Roles of the Eurosystem and intermediaries in the digital euro ecosystem

Eurogroup

3 October 2022
Digital euro project timeline

Tentative - timing subject to change

October 2021
Launch of digital euro investigation phase

Q4 2021

Project team onboarding
Governance set-up

Q1 2022

Use case prioritisation
Report on focus groups with citizens and merchants

Q2 2022

Design options to avoid adverse effects on intermediation, financial stability and monetary policy
Distribution model

Q3 2022

Compensation model
Access to ecosystem
Value added services
Advanced functionalities
Prototyping results

Q4 2022

Settlement model
Amount in circulation
Role of intermediaries
Integration and form factor
Funding and defunding
Prototype development

Q1 2023

Online/offline availability
Data privacy level
Transfer mechanism

Q2 2023

Selection of service provider(s) for possible project realisation phase
Advice on potential issuance and design of digital euro and implementation plan

Q3 2023

Tentative - timing subject to change

Autumn 2023
Governing Council decision to possibly launch realisation phase

User requirements
Preparation for possible project realisation phase
Roles of Eurosystem and intermediaries

Public-private cooperation is crucial in the digital euro environment.

Eurosystm report on a digital euro (2020):

- **Supervised intermediaries** are best placed to provide user-facing services and to build new business models.
- **Digital euro should be made available on an equal basis in all euro countries through supervised intermediaries.**

**Operational side:** functional roles in processing of digital euro payments

**Business side:** roles in distribution of a digital euro
Functional roles of Eurosystem and intermediaries

Intermediaries

- User management (e.g. management of digital euro accounts/wallets)
- Liquidity management (e.g. funding and defunding)
- Transaction management (e.g. transaction initiation and authentication; settlement activities)

Eurosystem
Funding: converting end users’ commercial bank money/cash → digital euro

Defunding: converting end users’ digital euro → commercial bank money/cash

User’s choice to do this automatically or manually (only option for cash)

Waterfall:
ensuring that users can receive a payment that exceeds holding limits

Reverse waterfall:
Ensuring that users can make a payment that exceeds their digital euro funds
Settlement activities

The digital euro is a liability of the central bank – the holdings would be recorded on the Eurosystem ledger.

The Eurosystem must have full control over settlement to keep its balance sheet under control.

**Online payments**: settlement validated and recorded by Eurosystem central banks.

**Offline payments**: settlement via local storage devices.

**Technology agnostic**: settlement can rely on traditional or distributed ledger technology.
Roles of Eurosysteem and intermediaries

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Operational side: functional roles in processing of digital euro payments.

**Business side:** roles in distribution of a digital euro.
Digital euro distribution options

Different options (differentiated in terms of how prescriptive the Eurosystem would be) **assessed against our key objectives:**

- **Preserve the role of public money as the monetary anchor for the payment system**
- **Secure 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

All of the models foresee a role for intermediaries in the distribution of the digital euro.
A digital euro 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 accommodate local domestic conditions
Thank you for your attention