Rollout approach for the digital euro

Euro Retail Payments Board

22 February 2023
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**: Settlement model, Distribution of amount in circulation, Role of intermediaries, Integration and form factor, Funding and defunding, Prototype development

**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**
Design options to moderate take-up

**Q3-2022**
Use case prioritisation

**Q4-2022**
Compensation model

**Q1-2023**
Prototyping results

**Q2-2023**
Selection of service provider(s) for possible project realisation phase

**Q3-2023**
Decision making document including advice on potential issuance digital euro, its design and implementation plan

**autumn 2023**
Governing Council decision to possibly launch realisation phase

**User requirements**
Preparation for possible project realisation phase decision making
Objective of today’s exchange

Present *Eurosysten’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\(^1\)

  ![Icons: Person-to-person, Physical store, E-commerce, Government payments]

• Maximising the balance between...

  ![Icons: Market relevance, Eurosystem’s policy considerations, Technical and implementation aspects]

\(^1\)P2P 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)

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1Further details provided in the Annex to this presentation
## Staggered approach: use cases assessment

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

### Eurosystem 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

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<td><strong>P2P and e-commerce</strong></td>
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- **Person-to-person**
- **E-commerce**

- Ability to generate network effects
- Less complexity: one-sided integration with intermediaries
- Fast-growing market segment
- No central bank money usage
Rollout approach proposal for the digital euro

Product releases

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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 **Eurosystem committees**

Outreach to **external stakeholders**

Finalization of Eurosystem views in Q2 2023 based on the outcome of Eurosystem 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.