



Position Paper

on the Proposal for a Regulation of the European
Parliament and of the Council on the Establishment of
the Digital Euro by the European Commission from June
28, 2023

Lobby Register Number: R001299

EU Transparency Register Number: 277878144718-80

Berlin, September 8, 2023

Contact:

Heike Lange
Managing Director
E-Mail: heike.lange@initiative-dz.de
Tel. +49 30 212 34 22-71

Initiative Deutsche Zahlungssysteme e.V. | German Payment Systems Initiative
Behrenstraße 27
10117 Berlin
Germany



Towards a future oriented, reliable monetary system for the EU

On June 28, 2023, the European Commission published a legislative proposal for a digital euro that shows what a possible legal framework for the digital currency could look like. The aim of introducing a digital euro is to reduce the fragmentation of the European retail payments market and to foster European sovereignty as well as competitiveness in general. It can be assumed that the introduction of a digital central bank currency – especially regarding the currently outlined design – will have a significant impact on the German and European payment market and consequently on the respective economy in the countries of the European Union. Therefore, it is essential to draw on the expertise of affected stakeholders and experts to ensure that the digital euro offers real added value within the current market structure.

The Initiative Deutsche Zahlungssysteme e.V. (German Payment Systems Initiative) generally welcomes the introduction of the digital euro as an innovative means of payment in a digital economy. However, when designing a digital euro, opportunities, and risks for the German and European economy as well as those of potential social impact must be considered, weighed and discussed in a coherent manner. The present legislative proposal of the European Commission should be understood as a starting point for this broad discussion on the purpose, benefits, and design of the digital euro. The members of the Initiative Deutsche Zahlungssysteme e.V. are eager to contribute their expertise and perspective to this discourse and aim to support a successful introduction of a digital euro, that delivers real progress for Europe's sovereignty in the payments market, promotes innovation on a broad scale as well as positively impacts the economy overall.

Having said this, the Initiative Deutsche Zahlungssysteme e.V. would like to raise the following concerns with regard to the present legislative proposal of the European Commission:

1. The digital euro as legal tender with a mandatory acceptance

In its legislative proposal, the European Commission advocates on introducing the digital euro as a legal tender with a mandatory acceptance. The Initiative Deutsche Zahlungssysteme e.V. believes that the digital euro, as digital equivalent to euro cash, must be designed as a means of payment and not as a comprehensive payment scheme. As of today, appropriate and secure private-sector payment methods are already available, with further methods planned in the future. These payment methods do not only include individual EU member states, but also the European Union as a whole, with, for instance, SEPA schemes and prospectively the European Payment Initiative (EPI). Since private payment methods are not equipped with a mandatory acceptance, a level playing field on the German and European payment market must be guaranteed to ensure that these payment methods are not disadvantaged. Private



payment service providers have made enormous investments in the market in recent decades and have also promoted innovations that improved the convenience and security for consumers as well as the efficiency for merchants. For this reason, the digital euro must be designed in such a way that it leaves sufficient room for a viable competition with privately financed payment methods. Otherwise, there is a risk that the digital euro will lead to less investment into modern payment systems in the European market and, thus, may result in a decline of competition and innovation.

Regarding the obligation to participate in the digital euro currently included in the legislative proposal, the Initiative Deutsche Zahlungssysteme e.V. calls for a discussion on whether this aspect really should be mandatory for all commercial banks as well as saving banks. For smaller and specialized institutions, this obligation must be designed in a proportionate manner. In the same context, it is essential to consider unmanned terminals – for instance, in vending machines or self-checkout counters. The exemptions for corporations with fewer than ten employees or annual sales of less than two million euros envisaged in the proposed regulation are also quickly exceeded for companies that use unmanned terminals.

2. Participation of the private sector is indispensable

In light of these facts and in order to actually strengthen the European payments market, it is reasonable to involve the private sector in the process of shaping a digital euro. There is already a well-developed range of private-sector payment methods that consumers trust. Depending on the design of the digital euro, there is a risk that these existing payment systems could be phased out of the market under European governance, which would be detrimental to the actual aim of the digital euro and the legislative proposal, which is to ensure increased sovereignty in European payment transactions. Therefore, when designing the digital euro, attention needs to be drawn to the integration of the digital euro as a means of payment into existing payment procedures and consequently serve as an important catalyst for more innovation, interoperability, and efficiency in the European payment market. As far as regulations surrounding the digital euro are relevant for a uniform range of payment procedures, political decision-makers should implement initiatives with private-sector participation that serve as discussion and design forums.

3. Necessity of market-oriented pricing

The proposed legislation currently lacks a framework for market-oriented pricing. Payment institutions are requested to make the provision and settlement of processes concerning the digital euro available



to consumers free of charge. For banks and saving banks, this means, that new account and settlement structures must be implemented. According to the proposed legislation, these structures should be regarded as free core services. However, the prices for the provision of these services should develop on the market – a price regulation by law would violate the contractual and pricing freedom of issuers and acquirers. Hence, as there is currently no market failure, regulatory intervention regarding pricing cannot be justified. In addition, with the objective of fair competition, it must be examined to what extent the current setting of fees for merchants in the proposed legislation distorts current competition.

4. The design of a digital euro also requires a wholesale version

Particularly in the context of global competition, it is fundamentally important that the European Central Bank (ECB) and the Eurosystem expedite the establishment of a digital central bank currency. In order to strengthen Europe's position in the global context, it is necessary for the digital euro to be available both in an innovative wholesale version as well as a retail version that complements today's euro cash as a modern, digital means of payment for consumers. At present, the retail version of the digital euro is the main focus of discussion. The Initiative Deutsche Zahlungssysteme e.V. advocates that discussions on the proposed regulation and the design of a digital euro should also consider a wholesale version. This could provide new functionalities compared to the already existing central bank accounts, for instance increasing the efficiency of payment processing for security transactions as well as guarantee that payments would be processed efficiently in an automated manner. This is particularly significant for commercial banks. With this considered, the wholesale version of the digital euro would be crucial for the future competitiveness of the euro as a currency on the international foreign exchange and capital market, but also for the European economy in the efficient processing of transactions within Europe and worldwide.

5. Real counterpart to euro cash – privacy and anonymity

A representative survey commissioned by the Association of German Banks (Bundesverband deutscher Banken, BdB)¹ shows that the digital euro is still relatively unknown among the German population. Only 43 percent of Germans have heard the term, and 29 percent have a specific understanding of what the

¹ Representative survey „Kenntnis und Einstellungen zum Digitalen Euro“, Bundesverband deutscher Banken (BdB) in cooperation with KANTAR, May, 2023. Accessible online: https://bankenverband.de/files/2023-05/2023%2005%2017%20Charts%20U_Digitaler%20Euro_final.pdf



digital euro is and what the benefits might be. To ensure that the digital euro is also a success for consumers, it is important to verify the added value for citizens and their future acceptance in an independent impact analysis. This analysis should serve to determine how a digital euro must be designed to fit into the existing market structure, so that citizens are prepared to use the digital euro in the envisaged form alongside existing payment methods.

Significant for a widespread acceptance among the population is the appropriate design in terms of anonymity and privacy, both of which have a high priority for German customers. Since the digital euro is to be designed as a counterpart to euro cash, it must also be able to offer comparable anonymity, offline capability, and technical security. Offline capability must, of course, remain subject to checks for money laundering and sanctions. The privacy of buyers must also be fully protected in checkout systems. However, the cash register must be capable of fully representing the digital euro and thus making all business transactions auditable (Fiscal Code of Germany, Abgabenordnung, AEO user decree on §146a AO). This would improve the compatibility of the privacy of buyers and the auditability of the cash register system as well as protect both consumers and cash register users.

International competitiveness with the digital euro

Many questions about the design of the digital euro remain unanswered. What is needed now is a sufficient exchange with relevant stakeholders to evaluate the needs of a well-balanced digital central bank currency to offer a tangible benefit to all stakeholders – both citizens and the economy. Within this process, the Initiative Deutsche Zahlungssysteme e.V. advocates the digital euro to be a means of payment and consequently a true digital representation of euro cash rather than to resemble a comprehensive end-to-end payment scheme.



The Initiative Deutsche Zahlungssysteme e.V.

The Initiative Deutsche Zahlungssysteme e.V. (German Payment Systems Initiative), based in Berlin, sees itself as a network for companies and institutions that accept the cashless payment procedures of the German banking industry (Deutsche Kreditwirtschaft, DK), in particular the girocard, or provide the necessary infrastructure for them. The association bundles the interests of its members and represents them vis-à-vis politicians and the media. The association researches new applications, initiates pilot projects and supports existing activities of its members, especially in the areas of marketing, public relations and public affairs. The Initiative Deutsche Zahlungssysteme e.V. has been involved with payment in Germany for over fifteen years.

The payment methods

The girocard, Germany's most widely used debit card, can be found in almost every German wallet. In the first half of 2023, consumers made around 3.65 billion payments with the girocard. More and more banks and savings banks are enabling their customers to use the girocard in digital form on their own smartphone or smartwatch. "girocard" stands for the German banking industry's (Deutsche Kreditwirtschaft, DK) overarching framework for its established two debit card payment systems: the girocard procedure (formerly "electronic cash") as a debit card payment procedure and the "German ATM system".

For further information please visit the association's website:

<https://www.initiative-deutsche-zahlungssysteme.de>