



EUROPEAN CENTRAL BANK

EUROSYSTEM

Laying the basis for a digital euro

Civil Society Seminar
Series

The seminar will begin at 16:00 CEST

08/07/2024



Evelien Witlox Programme Manager of the digital euro project
Alessandro Giovannini Adviser to the digital euro project

Q&A Session via Slido:



You can **post questions via Slido** (www.slido.com). The **event code** is **# 3422516**



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Project update: Focusing on digital euro fundamentals

Evelien Witlox

The case for a digital euro in an increasingly digitalised world



ADAPT

- A digital euro would integrate **central bank money** and the latest **payment trends**
- It would be a form of digital cash **universally accepted** in the euro area, complementing current means of payment



FACILITATE

- **An additional payment choice** for euro area citizens, complementing cash
- **Legal tender status**, ensuring pan-European reach and acceptance
- **Always an available option** for euro area citizens in all payment scenarios



STRENGTHEN

- Preserving **Europe's strategic autonomy** and monetary sovereignty
- Reducing our **dependence on non-European payment service providers**
- Fostering **innovation** and **competition** in the European payments sector

Preparing our currency for the future

Investigation phase

Oct. 2021 – Oct. 2023

Concept definition,
technical exploration and
design proposal

Preparation phase

Nov. 2023 – Oct. 2025

Main expected next steps:

- Finalise the **scheme rulebook**
- Select **service providers**
- Learn through **experimentation**
- **Deeper dive** into technical aspects, including further research into offline functions and developing a testing and rollout plan for the future

Next phase

From Nov. 2025

Potentially developing and
rolling out digital euro use
cases

A decision to issue a digital euro will only be considered by the ECB once the European Union's legislative process has been completed

Our progress so far

Milestones on the first part of the preparation phase



Guaranteeing a high level of privacy for digital euro payments, coming close to cash



Selecting providers for technical components of a digital euro



Looking into payments **offline functionality and an Eurosystem app to pay with a digital euro, accessible** to everyone in the euro area



Working on a **methodology for setting the limits** to the amount of digital euro holdings per account limit



Producing a first draft of the **rulebook with the standards** to pay with a digital euro across the euro area



Providing support to the **legislative process with technical analysis on topics in debate**

Privacy and data protection: digital euro pillars



More private than current payment methods



The Eurosystem would **not be able to directly identify people** based on their digital euro transactions



As with other digital payments, intermediaries would have access to certain data to be **compliant with EU regulations**



All personal data would be **bound by EU data protection law**, including the General Data Protection Regulation

Offline function with higher privacy



Paying **offline** would be almost like using cash. Transactions would only be known to the payer and the payee

Offline digital euro: close to paying with cash



Paying with a digital euro would be possible **via devices such as their mobile or a payment card without internet connexion**



Users would have to **prefund offline payments** in their devices (e.g. via internet or an ATM)



To pay offline, users would **need to be close to each other or physically at a store.**



Our work has focus on investigating further the devices that could be used to pay offline and how prefunding would work

Leaving no one behind: an inclusive and accessible digital euro



Digital euro payments could also be made via a **physical card**, with funding and defunding options available via cash



Users would always have access to **face-to-face technical support** and the option to easily **switch intermediaries**



Offline functionality would enable transactions in locations with limited connectivity



As well as PSPs, selected **public entities** would also operate as intermediaries as an option for underbanked users


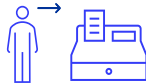




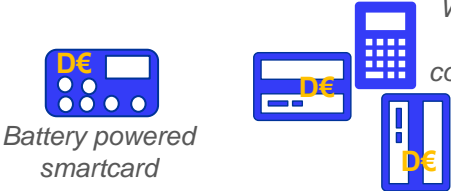
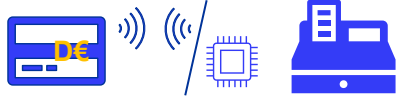
A large, white, sans-serif number '2' is centered on the left side of the slide. The background behind the number is a vibrant gradient that transitions from purple at the top to blue at the bottom, with a diagonal split between the two colors.

2

Our technical work since November

Alessandro Giovannini

Using a digital euro offline

		Use cases	
		 Person-to-person (P2P)	 Point-of-sale (POS)
Form factors	 Mobile device	 <i>Offline D€ wallet* on the mobile phone</i>	 <i>Contactless at POS terminal</i>
	 Smart card	 <i>Battery powered smartcard</i> <i>Offline D€ wallet on smartcard</i> <i>With a bridge device for communication</i>	 <i>Contactless or contact at POS terminal</i>

*Wallet could be integrated into **the PSPs banking app** or the **digital euro app**

A scheme to ensure usability across the euro area

Rulebook Development Group (RDG)

A **digital euro rulebook** would establish **common standards** to:

Ensure **pan-European reach** and a **harmonised payment** experience

Give **market participants** the **freedom** to develop innovative solutions

Enable domestic instant payments solutions to also achieve **euro area reach**



A digital euro scheme is being defined with **broad market involvement** in order to represent society at large:

Intermediaries

Retailers

Consumers



Ensuring seamless payment experience

The draft legislation envisages that users could pay with digital euro with:

- **existing payment apps** from banks or payment service provider
- a **digital euro app provided by the Eurosystem**

THE DIGITAL EURO APP

A uniform point of entry allowing users to interact with their PSP via a smartphone and ensuring payments inclusive and accessible to all

- **Baseline user experience for everyone** paying with a digital euro (like with banknotes)
- **Financial inclusion as key principle:** features supporting accessibility for people with limited digital skills or financial resources, disabilities and the elderly.
- **Reducing development costs:** by reusing existing application programming interfaces (APIs) and a software development kit (SDK)
- **not impinge on the relationship between PSPs and their customers**

A user-friendly digital euro for everyday payments while preserving financial stability



Holding limits: maximum amount of digital euro that users could hold in their accounts to maintain a **resilient financial environment**.

No limit for your payments: linking digital euro wallet with a bank account allows to receive payments exceeding the holding limit

Methodology for setting the holding limit

Our approach...



Dedicated workstream
identifying factors
influencing calibration



Data collection exercise started



Reflecting economic conditions holding limits set only closer to possible launch date

... in line with objectives set in the draft legislation



Enable natural and legal persons to **access and use** digital euro



Define and implement **monetary policy**



Contribute to the stability of the **financial system**

A fair compensation model for a digital euro

Challenges the European payments market faces:

Lack of pan-European solutions

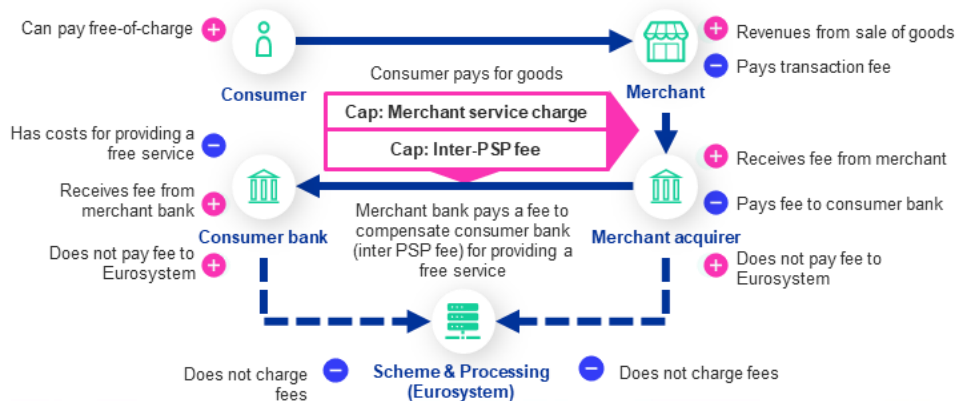
High dependence on global payment providers

High cost for merchants

Digital euro compensation model principles

Elements of the legislative proposal

- Wide **usability** across the euro area
- Free** basic use by individuals
- Safeguards for merchants**
- Eurosystem bears its **own costs**



Next steps: towards further testing and development

Tentative – timeline subject to change

Q4 - 2023

- Setting up the preparation phase
- Publication of **ECB legal opinion**

Q2 - 2024

- Start engagement with market on **calibration of holding limits**

Q4 - 2024

- **Evaluation and negotiation** of procurement offers
- Stable **draft of rulebook**
- Detail out piloting and rollout approach

Q2 - 2025

- Finalise **Architecture**
- **Data Protection Impact Assessment**
- **Positioning and Outreach plan**



- RDG review of **Rulebook**
- Publication of **Call for Applications (CfA)**
- Draft **requirements** related to sourcing

Q1 - 2024

- Publishing of **procurement documentation**
- Initiate **user research**

Q3 - 2024

- **Selection of providers**
- 2nd round of **procurement** procedures
- **Initiate** planning for next phase
- **Draft rulebook consultation**

Q1 - 2025

- **Rulebook finalisation**
- Preparation of **Governing Council** decision

Q3 - 2025

October 2025
Governing Council decision to potentially launch next phase

At the core of the project: constant collaboration with all stakeholders...

...which was crucial during the digital euro project's investigation phase (2021-2023) and will now be strengthened further.



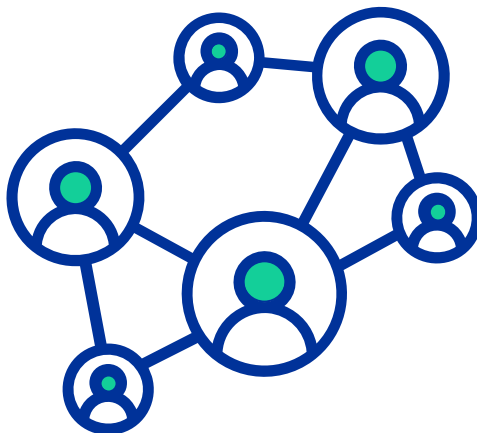
European policymakers:
a joint European effort

- + European Parliament
- + Council & Eurogroup
- + European Commission
- + Other EU bodies



Market participants:
broad support from consumers
and merchants

- + Financial institutions
- + Consumers, merchants and acquirers
- + Infrastructure and technology providers



General public:
engaging with end users



- + Civil Society Organisations
- + EU citizens

Central banks:
setting global standards



- + Non-euro area ESCB members
- + Bank for International Settlements
- + Central banks with CBDC projects

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Thank you for joining

You can reach us at
CivilSociety@ecb.europa.eu

Additional supporting materials:

- [Progress on the preparation phase of a digital euro](#)
- Updated digital euro [FAQ](#)
- Webpage: [Digital euro and privacy](#)
- [ECB opinion](#) on the EU Commission's digital euro legislative proposal
- Digital euro [one-pager](#)
- Digital euro [LinkedIn page](#)
- Additional information, including the report, can be accessed via the ECB website : www.ecb.europa.eu/euro/digital_euro



ANNEX

with additional slides for experts on:

- State of play
- Compensation model
- Rulebook
- Project timeline

Detailed overview of digital euro services within the rulebook

