSP (in PSP's balance sheet) and the digital euro is in a central bank account (not in PSP' balance sheet), 6) the interchange fee is regulated for ICS in the EU while there is an intention to regulate the inter-PSP fee and merchant service fee for the digital euro, 7) digital euro will have switch and port functionality, including emergency switching, what is not possible in ICS, 8) same digital euro account number throughout the EA, 9) digital euro basic services will be free of charge for the EA residents. LU (MS comments): The most relevant comparable means of payment in Luxembourg would be debit cards (excluding delayed debit cards) and a mobile banking solution called Payconiq that allows POS and online purchases as well as peer to peer transactions The fee structure of debit cards is heterogenous and based on the pricing policy of the respective issuers. Mostly annual debit card fees are applied

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	and (additional) fees might be charged for withdrawal of cash at third party ATMs within the EU. Payconiq is a cross-border payment solution that has been adopted in Luxembourg Belgium and the Netherlands: the app is capable P2P payments and can be used for credit transfers, POS purchases and recurring payments via QR code. Payments are made via SEPA credit transfer and P2P transactions can be initialized using mobile phone numbers as proxy. Payconiq has been adopted by all major retail banks in Luxembourg, with two credit institutions having integrated Payconiq functionality into their online banking applications. P2P transfers are free of charge, consumers are not charged for the use of the app. Merchants are subject to a fee as described below. LV (MS comments): Comparable means of payments as described in Article 17(2)(b) in Latvia would be card payments facilitated by international card schemes, namely debit card payments. In Latvia there are no established domestic card schemes. The digital euro POI use cases would follow similar 4-sided compensation model that also applies to most recognized card schemes. The main

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	difference the digital euro would have compared to card schemes is the fees model. The digital euro free for basic use principle as well as regulated merchant fees and absence of scheme fees would form a different value proposition for PSP's involved in the scheme. Currently, in Europe international card schemes, such as VISA and Mastercard generate significant revenues through scheme fees and benefit from network effects positioning them in a quasi-duopoly position. MT (MS comments): Malta is of the view that card payments should be taken into consideration as a comparable means of payment to the digital euro. Card payments are a solution used at the Point of Interaction (POI), and the digital euro will similarly provide a solution at the POI, either through an application, a smart card, or else through other features. Moreover, the most electronic means of payment used locally by consumers is through card payments. Therefore, merchants will compare the fees paid on digital euro with that of a card payment, ultimately affecting the take-up of the digital euro. NL (MS comments): NL: Comparable <u>digital</u> means of payments are:

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	1. Debit cards – Similarity with digital euro in the use cases of POI. Difference with digital euro: private money, different transaction routing 2. iDEAL – Similarity with D€ is A2A-payments, same use case is POI. Difference with digital euro: private money Credit card payments are not a comparable means of payments in the Netherlands. Merchants at the POS often do not accept credit cards in the Netherlands due to cost involved. Credit cards also offer other services, such as the possibility to pay on the basis of a loan or providing insurances regarding purchases. In our view, credit cards should therefore not be regarded as a comparable means of payment under article 17. Although it is not a digital means of payment, we are of the view that cash is also a comparable means of payment, because it is also central bank money with legal tender: 3. Cash – Similarity with digital euro: public money, legal tender, same use cases are POS, P2P, X2G. Difference with digital euro: not online, physical limitations vs holding limit, transaction limits for “offline” use. PL (MS comments):

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	PL: The most relevant comparable means of payment in Poland would be: 1. Debit cards issued by banks under the brand of global card schemes (Visa/Mastercard), used both at physical POS and in e-commerce. This includes all forms of payment initiation: physical contactless cards, solutions such as Google Pay / Apple Pay, virtual cards (including single-use ones), etc. 2. Physical POS payments using the BLIK mobile payment scheme. The BLIK payment scheme is a non-card payment scheme. BLIK payments at POS are executed using smartphone banking applications of banks participating in the BLIK scheme. They can take two forms: - code-based, where a single-use code is generated by the payer in the banking app, the code is then entered using the POS terminal keypad and payment is confirmed by the user in the banking app; - contactless payment, where the payment is made by the payer through the banking app, using the NFC module of the smartphone (Android and HarmonyOS only). The payments are processed using standard POS terminals (contactless BLIK payments are supported by all terminals in Poland, as they use the same payment tokenization as contactless cards or smartphone NFC payments; code-based payments are supported by most terminals).

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	3. E-commerce payments using the BLIK payment scheme (the most popular e-commerce payment method in Poland since 2021). E-commerce payments using BLIK are code-based; a single-use code is generated by the payer in the mobile banking app. At checkout, the code is then input into the payment interface of the acquirer (payment gateway) and payment is confirmed by the user in the mobile banking app. The confirmation is immediately received by the acquirer, who can then inform the merchant. 4. Pay-by-link bank transfers in e-commerce (the most popular e-commerce payment method in Poland between 2015 and 2021; earlier data not available). At checkout, after the buyer selects pay-by-link payment and their bank (if their bank supports pay-by-link transfers), the acquirer (payment gateway) automatically prepares a filled-in bank transfer order; the buyer confirms the order by logging into his bank account using the provided link and confirming the transfer. The confirmation is immediately received by the acquirer, who can then inform the merchant. The funds are usually transferred to the acquirer's account in the same bank (acquirers have accounts in all banks that support pay-by-links), which is typically done instantly (as a transfer within the same bank). Similar services are being developed using the Payment Initiation Service under PSD2. The main similarity of all these methods with the digital euro – from the perspective of the payer and the merchant – is the instant confirmation of

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	the transaction, which allows the merchant to immediately release the purchased goods/services to the payer. The main difference to the digital euro is that we understand that the settlement in digital euro would also happen in real time, while the final settlement (i.e. funds credited to the account of the merchant) for the payment methods described above typically takes 1-2 business days in Poland (although some acquirers offer same-day availability of funds for merchants, especially for pay-by-link payments). PT (MS comments): In Portugal, we consider that the most relevant existing digital euro “comparable means of payment” for the purpose of Article 17(2)(b), i.e., calculation of fees on digital euro services, are debit cards. The main reason for this lies on the following two main similarities with the digital euro: debit cards are used for payments at the point of interaction and their user sees their deposit account immediately debited (note: this last argument, regarding the immediate debit on the user account, excludes in our view credit cards as comparable means of payment for this purpose). The main differences between debit cards and the digital euro are the costs to consumer: while there is always a cost associated with the ownership of a debit card, the digital euro will not have any cost for basic services.

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	SI (MS comments): In our jurisdiction, the most relevant comparable means of payment as described in Article 17(2)(b) would be debit cards as digital euro could be used to pay at the POS via physical cards or electronic devices (eg. smartphones and their “digital debit cards”). Similarities: user experience, form factor. Differences: digital euro would be public good, “for the people”. Another comparable means of payments would be paying via Flik, Slovenian national instant payments scheme, used today by around 25 % of Slovenians for their electronic P2P payments and recently also for e-commerce payments, while use at the POS remains limited for the time being. Similarities: instant payments, form factor, user experience. Differences: Flik is a national payment solution (scheme), owned by Slovenian banks and is not interoperable with other payment solutions (schemes) in SEPA, while digital euro would be paneuropean and would be public good. Lastly, cash is often overlooked comparable means of payment and might carry more similarities with digital euro than it seems. It may seem that it is

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	free of charge to accept it for the merchant but there are costs connected to it, for example security and cash transit after shop closure. Nevertheless, for the purposes of this question we cannot necessary compare digital euro compensation model with cash model (and therefore mark cash as comparable means of payment) but it would be beneficial to delve into this topic deeper in the future. Similarities: offline payment, for the most part also user experience and public good factor. Differences: online payments with digital euro and use cases. SK (MS comments): The most common comparable digital means of payment to the digital euro in Slovakia would be card payments (incl. debit, credit or prepaid cards or mobile payments). In limited uses cases it could also be payments initiated at point of interaction via Qr codes (card payments or credit transfers) or SMS payments (provided by mobile operators). Especially payments initiated through Qr codes were believed to gain more traction with the implementation of instant payments. SMS payments are rather lower value payments used to pay for public transport, parking, but also for some online services (digital content, travel insurance etc.). In this regard it should be also considered whether the definition of “comparable digital means of payment” in art. 2(25) should refer to the “point of interaction” or to the “point of sale” as is in art. 2(29) of the IFR.
2. For the comparable payment means identified in response to question 1, could you please describe their respective	AT (MS comments):

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compensation models? If available, provide an overview of the different fees incurred in the processing of a transaction (e.g., merchant service charge, acquirer fee, interchange or inter-PSP fees, scheme fees, processing fee, etc.).	AT: 1. Visa/Mastercard Transactions: Four-party compensation model: The Merchant Service Charge (MSC) broadly comprises three fees: interchange fee (e.g. around 0,3% of the purchase price), scheme fees (e.g. around 0,2% of the purchase price) and the acquirer margin (e.g. around 0,5% of the purchase price). After the adoption of the Interchange Fee Regulation (IFR) in 2015, there have been increases in other components of the MSC that were not regulated by the IFR. In fact, a study by CMSPI and Zephyre found that, on average, European merchants were paying more to accept each card payment than they had prior to regulation. 2. Mobile Payments at POI that are not based on ICS: The merchant pays a fee per transaction to the acquirer or PISP. Most often, it is a fixed amount plus a variable component. For example, €0.07 + 0.3% of the ticket size. 3. PayPal Transactions: PayPal uses its own compensation model, which differs from the traditional four-party card model used by companies like Visa and Mastercard. PayPal does not charge a fee to payers when they buy goods or services. However, merchants pay a fee for receiving payments for goods or services. The exact fee structure can vary between countries, but it is typically a percentage of the transaction amount, plus a fixed fee. BG (MS comments): Merchant service fees for acquiring of card-based payment transactions in Bulgaria comply with the transparency

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	requirements of Regulation (EU) 2015/751, however the Bulgarian National Bank does not collect data from PSPs on the fees, incurred in the processing of a card-based payment transaction. CZ (MS comments): • card payments – only IFR application, no additional data available • instant payments - in CZK are a normal standard offered by the most largest PSPs for the same fees as normal payments DE (MS comments): <u>Girocard</u>: Similar compensation model to a classic four-party system (Consumer-Bank-Bank-Business), although roles are partially specific to the girocard system. In order to participate in the girocard system, the merchant pays “authorisation fees” per transaction, usually complemented by service charges, to its network service provider (a dedicated role in the girocard system that needs authorisation by the German Banking Industry Committee). The network service provider collects the authorisation fees and forwards them to the card-issuing banks or

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	their fee collection service providers, respectively. In return the card-issuing banks - before paying the amount to be collected via the Clearing and Settlement Mechanism to the merchant's bank and debiting on their turn the payer's account in their books - guarantee the payment to the merchant. Fees for the payment guarantee per successful transaction are freely negotiable, but amount to a maximum of 0.2 percent of the respective turnover. Authorisation fees have the same economic function as inter-PSP fees. Combined, the authorisation fee plus the service charges paid by the merchant to its network service provider can be compared to a merchant service charge. Please note, however, that the merchant's bank can charge additional fees for the processing of payments or related services. Scheme fees do not exist in the girocard system. <u>Credit cards:</u> Fees vary depending on the credit card network and the type of transaction being performed. For commercial credit cards, general interchange fees may range between 1,80% to 2,05%.

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	<u>Credit transfer</u>: Effectively free of charge for the payee in classic systems (no inter-PSP fee applicable). In eCommerce, the payee bears the non-payment risk (can be minimised in Germany via specialised scoring agencies e.g. <i>SCHUFA Holding AG</i>). <u>Direct debit</u>: Usually only a small fee for the payee depending on the banks' fee model. No inter-PSP fee applicable. Risk of direct debit, e.g. rejection or refund request. <u>PayPal</u>: Business fees differ widely depending on the kind of transaction, i.e. payment type or product/service billed, and on the given region of the payment partner. DK (MS comments): According to our central bank, the following fees occur in the system: - Scheme fees (PSP (acquire and issuer) to scheme owner) - Interchange fee (acquire to issuer) - In some cases: Service fee (from acquirer) to mobile wallet provider - Merchant service charge (merchant to PSP) (MSC for the

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	domestic card scheme Dankortet in POS account for 0,16 % to 0,46 % depending on number of transactions (link) or the merchant can choose a monthly fee between 111 DKK and 30.034 DKK depending on average value and number of transactions (see “Dankort FAST” (link)). Note that these fees are regulated in Danish law and may only cover costs associated with the payment system. MSC for e-commerce transactions with Dankort is 0,32 % (see “Online handel” (link)). EE (MS comments): Debit card and cash payments are free of charge for the payer, the costs are covered by the merchants. Interbank instant payment costs are covered by a small fee per transaction (8-38 euro cents) or the monthly fee covering all the account services, except credit card services, is charged to the customer. Merchant service charge is from 0,45% of the purchase price (not less than from 0,10 €, but not more than from 0,95 € per transaction) depending on the point of transaction (e.g. e-commerce, point of sale). EL (MS comments): For international card schemes the respective compensation models apply. Interchange fees, specifically, are subject to the EU

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	Interchange Fees Regulation. There is no domestic card scheme in Greece. • For SEPA credit transfers and direct debits charges apply to payers/payees according to different banks' pricing policies. • The domestic instant payment scheme, IRIS, allows users and merchants to transfer funds instantly and for free, up to a daily limit of EUR 500. This service is currently available for digital transactions between participating banks, but requires both the sender and receiver to be registered with IRIS through their mobile banking app. ES (MS comments): (i) Debit card payments In four-legged debit card systems the remuneration model is the following: - From the payer's side: Before being able to make any payment with a card, the payee needs to have an account to link to the card and needs to be in possession of a debit card. To get this card, the issuer PSP may charge the cardholder an <i>issuance fee</i> that will cover costs incurred by the PSP such as issuing related costs or scheme fees (mentioned below). The PSP may charge <i>additional fees for value added services</i> (eg FX mark-up). - From the merchant's side: Before being able to receive card payments, the merchant needs to have an account at an acquirer's

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	PSP. For POS payments, the merchant needs be in possession of a POS terminal, provided by a processing entity. In Spain there are two main processing entities: Redsys, with a 90% market share, and CECABANK, with less presence. Visa and MC also process some transactions (for some specific issuers or for international transactions). There is a processing fee. The processing entity carries out the technical services necessary to manage card payments. - When the cardholder makes a payment to a merchant: - o The acquirer PSP pays in each payment: ▪ An interchange fee to the issuer's PSP, so that the latter carries out all the checks, including the verification that the cardholder has sufficient funds for the payment. - o For competition purposes, this interchange fee is capped in the EU. Regarding the application of the Interchange Fee Regulation in Spain, our legislation establishes only a per transaction cap. In particular, the limits of the interchange fees for transactions made with debit cards are set at 0.2 % of the value of the transaction (up to a maximum of 7 cents). For payments not exceeding 20 euro, the upper limit is 0.1 % of the value of the transaction. To this effect, any compensation received by an issuer PSP related to a payment operation should be considered interchange fee (art. 11.1 RDL 8/2014). ▪ A fee for the network services (scheme fee) necessary

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	to connect the issuer and acquirer PSP to the provider of the payment application. In contrast to other EU countries, the domestic card scheme in Spain, STMP (Sistema de Tarjetas y Medios de Pago), does not have a payment application to carry out network services. As a consequence, these network services are provided entirely by the payment application of International Card Schemes (Visa and Mastercard). Therefore, in Spain card payments generate a (lower) fee towards the Spanish scheme (STMP) and another (higher) fee towards the International Card Schemes for providing the payment network. ○ In exchange, the acquirer PSP charges the merchant a merchant service fee (aka discount fee) that covers the interchange fee (paid to the issuer's PSP), the fee for network services (paid to ICSS) and a markup for the acquirer PSP. ⇒ There is no public information (nor is the supervisor, Bank of Spain, aware) of the <i>scheme fee</i>, the <i>ICS fee</i> or the <i>mark-up</i> retained by the acquirer PSP. - Mobile payments based on cards: Mobile wallets like Apple Pay, Google Pay and Samsung Pay allow users to link their debit (and credit cards) to their mobile devices and make contactless payments. These companies may charge the merchant a % of the price per transaction. This fee is eventually added to the merchant discount fee. Conversations with the merchant and the financial sector in Spain show that Apple holds a high marker power in this market, enabling high and inelastic markups/fees. However, there is no public information (or supervisory information) regarding these

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	fees. Credit transfers: - Since 2014, all the PSPs offering credit transfers in Spain comply with the SEPA Credit Transfer scheme rulebook (SCT). For the participation in the ECP scheme, PSPs have to pay <i>an annual scheme participation fee</i> (these fees are published in the website of the EPC). - The Spanish company Iberpay (ACH¹) carries out the clearing and settlement mechanism and <i>charges PSPs a fee for this service (a fixed cost paid once for connecting to the SCT scheme, a fixed cost paid annually for the participation and a variable cost per number of transactions)</i>. See the fees for 2024. - The PSPs may charge <i>a fee to the parties of the transfer</i>. Business usually are subject to framework contracts with PSPs regarding payments and there is a variety of remuneration models that are applied depending on the type of client, sector, number of transactions... However, this information is not available to us or to our supervisor. Also consumers might be charged a different fee depending on the rest of the services that they have with the PSP. - In contrast to card schemes, <i>there is no price regulation of the fees</i> to be paid by PSPs in these transactions. Therefore, there is no public (or supervisory) information regarding fees charged by PSPs to payers or payees. Instant credit transfers:

¹ Automated Clearing House

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	- SEPA 2.0 includes the SCT Inst scheme rulebook, that refers to instant credit transfers. - Even if SEPA is not compulsory, Iberpay requires all PSPs members of Iberpay to offer instant credit transfers based on SCT Inst. This means that PSPs pay also an annual <i>participation fee</i> for this scheme (these fees are published in the website of the EPC).. - The Spanish company Iberpay carries out the clearing and settlement mechanism and <i>charges PSPs a fee for this service (a fixed cost paid once for connecting to the scheme, a fixed cost paid annually for the participation and a variable cost per number of transactions)</i>. - All banks in Spain offer, through its online banking services, instant transfers, generally with an <i>additional cost</i> to traditional credit transfers <i>for the payer (originator)</i>. - With the entry into force of the Instant Payments Regulation, the <i>fee to be charged to the originator will be capped</i> to the price charged for normal credit transfers. Bizum as a specific instant credit transfer system: Bizum offers an information service. It allows the associated entities to connect to a common infrastructure through APIs. This infrastructure is operated by Redsys and it contains information that allows to link IBANs with phone numbers of users. This allows users to make instant transfers using the European SCT Inst scheme. The clearing is then carried out by Iberpay (relying on TIPS). P2P transactions are free for payers and payees (and therefore are not monetized by banks), however in e-commerce transactions (and future POS transactions) using Bizum the merchant (payee) does pay a fee for the service. As with the case of traditional credit transfers, these fees

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	are not regulated and therefore there is no public (or supervisory) information regarding these fees. Direct debits - Direct Debits in Spain comply with the SEPA Direct Debit scheme rulebook (SDD). PSPs therefore pay an <i>annual participation fee</i> for using this scheme (these fees are published in the website of the EPC). - The Spanish company Iberpay carries out the clearing and settlement mechanism and <i>charges PSPs a fee for this service (a fixed cost paid once for connecting to the scheme, a fixed cost paid annually for the participation and a variable cost per number of transactions)</i>. See the fees for 2024. - The PSP charges the initiator of the payment (the payee, usually a business or legal persons) a <i>fee for the service</i>. These fees are usually contemplated in framework contracts that the payees have with their banks. The prices of these contracts are not regulated and may vary depending on the services contracted by the payee with the bank (there might be heterogeneities). Instant Direct Debits: - In contrast to instant credits, instant direct debits do not have such a high adoption in Spain. - Even if there is also a SEPA standard for instant direct debits, the SEPA Request to Pay (SRTP) scheme rulebook, not all PSPs comply with this scheme to carry out instant direct debits. - Actually, Bizum has developed an instant direct debit service that does not rely on the SEPA scheme.

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	- However, Iberpay has been the first Clearing and Settlement Mechanism in Europe to have obtained the certificate from the EPC to process operations based on the SRTP scheme and there is already a credit institution in Spain (Caixabank) offering instant direct debits that rely on SRTP since June 2023. - Iberpay charges PSPs a fee for the clearing a settlement service. - The PSP charges the payee a fee for the service usually within a framework of contracts where the fees are not regulated and of which we do not have public information. Cash: - PSPs can only charge users for cash withdrawal services when the card has been issued by another PSP. This fee is capped to the fee that both PSPs pay to each other (Real Decreto-ley 11/2015). For cash withdrawal at bank branches by +65 years old or disabled people, it must be free of charge (Real Decreto-ley 8/2023). - PSPs incur in cash handling costs, since there is a chain of cash intermediaries that charge for their services (branches of Bank of Spain, Iberpay, private companies that handle cash...). Also, PSPs need to have reserves at the central bank to “buy” cash, to later distribute to clients. FI (MS comments): Compensation models for Visa and Mastercard credit and debit cards are based on the four-party model, which is quite universal in nature. Therefore, we will not describe these models in detail. The same applies to

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	Apple Pay and Google Pay, and we will focus on payment methods that are specific to Finland. MobilePay has recently merged with the Norwegian Vipps payment platform. Funding for MobilePay transactions runs through Visa or Mastercard debit or credit cards and is processed through the application on the payee's account. MobilePay is a popular payment method, especially for digital peer-to-peer (P2P) payments and also in ecommerce use cases. The POS solution using a Bluetooth connection was discontinued at the end of 2023. MobilePay applies service charges for merchants, and to our knowledge, also an interchange fee is included in the payment transactions, even though some of the transactions are based on SCT Inst. The Siirto application has a fixed settlement fee and transaction fee in its compensation model for transactions. Online payment bridges using personal banking credentials are a popular payment method for ecommerce solutions. These transactions incur merchant service charges, which combine a fixed monthly fee and transaction-based fees. HR

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	(MS comments): As the international four corner card compensation schemes mostly prevail in Croatia, the usual fees as merchant service charge, acquirer fee, interchange or inter-PSP fees, scheme fees, processing fee incur. IT (MS comments): IT: Due to the distinguishing features of the domestic scheme compared to ICSs, our answer refers only to BANCOMAT branded solutions. BANCOMAT services (i.e. PagoBANCOMAT and BANCOMATPay as mentioned above) are based on a 4-party scheme, as there is a bank acting as issuing PSP and a bank acting as acquiring PSP that do not necessarily coincide. Each bank sets the fee for the end-users, both citizens and merchants. P2P transactions are generally free of charge for limited amounts. Payments at POS are generally free of charge for consumers, while the merchants pay a merchant service charge. There is also an interchange fee and other fees. In the BANCOMAT fee model, the scheme applies different kind of commissions to participants but they are not fully comparable to ICS scheme fees; so far the level of these fees could be considered negligible. LT (MS comments): The ICS compensation model is based on a four-party scheme. Interchange

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	fees are limited by <i>the regulation (EU) 2015/751 of the European parliament and of the Council of 29 april 2015 on interchange fees for card-based payment transactions regulation in the whole EU</i>. There is no data available on the fees incurred in processing of a transaction, as this is commercial information between the PSPs and the international schemes' owners. LU (MS comments): Compensation for debit cards Consumer interchange fees charged on debit cards are capped at 0.12% (Visa and Mastercard Consumer debit and prepaid). Commercial interchange fees (i.e. business debit and credit) range from 1.30% to as high as 1.90% along with caps depending on the payee. The acquirer fee structure varies according to domestic, Intra EEA, Intra non-EEA and Interregional transactions as well as the card scheme (Mastercard, Maestro, Debit Mastercard, Visa, V PAY/Visa Debit, etc....) and terminal characteristics. Compensation for Payconiq Wire transfers initiated through Payconiq by the payer (consumer) are free of charge. For the payee, the fees depend on the use case. Fees for the

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	merchant might vary between €0,07 for transactions having a value of €5 or lower and 1,55% of the transaction for transaction amounts that exceed €5; in certain cases an additional acquiring fee might be applied. LV (MS comments): In a regular four-party model for international card schemes the compensation model is as follows: 1) On the merchants side: (i) merchant service charge and (ii) acquiring service fee. We would like to stress that the fees on the merchant side vary widely between larger retail chains and smaller stores and are based on bilateral commercial agreements between the PSP and the merchant. The PSPs could bundle these fees together or charge them separately. The fee amount is a competition issue and thus precise fees are not known outside the commercial agreement between the acquiring PSP and the merchant; 2) On the acquiring side (merchant bank): (i) acquirer scheme fee and (ii) interchange fee. The Interchange Fee Regulation caps interchange fees at 0.2% for debit cards and 0.3% for credit cards. However, the scheme fees are not regulated and depend on negotiations between the PSP and the particular scheme. 3) On the card-issuing PSP's side: issuer scheme fee (which also is

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	based on the agreement between the PSP and the scheme); 4) And on payers side: cardholder fee per month are publicly available in PSPs' pricelists. As mentioned above, there is a significant uncertainty on the fee model and amount between the parties involved in a scheme. This is a competition issue and how acquirers charge merchants as well as how PSPs negotiate their fees with the scheme. To gather information on precise fees model between the schemes and PSPs as well as merchant fees would require a significant market analysis. We believe that market participants would be reluctant to provide such information due to mentioned competition issues and possible restrictions in commercial contracts/agreements. MT (MS comments): In Malta's response to question 1, Malta refers to card payments branded with international card schemes. The compensation model incorporates a merchant service charge, which is then shared into three components, (i) interchange fee, (ii) acquirer fee, and (iii) scheme fee. One exception to this would be the compensation model of a local domestic card scheme, where a merchant service charge is charged to the merchant given that the issuer and acquirer are always the same institution. NL (MS comments):

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	NL: 1. Debit cards: Consumers do not pay a fee per transaction. Some banks charge a fixed fee for cards in the monthly payment package. On the merchant / PSP side, the fees incurred are: MSC, acquiring fee, interchange fee, scheme fee, processing fee. 2. iDEAL: In general there is no fee on the consumer side. There are some online shops that do ask for a fee (e.g. Thuisbezorgd asks a fee of 25 eurocent when you pay with iDEAL). On the merchants / PSP side the fees incurred are: MSC, acquiring fee, interchange fee, scheme fee, license fee, processing fee. 3. Cash: Consumers do not pay for using cash / doing cash transactions. We agreed in the Netherlands not to charge cash withdrawals or deposits. However, banks finance their activities relating cash infrastructure partly with income from payment account related services or by cross-subsidising with other types of income, e.g. with income from mortgages. On the merchant side, there is a fee for handling banknotes and coins and depositing cash, in addition to the general fee of holding a bank account. PL (MS comments): PL: The market standard in Poland is that all of the payment methods

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	described above (in the answer to Q1) are free of charge for the payer. All of the cost is borne by the merchant in the form of merchant service charge which is then distributed to other parties (i.e. acquirer, card scheme / processing entity, issuing entity etc.). We do not have further details on the compensation models, with the exception of interchange fees for card issuers which are regulated at EU level. PT (MS comments): The compensation model of debit cards in PT is the same as that of any four-party card scheme, i.e., in each transaction there are: processing fees, scheme fees, inter-PSP fees (interchange fees) and Merchant Service Charges (MSC). SI (MS comments): Flik is based on four-side scheme model and it uses similar to card schemes compensation logic. However, as it is account-to-account based model some specificities remain. For example, there is no scheme fee, as the owners of the scheme are banks, which offer Flik to their payment service users (consumers) free of charge. However, banks pay for specific activities regarding scheme when they arise (e.g. marketing campaign), based on certain capital key of the scheme.

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	Debit card model is widely know and same as in other countries of the euro area, as it is also the case for cash model. SK (MS comments): As regards card payments, there are only two major international card brands issued currently, where the compensation model does not significantly differ from the standard compensation model in other EU Member states. Surcharging of cards or other payment instruments is prohibited.
3. What data is available on the compensation model for digital payment means in your jurisdiction? Which entity is responsible for collecting it? Is there a legal basis for data collection, and what are the obligations of Payment Service Providers (PSPs) in this regard?	AT (MS comments): AT: 1. Data available on the compensation model: Usually the compensation model is subject to private contracts. For individual payments that are not covered by a framework agreement, the following applies: According to Article 48 (1) Subpara 3 of the Austrian Payment Service Act ("ZaDiG 2018") , the payment service provider is required to provide the payment service user with the following information and contractual terms: Regarding charges, interest, and exchange rates: all charges that the payment service user is required to pay to the payment service provider, including those related to how and how often the information required by this federal law is communicated or made accessible, as

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	well as, if applicable, the breakdown of the amounts of these charges; 2. Entity Responsible for Collecting Data: The ECB and NCBs are collecting data according to the ECB regulation on payment statistics, NCAs are collecting according to the EBA Guidelines. Payment Service Providers (PSPs) are mainly responsible for collecting data related to the compensation model for digital payment means. The legal basis for data collection is outlined in the ZaDiG 2018, which sets forth the obligations of PSPs in this regard. 3. Obligations of Payment Service Providers (PSPs): PSPs must comply with the transparency, information, and other obligations set forth in the ZaDiG 2018 when providing their services to consumers. BG (MS comments): The Bulgarian National Bank does not collect data from PSPs on the fees, incurred in the processing of a card-based payment transaction. CZ (MS comments): Competent authorities for IFR were designated: - Czech National Bank – payment service providers - Czech Trade Inspection Authority – payees

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	- Office for the Protection of Competition- card scheme operators and processing entities (in CZ) DE (MS comments): <u>Girocard</u>: Data on Merchant Services Charges is <u>non-public</u>. <i>Authorisation Fees</i> have to be agreed on bilaterally between the merchant and card-issuing credit institutes, e.g. according to the <i>girocard</i> terms and condition's .Typically, the business' <i>PSP</i> negotiates the <i>Authorisation Fees</i> with the card-issuing bank. Exceptions occur. <i>Service charges</i> and additional charges to <i>Authorisation Fees</i> are also contractually agreed on by businesses and <i>PSPs</i>. No legal basis for data collection on fees in the <i>girocard</i> system exists. Information from (non-public) merchant industry surveys are available indicators. <u>PayPal</u>, <u>credit transfer</u> and <u>direct debits</u>: <u>No public data</u> available. DK (MS comments): Our central bank has identified the following figures: - Interchange fee: 0.2 % of transaction amount per transaction

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	for debit cards and 0.3 pct. of transaction amount per transaction for credit cards. The interchange fees are regulated by the EU Interchange Fee Regulation. - Merchant service charge: 1.18 % of transaction amount per transaction in case of an international debit/credit card according to a study conducted by the EU Commission (link). EE (MS comments): Based on the Payment Institutions and E-money Institutions Act, the payment institutions shall submit to the Financial Supervision Authority the special report of the auditor concerning the payment services and the provision of the services, including the payment fees. EL (MS comments): • There are no official data series available. ES (MS comments): <u>Cards:</u> In Spain we have publicly available data concerning interchange fees and merchant service charges (a.k.a., discount fees) received by payment service providers in card payments transactions carried out at point of sale (POS) terminals in Spain, when the payment service provider of the payer and the payee are located in Spain [more details of the type of data below].

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	The Bank of Spain is the national competent authority responsible for supervising interchange fees and merchant services charges. This information is published in compliance with Article 13 of Law 18/2014 and its implementing Circulars 1/2015, of 24 March and 1/2016, of 29 January. Law 18/2014 stipulates that this information must be made available on the websites of the Bank of Spain and the PSP. Law 18/2024 fulfills the – less strict - obligation under Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions. More characteristics of the <u>individual PSP data base</u>: • The group of PSPs bound by the circulars is composed of credit institutions, specialized lending institutions, payment institutions, electronic money institutions and branch offices in Spain belonging to any of the aforementioned foreign institutions. • The information on merchant service charges and interchange fees is broken down by the nature of the cardholder (firm or individual), by the type of card used for the payment (debit or credit) and by the activity of the payee. Moreover, the interchange fees are broken down by the amount of the transactions (from 20 euro and over 20 euro). • For each PSP, the information given comprises the average fees in each quarter and, in the case of interchange fees on transactions with individuals, the maximum fees. The weighted average is the average fee calculated dividing the amount received by the fees between the total amount of payment transactions during the

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	period. E.g.: Banco Sabadell's merchant service charges and interchange fees. <u>Aggregated data base</u> (e.g.: MSC and IF): The information on the fees received individually by each provider is supplemented by aggregate information on transactions carried out by all providers in total. Specifically, the data furnished comprise the number and total amount of payment transactions during the period, the total amount of the fees received, average fees and maximum fees. Information can be downloaded in pdf format and time series in xlsx. Information has been gathered since September 2014. <u>Credit transfers:</u> The link refers to the fees charged for transfers by PSPs by type of account (salary account, youth account, digital account, other accounts...). Legal basis: Bank of Spain Circular 2/2019 of 29 March 2019 on the requirements of the Information Document on Fees and the Statement of Fees and Payment Account Comparison Websites Link: https://app.bde.es/csfwciu/csfwciuias/xml/Arranque.html?initOperation=becsfwciu_InicioComisionesCuentasPago <u>Direct debits:</u> The link refers to the amount of the corresponding average fees or expenses charged to customers during the 12 calendar months immediately preceding the end of the quarter to which the data relate. Legal basis: Order ECE/228/2019, which entrusts the Banco de España with the quarterly publication, by credit institution, of the average fees charged for the use of transfer and debit services.

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	Link: https://www.bde.es/f/webbde/INF/MenuHorizontal/Servicios/tarifas_comisiones/INFORMACIONTRIMESTRALSERVICIOSTRANSFERENCIASA DEUDO.xlsx FI (MS comments): There is no specific data available on the compensation model in Finland. The competent authority, Financial Supervisory Authority, does not collect pricing data of mentioned payment methods. The Bank of Finland has conducted some ad hoc-type studies on the social cost of payments but there the focus has been more broad and has not focused on the pricing elements in the compensation model. HR (MS comments): As there is no national card scheme comparable to the digital euro in Croatia we don't have the data on the compensation model nor they are collected. According to the Regulation (EU) 2015/751 on interchange fees for card-based payment transactions, payment service providers are obliged to provide relevant data to the Croatian National Bank. IT

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	(MS comments): IT: Data on interchange fees are collected as per IFR Regulation (Regulation EU 2015/751) by the Bank of Italy, which is the national Authority in charge of related activities. Payment statistics and aggregated fee revenues on payment services are collected by the Bank of Italy from PSPs in accordance with Regulation on payment statistics (ECB/2020/59) and bank supervision provisions; at the moment this data collection does not provide for separate evidence of the fees applied to end-users by different payment schemes. LT (MS comments): There is no data available on the fees incurred in the processing of the transaction, as this is commercial information between PSPs and the international scheme owners. There is no public entity in Lithuania which is authorised to collect commercially sensitive information. There is no specific legal provisions for the collection of such data. The data could be collected within objective to assess the compliance with the interchange fee regulation. LU (MS comments): The Commission de Surveillance du Secteur Financier (the "CSSF") is the national competent authority for the application of Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015

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	on interchange fees for card-based payment transactions. As a consequence, payment card schemes and payment service providers can provide relevant data to the CSSF as specified by this latter in such capacity. LV (MS comments): Currently in Latvia such data is not available. To gather such data it would require a significant analysis and participation of market stakeholders due to the different pricing models and mutual agreements between the PSP's and schemes. Additionally, acquiring PSP develop competitive offers to merchants which also highly varies based on the merchants business model and size (f.e. micro, small, medium or large retail chains). MT (MS comments): The data collected from acquirers on the merchant service charge has been on a voluntary basis by the Central Bank of Malta. Malta has data available on merchant service charge on a yearly basis, as at end of 2022 and 2023. This data covers the merchant service charge as whole and does not indicate how this charge is shared between the components mentioned in question 2. NL (MS comments): NL:

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	No official data is available with the central bank. There is no entity responsible for collecting data on compensation models for digital payment means. There are no obligations for PSPs to disclose their data on fee income. In 2021 the Dutch branch organization (<i>Betalvereniging Nederland</i>) performed an extensive study into the costs and benefits of the Dutch payment system: Onderzoek naar de kosten en baten van het betalingsverkeer voor financiële instellingen 2021 (betaalvereniging.nl) PL (MS comments): PL: No data available. PT (MS comments): The data on the compensation model (fees and transactions) is available on the processor (SIBS FPS). In the relationship between PSPs and their customers, the PSPs have an obligation to make their price list public (these price lists are published in the PSP's web pages, as well as in the central bank web page). In addition, in the context of card-based payments, the PSPs have to comply with all the information rules set out in the Interchange Fee Regulation (IFR) and the Payment Services Directive (PSD2).

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	SI (MS comments): No data available. SK (MS comments): There is no national legislation in case of compensation model for national digital payment means. Any compensations or data collection are stipulated by EU legislation (e.g., PAD, IFR or ECB Payment Statistics).
4. What specific aspects in your payments market could raise concerns or doubts regarding excessive charges for merchants, if any? What aspects of your market environment give you confidence that excessive charges could be avoided without further regulation?	AT (MS comments): AT: In Austria, there are several aspects of the payments market that could potentially raise concerns about excessive charges for merchants: 1. Scheme Fees: In Austria, there is no national card scheme but a de-facto duopoly market dominated by international card scheme providers. This situation should not be used to charge excessive charges. 2. As digital payments become more widespread, merchants face increasing pressure to accept them. However, there are also aspects of the Austrian market environment that could help avoid excessive charges without further regulation: 1. Competition: European mobile payment solutions are becoming increasingly popular and represent an alternative to traditional card payment schemes. Within the realm of mobile payments, there are already innovative products

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	emerging, such as those offered by Bluecode, which, however, currently occupy more of a niche market in Austria. Nevertheless, with the increasing adoption of instant payments, Austria could see a rise in innovative products based on instant payment technology from the private sector. These innovative products could facilitate competition. 2. Regulatory Oversight: The Austrian Financial Market Authority (FMA) and the Austrian National Bank (OeNB) oversee the payments market. In addition, competition authorities can contribute to ensure that fees are fair and transparent based on existing regulations such as the IFR. BG (MS comments): The texts in Art 17 shall be well considered in order to prevent eventual rise of the fees of the comparable means of payment as a result of an indirect compensation of the PSPs system developments for digital euro processing (furthermore the cost of basic services will be free for natural persons). CZ (MS comments): In CZ we have a highly competitive payments market. The level of fees reflect the pricing policy of PSPs providing services on the market. DE

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	(MS comments): <u>Girocard</u>: Going back to a decision of the German Federal Cartel Office, with a view to mitigating restraints of competition, the amount of the fee is agreed in negotiations between the card-issuing banks and the merchants, as outlined under (3.). Generally, concerns raised by market participants have been related to <i>interchange fees</i>, <i>scheme fees</i> (e.g. international card schemes) and the <i>position of some dominant technology firms</i>. DK (MS comments): Denmark has regulation that targets payment fees in general. Payment fees may not to lead to unreasonably high profits. Hence, the regulation states that a payment fee shall reflect the associated costs including a reasonable margin of profit. (See a detailed description in Danish, page 66 under the subtitle “Forbud mod anvendelse af urimelige priser...” (link)). Furthermore, there is specific regulation with regard to national payment card schemes. The merchant service charges may only cover costs associated with the payment system (see chapter three “Regulering af nationale kortsystemer” (link)). EL (MS comments):

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	• There have been industry/public debates regarding merchant fees charged by acquirers with particular focus on low-value transactions and small merchants. • While free competition rules allow acquirers to set their own pricing policies for charges, EU compliant legislation might be necessary to introduce restrictions or caps. These charges are influenced by various factors like interchange fees set by the European Union, fees from card schemes like Visa and Mastercard, technical service fees for transaction clearing, and payment service provider charges. For banking transactions, traders need clear and timely information about these costs before initiating a transaction. ES (MS comments): Without any doubt, designing a compensation model for the digital euro that optimises all the different trade-offs will be a challenging task. Regardless of the final design, we tend to think that if the result of the economic model of the digital euro is a payment system that is more costly for merchants than current means of payments (mainly, payment cards), the success of the digital euro project can be questioned. It is more likely that the digital euro will make a difference of a higher impact in the merchant segment than in the consumer segment. It could be expected that not many consumers would value the advantages of the digital euro in such a

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	significant way so that the project becomes a success. In this situation, merchant adoption is key, because when merchants engage with the consumers (through many channels: both economic and social), this engagement can indeed make a relevant difference for consumers. Therefore, in our view, the first argument to avoid excess merchant charges is related to the own nature of the digital euro project. Second, there is an argument regarding fairness. If the Eurosystem is taking over all the technical costs regarding settlement and scheme (and therefore, impacting negatively the national fiscal budgets), this public investment needs to benefit consumers and merchants. PSPs should not be able to take profit from the savings of substituting an International Card Scheme by the (free) Eurosystem. The public good nature of the digital euro should be neutral to PSPs (or even advantageous: less dependence from ICS) and beneficial to consumers and merchants in a proportion equal to the fiscal impact of the project. We tend to think that however we design the compensation model, the first price or fee that merchants see needs to be lower than current digital means of payment. Therefore, it is important that from day one we ensure that there is no message of the digital euro being more expensive than other means. This consideration is relevant when considering compensation fees based on incurred costs, because then, the legal cap would come after the digital euro comes into existence. We are not aware of any market environment in our country that gives us confidence that excessive charges could be avoided without further regulation. This does not mean that we see price regulation as the optimal

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	solution in this issue. What we clearly see is that we need price transparency in this market. The recent history of price regulation in network industries shows that in many cases the most optimal intervention for private actors, but also for the supervisor, is to impose transparency mechanisms. For example, in Spain, the website of Bank of Spain provides the discount fees that each bank charges to different economic sectors for acquiring card payments. A benchmark tool could be created so merchants can check what is the “cheapest” bank, incentivizing banks to offer digital euro prices closer to average costs. Nonetheless, it is likely that these transparency measures should be accompanied by some safeguard cap, for a situation in which all fees offered by PSPs are higher than current card fees. So maybe a good way forward is combining a transparency mechanism + a cap on the discount fee (maybe with the help of current discount fees for cards, that in the case of Spain are known). The problem with this proposal is how to ensure that issuing PSPs are adequately incentivized. Could the numbers of the Interchange Fee Regulation serve for compensation of issuing activities? At least these numbers could help us do some mental thinking on the impact of 0,2% in the P&L statements of PSPs (as it has been the case with the “3000 euros cap” notion for the balance sheets of banks). FI (MS comments): Finnish retail payment markets are dominated by non-EU international card schemes. This dominance is most evident in point-of-sale (POS) use cases, where the digital payment methods used and preferred by the public are

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	predominantly non-European payment cards. The Bank of Finland has conducted research on the development of fees related to retail payments. According to this research, merchants do not seem to have benefited from the advantages of digitalization in payments in recent years as much as banks have. The growth in the number of card transactions has not reduced merchants' unit costs; rather, it has had the opposite effect. This may imply the pricing power of international card schemes. Therefore, improving competition in the most commonly used retail payment use cases, such as POS payments, could enhance the markets. HR (MS comments): For now, we do not have such specific aspects in our payments market. IT (MS comments): IT: The fact of incurring start-up costs may lead PSPs to charge higher fees in the first years after the launch of the digital euro, especially if the savings on other kind of costs (e.g. scheme and settlement fees won't be paid by PSPs as the Eurosystem will bear its own costs) were not sufficient to cover all the costs of the distribution side. Moreover, as the digital euro would be accessible to consumers free of charge for basic services, PSPs may compensate the absence of transactional fees paid by consumer's with merchant service charges; a cap would mitigate the risk of excessive charges on merchants (also

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	considering the legal tender status of the digital euro, obliging them to accept digital euro payments). LT (MS comments): Payment market in Lithuania is small and with limited competition. The digital euro will be a legal tender which means that merchants will not be able to avoid accepting it. PSPs will be not interested in providing digital euro services to small merchants with low margins. This means that PSPs may have an incentive to provide digital euro services at higher fees to small merchant businesses. LU (MS comments): The interchange fee in Luxembourg is capped at €0,12 for debit cards. The payments market in Luxembourg remains an open market with sufficient competition which makes the application of excessive charges rather unlikely. MT (MS comments): Since Malta has a limited number of players in the market, lack of competition could be one aspect which might contribute to having higher fees. With the introduction of Neo-Banks and Fintechs, competition could be stimulated and Malta might experience a different scenario.

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	Experience has shown that without regulatory intervention, fees tend to remain on the higher end. As an example, the fees charged for a SEPA Credit Transfer in Malta is between €1 and €4 for most local credit institutions. Malta is concerned that with the entry into force of the Instant Payments Regulation, instant payments might be priced exactly the same, which might impact take-up. NL (MS comments): NL: Although there will probably be sufficient supply and choice for merchants because the PSPs are subject to mandatory distribution, we also realize that in practice it could be difficult for merchants to switch to acquirers offering lower fees in case some acquirers charge excessive fees for digital euro payments, since the market is accustomed to payment packages offering the whole range of means of payments (debit card, credit card, iDEAL, Paypal, cahs). It might not be rewarding enough for a merchants to switch (with also costs involved) if only one single payment instrument (in this case the digital euro) is excessively priced. In the Netherlands there is a Retail Payments Board (<i>Maatschappelijk Overleg Betalingsverkeer</i>) comparable to the ERPB on the European level. Although this gives some confidence that important stakeholders in payments are able to come to voluntary agreements on e.g. avoiding excessive charges, this may not be sufficient. Due to the entrance of new

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	types of players in payments not all payment institutions are represented in the Retail Payments Board and are not equally involved in collaborating on societal issues regarding payments. PL (MS comments): PL: Historical experience related to the costs of card acceptance suggests that without pressure from the authorities and ensuing regulation (e.g. capping the interchange fee) it is very difficult to lower the card acceptance costs. This was due to the market structure of global card schemes. PT (MS comments): One of the main existing concerns in our payments market is the concentration of the processing activity in a single entity, as it reduces competition in prices at this level. Another concern relates to the Merchant Service Charge (MSC) applied by the acquirer of payments, based on specific payment instruments that can be used only in a limited way (out of the scope of PSD2 and IFR), such as meal cards (which fall under Article 3, point (k) (iii) of PSD2) . In these cases, no cap is imposed on the interchange fee. SI (MS comments):

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	No concerns identified, as we are of opinion that current proposal is sufficient together with competition in the market and regulation (IFR), which should ensure that excessive charges for merchants are avoided. SK (MS comments): When implementing instant payments in Slovakia (on voluntary basis before the implementation of the Instant payments regulation) market participants decided not to start charging instant payments for consumers after a market-wide coordination. It is therefore reasonable to expect a similar approach when implementing the digital euro. However, due to the scale of the digital euro project on both issuing and acquiring sides it is also important to provide for a sufficiently long period of time to avoid any sudden spikes in the costs of the infrastructure (payment instruments, POS terminals, etc.) caused by the widespread implementation across the Euro area. The supplychain of these technologies has to be ready as well to cover the surge in demand. Otherwise, these higher costs could be reflected in the pricing of the digital euro services, which would negatively affect its initial adherence.
5. Would you like to highlight any specificities in your jurisdiction that could be considered in our discussions regarding the compensation model?	AT (MS comments): -

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	CZ (MS comments): - DE (MS comments): With a view to the particular relevance of credit transfers and direct debits, we are wondering whether the compensation model envisaged by the legislative proposal adequately addresses the payment landscape in the Member States. In particular, we are wondering whether fees for merchants could in fact even increase, compared to the current situation, and thus severely undermine the narrative associated with the digital euro. As shown above, credit transfers and direct debits continue to play a significant role in the German payment landscape. Currently, merchants and consumers in most cases do not pay fees for such credit transfers. In essence, both merchants and consumers need to have a bank account, subject to their own choice. Whether or not they pay fees for such an account depends on the market environment. Regularly, there is also no inter-PSP fee.

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	Clearly, sending and receiving funds via credit transfer, e.g. by paying the invoice for your plumber, does not entail a 4-party model as in a card payment ecosystem. Therefore, applying the logic of such a scheme model appears inadequate. We fail to see how the proposal and its compensation model addresses such use cases. In our understanding, under the present proposal, merchants and other service providers of a certain size (i.e. above the threshold established in Article 9 (1) a)) that today only accept payments via credit transfer would be obliged to accept the digital euro in the future. As a consequence, such merchants and service providers would likely become subject to new/additional or increased (merchants) fees. Practically speaking, in addition to possible charges for their digital euro account, merchants would likely be charged a transaction based Merchant Service Charge by the PSPs for the receipt of funds in digital euro, if the logic of a 4-party model would apply. However, an increase in costs for merchants seems difficult to argue, given that the digital euro supposedly is set to reduce costs for merchants. At the same time, PSPs need to receive adequate compensation for the digital euro services rendered by them.

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	In the wider picture, we are also wondering how payments with offline digital euro shall be adequately addressed by the compensation model given the lack of payment transaction data. Overall, we are wondering whether a “one-size fits all” approach – as currently proposed in the draft regulation – is warranted. DK (MS comments): Denmark has a high level of P2P instant payments carried out through a dedicated mobile application, MobilePay. By downloading the MobilePay application, users will be asked to link their mobile number to their payment card as well as account information. When transferring money, a mobile number is entered, which is registered with the system, after which the money is transferred to this account, and the amount will be deducted from the sender’s card. There is a relevant regulatory approach to payment fees that examines costs, fees, and profits (see above links). EE (MS comments): We consider it important that fair and free market-oriented pricing of services (a fair compensation model) is allowed when offering digital euro services. Therefore, the obligation to provide a digital euro service must be

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	fairly compensated for the service providers and intermediaries or fairly priced for the end customer, as the opposite situation would create a significant inequality with payment accounts and services offered by the private sector. It is probably unequal to set the lowest possible cost compensation thresholds to cover the costs related to the development and operation of the digital euro across the eurozone. In the case of such IT projects, large volume gains are generally applied, i.e. PSPs/banks with the largest transaction volumes are generally able to build a digital euro solution more cost-efficient (per payment) than smaller banks since a larger number of payments is divided over a fixed investment cost. Such a compensation model reduces the competitiveness of smaller banks. EL (MS comments): • Very large number of small merchants with a corresponding large network of POSs, currently rely on card schemes. • Use of POS and card acceptance is <u>mandatory in Greece by national legislation</u> for most categories of merchants and professionals. Additional categories subject to the obligation are gradually added by legislation with the aim of covering 100% of merchants universe very shortly. In 2024 a legal obligation was

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	introduced to connect/incorporate POSs with cash register stations issuing tax effective sale receipts. • Card payments are dominant, representing over 70% of volume of electronic payments. Instant payments (SCTInst) represent approx.15% of total volume of SEPA credit transfers. This share has increased rapidly in the last two years. ES (MS comments): It is likely that a digital euro that is costly for the payer would not have adoption in Spain, given the good quality of efficient and cheap means of payments that we have. That is why we insist in the idea that merchants need to be fully onboard on this project. HR (MS comments): No. IT (MS comments): IT: Although there may be some specificities in the compensation models adopted by domestic solutions (e.g. those highlighted with regards to Bancomat), we believe that in principle these specificities shouldn't influence the discussions regarding the compensation model. Likewise, the similarities of the payment trends in Member States whose currency is the euro suggest to follow this approach when shaping the list of

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	comparable means of payment. For example, direct debits are currently unused at the Point of Interaction in Italy, but this should not prevent their inclusion in the list when considering the euro area as a whole. Nevertheless, when discussing comparable means of payment, it is important to consider that in our jurisdiction “account to account” solutions have a remuneration model that charges the consumer directly, rather than the merchant. This model may result unsustainable in the digital euro ecosystem, due to the absence of consumer’s fees. Instead, the remuneration model of cards solution would be more suitable in terms of PSPs’ sustainability. LT (MS comments): As mentioned in the answer to the question no 4. LU (MS comments): The interchange cap of €0,12 is lower than in other euro area countries. The presence of Payconiq (and its cross-border reach to Belgium and The Netherlands) could be viewed as being similar to the digital euro for the reasons outlined in question 1. LV (MS comments): We would like to stress our uncertainties regarding the current proposal of the digital euro regulation. The proposal includes a methodology to

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	calculate digital euro merchant fees and inter-PSP caps based on “comparable means of payment” horizontally across the euro zone. These fees for card schemes may be vastly different based on the mutual agreements between the PSPs and schemes as well as agreements between PSPs and merchants (based on their size and business models). Also, the application of fees and costs vary between big and small PSPs and member states as well. Following the issuance of the digital euro, the competent authorities would have to gather data on all charges related to the scheme and acquiring services, and calculate specific charges to cap merchant and interchange fees in the digital euro scheme and follow their implementation horizontally across euro zone. We believe that further discussion should include the practicalities of the implementation of the proposed methodology, especially the approach of data collection and how to divide such data, f.e. between micro, small, medium and large enterprises. MT (MS comments): Malta has no further comments to make in this regard. NL (MS comments):

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	NL: In the Netherlands the member state option in the IFR is used. The interchange fee on debit card payments is maximised at EUR 0,02 per transaction instead of 0,20% (an ad valorem based fee). This is not a profitable fee for the PSPs, but it was deemed important from an efficiency perspective. We can imagine that this could also influence the divergence of Inter PSP fees under Article 17 if a digital euro would be launched. Limited possibilities for PSPs to recover costs related to digital euro, could potentially lead to higher prices for regular payment services and transactions and lower interest rates on consumer savings. We stated in previous discussions in the CWP on compensation model that in our view, the differences in the payment landscape in each member state should be taken into account. And since there are still large differences between member states, uniformity in fees should in our view rather be a long term goal and not something we should enforce from the very first issuance. SI (MS comments): / SK (MS comments):

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	There is a relatively low awareness on the costs tied to the acceptance and handling of cash by merchants. This plays a role in initiatives where the card schemes tried to support the growth of the acceptance network. It is also typical for some sectors of the economy (e.g. HoReCa) where the uptake of digital means of payments is lower due to for example tax evasion reasons.
End	End