Digital Euro Investigation Phase
Presentation MMCG

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Why issue a digital euro?

To support digitalization of the European economy and the strategic autonomy of the EU

To attenuate the risks of new forms of money creation which potentially debilitate the anchoring of the system to central bank money

To address the declining use of (not replace) cash as means of payment whilst guaranteeing public access to risk-free and liquid central bank money
Objectives

The Governing Council of the European Central Bank (ECB) approved the launch of the investigation phase of the digital euro project as of 1 October 2021:

The digital euro is defined as a central bank liability offered in digital form for use by citizens and businesses for their retail payments

The investigation phase will last 24 months during which the Eurosystem will:

(i) prioritize the use cases that a digital euro should provide
(ii) define a business model for supervised intermediaries, merchants and citizens within the digital euro ecosystem
(iii) define a possible functional design that meets users’ needs
(iv) identify the changes in legislation that would be required, this will be discussed with, and decided by, European co-legislators
(v) identify a service provider that will potentially develop the digital euro
Stakeholder engagement

Broad and early engagement with stakeholders will facilitate the appropriate specification and implementation of a digital euro, to this end:

- the Eurosystem is establishing a market practitioner group that takes account of the views of prospective users and distributors of a digital euro
  - the Digital Euro Market Advisory Group (MAG)* will attempt to tap market intelligence and professional expertise in the design stage

- Furthermore, Eurosystem’s established forum for institutional dialogue on retail payments the Euro Retail Payments Board (ERPB) will provide a broad assessment on digital euro design and distribution both from the demand and supply sides of the retail payments ecosystem.

Design Decisions

Which measures would ensure financial stability? Per capita limits? Tiered remuneration? Liquidity management facilities?

How will merchant acceptance apply in the context of the Digital Euro?

How to achieve an efficient distribution of the Digital Euro?

How to facilitate interoperability (technical standards) of digital euro with commercial bank money?

Would a merchant service charge apply?

How would onboarding and funding services be provided?

What is the risk/reward for supervised intermediaries?

How will account bearer apply?

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Distribution of roles regarding to the business model

... from the perspective of a central bank

1. Issuing the digital euro
2. Controlling the amount in circulation
3. Branding
4. Defining the business model
5. Defining requirements for the form factor
6. Define IT Security requirements

... from the perspective of a supervised intermediary

1. Onboarding KYC, AML/CTF checks
2. Providing funding link
3. Providing form factor / wallet
4. Servicing towards users (incl. fraud case resolution)

Open questions:
1. How will the digital euro charging model look like?
2. How will provided services be compensated?
3. Which criteria will supervised intermediaries have to fulfil?
Annex
A **phased approach** has been adopted for design process, for each phase the following sequence will apply:

- **Strategic reflections**
  - Technical analysis, intelligence gathering, including input from MAG

- **Interim assessment by Eurosystem**
  - Review with stakeholders, including the ERPB and European Institutions

- **Proposal by the Eurosystem**

- **Governing Council Decision**

The stakeholders will be consulted throughout the investigation phase:

- The **MAG** will provide input on a strategic level for the product design and distribution.
- The **ERPB** will assess the preliminary design decisions from an industry perspective.
- The **European institutions** will also provide assessment on the design decisions.
Focus Groups

Perceptions, attitudes and preferences of citizens & small merchants will be analysed via Focus Groups.
How will the prototyping look like?

Methodology
1. Digital euro project to develop a prototype for the “back-end”.
2. Cooperation with market participants at their own expenses to integrate proven payment solutions with the “back-end”.
3. Criteria for participation defined upfront by the digital euro project.

Possible topics:
• automated funding,
• reconciliation of accounts,
• implementation of restrictions (holding/transaction limits, geographical),
• authentication methods,
• remuneration,
• form factor,
• privacy schemas
Our publications

- Eurosysterm report on a digital euro
- Public consultation report
- Website digital euro hub