



EUROPEAN CENTRAL BANK

EUROSYSTEM

Summary of collected inputs from MAG members

- On-boarding and digital euro access
- Core, optional and value-added end-user services
- Dispute management

24/02/2023

Digital euro project team



Disclaimer

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

On-boarding and digital euro access

On-boarding and digital euro access (I)

Considerations with regard to one or multiple digital euro holdings per citizen

- Generally, MAG members agreed with one account per citizen, since they considered it as sufficient and also important to ensure compliance with the holding limits.
- Few members were in favour of multiple digital euro holdings as one single account can hamper competition (“first come first serve” situation). Large providers can capture a large share of the market from the beginning.

Portability considerations

- MAG members largely supported the portability procedure, as this would encourage adoption and enhance end-user experience by creating incentives for intermediaries to compete.
- A few members pointed at the optionality for transferring the transaction history due to data protection considerations.
- Potential security risks were mentioned regarding the ease of portability (e.g. a fraudulent actor moves rapidly from one wallet provider to another). Clear provisions in the rulebook could effectively counter these concerns.

On-boarding and digital euro access (II)

Staggered approach

- For most of the MAG members, this approach makes sense even if some questions remain regarding some specific cases (e.g., cross-border commuters).
- For two members, if the digital euro has a legal tender status, then non-EU visitors should also have access.

Implications related to a zero holding limits for merchants

- Most of the MAG members agree on this approach, but some questions remain regarding costs and impacts to the ecosystem.
- Several members believe that merchants might prefer to have one single settlement of daily transactions.
- In contrast, a zero holding limit with waterfall would imply (almost) immediate conversions of received digital euro into commercial bank money which results in a chain of transactions.

On-boarding and digital euro access (III)

Implications to allow merchants to build up a position during a specific short timeframe

From the perspective of financial institutions

- Members pointed out potential complexities on reconciliation, regulation and liquidity management.
- Building up a position during a specific short timeframe could lead to much higher amounts in circulation in normal times and could be misused in times of a crisis.
- The timeframe should not be too restrictive, but most members agree that this should be allowed intraday only or less. For very short intervals, this might also have cost impacts.

From the perspective of merchants

- Flexibility to agree with the merchant on both time and volume.
- If the reverse waterfall mechanism would cause costs for merchants, then a short term digital euro position should be used as an alternative to initiate digital euro refund transactions.

Core, optional and value-added end-user services

Core, optional and value-added services for the digital euro”(I)

- In general, **participating MAG members agreed with the identified list of core and optional end-user services**, while invited to consider additional core ones and the reclassification of some.
- In some cases, clarifications were asked on the mandatory provision of core services by the different type of intermediaries and on the actor(s) responsible to perform what (part of a) core service. One member found the overview too high level and missed referenced to the use cases and form factors.
- Regarding **core services**:
 - Members views were mixed, although the majority welcomed the limited set of core services which ensures a cost-efficient digital euro. Some members suggested additional ones while few reducing the list.
 - Additional core services suggested included dispute management, transaction reversal, account recovery, remittance/additional information in the transaction (to enable the activation of additional services), cross-border payments and some form of “parenting” between digital euro positions for specific user needs (e.g. children). Others were outside the front-end domain.
 - It was frequently mentioned that automated (de)funding should be non-core.

Core, optional and value-added services for the digital euro”(II)

- Regarding **optional services**:
 - Few members suggested additional ones, such as BNPL, programmable payments, payment escrow, DVP, pre-settlement and online merchant intraday management, among others.
 - There was mixing views on the classification of pay-per-use enabled via pre-authorisation as core, optional or VAS.
- Programmability of payments was considered key to enable VAS.
- Members considered both the scheme rulebook and the back-end functionalities as key to support the provision of core and optional services:
 - According to the replies, the rulebook should clearly define the functionalities and the process flow, identify the input and output information, and establish security and business rules so that intermediaries can develop those functionalities. Common standards would ensure interoperability and shared implementation guidelines a homogeneous user experience.
 - Some members were of the view that optional services should not be defined in depth so that intermediaries are given flexibility to implement and evolve the service.

Dispute management

Dispute management for the digital euro (I)

- **All participating MAG members agree with the need of dispute management for the digital euro**, with the majority being supportive of option 3 (scheme rules + supporting infrastructure by the Eurosystem), some opting for option 2 (scheme rules only) while a few are not voicing a clear preference
- Similar reasoning across MAG members regarding the need of dispute management: **foster trust to ensure uptake in particular for remote payment use cases**
 - Consistent adoption of dispute management rules is required so that all parties have faith in the underlying system
 - Needed to give confidence to intermediaries, merchants and consumers
 - An elaborate and well-defined dispute management framework should provide consumers with sufficient confidence of utilising digital euro payments
 - A buyer- and seller-protection via a well established dispute management would contribute the broader adoption of a digital Euro.
 - It is a distinguishing feature of global card schemes and a weakness of the SEPA payment scheme.

Dispute management for the digital euro (II)

- **The MAG members opting for option 3 advocate amongst others that**
 - The digital euro scheme should not only provide rules but also tools to manage and settle disputes.
 - It appears to be the most effective approach, considering the existing dispute management systems of other successful payment schemes as a reference.
 - Technical functionalities provided centrally in addition to the respective dispute rules may have a positive impact on a harmonised and unique customer experience across intermediaries.
 - Based on the so far communicated future role of the Eurosystem (settlement management and liquidity provision) option 3 is consequential
- **The MAG members opting for option 2 advocate amongst others that**
 - The dispute management process is a critical part of a payment solution, and it should be set without limiting market players to develop the mechanisms best suited to deal with these incidents.
 - Preferred approach for an initial stage of the digital euro, since it is simpler and faster to implement. Option 3 can be an evolution for a later phase.

Dispute management for the digital euro (III)

- **Key implementation considerations by MAG members regarding dispute management:**
 - Many highlight that rules should go beyond set baseline for online resolution and leverage rules deployed in the card space encompassing broader protection mechanism including breach of contracts.
 - Some illustrate that only a limited number of cases not yet covered by existing contract law and customer regulations should be included.
 - Regardless of the scope, clear liability rules for fraud and disputes required as well as operational and technical rules, which should be updated continuously (best-practice).
 - The Eurosystem could set out a dispute's API that enables parties to partake in programmatic dispute management, thereby producing consistent outcomes, avoiding errors and reducing costs.
- **Questions raised** related in particular to when is the Eurosystem financially liable, who will take on the role of arbitrator, the need of cost recovery in context of dispute management and potential disputes between the Eurosystem and intermediaries.

Thank you