



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Summary of collected inputs from MAG members:

Digital euro - use case analysis

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Market Advisory Group

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Digital euro project team



# Disclaimer

The following presentation summarises findings of the answers made individually or jointly by some digital euro MAG members; these findings need not necessarily reflect design decisions for the digital euro

# Use case prioritisation

- Digital payments are increasingly **substituting cash at POS and for P2P payments**. This evolution is fuelled by investment in technological innovation and user-friendliness of the solution, lasting changes of consumer behaviour which emerged during the Covid19 pandemic and the achievement of a critical mass in multiple jurisdictions with a dominant local solution (often in jurisdictions with advanced e-ID solutions). Solutions from (social) network providers may be closed-loop.
- **Strong differences between jurisdictions** in terms of substitution cash for digital payments have been identified. The presence of a dominant local solutions and advanced e-ID solutions correlate with the level of adoption of digital payments.
- Initial ideas and experiments on **programmable, machine-triggered, IoT and micro-payments** are being observed. The respondents indicate that we are at the beginning of this evolution with relatively limited autonomy and complexity, making market demand hard to predict. Unknowns regarding upcoming regulation and privacy expectations, missing infrastructure like 5G, as well as the cost of small payments relative to their transaction value have been damping the uptake.
- A growth in **business-initiated transactions** – both in terms of number and volume – is expected. Additional and accurate transaction data would be an enabler in fully automated flows.

# Use case prioritisation

- In a market-driven economy, the digital euro will only be adopted if it brings value to all stakeholders. Proactive distribution by intermediaries will occur if the distribution and remuneration model is balanced and sustainable, as well as if value could be created through add-on services. Introducing the digital euro will not per se strengthen **strategic autonomy**, i.e. impact the position of non-European technologies or players. Focus and clarity, as well as synergies between initiatives involving market participants, will be crucial in obtaining European sovereignty in payments.
- The introduction of a digital euro in the P2P market segment will not naturally result in a strong increase in strategic autonomy compared to the current situation, which is the result of the strong presence of dominant local solutions.
- Regardless of the current prioritisation of the ECB, the design of digital euro should **facilitate emerging use cases**.
- Respondents highlighted the potential of the following **(additional) market segments**, either because unserved needs are observed or efficiency gains could be made: micropayments and pay-for-use, pay-to-many and cross-border payments.

Thank you for your attention!