Rollout approach for the digital euro

Market Advisory Group

24 February 2023

Digital euro project team
Where do we stand?

Tentative - timing subject to change

July 2021
Governing 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
Prototyping results

Q4-2022
On-line/off-line availability
Data privacy level
Transfer mechanism

Q1-2023
Settlement model
Distribution of amount in circulation
Role of intermediaries
Integration and form factor
Funding and defunding
Prototype development

Q2-2023
User requirements
Preparation for possible project realisation phase decision making

Q3-2023
Selection of service provider(s) for possible project realisation phase

Autumn 2023
Governing Council decision to possibly launch realisation phase
Objective of today’s exchange

Present **Eurosistema’s analysis on the potential rollout approach for releasing the digital euro.**

Invite you to **share your input as part of a written procedure (deadline 24 March 2023)** that will feed into the ECB’s decision-making on the **implementation plan** that will be brought to the Governing Council in Q3 2023.
What this decisions is about

How the digital euro could be successfully introduced into the market?

• Sequence and combination of use cases

  ![P2P](Person-to-person)  ![Physical store](Physical store)  ![E-commerce](E-commerce)  ![Government payments](Government payments)

• Maximising the balance between...

  ![Market relevance](Market relevance)  ![Eurosystem’s policy considerations](Eurosystem’s policy considerations)  ![Technical and implementation aspects](Technical and implementation aspects)

1P2P and POS include both online and offline functionalities
Market analysis: research areas & main findings

1 European payment-market landscape analysis

2 Benchmarking of payment solutions rollouts

• **Multiple use cases** are required to address the variety of end-user needs and market gaps across EA countries, responding to a landscape with **diverse payment behaviours and preferences**

• This could be achieved by offering a **sufficiently broad and impactful set of use cases from the start** (Vs. a single use case)

• In practical terms, a **staggered approach** would contribute to:
  • Ensure a smooth **end-user payment experience** (i.e., gradual understanding and adoption of the different use cases and technologies by end-users)
  • Reduce the **implementation complexities** associated to (e.g. rolling out at pan-EA level)

*Further details provided in the Annex to this presentation*
Staggered approach: use cases assessment

Market relevance
- Size and growth trend
- Payment Offering
- Digital payment adoption

Eurosysterm policy considerations
- Protect use of central bank money
- Autonomy for European payments

Technical and implementation aspects (ease of implementation)

Staggered rollout with two product releases, for all EA markets

A
- P2P and e-commerce
  - Ability to generate network effects
  - Less complexity: one-sided integration with intermediaries
  - Fast-growing market segment
  - No central bank money usage

B
- Remaining use cases

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- Remaining use cases
Rollout approach proposal for the digital euro

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<thead>
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<th>Product releases</th>
<th>Investig. phase</th>
<th>Potential realisation phase</th>
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<td><strong>A</strong> P2P and e-commerce</td>
<td>Specifications and procurement</td>
<td>Eurosystem technological developments</td>
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<td>Rulebook development</td>
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<td><strong>B</strong> PoS and G2X</td>
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- Each product release to be preceded by a piloting exercise to prove design decisions
- Parallel work to optimise the release path

Illustrative – Assessment of implementation effort and timelines ongoing

1Current analysis is still on going to estimate delivery timelines for both on- and offline functionality, the outcome of that will determine the final content of the product releases.
E-commerce includes internet based X2G, while PoS includes PoS-based X2G.
Way forward and discussion
Way forward

Further work on detailing the rollout approach, including an analysis of the implementation effort and timelines, and align it with the results of the market research.

Consultation of **Eurosystenm committees**

Outreach to **external stakeholders**

Finalization of Eurosystenm views in Q2 2023 based on the outcome of Eurosysystem committees’ consultation, discussions with external stakeholders and further internal analysis

Integration into the implementation plan for the potential realisation phase which will be brought to the Governing Council in Q3 2023 for decision.
We invite reflections by participants, including the following questions:

1) Is the proposed staggered approach the best way to ensure a successful rollout of the digital euro from market and policy perspectives, while ensuring a timely delivery?

2) What are your considerations on the sequence and composition of the two different product releases: (i) P2P and e-commerce (ii) PoS and G2X use cases?

3) Do you have specific considerations with regards to the technical and implementation efforts required for the different product releases?
Thank you
Annex
Market analysis: diverse payment behaviours across Europe

- Cash use at PoS is significant (45%+ in 16 of 19 countries), but much lower in Netherlands and Finland (at around 20%)
- Variation among countries is caused by level of cards activity

- Card use for e-commerce is relatively similar across most countries (usually 40-60%)
- E-payments with greater market share than cards in some countries (NL, DE)

- Cash still prevalent with the availability of mobile solutions (A2A schemes) major driver of difference
- Five Countries with least cash use at P2P also are those that use cash least at PoS (BE, LU, EE, FI, NL)

Multiple use cases are needed to address opportunities and mitigate risks in highly heterogeneous markets

See "Study on the payment attitudes of consumers in the euro area (SPACE) – 2022 (europa.eu)", ECB, December 2022.