



EUROPEAN CENTRAL BANK

EUROSYSTEM

Summary of collected inputs from ERPB members

Distribution model options
for a digital euro

1/09/2022

Digital euro project team



Overall feedback received

- The majority of participating ERPB members supported the prioritization of the payment scheme approach as the most appropriate distribution option for the digital euro and endorsed the orientation taken by the HLTF-CBDC. General observations made by several members were:
 - It would allow to reach balance between the roles of public and private sectors and to provide a unifying layer for European payments, fostering its sovereignty and channelling market competition.
 - Could respond to the complexity of the digital euro (connected scheme layers expanding over time)
- Other members expressed preferences for other approaches: either the issuance or open access models (quickly evolve to emerging requirements & drawing on existing payment ecosystems) as well as a hybrid one (in between the open access and the payment scheme, to achieve interoperability). The end-to-end solution was also mentioned as the least burdensome for consumers and as a potential back-up option.
- Regarding the payment scheme approach, general observations made by several members were:
 - The market should play a sufficient role in the scheme governance.
 - Market know-how, assets and network should be leveraged on the basis of a mutually-agreed business model.
 - A clear and transparent remuneration model is deemed as essential.
 - In particular cases, some products could be publicly sponsored (financial inclusion reasons).
 - Broad market access was mentioned as key, ensuring a level playing field.

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

Participating ERPB members identified the main potential drawbacks:

- Risk of falling behind in the European payments race if innovation is not fostered enough. This could be mitigated by carving out from scheme all product design and innovation.
- Risk of crowd-out private initiatives and competition with existing commercial schemes, including SEPA schemes (SCT Inst).
- The potential risk of fragmentation (due to the lack on an end-to-end solution) might be tackled by focusing on technical interoperability and common branding to ensure common UX at POI.
- Efficiency might be lower as a result of public-private cooperation, requiring agile procedures.
- Significant resources needed for the scheme setup and non-operating costs (e.g. rulebook management) might require public funding.
- Adoption risk if not all stakeholders beyond supervised intermediaries have mandatory participation.
- Potential lack of interest from intermediaries to distribute digital euro at the expense of their offerings.
- Additional investments and extended time to market if the scheme goes beyond the technical layers.
- Governance complexities (potential conflicts of interests)

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?

Potentially covered under the scheme	To be left to market participants
<ul style="list-style-type: none">• Technical rules & standards for interoperability and common acceptance of the different PSPs solutions (e.g. messaging standards, API specifications)• Minimum requirements for front-end (e.g. user interface, acceptable form factors) ensuring access for all and inclusion• Common minimum rules for the branding• Security requirements• Certification and compliance• Fraud thresholds• End-user protection mechanisms	<ul style="list-style-type: none">• Design choices for consumer front-end• Product features and flexibility on user journey process• Direct interaction with end-users, including competitive and contractual sphere between intermediaries and users• Auxiliary services (e.g. reporting and data management tools) and value-added services provision

Diverging views among participating ERPB members on several elements including UX, marketing and communication, pricing model and remuneration for the intermediaries

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

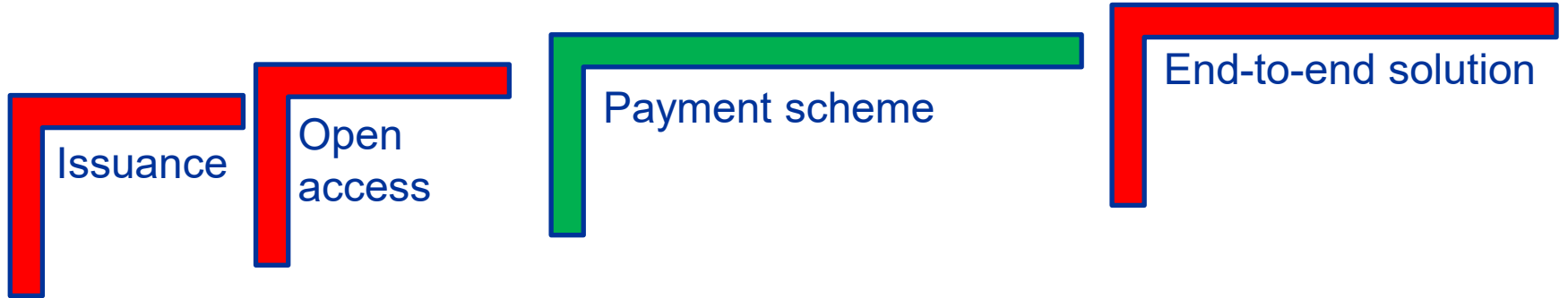
Views from participating ERPB members indicated that:

- Public-private cooperation is key to capitalize on existing or planned building blocks, use market expertise, ensure intermediaries' ongoing participation and to achieve a realistic market roll-out plan.
- Such a balance depends on a careful definition of the right scope for the scheme.
- In particular, the private sector should take care of distribution and acceptance, including operational roles (e.g. payment processing). At the same time, some members stressed the risk of an excessive reliance on private actors (public good and private interests).
- In terms of governance, multi-sectorial governance with representatives outside payments and financial institutions should be considered.
- Overall, stakeholder involvement is deemed key to ensure lasting market relevance, support and adoption.

Thank you!

All feedback by ERPB stakeholder associations is available on the ECB website

Annex: distribution options prioritisation



- **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.

prioritised

not prioritised

- 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**.