



EUROPEAN CENTRAL BANK

EUROSYSTEM

Update on digital euro

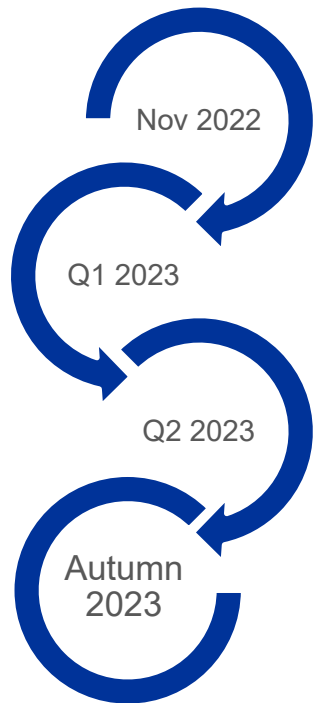
Euro Retail Payments
Board (ERP/2023/007)

25 May 2023

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Interactions with the ERPB on design options



Last update on progress of the project in Euro Retail Payments Board

Eurosystem assessment on remaining key design decisions
cross-currency, scheme access, form factor, delivery approach, compensation model, core & value added services, end user onboarding, allocation of amount in circulation, issuance & redemption, back-end interaction requirements

Eurosystem assessment of high-level digital euro design: “bringing it all together”, brought to ERPB technical session in early May

Governing Council decision whether to launch the next phase of the digital euro project.

A digital euro should be widely available and usable across the euro area

Availability for everyone

“It should be simple for people to start using the digital euro, and **there should be no need to change bank in order to do so**”

Usability everywhere for everyday payments

“Legislators assigned the legal tender status to euro banknotes. **The digital euro could also be given legal tender status**”

Key objectives



European legislator



Monetary anchor






**(Open) strategic
autonomy**

1

Privacy and data protection

Privacy remains of outmost importance in a digital euro ecosystem

	Online	Offline
 Baseline privacy	Intermediary sees transaction data, as with current digital payments	Even intermediary may <u>not</u> see transactions
 Role of co-legislators	Co-legislators to explore higher privacy for lower-value payments	Subject to co-legislator exempting proximity payments from monitoring
 Settlement	Eurosystem will settle without seeing nor storing users' personal data	Settlement in the devices of users while reconciling the least amount of anonymized data for security

2

(Digital) Financial inclusion

A digital euro would employ several tools to enhance (digital) financial inclusion

Form factors

- **app**: easy to use, attentive of needs of low tech savvy and elderly, compatible with European Accessibility Act, translation (at least) in all EU languages
- provision of: **physical digital euro payment card**

Onboarding and portability

- availability of both **fully remote and in person onboarding**
- **easy switching** from a supervised intermediary to another

Functionalities

- **basic services free of charge**
- **customizable account settings** for budgeting and automatic functions
- **simple (de)funding** (also with cash at ATMs), with no need for a smartphone
- **offline** functionality

Advocacy*

- **public approach**
- **legal tender**
- **simplified onboarding**
- support for a **harmonized minimum age** for opening a digital euro account
- targeted **educational campaigns**

**The Eurosystem can champion these causes in the relevant fora, but responsibility to take action would lie with co-legislators and Member States*

A public approach requires coordinated efforts

Public approach

- dedicated **onboarding channel** via **public or private dedicated licenced entity** per member state **providing access to digital euro services and the necessary supports** to those vulnerable to digital financial exclusion
- availability of **human interaction** to guide users throughout all steps
- dedicated **customer services**
- distribution of a **physical digital euro payment card**
- **(de)funding via cash** ensured
- above services provided **free of charge for eligible individuals**

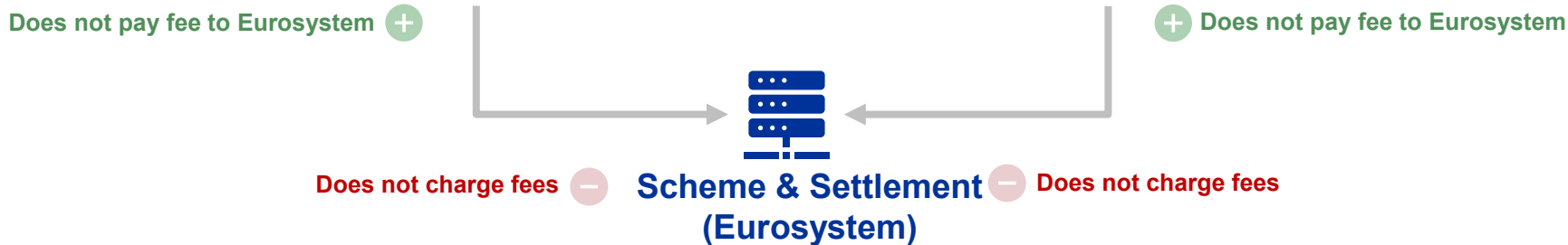
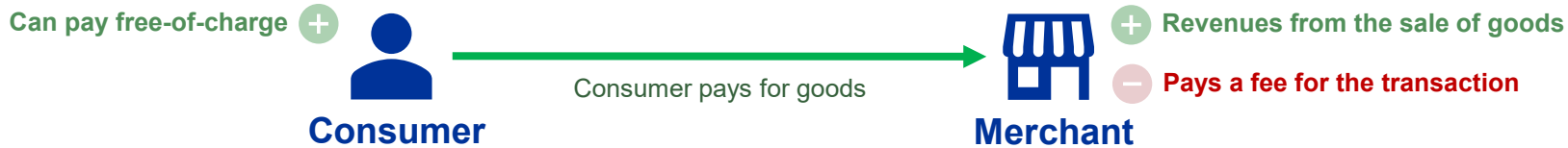
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Principles of a compensation model

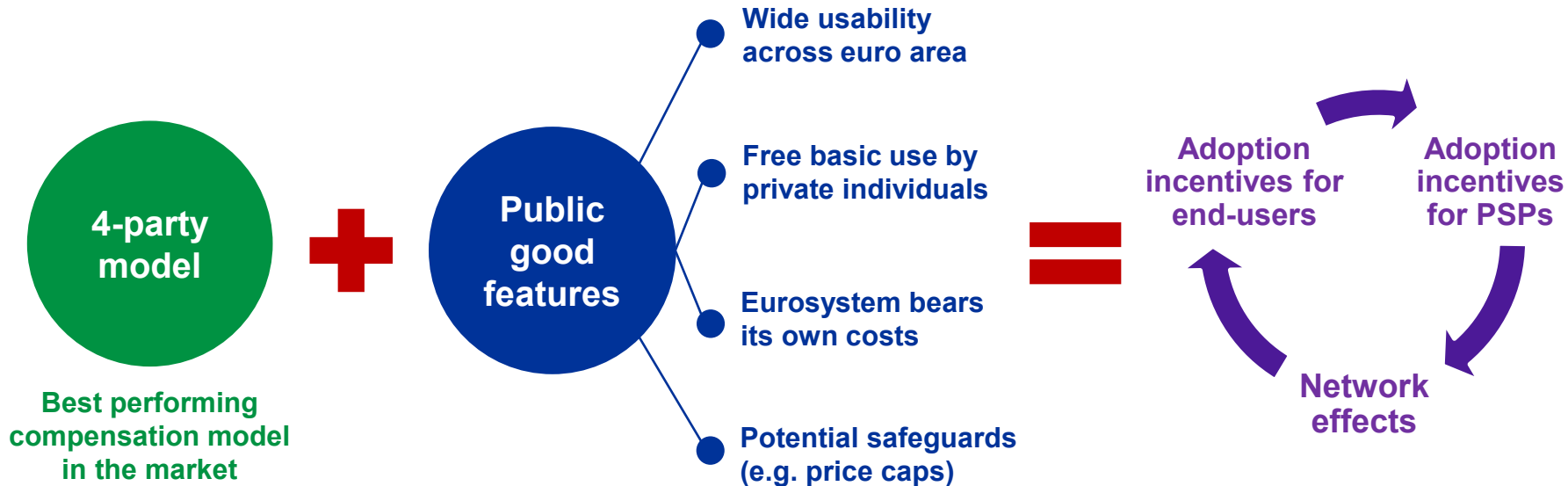
Principles of the compensation model ensure fair and adequate incentivization for distribution

- 1 Free basic use by private individuals
- 2 Network effects generating economic incentives for acquirers and merchants
- 3 Comparable economic incentives for distributing payment service providers
- 4 Eurosystem bears its own costs, as with production and issuance of banknotes

What a compensation model could look like subject to legislation



The compensation model would foster network effects necessary to achieve the key objectives



Thank you

Find more information on the digital euro [on the ECB website](#)

Taking stock and the road ahead

Foundational design options

First set
(Q3-2022)

Online/offline
Level of privacy

Tools to avoid excessive use
Transfer mechanism

Second set
(Q4-2022)

Role of intermediaries
Funding and defunding

Settlement model
Distribution model

Third set
(Q1-2023)

Compensation model
Delivery approach

Advanced functionalities
Core and value-added services

Use cases

Person-to-person

E-commerce

Physical store

Government payments

Research and experiments (Q2-2023)

Focus group research

Market research

Prototyping exercise

High-level design of a digital euro and holistic review (Q2-2023)

Where do we stand?

Tentative – timeline subject to change

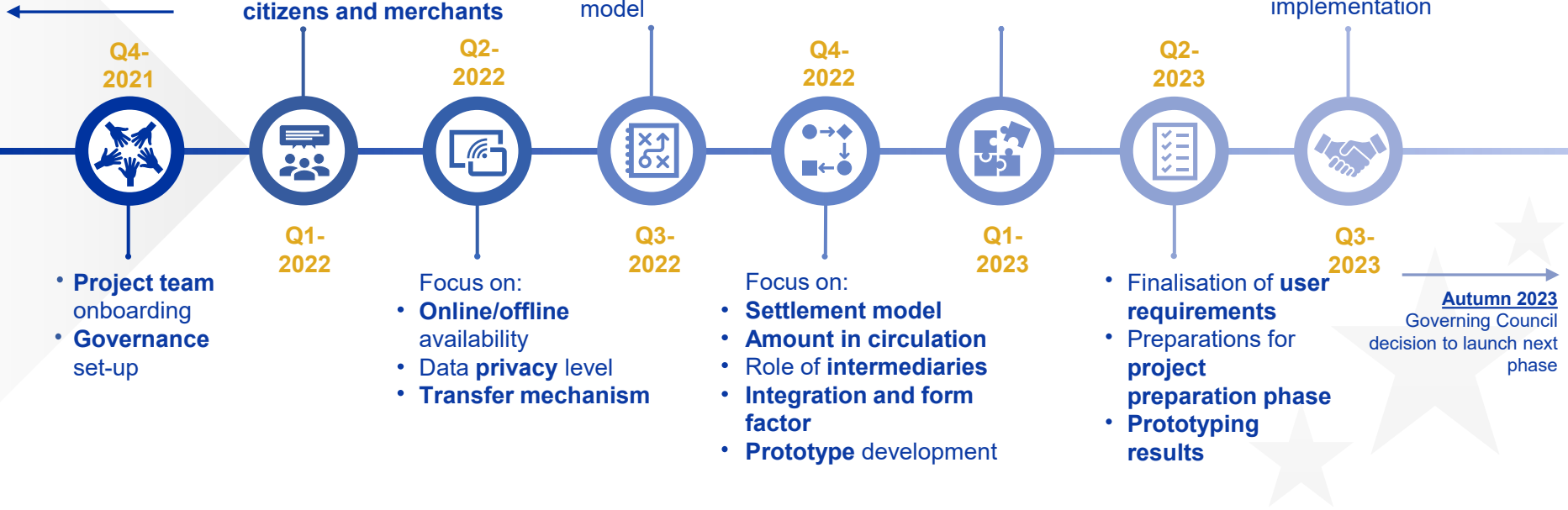
July 2021
Governing Council decision to launch investigation phase

- Prioritisation of **use cases**
- Publication of **report on focus groups with citizens and merchants**

- Focus on:
- **Design options** to control take-up
 - **Distribution model**

- Focus on:
- **Compensation model**
 - **Access** to digital euro ecosystem
 - **Value added services**
 - **Advanced functionalities**

- Selection of **sourcing strategy** for project preparation phase
- Preparation of **decision-making document** with advice on potential digital euro issuance, design and implementation



Interactions with European policymakers and stakeholders

European Parliament

European Commission

Eurogroup

- Close coordination with the Eurosystem on design and business model decisions. The European institutions and policymakers provide **important input/feedback on the analysis of design decisions**.
- The European Parliament and euro area finance ministers in the Eurogroup **discuss major design issues and policy-relevant aspects of a digital euro on a regular basis**.
- The Commission will present a **legislative proposal to establish and govern essential aspects of a digital euro** for adoption by the European Parliament and the Council of the EU.

Digital Euro Market Advisory Group (MAG)

Euro Retail Payments Board (ERP)

- **Listening to the market stakeholders** from both the demand and supply sides of the retail payments ecosystem – this includes consumers, merchants, payment institutions and banks.

ECB Civil Society Seminars

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