



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Summary of collected inputs from MAG members

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## High Level Product Description

3 July 2023

Digital euro project team



# Value proposition – Summary of feedback received

- Some members believe a digital euro can contribute to **key objectives**. Mentioned among these are economic **sovereignty**, **pan-EU payment rails**, and support for people with **limited technological familiarity**. One member suggests **consumers** may **consider** it as extremely **secure**, **free** and very **convenient money**. While others expressed **doubts** citing a **lack** of **clear** and **distinctive value** compared to solutions already available in the market.
- Another contribution highlighted support for the **offline digital euro**, where the **online** digital euro is more overlapping with **existing functionalities**. They suggest reusing existing infrastructure where possible.
- Nearly all members **flagged challenges** to be taken in consideration, amongst which **the necessary investment costs**, **similarity to existing products**, **technical complexity** and **user friendliness**.

# Offline usability – Summary of feedback received

- Most members **concurred** with the proposed setup of the digital euro as an **evolution of cash**.
- Some members consider the offline usability as **very important**, due to being innovative and similar to cash. **Resilience** should be a key requirement of this functionality.
- The **privacy model** of offline was **supported** by members, who considered it an asset while recognizing the challenges with regard to **feasibility**. Monitoring of offline transactions could operate similarly to withdrawing cash.
- Some members warned against **doubling** the **cost of infrastructure**, as well as risks towards **user friendliness**. Offering users a digital euro with different characteristics could lead to issues.
- One contributor did not see value in an offline proposition

## Financial stability – Summary of feedback received

- Members consider **holding limits** a **critical** tool to **prevent excessive build-up of liquidity**. They argue **monetary policy transmission** and **financial stability** may be **harmed** without **(low) holding limits** T
- One contribution states that a **holding limit** may **negatively restrict use cases**, lead to a flurry of **unneeded transactions**, and have an **adverse impact on financial inclusion**. If required, they consider a limit of **€3000 too low**.
- One member suggests setting a **holding limit of 0 for individuals**, such as for businesses.
- Some members express **worry** about the possibility of digital euro **remuneration**.

# Single account per user – Summary of feedback received

- Members were **in favor** of the **single account setup**, but questioned how the proposed **repository** would **impact privacy**.
- Several members consider the **single account per user** to be **problematic**, either due to **design** or **technical implementation**. We are currently **investigating** a **multi-account approach** with **defined holding limits**.
- Two members suggest this **setup** may lead to **dominance** by certain parties, **hindering competition** and **innovation**.
- The required level of **portability** in case of a single account solution may be **difficult to achieve** and lead to **negative externalities**, according to some members. In such case, portability should be **limited** to **outstanding amount of the wallet** and **redirection of future flows**, argues one member.

## Compensation model – Summary of feedback received

- Some members concur that the transaction-based model should **offer similar levels of economic incentives** as existing models. Nevertheless, **initial investment costs** need to be recognized.
- Nearly all members **warn there should be sufficient incentives** for PSPs to provide **digital euro services**. One member argues the success of Open Banking suffers the same issue.
- One member argues the model should include six parties, due to the inclusion of **(reverse) waterfall** and **cross-PSP funding**. Alternatively, **fraud liability** should be **shifted**.
- One member indicates **business users** should **explicitly** be **excluded from free use**, with measures in place to **prevent circumvention**.

## Privacy – Summary of feedback received

- Several members positively remark on the **non-visibility of data** to the ECB, and **compliance** with the respective **legislation**.
- One member warns against an **uneven playing field** in case of different rules for **low-value transactions** if only allowed for digital euro, while another member argues the concept of **low-value transactions** does not necessarily **indicate low risk**.
- Several members indicate the **need for data** for **AML/CFT** monitoring for the distributing intermediaries, and for **enhancing user experience** in case of **consent**.
- One member remarks it might be **challenging** to **balance** the need for **innovation** and **progress** against the protection of stringent **regulation**.

# Funding & defunding – Summary of feedback received

- While automated funding and defunding triggered no remarks, several members remark on the **challenges** of implementing cash funding and defunding. They argue the **wide disparities** in how **cash is provided**, as well as the need for **additional SCA** at **ATMs** if not card-based, could lead to **significant costs**.
- Multiple members point out the **difficulties** in providing a **highly performant reverse waterfall**, including **technical factors** and a **secure real-time SCA direct debit**.
- One member welcomes the possibility of **cross-PSP funding**, but would prefer to see additional details.
- Another member suggests **automatic defunding** as a way to **minimize liquidity** in the digital euro.



# Features – Summary of feedback received

- Two members **support** our proposal for **enabling conditional payments** in the **back-end**, which may be a **driver for adoption and innovative use cases**. This could entail such features as **reservation of funds**.
- As functionality is essential to future relevance, one member states, there needs to be attention for specific needs of certain use cases, such as e-commerce.
- Another member believes **UX** should be an **aspect of competition** between PSPs, and **adequate room** needs to be left to **customize**.
- The **standalone application** should be **further clarified** with regard to the respective **interactions** between **PSPs and the Eurosystem**, according to one member. Another states it should **strictly remain white label**, with **distinctive elements** of the **PSP** providing onboarding.

## Scope & features – Summary of feedback received

- Multiple members **support** a **staggered approach** to **development**.
- Two members suggest **limiting** the **functional scope** of a **first release**.
- While its pace is lauded, one member suggests the **scheme work** may be **progressing too rapidly** to consider **new design choices** and a wider set of commercial models.
- Multiple members argue **reusing existing infrastructure** may meaningfully **reduce technical challenges**.

**Thank you**

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