



EUROPEAN CENTRAL BANK

EUROSYSTEM

Summary of collected inputs from ERPB members

Settlement model and
funding and defunding

10/11/2022

Digital euro project team



Role of intermediaries and settlement choices – high level summary of feedback received

ERPB associations indicated the following:

- **The consumer associations** feedback supported option 1 (Eurosystème to take care of settlement tasks). The settlement of central bank money should be in the hands of the Eurosystème, which would not have full reassurance against mistakes outside its control if supervised intermediaries would take care of settlement tasks.
- **The banking associations** showed no strong preference for a settlement model option, although citing that there are still questions open. However, they agreed that option 1 appears to balance better the performance of functions with responsibilities for central bank money issuance and control over the total amount of digital euro in circulation. The banking sector members supported the agreement that supervised intermediaries should be in charge of the interaction with payers and payees. Aspects such as scalability, performance and risk need to be properly considered. They stated the set-up costs will crucially depend on the ability to adapt and reuse existing technical elements and infrastructures for the operation of the digital euro infrastructure.
- **From the non-bank PSPs**, no strong views were expressed on any settlement model option. Feedback focused mainly on the role of non-banks, voicing concerns about their role in the digital euro ecosystem, and also on technical implementation considerations.
- **The retailer associations** agreed with the analysis and the logic that for liability reasons only the Eurosystème may take care of settlement tasks on their own books. They emphasised that this may strengthen the consumers' trust in digital euro payments.

Funding and defunding – high level summary of feedback received

- **The consumer associations** feedback was aligned with the Eurosystem analysis, while reiterating the importance of users' privacy and inclusion and advocating for funding and defunding options to be free of charge. The waterfall functionality is deemed indispensable, but concerns were expressed on transparency and freedom of choice especially with regards to the reverse waterfall that should not make users lose track of their spending and incur in possible overcharges. They feared that, with unregulated charges, the cost of D€ use may be higher than payment solutions based on private money. On financial inclusion, being cash the only option for unbanked and ATM coverage shrinking, they recommended to explore also funding through cash deposit such as the cashier desk in shops.
- **The banking associations** confirmed the feasibility of the proposed functionalities. They suggested that the digital euro should not be subject to a preferential regulatory treatment and shared concerns on 24/7/365 (de)funding with cash as it could be very costly. Some feared that enabling transactions higher than the holding limit thanks to the waterfalls without transaction limits, the D€ would impact their revenues if digital euro fees are lower than current transaction fees. Others acknowledged that such functionalities would strengthen the link with bank accounts and thus enhance the role of intermediaries. Some highlighted the need for intermediaries to check their clients' digital euro holdings to implement event-driven functionalities.
- **From the non-bank PSPs**, much of the feedback focused on concerns on the potential impact of the digital euro on electronic money and payment institutions compared to credit institutions. Members fear that the possibility to offer funding and defunding functionalities only as indirect participants would disadvantage PIs and EMIs.
- **The retailer associations** found the set of functionalities logical and pragmatic; waterfalls were greatly appreciated as they would allow merchants to accept payments for higher-price items. Implementation wise, they flagged that merchants may need additional hardware and software to be able to accept D€ payments at the POI; existing hardware may be used for the acceptance/initiation of D€ payments, while single SDK and API for virtual and physical POI integration would be needed.

Thank you!

All feedback by ERPB stakeholder associations is available on the ECB [website](#)