



EUROPEAN CENTRAL BANK

EUROSYSTEM

Impact and opportunities for financial market participants



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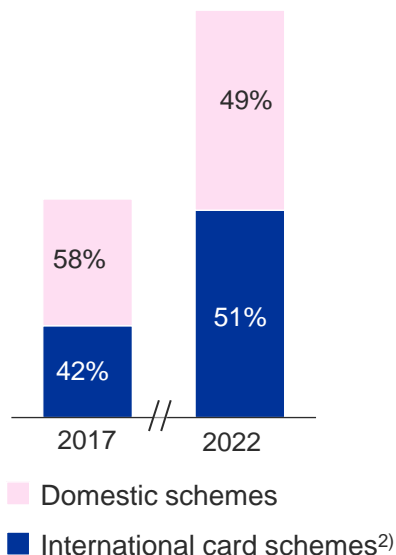
1

Today's payment landscape...

...and why digital euro is an
enabler rather than a competitor

Europe's payment landscape is changing fast – to the detriment of existing national and regional schemes

Debit card trend in Euro area



Currently there is no European pan-European digital payment solution.

Private initiatives and domestic schemes struggle to compete and scale up to pan-European level.

- Some domestic schemes focus only on point-of-sale payments, while we see a growing share of e-commerce and cross-border transactions.
- In payments size matters: National solutions, volumes split among multiple players
- Non-European digital wallets also becoming increasingly popular, and initially only available for international card schemes.

International initiatives **have been and will continue to gain market share.**

Dominance of international players has implications for payment resilience

Dependencies are created:

- Domestic schemes rely on ICS for contactless payment services
- Payment services offered may always be revoked
- Implications for ability to conduct business in Europe but also for governance of payments

Europe needs to not only react but aim to lead changes in the European payment landscape.

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2

**An intermediated
CBDC with private
providers at the core**

Intermediaries would play a key role in digital euro distribution

Distribution via supervised payment service providers (PSP)



Digital euro distribution would be carried out **exclusively by PSPs**



PSPs would exclusively maintain **customer relations**



PSPs would benefit from **digital euro open standards**

Healthy equilibrium between central bank money and commercial money



Holding limits for end users (no holdings for corporates)



(Reverse) **waterfall functionality**



No remuneration for digital euro users

Addressing key issues in European retail payments



Digital euro aims to maximize the use of existing standards

- Minimize the burden on intermediaries and reduce costs



Enable private players to reuse digital euro standards and infrastructure

- Support pan-European reach
- Build value added services as a source of revenue



Offer a new platform for innovation and resilience

- Private providers can build value added services
- Digital euro as a fallback for outages



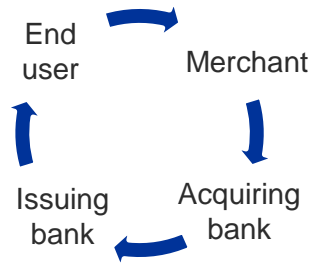
Enable use cases for inclusion and resilience





3

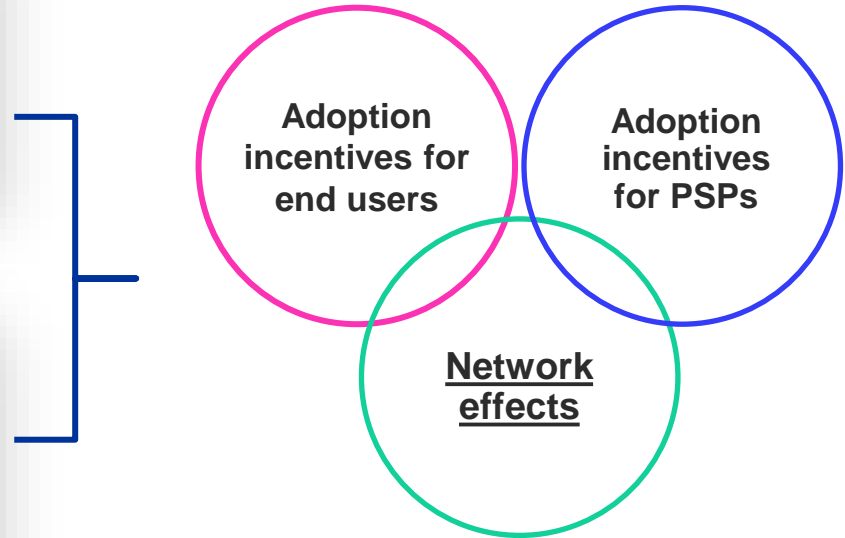
Fair compensation

...to support intermediaries' key role for the real economy

A fair and balanced compensation model* for digital euro

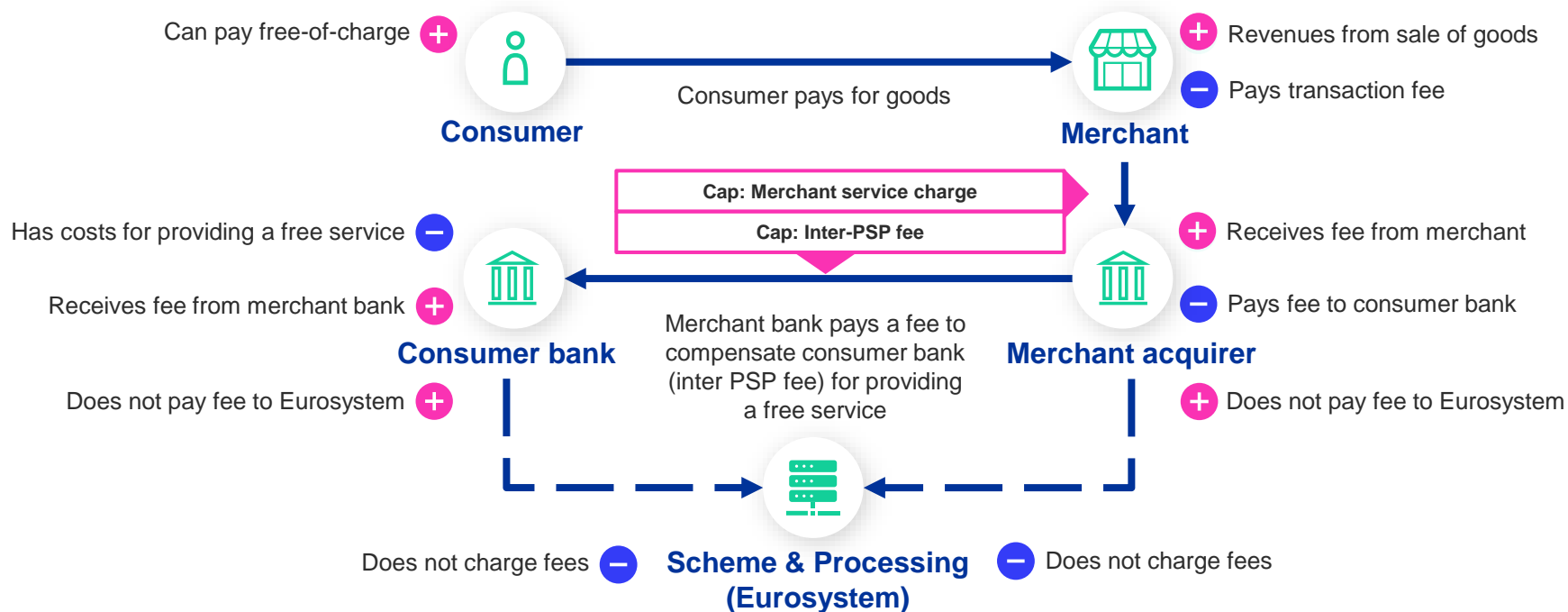


-  Wide **usability** across the euro area
-  **Free** for basic use by individuals
-  Unlike private sector payments schemes **Eurosystem will not charge scheme fees** to PSPs
-  **Safeguards for merchants**



* Subject to digital euro legislation.

Step by step overview of the digital euro compensation model*



* Subject to digital euro legislation.

4

Adequate safeguards...

...to support intermediaries' key
role for the real economy

A healthy balance between central bank money and commercial money



Digitalization and changing user preferences **diminished the relative role of cash** as retail central bank money

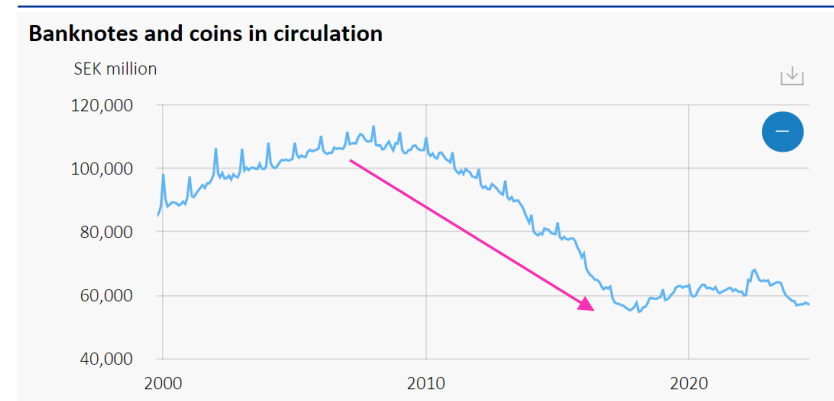
- **CBDC is a response** to this decline, not its cause



CBDC preserves the healthy coexistence of central bank and commercial bank money

- It does **not alter the relative role of central bank money** in an ever-more digitalized world

High digitalization in payments:
Example of Sweden



Source: Sveriges Riksbank, Statistics on banknotes and coins

Concerns about large scale disintermediation are unfounded



Banks **already deal with deposit outflows in several ways**: draw down reserves, resort to wholesale market, increase central bank borrowing, deleverage, or increase remuneration on deposits

- **Deposits can already flow to competitor next door**: E.g., German cooperative and savings banks dealt with €95bn net deposit outflows in 2023
- **Systemic crises have been fought successfully** in the past and have **not been caused by retail deposit outflows**



But will there be substantial outflows to begin with?

- **Design choices mindful of the financial sector**: Holding limits, reverse waterfall and no remuneration make storing large amounts of digital euro unnecessary and less attractive
- **Digitalization in payments to continue**: digital euro unlikely to create an imbalance of central bank and commercial bank money

A user-friendly digital euro for everyday payments while preserving financial stability



Holding limits: maximum amount of digital euro that users could hold in their accounts to maintain a **resilient financial environment**.

No limit for your payments: linking digital euro wallet with a bank account allows to receive payments exceeding the holding limit

Methodology for setting the holding limit

Our approach...



Dedicated workstream
identifying factors
influencing calibration



Data collection exercise started



Reflecting economic conditions holding limits set only closer to possible launch date

... in line with objectives set in the draft legislation



Enable natural and legal persons to **access and use** digital euro



Define and implement **monetary policy**



Contribute to the stability of the **financial system**