



EUROPEAN CENTRAL BANK

EUROSYSTEM

Update on digital euro

Advisory Group on Market
Infrastructures for Payments

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Evelien Witlox
Digital euro programme manager

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Our motivation

What is digital money?



Liability of central bank

- i. **Cash:** physical form, to general public
- ii. **Central bank deposits:** digital form, limited access
- iii. **CBDC/digital euro:** Complement to cash and Central Bank deposits



Liability of a private entity

- i. Commercial bank money
- ii. E-money
- iii. Some 'stablecoins' that entail a claim/liability on an identifiable entity



Not a liability

- i. Crypto-assets

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.

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Where do we stand

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

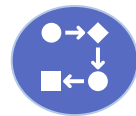
Q3-2023



- 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


ECB Governing Council approved 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 facilitated by 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 (combined with holding limit)

Two-tiered remuneration

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

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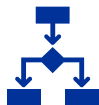
Design options to be
confirmed by
Eurosystem

Scheme approach supported, call for strong market involvement



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:

- Scheme would define a set of **common rules, standards and procedures** which would ensure **pan euro area reach**.
- Promote a **harmonised** end-user payment experience

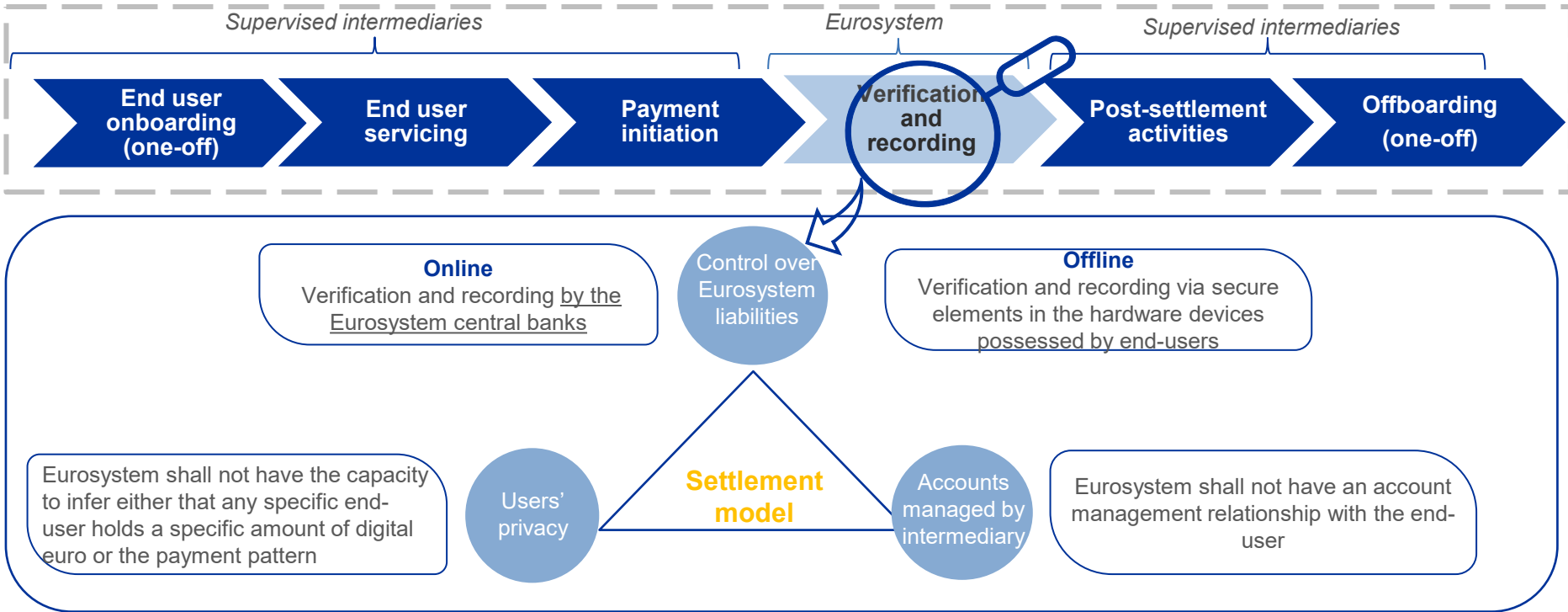
- Provides the **flexibility** to respond to local preferences and user habits.
- Allows for the most degrees of **freedom** for the market to distribute the digital euro and develop **innovative front-end solutions**



Work on **draft rulebook** will start beginning of 2023

[*See summary of feedback](#)

Role of intermediaries and settlement model



[*See summary of feedback](#)

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**

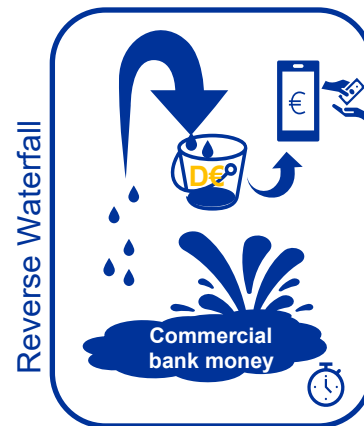


Funding and defunding functionalities should be available on a **24/7/365 basis** and take place **instantly**



Deviations from holding limits shall be **short-timed**

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

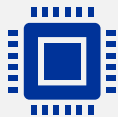


[*See summary of feedback](#)

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Design decisions in
discussion with
market stakeholders

A set of design decisions is in discussion with market experts and stakeholder associations



Advanced functionalities

Cross-currency payments of CBDC with FX conversion

Programmable payment services in digital euro



Distribution model

Scheme access and eligible **supervised intermediaries**

Form factor and delivery of **consumer interface**

Thank you!