

Summary of collected inputs from ERPB members

Three foundational design options for a digital euro



#### Digital euro project team

05/07/2022

1. What are your views on the three foundational design options for a digital euro (i.e. offline peer-to-peer validated, online third-party validated, online peer-to-peer validated)?

ERPB members supported the analysis done on the foundational design options for the digital euro and endorsed the orientation taken by the HLTF-CBDC.

#### Option 1.

- Endorsed in view of i) resilience improvement and ii) need to maintain public access to central bank money in the context of cash use decline iii) possibility to preserve highest privacy of transactions.
- Technical implementation challenges are recognised. The necessity to enable secure offline transactions significantly depend on the development of the hardware instruments.

#### Option 2.

• Endorsed by all, significant reliance on the existing intermediaries and infrastructures is expected. Members see potential for the collaboration between the Eurosystem and the market, as well as opportunities for the intermediaries to develop value added services. A clear definition of roles and responsibilities is encouraged.

#### Option 3.

 HLTF-CBDC decision not to pursue this option (as part of the Investigation phase of this project) is supported. ERPB members raise comparable concerns, in terms of technical implementation, intermediary involvement, fraud.

#### 2. What are you views on privacy options for digital euro payments? How do you assess greater privacy for low-risk low-value digital euro transactions and offline functionality? How do you assess the role of intermediaries in the processing of users' transaction data?

ERPB members expressed broad support for Eurosytem's considerations on privacy options for digital euro payments.

Furthermore, ERPB members:

- Supported the **need to rule out full anonymity**;
- Agreed with **focusing on currently applicable baseline scenario** (transaction data transparent to intermediary for AML/CFT purposes), while minimising the Eurosystem involvement into the processing of users' data:
- Supported the **exploration of options beyond the baseline** that would allow higher degree of privacy for • low-value/low-risk payments.

ERPB members agreed on the importance to differentiate between

- data that would be required (from technical and legal perspectives) to perform the payments, and
- data, on the basis of **specific opt-in** granted by the users, **to provide value added services**. •

Some ERPB members also noted the importance to **maintain a level playing field** with private payment solutions www.ecb.europa.eu ©

## 3. What are you views on tools to avoid excessive use of digital euro as a form of investment?

How do you assess the impact of remuneration and holding limits on the usability of a digital euro?

- To prevent a structural disintermediation and a digital bank run in times of crisis, the digital euro should be introduced with a fixed upper limit on holdings [i.e. holding limits]. Amounts exceeding the limits would be automatically converted in commercial bank money. Holding limits would have very limited to no impact on the usability of the digital euro.
- Limits are technically easy to implement on different levels (capped storage amount, max. transaction amount), and could even be conditioned or changed dynamically depending on defined criteria or the usage context [e.g. user types in the use cases].
- Regarding **tiered remuneration** the opinions of the ERPB members were more nuanced. Most agree that a tiered remuneration system does not protect against outflows of bank deposits in times of increased uncertainty/crisis. While some prefer a cash-like approach, others would value remuneration for diverse reasons (e.g. either to disincentivise larger holdings or to promote adoption).
- ERPB Members also indicated that the application of interest rates could raise additional questions in the context of offline devices, and especially in the case of changing rates on digital euro stored on these devices.

### Thank you!

# All feedback by ERPB stakeholder associations is available on the <u>ECB website</u>