

Digital Euro Market Advisory Group (MAG)

13 June 2022

MINUTES

4th MEETING OF THE DIGITAL EURO MARKET ADVISORY GROUP (MAG)

4 May 2022, 10.00 – 13:00 (CET)

Webex teleconference

Introductory remarks

The Chair welcomed members and participants to the fourth Digital Euro Market Advisory Group (MAG) meeting. The Agenda was approved.

The Chair provided an outlook for the members on the upcoming work programme. The Chair stated that further analysis conducted by the Eurosystem on specific items would be shared with members for their input in the coming months. Next written procedure would be on the Eurosystem's analysis on the first design options lot for a potential digital euro which will be presented to members under Agenda item 4.

The Chair stressed the importance of the Digital Euro MAG as a key forum to obtain market expertise in addition to the institutional dialogue in the Euro Retail Payments Board (ERPB). In this regard, members were also informed that the first ERPB technical session was held on the 4th of May 2022.

European Commission targeted consultation on a digital euro

The representative from the European Commission provided members with an overview of the recent targeted consultation on the digital euro¹ launched by the European legislator last April². The consultation targets payment industry specialists and a large set of market participants in the retail payments market.

This action would support the European Commission in carrying out an impact assessment and in drafting the legislative proposal. In particular, it will gather further evidence on a set of issues, including legal tender status (making the digital euro available for retail use while continuing to safeguard the legal tender status of euro cash), privacy and data protection aspects, the application of AML-CFT rules and the international use of the digital euro. The consultation focuses exclusively on a retail CBDC.

Use cases analysis for a digital euro

¹ Accessible via the following link: https://ec.europa.eu/info/consultations/finance-2022-digital-euro_en

² The consultation is opened until the 14th June.

The ECB presented the Eurosystem's analysis on those payment segments that seem natural candidates to be prioritised among the possible use cases of a digital euro³. The use case prioritisation aims to identify the retail payment market segments that are of strategic importance, i.e. the segments in which the position of central bank money is under pressure and those that drive network effects.

In addition, the ECB provided feedback on the contributions received from members on this analysis and thanked members for their active participation⁴. Overall, the proposal presented by the ECB which identified payments in e-commerce and physical stores together with person-to-person (P2P) payments as natural candidates for the first releases of a digital euro was understood by participating members. On implementation considerations, a phased approach was welcomed by some members, being able to gradually enhance the product at a later stage and to build trust, while other members noticed that, from intermediaries' perspective, a phased approach could also result in long lasting investment and postponed revenues. Regarding the trends on cash usage, it was corroborated that the ongoing substitution of cash by electronic means of payment accelerated in the past two years. It was highlighted that dominant domestic solutions are gaining a critical mass of customers, specifically in P2P payments. One aspect noticed by members was the strong adoption of domestic solutions with electronic identification. As regards programmability, experiments are gaining traction in the market. However, the market infrastructure does not stand ready in every jurisdiction (e.g. missing 5G infrastructure). Some examples of future use cases to consider were micropayments, pay for use, pay for many and cross-border payments.

Afterwards, several members presented their views on the questions posed and an open discussion on the topic followed. In particular, the importance of bringing value to end-users and the need to identify innovative use cases was stressed by several members.

As regards payments in physical stores, some members mentioned the growing usage of digital means of payment. However, it was highlighted that cash is still relevant and the adoption rate of digital payments varies substantially across jurisdictions. On P2P payments, several members considered that its adoption will depend on the differentiation and value it brings to the market. A business case for European P2P payments was not so clearly identified compared to the domestic sphere.

In terms of business-to-business (B2B) payments, participating members supported the ECB proposal for not prioritizing this use case on a first release of a digital euro, as there are currently European private and public account-to-account solutions available for these payments. Several members cautioned that a digital euro would likely not increase the efficiency of B2B payments which rely on highly automated and efficient private systems and solutions. A digital euro could, however, add value for certain functionalities in B2C payments (e.g. refunds).

Finally, an additional use case suggested regarding government payments were the disbursement of social benefits by the government to citizens. Focusing on emerging use cases, several members also supported the ECB views on carefully monitoring new trends and emerging needs, as they could be considered as potential use cases when more clarity emerges. Some views voiced by members indicated that payments in the IoT space still lack an appropriate legal framework and the development of viable use cases. Generally, flexibility in the design of a potential digital euro was found to be key to accommodate any future use case.

Foundational design options analysis for a digital euro

The ECB shared an overview of the first design options lot for a potential digital euro. This included online and offline, transfer mechanisms, type of remuneration, tools to avoid excessive use and the level of privacy⁵. The floor was then opened to members to raise questions and share first reactions. Some

³ [ECB presentation on use cases](#)

⁴ [ECB presentation on feedback from members](#)

⁵ [ECB presentation on design options](#)

members raised comments on privacy as well as on tools to moderate take-up. In addition, the need to carefully assess the potential impact on the supervised intermediaries balance sheets and liquidity impact was also stressed. A dedicated written procedure for members was launched on the presented analysis after the meeting in order to collect their inputs and views. The ECB invited them to actively contribute to this dedicated written procedure, both on the overall analysis and the specific questions addressed to them.

Closing remarks and way forward

The Chair closed the meeting and thanked members for their participation and contribution to the discussion items. The next meeting will take place physically in July at the ECB premises.

ANNEX 1. LIST OF ATTENDEES OF THE 4th MEETING OF THE DIGITAL EURO MARKET ADVISORY GROUP (MAG) ON 4 MAY 2022

Chair: Ms. Evelien Witlox

Members

Aleksander Kurtevski
 Alessandro De Cristofaro
 Antonio Macías Vecino
 Axel Schaefer
 Cristian Cengher
 Cyril Vignet
 Diederik Bruggink
 Etienne Goosse
 Fanny Solano
 Fernando Rodríguez Ferrer
 Gerard Hartsink
 Jens Holeczek
 Jochen Siegert
 Nicolas Kozakiewicz
 Nilixa Devlukia

Nils Beier
 Paul Le Manh
 Piet Mallekoote
 Régis Folbaum
 Roberto Catanzaro
 Ruth McCarthy
 Sean Mullaney
 Silvia Attanasio
 Sofia Lindh Possne
 Stefano Favale
 Teresa Mesquita
 Valdis Bergs
 Ville Sointu
 Yves Blavet

Observers

National Central Banks of the Eurosystem
 European Commission

ECB participants

Ignacio Terol
 María Teresa Arráez
 Daniel McLean
 Andrea Pinna
 Harald Deinhammer
 Giulia Di Rienzo
 Thomas Janik
 Panos Papapaschalis
 Stephanie Bergbauer
 Filip Caron
 Tobias Tesche
 Esther Barruetaña