Core, optional and value-added services for the digital euro

Euro Retail Payments Board

6 December 2022
Where do we stand?

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

Q1-2023
Selection of service provider(s) for possible project realisation phase

Q2-2023
Decision making document including advice on potential issuance digital euro, its design and implementation plan

Q3-2023
autumn 2023
Governing Council decision to possibly launch realisation phase

Tentative - timing subject to change
Objective of today’s exchange

Present *Eurosystem’s analysis on core, optional and value-added end-user services for a digital euro.*

Invite you to **share your input as part of a written procedure (deadline 23 January 2023)** that will feed into the ECB’s decision-making on the distribution model that will be brought to the Governing Council in Q1 2023.
What these decisions are about

What categories of services would be supported by the digital euro for the initial release?

What would be the role of supervised intermediaries and the Eurosystem on the development and provision of such services?
Core, optional and value-added services
Three different types of end-user services

- **Core services**: Set of services required to enable the launch of a digital euro as to meet the initial prioritised use-cases. Its provision would be mandatory for supervised intermediaries.

- **Optional services**: Set of services not essential which can further enhance the core product, improving end-user’s experience. Its provision would be voluntary for supervised intermediaries, contributing to differentiation across intermediaries and EA countries.

- **Value-added services**: Its provision would enable programmable payments in digital euro.
The Eurosystem’s role towards the different categories

- **Core services**
  - Its development and provision by supervised intermediaries would be **left fully to the market**
- **Optional services**
  - Its development and provision by supervised intermediaries would be **supported by the Eurosystem** (e.g. via the digital euro scheme rulebook or/and by back-end functionalities developed)
- **Value-added services**

The distinction between optional and value-added services resides on the role of the Eurosystem towards its facilitation for the initial release of the digital euro.
### Core and optional services identification

<table>
<thead>
<tr>
<th>User management</th>
<th>Liquidity management</th>
<th>Transaction management</th>
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<tbody>
<tr>
<td><strong>Onboarding digital euro end-users</strong></td>
<td><strong>Funding</strong> (manual &amp; automated)</td>
<td><strong>Transaction initiation</strong> (one-off transactions)</td>
</tr>
<tr>
<td><strong>Offboarding digital euro end-users</strong></td>
<td><strong>Reverse waterfall</strong></td>
<td><strong>Authentication</strong></td>
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<tr>
<td><strong>Payment instrument management</strong> (both provision and maintenance)</td>
<td><strong>Defunding</strong> (manual &amp; automated)</td>
<td><strong>Payment confirmation/rejection notification</strong></td>
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<tr>
<td><strong>Linking digital euro holdings to commercial bank money account</strong></td>
<td><strong>Waterfall</strong></td>
<td><strong>Recurring payments</strong></td>
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<td><strong>User lifecycle management processes</strong> (identification, data update, information display on balance and transactions, account portability and end-user support)</td>
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<td><strong>Pay-per-use enabled via pre-authorisation service</strong></td>
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<td><strong>Account information service</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td><strong>Payment initiation service</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
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<sup>1</sup> May need to be facilitated inter-PSPs due to PSD2 but its provision to end-users would be optional

<sup>2</sup> M2M payments are out of scope as it is a use case not prioritised for the initial release
Some observations

The list of identified core and optional services:

➢ Refers to the initial release of the digital euro
➢ It is not exhaustive and is expected to evolve over time
  o The current selection does not preclude that any other services might be included over the course of the investigation phase after completing the analysis on foreseen items (e.g. dispute management).
  o Regular evaluation of these services will be part of the regular rulebook development and maintenance process.
Way forward and discussion
Way forward

- **Further investigation & work** over the investigation phase on other services that might be included as either core or optional (e.g. dispute management)

- **Consultation of Eurosysteem committees**

- **Outreach to external stakeholders**

Finalization of Eurosysteem views in Q1 2023 based on the outcome of Eurosysteem committees’ consultation, discussions with external stakeholders and further internal analysis

Review of combined design decisions (“Bringing it all together”) in Q2 2023 and feedback by stakeholders on overall design prior to Governing Council decision making thereafter
For feedback

We invite reflections by participants, including the following questions:

1. Do you foresee any core service in addition to the ones identified or re-categorise any of them?

2. Do you foresee any optional service in addition to the ones identified or re-categorise any of them?

3. What would be the concrete ways for the **Eurosystem to support the development and provision of each of the identified core and optional services**, either via the scheme rulebook and/or back-end functionalities?
Thank you
Annex. Examples of potential value-added services

The following illustrative list contains services mentioned by some digital euro MAG members as potentially being provided in the context of the digital euro:\(^1\):

- **Delivery Vs. payment**
- **Automatic reimbursement of subsidies**
- **Automatised repayment for BNPL** (buy now pay later) **schemes**
- **Conditional payments** per type of payer and/or underlying goods/services
- **Pocket money for children**
- **Split payments** (multiple payers)

\(^1\)In the context of discussions held on programmable payments in digital euro