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

Market Advisory Group

8 December 2022
Where do we stand?

Tentative - timing subject to change

- Use case prioritisation
  Report on focus groups with citizens and merchants

- Design options to moderate take-up
  Distribution model

- Compensation model
  Access to ecosystem
  Value added services
  Advanced functionalities

- Prototyping results

- July 2021
  Governing Council decision to launch investigation phase

Q4-2021

- Project team on-boarding
- Governance set-up

Q1-2022

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

Q2-2022

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

Q3-2022

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

Q4-2022

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

Q1-2023

- User requirements
  Preparation for possible project realisation phase decision making

Q2-2023

- autumn 2023
  Governing Council decision to possibly launch realisation phase

Q3-2023
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.

Note: some optional services and value-added services enable programmable payments in digital euro.
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.

Its development and provision by supervised intermediaries would be **left fully to the market**.

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).
## 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>Onboarding digital euro end-users</td>
<td><strong>Funding</strong> (manual &amp; automated)</td>
<td><strong>Transaction initiation</strong> (one-off transactions)</td>
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<tr>
<td>Offboarding digital euro end-users</td>
<td><strong>Reverse waterfall</strong></td>
<td><strong>Authentication</strong></td>
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<td>Payment instrument management (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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<td>Linking digital euro holdings to commercial bank money account</td>
<td><strong>Waterfall</strong></td>
<td><strong>Recurring payments</strong></td>
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<td>User lifecycle management processes (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>&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>Account information service&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 Eurosystem committees

- Outreach to external stakeholders

Finalization of Eurosystem views in Q1 2023 based on the outcome of Eurosystem 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 euro¹:

• 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)

¹In the context of discussions held on programmable payments in digital euro