

Subject: Digital Euro: EMA submission to the ECB on the distribution model for a digital euro

Date: 25. 07. 2022

Digital Euro; ECB request for feedback

The ECB hosted a second technical session on the Digital Euro with the European Retail Payments Board (ERPB) on 5 July. Following the meeting the European Central Bank has invited feedback from ERPB members on [their analysis of options for the distribution model for a digital euro](#), in particular the questions on slide 11.

Please find below the response from the Electronic Money Association.

EMA response

The EMA is a trade body of FinTech, BigTech and technology firms engaging in the provision of alternative digital payment services, including the issuance of e-money for over 20 years. As such, the EMA has a strong interest in the digitalisation of financial services and markets, in the development of digital payment instruments and cryptoassets based on centralised as well as distributed architectures. Our members include leading payments and e-commerce businesses providing online payments, card-based products, electronic marketplaces, and increasingly cryptocurrency exchanges and other cryptocurrency related products and services.

We welcome the opportunity to provide written feedback to the second ERPB technical session, the slide-deck you shared with us and the 3 questions submitted for feedback with the slide-deck.

We found the 5 July ERPB technical session on the 4 different distribution model options useful. We understand that the Eurosystem ("ES") has a clear preference for the "payment scheme" option. We note that in common with other trade associations we had a preference for the "Issuance" or "Open Access" options. An Open Access approach for example could allow the system to more rapidly evolve to emerging requirements. We believe that drawing as much as possible on the existing payment ecosystems, at least initially, will be crucial for the success of the digital euro ("DE") and any subsequent expansion stages. With a view to the ECB's and the Eurosystem's strategic objectives, we believe an initial, swift acceptance of the DE helped by the existing payment ecosystems is paramount even if limited to a smaller range of use cases than aimed at in a medium- to long-term perspective.

We also note that the payment scheme route introduces a number of additional factors that will need to be addressed such as the competing role of a new payment scheme with existing schemes, the pricing model, the cost of creating scheme infrastructure, governance and the role of the ECB as participant in a payment scheme.

Regarding the 3 questions put forward for feedback we note:

1. What would be the potential drawbacks of the prioritised scheme approach and how could they be overcome?

It is difficult to discuss drawbacks (and advantages) of the prioritised scheme approach without a more in-depth analysis and forecast allowing for a comparison across the 4 different options. As a trade association for regulated payment service providers, our members are used to developing regulatory business plans that include for example a 3-year financial forecast covering both a base case and a stressed scenario, a SWOT type of discussion, and an outline of external dependencies. We assume that this type of work has been developed by the Eurosystem, and urge the ES to consider sharing such data with industry.

The greatest potential drawback will be an opportunity cost. Whilst European PSPs turn their attention and their resources to developing a DE payment scheme that competes with existing systems, the global effort will be focused on new innovative payment technologies and payment systems. We risk falling behind in the payments race and inadvertently making ourselves yet more vulnerable to products and services originating from outside of the Union.

2. In terms of scope, which scheme elements (e.g. messaging standards, requirements for end-user interface design, branding, etc.) would you consider need to be covered under the scheme and which ones should be left to the market?

As a matter of principle, we do believe in the free, regulated, and tightly supervised markets as supported by EU legislation and EU and national regulatory and supervisory bodies. Accordingly, we would argue in favour of utilising and allowing the development of market-based solutions by tightly supervised private service providers. This means utilising existing solutions where possible, and freeing up resources to develop innovative solutions to novel problems. Separately, we are supportive of the standardisation of messaging formats, these are in our view essential to successful payment messaging & communication.

3. How could the balance between public and private cooperation be achieved under a payment scheme approach?

It is difficult to discuss the appropriate balance between public and private cooperation exclusively for the payment scheme approach. As set out above, from the perspective of achieving the ECB's/ES's strategic objectives, and subject to further analysis based upon credible financial forecasts, we tend to believe that the "Issuance" and "Open Access" options are preferable in this regard.

In general, we would recommend guarding against the limitations of a scheme approach, given the related complexities regarding the scheme's governance, that would need to respond to significant issues related to the management of conflicts of interests (given the ECB's payment oversight responsibilities) and to the need to determine the appropriate role of the DE given in particular its specific USP (including potentially its status as legal tender) in the wider competitive landscape of payments in the EU.

We would in summary urge the ES to carefully consider its preference for the scheme approach.

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