

# Summary of collected inputs from ERPB

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



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# On-boarding and digital euro access

### **On-boarding and digital euro access (I)**

Considerations regarding one or multiple digital euro holdings per citizen

- Most participating ERPB members, including consumer associations, supported a single digital euro holding per citizen. This ensures implementing holding limits by intermediaries more efficiently.
- In contrast, two non-bank PSPs associations and the association representing merchants were is favour of multiple digital euro holdings per citizen, arguing better user experience and fostering innovation and competition in a more efficient way than by solely relying on portability features. The concern of potential lock-in effects was also referred.

#### Portability considerations

- The need for a portability procedure was agreed by all participating ERPB members.
- One consumer association suggested making as optional the transfer of transaction of history and referred that portability should not lead to any exclusion of consumers.
- In general, associations from the supply side pointed out to technical complexities which require deeper analysis (e.g. storage of digital euro holding identifiers, potential security threats in case of frequent porting in a short period of time) as well as the associated costs for an implementation across the EU.

### **On-boarding and digital euro access (II)**

#### Staggered approach

• Most participating ERPB members support this approach, but some questions remain (regarding: the exact definitions, measures to avoid the use of the digital euro as a store of value by third countries residents etc.). However, the selected digital euro design and set-up should be able to be replicated to the non-euro area and globally with other central banks.

#### Implications related to a zero holding limits for merchants

- Most of the ERPB members support this feature but some questions remains regarding:
  - Customers refund and the possibility to refund a customer from a different holding than the one on which they received the customer's digital euro payment.
  - Treatment flexibility depending on the category to which the merchants belong. Here, merchant preferences should also be considered, they will often prefer to receive a single daily transfer and will welcome to possibility to have many holdings.
  - Legal uncertainty due to the lack of legal definition.
  - Potentially important operational implications, which complicate the use of the digital euro

### **On-boarding and digital euro access (III)**

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

• The impacts of this functionality will depend on the risk to be borne by intermediaries in crediting merchants. The timeframe should be as short as possible (within a working day). A sustainable business model for digital euro transactions is needed to find the optimal, level of aggregation and timing of the waterfalls. However, the use of the funds by the merchants should be limited.

# Considerations from a merchant perspective to build up a position during a specific short timeframe

- Most merchants, prefer their monetary transactions to be credited with some level of aggregation. They
  generally have several accounts and having different digital euro wallets means that the treasurer
  would build the daily financial position on a higher number of accounts. At the beginning, the timeframe
  could be one day or half a day and should become flexible over the long term
- However, if the reverse waterfall funding mechanism will only be offered to merchants on a costly basis, then built up positions of digital euro should be used as an alternative to initiate digital euro refund transactions. In that case, the timeframe becomes irrelevant and two different methodologies for intraday defunding are suggested: the periodic defunding and another one based on thresholds.

# Core, optional and value-added end-user services

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

- The majority of ERPB members supported the identified list of core and optional end-user services, while suggested additional services, mainly core ones. Members from the supply side had diverging views on the number of core services.
- Regarding core services:
  - Different views from the banking associations, including a restrictive approach by limiting core services to the digital image (as in cash) and leaving the remaining services to the market.
  - Additional core services to consider included dispute management, end-user complaints management (not only at the level of the payment service but also regarding feedback on the scheme functioning), refunds, the request to pay messaging service and privacy setting customization by the end-user. Other core services were suggested but outside the front-end domain.
  - In addition, recurring payments should be core for consumer's associations, while (de)funding via cash and automatic (de)funding should not necessarily be core for some associations from the supply side.

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

#### • Regarding optional services:

- Very few optional services were suggested (e.g. bulk payments). There was mixing views on the classification of pay-per-use enabled via pre-authorisation as core, optional or VAS. Regarding recurring payments, one association suggested to substitute them by request-to-pay, other member considered that future dated payments would provide more flexibility.
- Associations representing non-bank PSPs shared specific concerns on the provision of AIS and PIS as optional services (instead of core) and asked clarifications.
- There was broad consensus on the fact that the scheme rulebook is the best way to support the provision of core and optional services.
  - Consumers stressed that binding rules would be needed to ensure the objectives of financial inclusion (e.g. inclusive form factors) and a high level of privacy.
  - The retailer association placed the focus on interoperability of services across intermediaries (e.g. APIs and SDKs publications).
  - From the supply side, the need to standardize optional services was stressed.

### **Dispute management**

### **Dispute management for the digital euro (I)**

- All participating ERPB members voice that dispute management is fundamental for the digital euro, while one of the banking associations indicates limited support for it.
- Regarding the need for dispute management:
  - Consumers emphasize that dispute management is essential when launching the very first version of the digital euro aiming for a high level of consumer protection being a public payment system. From technical errors, over fraud to non-delivery of goods and services consumers need to be accompanied to ensure reimbursement also those with low/ no digital skills.
  - Merchants highlight the fraud risk in e-commerce and emphasis that an elaborated dispute management framework should provide consumers confidence to use the digital euro.
  - Non-bank PSPs associations identify dispute management as a distinguishing feature of global card schemes and a weakness of the SEPA payment scheme.
  - Banks associations are supportive; however, the breadth of required dispute management rules differs with some advocating relevance of consumer protection and others reducing scope to a minimum.

### Dispute management for the digital euro (II)

- The vast majority of ERPB members highlight the requirement of the Eurosystem being operationally involved from a back-end perspective, as outlined in option 3
- Option 3 is supported as it...
  - allows for a harmonized end-user experience across the euro area including x-b transactions.
  - ensures uniformity through scheme rules and technical functionality on scheme level, providing integration possibilities to intermediaries and enabling the application of defined dispute management rules.
  - is the most effective approach when looking to other schemes with intermedieries acting as the front-end for dispute management towards end users while the scheme provides a central hub and necessary interfaces allowing its members to exchange information to resolve disputes.
- One consumer association is proposing a more active role of the Eurosystem in terms of dispute resolution by setting up a system which is independent from intermediaries (option 4).
- One banking association views both option 2 and 3 as the most expensive and also emphasises that the Eurosystem should not face the end-user.

### Dispute management for the digital euro (III)

- Broad list of implementation considerations has been provided by the ERPB including...
  - One banking association emphasises that disputes have to be handled in the same manner as in the established four-party schemes and another suggests to use the SEPA rulebook as a basis and adapt where necessary.
  - Consumers recommend to be mindful of personal data to be shared and that intermediaries should be obliged to participate and accept the outcome of a dispute.
  - Non-bank PSPs highlight amongst others the need to ensure interaction between fraud prevention and dispute management processes since the majority of disputes stems from fraud.
  - Merchants illustrate the need for clearly defined conditions when entitled to a dispute (fraud, obvious error, breach of contract) and when not eligible (friendly fraud and when the goods/ services do not please the customer) whereas one banking association indicates to exclude any contract law between buyer and seller.
- **Questions raised** on the Eurosystem's financial liability, the role of arbitrator and the need of cost recovery in context of dispute management.

# Thank you