



EUROPEAN CENTRAL BANK

EUROSYSTEM

Summary of collected inputs from MAG members

Settlement model and
funding and defunding

09/11/2022

Digital euro project team



Role of intermediaries and settlement choices – summary of feedback received

- **Most MAG members shared the view that the entity liable for the digital euro - the Eurosystem - should be the only one to record legally binding liabilities in its own books.** While it is too early to estimate costs, they advocated for an implementation that keeps the costs low for intermediaries and the Eurosystem.
- Member(s) from the banking sector flagged that factors that could contribute to high cost include the increased number of transactions to be managed, instant settlement, duplication of ledgers/information instead of shared ledger/information. It was also stated that banks/PSPs should not have to maintain shadow accounts to reflect digital euro holdings of their clients, as otherwise they would face higher investment and running costs.
- Member(s) from the payments sector stressed that a mix/split of sub-layers of settlement seemed inefficient, generated complexity and would create more risks. It was also advocated to avoid requiring a separated ledger by each intermediary as this would further absorb their investment capacity and pose major problems of interoperability, synchronisation and reconciliation between different solutions.
- Member(s) from the payments sector brought forward that the introduction of the digital euro combined with a possible change in infrastructure would create great complexity.
- Members asked for further specifications on “on-us” transactions.

Funding and defunding– summary of feedback received

- **MAG members overall acknowledged the rationale of the proposed set of funding and defunding functionalities.**
- Members found the presented set of functionalities to be logical and pragmatic and that ease of use would be key to a smooth positive adoption by users. Some members added explicit support for **automated functionalities**, with a view of making them as seamless as possible for users. The **high-level process flows** presented were deemed reasonable, especially with respect to converting private money into digital euro and vice versa. Members also acknowledged that the waterfall would enable merchants to sell also more expensive products, while it was flagged that reverse waterfall may pose issues on processing speed.
- Members overall agreed that the proposed **online functionalities** would not pose particular technical implementation challenges if rules and standards are properly defined. **Offline functionalities** appear more challenging, although with the right scope and business and technical framework they might be implemented.
- On **(de)funding with cash**, while acknowledged to be the only option for unbanked, it was signalled that it would raise costs for banks; one member feared that in the absence of a payment account, such a process if feasible at all would prove very costly to implement.
- A member raised caution not to design these processes suggesting to consumers that the digital euro is a **prepaid solution**, as these tend not to reach mass adoption.
- **Limits at transaction level** was suggested as necessary for AML/CFT reasons and fraud control.

Thank you!