EDPIA views on a digital euro

A perspective from the European payments industry

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About EDPIA: The European Digital Payments Industry Alliance (EDPIA) represents the interests of independent Payment Services Providers headquartered in the European Union. Its purpose is to contribute to EU policy debates that define the business environment for electronic payments, and to strengthen the visibility and understanding of the European payments industry amongst policy makers and society as a whole. Find out more about EDPIA and its membership here.

A digital euro could further strengthen digital payments on the EU's own terms, especially if it is built in a way to leverage the existing banking and payments ecosystem. EDPIA sees the following principles as central from the perspective of the EU payment industry.

The private sector should lead the development of digital euro services. The ECB should focus upon the issuance of the digital euro, and oversight. The distribution of the digital euro, and the operation of new payment systems based on digital euro, should be largely left to the private sector (similar to current practice both in cash and electronic payments).

The design of the digital euro should lay the foundation for private sector innovation. Payment firms should be able to develop enhanced functionality and customer facing services, for example leveraging the potential of programmability. The specifics of these features should be developed by the market, rather than being directly programmed by public authorities.

A digital euro should leverage existing acceptance infrastructure and regulation. The easier it is to roll out a digital euro, the greater the chance of success. It is furthermore important to maintain a level playing field with other digital payment solutions, and to provide consistency for end-users, so the same data protection and AML rules should apply.

EDPIA prefers an online account-based solution overall. This would be most similar to today's payment system and therefore allow firms to leverage their existing processes and expertise to the greatest extent. Furthermore, it would allow for greater AML controls. Offline use-cases should be limited in scope and would for example require regular resynchronization with a online device.

Merchants should not be mandated to accept a digital euro. The success of a digital euro depends on it meeting the expectations of consumers and merchants and offering them real value. It is simple for merchants to discourage the use of a specific payment tool even if they are forced to accept it (and unwieldy to enforce against that). The value of a digital euro will be developed by the market, which underscores the importance of taking a market-driven approach. Merchants and consumers should *want* to use a digital euro rather than being forced to accept it.

Costs should be set by the market. Market competition will be crucial to drive the value of a digital euro, and price intervention should only be considered in response to clear market failures which cannot be identified *ex-ante*. Policymakers should seek to prevent such market failures in the first place. The rollout of a digital euro implies new costs for payment firms and merchants. This is unavoidable and the focus should therefore be upon ensuring that the digital euro provides sufficient value to justify its cost.

Policy actions should support the transition to a digital euro. For example, a communication campaign should explain its benefits to users (taking the introduction of the euro as a precedent).