Summary of collected inputs from MAG members

High Level Product Description

3 July 2023
Some members believe a digital euro can contribute to key objectives. Mentioned among these are economic sovereignty, pan-EU payment rails, and support for people with limited technological familiarity. One member suggests consumers may consider it as extremely secure, free and very convenient money. While others expressed doubts citing a lack of clear and distinctive value compared to solutions already available in the market.

Another contribution highlighted support for the offline digital euro, where the online digital euro is more overlapping with existing functionalities. They suggest reusing existing infrastructure where possible.

Nearly all members flagged challenges to be taken in consideration, amongst which the necessary investment costs, similarity to existing products, technical complexity and user friendliness.
Offline usability – Summary of feedback received

• Most members **concurred** with the proposed setup of the digital euro as an **evolution of cash**.

• Some members consider the offline usability as **very important**, due to being innovative and similar to cash. **Resilience** should be a key requirement of this functionality.

• The **privacy model** of offline was **supported** by members, who considered it an asset while recognizing the challenges with regard to **feasibility**. Monitoring of offline transactions could operate similarly to withdrawing cash.

• Some members warned against **doubling** the **cost of infrastructure**, as well as risks towards **user friendliness**. Offering users a digital euro with different characteristics could lead to issues.

• One contributor did not see value in an offline proposition
Members consider holding limits a critical tool to prevent excessive build-up of liquidity. They argue monetary policy transmission and financial stability may be harmed without (low) holding limits.

One contribution states that a holding limit may negatively restrict use cases, lead to a flurry of unneeded transactions, and have an adverse impact on financial inclusion. If required, they consider a limit of €3000 too low.

One member suggests setting a holding limit of 0 for individuals, such as for businesses.

Some members express worry about the possibility of digital euro remuneration.
Members were in favor of the single account setup, but questioned how the proposed repository would impact privacy.

Several members consider the single account per user to be problematic, either due to design or technical implementation. We are currently investigating a multi-account approach with defined holding limits.

Two members suggest this setup may lead to dominance by certain parties, hindering competition and innovation.

The required level of portability in case of a single account solution may be difficult to achieve and lead to negative externalities, according to some members. In such case, portability should be limited to outstanding amount of the wallet and redirection of future flows, argues one member.
Some members concur that the transaction-based model should offer similar levels of economic incentives as existing models. Nevertheless, initial investment costs need to be recognized.

Nearly all members warn there should be sufficient incentives for PSPs to provide digital euro services. One member argues the success of Open Banking suffers the same issue.

One member argues the model should include six parties, due to the inclusion of (reverse) waterfall and cross-PSP funding. Alternatively, fraud liability should be shifted.

One member indicates business users should explicitly be excluded from free use, with measures in place to prevent circumvention.
Privacy – Summary of feedback received

• Several members positively remark on the non-visibility of data to the ECB, and compliance with the respective legislation.

• One member warns against an uneven playing field in case of different rules for low-value transactions if only allowed for digital euro, while another member argues the concept of low-value transactions does not necessarily indicate low risk.

• Several members indicate the need for data for AML/CFT monitoring for the distributing intermediaries, and for enhancing user experience in case of consent.

• One member remarks it might be challenging to balance the need for innovation and progress against the protection of stringent regulation.
Funding & defunding – Summary of feedback received

• While automated funding and defunding triggered no remarks, several members remark on the **challenges** of implementing cash funding and defunding. They argue the **wide disparities** in how **cash is provided**, as well as the need for **additional SCA** at **ATMs** if not card-based, could lead to **significant costs**.

• Multiple members point out the **difficulties** in providing a **highly performant reverse waterfall**, including **technical factors** and a **secure real-time SCA direct debit**.

• One member welcomes the possibility of **cross-PSP funding**, but would prefer to see additional details.

• Another member suggests **automatic defunding** as a way to **minimize liquidity** in the digital euro.
Features – Summary of feedback received

• Two members support our proposal for enabling conditional payments in the back-end, which may be a driver for adoption and innovative use cases. This could entail such features as reservation of funds.

• As functionality is essential to future relevance, one member states, there needs to be attention for specific needs of certain use cases, such as e-commerce.

• Another member believes UX should be an aspect of competition between PSPs, and adequate room needs to be left to customize.

• The standalone application should be further clarified with regard to the respective interactions between PSPs and the Eurosystem, according to one member. Another states it should strictly remain white label, with distinctive elements of the PSP providing onboarding.
Multiple members support a staggered approach to development.

Two members suggest limiting the functional scope of a first release.

While its pace is lauded, one member suggests the scheme work may be progressing too rapidly to consider new design choices and a wider set of commercial models.

Multiple members argue reusing existing infrastructure may meaningfully reduce technical challenges.
Thank you