Distribution model options for a digital euro

Euro Retail Payments Board technical session on digital euro

5 July 2022
Digital euro project timeline

**July 2021**
Governance Council decision to launch investigation phase

- **Q4-2021**
  - Project team on-boarding
  - Governance set-up

- **Q1-2022**
  - Use case prioritisation
  - Report on focus groups with citizens and merchants

- **Q2-2022**
  - Design options to moderate take-up
  - Distribution model

- **Q3-2022**
  - Compensation model
  - Access to ecosystem
  - Value added services
  - Advanced functionalities

- **Q4-2022**
  - Prototyping results

- **Q1-2023**
  - Settlement model
  - Amount in circulation
  - Role of intermediaries
  - Integration and form factor
  - Prototype development

- **Q2-2023**
  - Selection of service provider(s) for possible project realization phase

- **September 2023**
  - Governing Council decision to possibly launch realization phase

- **Q3-2023**
  - Decision making document including advice on potential issuance digital euro, its design and implementation plan

**Tentative - timing subject to change**

- User requirements
  - Preparation for possible project realisation phase decision making
Objective of today’s exchange

Present **Eurosyste’m’s analysis of distribution options** for a digital euro.

Invite you to share **your feedback on the scheme approach** that is seen by the Eurosystem as the most appropriate distribution option.

Invite you to **share your input as part of a written procedure** that will feed into the ECB’s decision-making on the distribution model that will be brought to the HLTF in autumn 2022.
Distribution options for a digital euro
Different options distinguish each other in terms of how prescriptive the Eurosystem would be in defining the ‘look and feel’ of the digital euro.

Final aim to any distribution approach is to offer digital euro products to end-users (consumers and merchants).

Need to support all the prioritised use cases: P2P, POS, e-commerce, and P2G/G2P, ensuring pan euro area reach and avoiding market fragmentation.

The role of intermediaries in the distribution of the digital euro is undisputed in any of the models above.
Distribution options & digital euro key objectives

**Issuance**
- Only issuing digital euro; all other aspects left to market participants

**Open access**
- Providing an open access (e.g. via an API) to market participants

**Payment scheme**
- Developing a common rules-based framework to participants to develop their products

**End-to-end solution**
- Providing a fully fledged back-end to front-end solution

- Preserving the role of public money as the monetary anchor for the payment system

- Strategic autonomy of European payments and monetary sovereignty

- Foster innovation, increase the efficiency of payments, and support the overall economic efficiency of the European Union.
• **End-user experience** might be hampered across the euro area by insufficient degree of interoperability.

• Difficulties for achieving **widespread distribution** and enhancing financial inclusion.

• Would give room to supervised intermediaries to foster **innovation**, but might introduce market fragmentation.

• Facilitates a **homogenous end-user experience** across the euro area and interoperability via standardisation.

• Best positioned to ensure **pan euro area reach**.

• Respects the **role of supervised intermediaries** and still offers room for **innovation**.

• Would contribute to achieving **homogenous end-user experience** and **widespread distribution**.

• But challenges on meeting **end-user demands** and keeping up with **innovation**.

• Reduces the **role of supervised intermediaries**.
A digital euro payment scheme

- Defines the rules and requirements that supervised intermediaries would need to follow to provide digital euro end-user products
- Is managed under a dedicated governance framework
- Facilitates pan-euro area reach, by containing a set of technical and/or commercial rules to ensure a harmonised user experience
- Can cover the prioritised use cases
- Ensures a balance between roles and responsibilities shared by the Eurosystem and the supervised intermediaries
- Can respond to innovation trends and to accommodate domestic specificities

Open questions:
How wide would the scope of the scheme management be?
How would the scheme governance work in practice and who would be part of it?
Future outlook and discussion
Current and next steps

Outreach to external stakeholders on the distribution model options

Further work on payment scheme:

(i) governance framework, including the different roles and the scheme access criteria;
(ii) development, including constitutive elements, rulebook design and drafting possibilities.

Complemented by input requests from stakeholders on specific questions.

Consultation of Eurosystem committees & outreach to external stakeholders on the scheme development approach.

Confirmation of Eurosystem and market views on scheme-based approach, leading to a decision on scheme development in autumn 2022
We invite reflections by participants, including the following questions:

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

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

3. How could the balance between public and private cooperation be achieved under a payment scheme approach?
Thank you for your attention!