

GBIC Priorities for Trilogue Negotiations: A Digital Euro Needs Practical Safeguards

The digital euro has the potential to reshape the European payment landscape for decades. It is intended to strengthen European sovereignty and independence. This makes it even more important to establish a balanced, legally sound and workable regulatory framework from the outset. Therefore, GBIC calls for a balanced compromise, focused on four success factors: a targeted and phased design, proper consideration of existing solutions and regulation, viable economic incentives, and a binding governance involving all relevant market participants – in order to avoid unnecessary complexity, unclear priorities and an unbalanced allocation of responsibilities, creating a parallel infrastructure with unclear legal consequences (for further details see the subsequent sections).

1. Focus on essential requirements and implement them step by step

The functional requirements under discussion go beyond what is needed for a successful launch, creating a substantial effort without a clear corresponding benefit for citizens, merchants, banks or the Eurosystem.

Political support for gradual implementation is not sufficient if the regulation itself triggers the full catalogue of obligations from day one. Therefore, the regulatory framework should enable the Eurosystem and market participants to implement the digital euro in clearly defined phases, taking due account of risk and market considerations.

2. Build on existing payment procedures and European market solutions

Successful national and European payment solutions such as wero and girocard already strengthen sovereignty, resilience and innovation. Building on existing ecosystems, infrastructures and standards is not a decision against the digital euro; it is a condition for a stronger and more competitive European payments landscape. New market structures, like Open Funding, should be established through contractual agreements between participating institutions.

The same principle applies to the legal framework. The Digital Euro Regulation must be fully consistent with the existing EU payments acquis and provide a clear allocation of rights, obligations and liability – for citizens, merchants and the banking sector.

3. Secure sustainable economic incentives

Without viable business models, the digital euro will not be economically sustainable. Banks will bear a substantial share of the investment, distribution, compliance and operating costs. They must be able to recoup these investments and provide services on an ongoing basis. Otherwise, the digital euro could weaken the competitiveness and innovative capacity of European providers rather than strengthen them.

The compensation model is therefore a decisive success factor. It must recognize the interests for banks and the merchants, while avoiding long-term distortions to the detriment of privately operated European payment solutions. Both the MSC and the Inter-PSP-Fee have to be better calibrated based on existing market conditions.

4. Involve the market through binding governance

The digital euro ecosystem will reshape payment landscape and business models for banks and merchants alike. Therefore, the thorough involvement of existing market participants is urgently needed to ensure successful implementation and further development while minimizing risks.

Setting a realistic holding limit is indispensable to prevent larger scale deposit outflows, especially under stress. With waterfall mechanisms in place, a cash-orientated holding limit will not affect usability. Moreover, sustainable innovation requires joint decision-making, clear accountability and a balanced allocation of responsibilities – not least with regard to the Digital Euro rulebook. Potential conflicts with the ECB's supervisory and oversight functions must be addressed.

Conclusion:

The German Banking Industry Committee remains committed to constructive engagement with the European institutions and all participating stakeholders. The positions of the Co-Legislators and the proposed legal framework of the European Commission already reflect to some degree the outcome of the deliberations around the digital Euro and embedded concerns and proposals of many stakeholders. The trilogue negotiations should therefore focus on establishing a coherent, simple and transparent framework and prioritize compromises that provide the foundation for the successful introduction of the digital euro.

DETAILED SUGGESTIONS FOR THE TRILOGUE

The German Banking Industry supports the objective of strengthening Europe's sovereignty, resilience and competitiveness in payments and remains committed to contributing constructively to the digital euro project.

The final Regulation should combine the strongest elements of the institutional positions: Parliament's safeguards on operational readiness, governance, liability and PSP-controlled customer interfaces; the Council's more proportionate approach to distribution, free basic services and compensation; and targeted trilogue compromises on inclusion, cross-PSP funding and holding limits.

The tables below sets out GBIC's preferred basis for a digital euro that is operationally feasible, attractive to users and economically sustainable, without creating unnecessary parallel structures, unfunded obligations or disadvantages for existing European payment solutions.

Topic	Preferred Basis for the Trilogue
Phased introduction and operational readiness – Art. 4	European Parliament, complemented by an MVP approach
Compensation – Art. 17	Council as the structural basis, complemented by targeted elements of the European Parliament position
General distribution – Art. 14(1)	Council
Access for consumers without an existing payment account / financial inclusion – Art. 14(3) and (4)	Modified Commission/EP approach
Funding, defunding and cross-PSP services – Art. 13a	Council baseline, complemented by the European Parliament's safeguard for voluntary cross-PSP arrangements
Holding limits – Arts. 15, 16 and 16a	EP compromise: Combined political accountability with EP criteria
Applicable law and governance – Arts. 3a and 5	European Parliament, complemented by necessary extensions
Liability – Art. 27	European Parliament, complemented by additional safeguards
Front-end services – Art. 28	European Parliament
Mandatory basic services – Annex II	Council as the starting point, with targeted amendments

Further Details:

1. A Phased Introduction of the Digital Euro Based on a Minimum Viable Product Approach

Preferred basis for the trilogue: European Parliament position – further refinement required

The introduction of the digital euro will be one of the most complex infrastructure projects ever undertaken in the European payments market. Even a focused core product will require substantial investment and intensive coordination between the Eurosystem, payment service providers (PSPs), merchants and technology providers. Requiring the simultaneous implementation of all online, offline, hardware-based and interoperability-related functionalities would significantly increase implementation risks and could delay the delivery of a reliable core product.

The European Parliament's position provides the preferable basis for the trilogue. In particular, Article 4 requires important preparatory steps to be completed before the roll-out, including the finalisation of the

Scheme Rulebook, the development and deployment of the necessary infrastructure, appropriate governance arrangements, pilot testing and clear liability rules. In addition, following authorisation of the issuance of the digital euro, Parliament provides for an implementation phase of at least 24 months.

These safeguards should be maintained and further developed into a genuine **minimum viable product (MVP) and sequencing approach**.

GBIC proposal:

Article 4 should be retained on the basis of the European Parliament's position and further strengthened to ensure that:

- the first stage of the digital euro is limited to a clearly defined core product;
- implementation timelines for PSPs only start once the relevant rulebooks, technical specifications, interfaces, liability rules and operational responsibilities have been finalised;
- additional functionalities only become mandatory after an assessment of, in particular:
 - technical maturity;
 - operational feasibility;
 - proportionality;
 - demonstrated demand from users and merchants;
 - added value compared with existing solutions; and
 - experience gained from pilot testing and the initial roll-out phase;
- the results of the pilot phase are duly and mandatorily taken into account before subsequent stages of the roll-out are activated.

The Regulation should explicitly allow different functionalities to become mandatory at different points in time (EP item 141i)

"After the authorization of the issuance of the digital euro, the European Central Bank shall provide for a roll-out phase of at least 24 months to ensure readiness for a secure, resilient and gradual adaptation by the Eurosystem, payment service providers and digital euro users."

Justification:

Political support for a gradual roll-out is insufficient if the Regulation itself activates all implementation obligations from the outset.

A phased approach would reduce implementation risks, allow practical experience to be incorporated and avoid substantial investment in functionalities for which actual demand or technical maturity has not yet been demonstrated.

The success of the digital euro should be measured by the reliability and acceptance of its core product, not by the number of functionalities available on day one.

2. Link Mandatory Distribution to Existing Customer Relationships and Target Inclusion Obligations

On Article 14(1): Preferred basis for the trilogue: Council

The Council position provides the preferable basis for the general distribution obligation. Credit institutions should be required to provide basic digital euro services only to consumers with whom they already have a contractual relationship through a non-digital euro payment account.

GBIC proposal:

The Council approach should be maintained: Mandatory distribution by credit institutions should be limited to existing payment account customers.

Justification:

Credit institutions should not be required to establish new customer relationships solely for the purpose of providing access to the digital euro. The digital euro should be integrated into existing customer relationships and distribution structures. Requiring credit institutions to establish additional relationships with non-customers would unnecessarily duplicate onboarding, AML, customer service and compliance processes.

On Article 14(3) and (4): Access and financial inclusion

Preferred basis for the trilogue: Modified Commission/Parliament approach

A different approach is required for consumers without an existing payment account and for specific financial inclusion services. The Council approach should not be retained insofar as it could result in ordinary credit institutions being designated as providers of last resort solely on the basis of their institutional status or legal form.

GBIC proposal:

Access for consumers without an existing payment account relationship should primarily be ensured through specifically designated **post office giro institutions**. Private payment service providers should assume such obligations only:

- on a voluntary basis;
- following a transparent selection procedure; and
- subject to full reimbursement of the costs incurred in providing these services.

In particular, the public-law status of a credit institution operating in a competitive market should not, in itself, constitute sufficient grounds for designating that institution as a provider of last resort.

Specific in-person support services for older people, persons with disabilities or persons with limited digital skills should likewise primarily be assigned to the providers specifically designated under Article 14(3), rather than imposed on all credit institutions and branches.

Justification:

Financial inclusion is a legitimate public policy objective. However, it should be achieved through a targeted public-service mechanism rather than through an indiscriminate extension of the distribution obligations imposed on the banking sector.

3. Use Existing European Infrastructure Before Creating New Parallel Structures

Preferred approach: European Parliament as the basis, with further clarification

On Articles 26 and Article 24a, the European Parliament's more detailed approach should form the basis for the trilogue. It rightly recognises that the digital euro should, wherever possible, build on existing European payment infrastructures, standards and interfaces rather than create new parallel structures.

Existing European market solutions already contribute to European sovereignty, resilience and innovation. The implementation of the digital euro should therefore make systematic use of existing infrastructure and market standards wherever they are capable of meeting the relevant legal, technical, security and operational requirements.

GBIC proposal:

The more detailed provisions of the European Parliament should be retained and further strengthened by establishing the following overarching principle:

In order to limit implementation costs, avoid unnecessary duplication and promote interoperability, the digital euro should make use of existing European payment infrastructures, standards and interfaces wherever they are capable of adequately meeting the applicable legal, technical, security and operational requirements. New parallel infrastructure should only be developed where its necessity and additional value have been demonstrated.

This principle should apply both to the interaction of the digital euro with successful European market solutions such as **Wero** and to existing national payment infrastructures such as **girocard**.

Where the European Parliament provides more detailed requirements concerning the reuse of existing infrastructure, technical standards, interfaces or market solutions, these provisions should generally be preserved as the basis for the trilogue rather than replaced by broader or less specific formulations.

The digital euro should complement existing European solutions, not displace them. It should therefore not benefit from structural competitive advantages resulting from regulatory price-setting, mandatory free-of-charge services or requirements that force PSPs to maintain duplicative infrastructure.

Justification:

A European sovereignty project should build on European capabilities that already exist. Requiring PSPs to develop and operate parallel infrastructures where suitable market infrastructure is already available would increase costs, implementation risks and complexity without necessarily creating additional value for consumers or merchants.

Making systematic use of existing European infrastructures would also facilitate interoperability, shorten implementation timelines and preserve investment capacity for market-driven innovation. **The creation of new digital euro-specific infrastructure should therefore be the exception, not the default.**

4. Avoid Mandatory and Unremunerated Cross-PSP (De-)Funding for Fair Competition

Preferred Trilogue Baseline: The Council's approach should serve as the basis for the trilogue negotiations, as it preserves flexibility for contractual solutions between payment service providers (PSPs). At the same time, the Parliament's safeguard for reverse waterfall services, requiring a voluntary agreement between the participating PSPs, should be retained.

GBIC Proposal:

The final framework should clearly distinguish between same-PSP and cross-PSP scenarios. For same-PSP arrangements, basic funding and defunding functionalities may be included within the mandatory digital euro service framework. The Parliament's one-to-one linkage between a digital euro payment account and a single designated non-digital euro payment account should also be preserved.

For cross-PSP arrangements, funding and defunding services should simply be based on voluntary contractual agreements between the participating PSPs, outlining (1) appropriate remuneration, and (2) responsibilities for authentication, compliance, and liability.

These agreements would be best suited also to permit centralised or group-wide service provision and should only require reverse waterfall services where a voluntary agreement exists.

Any provision in Annex II that would make automatic cross-provider funding or defunding a mandatory free-of-charge service should therefore be deleted.

Justification:

Funding and defunding are not merely technical functionalities. They involve operational processes, authentication, liquidity management, AML/CFT compliance, data exchange, liability allocation and dispute resolution. These requirements become significantly more complex when the digital euro account and the linked commercial bank account are held with different PSPs.

Mandatory and unremunerated interoperability services between competing PSPs would require substantial technical and contractual infrastructure while providing limited additional value for the effective use of the digital euro. Interoperability should be enabled, but it should not oblige one PSP to provide services to another free of charge. Cross-PSP funding and defunding services should therefore remain voluntary, contract-based and appropriately remunerated.

5. Article 15, 16, 16a: Holding Limits Must Be Realistic, Predictable and Operationally Manageable

Preferred basis for the trilogue: Targeted compromise

Holding limits constitute a fundamental safeguard within the digital euro framework. The digital euro should primarily serve as a means of payment, rather than as a large-scale store of value. The design of holding limits should therefore take into account: financial stability, the funding base of credit institutions, the ability of banks to provide financing to households and businesses, and the diversity of banking business models, particularly smaller and predominantly deposit-funded institutions.

Neither institutional position should be adopted in its entirety. The European Parliament provides a more detailed and appropriate set of criteria for determining holding limits, particularly with regard to the impact on financial stability and different deposit-funded business models. The Council position provides a sensible basis for ensuring stronger political accountability regarding the overall holding limit.

However, both approaches should be reconsidered insofar as they rely on a person-based holding limit requiring the aggregation of digital euro holdings across multiple payment service providers.

GBIC proposal:

The Regulation should explicitly clarify that holding limits should be calibrated to ensure that the digital euro is used primarily as a means of payment rather than as a store of value. The methodology should therefore focus on payment behaviour rather than savings behaviour.

With regard to governance, the overall framework and the maximum holding limit should remain subject to political accountability. The Council approach, based on an implementing act adopted by the Council, may provide the preferable basis, provided that:

- the methodology is transparent;
- relevant market participants, including payment service providers, are consulted;
- the ECB provides the underlying technical assessment and recommendation; and

- no fallback mechanism exists that would allow the ECB to effectively determine the political holding limit in the absence of a political decision.

In addition, GBIC is convinced that both

- a person-based holding limit model requiring the aggregation of holdings across multiple payment service providers and
- the aggregation and allocation of holding limits in the case of joint accounts

are, due to their complexity, convincing provisions from a PSP and customer perspective. Instead of applying and reconciling a “person-based” holding limits, PSPs should be able to apply own holding limits, preferably within a range set by the ECB or legislator. In this case, consumers could enjoy Digital Euro services from different PSPs.

Justification:

Waterfall and reverse-waterfall mechanisms allow consumers to make and receive payments regardless of the amount of digital euro held at any given moment. High holding limits are therefore not necessary to ensure the practical usability of the digital euro. A realistic, predictable and payment-oriented holding limit would reduce risks to financial stability while preserving the digital euro's functionality as a means of payment.

6. Simplify the Compensation Model While Ensuring Fair Remuneration and Merchant Protection

Preferred basis for the trilogue: On Article 17, Council as the structural basis, complemented by targeted elements of the European Parliament position

The compensation model for the digital euro should meet four core policy objectives: **lower and transparent payment costs for merchants, simple rules, effective supervision and a sustainable compensation mechanism for payment service providers**. In the current positioning, neither the approach of the European Parliament, nor the position of the Council can be effectively assessed, given their complex, non-transparent and inconsistent provisions. Thus, a target compromise of the key principles of both positions should be considered.

An EU-wide cap on merchant service charges would not achieve these objectives efficiently. Merchant pricing differs across sectors and individual merchants because payment transactions involve different levels of operational effort, servicing requirements and risk. A uniform EU-wide cap would disregard these differences and could result in unintended cross-subsidisation between merchant categories.

The trilogue should therefore use the Council approach as the structural basis, while incorporating the European Parliament's more targeted merchant-level approach and establishing a simple and predictable inter-PSP compensation mechanism. The merchant service charge and the inter-PSP compensation should be designed as coherent elements of the same compensation framework.

GBIC proposal:

Article 17 should be adjusted along the following principles:

- **Remove the EU-wide cap on merchant service charges (MSC).**
- **Instead, foresee a merchant-level MSC cap based on the European Parliament's approach in Article 17(2b).** The merchant service charge for digital euro payments should not

exceed the **average** fee that the individual merchant already pays to its PSP for comparable digital means of payment.

- Comparable means of payment should include **international and domestic consumer debit card schemes** that can be used at the point of sale and in e-commerce.
- When determining the relevant benchmark, (1) **scheme fees and equivalent scheme-related charges should be excluded**, as such costs do not arise in the same way for the digital euro, and (2) the interchange component should remain part of the comparison.
- Introduce a **fixed inter-PSP fee of 0.2% per transaction**, aligned with the established benchmark for consumer debit card transactions under the Interchange Fee Regulation.
- Retain a **review of the compensation model after five years**, but do not prescribe in advance a mandatory transition to a different or cost-based compensation model. Any subsequent adjustment should depend on actual market developments and reliable transaction and cost data.

The fixed inter-PSP fee is particularly important because the payer's PSP and the payee's PSP generally have no bilateral contractual relationship. A uniform multilateral fee is therefore required to make the compensation mechanism operationally scalable in a real-time, high-volume payment environment.

Justification:

A merchant-level cap achieves the policy objective of protecting merchants without imposing an artificial one-size-fits-all price across highly heterogeneous merchant sectors.

For example, a low-value transaction at a coffee shop is generally completed immediately and entails limited subsequent servicing risk. A travel transaction, by contrast, may involve cancellations, re-bookings, refunds and additional servicing over a period of several months. Merchant sectors may also differ significantly in their exposure to fraud and financial-crime risks. An EU-wide cap would fail to reflect these differences and could lead to cross-subsidisation between merchant categories.

Using the individual merchant's existing pricing for comparable payment methods as the benchmark is both more proportionate and easier to supervise. It relies on existing commercial relationships, provides an objective reference point for the merchant concerned and ensures that digital euro acceptance does not leave that merchant worse off than under comparable existing payment solutions.

At the same time, a fixed **0.2% inter-PSP fee** provides PSPs with a stable, transparent and operationally workable compensation mechanism. It builds on an established EU regulatory benchmark and avoids the complexity of continuously recalibrating a cost-based fee across the euro area.

Finally, the five-year review clause preserves the ability to adjust the model once sufficient experience and reliable cost data are available, without creating regulatory uncertainty from the outset by pre-determining a future compensation model.

The digital euro compensation framework should be simple at launch, predictable for PSPs, protective of merchants and sufficiently flexible to respond to actual market developments rather than theoretical cost assumptions.

7. Articles 3a and 5: Ensure Consistent Applicable Law and Clear Future Governance

Preferred Trilogue Baseline: European Parliament

The final Regulation should clearly define the relationship between the digital euro framework and existing EU legislation. Overlapping or conflicting legal regimes should be avoided. These considerations include:

- the Payment Services Regulation (PSR),
- the Payment Services Directive (PSD),

- anti-money laundering legislation,
- data protection legislation,
- DORA, and
- relevant national private law.

GBIC Proposal:

The European Parliament's approach should be retained as it provides a clearer separation between the ECB's digital euro scheme activities and its monetary policy, supervisory and payment system oversight functions.

We would strongly welcome a comprehensive legal review of the final regulation. The interaction with the existing EU banking and payments acquis should be expressly and coherently defined, including which PSR/PSD rules apply to digital euro payment services, where digital-euro-specific rules prevail and how liability and conflict-of-law issues are allocated

On Article 5 of the European Parliaments Position: Establishment of the Advisory Platform

GBIC Proposal:

The European Parliament's proposal for a Digital Euro Scheme Rulebook Advisory Platform should be maintained and strengthened. Payment service providers, merchants and end-user representatives should be consulted on:

- interoperability,
- amendments to the scheme rulebook,
- infrastructure decisions,
- usability,
- technical standards,
- additional mandatory functionalities, and
- measures with significant cost implications or impacts on customer interfaces.

Where the Eurosystem departs materially from stakeholder recommendations, the reasons should be published transparently.

Justification:

The digital Euro ecosystem will reshape payment landscape and business models for banks and merchants alike. Therefore, the thorough involvement of existing market participants is urgently needed to ensure successful implementation and further development while minimizing risks stemming from technical readiness, fragmented implementation or unnecessary or unclear regulatory obligations.

8. Ensure Liability Remains with the Party Controlling the Relevant Risk

Preferred Trilogue Baseline: European Parliament, with targeted safeguards

Under Article 27, Payment service providers should remain liable for services under their control and for their customer relationships. Further liabilities, for technical devices, functionalities or user interfaces by the ECB should be excluded by a clear legal framework.

GBIC Proposal:

The European Parliament's approach should serve as the trilogue baseline as it more clearly safeguards rights to indemnification and recourse where damages result from Eurosystem infrastructure or ECB-provided interfaces.

Justification:

Risks arising from infrastructure, functionalities or user interfaces controlled by the ECB or national central banks should not be transferred to distributing payment service providers. While we welcome further clarification on the ECB's roles and mandates, any ECB dispute resolution function should be subject to appropriate independence and review mechanisms.

9. Article 28: Preserve Payment Service Providers' Control over Customer Interfaces

Preferred Trilogue Outcome: European Parliament

Justification:

Existing payment service provider applications and customer interfaces should remain the primary access channel for the digital euro. Payment service providers offering a compliant digital euro interface should not be required to provide an additional ECB interface. A Eurosystem-provided interface may serve as an optional fallback solution, particularly for providers designated under Article 14(3), but should not displace existing customer relationships. The contractual relationship with the customer and the associated legal responsibilities should remain with the distributing payment service provider.

10. Annex II: Focus the Catalogue of Free Mandatory Basic Services

Preferred Trilogue Baseline: Council, with targeted amendments

The catalogue of free mandatory services should be limited to functionalities necessary for the ordinary use of the digital euro. Additional services should not become mandatory and free of charge solely because they are technically feasible.

GBIC Proposal:

The European Parliament's proposed extensions should not automatically form part of the mandatory free basic service catalogue. In detail, these relates to:

- front-end services,
- recurring ECB software updates,
- switching services, and
- complex cross-provider funding and defunding services

Likewise, physical payment instruments, dedicated hardware solutions and direct cash conversion services should not automatically have to be provided free of charge by all payment service providers.

Services required for financial inclusion objectives should be assigned to specifically designated providers and supported through appropriate funding arrangements.