End-user on-boarding and digital euro access & holdings

Market Advisory Group

8 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
Decision making document including advice on potential issuance digital euro, its design and implementation plan

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

Q3-2023
Tentative timing subject to change

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

Present the investigation on **access to digital euro** and subsequently question on **who can onboard whom to the digital euro**.

Invite your feedback on the analysis of access and onboarding identified by Eurosystem (followed by written procedure until 23 January 2023) as input for Eurosystem preparations of final decisions on these functionalities by Governing Council in Q1 2023.
Access to the digital euro
Towards a staggered approach

Prioritisation in access to the digital euro requires a clear distinction

Three user categories have been identified in the strategic use case prioritisation (individuals, businesses and governments)

Providing access to users from jurisdictions beyond the (E)EA is nontrivial

- **Euro area (EA):** Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain and Croatia (*as of January 2023*)
- **European economic area (EEA):** EU-member states and three European Free Trade Area (EFTA) states (i.e. Iceland, Liechtenstein and Norway)
- **Special third countries:** Microstates with a monetary agreement (i.e. Andorra, Monaco, San Marino and Vatican City) and states aligning with the EEA via agreements (i.e. Northern-Ireland and Switzerland)
- **Other jurisdictions**
Focus on facilitating prioritised use cases within EA

Digital euro will first be a product for the euro area and later potentially expand via a staggered approach.

<table>
<thead>
<tr>
<th>Access</th>
<th>Individuals</th>
<th>Businesses</th>
<th>Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First releases</strong></td>
<td>• EA residents</td>
<td>• EA businesses</td>
<td>• EA governments</td>
</tr>
<tr>
<td></td>
<td>• Non-resident EA citizens via EA PSP</td>
<td>• Non-EA merchants via EA PSP (collecting model)</td>
<td></td>
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<tr>
<td><strong>Subsequent releases</strong></td>
<td>• EEA residents</td>
<td>• EEA businesses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Special third countries residents</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Non-EEA visitors</td>
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</tbody>
</table>
Focus on facilitating prioritised use cases within EA

Digital euro is designed as a retail payment instrument which will be facilitated with the respective holdings

<table>
<thead>
<tr>
<th>Holdings</th>
<th>Individuals</th>
<th>Businesses</th>
<th>Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA</td>
<td>• EA residents &amp; citizens same holding limit (decided close to launch)</td>
<td>• Zero daily holding limit (intraday holdings possible)</td>
<td>• Zero daily holding limit (intraday holdings possible)</td>
</tr>
<tr>
<td>Non-EA</td>
<td>• Bi-lateral agreements with the competent authorities, not exceeding EA holding limit</td>
<td>• Zero holdings</td>
<td>• Zero holdings</td>
</tr>
</tbody>
</table>
Onboarding to the digital euro
Onboarding principles

I. Onboarding according to access rights

II. Simple as possible from an end-user perspective

III. On PSP side existing onboarding procedures should be re-used

A. User is known to the PSP → Re-use available data, Nearly no data requirement

B. User is unknown to the PSP → Use existing default onboarding process*

IV. One account/wallet per citizen

Imposing holding limits requires identification
How to implement (unique) personal identifier still needs to be investigated

*Limited in the sense that no data for credit provision required (like e.g. profession)

98,5% of euro area citizens have an account at a financial institution

www.ecb.europa.eu ©
One holding per citizen

Controlling amount in circulation results in **individual holding limit**

Limited aggregated personal holding

- **Citizen 1** holding A with PSP A
- **Citizen 1** holding B with PSP B

Due to conscious decision for high privacy setup of the digital euro, the ecosystem cannot easily accommodate aggregated personal holdings across multiple intermediaries

→ Therefore it is considered for the initial releases to allow for one digital euro holding per citizen

- End user have a choice of VAS-offers as PSPs can offer services in their capacity as **PISP** and **AISP** – competition among PSPs is ensured
- Additionally **easy portability** between PSPs for user will be ensured
Multiple holding per merchant

It is proposed that merchants will have a **zero digital euro holding limit** which would enable an **unlimited number** of digital euro accounts/wallets per merchant.

**Zero digital euro holding limit** with possible intraday deviations

- **Merchant 1**
  - Holding A with PSP A
- **Merchant 1**
  - Holding B with PSP B

→ Initial releases will allow merchants to open an unlimited number of digital euro holdings (e.g. for every branch or even every checkout desk)

Commercial bank money account

Automatic defunding of digital euro holdings after short time period

Commercial bank money account
Easily porting the digital euro holdings held by the end user from one PSP to another is an important feature. Eurosysterm and scheme will support this and set common rules for market participants.

**Standard portability procedure**

- **Old PSP A**
  - Pulls relevant data as AISP e.g. payment history

- **New PSP B**
  - Constant end-users digital euro holding identifier

Exceptional cases where the old PSP would not be accessible will be further analyses.
Way forward and discussion
Way forward

**Further investigation** on personal identifier and requirements for unified European onboarding

**Consultation of Eurosystem committees**

Europystem views to be **updated in Q1 2023** based on the outcome of Eurosystem committees’ consultation, preliminary external discussions and further internal analysis, and to be **finalized towards the end of the investigation phase**

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
We invite reflections on all aspects of the analysis, including the following questions:

• What are your considerations with regard to one or multiple digital euro holdings per citizen?

• What implications would you see of a zero holding limit for merchants?

• What are the implications for financial institutions to allow merchants to build up a position during a specific short timeframe? And what timeframe could be considered?

• What would be the considerations from a merchant perspective to build up a position during a specific short timeframe? And what timeframe could be considered?

• What are your considerations around the staggered approach for access to the digital euro holdings?

• What are your considerations regarding the need for portability and the proposed implementation?
Thank you