

# Proposal for a Regulation on the establishment of the digital euro

ESBG Position– Executive summary

September 2023

ESBG Transparency Register ID 8765978796-80

**The European Savings and Retail Banking Group (ESBG) welcomes the opportunity to provide feedback on the proposal for a Regulation on the establishment of a digital euro. Committed to innovation and digital transformation, ESBG members call for further clarification and thorough assessments prior to the issuance of a digital euro.**

## ESBG's main position points

- A **qualified opinion** by the European Court of Justice to assess the suitability of the legal basis of a digital euro. A thorough **impact assessment** by a neutral party or the ECB to comprehensively evaluate the potential effects of a digital euro on financial institutions, market competition, and overall economic stability.
- Initial individual **holding limits** capped at EUR 1,000 to mitigate risks to liquidity and banking deposits.
- The digital euro as a **means of payment**, not a new payment scheme, to leverage on existing payment infrastructure, national payment solutions and on initiatives connecting these. Overall, a strong partnership-based cooperation and clear division of roles between the Eurosystem and banks.
- If digital euro access would be free for citizens, **compensation** is essential for consumer-serving banks responsible for wallet maintenance and (de-)funding functionalities. The level of charges or fees to be paid by natural persons or merchants to payment service providers (PSPs), or between PSPs, shall not be subject to limits and should be left to the market to maintain competitive integrity. A clear distinction between initial capital investments for system interoperability and ongoing maintenance costs should be made. Mandatory distribution by credit institutions should be subject to enhanced compensation principles, including non-transaction based revenues.
- Several aspects need to be reviewed further to prevent unintended consequences that go against the EU's aspiration to foster **financial sovereignty**.
- A future-proof **definition of commercial bank money** denominated in euro is needed.
- Further examination of the **legal tender status** and clarify consequences in cases where the digital euro would be rejected.
- Exempting banks with an unsuitable business model from the obligation to provide digital euro accounts.
- Citizens should have **only one euro payment account** (one online and one offline) to promote simplicity and usability of digital euros by citizens. Digital euro accounts should be issued **either for online or for offline use** until further clarification is provided on how to check the holding limit. A **transaction limit** should be introduced for offline payments.
- **Public authorities** providing basic digital euro services should be subject to authorisation as PSPs.
- Clarification is needed on when the **financial inclusion** provisions apply, such as the issuance of a card.
- If the digital euro is to be used for **cross-currency payments**, the foreign exchange services should be managed on the open and competitive market, as is the case for other foreign exchange payments.
- A clear definition of **proximity payment** that outlines its differences to other types of payment is needed.
- Further clarification on the **interoperability of the e-ID wallet** and the digital euro services is needed.
- **Front-end services** developed by the ECB should run through an official digital euro distributor (PSP).
- Existing **incoherences between AML/CFT and GDPR** provisions should urgently be addressed.