EDPIA
The European Digital Payments Industry Alliance

EDPIA's considerations on the Digital Euro proposal

September 2025

The European Digital Payments Industry Alliance (EDPIA) believes that a well-designed digital euro has the potential to re-shape the retail payments market in a positive manner. If properly implemented, it could accelerate the digitalisation of payments and finance in Europe, while increasing competition across the financial sector.

While the Commission proposal sets out a comprehensive framework, EDPIA stresses the need for further refinements to ensure the digital euro serves as an enabler and not a disruptor of innovation and competition.

In this paper, we provide a **summary of EDPIA's key views and recommendations on the digital euro proposa**l, focusing on the topics of importance for the European acquiring industry.

At the headline level, EDPIA recommends that:

- **As a matter of priority, the compensation model should be fair and balanced.** Introducing strict pricing control mechanisms a priori would raise barriers to market entry, undermine service quality, and reduce incentives for acquirers to invest in new innovative products. EDPIA believes that the merchant service charge should not initially be subject to a cap so that competitive practices can emerge and initial investments are properly absorbed. Any cap introduced thereafter should be targeted and proportionate, addressing only concrete market anomalies.

- **The rollout of the project should have a pragmatic roadmap** which is ambitious enough to drive uptake but also be realistic in its targets to avoid missed deadlines that could erode trust.

- **The scheme should be governed in an open, independent and balanced manner** representing the interests of different actors and representatives of the sector, from payment firms, merchants, and consumer groups.

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1. The compensation model should be fair and balanced

While there are well-established competition reasons to cap inter-PSP fees, the proposal to impose uniform caps on Merchant Service Charges should be carefully evaluated to avoid introducing distortions and cost increases in an already highly competitive market.

- **The acquiring industry is a highly competitive landscape**

Pricing models significantly vary among acquirers depending on their strategic goals and different level of maturity.

Some focus on access and affordability and cater to merchants who want to minimise costs and accept certain trade-offs in service and user experiences.

Others shape their offer on customer experience and innovation, addressing merchants who want a premium experience, with privileged access to CR, analytics on their business performance, multiple features, and modern UX design.

Another group focuses on a broader product set, offering other financial and software services, and price their payment offering low as entry point to relationships.

Low barriers to entry allow challengers to easily enter the market and start offering competing solutions without a structural disadvantage to incumbents.

Retail costs are generally transparent and understood by merchants who understand the deal they are getting and can easily compare it with other providers. This is further aided by existing regulation such as the Interchange Fee Regulation (IFR) and Payment Services Directive (PSD2) that impose transparency requirements on payment service providers.

There is fierce competition from PSPs today for merchant's business and we can expect this to continue with the digital euro provided that the incentives and bargaining powers of all actors are not undermined. In fact, a well-designed Digital Euro could lower barriers to entry even further, by providing a common high-quality infrastructure for payments, thereby further increasing competition.

The price regulation of merchant service charges has previously been considered by the European Commission during the development of the IFR. This option was however discarded. In the IFR's 2013 Impact Assessment, the Commission found that introducing a cap on merchant service charges would "raise many issues in terms of subsidiarity, proportionality and practicability1". Similarly, the Commission found that this type of retail price regulation, as opposed to the wholesale price regulation of Interchange Fees, would reduce bargaining between PSPs and merchants by "freezing" competition.

[1] European Commission, Impact Assessment accompanying the Proposal for a Regulation on Interchange Fees for Card-based Payment Transactions, SWD (2013) 288 final. https://eur-lex.europa.eu/resource.html?uri=cellar:906ed6d3-f509-11e2-a22e-01aa75ed71a1.0001.04/DOC_1&format=PDF

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- **Risks of prematurely imposing an MSC Cap**

The introduction of an MSC cap **increases barriers to entry**. To allow merchants to accept digital euro transactions, acquirers will need to adapt their infrastructures. Some players, in particular the smaller ones and the new entrants, may not be able to amortise their tech investments and setup costs. The cap will favour incumbents, who have the scale to price challengers out of the market, therefore reducing competition.

It may also lead to **less emphasis on service quality**. Providers with a high focus on quality of service will not be able to efficiently price their solutions, leading to a race to the bottom on service quality.

The cap may also **encourage cross-subsidisation and lack of transparency**. To recoup costs and have a sustainable business, providers will be incentivised to price other products and services at a higher rate to cover the cost of providing digital euro acceptance, leading to reduced transparency and comparability for merchants.

It may also have the effect of **reducing Innovation**. Overall, in a competitive market, retail prices differ across providers who price in different levels of experience, service, and product innovation. Restricting this lever will undermine the speed and quality of innovation in the market.

- **EDPIA's recommendation**

Considering the uncertainty on the actual speed of adoption by the public after the launch, the introduction of an ex ante market correction tool without the clear identification of a competitive anomalies could undermine market trust and disincentivise PSPs to develop optimal services to users. For the same reason, it is also very important that the model considers the initial investments of PSPs, as a slow uptake combined with a too restrictive cap could jeopardise their business case.

EDPIA proposes a phased approach that allows for market competition at launch. No MSC cap is set for a period of two years, giving players and end-users time to adapt and competitive best practices to emerge. During that period, National Central Banks will collect data, and the ECB will develop standardised "market health" KPIs.

After two years, the European Commission, in collaboration with the ECB may consider intervening with price control measures only where the considered KPIs demonstrate market anomalies. Any intervention should be targeted to a particular Member States, to a particular merchant size (micro/small/medium/large) and to a particular use-case (e.g. in-store or e-commerce).

We believe that such a staggered adoption of the compensation model is an optimal solution that provides assurances to PSPs and merchants for their initial investments.

EDPIA also believes that any price intervention should be limited to the scope of 'basic services' outlined in the proposal, so as to allow payment firms to develop differentiating value-added services.

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EDPIA suggests:

To avoid introducing a premature market correction tool where no clear competitive anomalies are identified and to take PSPs' initial investments into consideration to avoid undermining their business case:

- Implement a phased approach with no MSC (Merchant Service Charge) cap for the first two years post-launch to allow market competition to develop during the initial period. National Central Banks and ECB collect data on MSCs, service levels, and PSP switching behaviour across different business sizes
- ECB develops standardized KPIs to assess market health
- After two years, apply price controls only in markets where KPIs indicate insufficient competition
- Target interventions specifically by country, merchant size, and use-case (e.g., in-store vs. e-commerce)
- Continue KPI tracking by National Central Banks and ECB
- Adjust or remove interventions based on updated KPI performance.
- If any cap is set up, it should be on a limited set of basic services so that the PSPs can still develop differentiating value-added services

2. The rollout of the project should have a pragmatic roadmap

EDPIA is conscious of the complexity of launching a digital euro from both a logistical and resource perspective.

The introduction of the novel offline modality might present opportunities from a financial inclusion perspective, and it is important that the ECB and market players have sufficient time to design such features and ensure that they are fully functional from launch.

The commission proposal sets out an overarching approach to the use cases of the digital euro. While rather broad, it is important to note that the development of concrete solutions for each use case, in particular for offline solutions, raises new technical challenges.

In this regard, EDPIA defends that the exact timeframe for the launch of online and offline payment solutions should be carefully evaluated. Setting an overly ambitious timeframe could result in rushed products with sub optimal quality and undermine user trust in the project.

It also raises challenges for end users, payers and payees, to get used to a new payment method and the pertaining front-end interfaces. In a context where fraudsters increasingly target the most fragile segments of the population using ever more sophisticated subterfuges, the complexity of a "big bang" scenario for the go-to market may increase the risk of frauds.

We support that the legislative proposal recognizes the possibility that the digital euro could be distributed outside the euro area. We recommend that the EU pursues a reciprocal policy

in terms of market access. This can contribute to the international role of the euro in the future, as well as making the most of the project at scale, while at the same time striking a balance that allows other jurisdictions to manage their system.

EDPIA suggests:

- To consider introducing a pragmatic roadmap that adequately reflects current retail payments market developments. This could include a first stage where online services are made available and consolidated, followed later by the launch of offline-based solutions.

3. The scheme should be governed in an open, independent, and balanced manner

In practice, we expect scheme rules will play an important role defining the final design and implementation of the digital euro.

The scheme governance should represent the interests of different parts of the payments industry, merchants, and consumers in the decision-making process in a balanced fashion.

EDPIA suggests:

- To establish an independent scheme governance body, also respecting the split between scheme and processing established by the IFR, which has proportionate representation from different segments of the EU retail payments market and civil society. It is also worth considering how the scheme's independence can be maintained from a financial perspective, assuming for example there is no scheme fee.

About EDPIA

The **European Digital Payments Industry Alliance (EDPIA)** is the leading voice of the European non-bank payments industry.

Established in 2020, EDPIA has become a trusted voice in EU policy discussions. The Alliance is committed to driving competitive growth, safeguarding European sovereignty and shaping a harmonised, sustainable and secure Digital Single Market, fuelled by digital payments.

Find out more about EDPIA and its membership here