



EUROPEAN CENTRAL BANK

EUROSYSTEM

Roles of the Eurosystem and intermediaries in the digital euro ecosystem

Eurogroup



3 October 2022

Digital euro project timeline

Tentative - timing subject to change

October 2021
Launch of digital euro
investigation phase

Use case prioritisation
Report on focus groups with
citizens and merchants



Design options to avoid adverse effects
on intermediation, financial stability and
monetary policy
Distribution model



Compensation model
Access to ecosystem
Value added services
Advanced functionalities

Prototyping results



Selection of service provider(s)
for possible project realisation
phase

Advice on potential issuance
and design of digital euro and
implementation plan



Q4 2021

Q1 2022

Q2 2022

Q3 2022

Q4 2022

Q1 2023

Q2 2023

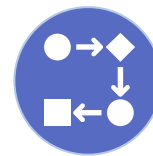
Q3 2023



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
Funding and defunding
Prototype development



User requirements

Preparation for possible
project realisation phase

Autumn 2023
Governing Council
decision to possibly launch
realisation phase

Roles of Eurosystem and intermediaries



Public-private cooperation is crucial in the digital euro environment



Eurosystem report on a digital euro (2020):

- **Supervised intermediaries** are best placed to provide user-facing services and to build new business models
- Digital euro should be made available on an equal basis in all euro countries through supervised intermediaries

Operational side: functional roles in processing of digital euro payments

Business side: roles in distribution of a digital euro

Functional roles of Eurosystem and intermediaries



Intermediaries



Eurosystem

User management
(e.g. management of digital euro accounts/wallets)

Liquidity management
(e.g. funding and defunding)

Transaction management
(e.g. transaction initiation and authentication;
settlement activities)

Funding and defunding digital euro holdings

Funding: converting end users' commercial bank money/cash → digital euro

Defunding: converting end users' digital euro → commercial bank money/cash



User's choice to do this **automatically** or **manually** (only option for cash)



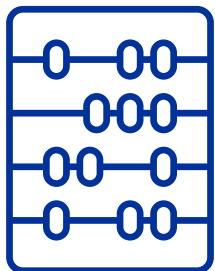
Waterfall:

ensuring that users can receive a payment that exceeds holding limits

Reverse waterfall:

Ensuring that users can make a payment that exceeds their digital euro funds

Settlement activities



The digital euro is a **liability of the central bank** – the holdings would be recorded on the Eurosystem ledger

The **Eurosystem must have full control over settlement** to keep its balance sheet under control



Online payments: settlement validated and recorded by Eurosystem central banks



Offline payments: settlement via local storage devices

Technology agnostic: settlement can rely on traditional or distributed ledger technology

Roles of Eurosystem and intermediaries



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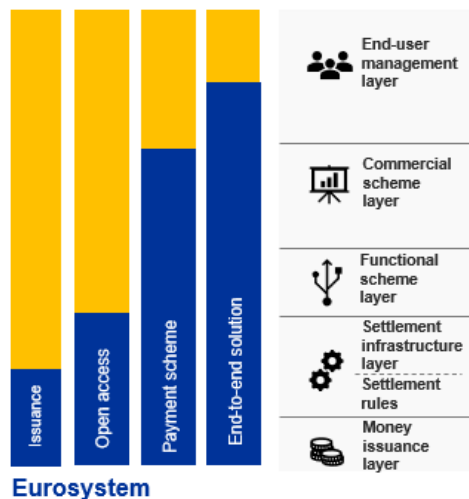
Operational side: functional roles in processing of digital euro payments


Business side: roles in distribution of a digital euro

Digital euro distribution options


Different options (differentiated in terms of how prescriptive the Eurosystem would be) **assessed against our key objectives:**

Supervised intermediaries



 Preserve the role of public money as the **monetary anchor** for the payment system

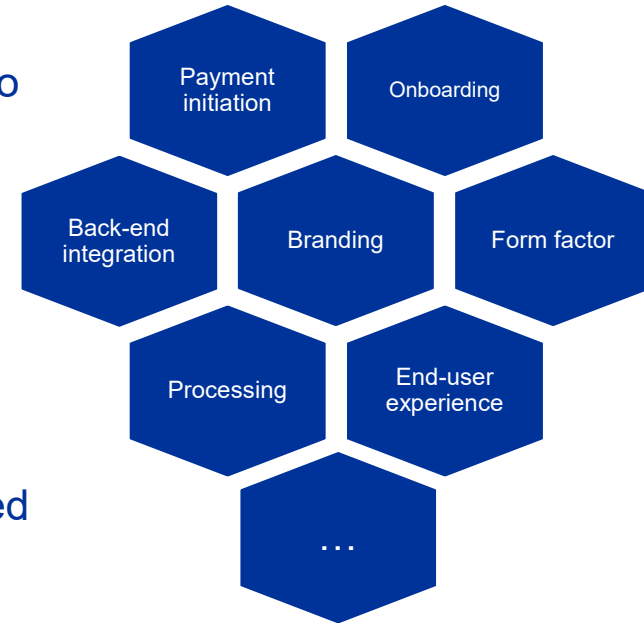
 Secure **strategic autonomy** of European payments and **monetary sovereignty**

 Foster **innovation**, increase the **efficiency of payments** and support the overall **economic efficiency** of the European Union

All of the models foresee a role for intermediaries in the distribution of the digital euro

A digital euro scheme

- ✓ Defines the **rules and requirements that supervised intermediaries would need to follow** to provide digital euro end-user products
- ✓ Is managed under a dedicated **governance** framework
- ✓ Facilitates **pan-euro area reach**, by containing a set of technical and/or commercial rules to ensure a **harmonised user experience**
- ✓ Can cover the **prioritised use cases**
- ✓ Ensures a **balance** between roles and responsibilities shared by the Eurosystem and the supervised intermediaries
- ✓ Can respond to **innovation** trends and accommodate local domestic conditions



Thank you for
your attention