



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Digital euro

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*Salone dei Pagamenti*

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# Why issue a digital euro?\*



The digital euro as **monetary anchor** would preserve public access to central bank money being **widely accessible to prospective users in all euro area countries**.



A digital euro would strengthen the **strategic autonomy** of the euro area by increasing the independence from non-European payment solutions and would increase **economic efficiency** as the (latent) competition from central bank money to private money providers can curb market-abusive behaviour.

# Where do we stand?\*

Tentative – timeline subject to change

**July 2021**

Governing Council decision to launch investigation phase

- Prioritisation of use cases
- Report on focus groups with citizens and merchants



- Design options to control take-up
- Distribution model



- Compensation model
- Access to digital euro ecosystem
- Value added services
- Advanced functionalities
- Prototyping results



- Selection of service provider(s) for project realisation phase
- Decision-making document including advice on the potential issuance of the digital euro, its design and implementation



Q4-2021

Q1-2022

Q2-2022

Q3-2022

Q4-2022

Q1-2023

Q2-2023

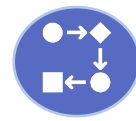
Q3-2023



- Project team onboarding
- Governance set-up



- Online/offline availability
- Data privacy level
- Transfer mechanism



- Settlement model
- Amount in circulation
- Role of intermediaries
- Integration and form factor
- Prototype development



- Finalise user requirements
- Prepare for project realisation phase

**September 2023**

Governing Council decision to launch realisation phase

*\*See progress report*

# Stakeholder engagement

**Engagement with stakeholders** to facilitate the **appropriate specification** and **implementation** of a digital euro:



## Digital Euro Market Advisory Group (MAG)

- Market practitioner group established by the Eurosystem
- Aims to take account of the views of prospective distributors of a digital euro
- Attempts to tap market intelligence and professional expertise in the design stage
- **The MAG** will provide input on a strategic level for the product design and distribution

## The Euro Retail Payments Board (ERPB)

- Forum for institutional dialogue on retail payments
- Will provide a broad assessment on digital euro design and distribution
- Both from the demand and supply sides of the retail payments ecosystem
- **The ERPB** will assess the preliminary design decisions from an industry perspective

## The European Commission, European Parliament and Eurogroup

- Close coordination with the Eurosystem on design and business model decisions
- **The European institutions and policymakers** will also provide input/feedback on the analysis of design decisions


## ECB Civil Society Seminars


- Seminars where ECB experts **present the work and exchange views** with representatives from European civil society organisations


# ECB Governing Council approve design choices\*

(P2P, Consumer-to-business, Payments-to-government)

## Online / Offline

- Develop an offline peer-to-peer validated solution 

- Develop an online solution validated by a third-party 

- **Exclude** the development of an online peer-to-peer validated solution for the first releases (too experimental) 

## Privacy principles

### General

- respect personal data
- follow highest levels of privacy and all legal requirements

### Intermediaries

- See transaction data needed for AML/CFT
- excl. lower value payments from AML/CFT checks (to be checked with co-legislator)

### Eurosystem

- Minimise dealing with personal data as much as possible
- Use privacy-enhancing techniques

## Tools to control amount in circulation

### Holding limit options

- Waterfall defunding to a configurable amount to linked commercial bank account
- Different limits for online and offline use
- Short deviations allowed

### Remuneration

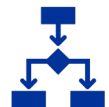
Two-tiered remuneration

- Step 1: 0% or positive
- Step 2: possibly negative

# Private sector involvement is essential



Supervised **intermediaries will play a key role in distributing** the digital euro. Intermediaries responsible for **onboarding of consumers, anti-money laundering checks** and **consumer-facing services**.

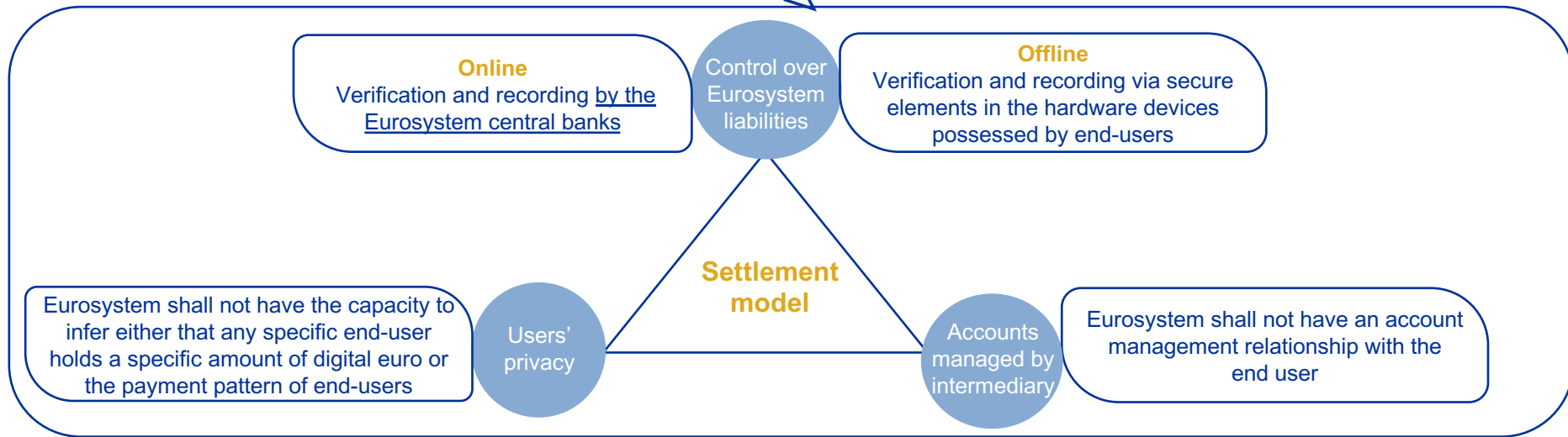
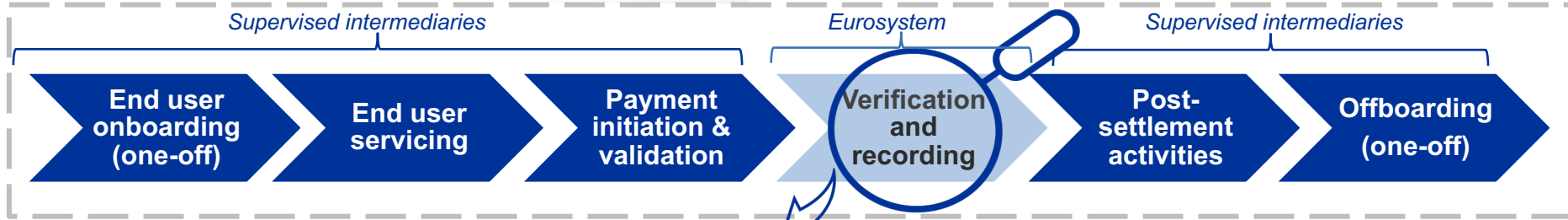


The Eurosystem pursues a **payment scheme approach** to distribute digital euro:

- ✓ Facilitates a **homogenous end-user experience** across the euro area and interoperability via standardisation
- ✓ Best positioned to ensure **pan euro area reach**
- ✓ Respects the **role of supervised intermediaries** and still offers room for **innovation**

# Settlement model and role of intermediaries

Decision on **settlement model** defines who is responsible for **operational tasks** leading to **settlement**





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<https://www.ecb.europa.eu/euro/html/digitaleuro.en.html>



# Funding and defunding



Supervised intermediaries shall offer **manual funding and defunding** options (in both the **online and offline solution**) and **automated funding and defunding** options (including waterfall and reverse waterfall functionalities **for the online solution**)



Event-driven functionalities should be activated upon the **end users' choice**



Funding and defunding functionalities should be available on a **24/7/365 basis** and take place **instantly**



Deviations from holding limits shall be **short-timed** and enabled only **in combination with the reverse waterfall**

The **(reverse) waterfall** can make the digital euro a convenient payment instrument mitigating the user experience impact of holding limits

Waterfall



Reverse Waterfall

