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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of the digital euro

{SEC(2023) 257 final} - {SWD(2023) 233 final} - {SWD(2023) 234 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Digitalisation and new technologies are increasingly shaping European people's lives and the European economy. With the European economy becoming more and more digital, Europeans also increasingly use private digital means of payment to transact.

Banknotes and coins - which are the only current forms of central bank money with legal tender available to the general public (including people, public authorities and businesses) – alone cannot support the EU's economy in the digital age. Their use in payments therefore diminishes as online purchases increase and payment habits of the general public shift towards the large variety of private digital means of payment offered in the EU. This puts at stake the desirable balance between central bank money and private digital means of payment. This trend could even be reinforced in the future, with the emergence of third country central bank digital currencies (CBDC) and stablecoins¹ issued by private firms, which could challenge the role of the euro in payments, in the EU and outside.

The lack of a widely available and usable form of central bank money technologically adapted to the digital age could also diminish trust towards commercial bank money, and ultimately towards the euro itself. Trust towards commercial bank money relies on the possibility of depositors to convert at par their deposits into central bank money with legal tender, which currently is only available in the form of cash. Lacking a form of a central bank money that can be used in the digital economy and is convertible at par with commercial bank deposits may undermine the monetary anchor role of central bank money, weakening financial stability and monetary sovereignty in the EU.

In this context, over recent years, the issuance of a retail CBDC has gained significant attention and traction.² Like cash, a retail CBDC would be an official form of central bank money directly accessible to the general public, endowed with the status of legal tender. It would thus adapt the official forms of the currency to technological development, complementing cash.

In the euro area, the establishment of a retail CBDC – the digital euro – is necessary to supplement cash and adapt the official forms of the currency to technological developments, so that the euro can be used as a single currency, in a uniform and effective manner across the euro area. The digital euro will also be offered as a public digital means of payment, alongside the existing private digital means of payment, supporting a stronger and more competitive, efficient and innovative European retail payments market and digital finance sector, and contributing to further enhance the resilience of the European retail payments market as well. As such, the digital euro will facilitate the development of pan-European and interoperable retail payment solutions, including the full roll-out of instant payments.

¹ A stablecoin is a crypto-asset that references a fiat currency or a portfolio of liquid assets to stabilise its market value.

² According to a recent Eurobarometer survey on “Retail, financial services and products”: one in three EU respondents said that they have heard that discussions are taking place about the possible introduction of a digital euro. Survey available through the link: [Retail Financial Services and Products - October 2022 - - Eurobarometer survey \(europa.eu\)](#)

The objective of this proposal is to ensure that central bank money with the status of legal tender remains available to the general public, while offering a state-of-the-art and cost-efficient payment means, ensuring a high level of privacy in digital payments, maintaining financial stability and promoting accessibility and financial inclusion. For this purpose, the proposal establishes the digital euro that may be issued by the European Central Bank and national central banks of the Member States whose currency is the euro, as part of the Eurosystem, and provides the necessary regulatory framework that should ensure the effective use of the digital euro as a single currency throughout the euro area, meeting users' needs in the digital age and fostering competition, efficiency, innovation and resilience in the EU's digitalizing economy. The digital euro would not be programmable money and could therefore not be used to limit its spending to or direct it at specific goods or services: as a digital form of the single currency, it should be fully fungible.

- **Consistency with existing policy provisions in the policy area**

Other than the relevant provisions of the Treaties (Article 3(1)(c) TFEU and Articles 127 to 133 TFEU), the Commission Recommendation of 22 March 2010 on the scope and effects of legal tender of euro banknotes and coins,³ and the proposal for a Regulation of the European Parliament and of the Council on the scope and effects of, and access to the legal tender of euro banknotes and coins (adopted alongside the present proposal),⁴ there are no policy provisions in the relevant policy area, i.e. monetary law as part of the monetary policy of the euro area.

The present proposal is consistent with those provisions of primary law. In order to ensure coherence between the two forms of central bank money (digital euro and euro cash), the legal tender of cash will also be regulated in a consistent manner with the legal tender of the digital euro, without prejudice to the differences between these forms of the euro.

This proposal builds on the internal market freedom to provide payment services, wherever the payment service provider is incorporated. To ensure that all EU payment services providers may distribute the digital euro across the euro area, this initiative is accompanied by a proposal for a Regulation *[please insert reference – proposal for a Regulation on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro - COM/2023/368 final]*.

- **Consistency with other Union policies**

The Digital Finance and Retail Payment Strategies⁵ of the Commission adopted in September 2020 supported the emergence of competitive pan-European payment solutions and the exploration of a digital euro as a possible complement to euro cash, to be offered alongside private digital means of payment.

The introduction of the digital euro would be instrumental in the context of ongoing efforts to reduce the fragmentation of the European retail payments market, to promote competition, efficiency, innovation, and resilience in this market, and to encourage industry initiatives to offer pan-European payment services, supporting in particular the full roll-out of instant payments.

³ OJ L 83, 30.3.2010, p. 70-71.

⁴ [Commission Recommendation of 22 March 2010 on the scope and effects of legal tender of euro banknotes and coins \(europa.eu\)](#)

⁵ COM(2020) 591 final and COM(2020) 592 final

The digital euro will support key policies pursued by the Union, in particular the protection of personal data, accessibility and financial inclusion.

- This initiative supports the objective of ensuring a high level of privacy in payments is in line with Union data protection laws: in particular, Regulation (EU) 2016/679 (GDPR)⁶ and Regulation (EU) 2018/1715 (EUDPR)⁷ will apply to distribution and use of a digital euro when personal data is processed. The digital euro will be designed so as to minimise the processing of personal data by payment services providers and by the European Central Bank to what is necessary to ensure the proper functioning of the digital euro. The digital euro will be available offline, with a level of privacy vis a vis payment service providers which is comparable to withdrawals of banknotes at automatic teller machines and to the use of cash. The settlement of digital Euro transactions will be designed in such a way that neither the European Central Bank nor national central banks can attribute data to an identified or identifiable digital euro user.
- In addition, to ensure consistency with Directive (EU) 2019/882 (European Accessibility Act)⁸, the digital euro will be designed in a way that maximises its foreseeable use by persons with disabilities, functional limitations or limited digital skills, and older people.
- In terms of financial inclusion, the initiative is inspired by the approach adopted under Directive (EU) 2014/92 (Payment Accounts Directive)⁹, which aims at ensuring a universal access to payment accounts with basic features for all consumers, including financially excluded persons. The digital euro will be offered following a similar approach, but with the required adaptations, to ensure universal access to basic digital euro payment services. First, all credit institutions providing payment account services would be required to provide basic digital euro payment services upon request of their clients. Second, for consumers that are not clients of credit institutions, Chapter IV of the Payment Account Directive on access to payment account with basic feature would apply in relation to the access to digital euro account with basic services, with basic digital euro services offered for free to natural persons. Third, this initiative ensures that public entities (local or regional authorities or postal offices) should also distribute the digital euro to natural persons that do not wish to open a digital euro account at credit institutions or other payment services providers. Furthermore, this initiative entrusts the European Banking Authority and the Anti-Money Laundering Authority to jointly develop guidelines specifying the relationships between AML/CFT requirements and access to basic digital euro payment services.
- Directive (EU) 2015/2366 (PSD2)¹⁰ regulates the provision of payment services by payment service providers (including credit institutions, electronic money institutions and payment institutions) and the rights and obligations of the parties involved in a payment transaction. The Commission has proposed a new legislative package consisting of both a new Directive on payment services in the internal market and a

⁶ [EUR-Lex - 02016R0679-20160504 - EN - EUR-Lex \(europa.eu\)](#)

⁷ [EUR-Lex - 32018R1725 - EN - EUR-Lex \(europa.eu\)](#)

⁸ [EUR-Lex - 32019L0882 - EN - EUR-Lex \(europa.eu\)](#)

⁹ [EUR-Lex - 32014L0092 - EN - EUR-Lex \(europa.eu\)](#)

¹⁰ [EUR-Lex - 02015L2366-20151223 - EN - EUR-Lex \(europa.eu\)](#)

Regulation adopted on 28 June 2023¹¹. This package extends the definition of funds to include all forms of central bank money issued for retail use (banknotes, coins and central bank digital currency). On 22 October 2022, the Commission adopted a legislative proposal to make instant payments in euro, available to all citizens and businesses holding a bank account in the EU and in EEA countries.

- By respecting a risk-based approach that underpins the Union AML framework and by excluding full anonymity, the initiative is consistent with the objectives of the AML package¹² adopted by the Commission in July 2021. At the same time, the initiative provides for a high level of privacy for offline digital euro payments, which are cash-like proximity payments. Online digital euro payment transactions would follow the same data protection, privacy and AML/CFT rules as for private digital means of payment, in conformity with the EU AML/CFT framework and PSD2, consistent with the GDPR and the Commission’s open data strategy.
- The EU-wide interoperable European Digital Identity Wallet¹³ allows users, on a voluntary basis, to on-board and perform strong customer authentication when making payments, as required by Article 97 of the PSD2. The same functionalities should be offered to digital euro users.

The digital euro has also been identified as an element of the Commission strategy to support the EU’s open strategic autonomy. In particular, the proposal is consistent with the Commission Communication “Towards a stronger international role of the euro”¹⁴ and the Commission Communication “The European economic and financial system: fostering openness, strength and resilience”¹⁵.

The Digital Markets Act Regulation¹⁶ (“DMA”) adopted in September 2022 aims at improving contestability of markets in the digital sector. To this end, it imposes a number of obligations on the undertakings that are designated gatekeepers for enumerated core platform services by the European Commission, with the objective of promoting user choice and providing for opportunities for business users. While gatekeepers remain subject to the specific provisions of the DMA, with the introduction of the digital euro, which will be available for offline payments, effective interoperability and fair, reasonable and non-discriminatory access to hardware and software components of mobile devices would be needed to ensure the availability of the service for digital euro users in the internal market.

¹¹ Proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the internal market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC (COM(2023) 366 final) and Proposal for a Regulation of the European Parliament and of the Council on payment services in the internal market and amending Regulation (EU) No 1093/210 (COM(2013) 367 final)

¹² [Anti-money laundering and countering the financing of terrorism legislative package \(europa.eu\)](#)

¹³ [EUR-Lex - 52021PC0281 - EN - EUR-Lex \(europa.eu\)](#)

¹⁴ https://ec.europa.eu/info/publications/towards-stronger-international-role-euro-commission-contribution-european-council-13-14-december-2018_en.

¹⁵ COM(2021) 32 final

¹⁶ [Regulation \(EU\) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector.](#)

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

As a new form of central bank money available to the general public, alongside euro banknotes and coins, the digital euro shall be established and regulated by an EU Regulation based on Article 133 TFEU. Pursuant to Article 133 TFEU, “[w]ithout prejudice to the powers of the European Central Bank, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall lay down the measures necessary for the use of the euro as a single currency. Such measures shall be adopted after consultation of the European Central Bank”.

As has been explained above and will be developed in section 3, the establishment and regulation of the digital euro is a measure that is necessary to ensure the use of the euro as a single currency in the digital age. This Regulation needs to make sure that the digital euro can be used in the same way, in accordance with the same rules and conditions, and without fragmentation, throughout the euro area.

- **Subsidiarity (for non-exclusive competence)**

In accordance with Article 5(3) TEU, the principle of subsidiarity does not apply in areas which fall within the Union’s exclusive competence. In accordance with Article 3(1) TFEU, the Union has an exclusive competence in the area of monetary policy for the Member States whose currency is the euro. In this area, action by the euro area Member States is not possible and the principle of subsidiarity thus does not apply.

- **Proportionality**

Respect for the principle of proportionality has been examined in detail in the impact assessment accompanying the proposal and all the proposed options have been assessed against this objective.

In particular, microenterprises which do not accept electronic means of payments, non-profit legal entity and individuals who do not act in the course of a commercial activity, will be exempted from the obligation to accept payments in digital euro.

In terms of distribution of the digital euro, while all payment services providers may distribute the digital euro, only credit institutions that operate payment accounts would be required to distribute the digital euro account upon request of their clients. Requiring all payment services providers to distribute the digital euro would not have been proportionate to the objective of ensuring an effective use of the digital euro as a legal tender means of payment.

- **Choice of the instrument**

A Regulation is the appropriate instrument to contribute to the creation of a single rulebook, having general application and being binding in its entirety and directly applicable in all the Member States of the euro area, thus removing the possibility of differences in application in the different Member States, and ensuring the objective of the use of the euro as a single currency, as provided for by Article 133 TFEU.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

• Stakeholder consultations

On 2 October 2020, the European Central Bank published a “Report on a digital euro”, which explored benefits and challenges of issuing a digital euro, and possible design options, with the objective to seek for wider views on these aspects from the general public. Following the release of the report, the European Central Bank launched a “Public consultation on a digital euro” on 12 October 2020, which ran until 12 January 2021. The consultation included 18 questions aimed at collecting the views of individuals and professionals. The first part was aimed mainly at individuals in their role as retail payment users, while the second part targeted primarily financial, payment and technology professionals with specific knowledge in the economics, regulation and technology of (retail) payments. Respondents were nevertheless invited to provide feedback on the full set of questions. Privacy was considered the most important feature of a digital euro by both citizens and professionals participating in the consultation. The European Central Bank later commissioned additional surveys on digital means of payment and wallets used by consumers.

The Commission’s consultation strategy supporting this proposal builds on several initiatives:

- The Commission launched a call for evidence and a targeted consultation on a digital euro on 5 April 2022, until 16 June 2022. The targeted consultation complemented the ECB’s public consultation with further information gathered from industry specialists, payment service providers (including credit institutions, payment and e-money institutions), payment infrastructure providers, developers of payment solutions, merchants, merchant associations, retail payments regulators, and supervisors, anti-money laundering (AML) supervisors, financial intelligence units, the European Data Protection Board and other relevant authorities and experts as well as consumer organisations, in order to feed in the impact assessment prepared by the Commission with a view to its proposal for a regulation on the digital euro. The main findings of the targeted consultations are the followings: EU citizens agreed with the objective of providing access to public money in digital form for everyone including for the unbanked people. Professional respondents believed that the digital euro may bring benefit to businesses/merchants in all payment situations. People favoured fast, private, cost free and widely available digital euro. Most professional respondents considered wide availability and easy onboarding, easy to use, ability to pay anytime, anywhere to anyone and instant settlement as the most important aspects to be offered to the general public. A widely available digital euro was believed to support the EU’s open strategic autonomy. Most professional respondents supported granting the digital euro a legal tender status. Most respondents supported a digital euro available mainly for citizens residing and businesses established in the euro area and for intra euro area transactions.
- Experts from Member States and National Central Banks, as well as representatives from the European Central Bank had the opportunity to give their views in the context of the Expert Group on Banking, Payment and Insurance (EGBPI) set up by the Commission between September 2022 and February 2023. The discussions were supported by targeted consultations addressed to countries. Member States also expressed their views as part of the Euro Group meetings as of 2021. While Member States’ experts only had preliminary views at EGBPI meetings, most of them

supported the potential issuance of a digital euro that would be granted legal tender status in the euro area.

- On 7 November 2022, the Commission organised a high-level conference, bringing together representatives from national and EU authorities, Members of the European Parliament, private sector and civil society representatives and academia.
- The Commission organised roundtables with representatives of merchants/businesses, consumers and payment service providers in February and March 2023.
- The Commission participated in a European Parliament's Plenary debate in April 2023 and in policy debates organised by the European Parliament Economic and Monetary Committee in January 2023 and in March 2023.

Since January 2021, the European Central Bank and the European Commission services have been jointly reviewing at technical level a broad range of policy, legal and technical questions emerging from a possible introduction of the digital euro, taking into account their respective mandates and independence as provided for in the Treaties.

- **Collection and use of expertise**

A number of inputs and sources of expertise were used in preparing this initiative, including the following:

- Evidence supplied through the various consultations listed above;
- Focus group analyses conducted by the ECB in 2021, 2022 and 2023;
- Study on New Digital Payment Methods, Kantar Report March 2022;
- Participation of Commission services, as observer, in the ECB Market Advisory Group on the digital euro and in the European Retail Payments Board;
- ECB working papers, staff working documents, surveys and statistics;
- Commission and Joint Research Center (JRC) simulations and research.

- **Impact assessment**

This proposal is accompanied by an impact assessment. The impact assessment report was first submitted to the Regulatory Scrutiny Board (RSB) on 14 October 2022. The RSB examined the impact assessment on 16 November 2022 and gave a negative opinion on 18 November 2022. The impact assessment report was resubmitted to the RSB on 23 March 2023 and the RSB gave a positive opinion on 25 April 2023. The RSB issued two opinions on the report. The first opinion requested improvements in terms of problem definition and specific objectives and asked for a more consistent intervention logic. The RSB also asked for more explanations about the functioning and the impacts of some essential requirements and design features of the digital euro, including on limits of its store of value, the regulation of merchant fees, cybersecurity risks as well as wider security considerations. The second opinion asked for more assessment on the potential benefits and costs in relation to merchant fees and more analyses on the expected impact of the preferred options on the existing market and market actors. The final impact assessment report took on board the comments of the RSB and improved the analyses and descriptions accordingly.

The impact assessment considers that the key problem and the main reason for the necessity of creating the digital euro is that central bank money in physical form i.e. cash alone is not sufficient in the digital age to support the European economy.

Two problem drivers were identified:

- In a rapidly digitalizing economy, central bank money in physical form i.e. cash is not available for payments in a growing part of the economy, in particular e-commerce, and cannot meet the future needs of industry 4.0 (e.g. machine-to-machine payments, conditional payments);
- Third country CBDCs and other innovative means of payment (i.e. stablecoins) not denominated in euro may gradually gain market share in the euro area's payment markets and reduce the role of the euro.

Several options were considered for regulating the essential elements of a digital euro. The options examined how the digital euro could be regulated to achieve the policy objectives while balancing key trade-offs: (i) enabling wide usage while ensuring fair competition with private payment solutions, (ii) protecting privacy while ensuring traceability, (iii) ensuring wide usage while protecting financial stability and credit provision and (iv) supporting international use while mitigating risks for non-euro countries and the Eurosystem.

The impact assessment presents a package of preferred options:

- Providing legal tender status to the digital euro with an obligation for all payees to accept it, though with justified and proportional exceptions, and distribution arrangements. To ensure coherence between all forms of central bank money, it is furthermore suggested to regulate the legal tender status of cash in a parallel legislative proposal;
- The ECB should publish the level of maximum fees and inter-PSP fees;
- Providing for a high level of privacy and data protection for low-value offline proximity payments by processing personal data related to users' identity at the moment of opening digital euro payment accounts with payment service providers but not disclosing transaction data to payment service providers, while online payments would be treated like private digital means of payment, consistent with current AML/CFT requirements;
- Reducing the risks posed by financial disintermediation and the risk to financial stability by allowing the European Central Bank to define and implement tools in order to keep the digital euro's store of value function within reasonable bounds;
- Making the digital euro first available for natural and legal persons residing or established in the euro area and visitors, but possibly expand its use at a later stage to non-euro area Member States and third countries, subject to agreements and/or arrangements, so as to mitigate risks to financial stability and monetary sovereignty.

This combination of options would bring several benefits that justify the necessity of introducing the digital euro to ensure the continued use of the euro as a single currency in the digital age.¹⁷ The general public could benefit from a broader choice as they could use central bank money with legal tender throughout the euro area, in addition to digital means of payments based on commercial bank money. The general public would also benefit from the enhanced trust in the monetary system that is provided by a digital monetary anchor. An easy-

¹⁷ It is important to underline that the support for the euro remains at a very high level in the EU (71%, the second highest level ever recorded), and even more in the euro area (79%). Source: Standard Eurobarometer 98 (Winter 2022-2023), survey available through the link: [Standard Eurobarometer 98 - Winter 2022-2023 - February 2023 - Eurobarometer survey \(europa.eu\)](https://ec.europa.eu/eurobarometer/surveys/trend/98-winter-2022-2023)

to-use and widely available digital euro would also support further financial inclusion in a digitalised society. Merchants would equally enjoy an increased choice for receiving payments and benefit from more competition in the pan-European payment market leading to more efficiency.

Payment services providers would distribute the digital euro to their customers and in addition could generate fees on additional innovative services linked to the digital euro and other services.

Moreover, a digital euro would support open strategic autonomy by creating a new payment scheme that would be resilient against potential external disruptions. A digital euro could also support European businesses for future use cases in industry 4.0 and web 3 (i.e. decentralised internet) by giving them a public alternative to programmable payments potentially offered by CBDCs of foreign countries and stablecoins from technology companies. The implementation costs of the initiative would mainly fall on the European Central Bank, merchants and PSPs. For proportionality reasons, the preferred option foresees exceptions to the mandatory acceptance for some categories of merchants on the understanding that merchants accepting private electronic means of payment would have to also accept digital euro payments. There might be also some learning costs for consumers, similarly to the learning costs associated with online banking or new apps. The initiative would also trigger some operating (recurrent) costs. People could use basic digital euro payment services for free and pay fees for additional digital euro payment services, which are also expected to be set competitively as compared to existing payment means. The introduction of the digital euro is expected to have an impact on both the EU's retail payment market and deposits. On one hand, the digital euro could reduce the market share of existing private electronic means of payments, resulting in lower revenues for certain PSPs. On the other hand, the distribution of the digital euro would also mean revenue for both distribution and acquiring PSPs. Furthermore, the potential conversion of funds placed in PSPs (especially credit institutions) to digital euro can reduce the PSP's liquidity situation, interest income and may affect credit provision.

Since the online digital euro would likely use similar infrastructure as currently available payment means, the energy consumption and thus environmental impact is expected to be similar to existing payments. In terms of social impact, the digital euro would improve financial inclusion by ensuring access to the digital euro payment services to unbanked people in a context where cash becomes less and less useable in a digitalised economy.

Overall, the assessment concludes that the long-term benefits of a well-designed digital euro with appropriate safeguards outweigh its costs. What is more, the costs of no action can potentially be very large.

- **Regulatory fitness and simplification**

The present initiative is not a REFIT initiative. It concerns a new form of central bank money with legal tender available to the general public, alongside the euro banknotes and coins that shall be created and regulated in its essential aspects by a new EU Regulation based on Article 133 TFEU. Hence, it is not based on an evaluation of any existing Regulation.

The digital euro initiative will be largely neutral from a one-in one-out perspective. There is currently no framework for a digital euro in place, hence there are no existing administrative costs that could be saved in this area.

While the initiative will involve adjustment costs, which would be kept to a minimum and compensated by benefits, it does not impose any new and significant administrative costs, i.e. specific labelling, reporting or registration requirements, which would need to be offset by cost savings elsewhere.

- **Fundamental rights**

The initiative fully respects the fundamental rights enshrined in the Charter of Fundamental Rights of the European Union. It also duly respects the right to liberty (Article 6 of the Charter), the freedom to conduct a business (Article 16 of the Charter), the right to property (Article 17 of the Charter), the rights of the elderly (Article 25 of the Charter), the integration of persons with disabilities (Article 26 of the Charter), and a high level of consumer protection (Article 38 of the Charter).

The processing of personal data may be required to fulfil tasks that are essential to the use and distribution of a digital euro. This will have an impact on the fundamental rights to private life and the protection of personal data provided in Articles 7 and 8 of the Charter. Any limitation on the protection of personal data and privacy applies only in so far as it is strictly necessary, in accordance with Article 52 of the Charter. More specifically, the processing of personal data is required only for the tasks related to the distribution and use of the digital euro laid down in this regulation as well as for existing tasks carried out in the public interest or for compliance with a legal obligation established in Union law that apply to funds as defined in Directive (EU) 2015/2366. Such tasks include the prevention and detection of fraud, combatting money laundering and terrorist financing the fulfilment of obligations related to taxation and tax avoidance, and the management of operational and security risks. This proposal ensures that processing activities respect the requirements of Union data protection law by establishing the respective responsibilities of a controller from a data protection perspective, notably those of the European Central Bank and national central banks and PSPs. Where the European Central Bank and national central banks determine the means of processing as a controller, state-of-the-art security and privacy-preserving measures will ensure that personal data is pseudonymised or encrypted in a manner where personal data processed cannot be directly attributed to an identified or identifiable digital euro user. The proposal further lays down a procedure to verify whether any of PSPs' customers are designated persons or entities subject to EU sanctions. It establishes clear rules concerning the frequency of and responsibility for such verifications. The initiative ensures that any personal data to carry out such verifications are adequate, relevant and limited to what is necessary.

4. BUDGETARY IMPLICATIONS

This Regulation has no budgetary implications.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The objective of ensuring that the central bank issued money, the digital euro, can support the EU by meeting the payment needs in the digital age can be monitored on an ongoing basis based on data from the payment service providers, merchants and the ECB. The amount of digital euro in circulation, as well as the total number and value of retail payments in digital euro, and their relative share as compared to other payment means could be the main indicators in monitoring the use of digital euro in the digitalized economy of the EU.

There will only be limited new reporting requirements for payment service providers.

The proposal includes a general plan for monitoring and evaluating the impact on the specific objectives, requiring the Commission to carry out a first review three years after the date of application of the Regulation (and every three years thereafter), and to report to the European Parliament and the Council on its main findings. The review is to be conducted in line with the Commission's Better Regulation Guidelines.

- **Detailed explanation of the specific provisions of the proposal**

Subject matter, establishment and issuance of the digital euro (Articles 1 to 4)

The purpose of this Regulation is to establish the digital euro and regulate its essential aspects to ensure the use of the euro as a single currency across the euro-area. The digital euro is available to natural and legal persons for the purpose of retail payments. The responsibility for authorising the issuance of the digital euro by the European central bank or the national central banks of the euro area Member States lies with the European Central Bank.

Applicable law and competent authorities (Articles 5 and 6)

Article 5 clarifies that Directive (EU) 2015/2366 of the European Parliament and of the Council, of 25 November 2015, on payment services in the internal market, as amended by Directive (EU) *[please insert reference - proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the internal market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC - COM(2023) 366 final]* applies to the digital euro. That Directive extends the definition of funds to central bank money issued for retail use, which includes central bank digital currencies.

Likewise, Regulation (EU) 2021/1230 of the European Parliament and of the Council of 14 July 2021 on cross-border payments in the Union, as amended by Regulation (EU) of the European Parliament and the Council, *[please insert reference – proposal for a Regulation on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro - COM/2023/368 final]*, Directive (EU) 2015/849 of the European Parliament and of the Council, of 20 May 2015, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (with the exception of offline payments), as replaced by *[please insert reference – proposal for a Regulation for Anti-Money Laundering Regulation – COM/2021/421 final]* and *proposal for a Directive for Anti-Money Laundering - COM/2021/423]* and the Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds apply to the digital euro.

While competent authorities under Directive 2015/2366 and Directive 2015/849 would be responsible for supervising and enforcing any obligations laid down in these Union Acts, based on Article 114 TFEU, the same competent authorities would also be responsible for ensuring respect of the relevant provisions of this Regulation.

Supervisory arrangements between the competent authorities of the home Member State and the competent authorities of the host Member States laid down under Directive 2015/2366 and Directive 2015/849 should also apply with respect to the digital euro.

In addition, Member States should designate competent authorities to monitor and enforce the legal tender obligations under this Regulation.

This Regulation only governs the supervision by competent authorities and sanction regimes concerning payment services providers incorporated in Member States whose currency is the

euro. Payment services providers incorporated in Member States whose currency is not euro may distribute the digital euro, subject to the supervision and sanction regimes of Member States whose currency is not the euro. For this purpose, this Regulation is accompanied by a legislative proposal based on Article 114 TFEU.

Legal tender (Articles 7 to 12)

The digital euro is granted legal tender status which entails inter alia its mandatory acceptance by payees (Article 7), unless otherwise provided in the Regulation. Article 9 defines a set of exceptions to the obligation to accept the digital euro. This set of exceptions includes the right for a microenterprise not to accept the digital euro, unless it accepts comparable digital means of payment. Similarly, a natural person acting in the course of a purely personal activity is not obliged to accept the digital euro. The obligation to accept the digital euro fully respects the contractual freedom of parties, as a payee will furthermore not be required to accept digital euro payments if both the payee and the payer have expressly agreed on a different means of payment prior to the payment. Nevertheless, payees will be prohibited to use contractual terms that have not been individually negotiated (Article 10) as this would result in undermining the mandatory acceptance by payees and the contractual freedom of payers. Article 11 further recognises additional exceptions to the digital euro of a monetary law nature that the Commission is empowered to adopt by means of a delegated act. The power of the Commission to adopt delegated acts applies without prejudice to the possibility for Member States to adopt national legislation introducing exceptions to the mandatory acceptance deriving from the legal tender status in accordance with the conditions laid down by the Court of Justice in joined cases C-422/19 and C-423/19. Article 12 requires the convertibility of digital euro and euro cash into each other at par. For the avoidance of doubt, Article 12 also gives the payer the right to choose to pay in digital euro or cash in those situations where mandatory acceptance of both applies in accordance with this Regulation, including notably those provisions affecting mandatory acceptance (i.e. Articles 7, 8, 9, 10 and 11), as well as with the Regulation on the legal tender of euro banknotes and coins.

Distribution (Articles 13 to 14)

In accordance with the authorisation they have been granted to provide payment services under Directive 2015/2366, all payment services providers (PSPs) authorised in the EU may provide digital euro payment services, including additional digital euro payment services, in addition to basic digital euro payment services. Payment service providers do not need an additional authorisation from their competent authorities to provide digital euro payment services. For the purpose of distributing the digital euro, payment service providers need to enter into a contractual relationship with digital euro users. A contractual relationship between digital euro users and the European Central Bank is excluded. Digital euro users may have one or several digital euro payment accounts, held at the same or at a different payment service provider.

The provision of digital euro services by PSPs is limited to (i) natural or legal persons residing or established in the Member States whose currency is the euro, (ii) natural or legal persons who opened a digital euro account at the time they resided or were established in the Member States whose currency is the euro, but no longer reside or are established in such Member States, (iii) visitors, (iv) natural or legal persons residing or established in Member States whose currency is not the euro, subject to the conditions laid down in Article 18, and (v) natural or legal persons residing or established in third countries, including territories under a monetary agreement with the European Union, subject to the conditions laid down in

Articles 19 and 20. PSPs authorised outside the euro area may provide those services by means of free establishment or free provisions of services under Directive 2015/2366.

Article 13 further lays down specific tasks that a PSP shall carry out for the euro to be used a single currency across the Union. This includes making available funding and defunding functionalities and enabling digital euro users to have their digital euro holdings in excess of any limitations the ECB may adopt (e.g. holding limits) automatically defunded to a non-digital euro payment account such as a commercial bank account when a digital euro payment transaction is received (“waterfall approach”). This also includes enabling digital users to make a digital euro payment transaction where the transaction amount exceeds their digital euro holdings (“reverse waterfall approach”).

Article 14 requires credit institutions that operate a payment account to distribute all the set of basic digital euro payment services to natural persons residing in the Member States whose currency is the euro, upon request of their clients. For natural persons that do not have a non-digital euro payment account at a credit institution or do not wish to open a digital euro payment account at a credit institution or at other payment services providers distributing the digital euro, Member States should designate specific entities (i.e. local or regional authorities or postal offices) that would be required to provide the basic digital euro payment services. In addition, the right of access to payment accounts with basic features under Directive (EU) 2014/92 (Payment Account Directive) should apply in relation to basic digital euro payment services with digital euro basic services provided for free as opposed to “free or reasonable fees” under Article 18 of the Payment Account Directive. Distribution of the digital euro by other payment services providers would be at the payment services providers’ own initiative. All payment services providers that are required to provide digital euro basic services under Article 14 should provide digital inclusion support to persons with disabilities, functional limitations or limited digital skills, and elderly people.

Limits to the use of the digital euro as a store of value (Article 16)

The European Central Bank should develop instruments to limit the use of the digital euro as a store of value, including holding limits. Article 16 defines a set of criteria that the parameters and use of the instruments developed by the European Central Bank should meet with the view of safeguarding financial stability. In particular, these instruments should not prevent accepting and initiating a digital euro payment transaction. Subject to the criteria specified under Article 16, the decision on whether and when to use such instruments, as well as their calibration, should rest entirely with the European Central Bank. Within the framework of this Regulation, the digital euro should not bear interest.

Fees on digital euro payment services (Article 17)

Merchant service charge or inter-PSP fee are regulated to ensure that they do not exceed the lowest of the following amounts: (i) the relevant costs incurred by payment services providers, including a reasonable margin of profit and that (ii) fees or charges requested for comparable means of payment. For this purpose, the European Central Bank should regularly monitor the relevant costs, fees and charges and publish and revise periodically those amounts. Competent authorities designated by Member States would be responsible for ensuring compliance with this Article.

Access to and use of the digital euro outside the euro area (Articles 18 to 21)

Chapter V lays down rules governing the access to and the use of the digital euro outside the euro area, which depend on whether natural and legal persons reside or are established in a

non-euro area Member States or in a third country. Access to and use of the digital euro in a non-euro area Member State is possible, subject to two conditions: (1) the non-euro area Member State makes a request in this direction and commits to a number of conditions; (2) the European Central Bank and the non-euro area national central bank enter into an arrangement that specifies the necessary implementing measures. Access to and use of the digital euro in a third country is also possible, subject to two conditions as well: (1) the Union and the third country conclude an international agreement, and the third country commits to a number of conditions; (2) the European Central Bank and the non-euro area national central bank enter into an arrangement that specifies the necessary implementing measures. In particular, access to and use of the digital euro in a territory under a monetary agreement with the Union is possible, subject to the monetary agreement provides for it. Chapter V also lays down rules on cross-currency payments between the digital euro and local currencies, which should be subject to a prior arrangement between the European Central Bank and the non-euro area national Central Banks.

Technical features (Articles 22 to 24)

The digital euro should be designed in a way that facilitates its use by the general public, including financially excluded persons or persons at risk of financial inclusion, persons with disabilities, functional limitations or limited digital skills, and older persons.

Digital euro users will not be required to have a non-digital euro payment account. Some functionalities of the digital euro require nevertheless a non-digital euro payment account. In particular, digital euro users may designate one non-digital euro payment account to be linked with the digital euro payment account to use waterfall and reverse waterfall functionalities for online digital euro payment transactions.

The digital euro should be available for digital euro payment transactions both offline and online as of the first issuance of the digital euro and should allow for conditional payment transactions. The digital euro should not be programmable money, which means units that, due to intrinsically defined spending conditions, can only be used for buying specific types of goods or services, or are subject to time limits after which they are no longer usable: as a digital form of the single currency, the digital euro should be fully fungible.

Modalities of distribution (Articles 25 to 33)

Users may use the European Digital Identity Wallets established under Regulation [please insert reference – proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity – COM(2021) 281 final] to onboard and make payments.

The European Central Bank should ensure that the digital euro is, to the extent possible, compatible with private digital payment solutions to enable synergies between the digital euro and private digital payment solutions, including with shared infrastructures and terminals at the point of interaction.

The European Central Bank should provide support for the processing of disputes, including technical and fraud disputes, related to the digital euro, at euro area level. The European Central Bank should not act as a party in any of these disputes. The European Central Bank may decide to confer the task of developing and managing a dispute mechanism function, as well as a fraud prevention function, upon providers of support services.

While the European Central Bank may provide as front-end an interface between digital euro users and the payment infrastructures of payment service providers, payment service providers may develop their proprietary front-end services. The digital euro users should have the choice between the different solutions available.

The digital euro should enable digital users to switch their digital euro payment accounts to another PSP at the request of the digital euro user. In exceptional circumstances, including when a PSP has lost the relevant data, the European Central Bank may support the switching of the digital payment account to another PSP designated by the digital euro user.

Privacy and data protection (Articles 34 to 36)

Article 35 precisely defines the tasks for which the ECB and national central banks may process personal data, which includes the settlement of digital euro payment transactions. Personal data processing should build on the use of state-of-the-art security and privacy-preserving measures, such as pseudonymisation or encryption, to ensure that data is not directly attributed to an identified digital euro user by the ECB and national central banks. The Commission is empowered to adopt delegated acts on the categories of personal data processed payment services providers, the ECB and national central banks and providers of support services.

Anti-Money Laundering & Counter-terrorist financing framework (Articles 37)

Article 37 provides for an adjusted anti-money laundering and counter-financing framework for offline digital euro payment transactions that will have a higher level of privacy than online payments. For offline digital euro payments, the European Central Bank, the national central banks and payment services providers will not gain access to personal transaction data. Payment service providers will only access funding and defunding data related inter alia to the identity of the user and the amount funded and defunded, similar to personal data processed by PSPs when users deposit or withdraw cash. PSPs should transmit these funding and defunding data, upon request, to Financial Intelligence Units and other competent authorities when users are suspected of money laundering or terrorist financing. The Commission is empowered to adopt implementing acts to set holding and transaction limits.

Final provisions (Articles 38 to 42)

The European Central Bank will report on the digital euro as part of its regular reporting obligations. Furthermore, it will specifically report to the Parliament, to the Council and to the European Commission on the instruments to limit the use of the digital euro as a store of value as well as their parameters, in relation to the objective to safeguard financial stability, no later than 6 months before the planned issuance of the digital euro, and at regular intervals afterwards. The Commission should also report on the impact of the parameters and the use of the instruments in particular on the role of financial intermediaries in the financing of the economy.

This Regulation should enter into force on the twentieth day following that of its publication in the Official Journal of the European Union. Once this Regulation is agreed by the European Parliament and the Council, the European Central Bank will decide when and for which amount the digital euro should be issued, pursuant to Article 4 of this Regulation.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on the establishment of the digital euro

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 133 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank¹⁸,

Having regard to the opinion of the European Economic and Social Committee¹⁹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Commission emphasised in the Digital Finance and Retail Payment Strategies²⁰ of September 2020 that a digital euro, as a retail central bank digital currency, would act as a catalyst for innovation in payments, finance and commerce in the context of ongoing efforts to reduce the fragmentation of the Union retail payments market. The Eurosummit of March 2021 called for a stronger and more innovative digital finance sector and more efficient and resilient payment systems. The Eurogroup also acknowledged, in its statement of 25 February, the potential of a digital euro to foster innovation in the financial system. In that context, both the European Parliament²¹ and ECOFIN Council²² welcomed in February and March 2022 the European Central Bank's decision to launch a two-year investigation phase of a digital euro project, starting from October 2021.
- (2) On 2 October 2020, the European Central Bank published its "Report on a digital euro"²³. The report formed the basis for seeking views on the benefits and challenges of issuing a digital euro and on its possible design.
- (3) Central bank money in the form of banknotes and coins cannot be used for online payments. Today, online payments rely entirely on commercial bank money. The acceptability and fungibility of commercial bank money rely on its convertibility on a one-to-one basis to central bank money with legal tender, which serves as a monetary

¹⁸ OJ C [...], [...], p. [...].

¹⁹ OJ C [...], [...], p. [...].

²⁰ Communication from the Commission to the European Parliament, the Council and the Committee of the Regions on a Digital Finance Strategy for the EU (COM/2020/591 final)

²¹ European Parliament's resolution of 16 February 2022 on the European Central Bank – annual report 2021/2021/2063(INI)

²² <https://data.consilium.europa.eu/doc/document/ST-6301-2022-INIT/en/pdf>

²³ European Central Bank, [Report on a digital euro](#), October 2020.

anchor. That monetary anchor is at the core of the functioning of monetary and financial systems. It underpins users' confidence in commercial bank money and in the euro as a currency and is therefore essential to safeguard the stability of the monetary system in a digitalised economy and society. As central bank money in physical form alone cannot address the needs of a rapidly digitalising economy, this could gradually remove the monetary anchor for commercial bank money. It is therefore necessary to introduce a new form of official currency with legal tender which is risk free and helps visualise the convertibility at par of the money issued by various commercial banks.

- (4) To address the need of a rapidly digitalising economy, the digital euro should support a variety of use cases of retail payments. Those use case include person to person, person to business, person to government, business to person, business to business, business to government, government to person, government to business, and government to government payments. In addition, the digital euro should also be able to fulfil future payments needs, and in particular machine to machine payment in the context of Industry 4.0 and payments in the decentralised internet (web3). The digital euro should not cater for payments between financial intermediaries, payment service providers and other market participants (that is to say wholesale payments), for which settlement systems in central bank money exist and where the use of different technologies is being further investigated by the Eurosystem.
- (5) In a context where cash alone cannot answer the needs of a digitalised economy, it is essential to support financial inclusion by ensuring universal, affordable and easy access to the digital euro to individuals in the euro area, as well as its wide acceptance in payments. Financial exclusion in the digitalised economy may increase as private digital means of payments may not specifically cater for vulnerable groups of the society or may not be suitable in some rural or remote areas without a (stable) communication network. According to the World Bank and the Bank for International Settlements, “efficient, accessible and safe retail payment systems and services are critical for greater financial inclusion”.²⁴ That finding was further substantiated by the study on new Digital Payment Methods commissioned by the European Central Bank, which concluded that for the unbanked/underbanked/offline population, the most important features of a new payment method are easiness of use, not requiring technological skills, and to be secure and free of charge.²⁵ A digital euro would offer a public alternative to private digital means of payments and support financial inclusion as it would be designed along these objectives, thus catering for free access, easiness of use and wide accessibility and acceptance.
- (6) The digital euro should complement euro banknotes and coins and should not replace the physical forms of the single currency. As legal tender instruments, both cash and digital euro are equally important. Regulation (EU) *[please insert reference – proposal for a Regulation on the legal tender of euro banknotes and coins - COM/2023/364]* would harmonise legal tender for cash and ensure that cash is widely distributed and effectively used.

²⁴ <https://documents1.worldbank.org/curated/en/806481470154477031/pdf/Payment-Aspects-of-Financial-Inclusion.pdf>

²⁵ Study on New Digital Payment Methods (europa.eu), March 2022. According to the World Bank, financial inclusion means that individuals have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance”.

- (7) Future developments in digital payments may affect the role of the euro in retail payment markets both in the European Union and internationally. Many central banks around the world are currently exploring the issuance of central bank digital currencies ('CBDCs') and some countries have already issued a CBDC. In addition, so-called third country stablecoins not denominated in euro, could, if widely used for payments, displace euro denominated payments in the Union's economy by satisfying demand for programmable payments (which are referred as conditional payments in the context of this Regulation), including in e-commerce, capital markets or industry 4.0. A digital euro would therefore be important to maintain the role of the euro in the digital age.
- (8) It is therefore necessary to lay down a legal framework for establishing a digital form of the euro with the status of legal tender, for use by people, businesses and public authorities in the euro area. As a new form of the euro available to the general public, the digital euro should have important societal and economic consequences. It is therefore necessary to establish the digital euro and to regulate its main characteristics, as a measure of monetary law. The European Central Bank is competent to issue and to authorise the issuance of the digital euro by national central banks of the Member States whose currency is the euro, exercising its powers under the Treaties. On the basis of those powers and in accordance with the legal framework set out in this Regulation, the European Central Bank should thus be able to decide whether to issue the digital euro, at which times and in what amounts, and other particular measures that are intrinsically connected to its issuance, in addition to banknotes and coins.
- (9) Like euro banknotes and coins, the digital euro should be a direct liability of the European Central Bank or of the national central banks of the Member States whose currency is the euro towards digital euro users. The digital euro should be issued for an amount equal to the face value of the corresponding liability on the consolidated balance sheet of the European Central Bank and the national central banks of the Member States whose currency is the euro, in particular by converting payment service providers' central bank reserves into digital euro holdings, to satisfy demand from digital euro users. To hold and use digital euros, digital euro users should only need to establish a contractual relationship with payment service providers distributing the digital euro to open digital euro payment accounts. No account or other contractual relationship would be established between the digital euro user and the European Central Bank or the national central banks. Payment service providers should manage the digital euro accounts of digital euro users on their behalf and provide them with digital euro payment services. Since payment service providers are not a party to the direct liability held by digital euro users towards the European Central Bank and the national central banks of the Member States whose currency is the euro, and are acting on behalf of digital euro users, the insolvency of payment service providers would not affect digital euro users.
- (10) The digital euro should be governed by the provisions of this Regulation. They may be supplemented by the delegated acts that the Commission is empowered to adopt pursuant to Articles 11, 34, 35, 36 and 38, and by the implementing acts that the Commission is empowered to adopt pursuant to Article 37. In addition, within the framework of this Regulation and its delegated acts, the European Central Bank may adopt detailed measures, rules and standards pursuant to its own competences. Where such measures, rules and standards have an impact on the protection of individual's rights and freedoms with regard to the processing of personal data, the European Central Bank should consult the European Data Protection Supervisor. To ensure legal certainty, the Regulation also clarifies that the digital euro is subject to Directive (EU)

2015/849 of the European Parliament and of the Council, of 20 May 2015, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and to Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds, without prejudice to the adjusted anti-money laundering and counter terrorist financing framework laid down in this regulation for offline digital euro payment transactions. Digital euro payment transactions and the related payment services are also subject to Directive (EU) 2015/2366 of the European Parliament and of the Council, of 25 November 2015, on payment services in the internal market, as amended by Directive [please insert reference - proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the internal market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC - COM(2023) 366 final] which has provided that ‘funds’ include central bank money issued for retail use (i.e. banknotes, coins and central bank digital currencies), and to Regulation (EU) 2021/1230 on cross border payments.

- (11) To ensure the effective protection of the legal tender status of the digital euro as a single currency throughout the euro area, and the acceptance of payments in digital euro, rules on sanctions for infringements should be introduced and applied in the Member States.
- (12) The relevant provisions of Directive (EU) 2015/2366 as replaced by Directive (EU) [please insert reference – proposal for a Directive on payment services and electronic money services in the internal market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC - COM(2023) 366 final], Directive (EU) 2015/849 as replaced by Directive (EU) [please insert reference – proposal for Anti-Money Laundering Directive - COM/2021/423 final] and Regulation (EU) 2016/679 should govern the supervision by competent authorities and the sanctions regime and supervisory arrangements between the competent authorities of the home Member States and of the host Member States, concerning the activities of Payment Services Providers established in Member States whose currency is not the euro. To ensure an efficient supervision of payment services providers distributing the digital euro, the competent authorities responsible under Directive (EU) 2015/2366 for supervising the provision of payment services should also cooperate with the European Central Bank for the purposes of supervising the application of payment-related obligations laid down in Regulation (EU) No XXX on the establishment of the digital euro. Any personal data processing under the present Regulation must comply with Regulation (EU) 2016/679 and Regulation (EU) 2017/1725 insofar as they fall within their respective scope of application. Therefore, the supervisory authorities under Regulation (EU) 2016/679 and Regulation (EU) 2018/1725 are responsible for the supervision of processing of personal data carried out in the context of this Regulation.
- (13) Member States, their relevant authorities and payment service providers should deploy information and educational measures to ensure the necessary level of awareness and knowledge of the different aspects of the digital euro.
- (14) According to the case-law of the Court of Justice of the European Union ²⁶, the concept of ‘legal tender’ of a means of payment denominated in a currency unit signifies, in its ordinary sense, that that means of payment cannot generally be refused

²⁶ See judgment of 26 January 2021 in Joined Cases C-422/19 and C-423/19, *Hessischer Rundfunk*, EU:C:2021:63 point 46.

in settlement of a debt denominated in the same currency unit, at its full-face value, with the effect of discharging the debt.

- (15) Legal tender status is a defining characteristic of central bank money. In the euro area, until now euro banknotes and coins are the only means of payment that have the status of legal tender, pursuant to Article 128(1) of the Treaty on the Functioning of the European Union ('TFEU') and Article 10 and 11 of Council Regulation (EC) No 974/98²⁷ on the introduction of the euro²⁸.
- (16) The digital euro, as a digital currency with the status of legal tender denominated in euro issued by the European Central Bank and national central banks of the Member States whose currency is the euro, as part of the Eurosystem, should be widely accessible, usable and accepted as a means of payment. Granting legal tender status to the digital euro should support its usability in payments across the euro area and thus also support the efforts to ensure the continued availability and accessibility of central bank money in its role of monetary anchor, as cash alone cannot address the needs of a rapidly digitalising economy. In addition, the mandatory acceptance of payments in digital euro as one of the main conditions of the legal tender status ensures that people and businesses benefit from a wide acceptance and have a real choice to pay with central bank money in a digital way and in a uniform manner throughout the euro area.
- (17) The digital euro should have legal tender status for offline digital euro payment transactions occurring within in the euro area, similarly to euro banknotes and coins which have legal tender status in the euro area. The digital euro should also have legal tender status for online digital euro payment transactions made to a payee residing or established in the euro area, where the payer is also residing or established in the euro area. Similarly, the digital euro should have legal tender status for online digital euro payment transactions made to a payee residing or established in the euro area, where the payer is not residing or established in the euro area.
- (18) Since the digital euro requires the capacity to accept digital means of payment, imposing an obligation of mandatory acceptance of payments in digital euro on all payees could be disproportionate. To this end, exceptions to the mandatory acceptance of payments in digital euro should be provided for natural persons acting in the course of a purely personal or household activity. Exceptions to mandatory acceptance should also be provided for microenterprises, which are particularly important in the euro area for the development of entrepreneurship job creation and innovation, playing a vital role in shaping the economy. Union policies and actions should reduce regulatory burdens for enterprises of this size. Exceptions to mandatory acceptance should also be provided for non-profit legal entities which promote the public interest and serve the public good performing a variety of goals of societal interest, including equity, education, health, environmental protection and human rights. For microenterprises and non-profit legal entities, the acquisition of the required infrastructure and the acceptance costs would be disproportionate. They should therefore be exempted from the obligation to accept payments in digital euro. In such cases, other means for the settlement of monetary debts should remain available. Nevertheless, microenterprises and non-profit legal entities that accept comparable digital means of payment from payers should be subject to the mandatory acceptance of payments in digital euro.

²⁷ Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1).

²⁸ OJ L139, 11.5.1998, p.1.

Comparable digital means of payment should include debit card payment or instant payment or other future technological solutions used at the point of interaction, but should exclude credit transfer and direct debit that are not initiated at the point of interaction. Microenterprises and non-profit legal entities that do not accept comparable digital means of payment from their payers in settlement of a debt (e.g. they only accept euro banknotes and coins), but may use digital payments in settlement of a debt to their payees (e.g. they pay with credit transfers), should not be subject to the mandatory acceptance of payments in digital euro. Finally, a payee may also refuse a payment in digital euro if the refusal is made in good faith and if the payee justifies the refusal on legitimate and temporary grounds, proportionate to concrete circumstances beyond its control, leading to an impossibility to accept payments in digital euro at the relevant time of the transaction, such as a power outage in the case of online digital euro payment transactions, or a defective device in the case of offline or online digital euro payment transactions.

- (19) In order to ensure that additional exceptions to the mandatory acceptance of the digital euro may be introduced at a later stage if they are required, for example due to technical specificities that may appear in the future, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the introduction of additional exceptions of a monetary law nature to the obligation to accept digital euro payment transactions, which would apply in a harmonised way across the euro area, taking into account any proposals from Member States to this end. The Commission may only adopt such exceptions if they are necessary, justified on grounds of general interest, proportionate, and preserve the effectiveness of the legal tender status of the digital euro. The power of the Commission to adopt delegated acts for the introduction of additional exceptions to the obligation to accept digital euro payment transactions should be without prejudice to the possibility for Member States, pursuant to their own powers in areas of shared competence, to adopt national legislation introducing exceptions to the mandatory acceptance deriving from the legal tender status in accordance with the conditions laid down by the Court of Justice of the European Union in its judgment in Joined Cases C-422/19 and C-423/19.
- (20) In order to ensure that people and businesses benefit from a wide acceptance network and are able to effectively use the digital euro in their day-to-day payments, payees who are subject to the mandatory acceptance of payments in digital euro should not unilaterally exclude payments in digital euro through contractual terms that have not been individually negotiated or commercial practices.
- (21) The main objective of the establishment of the digital euro is its use as a form of the single currency with legal tender in the euro area. For this purpose and in line with the Agreement on the European Economic Area, digital euro users residing or established in the euro area, including consumers with no fixed address, asylum seekers and consumers who are not granted a residence permit but whose expulsion is impossible for legal or factual reasons, may be provided digital euro payment services by PSPs established in the European Economic Area. Natural and legal persons who were already receiving digital euro payment services, because they opened a digital euro payment account at the time they resided or were established in a Member State whose currency is the euro, but no longer reside or are established in such Member State, may still receive digital euro payment services by payment service providers established in the European Economic Area, in line with the Agreement on the European Economic Area, subject to possible time limitations in relation to the status

of residence or establishment of these persons that the European Central Bank may define.

- (22) In accordance with Directive 2015/2366 of the European Parliament and the Council, the notion of ‘funds’ means banknotes and coins, scriptural money or electronic money. As a new form of central bank money with legal tender, the digital euro should be considered as funds under Directive 2015/2366. It should be ensured that payment service providers distributing the digital euro should be subject to the requirements laid down in this Directive as transposed by Member States and supervised for this purpose by the competent authorities referred to in this Directive as well. When issuing the digital euro, the European Central Bank and national central banks of the Member States whose currency is the euro, as part of the Eurosystem, would be acting in their capacity as monetary authority and should therefore not be subject to Directive 2015/2366 in accordance with Article 1(e) of that Directive.
- (23) Digital euro payment accounts are a category of payment accounts denominated in euro through which digital euro users are able to carry out inter alia the following transactions: place funds, withdraw cash and execute and receive payment transactions to and from third parties, irrespective of the technology used and the structure of the ledger or of the data (e.g. whether digital euros are recorded as holding balances or units of value). Where these activities require processing of personal data, the payment service providers should be controllers.
- (24) Account servicing payment service providers under Directive 2015/2366 should provide funding and defunding services to their clients, regardless of their ability to provide the liquidity source for those funds in central bank money. At the request of their clients, in view of successfully carrying out funding and defunding services, account servicing payment service providers that are allowed to have an account at the central bank should provide account servicing payment service providers that are not allowed to have an account at the central bank with access to payment systems, and similarly should pass through the settlement infrastructure the transfer orders of the account servicing payment service providers that are not allowed to have an account at the central bank, in an objective, proportionate and non-discriminatory manner.
- (25) For the purpose of properly enforcing any holding limits on the use of the digital euro decided upon by the European Central Bank, when on-boarding digital euro users, or during ex-post checks where appropriate, payment service providers in charge of distributing the digital euro should verify whether their prospective or existing customer already has digital euro payment accounts. The European Central Bank may support payment service providers in performing the task of enforcing any holding limits, including by establishing alone or jointly with national central banks a single access point of digital euro user identifiers and the related digital euro holding limits. The European Central Bank should implement appropriate technical and organisational measures, including state-of-the-art security and privacy-preserving measures, to ensure that the identity of individual digital euro users cannot be linked with the information in the single access point by entities other than payment service providers whose client or potential customer is the digital euro user. The European Central Bank should be controller to the extent that these activities require processing of personal data. When the European Central Bank establishes the single access point together with the national central banks, they should be joint controllers.
- (26) To support universal access to the digital euro by the general public in the euro area, and to foster innovation and a high level of competition in the retail payment market,

all the relevant intermediaries should be able to distribute the digital euro. All account servicing payment service providers under Directive 2015/2366, including credit institutions, electronic money institutions, payment institutions, post office giro institutions which are entitled under national law to provide payment services, the European Central Bank and national central banks of Member States whose currency is the euro, as part of the Eurosystem, when not acting in their capacity as monetary authority or other public authorities, and Member States or their regional or local authorities when not acting in their capacity as public authorities should be able to provide digital euro payment accounts and the related digital euro payment services, regardless of their location in the European Economic Area. Crypto asset services providers regulated under Regulation 2023/1114 of the European Parliament and of the Council²⁹ that are account servicing payment service providers under Directive 2015/2366 should also be allowed to distribute the digital euro. In accordance with Directive 2015/2366, account servicing payment service providers should be obliged to provide access to data on payment accounts to payment initiation and account information service providers based on Application Programming Interfaces (APIs), to allow them to develop and provide innovative additional services.

- (27) In case the availability of the digital euro were contingent upon free business decisions by all payment service providers, the digital euro could be marginalised or even excluded by the payment service providers. That could prevent users from paying and receiving payments in a form of currency endowed with the status of legal tender. In that case, the singleness in the use of the digital euro throughout the euro area required by Article 133 TFEU, would not be guaranteed. It is therefore essential that designated payment service providers be required to distribute digital euro basic services.
- (28) A requirement to distribute the digital euro should be proportionate to the objective of ensuring an effective use of the digital euro as a legal tender means of payment. Restricting that obligation to credit institutions that are already active in retail business services would ensure the effectiveness of legal tender status, while avoiding putting a disproportionate burden on payment service providers with specialised, non-consumer oriented business models. The obligation to distribute the digital euro is therefore limited to credit institutions providing payment account services at the request of their clients. This is without prejudice to the application of Chapter IV of the Payment Account Directive on access to payment account with basic features to the access to digital euro account with basic features to consumers which are not client of a credit institution.
- (29) To ensure a wide usage of the digital euro, including for people who do not have a non-digital euro payment account, do not wish to open a digital euro payment account at a credit institution or at another payment service providers that may distribute the digital euro, or persons with disabilities, functional limitations or limited digital skills, and elderly persons, it is essential that public entities, including local or regional authorities, or postal offices, distribute the digital euro. For that purpose, Member States should designate entities that should carry out that task within their territory. Such entities, as payment services providers under Directive (EU) 2015/2366, should

²⁹ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937, OJ L150, 9.6.2023, p. 40

comply with the provisions of this Regulation, including Directive (EU) 2015/2366 and Directive (EU) 2015/849.

- (30) To enable a wide usage of the digital euro and keep pace with innovation in digital payments, digital euro payment services should include basic and additional digital euro payment services. Basic digital euro payment services are payment, account or support services that are considered essential for the use of the digital euro by natural persons. This includes inter alia the provision of at least one payment instrument to natural persons. Only account servicing payment service providers under Directive 2015/2366 should provide the entire set of basic digital euro services. In addition to these basic digital euro payment services, account servicing payment service providers and other payment service providers under Directive 2015/2366 may develop and provide additional digital euro payment services. Additional digital euro payment services include for instance conditional digital euro payment transactions like pay-per-use or payment initiation services. The digital euro infrastructure should facilitate the deployment of such optional services.
- (31) Pursuant to its powers under the Treaties and in line with the provisions of this Regulation, the European Central Bank should be able to set limits on the use of the digital euro as a store of value. The effective use of the digital euro as a legal tender means of payment should be preserved through limits on inter-PSP or merchant fees.
- (32) An unrestricted use of digital euro as a store of value could endanger financial stability in the euro area, with adverse effects on credit provision to the economy by credit institutions. This may require that the European Central Bank, with a view to ensuring the stability of the financial system, and in line with the principle of proportionality, introduce limits on the digital euro's use as a store of value. The policy tools that could be used for this purpose include, but would not be restricted to, quantitative limits to individual digital euro holdings and limits to conversion of other categories of funds to digital euro in a specified timeframe. When deciding on the parameters and use of the instruments referred to in paragraph 1, the European Central Bank should respect the principle of an open market economy with free competition, in accordance with Article 127(1) TFEU.
- (33) Limits should not be used to substitute for early intervention or other supervisory measures. Neither should such limits be imposed to address situations of individual credit institutions which competent resolution authorities or other relevant authorities would normally deal with by using tools and powers at their disposal, including suspensions of payment, moratoria, measures available under Directive 2013/36/EU, Directive 2014/59/EU or Regulation (EU) No 806/2014, or other similar measures which are aimed at restoring the viability, resolving the institution concerned or otherwise remedying the situation of financial distress.
- (34) Digital euro users should have the choice to use the digital euro either online or offline, or both, subject to the limits set respectively by the European Central Bank and by a Commission implementing act. The payment service providers should register and de-register the local storage devices for offline digital euro payment transactions of their customers. The payment service providers should only store the identifier of the local storage device used for offline digital euro for the duration of facilitating the provision of offline digital euro to their customers. The payment service providers should implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that the

identifier of the device of individual digital euro users cannot be used for other purposes other than for the purpose of the provision of offline digital euro.

- (35) The payment service providers should register and re-register the local storage devices for offline digital euro payment transactions of their customers. The payment service providers should only store the identifier of the local storage device used for offline digital euro for the duration of facilitating the provision of offline digital euro to their customers. The payment service providers should implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that the identifier of the device of individual digital euro users cannot be compared with the information about the digital euro user in order to identify the data subject, except for the purpose of Article 37.
- (36) The digital euro should allow for a smooth payment experience. Any instruments that the European Central Bank might employ to limit the digital euro's store of value function should take this objective into account. Automated mechanisms that link a digital euro payment account with a non-digital euro payment account should allow for an uninhibited payment functionality of the digital euro, by ensuring that transactions are successfully executed in the presence of individual digital euro holding limits that may become binding on the payer's or payee's side. In particular, digital euro users should be able to initiate a digital euro payment transaction even though the amount of their digital euro holdings is inferior to the amount of the transaction, by automatically mobilising funds from a non-digital euro payment account to complement the transaction amount ('reverse waterfall functionality'). Conversely, digital euro users should be able to receive digital euro payment transactions even though the amount of the transaction exceeds the limit set on their digital euro holdings, by automatically transferring funds in excess of the limit to a non-digital euro payment account ('waterfall functionality'). Such payment functionalities should be expressly authorized by digital euro users. Where digital euro payment account held by one payment service provider is linked with non-digital euro payment account held by another payment service provider, they should enter into an arrangement specifying their respective roles and responsibilities under data protection rules, as well as agree on the security measures necessary to ensure secure transmission of personal data between the two payment service providers.
- (37) While instruments employed by the European Central Bank to limit an excessive use of the digital euro as a store of value aim at safeguarding financial stability and financial intermediation, they may nonetheless impact on and interact with the European Central Bank's monetary policy stance. Such instruments would therefore need to be applied uniformly across the euro area in order to ensure the use of the digital euro as a single currency and the singleness of the monetary policy. Furthermore, a uniform application would be necessary to ensure a level playing field for payment service providers in the European single market or avoid an overly complex enforcement of any instrument through payment service providers on the basis of digital euro users' residency. Within the framework of this Regulation, the digital euro should not bear interest for the purposes of primarily using the digital euro as a means of payment while limiting its use as a store of value.
- (38) Limits to the use of the digital euro for digital euro users residing or established outside the euro area should not be more favourable than for digital euro users residing or established in the euro area, also to cater for monetary sovereignty and financial stability concerns both within and outside the euro area.

- (39) Any limits to the store of value function that the European Central Bank decided on should be binding on and implemented by the payment service providers distributing the digital euro. While natural or legal persons may have one or more digital euro payment accounts at the same payment service provider or at different payment service providers, they should be subject to an individual holding limit that a digital euro user may allocate across different payment services providers. Payment service providers may offer digital euro users the possibility to legally have a joint digital euro payment account. In this case, any holding limit applied to the joint digital euro payment account should be equal to the sum of the allocated holding limits of the digital euro users. Where a digital euro payment account is legally held by only one digital euro user, but can be technically accessed to and used by several persons, upon de facto or legal mandate given by the digital euro user, any holding limit applied to the digital euro payment account should remain equal to the holding limit defined for a digital euro payment account held by a single digital euro user, to avoid any circumvention of the holding limits.
- (40) To ensure wide access to and use of the digital euro, consistent with its status of legal tender, and to support its role as monetary anchor in the euro area, natural persons residing in the euro area, natural persons who opened a digital euro account at the time they resided in the euro area, but no longer reside there, as well as visitors, should not be charged for basic digital euro payment services. That means that such digital euro users should not bear any direct fees for their basic access to and basic use of the digital euro, including not being charged transaction fees or any other fees that are directly associated with the provision of services related to the basic use of the digital euro. Digital euro users should not be required to have or open a non-digital euro payment account or to accept other non-digital euro products. Where the digital euro user agrees to a package of services comprising non-digital euro services and basic digital euro payment services, the payment service provider should be able to charge that package of services at its discretion. In that case, there should not be a differentiated charge for the non-digital euro services when they are offered separately or as part of a package including basic digital euro payment services. Where the digital euro user asks to receive only basic digital euro payment services with a payment service provider, those services should not be charged, including for waterfall and reverse waterfall functionalities where the digital euro user also has a non-digital euro payment account with another payment service provider. Payment service providers should be able to charge digital euro users for additional digital euro payment services beyond the basic digital euro payment services.
- (41) The European Central Bank or the Eurosystem do not charge payment service providers for the costs it bears to support their provision of digital euro services to digital euro users.
- (42) As the digital euro is a form of the single currency having legal tender status, digital euro payment transactions should not be subject to excessive fees by payment service providers. In particular, granting the digital euro legal tender status, with the corollary of mandatory acceptance, means that merchants would have no choice but to accept digital euro payment transactions. Furthermore, any charge or fee per transaction or period erodes, directly or indirectly, the face value of payments received, which is an essential component of the legal tender status. It is therefore essential that a fee or a charge, as a restriction of the face value of the digital euro, be objectively justified and proportionate to the objective of ensuring an effective use of the digital euro as a legal tender means of payment.

- (43) To ensure that fees and charges are uniform across the euro area and proportionate, the European Central Bank should regularly monitor their level and, on this basis, publish the corresponding amounts together with an explanatory report. A maximum fee or charge should allow for free competition between intermediaries below that level. Fees or charges should not exceed the relevant costs incurred by payment service providers for the provision of digital euro payment services in relation to digital euro payment transactions, which are objective elements, and may include a reasonable margin of profit. For that purpose, the European Central Bank should use an estimate of the representative average cost incurred by payment service providers across the euro area and should therefore be in a position to collect relevant data from payment service providers. The relevant costs for providing digital euro payment services in relation to digital euro payment transactions should be based on the costs incurred by a representative group of the most efficient payment service providers in a given year. Competent authorities designated by Member States should be responsible for ensuring compliance by payment service providers with these maximum fees or charges.
- (44) Furthermore, to ensure an effective use of the digital euro, it is important that fees or charges are not higher than those requested for comparable private digital means of payment. International card schemes regulated under Regulation (EU) 2015/751 of the European Parliament and the Council³⁰, national card schemes, and instant payments at the point of interaction provided by payment service providers should be considered comparable means of payments.
- (45) As payment services providers distributing the digital euro would not be in a position to charge fees to natural persons for basic digital euro payment services, an inter-PSP fee may be needed to provide compensation to those payment service providers for the distribution costs. The inter-PSP fee should provide sufficient compensation for the distribution costs of both the distributing and acquiring payment service providers, including a reasonable margin of profit.
- (46) The distribution of the digital euro by natural or legal persons residing or established outside the euro area would contribute to foster the international use of the euro. This would also bring benefits to the euro area and other economies by facilitating cross-border payments for the purpose of trade or remittances, in line with the G20 agenda.
- (47) An excessive distribution of the digital euro outside the euro area could have an unwanted impact on the size and composition of the consolidated balance sheet of the European Central Bank and national central banks. Impacts on monetary sovereignty and financial stability of non-euro area countries may also differ depending on the use of the digital euro outside the euro area. Those impacts could be harmful in case the digital euro replaces the local currency in a high number of domestic transactions. In particular, a situation in which the digital euro becomes dominant in a Member State whose currency is not the euro, thus de facto replacing the national currency, could interfere with the euro area adoption criteria and process set out in Article 140 TFEU. To avoid undesirable effects and prevent monetary sovereignty and financial stability risks, both within and outside the euro area, it is necessary to provide for the possibility for the Union to conclude agreements with third countries, and for the

³⁰ Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions (OJ L 123, 19.5.2015, p. 1).

European Central Bank to conclude arrangements with the national central banks of Member States whose currency is not the euro and with the national central banks of third countries, to specify the conditions for the regular provision of digital euro payment services to digital euro users residing or established outside the euro area. Such agreements and arrangements should not cover visitors to the euro area, to whom payment service providers established in the European Economic Area³¹, in line with the Agreement on the European Economic Area, may directly provide digital euro payment services.

- (48) The provision of digital euro payment services to digital euro users residing or established in a Member State whose currency is not the euro should be subject to a prior arrangement between the European Central Bank and the national central bank of the Member State whose currency is not the euro, following a request from the Member State whose currency is not the euro. In line with the Agreement on the European Economic Area, digital euro users residing or established in non-euro area Member States may be provided digital euro payment services by payment service providers established in the European Economic Area.
- (49) The provision of digital euro payment services to digital euro users residing or established in third countries, with the exclusion of third countries or territories that are under a monetary agreement with the Union, should be subject to a prior agreement between the Union and such third country. This should also apply in the case of States that are a party to the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association. Such agreement should be complemented by an arrangement between the European Central Bank and the national central bank of the third country. Intermediaries established in the same country of residence or establishment than digital euro users and payment service providers established in the European Economic Area may provide digital euro payment services to digital euro users residing or established in third countries. Intermediaries providing digital euro payment services in third countries should be subject to adequate regulatory and supervisory requirements, with the objectives to ensure that the digital euro, which is a central bank money, is safely and adequately distributed, and is not misused. Regulatory and supervisory requirements should be determined as part of the conclusion of the international agreement, based on proportionate, objective and uniform criteria. Agreements and arrangements with high-risk third countries identified pursuant to Regulation [*please insert reference – proposal for a Regulation for Anti-Money Laundering Regulation – COM/2021/421 final*] should be restricted, suspended, or terminated.
- (50) The provision of digital euro payment services to digital euro users residing or established in third countries or territories, under a monetary agreement with the Union, should be governed by monetary agreements. Intermediaries established in the same country of residence or establishment than digital euro users and payment service providers established in the European Economic Area may provide digital euro payment services to digital euro users residing or established in third countries or territories, under a monetary agreement with the Union.
- (51) The use of the digital euro in cross-currency payments would furthermore contribute to foster the international use of the euro. This would also bring benefits to the euro

³¹ Agreement on the European Economic Area (OJ L 1, 3.1.1994, p. 3).

area and other economies by facilitating cross-border payments for the purpose of trade or remittances, in line with the G20 agenda.

- (52) Digital euro users, whether they reside or are established within the euro area or not, may also have the capacity to receive or initiate cross-currency payments between the digital euro and a local currency. Arrangements concluded between the European Central Bank and national central banks in Member States whose currency is not the euro and in third countries should specify the conditions for access to and use of interoperable payment systems for the purpose of cross-currency payments involving the digital euro.
- (53) Agreements and arrangements related to the provision of digital euro payment services or cross-currency payments involving the digital euro should be concluded on a voluntary basis, in priority with non-euro area Member States. The European Central Bank should cooperate with national central banks of Member States whose currency is not the euro for the purpose of cross-currency payments involving the digital euro.
- (54) The technical design of the digital euro should make it widely accessible to and usable by the general public. That design should, in particular, support access to financially excluded persons or persons at risk of financial exclusion, persons with disabilities by ensuring compliance with accessibility requirements laid down in Annex I of Directive (EU) 2019/882 of the European Parliament and the Council³² (European Accessibility Act), persons with functional limitations who would also benefit from accessibility, or persons with limited digital skills and elderly persons. For that purpose, the digital euro should have usage features that are simple and easy to handle, and should be sufficiently accessible through a wide range of hardware devices to cater for the needs of different groups of the population. Furthermore, payment service providers should provide digital euro users with digital euro payment services, regardless of those users holding non-digital euro payment accounts. In addition, those users should be allowed to have digital euro payment accounts with payment service providers that are different from the ones with which they have non-digital euro payment accounts.
- (55) The digital euro should support the programming of conditional digital euro payment transactions by payment service providers. The digital euro should, however, not be “programmable money”, which means units that, due to intrinsically defined spending conditions, can only be used for buying specific types of goods or services, or are subject to time limits after which they are no longer usable. Conditional payment transactions are payments which are automatically triggered by software based on pre-defined and agreed conditions. Conditional payments should not have, as object or effect, the use of digital euro as programmable money. Payment service providers could develop different types of logic to offer a range of conditional payment transactions to digital euro users, including automated payment transactions for placing or withdrawing digital euros, payment standing orders that trigger automatic payments of a specific amount on a specific date, and payments between machines where those machines are programmed to automatically trigger payments for their own spare parts upon ordering them, for charging and paying electricity at most favourable market conditions, for paying insurance, and leasing and maintenance fees on a usage basis.

³² Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services (OJ L 151, 7.6.2019, p. 70).

- (56) To facilitate the use of digital euro and the provision of innovative services, the Eurosystem should support the provision of conditional digital euro payment transactions. First, some types of conditional payment services could be supported through detailed measures, rules and standards that could help payment service providers to develop and operate interoperable applications that execute conditional logic. That could include a set of technical tools such as application programming interfaces. Second, the Eurosystem could provide additional functionalities in the digital euro settlement infrastructure, necessary for the provision of conditional payment services to digital euro users. That could facilitate the reservation of funds in the settlement infrastructure for future execution of some conditional payments. Payment service providers should adapt the business logic for conditional digital euro payment transactions in accordance with the standards and application programming interfaces which the Eurosystem may adopt to facilitate such transactions.
- (57) European Digital Identity Wallets could facilitate digital transactions by enabling authentication, identification and the exchange of attributes including licenses and certificates. European Digital Identity Wallets should contribute to the effective universal access to and use of the digital euro. Member States should issue European Digital Identity Wallets based on common standards and practices set out in the implementing legislation. The European Digital Identity Wallet should have strong and specific safeguards to ensure data protection and privacy and high-level security certification. Front-end solutions to be developed by the European Central Bank should therefore duly consider the technical specifications governing the European Digital Identity Wallets. This would enable the relevant interoperability with the European Digital Identity Wallets that would allow to capitalise on these benefits. Based on user choice, interoperability with the European Digital Identity Wallet should also allow to discharge customer due diligence under Regulation (EU) *[please insert reference – proposal for a Regulation for Anti-Money Laundering Regulation – COM/2021/421 final]*. Furthermore, to achieve a coherent customer experience, intermediaries might choose to fully integrate their digital euro front-end services into the specifications governing the European Digital Identity Wallets.
- (58) Users should be able, if they so wish, to onboard and authorise payments with the digital euro by using the European Digital Identity Wallets. Payment service providers should therefore be obliged to accept the European Digital Identity Wallets for the verification of both prospective and existing customers' identities, in line with Regulation (EU) *[please insert reference – proposal for a Regulation for Anti-Money Laundering Regulation – COM/2021/421 final]*. To facilitate the opening of digital euro accounts across the Union, payment service providers should also be able to rely on qualified attestations provided by the European Digital Identity Wallets, including for the remote performance of customer due diligence. Payment service providers should also accept the use of European Digital Identity Wallets if the payer wishes to use the wallet for payment authorisation of digital euro payment transactions. Further, to facilitate offline proximity payments in digital euro, it should be possible to use the European Digital Identity Wallets for the storage of digital euros in the payment device.
- (59) To facilitate a harmonised user experience, the digital euro rules, standards and processes that the European Central Bank may adopt pursuant to its own competences, should ensure that any digital euro user is able to carry out digital euro payment transactions with any other digital euro users across the euro area regardless of the payment service providers involved and the front-end services used. To reduce the

fragmentation of the European retail payments market, and to support competition, efficiency and innovation in that market, and the development of payment instruments across the Union in keeping with the objective of the Commission's retail payment strategy, the digital euro should be, to the extent possible, compatible with private digital payment solutions, building on functional and technical synergies. In particular, the European Central Bank should seek to ensure that the digital euro is compatible with private digital payment solutions at the point of interaction, and in person-to-person payments, where the fragmentation of the Union retail payments market is currently significant. The use of open standards, common rules and processes, and possibly shared infrastructures could support such compatibility. While existing solutions may be leveraged where such solutions are deemed appropriate to ensure that compatibility, notably in view of minimising overall adaptation costs, such existing solutions should not create undue dependencies that could prevent adaptation of the digital euro to new technologies or would be incompatible with the digital euro features. In order to achieve these objectives, and without conferring any enforceable rights upon market operators, the European Central Bank should seek to ensure that the digital euro is compatible with private digital payment solutions on a best-effort basis and where deemed appropriate.

- (60) To facilitate dispute resolution, the European Central Bank should provide payment service providers and digital euro users with technical and functional support for dispute resolution, related at least to technical and fraud (pre) disputes. Technical disputes include inter alia situations where the transaction amount differs, where there are duplicates, or where there is no authorization or pre-validation. Fraud disputes include inter alia situations of identity theft, merchant identity fraud, counterfeit goods.
- (61) To access and use the digital euro as part of digital euro payment services, digital euro users should be provided with front-end services. Those users should have the possibility to access and use digital euro payment services via the front-end services provided by payment service providers and by the European Central Bank. Payment service providers should be able to choose to rely on front-end services provided by other stakeholders, including the European Central Bank, notably in the case where the cost of developing and operating front-end services, including applications, are disproportionate. Where digital euro users can choose between different front-end services, the decision to select a given front-end service should ultimately rest in the hands of those users and should not be imposed by payment service providers or the European Central Bank. In this respect, payment service providers should have capacity to provide digital euro users with the possibility to access and use digital euro payment services via the front-end services provided by the European Central Bank. The European Central Bank and the payment service providers shall implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that the identity of individual digital euro users cannot be accessed by the ECB via its front-end solution.
- (62) To avoid interfering in the payment service providers' customer relationships and their role in the digital euro distribution, the front-end solutions provided by the European Central bank should be limited to providing an interface between digital euro users and the payment infrastructures of payment service providers. In particular, the Eurosystem would not have a contractual relationship with digital euro users even if those users use the front-end services provided by the European Central Bank. The ECB and the payment service providers should implement appropriate technical and

organisational measures including state-of-the-art security and privacy-preserving measures to ensure that the identity of individual digital euro users cannot be accessed by the ECB via its front-end solution.

- (63) To enable a smooth user experience, payment service providers that provide digital euro users with front-end services to access and use the digital euro should take care that digital euro users can quickly and easily access and use the digital euro. In particular, digital euro payment accounts should be clearly labelled by the use of the official digital euro logo. Digital euro payment accounts should be accessed via one of the main pages of the Internet website or an application, or any other front-end services, on an equal footing with non-digital euro payment accounts.
- (64) To provide for instantaneous settlement, both online and offline digital euro transactions, including in the context of funding and defunding, and as waterfall and reverse waterfall functionalities, should be settled instantaneously, in a few seconds only, in normal circumstances. The settlement of online digital euro payment transactions should be performed in the digital euro settlement infrastructure adopted by the Eurosystem. Online digital euro payment transactions should be settled in a matter of seconds as specified under the functional and technical requirements adopted by the European Central Bank. Final settlement of online digital euro payment transactions should be achieved at the moment of recording the digital euros concerned of the payer and the payee in the digital euro settlement infrastructure approved by the European Central Bank, irrespective of whether digital euros are recorded as holding balances or units of value, or of the technology used. The digital euro settlement infrastructure should seek to ensure adaptation to new technologies, including distributed ledger technology.
- (65) Due to the absence of network connectivity, the settlement of offline proximity payments in digital euros should be performed in the local storage of the payment device respectively of payers and payees. Offline proximity payments in digital euros should be settled in a matter of seconds as specified under the functional and technical requirements adopted by the European Central Bank. Final settlement should occur at the moment of updating the records of relevant digital euro holdings in the local storage devices of, respectively, the payer and the payee, irrespective of whether digital euros are recorded as holding balances or units of value, or of the technology used.
- (66) Since payment service providers are not party to a digital euro payment transaction between two digital euro users, digital euro payment transactions do not carry systemic risks and therefore do not warrant designation as a system as defined in Article 2, point (a), of Directive 98/26/EC of the European Parliament and of the Council³³. Digital euro payment transactions should be settled in a matter of seconds and therefore no options to net should be allowed.
- (67) For reasons of contractual freedom and to ensure competition, digital euro users should have the possibility to switch their digital euro payment accounts to different payment service providers. At the request of the digital euro users, payment service providers should then enable the switching of the digital euro payment accounts, while maintaining the same account identifiers. In exceptional circumstances where a payment service provider is unable to perform this task, including due to having lost

³³ Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment a

the relevant digital euro payment account-related data, the European Central Bank should be able to authorise the switching of digital euro payment accounts so that the new payment service provider designated by the digital euro user can retrieve the information about the digital euro holdings of the digital euro user and complete the switching without relying on the unavailable payment service provider. This process should allow a digital euro user to then continue accessing its digital euro holdings via the new designated payment service provider. The European Central Bank would not have any operational role in the switching on account both in both going concern situations and exceptional circumstances.

- (68) The prevention of fraud by payment service providers is essential for the protection of citizens making use of the digital euro, the integrity of the personal data processed in digital euro payments, and to ensure the smooth and efficient functioning of the digital euro. Fraud prevention plays an essential role in maintaining trust in the single currency. For this purpose, the European Central Bank may establish a general fraud detection and prevention mechanism to support fraud management activities performed by payment service providers on online digital euro payment transactions. A general fraud detection and prevention mechanism delivers a range of essential functions to detect fraud patterns that a single payment service provider could not detect on its own. Often one payment service provider does not have the full picture about all elements that could lead to timely fraud detection. However, it can be made more effective with information on potentially fraudulent activity stemming from other payment service providers. This general fraud detection function exists in comparable payment schemes and is necessary to achieve demonstrably low fraud rates in order to keep the digital euro secure for both consumers and merchants. The transfer of information between PSPs and the fraud detection and prevention mechanism should be subject to state-of-the-art security and privacy-preserving measures to ensure that individual digital euro users are not identified by the central fraud detection and prevention mechanism.
- (69) To process digital euro payments online or offline, it is essential that front end service providers for the digital euro and issuers of European Digital Identity Wallets obtain access to near field communication technology (NFC) on mobile devices. These components include, in particular but not exclusively, NFC antennas and the so-called secure elements of mobile devices (e.g.: Universal Integrated Circuit Card (UICC), embedded SE (eSE), and microSD etc). It is therefore necessary to ensure that whenever needed to provide digital euro services, original equipment manufacturers of mobile devices or providers of electronic communication services would not refuse access to NFC antennas and secure elements. Central bank money with legal tender should be widely accessible. To ensure this also in the digital economy, providers of front-end services for the digital euro and operators of European Digital Identity Wallets shall be entitled to store software on relevant mobile devices' hardware in order to make transactions with digital euro technically possible both online and offline. For this purpose, original equipment manufacturers of mobile devices and providers of electronic communication services should be obliged to provide access on fair, reasonable and non-discriminatory terms to all hardware and software components when needed for online and offline digital euro transactions. In all instances, such operators would be obliged to provide adequate capacity on relevant hardware and software features in mobile devices to process online digital euro payment transactions and for storing digital euros on mobile devices for offline digital euro payment transactions. This obligation should be without prejudice to Article 6 paragraph (7) of Regulation (EU) 2022/1925, which obliges gatekeepers to provide,

free of charge, effective interoperability with, and access for the purposes of interoperability to, the operating system, hardware or software features of mobile devices, which is applicable to existing and new digital means of payments, including the digital euro.

- (70) The rights to privacy and personal data protection are fundamental rights enshrined in Article 7 and 8 of the Charter of Fundamental Rights of the European Union. As stressed by the European Data Protection Board³⁴, a high standard of privacy and data protection is crucial to ensure the trust of Europeans in the future digital euro. This is also in line with the G7 Public Policy Principles for Retail Central Bank Digital Currencies. The processing of personal data for compliance and in the context of this Regulation would be carried out in accordance with Regulation (EU) 2016/679³⁵ and Regulation (EU) 2018/1715³⁶, as well as, where applicable, Directive 2002/58/EC³⁷.
- (71) The digital euro should therefore be designed so as to minimise the processing of personal data by payment service providers and by the European Central Bank to what is necessary to ensure the proper functioning of the digital euro. The digital euro should be available offline, with a level of privacy vis a vis payment service providers which is comparable to withdrawals of banknotes at automatic teller machines. The settlement of digital euro transactions should be designed in such a way that neither the European Central Bank nor national central banks can attribute data to an identified or identifiable digital euro user.
- (72) Data protection by design and data protection by default should be embedded in all data processing systems developed and used within the framework of this Regulation. The processing of personal data should be subject to appropriate safeguards to protect the rights and freedoms of the data subject. Those safeguards should ensure that technical and organisational measures are in place in particular to ensure respect for the data protection principles laid down in Regulation (EU) 2016/679 and Regulation (EU) 2018/1715, including data minimisation and purpose limitation.
- (73) Payment service providers should be able to process personal data in so far as it is necessary to fulfil tasks that are essential to the proper functioning of the digital euro. In line with Article 6(1)(c) of Regulation (EU) 2016/679, processing activities should be considered lawful as regards the digital euro if and to the extent that they are necessary for compliance with a legal obligation to which the controller is subject pursuant to this Regulation. In the framework of this regulation, the processing of personal data for the purposes of the enforcement of holding limits, the initiation of the funding and de-funding of a user's holdings, and the management of local storage devices for offline digital euro payments are tasks in the public interest that are

³⁴ Statement on the design choices for a digital euro from the privacy and data protection perspective adopted on 10 October 2022.

³⁵ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ L 119, 4.5.2016, p. 1–88.

³⁶ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39–98.

³⁷ Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector, OJ L 201, 31.07.2002, p. 37.

essential for the protection of citizens making use of the digital euro as well as for the stability and integrity of the Union's financial system. Payment service providers will be the controller of personal data as regards these tasks. In addition, payment service providers may process personal data to comply with existing tasks in the public interest or for compliance with a legal obligation established in Union law that apply to funds defined in Directive (EU) 2015/2366. These tasks apply to the provision of payment services and the prevention and detection of fraud in accordance with Directive (EU) 2015/2366, combatting money laundering and terrorist financing in accordance with Directive (EU) 2015/849, the fulfilment of obligations related to taxation and tax avoidance, and the management of operational and security risks in line with Regulation (EU) 2022/255.

- (74) Any processing of personal data to verify whether users are listed persons or entities pursuant to restrictive measures adopted in accordance with Article 215 TFEU should be in line with Regulation (EU) 2016/679 of the European Parliament and of the Council. Processing of the names and the payment account identifiers of natural persons is proportionate and necessary to ensure the compliance with restrictive measures adopted in accordance with Article 215 TFEU providing for asset freeze or prohibition of making funds or economic resources available.
- (75) Offline digital euro payment transactions are payments that occur in close physical proximity (“face-to-face”). They have similarities with transactions in cash and should be treated in a similar way in terms of privacy. Payment service providers should therefore not process personal data related to offline digital euro payment transactions, but only personal data related to depositing or withdrawing digital euros from digital euro payment accounts to load them onto the local storage devices, or from the local storage devices into the digital euro payment accounts. This includes the identifier of the local storage devices which payment service providers attribute to a digital euro user that holds offline digital euro. That level of privacy would be comparable to withdrawals of banknotes at automatic teller machines when payment service providers process personal data related to a user’s identity and data pertaining to how funding and defunding transactions have been carried out. That means that no transaction data monitoring should occur for offline digital euro payment transactions.
- (76) The European Central Bank and national central banks may process personal data in so far as it is necessary to fulfil tasks that are essential to the proper functioning of the digital euro. In the framework of this regulation, the processing of personal data for the purposes of the settlement of digital euro payment transactions and the management of the security and integrity of the digital euro infrastructure are tasks in the public interest that are essential for the protection of citizens making use of the digital euro as well as for the stability and integrity of the Union's financial system. The task of maintaining the security and integrity of digital euro infrastructure includes activities related to ensuring the stability and operational resilience of the digital euro. The European Central Bank and national central banks would be the controller of personal data as regards these tasks. The European Central Bank and national central banks would process personal data for these tasks using state-of-the-art security and privacy-preserving measures, such as pseudonymisation or encryption, to ensure that data cannot be used to directly identify a specific digital euro user..
- (77) For the purpose of enforcing the holding limits and ensuring the exceptional switching of digital euro payment accounts in emergency situations upon the request of the digital euro user, a single access point of digital euro user identifiers and the related digital euro holding limits is necessary to ensure the efficient functioning of the digital

euro across the entire euro area, as digital euro users may hold digital euro payment accounts in different Member States. When establishing the single access point, the European Central Bank and national central banks should ensure that the processing of personal data is minimised to what is strictly necessary and that data protection by design and by default is embedded. The European Central Bank and national central banks should consider, where appropriate and to minimise the risk of data breaches, the use of decentralised data storage.

- (78) With its package on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing, adopted by the Commission on 21 July 2021³⁸, ('AML-package'), the Commission has proposed to significantly strengthen anti-money laundering ('AML') rules across the Union. In keeping with that objective and to ensure an effective application of AML/CFT requirements to the digital euro, this Regulation should provide that online digital euro payment transactions are subject to AML/CFT requirements laid down in Directive (EU) 2015/849.
- (79) To facilitate the widespread uptake of the digital euro, it is essential that prospective digital euro users can easily access digital euro payment services provided by payment services providers in a harmonised manner across the euro area. It is therefore appropriate, without any prejudice to the risk approach underpinning the AML-package, for the anti-money laundering authority of the Union ('AMLA') to address the opening of digital euro payment accounts in its Regulatory Technical Standards on customer due diligence. For low-risk transactions or business relationships, AMLA should identify relevant simplified due diligence measures that payment services providers should apply. AMLA should prioritise the development of these Regulatory Technical Standards.
- (80) In contrast to offline digital euro payment transactions, online digital euro payment transactions are not limited to physical proximity transactions, and can be used to transfer funds at distance between digital euro users. For online digital euro payment transactions, central bank digital currencies could present greater AML/CFT risks than cash as they would be acting as an instrument whose liquidity is similar to that of cash but without the limitations on portability that are implicit in cash. It should therefore be laid down that an online digital euro payment transaction is to be subject to Directive (EU) 2015/849 of the European Parliament and of the Council, and Regulation (EU) 2015/847 of the European Parliament and of the Council³⁹.
- (81) In order to ensure a consistent application of the legal tender requirements and keep pace with technological developments, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission to supplement this Regulation by adopting delegated acts in respect of additional exceptions to mandatory acceptance and the types of personal

³⁸ Proposal for a regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (COM/2021/420 final); Proposal for a Directive establishing the mechanisms that Member States should put in place to prevent the use of the financial system for ML/TF purposes, and repealing Directive (EU) 2015/849 (COM/2021/423 final); Proposal for a Regulation creating an EU Authority for anti-money laundering and countering the financing of terrorism ('AMLA') (COM/2021/421 final); and Proposal for the recast of Regulation (EU) 2015/847 expanding traceability requirements to crypto-assets (COM/2021/422 final)

³⁹ Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (OJ L 141, 5.6.2015, p. 1).

data processed by payment services providers, the European Central Bank and the national central bank and providers of support services. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

- (82) While offline digital euro payment transactions have similarities with transactions in cash and should be treated in a similar way in terms of privacy specific holding and transaction limits for offline proximity payments are essential to mitigate AML/CFT risks,
- (83) In order to ensure uniform conditions for the application of holding and transaction limits for offline proximity payments, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council⁴⁰. The examination procedure should be used for the adoption of the implementing acts specifying the transaction and holding limits of the offline digital euro, given that those acts contributes to the fight against money laundering and terrorist financing.
- (84) In accordance with the principle of proportionality, it is necessary and appropriate for the achievement of the basic objective of ensuring that the euro is used as a single currency in a digitalised economy to lay down rules concerning in particular its legal tender status, distribution, use and essential features. This Regulation does not go beyond what is necessary in order to achieve the objectives pursued, in accordance with Article 5(4) on the Treaty on European Union.
- (85) The European Data Protection Supervisor and the European Data Protection Board were consulted in accordance with Article 42 of Regulation (EU) 2018/1725 of the European Parliament and of the Council⁴¹ and delivered a joint opinion on [XX XX 2023].

HAVE ADOPTED THIS REGULATION:

CHAPTER I

SUBJECT MATTER AND DEFINITIONS

Article 1 *Subject matter*

With a view to adapting the euro to technological changes and to ensuring its use as a single currency, this Regulation establishes the digital euro and lays down rules concerning in particular its legal tender status, distribution, use, and essential technical features.

⁴⁰ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

⁴¹ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

Article 2

Definitions

For the purpose of this Regulation, the following definitions shall apply:

1. ‘digital euro’ means the digital form of the single currency available to natural and legal persons;
2. ‘credit institution’ means a credit institution as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council⁴²;
3. ‘digital euro payment transaction’ means an act, initiated by a payer or on his or her behalf, or by the payee, of placing, transferring or withdrawing digital euro, irrespective of any underlying obligations between the payer and the payee;
4. ‘digital euro user’ means anyone making use of a digital euro payment service in the capacity of payer, payee, or both;
5. ‘digital euro payment account’ means an account held by one or more digital euro users with a payment service provider to access digital euro recorded in the digital euro settlement infrastructure or in an offline digital euro device and to initiate or receive digital euro payment transactions, whether offline or online, and irrespective of technology and data structure;
6. ‘European Digital Identity Wallets’ means the wallets set out in Article 6a of Regulation (EUDIWR) [*please insert reference – proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity – COM(2021) 281 final*];
7. ‘payment service provider’ means a payment service provider as defined in Article 4, point (11) of Directive 2015/2366;
8. ‘digital euro payment service’ means any of the business activities set out in Annex I;
9. ‘payer’ means anyone who has a digital euro payment account and allows a payment order from that digital euro payment account;
10. ‘payee’ means anyone who is the intended recipient of funds which have been the subject of a digital euro payment transaction;
11. ‘funding’ means the process whereby a digital euro user acquires digital euros, in exchange for either cash or other funds, creating a direct liability of the European Central Bank or a national central bank towards that digital euro user;
12. ‘defunding’ means the process whereby a digital euro user exchanges digital euro with cash or other funds;
13. ‘national central bank’ means a national central bank of a Member State whose currency is the euro;
14. ‘online digital euro payment transaction’ means a digital euro payment transaction where the settlement takes place in the digital euro settlement infrastructure;

⁴² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

15. ‘offline digital euro payment transaction’ means a digital euro payment transaction, made in physical proximity, where authorisation and settlement take place in the local storage devices of both payer and payee;
16. ‘residence’ means the place where a natural person is legally resident in the Union as defined in Article 2, point (2), of Directive 2014/92/EU of the European Parliament and of the Council⁴³;
17. ‘conditional digital euro payment transaction’ means a digital euro payment transaction which is instructed automatically upon fulfilment of pre-defined conditions agreed by the payer and by the payee;
18. ‘programmable money’ means units of digital money with an intrinsic logic that limits each unit’s full fungibility;
19. the ‘digital euro settlement infrastructure’ means the settlement infrastructure of the digital euro adopted by the Eurosystem;
20. ‘front-end service’ means all components necessary to provide services to digital euro users that interact via defined interfaces with back-end solutions and other front-end services;
21. ‘third country’ means a country that is not a member of the European Union;
22. ‘visitor’ means a natural person who does not have its domicile or residence in a Member State whose currency is the euro, and who is travelling to and staying in one of those Member States, including for tourism, business or education and training purposes;
23. ‘Member State whose currency is not the euro’ means a Member State in respect of which the Council has not decided that it fulfils the necessary conditions for the adoption of the euro in accordance with Article 140 TFEU;
24. ‘merchant service charge’ means a fee paid by the payee to a payment service provider when acquiring a digital euro payment transaction;
25. ‘comparable digital means of payment’ means digital means payment, including debit card payment and instant payment at the point of interaction but excluding credit transfer and direct debit that are not initiated at the point of interaction;
26. ‘switching’ means, upon a digital euro user’s request, transferring from one payment service provider to another either the information about all or some digital euro payment services, including recurring payments, executed on a digital euro payment account, or the digital euro holdings from one digital euro payment account to the other, or both, with or without closing the former digital euro payment account, while maintaining the same account identifier;
27. ‘user identifier’ means a unique identifier created by a payment service provider distributing the digital euro that unambiguously differentiates, for online digital euro purposes, digital euro users but that is not attributable to an identifiable natural or legal person by the European Central Bank and the national central banks;

⁴³ Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (OJ L 257, 28.8.2014, p. 214).

28. ‘user alias’ means a unique pseudonymous identifier used to protect user’s identity when processing digital euro payments that can only be attributable to an identifiable natural or legal person by the payment service provider distributing the digital euro or by the digital euro user;
29. ‘user authentication’ means a unique piece of information created by the payment service provider distributing the digital euro that together with the user identifier allows a digital euro user to prove ownership of the online digital euro holdings recorded in the digital euro settlement infrastructure;
30. ‘providers of support services’ means one or more entities, appointed by the European Central Bank, that provide services to all payment service providers distributing the digital euro that are aimed at facilitating the smooth functioning of digital euro payment transactions;
31. ‘mobile device’ means a device that enables digital euro users to authorise digital euro payment transactions online or offline including in particular smart phones, tablets, smart watches and wearables of all kind.

CHAPTER II

ESTABLISHMENT AND ISSUANCE OF THE DIGITAL EURO

Article 3

Establishment of the digital euro

The digital euro is hereby established as the digital form of the single currency.

Article 4

Issuance of the digital euro

1. In accordance with the Treaties, the European Central Bank shall have the exclusive right to authorise the issue of the digital euro, and the European Central Bank and the national central banks may issue the digital euro.
2. The digital euro shall be a direct liability of the European Central Bank or of national central banks towards digital euro users.

Article 5

Applicable law

1. The digital euro shall be governed by the provisions of this Regulation, supplemented by the delegated acts that the Commission is empowered to adopt pursuant to Articles 11, 33, 34, 35 and 38, and by the implementing acts that the Commission is empowered to adopt pursuant to Article 37.
2. Within the framework of this Regulation, the digital euro shall also be governed by the detailed measures, rules and standards that may be adopted by the European Central Bank pursuant to its own competences. Where these detailed measures, rules and standards have an impact on the protection of individuals’ rights and freedom with regard to the processing of personal data, the European Central Bank shall consult the European Data Protection Supervisor prior to their adoption.
3. In accordance with Article 4(25) of Directive (EU) 2015/2366 of the European Parliament and of the Council, of 25 November 2015, on payment services in the internal market, as replaced by Directive (EU) *[please insert reference – proposal for*

a Directive on payment services and electronic money services in the internal market - COM/2023/366 final] and Regulation (EU) *[please insert reference – proposal for a Regulation on payment services in the internal market - COM/2023/367 final]* of the European Parliament and of the Council, of XX/XX/2023, the provisions of that Directive shall apply to digital euro payment transactions.

4. In accordance with Article 2(10) of Regulation (EU) 2021/1230 of the European Parliament and of the Council of 14 July 2021 on cross-border payments in the Union, as amended by Regulation (EU) *[please insert reference – proposal for a Regulation on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro - COM/2023/368 final]*, the provisions of that Regulation shall apply to digital euro payment transactions.
5. Without prejudice to Articles 37 of this Regulation, Directive (EU) 2015/849 of the European Parliament and of the Council, of 20 May 2015, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds shall apply to digital euro payment transactions.

Article 6 *Competent authorities*

1. The Member States shall designate one or more competent authorities to ensure compliance with Chapter III and Article 17 in their territory. They shall inform the Commission thereof, indicating any division of functions and duties.

The Member States shall lay down the rules on penalties applicable to infringements of Chapter III and Article 17 and shall take all measures necessary to ensure that these rules are implemented, including the power of competent authorities to access the necessary data. The penalties provided for shall be effective, proportionate and dissuasive. Member States shall, without delay, notify the Commission of those rules and of those measures and shall notify it, without delay, of any subsequent amendment affecting them.
2. Directive (EU) 2015/2366 of the European Parliament and of the Council, of 25 November 2015, on payment services in the internal market, as replaced by Directive (EU) *[please insert reference – proposal for a Directive on payment services and electronic money services in the internal market - COM/2023/366 final]*, shall govern the supervision by competent authorities, the sanctions regime and supervisory arrangements between the competent authorities of the home Member States and of the host Member States, concerning compliance by Payment Services Providers of their obligations pursuant to Chapters IV, V, VI and VII of this Regulation.
3. Directive (EU) 2015/849 as replaced by Directive (EU) *[please insert reference – proposal for Anti-Money Laundering Directive - COM/2021/423 final]* shall govern the supervision by competent authorities, the sanctions regime and supervisory arrangements between the competent authorities of the home Member States and of the host Member States, concerning the activities of Payment Services Providers in relation to the digital euro for the purpose of ensuring compliance with Chapter IX of Regulation (EU) No [x] on the establishment of the digital euro.

4. For the purposes of supervising compliance with Chapters IV, V and VII of this Regulation, the competent authorities referred to in paragraph 2 shall cooperate with the European Central Bank.
5. Member States shall ensure that adequate measures are in place to raise awareness among the public about the availability and features of the digital euro and possibilities of access to the digital euro.

CHAPTER III

LEGAL TENDER

Article 7 *Legal tender status*

1. The digital euro shall have legal tender status.
2. The legal tender status of the digital euro shall entail its mandatory acceptance, at full face value, with the power to discharge from a payment obligation.
3. In accordance with the mandatory acceptance of the digital euro, the payee shall not refuse digital euro tendered in payment to comply with that obligation.
4. In accordance with the acceptance at full face value of the digital euro, the monetary value of digital euro tendered in payment of a debt shall be equal to the value of the monetary debt. Surcharges on the payment of debt with the digital euro shall be prohibited.
5. In accordance with the power of the digital euro to discharge from a payment obligation, a payer shall be able to discharge himself from a payment obligation by tendering digital euro to the payee.

Article 8 *Territorial scope of legal tender status*

1. The digital euro shall have legal tender status for offline payments of a monetary debt denominated in euro that take place within the euro area.
2. The digital euro shall have legal tender status for online payments of a monetary debt denominated in euro to a payee residing or established in the euro area.

Article 9 *Exceptions to the obligation to accept the digital euro*

By way of derogation from Article 7(3) and Article 8, a payee shall be entitled to refuse digital euro in any of the following cases:

- (a) where the payee is a an enterprise which employs fewer than 10 persons or whose annual turnover or annual balance sheet total does not exceed EUR 2 million, or is a non-profit legal entity as defined in in Article 2, point (18), of Regulation (EU) 2021/695 of the European Parliament and of the Council⁴⁴, unless it accepts comparable digital means of payment;

⁴⁴ Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for

- (b) where a refusal is made in good faith and where such refusal is based on legitimate and temporary grounds in line with the principle of proportionality in view of concrete circumstances beyond the control of the payee;
- (c) where the payee is a natural person acting in the course of a purely personal or household activity;
- (d) where, prior to the payment, the payee has agreed with the payer on a different means of payment, subject to Article 10.

For the purposes of point (b), the burden of proof to establish that legitimate and temporary grounds existed in a particular case and that the refusal was proportionate shall be on the payee.

Article 10

Prohibition of the unilateral exclusion of payments in the digital euro

Payees subject to the obligation to accept the digital euro shall not use contractual terms that have not been individually negotiated or commercial practices which have the object or the effect to exclude the use of the digital euro by the payers of monetary debts denominated in euro. Such contractual terms or commercial practices shall not be binding on the payer. A contractual term shall be regarded as not individually negotiated where it has been drafted in advance and where the payer has therefore not been able to influence the substance of the term, particularly in the context of a pre-formulated standard contract.

Article 11

Additional exceptions of a monetary law nature

The Commission is empowered to adopt delegated acts in accordance with Article 38 to supplement this Regulation by identifying additional exceptions of a monetary law nature to the principle of mandatory acceptance. Those exceptions shall be justified by an objective of public interest and proportionate to that aim, shall not undermine the effectiveness of the legal tender status of the digital euro, and shall only be permitted provided that other means for the payment of monetary debts are available. When preparing those delegated acts, the Commission shall consult the European Central Bank.

Article 12

Interaction between the digital euro and euro banknotes and coins

1. The digital euro shall be convertible with euro banknotes and coins at par.
2. Payees of a monetary debt denominated in euro shall accept payments in digital euro according to the provisions of this Regulation, irrespective of whether they accept payments in euro banknotes and coins in accordance with Regulation (EU) [*please insert reference – proposal on the legal tender status of euro banknotes and coins – COM (2023) 364 final*]. Where the acceptance of euro banknotes and coins and of the digital euro is mandatory in accordance with the provisions of this Regulation and Regulation (XXX on the legal tender of euro banknotes and coins), the payer is entitled to choose the means of payment.

participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (OJ L 170, 12.5.2021, p. 1).

CHAPTER IV DISTRIBUTION

Article 13

Payment service providers

1. Within the framework of Directive 2015/2366, payment service providers may provide the digital euro payment services set out in Annex I to:
 - (a) natural and legal persons residing or established in the Member States whose currency is the euro;
 - (b) natural and legal persons who opened a digital euro account at the time they resided or were established in the Member States whose currency is the euro, but no longer reside or are established in such Member States;
 - (c) visitors;
 - (d) natural and legal persons residing or established in Member States whose currency is not the euro, subject to the conditions laid down in Article 18;
 - (e) natural and legal persons residing or established in third countries, including territories under a monetary agreement with the Union, subject to the conditions laid down in Articles 19 and 20.

The European Central Bank may restrict the access to and use in time of the digital euro for the digital euro users referred to in points (b) and (c) subject to the conditions laid down in Article 16 (2). Those timeframes shall be determined in relation to the residence or visiting status of the digital euro users.

For the purpose of point (a), residents shall include both Union citizens and third country nationals who benefit from residence rights pursuant to Union law or national law.

2. Payment service providers that provide servicing payment services within the meaning of Directive 2015/2366 shall enable digital euro users to manually or automatically fund or defund their digital euro payment accounts from or to non-digital euro payment accounts, or euro banknotes and coins when a payment services provider provides cash services, subject to any limitations that the European Central Bank may adopt in accordance with Article 16 of this Regulation.
3. Payment service providers shall make available funding and defunding functionalities to digital euro users:
 - (a) at any point in time, on a continuous basis, where funding and defunding take place through non-digital euro payment accounts;
 - (b) when a payment service provider provides cash services where funding and defunding take place through euro banknotes and coins.
4. Payment service providers providing account servicing payment services within the meaning of Directive 2015/2366 shall enable digital euro users:
 - (a) to have their digital euros in excess of any limitations the European Central Bank may adopt in accordance with Article 16 automatically defunded to a non-digital euro payment account, where an online digital euro payment transaction is received;

- (b) to make an online digital euro payment transaction where the transaction amount exceeds their digital euro holdings.

For the purpose of points (a) and (b), and upon prior approval by the digital euro users, payment service providers shall link each digital euro payment account to a single non-digital euro payment account designated by the digital euro users. Digital euro users shall be allowed to have that designated non-digital euro payment account with a different payment service provider than the one where a given digital euro payment account is held.

5. The digital euro distributed by payment service providers shall be convertible at par with scriptural money and electronic money denominated in euro.
6. For the purpose of digital euro payment services, digital euro users shall only enter into a contractual relationship with PSPs. Digital euro users shall not have any contractual relationship with the European Central Bank or the national central banks.
7. Digital euro users may have one or several digital euro payment accounts with the same or different payment service providers.
8. Payment service providers shall make available to the public, free of charge, accessible information about the specific features of digital euro payment services and the conditions of their distribution.

Article 14

Access to the digital euro in Member States whose currency is the euro

1. For the purpose of distributing the digital euro to natural persons referred to in Article 13(1)(a), credit institutions that provide payment services as referred to in points (1), (2) or (3) of Annex I to Directive (EU) 2015/2366 shall, upon request of their clients, provide those persons with all basic digital euro payment services as referred to in Annex II.
2. For natural persons referred to in Article 13(1)(a) that do not hold a non-digital euro account, Chapter IV of Directive (EU) 2014/92 on access to payment account with basic features shall apply, with the exception of Articles 17 and 18, to the access to digital euro account with basic services by consumers.
3. Member States shall designate the authorities referred to in Article 1, point (f), of the Directive (EU) 2015/2366, or post office giro institutions referred to in Article 1, point (c), of the Directive (EU) 2015/2366 to:
 - (a) provide basic digital euro payment services to natural persons referred to in Article 13(1)(a) that do not hold or do not wish to hold a non-digital euro payment account;
 - (b) provide basic digital payment services and provide digital inclusion support provided face-to-face in physical proximity to persons with disabilities, functional limitations or limited digital skills, and elderly people.
4. Payment service providers referred to in paragraphs 1 to 3 shall provide digital inclusion support to persons with disabilities, functional limitations or limited digital skills, and elderly persons. Without prejudice to paragraph 3, point (b), digital inclusion support shall comprise a dedicated assistance for onboarding to a digital euro account and using all basic digital euro services.

5. The anti-money laundering authority of the Union ('AMLA') established under Regulation (EU) [*please insert reference - proposal for a Regulation creating an EU Authority for anti-money laundering and countering the financing of terrorism ('AMLA') - COM/2021/421 final*] and the European Banking Authority shall jointly issue guidelines specifying the interaction between AML/CFT requirements and the provision of basic digital euro payment services with a particular focus on financial inclusion of vulnerable groups including asylum seekers or beneficiaries of international protection, individuals with no fixed address or third country nationals who are not granted a residence permit but whose expulsion is impossible for legal or factual reasons.

CHAPTER V

USE OF THE DIGITAL EURO AS A STORE OF VALUE AND AS A MEANS OF PAYMENT

Article 15 *Principles*

1. With a view to enabling natural and legal persons to access and use digital euro, to defining and implementing monetary policy and to contributing to the stability of the financial system, the use of the digital euro as a store of value may be subject to limits.
2. With a view to ensuring an effective use of the digital euro as a legal tender means of payment, and to avoiding excessive charges for merchants subject to the obligation to accept the digital euro under Chapter II while providing compensation for the relevant costs incurred by payment services providers for the provision of digital euro payments, the level of charges or fees to be paid by natural persons or merchants to payment service providers, or between payment service providers, shall be subject to limits.

Article 16 *Limits to the use of the digital euro as a store of value*

1. For the purpose of Article 15(1), the European Central Bank shall develop instruments to limit the use of the digital euro as a store of value and shall decide on their parameters and use, in accordance with the framework set out in this Article. PSPs providing account servicing payment services within the meaning of Directive 2015/2366 to natural and legal persons referred to in Article 12(1) shall apply these limits to digital euro payment accounts.
2. The parameters and use of the instruments referred to in paragraph 1 shall:
 - (a) safeguard the objectives set out in Article 15(1), in particular financial stability;
 - (b) ensure the usability and acceptance of the digital euro as a legal tender instrument;
 - (c) respect the principle of proportionality.
3. The parameters and use of the instruments referred to in paragraph 1 shall be applied in a non-discriminatory manner and uniformly across the euro area.
4. Any holding limits on digital euro payment accounts adopted pursuant to paragraph 1 shall apply to both offline and online holdings. Where a digital euro user uses both

an offline and online digital euro, the limit that applies to online digital euro shall equal the overall limit determined by the European Central Bank minus the holding limit for offline digital euro set by digital euro users. A digital euro user may set its offline holding limit at any amount between zero and the holding limit set in accordance with Article 37.

5. Visitors to the euro area as referred to in Article 13(1), point (c), and natural and legal persons as referred to in Article 13(1), points (b), (d) and (e), shall be subject to limits as regards the use of the euro as a store of value that are not higher than the ones effectively implemented in the euro area for natural and legal persons residing or established in Member States whose currency is the euro. The parameters and use of the instruments shall be applied in a non-discriminatory manner and uniformly across Member States whose currency is not the euro. When deciding on the use of the instruments in those Member States and setting the parameters, the European Central Bank shall consult national central banks of Member States whose currency is not the euro.
6. In case a digital euro user has multiple digital euro payment accounts, the digital euro user shall specify to the payment service providers with which the digital euro payment accounts are held how the individual holding limit is to be allocated between the different digital euro payment accounts.
7. Where a digital euro payment account is held by more than one digital euro user, any holding limit on the related digital euro payment account adopted pursuant to paragraph 1 shall amount to the sum of the individual holding limits allocated to its users.
8. Within the framework of this Regulation, the digital euro shall not bear interest.

Article 17

Fees on digital euro payment services

1. For the purpose of Article 15(2), without prejudice to any possible fees charged on other digital euro payment services, payment services providers shall not charge fees to natural persons as referred to in Article 13(1), points (a), (b) and (c), for the provision of the basic digital euro payment services referred to in Annex 2.
2. For the purpose of Article 15(2), any merchant service charge or inter-PSP fee in relation to digital euro payment transactions shall comply with the principle of proportionality. Any merchant service charge or inter-PSP fee shall not exceed the lowest of the following two amounts:
 - (a) the relevant costs incurred by payment services providers for the provision of digital euro payments, including a reasonable margin of profit;
 - (b) fees or charges requested for comparable digital means of payment.
3. The European Central Bank shall regularly monitor the information that is relevant for the purposes of the amounts referred to in paragraph 2, and publish periodically the amounts resulting from that monitoring with an explanatory report.
4. The European Central Bank may require payment service providers to provide all information necessary for the application of this Article and to verify compliance with it. Any information requested shall be sent by payment service providers within the time limit set by the European Central Bank. The European Central Bank may require that such information is certified by an independent auditor.

5. The methodology to be developed by the European Central Bank for the monitoring and the calculations of the amounts referred to in paragraphs 2 and 3 shall be based on the following parameters:
 - (a) the amount of inter-PSP fees and merchant service charges as referred to in paragraph 2(a) shall be based on the relevant costs incurred for providing digital euro payment services by the most cost-efficient payment service providers representing collectively one fourth of digital euro distributed across the euro area in a given year, as reported to the European Central Bank by payment service providers, including a reasonable margin of profit;
 - (b) the reasonable margin of profit included in the maximum amount referred to in paragraph 2(a), shall be calculated on the basis of the margin of profit of the payment service providers charging the lowest margin of profit representing collectively one fourth of the digital euro distributed in the euro area in a given year, as reported to the European Central Bank by payment service providers;
 - (c) the amount of inter-PSPs fees and merchant service charges as referred to in paragraph 2(b) shall be based on a representative group of payment services providers providing comparable digital means of payment in the euro area;
 - (d) the amounts referred to in paragraph 2 shall be uniform and applied in a non-discriminatory manner across the euro area.
6. The merchant service charge shall be the only charge per transaction that payment service providers may apply to merchants. Payment service providers shall not charge merchants for the funding and defunding of the digital euro, including digital euro payment transactions referred to in Article 13(4). Payment service providers shall include costs associated with funding and defunding in the relevant costs referred to in paragraph 2(a).
7. No inter-PSP fee shall apply to the funding and defunding of the digital euro, including digital euro payment transactions referred to in Article 13(4).

CHAPTER VI

DISTRIBUTION OF THE DIGITAL EURO OUTSIDE THE EURO AREA

Article 18

Distribution of the digital euro to natural and legal persons residing or established in Member States whose currency is not the euro

1. Payment service providers may only distribute the digital euro to natural and legal persons residing or established in a Member State whose currency is not the euro if the European Central Bank and the national central bank of that Member State have signed an arrangement to that effect.
2. The signing of the arrangement referred to in paragraph 1 shall be subject to all of the following conditions:
 - (a) the Member State whose currency is not the euro has notified to the other Member States, the Commission and the European Central Bank the request to provide access to and use of the digital euro to natural and legal persons residing or established in that Member State.

- (b) in its request, the Member State whose currency is not the euro has undertaken:
 - (i) to ensure that its national central bank shall abide by any rules, guidelines, instructions or requests issued by the European Central Bank in relation to the digital euro;
 - (ii) to ensure that its national central bank shall provide all information on the access to and use of the digital euro in that Member State that the European Central Bank may require.
 - (c) the Member State whose currency is not the euro has adopted all the national legislations necessary to ensure respect of the relevant requirements laid down in this Regulation or the rules and standards adopted pursuant to Article 5(2).
3. The agreement referred to in paragraph 1 shall specify the necessary implementing measures and procedures, and the cases under which the agreement may be restricted, suspended, or terminated.
 4. Payment service providers shall implement the limits set by the European Central Bank in accordance with Article 16(4) on the use of the digital euro by natural and legal persons residing or established in Member States whose currency is not the euro, which are applicable in those Member States.

Article 19

Distribution of the digital euro to natural and legal persons residing or established in third countries

1. The digital euro may only be distributed to natural and legal persons residing or established in third countries if the Union and the third country concerned have signed a prior agreement to that effect.
2. The Council, on a recommendation from the Commission and after having consulted the European Central Bank, shall decide on the arrangements for the negotiation and the conclusion of the agreement referred to in paragraph 1, provided that all of the following conditions have been met:
 - (a) the third country ensures that:
 - (i) its national central bank and, where appropriate, its national competent authority shall abide by any rules, guidelines, instructions or requests issued by the European Central Bank in relation to the digital euro;
 - (ii) its national central bank and, where appropriate, its national competent authority shall provide all information on the use of digital euro in that third country that the European Central Bank may require;
 - (b) the third country has adopted all the national legislations necessary to ensure respect of the rules and standards laid down in this Regulation or adopted pursuant to Article 5(2).
 - (c) the third country ensures that intermediaries established or operating in the third country that distribute the digital euro are subject to supervisory and regulatory requirements, that are at least equivalent to those applied to payment service providers established in the Union.
3. The agreement between the Union and the third country shall specify the necessary implementing measures and procedures, and the cases under which the agreement may be restricted, suspended, or terminated, in particular where the third country has

been identified as a third country with significant strategic deficiencies in its national anti-money laundering and combating the financing of terrorism regime as referred to in Article 23 of Regulation *[please insert reference – proposal for Anti-Money Laundering Regulation - COM/2021/420 final]* or as a third country with compliance weaknesses in its national anti-money laundering and combating the financing of terrorism regime as referred to in Article 24 of Regulation *[please insert reference – proposal for Anti-Money Laundering Regulation - COM/2021/420 final]*. That agreement shall be complemented by an arrangement between the European Central Bank and the national central bank and, where appropriate, the national competent authority of the third country.

4. Negotiations with third countries may be suspended on the basis of the grounds referred to in paragraph 3.
5. Intermediaries established or operating in the third country shall implement the limits set by the European Central Bank in accordance with Article 16(5) on the use of the digital euro by natural and legal persons residing or established in the third country, which are applicable in that country.

Article 20

Distribution of the digital euro to natural and legal persons residing or established in third countries or territories under a monetary agreement with the Union

1. Natural and legal persons residing or established in Andorra, Monaco, San Marino and the Vatican City State, the French overseas collectivities of Saint-Barthélemy, and Saint Pierre and Miquelon, or in any other third country or territory under a monetary agreement for the purpose of entitling the concerned third country or territory to use the euro as its official currency in accordance with Council Regulation (EC) No 1103/97⁴⁵ and Council Regulation (EC) No 974/98⁴⁶, may be distributed the digital euro, following an amendment of the respective monetary agreements to that effect.
2. Subject to further conditions that may be agreed upon between the Union and the third country or territory concerned, the distribution of the digital euro to natural and legal persons residing or established in third countries or territories governed by the monetary agreement referred to in paragraph 1 shall meet the requirements laid down in this Regulation.

Article 21

Cross-currency payments

1. Cross-currency payments between the digital euro and other currencies shall be subject to prior agreements between, on the one hand, the European Central Bank and, on the other hand, the national central banks of the Member States whose currency is not the euro and the third countries.

⁴⁵ Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro (OJ L 162, 19.6.1997, p. 1).

⁴⁶ Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1).

2. The European Central Bank shall cooperate with national central banks of Member States whose currency is not the euro to enable interoperable payments between the digital euro and other currencies.

CHAPTER VII

TECHNICAL FEATURES

SECTION 1

DIGITAL EURO FUNCTIONALITIES

Article 22

Accessibility and use

1. The digital euro shall:
 - (a) have usage and service features that are simple and easy to handle, including for persons with disabilities, functional limitations or limited digital skills, and older persons;
 - (b) be accessible for persons with disabilities by complying with the accessibility requirements laid down in Annex I of Directive 2019/882.
2. In their relationships with their payment services providers for the provision of digital euro payment services, digital euro users shall not be required to have or open non-digital euro payment accounts or accept other non-digital euro products.
3. Each digital euro payment account shall have a unique digital euro payment account number.
4. Each digital euro payment account may be linked to one or more non-digital euro payment accounts that shall be designated by the digital euro user. For the purpose of Article 13(4), each digital euro payment account may only be linked to one non-digital payment account.
5. Payment service providers shall allow the use of digital euro payment account by more than one digital euro users.

Article 23

Offline and online digital euro payment transactions

1. The digital euro shall be available for both online and offline digital euro payment transactions as of the first issuance of the digital euro.
2. The digital euro, held online or offline, shall be convertible at par between each other, at the request of the digital euro users.
3. Before initiating a digital euro payment transaction in a proximity payment, the payee and the payer shall be informed of whether the digital euro payment transaction will be offline or online.

Article 24

Conditional digital euro payment transactions

1. To ensure that payment service providers and digital euro users can use conditional digital euro payment transactions, the European Central Bank may:

- (a) adopt detailed measures, rules and standards in accordance with Article 5(2) that payment service providers can use to ensure interoperable conditional digital euro payment transactions;
 - (b) provide the functionalities in the digital euro settlement infrastructure necessary for the execution of conditional digital euro payment transactions, including for the reservation of funds.
2. The digital euro shall not be programmable money.

SECTION 2

MODALITIES OF DISTRIBUTION

Article 25 *European Digital Identity Wallets*

1. Front-end services shall be interoperable with or integrated in the European Digital Identity Wallets.
2. On request by digital euro users, payment service providers distributing the digital euro shall ensure that those users can rely on the functionalities of their European Digital Identity Wallets in accordance with Article 6a of Regulation (EU) [*please insert reference – proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity – COM(2021) 281 final*];

Article 26 *Interoperability*

The European Central Bank shall seek to ensure to the extent possible the interoperability of standards governing digital euro payment services with relevant standards governing private digital means of payment. The European Central Bank shall seek to enable, to the extent possible and where appropriate, private digital means of payment to use rules, standards and processes governing the digital euro payment services.

For the purpose of the first subparagraph, interoperability may be supported inter alia by the use of open standards.

Article 27 *Dispute mechanism*

1. Without prejudice to the disputes concerning the lawfulness of the processing of personal data, disputes shall be governed by Directive 2015/2366. Directive (EU) 2020/1828 shall apply to the representative actions brought against infringements of provisions of this Regulation that harm or may harm the collective interests of consumers.
2. The European Central Bank and the national central banks may make mechanisms available for payment services providers to facilitate the exchange of messages for the resolution of disputes. Those mechanisms may be operated directly by the European Central Bank or by the providers of support services designated by the European Central Bank.
3. The European Central Bank shall not act as a party in any of the disputes referred to in paragraphs 1 and 2.

Article 28

Front-end services to access and use the digital euro

1. Payment service providers distributing the digital euro shall provide digital euro users with the choice of using the following digital front-end services to allow digital euro users to access and use digital euro payment services:
 - (a) front-end services developed by payment service providers; and
 - (b) front-end services developed by the European Central Bank.Where a payment service provider does not offer a digital euro front-end service, a European Central Bank's service shall be used by such payment service provider.
2. Front-end services provided by the European Central bank referred to in paragraph 1, point (b), shall not provide for customer relationships, that shall solely be provided by payment service providers in their role in the digital euro distribution as laid down in Article 13 and under Directive 2015/2366. The European Central Bank shall not have access to any personal data in relation to the front-end services developed by the European Central Bank and used by the payment services providers.
3. Payment service providers distributing the digital euro shall ensure that:
 - (a) digital euro payment services use the official digital euro logo;
 - (b) digital euro payment accounts can be quickly and easily accessed to and used by digital euro users.

Article 29

Compliance with Union sanctions adopted in accordance with Article 215 TFEU

1. Payment Service Providers executing digital euro payment transactions shall verify whether any of their digital euro users are listed persons or entities. Payment service providers shall carry out such verifications immediately after the entry into force of any new or amended restrictive measures adopted in accordance with Article 215 TFEU providing for asset freeze or prohibition of making funds or economic resources available, and at least once every calendar day.
2. During the execution of a digital euro payment transaction, the payer's payment service provider and the payee's payment service provider involved in the execution of that transaction shall not verify whether the payer or the payee whose digital euro payment accounts are used for the execution of that digital euro payment transaction are listed persons or entities in addition to carrying out verifications under paragraph 1.
3. A payment service provider that has failed to carry out the verifications referred to in paragraph 1 and executes a digital euro payment transaction causing another payment service provider involved in the execution of that digital euro payment transaction to fail to freeze assets of listed persons or entities, or to make funds or economic resources available to such persons or entities, shall compensate the financial damage caused to the other payment service provider resulting from penalties imposed on that other payment service provider under restrictive measures adopted in accordance with Article 215 TFEU providing for asset freeze or prohibition of making funds or economic resources available.

Article 30
Settlement of digital euro payment transactions

1. Online and offline digital euro payment transactions shall be settled instantaneously.
2. Final settlement of online digital euro payment transactions shall occur at the moment of recording the transfer of the digital euros concerned from the payer to the payee in the digital euro settlement infrastructure approved by the Eurosystem.
3. Final settlement of offline digital euro payment transactions shall occur at the moment when the records of the digital euro holdings concerned in the local storage devices of the payer and payee are updated.

Article 31
Switching of digital euro payment accounts

1. Payment service providers shall enable digital euro users at their request to switch their digital euro payment accounts to other payment service providers while maintaining the same account identifiers.
2. In exceptional circumstances where a payment service provider is operationally not in a position to provide digital euro payment services to digital euro users for a prolonged period of time, or has lost the digital euro payment account-related data concerned, the European Central Bank and national central banks may authorise the switching of digital euro payment accounts held with that payment service provider to another payment service provider designated by the digital euro user. That switching shall enable the new payment service provider to complete the switching without relying on the unavailable payment service provider.

Article 32
General fraud detection and prevention mechanism

1. The European Central Bank may facilitate the fraud detection and prevention tasks that payment service providers shall perform under Directive 2015/2366 by establishing a general fraud detection and prevention mechanism for online digital euro transactions to ensure the smooth and efficient functioning of the digital euro. That general fraud detection and prevention mechanism may be operated directly by the European Central Bank or by the providers of support services designated by the European Central Bank.
2. The European Central Bank shall consult the European Data Protection Supervisor prior to developing the details on the operational elements of the fraud detection and prevention mechanism.
3. The fraud detection and prevention mechanism shall:
 - (a) assess the exposure to fraud risk of online digital euro transactions in real-time at the exclusive use of payment service providers before the transaction is introduced into the digital euro settlement infrastructure;
 - (b) support payment service providers in detecting fraudulent transactions in online digital euro payment transactions that have been settled.
4. For the purpose of this Article, payment service providers shall provide the fraud detection and prevention mechanism with information referred to in Annex 5. Payment service providers shall implement appropriate technical and organisational

measures including state-of-the-art security and privacy-preserving measures to ensure that the support service shall not be able to directly identify the digital euro users on the basis of the information provided to the fraud detection and prevention mechanism.

Article 33

Fair, reasonable and non-discriminatory access to mobile devices

1. Without prejudice to Article 6 paragraph (7) of Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828, original equipment manufacturers of mobile devices and providers of electronic communication services within the meaning of Article 2 (1) Directive (EU) 2018/1972⁴⁷ shall allow providers of front end services and providers of European Digital Identity Wallets effective interoperability with, and access for the purposes of interoperability to, the hardware features and software features necessary for storing and transferring data to process online or offline digital euro transactions, on fair, reasonable and non-discriminatory terms.
2. Original equipment manufacturers of mobile devices and providers of electronic communication services referred to in paragraph 1 shall not be prevented from taking strictly necessary and proportionate measures to ensure that interoperability does not compromise the integrity of the hardware and software features concerned by the interoperability obligation provided that such measures are duly justified.
3. For the purpose of applying fair, reasonable and non-discriminatory terms pursuant to paragraph 1, original equipment manufacturers of mobile devices and providers of electronic communication services referred to in paragraph 1 shall publish general conditions of effective interoperability and access. Such general conditions shall include a European Union-based alternative dispute settlement mechanism. The dispute settlement mechanism shall be without prejudice to the right to seek redress before judicial authorities in accordance with Union and national law.

CHAPTER VIII PRIVACY AND DATA PROTECTION

Article 34

Processing by payment service providers

1. Payment service providers perform a task in the public interest where they process personal data for the following purposes:
 - (a) the enforcement of limits, including the verification of whether prospective or existing digital euro users have digital euro accounts with another PSP, as referred to in Article 16;
 - (b) funding and defunding as referred to in Article 13 (2) and (3), and digital euro payment transactions as referred to in Article 13(4);

⁴⁷ Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018, establishing the European Electronic Communications Code, OJ L 17.12.2018, p. 36.

- (c) the provision of offline digital euro, including the registration and de-registration of the local storage devices as referred to in letter (b) of Annex I;
- (d) compliance with Union sanctions as referred to in Article 29;
- (e) the obligations of payment service providers under Directive (EU) 2015/2366 related to the execution of transactions and the prevention and detection of fraud, combatting money laundering and terrorist financing under Directive (EU) 2015/849, taxation compliance under Council Directive 2006/112/EC, Directive (EU) 2011/16/EU and relevant national law, the management of operational and security risks under Regulation (EU) 2022/2554 and obligations under Directive (EU) 2014/92/EU, in so far as they concern the digital euro.

For the provision of offline digital euro, the processing of personal data by payment service providers is limited to funding and defunding in accordance with Article 37 paragraphs 3, 4 and 5.

- 2. For the purposes referred to in paragraph 1 (a) to (c), of this Article, Annex III lays down the types of personal data.
- 3. The Commission is empowered to adopt delegated acts in accordance with Article 38 to update the types of personal data listed in Annex III.

Payment service providers shall be considered to be the controllers of personal data as regards the purposes referred to in paragraph 1 of this Article. Where a digital euro payment account held by one payment service provider is linked with a non-digital euro payment account held by another payment service provider in accordance with Article 13(4), these payment service providers shall be joint controllers.

- 4. Payment service providers shall implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that any data communicated to the European Central Bank and the national central banks or to providers of support services do not directly identify individual digital euro users.

Article 35

Processing of personal data by the European Central Bank and the national central banks

- 1. The European Central Bank and the national central banks perform a task in the public interest or exercise official authority where they process personal data for the following purposes:
 - (a) provision of access for payment service providers to the digital euro settlement infrastructure and support the exchange of messages between payment service providers;
 - (b) settlement of online digital euro payment transactions;
 - (c) safeguarding the security and integrity of the digital euro settlement infrastructure and of local storage devices;
 - (d) supporting verification by payment service providers of whether a prospective user already has digital euro payment accounts with other payment service providers in order to prevent the circumvention of limits in accordance with Article 16;

- (e) in exceptional circumstances as defined in Article 31 (2), authorising payment service providers in switching digital euro payment accounts held with a payment services provider to another payment service providers designated by the digital euro user.
- 2. For the purposes referred to in paragraph 1, Annex IV lays down the types of personal data.
- 3. The Commission is empowered to adopt delegated acts in accordance with Article 38 to update the types of personal data listed in Annex IV.
- 4. Personal data processed for tasks referred to in paragraph 1 shall be supported by appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures. This shall include the clear segregation of personal data to ensure that the European Central Bank and the national central banks cannot directly identify individual digital euro users.
- 5. The European Central Bank shall be considered the controller of personal data under as regards to the purposes referred to in paragraphs 1 and 8 of this Article. When the European Central Bank carries out a task referred to in paragraphs 1 and 8 jointly with the national central banks, they shall be joint controllers for that task.
- 6. This Article is without prejudice to the processing of personal data involved in the performance of the other tasks and powers, including for the supervision of credit institutions and the oversight of payment systems, of the European Central Bank and the national central banks.
- 7. Where the European Central Bank decides not to confer tasks referred to in Articles 27 and 32 upon providers of support services, the European Central Bank may process the types of personal data referred to in Annex 5 subject to the requirements referred to in paragraph 4 of this Article.
- 8. For purpose of supporting the task of payment service providers to enforce the holding limits in accordance to Article 16(1) and ensuring the emergency switching upon the request of the user in accordance with Article 31(2), the ECB may alone or jointly with national central banks establish a single access point of digital euro user identifiers and the related digital euro holding limits as referred to in point (4) of Annex 4. The European Central Bank shall implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that the identity of individual digital euro users cannot be inferred from the information accessed via the single access point by entities other than payment service providers whose customer or potential customer is the digital euro user.

Article 36

Processing by providers of support services

- 1. Where the European Central Bank decides to confer tasks referred to in Article 27 and 32 upon providers of support services, providers of support services shall provide payment-related services across PSPs. In such a situation, payment service providers perform a task in the public interest, where they process personal data for the following purposes:
 - (a) supporting the prevention and detection of fraud across payment service providers in accordance with Article 32;

- (b) supporting the exchange of messages for the resolution of disputes in accordance with Article 27.
- 2. For the purposes referred to in paragraph 1, Annex V lays down the types of personal data.
- 3. The Commission is empowered to adopt delegated acts in accordance with Article 38 to update the types of personal data listed in Annex V.
- 4. The processing of personal data for the purposes referred to in paragraph 1 shall only take place when appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures are implemented to ensure that the providers of support services cannot directly identify individual digital euro users.
- 5. The providers of support services shall be considered to be the controllers of personal data as regards the purposes referred to in paragraph 1 of this Article. This paragraph is without prejudice to the European Central Bank and the national central banks appointing the operators of any payment-related services across PSPs and auditing of the service performance level without processing any personal data.

CHAPTER IX

ANTI-MONEY LAUNDERING

Article 37

Anti-money laundering rules applying to offline digital euro payment transactions

- 1. Payment services providers shall apply paragraphs 2 to 6 to offline digital euro payment transactions.
- 2. Transaction data shall not be retained by payment service providers or by the European central banks and the national central banks.
- 3. Payment service providers shall retain data of funding and defunding for storing digital euros on payment instruments in accordance with Article 40 of Directive (EU) 2015/849 and national provisions transposing that Article. Payment service providers shall, upon request, make those data available to the Financial Intelligence Unit and other competent authorities as referred in Article 2(31) of Regulation [*please insert reference – proposal for Anti-Money Laundering Regulation - COM/2021/420 final*].
- 4. For the purposes of paragraph 3, the funding and defunding data means the following:
 - (a) the amount funded or defunded;
 - (b) the identifier of the local storage device for offline digital euro payment;
 - (c) the date and hour of the funding and defunding transaction;
 - (d) the accounts numbers used for funding and defunding.
- 5. The Commission is empowered to adopt implementing acts setting offline digital euro payment transaction limits and holding limits. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 39.
- 6. Transaction and holding limits shall take into account the need to prevent money laundering and terrorist financing while not unduly restricting the use of the offline digital euro as a means of payment. The Commission, when drawing up the

implementing acts referred to in paragraph 5, shall take into account in particular the following:

- (a) an assessment of the money laundering and terrorist financing threats, vulnerabilities and risks of the digital euro when funding and defunding their payment instrument;
- (b) relevant recommendations and reports drawn up by international organisations and standard setters with competence in the field of preventing money laundering and combating terrorist financing;
- (c) the objective of ensuring the usability and acceptance of the digital euro as a legal tender instrument.

For the purposes of point (a), the Commission may request AMLA to adopt an opinion assessing the level of money laundering and terrorist financing threats associated with the offline digital euro and its vulnerabilities. The Commission may consult the European Data Protection Board.

CHAPTER X

FINAL PROVISIONS

Article 38

Delegated acts

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 11, 33, 34 and 35 shall be conferred on the Commission for an indeterminate period of time from *[date of entry into force of this Regulation]*.
3. The power to adopt the delegated acts referred to in Articles 11, 33, 34 and 35 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Articles 11, 33, 34 and 35 shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of one month of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 39
Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 40
Reports

1. The accountability arrangements of Article 15(1) and (3) of the Statute of the ESCB and of the European Central Bank shall apply to the issuance and use of the digital euro.

For that purpose, the European Central Bank shall report on the digital euro development and its use. The report shall cover the contribution of the European Central Bank in the implementation of the provisions of this Regulation, including on the following elements:

- (a) the level of fees or charges to be paid by merchants to payment service providers, or paid between payment service providers;
 - (b) the interoperability of the digital euro with other currencies in Member States whose currency is not the euro and in third countries;
 - (c) the development of central bank digital currencies other than the digital euro in Member States whose currency is not the euro and in relevant third countries, and the relevance of these developments for the euro area;
 - (d) market trends in payments and relevance of such trends for innovative use cases.
2. Before the planned issuance of the digital euro and ahead of the implementation of any changes of the parameters and use of the instruments referred to in Article 16 or at least every three years after the issuance of the digital euro, the European Central Bank shall provide to the European Parliament, the Council and the Commission:
 - (a) information on the instruments to limit the use of the digital euro as referred to in Article 16 and the parameters that the European Central Bank plans to adopt in view of the prevailing financial and monetary environment;
 - (b) an analysis on how the instruments and the parameters referred to in point (a) are expected to meet the objective of safeguarding financial stability.
3. One year after the first issuance of the digital euro and every three years thereafter, the Commission shall submit to the European Parliament and to the Council a report analysing the impact of the parameters and the use of instruments referred to in Article 16 on:
 - (a) the role of financial intermediaries in the financing of the economy;
 - (b) liquidity requirements laid down in Regulation 575/2013 of the European Parliament and the Council.
4. Member States shall, one year after the first issuance of the digital euro and every two years thereafter, provide the Commission with information on all of the following:

- (a) the penalties applied pursuant to Article 6(1);
- (b) the number of digital euro accounts which have been opened;
- (c) the number of payment service providers that provide digital euro basic services to natural persons as referred to in Articles 14(2) and 14(3);
- (d) the number of digital euro payment accounts that have been opened by payment service providers referred to in Articles 14(2) and 14(3).

the proportion of applications that have been refused by payment service providers referred to in Articles 14(2) and 14(3)

Article 41

Review

1. By one year from the first issuance of the digital euro, and every three years thereafter, the Commission shall present to the European Parliament and to the Council a report on the application of this Regulation. When preparing its report, the Commission shall take into account the reports by European Central Bank referred in Article 40 and any opinion and views expressed by the European Central Bank.
2. By one year from the date of application of this Regulation, the Commission shall present to the European Parliament and to the Council a report on the developments of retail central bank digital currencies in Member States whose currency is not the euro and the impact of this Regulation on the internal market, accompanied where appropriate by proposals for amending legislative acts governing the use of retail central bank digital currencies across the Union.
3. By 3 years from the first issuance of the digital euro, the Commission shall present to the European Parliament and to the Council a report on whether there is a sufficient and effective access to and acceptance of the digital euro in the euro area.

Article 42

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the European Parliament
The President

For the Council
The President