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From:	Presidency
To:	Working Party on Financial Services and the Banking Union (Digital Euro Package) Financial Services Attachés
Subject:	Digital euro - WP meeting on 10 June 2025 - Presidency Discussion Note - Discussion on the final compensation model

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Digital Euro Regulation

Brussels, 10 June 2025

Presidency Discussion Note
Discussion on the final compensation model

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1. Introduction

The Council Working Party has discussed the principles regulating the compensation of the digital euro under each Presidency. The need to regulate the compensation of the digital euro results from its legal tender status. This is a characteristic that the digital euro will share with euro banknotes and coins, setting it apart from private digital means of payment. The legal tender status of the digital euro includes a mandatory acceptance requirement on merchants, who must obtain acquiring services from PSPs to be able to fulfil this obligation. Merchants should not face excessive fees when complying with the mandatory acceptance requirement, thus justifying caps on fees charged to merchants. Regulating the compensation of digital euro should ensure that the principle of face value acceptance is not unduly eroded and that all parties obtain added value from the public good nature of the digital euro.

Building on the Commission proposal, Member States have been discussing a way forward that balances the interest of all stakeholders. Firstly, PSPs should be able to receive adequate compensation for distributing digital euro payment services. Secondly, merchants (and public entities acting as payees) that are required to accept the digital euro should not be overcharged. Thirdly, consumers should have access to basic services free of charge.

During the Spanish Presidency, the Member States agreed that the compensation model of the digital euro must provide the right incentives for payers, payees and intermediaries. They also generally agreed with the principle that the Regulation should include some provisions to avoid excessive charges for merchants, businesses and public administrations acting as payees. During the Belgian Presidency, the Member States generally supported the idea of capping the merchant service charges (MSC) and inter-PSP fees. Most Member States also supported a uniform and non-discriminatory application of caps across the euro area. The Hungarian Presidency held a further discussion on the compensation model which confirmed the views expressed during previous Presidencies.

The Polish Presidency facilitated a more in-depth discussion on how charges and fees could be capped. In particular, while several Member States emphasised the importance of fee caps for merchants based on ‘comparable means of payment’, some Member States retained the view that cost-based fee caps should be added to the compensation model, and that the lower of both should apply to PSPs providing basic acquiring services for the digital euro to merchants. These Member States broadly recognised that the cost-based fee caps shall be based on unit costs, which would require digital euro volumes to have stabilised – a state that may only be reached after several years. Based on a proposal from the Spanish delegation, the Member States have therefore converged on a two-step approach: the Regulation would define transitional provisions for the regulation of compensation, with caps based on the fees of comparable means of payment, for the first few years after the issuance of the digital euro, during which sufficiently reliable and stable unit cost figures are not available. After this phase, a final/permanent compensation model would take effect which would include cost-based caps.

This discussion note focuses on the approach regarding the final provisions for regulating compensation. It proposes that these final provisions should maintain the two criteria: unit cost plus a reasonable margin of profit and comparable means of payment for capping both the merchant service charge and the inter-PSP fee, as supported by the Member States in previous discussions.

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It also considers whether the no-worse-off principle for capping the merchant service charge should be maintained beyond the transitional phase as a permanent feature in the final provisions.

This discussion note includes two further issues. First, it follows up on the preference from Member States to discuss the mechanism for transitioning from the initial to the final compensation model, including the review of the final model. Second, it elaborates on the topic of cash funding/defunding which has been raised by Member States.

The Presidency considers that with these elements, the Member States have comprehensively discussed the way forward on the compensation model. This should allow the Member States to reach an agreement on the relevant parts of the Regulation, further facilitating progress towards a General Approach.

2. Fee caps in final model

The Presidency proposes, in line with the Commission's legislative proposal, that the caps on the inter-PSP fee and the MSC for the final model should be based both on costs and on comparable means of payment. The lower of these two elements would determine the level of the cap for the inter-PSP fee and MSC, respectively. The Presidency believes that this approach strikes the right balance. It is aligned with the preference voiced by several Member States that the cap should reflect relevant costs, including a reasonable profit margin, incurred by PSPs. However, given the substantial difficulties related to accounting, calculating and reporting costs in an accurate, harmonised and verifiable way (see section 2.1.2), which can only be *partly* overcome by the methodology, the Presidency deems it necessary to keep in the final model the caps based on comparable means of payment. Together, both caps would achieve the purpose of ensuring adequate compensation for PSPs while providing benefits to all stakeholders in light of the absence of scheme and settlement costs.

The next sections address the method for the calculation of the cost-based and comparable means of payment-based caps for both inter-PSP fee and MSC.

2.1 Cost-based caps

2.1.1 Methodology

To avoid further complexifying Article 17 of the Regulation, the Presidency proposes that the Regulation, in line with the Commission proposal, focuses on the principles of the compensation model and the parameters for the methodology. Differently from the Commission proposal, the Presidency proposes to provide for a detailed methodology via a Commission implementing act to be adopted in a comitology. This would allow Member States to influence the methodology via the comitology procedure. In addition, to address Member States' requests for more clarity, examples for what should be covered in the methodology can be included in the recitals.

The parameters for the methodology are contained in Article 17(5) of the proposed Regulation. In short, the calculation of relevant costs, including a reasonable margin of profit for the provision of basic digital euro payment services shall be based on a representative group of the most cost-

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efficient PSPs. Based on Member States' comments, the Presidency proposes to add in level 1, i.e. the legislative text, that an implementing act should specify the applicable share of top cost-efficient PSPs, lying between a range of 25 and 50% of the most cost-efficient PSPs. The reference to a "reasonable profit margin" pertains specifically to the profit margin achieved in the provision of digital euro payment services.

Based on the parameters in Article 17(5), the methodology could further specify some aspects on which the Member States would be involved under the comitology procedure. It would include, for example, the applicable cost categories directly attributable to providing basic digital euro payment services. It would also elaborate on the process for identifying the most cost-efficient PSPs and the modalities of possible sampling for that purpose, including conditions of representativeness. Conditions of representativeness would be functional to ensuring that the fee cap would not lead to market fragmentation, for example across Member States. The methodology would also set what percentage share should be used in the range that is specified in the drafting suggestion for Article 17(5)(a). Moreover, the methodology would further define the periodicity of the calculations.

2.1.2 Implementing cost-based caps

The cost-based cap would require establishing detailed guidelines on accounting and reporting the costs incurred by all PSPs for providing basic digital euro services as well as the profit margins they apply. Several Member States have requested clarifications on how the costs shall be reported, given that neither harmonised data collection on costs of payments nor accounting standards on allocating such costs are in place. It should be considered that PSPs' controlling systems are not yet prepared to provide this type of data in the required level of detail, which may result in significant discrepancies between the costs reported by individual PSPs.[1] Indeed, there is no accepted definition of costs today and settling on a definition that is future-proof and can be uniformly applied is challenging. This is particularly the case for an industry like payments with a significant portion of indirect costs. The Presidency proposes that the necessary accounting and reporting guidelines would be included in the methodology that would be contained in an implementing act. The methodology should specify and standardise the information to be provided. This might include, for example, that the reported cost data from PSPs should be broken down by the categories listed in Annex II and Annex II(a). PSPs should also justify the inclusion of cost categories, their measurement and their allocation. This would amount to substantial reporting and administrative burdens.

Implementing cost-based caps comes with inherent difficulties which strengthen the case for adding comparable means of payment-based caps alongside cost-based caps to the final model. PSPs can be expected to have an incentive to attribute higher costs to digital euro to increase the level of permissible charges as well as the profit margins attributed to other services. The challenges outlined in the preceding paragraph would remain even if payment volumes had stabilised and reliable unit cost data would be available. This reinforces the importance of keeping a comparable means of payment-based cap in the final model as a safeguard in case of grossly

[1] European Central Bank (May 2022). Cost of retail payments – an overview of recent national studies in Europe. Retrieved from: https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op294~8ac480631a.en.pdf

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inaccurate and overestimated cost data, ensuring that the shared objective of a balanced compensation model for all stakeholders can always be reached.

2.1.3 Inter-PSP fee: cost-based cap

The cost-based cap on the inter PSP fees should reflect the relevant cost of the distributing PSPs for the provision of basic digital euro payment services. Since these are the services that distributing PSPs are required to provide for free to natural persons, the Presidency proposes to clarify in the Regulation that in the case of the inter-PSP fee, the relevant costs of providing digital euro services should refer to the entire list of services in Annex II.

2.1.4 MSC: cost-based cap

Correspondingly, the cost- based cap on MSC should reflect the relevant costs of the acquiring PSPs for the provision of basic acquiring services. Member States broadly agreed with including a provision in the Regulation that requires acquiring PSPs to provide basic digital euro acquiring services and a corresponding Annex listing basic acquiring services. The Presidency proposes to clarify in the Regulation that in the case of the MSC, the relevant costs of providing digital euro services should refer to the entire list of basic acquiring services in a new Annex IIa.

Questions to the Member States:

1. *Do you agree with keeping cost-based inter-PSP and MSC caps in the final/permanent compensation model?*
2. *Do you agree that the Regulation/Article 17(5) should lay down the relevant requirements, parameters and objectives for establishing the relevant methodology, which would then be adopted in a Commission implementing act that will be adopted by means of the examination procedure?*

2.2. Comparable means of payment caps

2.2.1 Inter-PSP fee: comparable means of payment cap

Member States have generally supported an inter-PSP fee cap based on comparable means of payment, i.e. existing interchange fees.

However, challenges and legal issues have emerged regarding the proposal for a non-uniform inter-PSP fee cap, which references Article 3(2) of the Interchange Fee Regulation (IFR). This approach would import fragmentation in the euro area due to varying national implementations of the IFR. It would generate an uneven playing field where PSPs in some States may receive less compensation for digital euro payments compared to others, while the implementation effort does not differ across Member States. The Commission's proposal (Article 17(5)(d)) provides that the caps on merchant service charges and inter-PSP fees should be uniformly and non-discriminatorily applied across euro area Member States. Uniform fee caps are crucial for maintaining the euro's integrity as a single currency, which emphasises seamless and consistent circulation of the euro.

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Differentiated caps could breach Article 133 TFEU, weaken the single market, and lead to further payment market fragmentation.

In response to these concerns, the Presidency proposes that the comparable means of payment cap for inter-PSP fees is based on the average interchange fee for comparable digital means of payments. This approach addresses previous hesitations, including legal concerns, about cross-referencing the Interchange Fee Regulation (IFR) and its national implementation and resulting fragmentation. To provide a sense for the possible level of such cap, it is noted that the average euro area interchange fee of debit cards is approximately 0.18%.

While 'the comparable digital means of payment' for the inter-PSP fee cap could be limited to debit card payments for the transitional period, as proposed by the Spanish delegation, it should incorporate all relevant digital means of payment, including debit card payments and instant payment at the point of interaction (but excluding credit transfers and direct debits that are not initiated at the point of interaction) in the final model. The justification for the limitation to debit card payments would only be valid for a transitional period where it is particularly important to limit reporting burdens.

The Presidency considers this uniform cap to be an agreeable way forward as it is a robust, legally sound, and market-consistent solution. It has the additional value that a single method is used for calculating the inter-PSP fee cap, irrespective of whether for the MSC cap based on comparable means of payment is a macro or a micro-level cap.

2.2.2 MSC: comparable means of payment cap

Member States generally support an MSC cap based on comparable means of payments. Some MS support both a macro cap (€-area average) and a micro-level cap (no-worse-off), while some support only one of the two.

2.2.2.1 Macro-level cap (€-area average)

From both a legal and policy perspective, there is a strong argument for establishing euro-area uniform caps, also for the MSC.

- Legal: Caps that differ by each euro area Member State would be inconsistent with the legal basis of the Regulation, i.e. Article 133 TFEU, which endows, without prejudice to the powers of the ECB, the EU legislator with the competence to set out measures necessary for the use of the euro, in all its forms, as single currency. The singleness of the euro currency necessitates seamless, uniform and unfragmented circulation of all its forms in the euro area, in accordance with the same rules and conditions.
- Uniformity of digital euro as a means of payment: It should also be considered that the digital euro would be a very uniform means of payment. The cost for a PSP in distributing a digital euro should not differ significantly depending on whether this PSP is established in one Member State or another. Different caps would break with the unified value proposition that the digital euro offers to consumers and merchants. It is unclear how caps set on the domestic level would work in practice. An EA-wide uniform cap still leaves room for market participants to negotiate fee levels based on national specificities.

- Economic: The cost of payments differs much more by size of merchant than by country. Payment processing is largely based on fixed costs, so the higher the volumes the lower the cost per transaction. In a market pricing mechanism, large merchants can get lower prices per transactions because of their contribution to generating economies of scale and network effects. Small merchants have little bargaining power and pay, comparatively, a high fee per transaction that can be 3 or 4 times higher compared to bigger merchants. From an economic perspective, it thus makes sense to narrow the 200-300% spread between larger and smaller merchants which we see today.

Some Member States have expressed hesitations regarding the level of the uniform MSC cap to ensure adequate compensation for acquiring PSPs. The Presidency considers that the proposed macro-level MSC cap based on comparable digital means of payment would provide for adequate compensation for PSPs. (Based on existing data, it can be expected that such macro-level MSC cap would be around 50 basis points or higher.) This is because:

1. The costs and risks associated with accepting digital euro payments are expected to be lower than those for debit card payments. For example, there will be no scheme and settlement fees as well as no risk in terms of settlement for participating PSPs. Notably, scheme fees constitute a significant portion of the MSC: for debit cards serviced by international card schemes, scheme fees make up to 24 basis points out of a total of 51 basis points.[2] These scheme fees would, however, be factored in the calculation of the average MSC of debit cards establishing the macro cap.
2. The capped MSC will apply exclusively to basic acquiring services, as outlined in the proposed Article 17(6). Therefore, it would be possible for acquiring PSPs to charge unregulated fees for additional features and enhanced services, such as advanced fraud prevention and enhanced due diligence for high-risk merchants.

2.2.2.2 Micro-level cap (no-worse-off)

Member States broadly agreed on the importance of including a micro-level, "no-worse off" MSC cap in the transitory model. This should ease the implementation efforts related to the digital euro and ensure that merchants can get the digital euro at no higher price than what they are paying for comparable digital means of payment. However, Member States did not yet discuss whether this clause should be included in the final model.

A payee-specific MSC cap – like the proposed 'no-worse-off' MSC cap - could lead to difficulties in combination with a uniform inter-PSP fee cap. There might be scenarios in which acquirers might find themselves obligated to facilitate digital euro transactions at a loss if the applicable MSC cap, based on the no-worse-off provision, is lower than the inter-PSP fee. This could undermine the willingness or capacity of acquirers to support the digital euro rollout altogether and would in addition imply legal difficulties. In previous discussions, Member States have discussed ways to avoid such scenarios, e.g., a proposed split of the MSC by ½ and 1/3, or an application of the national inter-PSP fee caps under Article 3(2) of the IFR. However, both options

[2] This refers to average values based on the transaction value of debit cards by serviced international card schemes in the euro area as reported by the ECB in the CWP meeting in April 2024. The 24bps scheme fee includes both issuer scheme fee (11bps) and acquirer scheme fee (13bps).

raised legal issues and did not receive broad support by Member States.[3] If Member States would wish to retain the micro-level, 'no-worse off' MSC cap for the final model, a solution would have to be found for this scenario, for example, to establish a floor to the MSC a merchant may be able to achieve by applying the "no worse off". The necessity for the acquirer PSP to obtain compensation also in this circumstance could be prescribed in the legislative text, while the methodology that would be adopted by means of a Commission implementing act would implement how this would be achieved.

Questions to the Member States:

3. *Do you agree with a EA-uniform inter-PSP fee cap based on the average fee of comparable digital means of payment, comprising all digital means of payment initiated at the point of interaction?*
4. *Do you wish to retain the micro-level, 'no-worse off' MSC cap for the final model or do you prefer to limit its application to the transitional period only?*

Table 1. Caps for the final compensation model

	Based on costs	Based on comparable means of payment
Inter-PSP fee cap		
Macro	Unit cost + reasonable profit margin	Average based on digital means of payment at POI
Merchant Service Charge cap		
Macro	Unit cost + reasonable profit margin	Average based on digital means of payment at POI
Micro	Not applicable	No worse off?

[3] Apart from to the already outlined legal issues related to a cross reference to Article 3(2) of the IFR, it should be considered that a method which would determine the inter-PSP fee depending on the MSC cap implies concerns from competition perspective: (i) the revenues of the distributing PSP will depend on commercial decisions of the acquirer PSP and distributing PSPs could not predict their income streams, (ii) the distributing PSP would be obtaining sensitive commercial information on the pricing of the acquiring PSP and (iii) the distributing PSP would have no means to verify whether it is obtaining the compensation that the regulation establishes.

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2.3. Offline compensation model

The Presidency also proposes a drafting suggestion to implement the majority view identified during the May CWP meeting on the offline compensation model.

3. Transition to the final model

The justification for the transitional compensation model rests on the lack of reliable and sufficiently stable unit cost data in the first years after the digital euro's issuance. Taking this into account, the transitional period should be limited in time, which was also supported by most MS in the May CWP.

With regard to the length of the transitional period, considering the observed pattern in transaction volume growth of selected private mobile payment schemes, most Member States in the May Council Working Party were supportive of the Presidency's proposal to fix the length of the transitional period at 5 years. Nonetheless, there is considerable uncertainty at this point as regards the time needed to obtain sufficiently stable unit-cost data for digital euro payments, also in light of the foreseen staggered rollout of use cases. Therefore, an ex-ante decision on the duration of the transitional period carries the risk that the transitional period could be either longer than necessary or too short. At the same time, the need for legal clarity on this essential element, and to make it depend on objective criteria, speaks against leaving the length of the transitional period entirely open in the Regulation.

In light of these considerations, during the discussions in the last working party, the Commission proposed a more flexible approach under which the legislator would determine the duration of the transitional period by means of a time range. Within this range, the Commission would be empowered to implement the legislative framework where it would be able to determine that objectively defined criteria have been fulfilled. This would lead to the end of the transitional period and application of the final model. The Commission would adopt the implementing act in accordance with the examination procedure set out in Article 39 and after consulting the ECB. Importantly, the Regulation would impose an obligation on the Commission to adopt this implementing act as soon as sufficient and reliable data become available and the average unit cost from that data has stabilised. In their written comments to the May Council Working Party, Member States showed openness to exploring this option.

The Presidency proposes applying this approach and setting the lower end of that range at 2 years after the first digital euro's issuance. This appears to be the earliest point realistically possible, given that at least one year of data collection would be needed before the necessary analyses and implementing decision could take place. The Presidency proposes to set the maximum length of the transitional period at 6 years, which is slightly longer than the 5 years discussed at the May CWP. This would provide additional safeguards against a premature move to the final compensation model. It is essential that the transition period is neither too short nor unnecessarily longer than what is sufficient to ensure the availability of the necessary data.

The required data collection would be facilitated by the Commission's obligation to present a review of the Regulation three years after the entry force, as reflected in the proposed amendments to Article 41.

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Question to the Member States:

5. *Do you agree with the proposed approach for determining the transitional period?*

4. Review of the final model

Taking into account the changes proposed to the compensation model, including the introduction of a transitional period and other changes proposed as described in the previous sections, it is also proposed to amend Article 41 of the Regulation (review clause) in order to:

1) adapt the timing of the reporting obligations by the Commission, so that the required collection of data necessary to determine the end of the transition period and the data necessary for the elaboration of the Commission's report are synchronized, also minimizing the related administrative burden;
2) review the application of the regulation, including in particular a review of the adequacy of the compensation model 2 years after the start of its application.

Question to the Member States:

6. *Do you agree with the proposed changes to Article 41?*

5. Cash funding and defunding

Digital euro users should have the possibility to convert their digital euros into euro banknotes and coins, as both forms of the official currency of the euro area should be convertible [at par] – see Article 12(1) of the Regulation.

Article 13(3)(b) requires PSPs to provide funding/defunding from/into cash for digital euro users when they already provide such cash services. However, it does not prescribe how cash services are to be provided, e.g. via a physical branch and/or ATM network. Under the Spanish Presidency, the consensus emerged to provide neither more favourable conditions for obtaining cash when defunding digital euro nor less favourable conditions, while retaining existing cash distribution channels to defund digital euro into cash. Thus, the obligation to provide funding/defunding into cash to digital euro users should be carried out through the same modalities as those provided for non-digital euro payment accounts.

As the funding/defunding services for the conversion of digital euro to euro cash mirror the services provided for private money under the existing cash distribution channels, the same principles of compensation should apply for these services. Today's market practice for funding and defunding private money into euro banknotes and coins has two compensation

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mechanisms in such case (i) an inter-PSP fee[4] or (ii) direct surcharging of a user (direct access fee). The Presidency considers it proportionate to charge a reasonable inter-PSP fee or direct access fee based on the actual costs of converting digital euro into cash or cash into digital euro. This incentivises ATM operators to maintain the network to enable access to cash at sufficient level.

The Presidency considers that two measures are necessary to align the draft Regulation with the current market practice. First, the prohibition of an inter-PSP fee for funding or defunding of digital euro into euro banknotes or coins should be eliminated. Second, the draft Regulation should apply a non-discrimination approach, under which the inter-PSP fees for digital euro should not exceed the lowest amount charged for funding and defunding from or into euro banknotes or coins of a private money account. In practice, with the proposed redrafting, PSPs providing ATM services could impose the lowest fee they currently charge when the PSP providing the private money account is a different entity than the ATM provider. The proposed amendment would be especially important to Member States where the current ATM network is predominantly operated by independent ATM operators. These rely on inter-PSP fee arrangements to ensure that consumers have access to cash services also with digital euro in such countries.

The draft Regulation relegates funding and defunding from/into cash as a basic digital euro payment service in Annex II, therefore prohibiting PSPs to charge consumers for it. The Presidency therefore considers it beneficial to maintain the related drafting suggestion from the Spanish Presidency to Article 17(1), allowing for a consumer charge that shall not exceed the lowest amount charged for funding/defunding from/into a non-digital euro payment account. This maintains the non-discrimination principle but also allows consumer PSPs to recoup costs incurred from the inter-PSP fees they pay to the ATM providers, like today. This also addresses concerns from some Member States about the risk that eliminating a revenue source for ATM providers would decrease the number of ATMs. In addition, they noted that the cost-free nature of cash withdrawals with digital euro could lead to arbitrage between digital euro payment accounts and commercial bank money accounts that charge for cash withdrawals.

As such, cash funding and defunding would also no longer belong in Annex II and should instead be regulated separately.

Question to the Member States:

7. *Do you agree that cash funding/defunding with digital euro should not be more costly for consumers, nor less available, to consumers than cash funding/defunding with non-digital euro payment accounts while possible fees should be justified and proportionate?*

8. *Do you agree with the drafting suggestions contained in this note?*

[4] Inter-PSP fee for ATM transactions is a "reverse model" comparing to POS transactions where the PSP that owns the ATM charges a fee from the PSP which issued the payment instrument for using their machine to give access to cash to their users.

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Annex I. Drafting proposals

Presidency note:
ES Pcy suggestions are in **red**, BE Pcy suggestions in **bold black**, PL Pcy suggestions in **bold blue** *(note: given the substantial reshuffling of Article 17 under the Belgian Presidency, not all of these suggested changes are reflected for reasons of readability)*

The Presidency considers that the specific issue of delineation of institutional competences for publishing the fee caps needs further consideration. As a result, Article 17(4) and parts of Article 17(5) in the drafting suggestions are inserted between brackets, as subject to further discussion.

Recitals

(40) To ensure wide access to and use of the digital euro, consistent with its status of legal tender, and to support its role as monetary anchor in the euro area, natural persons residing in the euro area, **Union citizens who do not reside in the euro area but who exercise their free movement rights,** ~~**natural persons who opened a digital euro account at the time they resided in the euro area, but no longer reside there,**~~ as well as visitors, should not be charged for basic digital euro payment services ~~**when they act as consumers**~~. That means that such digital euro users should not ~~**bear**~~ **pay** any direct fees for ~~**their basic access to and**~~ **the provision of** basic ~~**use of the**~~ digital euro **payment services**, including ~~**not being charged**~~ transaction fees or any other fees that are directly associated with the provision of ~~**services related to the**~~ basic ~~**use of the**~~ digital euro **payment services**. ~~**This should not prevent charging fees to those digital euro users for the provision of services in addition to basic digital euro payment services, such as fees for the conversion of non-euro holdings in digital euro.**~~ **The provision of services to convert digital euro into cash or cash into digital euro is not a free basic digital euro payment service~~(funding and defunding of digital euro in relation to cash) should not be covered by the obligation to provide basic digital euro payment services free of charge since the handling of cash and the operation between cash and digital euro involves particular costs for payment service providers~~. However, charges for these services should be justified and proportionate. ~~**p**~~**Payment service providers should not charge more to the same customers when they fund and defund digital euro from and into cash, than what they charge for cash services in relation to non-digital euro payment accounts.** Digital euro users should not be required to have or open a non-digital euro payment account or to accept other non-digital euro products. Where the digital euro user agrees to a package of services comprising **both** non-digital euro services and basic digital euro payment services, the payment service provider should be able to charge that package of services **without this regulation establishing any restriction** ~~**at its discretion**~~. In that case, there should not be a differentiated charge for the non-digital euro services when they are offered separately or as part of a package including basic digital euro payment services. Where ~~**the**~~ **a** digital euro user asks to receive only basic digital euro payment services ~~**with**~~ **from** a payment service provider, those services should not be charged~~, including for waterfall and reverse waterfall functionalities that are linked to where the digital euro user also has a non-digital euro payment account held with another payment service provider~~.

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Payment service providers should be able to charge digital euro users for **the provision of** additional digital euro payment services beyond the basic digital euro payment services.

(xx) A self-employed person may have a digital euro payment account when acting in the course of a commercial or self-employed professional activity and a separate digital euro account when acting in the course of a purely personal or household activity.

(40~~ab~~) As payment service~~s~~ providers distributing the digital euro would not be in a position to charge fees to natural persons for basic digital euro payment services, an inter-PSP fee ~~may be~~ is needed to provide compensation to those payment service providers for the distribution costs. The inter-PSP fee should provide sufficient compensation for the distribution costs of ~~both~~ the distributing ~~and acquiring~~ payment service providers, including a reasonable margin of profit.

(41) The European Central Bank or the Eurosystem do not charge payment service providers for the costs it bears to support their provision of digital euro services to digital euro users.

(42) As the digital euro is a form of the single currency having legal tender status, **payment service providers ~~digital euro payment transactions~~** should not **charge** payees~~be subject to~~ ~~excessive~~ **unjustified or disproportionate** fees ~~by~~ **for the provision of online and offline digital euro** payment service**s** ~~providers~~. In particular, granting the digital euro legal tender status, with the corollary of mandatory acceptance, means that merchants would have no choice but to accept digital euro payment transactions. Furthermore, any charge or fee per transaction or period erodes, directly or indirectly, the face value of payments received, which is an essential component of the legal tender status. It is therefore essential that a**ny** fee or ~~a~~ charge, as a restriction of the face value of the digital euro, be objectively justified and proportionate to the objective of ensuring an effective use of the digital euro as a legal tender means of payment.

(43) To ensure that fees ~~and~~ charge**d~~s~~ to merchants**, ~~and~~ **public sector entities or self-employed persons** are **justified**~~, non-excessive~~ ~~uniform across the euro area~~ and proportionate, **any such fees should be limited in a uniform manner throughout the euro area. As a corollary, inter-PSP fees for digital euro transactions should be limited in the same manner.** ~~The Commission, with the technical support of the European Central Bank, should regularly monitor their level and be empowered to adopt, by means of delegated acts, the methodology for the calculation of maximum fees or charges publish the corresponding amounts together with an explanatory report~~. A maximum **inter-PSP** fee or **merchant service** charge should allow for free competition between intermediaries below that level. ~~The fees or charges actually charged, while complying with the maximum fees and charges as determined in a Commission implementing act, may vary depending on the payment service provider, the Member State of their establishment, the relevant payment use cases and the type of payees, such as merchants and public sector entities.~~ **Fees or charges should not exceed the relevant costs incurred by payment service providers for the provision of basic payment or acquiring services in relation to digital euro payment transactions, which are objective elements. They may include a reasonable margin of profit. Furthermore, it is important that fees or charges are not higher than those requested for comparable private**

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digital means of payment in the euro area. In addition, for the case of merchant service charges, an additional cap at the level of the individual payee should ensure that no payee is worse-off when receiving basic acquiring services for digital euro compared to acquiring services for comparable digital means of payment that the payment service provider provides to the payee , as long as this does not lead to a situation where basic acquiring services for digital euro would be provided at a loss or without an adequate compensation. ~~For that purpose, the Commission, with the technical support of the European Central Bank, should use an estimate of the representative average cost incurred by payment service providers across the euro area and should therefore be in a position to collect relevant data from payment service providers. The relevant costs for providing digital euro payment services in relation to digital euro payment transactions should be based on the costs incurred by a representative group of the most efficient payment service providers in a given year. Competent authorities designated by Member States should be responsible for ensuring compliance by payment service providers with these maximum fees or charges.~~
~~(43a) The calculation of the maximum fees should involve a cost-based analysis and a comparison with fees charged for the provision of payment services with regard to comparable digital means of payment. The maximum fee or charge should be the lower of the two.~~

(43~~ba~~) ~~For the purpose of the cost-based methodology, fees or charges should not exceed the relevant costs incurred by payment service providers for the provision of digital euro payment services, which are objective elements, and may include a reasonable margin of profit. To ensure its proportionality, payment service providers should orient their margin of profit towards an industry conform rate of return on capital, that payment service providers make on investments in payment services with a similar risk profile. For calculating the costs, t~~The Commission, ~~with the technical support of~~ after consulting the European Central Bank and in accordance with an examination procedure, should ~~use an estimate of the average relevant costs incurred by payment service providers across the euro area and should therefore be in a position to~~ adopt a detailed methodology for the calculation of the maximum merchant service charge and inter-PSP fee, based on the relevant data provided by ~~collect relevant data from~~ payment service providers to the European Central Bank by implementing the parameters, objectives and criteria set out in this Regulation.

(43b) The calculation of the relevant costs for providing digital euro payment services in relation to digital euro payment transactions should be based on the costs incurred by ~~at least~~ a statistically representative group of the most cost-efficient payment service providers. ~~This group should be representative, at least of the different national payment markets, and of payment service providers' turnovers in digital euro. Cost efficiency should be measured in terms of the average costs, including both relevant variable and fixed costs, for a given payment service provider providing basic digital euro payment services, assessed at the level of the national entity or subsidiary in case of payment service providers operating in several Member States.~~ Only the costs directly attributable to the provision of basic digital euro payment services or basic acquiring services should be considered. In the

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case of fees charged for acquiring services, these costs would include any inter-PSP fee paid to distributing PSPs. ~~**When reporting, payment service providers should justify the inclusion of costs categories, their measurement and allocation, and split the costs between variable and fixed costs.**~~

(44) ~~Furthermore, to ensure~~ ~~**an effective use of the digital euro, that the legal tender status of the digital euro does not result in an increase in the fees for merchants and public sector entities as regards the acceptance of payments, and that a level playing field with other comparable digital means of payment is maintained,**~~ ~~it is important that fees or charges~~ ~~**for basic digital euro payment services**~~ ~~are not higher than those requested for~~ ~~**payment services for**~~ ~~comparable private digital means of payment.~~ **Debit card transactions under ~~l~~**international ~~card schemes~~ **and national card schemes** regulated under Regulation (EU) 2015/751 ~~**of the European Parliament and the Council**~~[5], ~~**national card schemes**~~ **direct debits~~,~~** and **credit transfers, including** instant payments, **initiated** at the point of interaction provided by payment service providers should be considered comparable means of payment~~**s**~~ **for the purposes of establishing the maximum fees and charges**. **Credit card payments, as well as credit transfers and direct debits that are not initiated at the point of interaction should not be considered as comparable means of payment for this purpose, taking into account that digital euro payments are debited immediately and that other means of payment are only comparable if initiated at the point of interaction.** ~~**The representativeness of the sample should at least consider the specificities of the national payment markets, and the volume of transactions in comparable payment means.**~~

~~**(44a) Competent authorities designated by Member States should be responsible for ensuring compliance by payment service providers with these maximum fees or charges.**~~

(45) Since for offline payments the identity of the payer's PSP is unknown to the acquiring PSP, the inter-PSP fee cannot be transferred directly. Therefore, a different system for the allocation of the total amount of inter-PSP fees to distributing PSPs should be applied in the case of offline transactions. For the purpose of calculating this allocation, acquiring PSPs should transmit to the European Central Bank the amounts that merchants defund from their offline digital euro accounts and the merchant service charges applied to the respective merchant. The total value of inter-PSP fees to be allocated to distributing PSPs should be determined by requiring the acquiring PSPs to pay 50% of the merchant service charges to a common inter-PSP fee pool. Distributing PSPs should be compensated from this pool according to an allocation key calculated by the Eurosystem that reflects distributing PSPs' relative share in the total amount of offline funding by digital euro users.

(45a) In the first years after the issuance of the digital euro, reliable and sufficiently stable data on unit costs will not be available. Therefore, for a transitional period that would last for at least two but not more than six years from the first issuance of the digital euro, the

[5] Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions (OJ L 123, 19.5.2015, p. 1).

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maximum fees and charges should be solely based on fees and charges for comparable means of payment, both in terms of the euro area-wide caps and the no-worse off principle applying to the merchant service charges. Furthermore, only debit cards should be considered comparable means of payment for the purposes of establishing the euro area wide caps in the transitional period. Once reliable data on unit costs is available and average unit costs resulting from the data have stabilised, this transitional period should end and the fees and charges should comply with the limits as set out in Article 17. The Commission, after consulting the European Central Bank, should adopt an implementing act as soon as it determines that the relevant conditions for the end of the transitional period are complied with.

See Section 2.3 of this note (Offline compensation model).

Article 15. Principles

1. With a view to enabling natural and legal persons to access and use digital euro, to defining and implementing monetary policy and to contributing to the stability of the financial system, the use of the digital euro as a store of value may be subject to limits.

2. With a view to ensuring an effective use of the digital euro as a legal tender means of payment, and to avoiding excessive charges for ~~**merchants**~~ **payees** subject to the obligation to accept the digital euro under Chapter II while providing compensation for the relevant costs incurred by payment services providers for the provision of digital euro payment~~**s**~~ **services**, the level of charges or fees to be paid by ~~**natural persons or merchants**~~ **digital euro users** to payment service providers, or between payment service providers, shall be subject to limits. **Those limits shall be provided for in Article 17. For a transitional period following the first issuance of the digital euro referred to in Article 16b[6], they shall apply in accordance with Article 16a.**

Article 16a

During the transitional period referred to in Article 16b, Article 17(2)(a) shall not apply and only debit cards shall be considered comparable means of payment for the purpose Article 17(2)(b).

Article 17

1. For the purpose of Article 15(2), without prejudice to any possible fees charged on other digital euro payment services, payment services providers shall not charge fees to natural persons as referred to in Article 1**2a**~~**3**~~(1), points (a), ~~**(b) and**~~ (c) **and (f)**, **when such persons are acting as consumers,** for the provision of the basic digital euro payment services referred to in Annex 2.

By derogation from the first subparagraph, payment service providers may charge a reasonable fee for funding and defunding digital euros from or into euro cash. This charge shall not exceed the lowest amount charged by the payment service provider to the

[6] Please find the wording of Article 16b on page 17 of this note.

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respective consumer for funding and defunding a non-digital euro payment account from or to euro cash[7].

2. For the purpose of Article 15(2), **and without prejudice to paragraph 6a,** any merchant service charge or inter-PSP fee in relation to digital euro payment transactions shall comply with the principle of proportionality. Any merchant service charge or inter-PSP fee shall not exceed the lowest of the following two amounts:

(a) the relevant costs incurred by payment services providers for the provision of digital euro payment**s services**, including a reasonable margin of profit;

(b) fees or charges requested for comparable digital means of payment.

2a. In addition, payment service providers providing acquiring services shall not charge their clients a merchant service charge that exceeds the lowest fee that they are charging that payee for any comparable digital means of payment the merchant has contracted with them. However, this rule shall not lead to a situation in which a payment service provider provides acquiring services at a loss or with no compensation. The detailed rules for the implementation of this provision shall be set out in the Commission implementing act referred to in paragraph 5.

~~**3. The European Central Bank shall regularly monitor the information that is relevant for the purposes of the amounts referred to in paragraph 2, and publish periodically the amounts resulting from that monitoring with an explanatory report.**~~

3. ~~**4. The European Central Bank may require p**~~**P**ayment service providers **shall** ~~**to**~~ provide **all the information that** ~~**to**~~ **the European Central Bank** ~~**all information necessary**~~ **requests** for the application of this Article ~~**and to verify compliance with it.**~~ **Payment service providers shall ensure that such information is compliant with this Article.**

Any information requested shall be sent by payment service providers within the time limit set by the European Central Bank. The European Central Bank may require that such information is certified by an independent auditor.

[4. The European Central Bank shall apply the methodology referred to in paragraph 5 in order to calculate the caps resulting from the collected data. The European Central Bank, after consulting the Commission, shall periodically publish the resulting caps, together with an explanatory report.]

5. **The Commission, after consulting the European Central Bank, shall adopt, by means of an implementing act a detailed methodology [to be applied by the European Central Bank]. That methodology shall be based on** ~~**to be developed by the European Central Bank for the monitoring and the calculations of the amounts referred to in paragraphs 2 and 3 shall be based on**~~ the following parameters**, criteria, and objectives**:

[7] Please note that the Presidency proposes an alternative wording in Section 5 of this note to take into account the issue of cash funding and defunding.

(a) the amount of inter-PSP fees and merchant service charges as referred to in paragraph 2(a) shall be based on the relevant costs incurred for providing **basic** digital euro payment services ~~**of a statistically representative group of by**~~ **by** the most cost-efficient payment service providers representing collectively **between** one fourth **and one half** of digital euro distributed across the euro area in a given year, as reported to the European Central Bank by **a statistically representative group of** payment service providers, including a reasonable margin of profit. **The methodology shall implement the exact share of digital euro distributed across the euro area represented by the most cost-efficient payment service providers;**

(b) the reasonable margin of profit included in the maximum amount referred to in paragraph 2(a), shall be calculated on the basis of the margin of profit ~~**of a statistically representative group**~~ of the payment service providers charging the lowest margin of profit representing collectively **between** one fourth **and one half** of the digital euro distributed in the euro area in a given year, as reported to the European Central Bank by **a statistically representative group of** payment service providers**. The methodology shall implement the exact share of digital euro distributed across the euro area represented by the payment service providers charging the lowest margin of profit**;

(c) the amount of inter-PSP fees and merchant service charges as referred to in paragraph 2(b) shall be based on a representative group of payment services providers providing comparable digital means of payment in the euro area;

(d) the amounts referred to in paragraph 2 shall be uniform and applied in a non-discriminatory manner across the euro area.

6. The **capped** merchant service charge shall be the only charge ~~**per transaction**~~ that payment service providers may apply to merchants **for the provision of basic acquiring services included in Annex II(a).** Payment service providers shall not charge merchants for the funding and defunding of the digital euro, including digital euro payment transactions referred to in Article 13(4). Payment service providers shall include costs associated with funding and defunding in the relevant costs referred to in paragraph 2(a).

6a. For offline digital euro transactions, payment service providers offering acquiring services shall transfer half of the merchant service charge that they receive for offline transactions to the European Central Bank. The European Central Bank shall distribute, on a [monthly/other periodicity] basis, the total amounts received in this facility to payment service providers offering digital euro payment accounts in proportion to the share of their customers' funding of offline digital euro accounts in the total amount of funding of offline digital euro accounts in that same time period.

7. No inter-PSP fee shall apply to the funding and defunding of the digital euro, including digital euro payment transactions referred to in Article 13(4)[8].

[8] Please note that the Presidency proposes an alternative wording in Section 5 of this note to take into account the issue of cash funding and defunding. Please also note that Article 17(7) is also still subject to ongoing discussions on open funding reverse waterfall transactions.

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See Section 3 of this note (Transition to final model).

Article 16b Transitional period – PL Presidency drafting suggestions in **blue**

1. **A transitional period of two to six years shall apply from the first issuance of the digital euro.**
2. **For the purpose of implementation of paragraph 1, The Commission, after consulting the European Central Bank, shall adopt an implementing act as soon as it determines that both (i) sufficient and reliable data on the costs that are relevant for the purpose of Article 17(2)(a) are available and (ii) the average unit costs resulting from the available data have stabilised providing for the end of the transitional period and the full application of Article 17. This application shall start no earlier than two years after the first issuance of the digital euro.**
3. **The Commission shall adopt that implementing act in accordance with Article 39.**
4. **The implementing act shall be adopted not later than six years after the first issuance of the digital euro.**
5. **In the absence of the adoption of the implementing act under this Article, the transitional period shall end six years from the first issuance of the digital euro.**

See Section 4 of this note (Review of the final model).

Article 41 – PL Presidency drafting suggestions in **blue**

~~**1. By one year from the first issuance of the digital euro, and every three years thereafter, the Commission shall present to the European Parliament and to the Council a report on the application of this Regulation. When preparing its report, the Commission shall take into account the reports by European Central Bank referred in Article 40 and any opinion and views expressed by the European Central Bank**~~

~~**2**~~**1**. By **[three]** ~~**one**~~ **years** from the date of application of this Regulation, the Commission shall present to the European Parliament and to the Council a report on the **application of this Regulation. Such report shall include, in particular, an assessment of**:

- developments of retail central bank digital currencies in Member States whose currency is not the euro and the impact of this Regulation on the internal market, accompanied where appropriate by proposals for amending legislative acts governing the use of retail central bank digital currencies across the Union.

~~**3. By 3 years from the first issuance of the digital euro, the Commission shall present to the European Parliament and to the Council a report on**~~ whether there is a sufficient and effective access to and acceptance of the digital euro in the euro area.

2. By 2 years from the end of the transitional period referred to in Article 16b, the Commission shall present to the European Parliament and to the Council a report on the application of this Regulation. Such report should assess, in particular, the adequacy of the compensation model on the basis of the relevant data collected by the European Central Bank in accordance with Article 17, including in particular the evolution of unit costs for digital euro

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services and the development of the levels of inter-PSP fees and merchant service charges for comparable means of payment.

See Section 5 of this note (Cash funding and defunding).

Article 17(1) – PL Presidency drafting suggestions in blue

For the purpose of Article 15(2), without prejudice to any possible fees charged on other digital euro payment services, payment services providers shall not charge fees to natural persons as referred to in Article 13(1), points (a), (b) and (c), for the provision of the basic digital euro payment services referred to in Annex 2.

By derogation from the first subparagraph, payment service providers may charge a fee for funding and defunding digital euros from or into euro cash. This fee shall be objectively justified and proportionate, and, in any event, shall not exceed the lowest amount charged by the payment service provider to the respective customer for funding and defunding a non-digital euro payment account from or to euro cash.

See Section 5 of this note (Cash funding and defunding).

Article 17(7) – PL Presidency drafting suggestions in blue

No inter-PSP fee shall apply to the funding and defunding of the digital euro, including digital euro payment transactions referred to in Article 13(4).

By derogation from the first subparagraph, payment service providers may charge an inter-PSP fee for funding and defunding digital euros from or into euro cash. This fee shall be objectively justified and proportionate and, in any event, shall not exceed the lowest amount charged by the payment service provider to the respective consumer PSP for funding and defunding a non-digital euro payment account from or to euro cash.