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Member of the Executive Board

Ms Irene Tinagli
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Selection of external companies for joint prototyping of user interfaces for a digital euro

Dear Chair, dear Irene,

As a follow-up to my hearing before the Committee on Economic and Monetary Affairs (ECON) on 29 September, I would like to provide further clarification about the ECB's recent selection of five companies that will participate in the digital euro prototyping exercise for the development of user interfaces¹.

As mentioned in my [letter](#) to you in June, I am committed to continuing the practice of regular exchanges on the digital euro with the ECON Committee throughout the project investigation phase. This will provide the opportunity to report to the ECON Committee on the prototyping work to explore solutions for making payments with a digital euro.

¹ More information is available on the ECB's [website](#).

I would like to reiterate that the prototyping work is a learning activity, a “lab experiment” carried out without any use of real payment data. The purpose of this exercise is to help the ECB test technical options for a digital euro.

Together with eight Eurosystem national central banks we are developing the first component, a prototype for the core functionalities of digital euro payments – the so-called back-end.

The second component of the prototype is the front-end part, which includes the end-user interface, and this exercise will take place in collaboration with front-end providers in order to test the ability to integrate the back end with existing front-end solutions. The prototyping exercise is not intended to produce fully fledged solutions, and it will not condition any decision relating to a specific technology or functionality for the final digital euro design.

Regarding the concerns about privacy, I would like to highlight once again that the prototyping exercise will rely entirely on simulated transactions. No individual or aggregated payment data will be shared with any of the providers. All necessary data will be generated solely for the purpose of experimentation.

When selecting providers for the front-end prototypes, we wanted to be very transparent and open from the beginning, going beyond what EU rules foresee for non-remunerated contracts. We therefore issued ex ante a public call for expressions of interest.² The call was designed in full compliance with EU law, which does not allow us to exclude candidates solely based on their nationality (if they have an established presence in the EU) or on ongoing legal proceedings. We also made clear that companies would have to participate at their own expense, i.e. the Eurosystem would not pay for any development.

² The [call for expressions of interest](#) was published on 28 April on the ECB's website. The [presentation](#) delivered during the information session for front-end prototype providers on 18 July is also available on the ECB's website, as are the [questions and answers](#) from that session.

All interested parties had to fulfil several essential requirements.³ We then assessed which providers best matched the specific capabilities required for specific use cases such as person-to-person payments, e-commerce or point of sale payments. These specific capabilities included, for example, companies' experience or ability in catering to specific payment situations, conducting customer due diligence checks and customer authentication, or offering payment solutions that are based on specific technologies such as QR codes, have pan-European reach and support financial inclusion.

The choice of providers ensures a representative sample of all types of market players: CaixaBank, Worldline, EPI, Nexi and Amazon. Amazon best matched the specific capabilities for the e-commerce use case and was the only merchant that replied to the call for expressions of interest. In addition to covering all types of market players, four out of the five selected firms are European companies, showing that Europe has the capabilities required to provide efficient solutions for the distribution of a digital euro.

Let me emphasise that companies participating in the prototyping will have no say in the design of the digital euro, no advantage in future stages of the project compared to other companies, and no access to private information on other modules of the prototyping exercise or the broader exercise. The prototyping exercise is merely a research tool for the Eurosystem. We want to learn from existing front-end solutions so we can ensure that a digital euro, if introduced, can be smoothly integrated into them. It is important to get insights early in the investigation phase on how user-facing applications could work in different use cases, in order to efficiently design possible solutions.

We also implemented safeguards to ensure a level playing field for this exercise. All the results of the exercise will be published, as will the technical information and specifications provided to the selected providers, including the application programming interface to be developed by the Eurosystem. There are no plans to re-use these prototypes in the subsequent phases of the project. Finally, the selection of these companies for the prototyping exercise has no influence on any potential future procurements or any other collaboration in the subsequent phases of the project.

³ Essential capabilities to be fulfilled by all providers included having had at least 20 employees on 31 December 2021, minimum annual revenue in 2021 of €500,000, owning or having contributed to at least one product in the area of retail payments, and offering a solution that protects personal data and complies with the General Data Protection Regulation (GDPR).

We expect to complete the prototyping in the first quarter of 2023 and publish a report on our findings. As mentioned above, I stand ready to keep discussing the outcome of this prototyping exercise, as well as the question of which entities would be able to distribute the digital euro, in the upcoming hearings at the European Parliament. On the latter issue, our preliminary position, subject to ongoing discussions within the Eurosystem and exchanges with all relevant stakeholders – including the discussion with the ECON Committee on 29 September⁴ – is that the ability to distribute the digital euro would be limited to supervised intermediaries.

Yours sincerely,

[signed]

Fabio Panetta

⁴ See [Building on our strengths: the role of the public and private sectors in the digital euro ecosystem](#), Introductory statement by Fabio Panetta, Member of the Executive Board of the ECB, at the Committee on Economic and Monetary Affairs of the European Parliament, Brussels, 29 September 2022.