



EUROPEAN CENTRAL BANK

EUROSYSTEM

# ERPB engagement on digital euro fit in the payment ecosystem

---

Theme: synergies



12 December 2024

**Digital euro project**

A large, white, sans-serif number '1' is centered on a vibrant, multi-colored gradient background. The gradient transitions from purple at the top to blue in the middle, and then to teal and green at the bottom. The background is split diagonally by a white line that runs from the top right towards the bottom left.

1

**Housekeeping rules**

# Agenda of today's technical session on synergies



ECB view: Integration into existing solutions

Tour de table

ECB view: Reuse and harmonization of standards

Tour de table

ECB view: Technical service provider roles and certification

Tour de table

A large, white, stylized number '2' is centered on the left side of the image. The background behind the number is a vibrant gradient that transitions from purple at the top to blue in the middle, and then to a teal or light green at the bottom. The number is set against a white background that occupies the right half of the image.

2

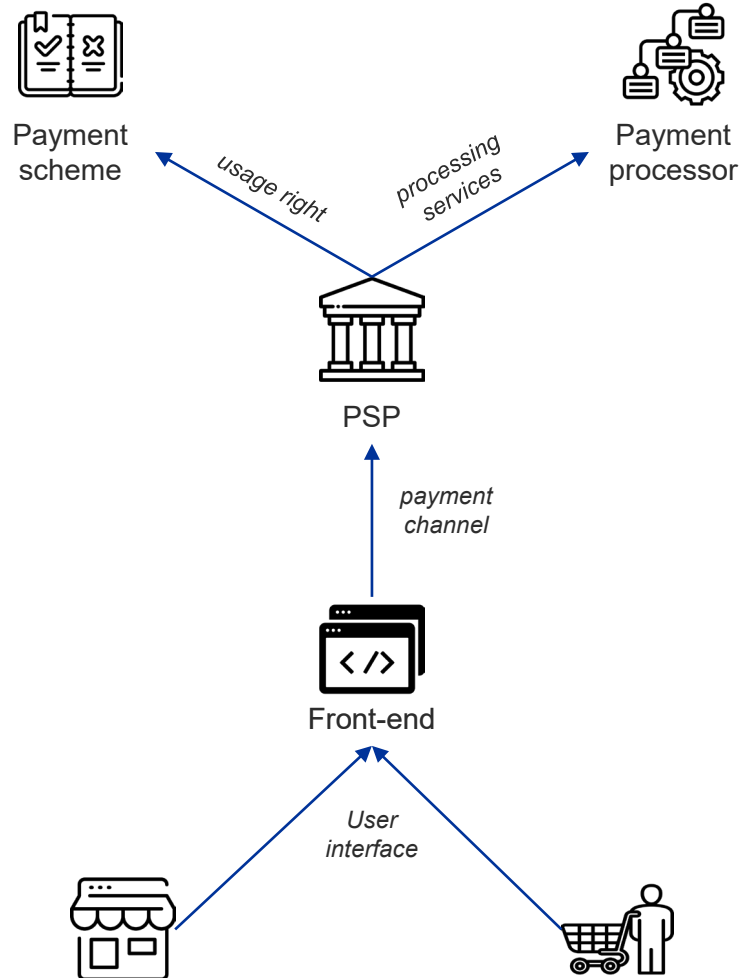
**Engagement on the  
Synergies theme**

# Reminder: Engagement on “Fit in the Ecosystem” will be structured around three core themes\*



\* Identifying benefits and reducing potential risks/ unintended consequences

# Synergies along the payment chain should be captured



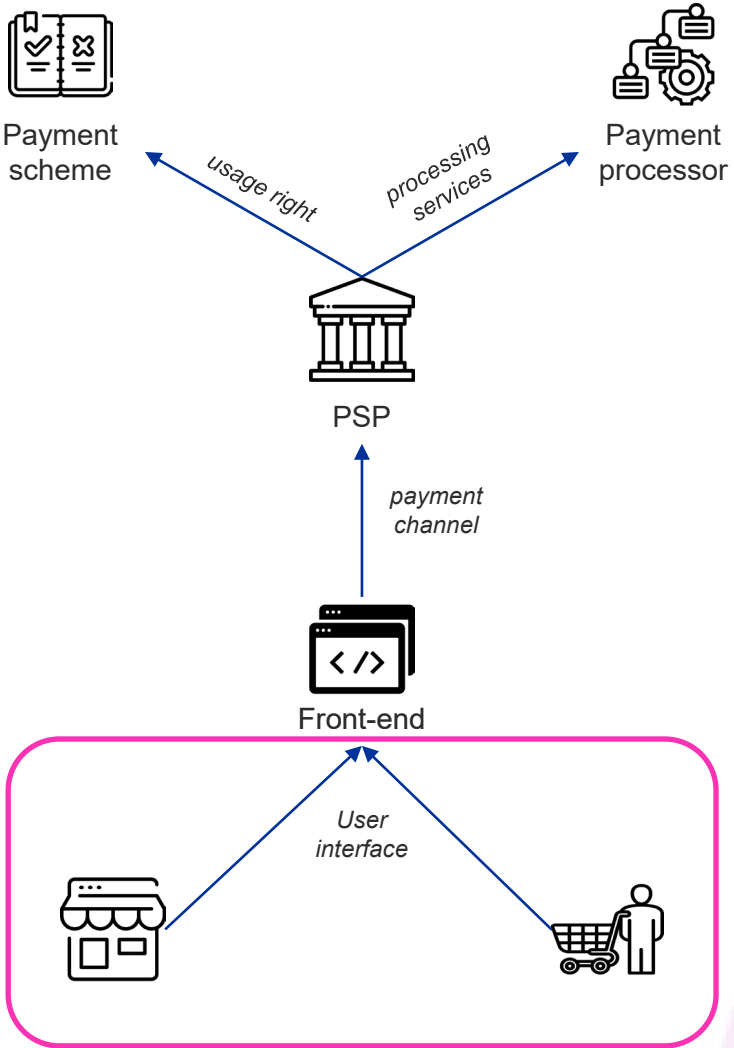
1 **Integration** into existing solutions: digital and physical

2 **Open, harmonized** European **standards**

3 **Synergies** of **technical service provider** roles towards the back-end

4 Reuse of existing **certification** capabilities

# Synergies along the payment chain should be captured



- 1 **Integration** into existing solutions: digital and physical
- 2 Open, harmonized European standards
- 3 Synergies of technical service provider roles towards the back-end
- 4 Reuse of existing **certification** capabilities

# Digital euro may be integrated into existing solutions, which are the trusted entry point and complement to digital euro



**Always emphasized:** Digital euro to coexist with and complement private solutions

- **Possibility to integrate** encouraged and foreseen in **legislative proposal**
- Subject to e.g., UX requirements from the rulebook; never as pure funding source only

## Physical



## Co-badging on physical card

- Domestic **card schemes** could **benefit from pan-euro area** acceptance network; in turn digital euro leverages on trusted brands
- **An issuer choice to assess:** is co-badging itself valuable enough to pursue? What if merchants prefer D€ card payments over domestic, even if consumer choice to alter? Does co-badging with digital euro improve position vis-à-vis ICS?

Preliminary view

## Digital





# Digital euro may be integrated into existing solutions, which are the trusted entry point and complement to digital euro



**Always emphasized:** Digital euro to coexist with and complement private solutions

- **Possibility to integrate** encouraged and foreseen in **legislative proposal**
- Subject to e.g., UX requirements from the rulebook; never as pure funding source only

Physical



Digital

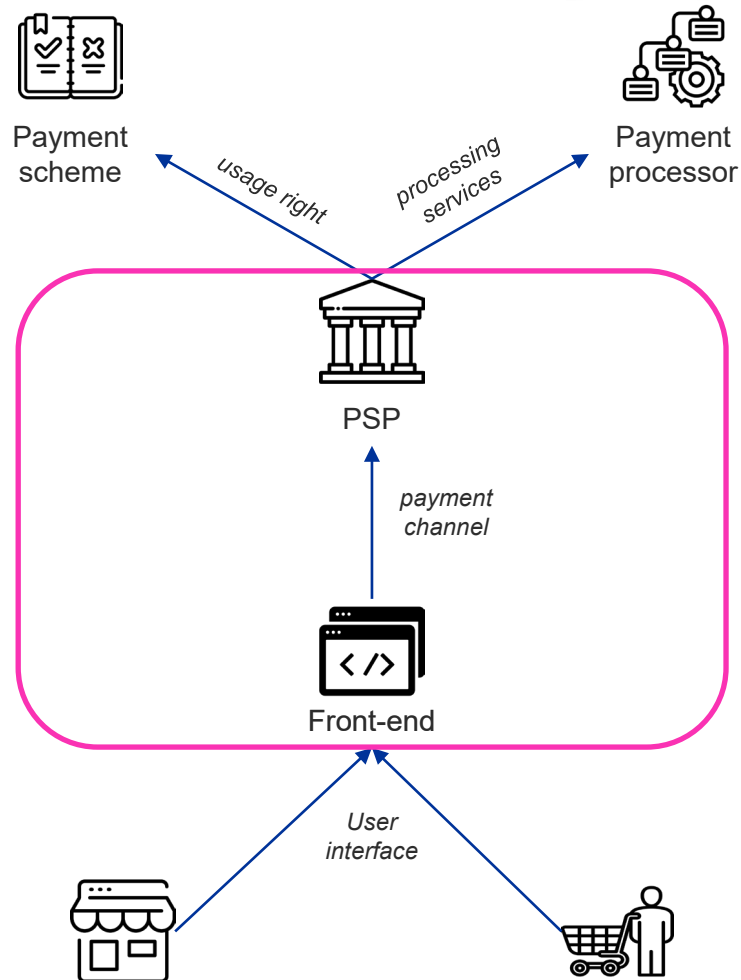


## Digital front-end integration

- **Variety of integration options feasible:** into banking apps, A2A solutions within banking apps, A2A solutions and different kinds of wallets
- But **scope and depth also depends on licenses** and scheme membership
- Market can **capitalize on investments** made into its front-end solutions

Preliminary view

# Synergies along the payment chain should be captured



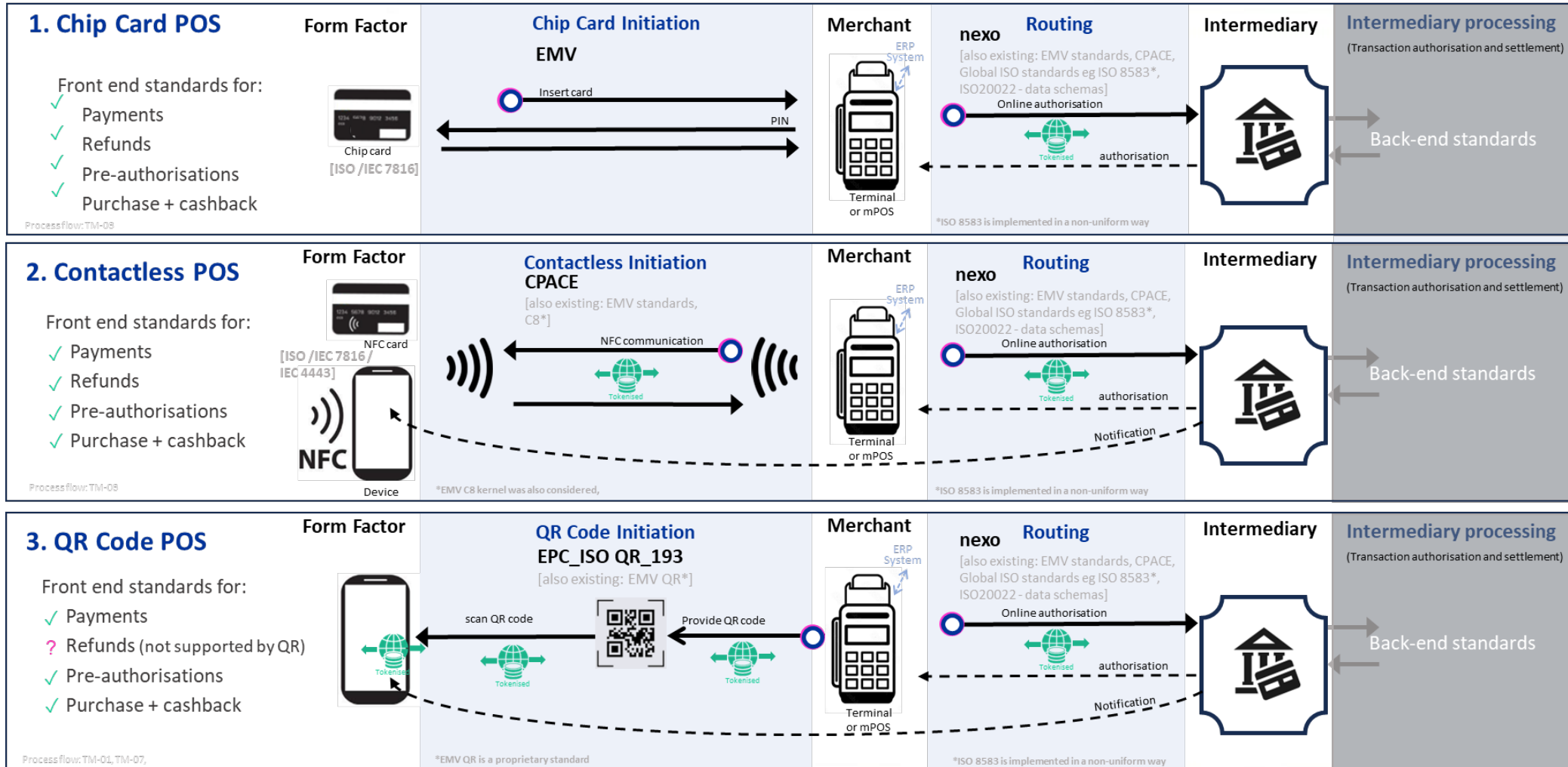
1 Integration into existing solutions: digital and physical

2 **Open, harmonized European standards**

3 Synergies of **technical service provider** roles towards the back-end

4 Reuse of existing **certification** capabilities

# Example of POS: Many standards, many of which proprietary



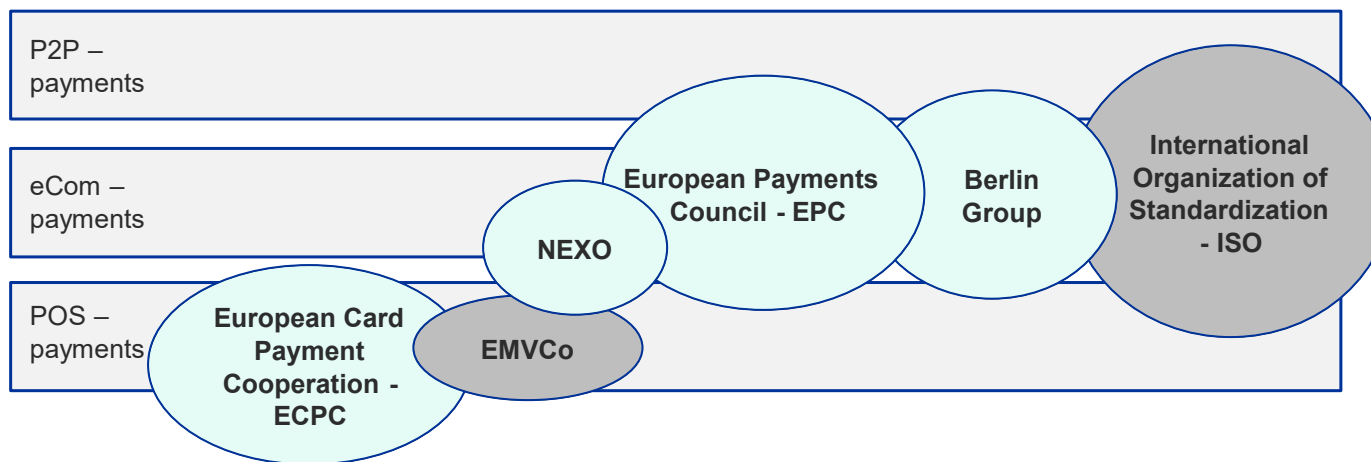
# Four standard setting bodies and their standards along the digital euro payment chain in focus

- **Standards** pursued or established by digital euro would be **open for private sector** to build on
- **Clarity** to the market **at the earliest**, anticipated for (still) 2025

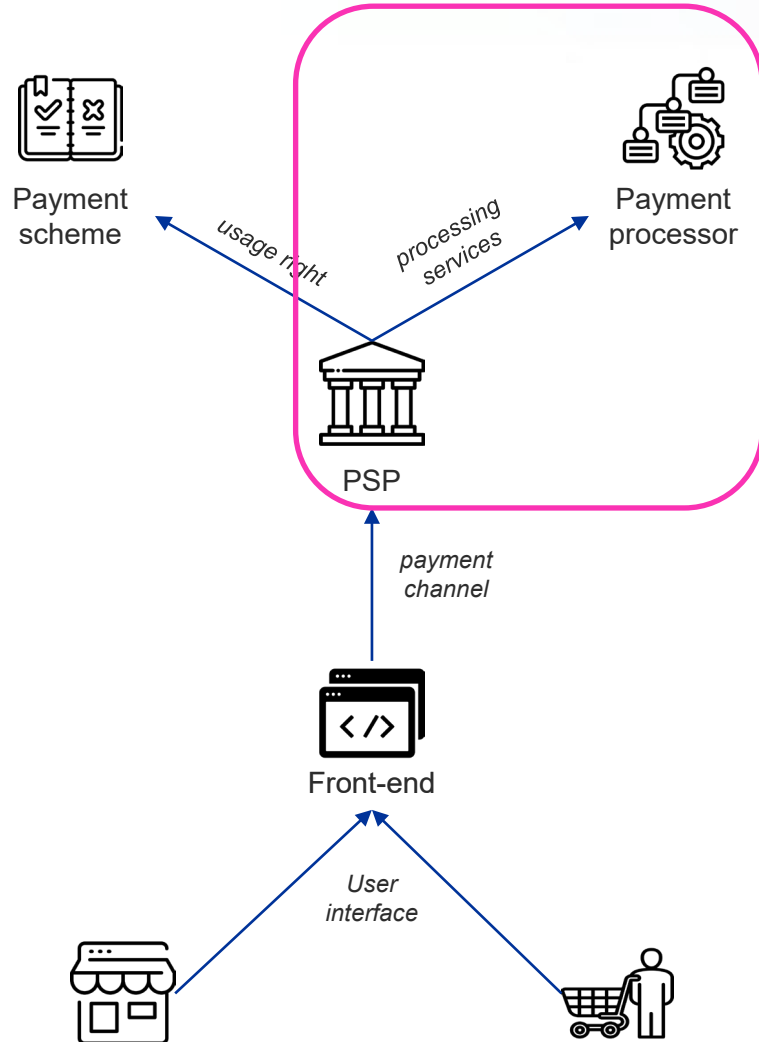


Prioritised standards based on governance and technical assessment covering most of the front-end payment chain

Use cases and potential standards  
Prioritized colored



# Synergies along the payment chain should be captured



1 Integration into existing solutions: digital and physical

2 Open, harmonized European standards

3 Synergies of technical service provider roles towards the back-end

4 Reuse of existing certification capabilities

# Domestic processors could serve as technical service providers and bundle efforts for individual PSPs



**Background:** Questions raised in bilateral talks with European schemes and payment solutions in spring 2024 around

- What **role** can **domestic schemes** and **processors play** in digital euro ecosystem?
- Can **domestic schemes** and **processors bundle** and perform digital euro related **services** for **member PSPs**?



**Our basis for discussion:** Realization of savings through **bundling of services** via technical service providers a **choice for the market**

- Also, current market practice in payments
- Could relate both to operational and to set-up efforts

# Boundaries for technical service provider roles



**Responsibility:** Scheme **participant** always **responsible** towards the Eurosystem scheme

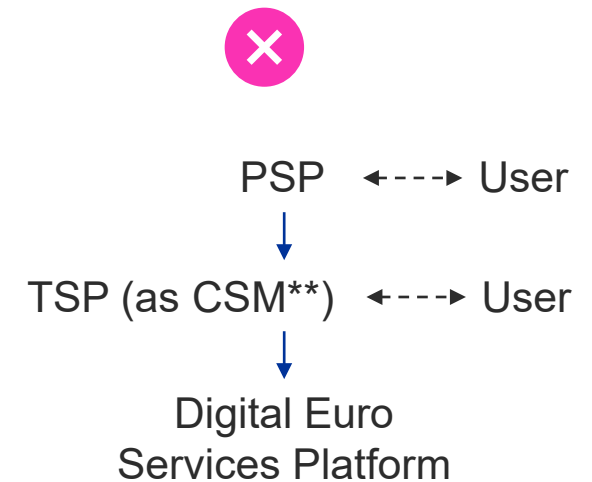
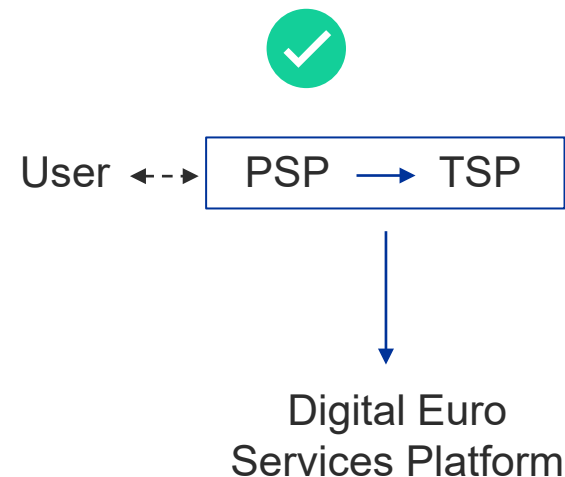
- Limits to de-facto “outsourcing” through future applicable regulation (e.g., PSD3, PSR, DORA)\* and guidelines (e.g., EBA guidelines on outsourcing arrangements)
- Further specifics to be determined in the scheme rulebook

Current view



**No scheme-in-scheme**  
approach

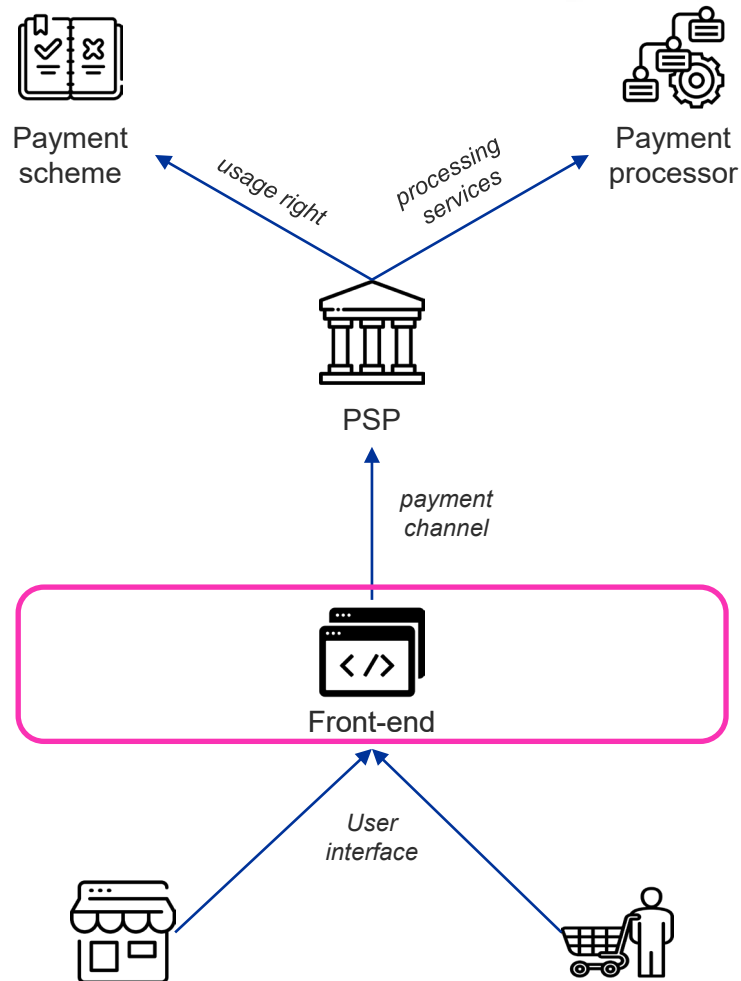
**No role for intermediate**  
payment clearing/**settlement**



\* Also dependent on legislation on digital euro

\*\* Clearing and settlement mechanism

# Additional one-off synergies could be captured



1 Integration into existing solutions: digital and physical

2 Open, harmonized European standards

3 Synergies of technical service provider roles towards the back-end

4 Reuse of existing **certification** capabilities



# Existing certification capabilities may be leveraged



**Background:** Questions raised in bilateral talks with European schemes and payment solutions in spring 2024 around

- Can certification processes and capabilities be reused for digital euro?



- A given: Certification required throughout the digital euro payment chain
- **Open to explore** how to **re-use existing certification capabilities** in the market
  - Likely applies more to front-end certification than to back-end certification
- Where possible PSPs should be able to **leverage on relationships** with existing **certification** entities
  - **Question:** What is PSPs and schemes capability for certification?

# Synergies theme value drivers (1/2)

Item*	Value drivers	Possible opportunities
#9	Digital integration in own solutions and wallets	<p>Digital euro integration into PSPs' own solutions, such as banking or A2A apps and wallets, may retain customer relationship and serve as entry point to pan-euro area payments.</p> <p><i>How would integration be most beneficial to PSPs in the context of also supporting the Eurosystem digital euro app?</i></p>
#10	Physical integration via co-badging	<p>Co-badging could provide issuers a pan-euro area card-based alternative to ICS, leveraging on a trusted domestic card brand. Domestic schemes could maintain relevance as pan-euro area co-badging partner.</p> <p><i>How do you judge the value of co-badging, also in the context of capped digital euro merchant service charges?</i></p>
#11	Reuse and harmonization of standards	<p>Digital euro will reuse payment processes and reuse, or where needed establish, standards to create a pan-euro area acceptance network that can be leveraged by the private sector without the need for heavy own investments.</p> <p><i>What would be needed for PSPs to benefit most from this euro area harmonization?</i></p>

\* Continuing from value driver #8 from the Competition theme

## Synergies theme value drivers (2/2)

Item	Value drivers	Possible opportunities
#12	Bundling operational services through technical service provider	<p>PSPs may contract with technical service providers for providing operational digital euro services and reduce duplication of efforts. Domestic processors could potentially act as such service providers.</p> <p><i>How do you judge the value of the technical service provider role? Would you rely on existing entities?</i></p>
#13	Leveraging existing certification capabilities	<p>PSPs could benefit from relying on existing certification entities and capabilities where applicable and where compliant with the digital euro scheme.</p> <p><i>Would you see a role for domestic schemes and processors for certification purposes and if so, how impactful do you judge it to be?</i></p>

A large, white, stylized number '3' is centered on the left side of the slide. The background behind the number is a vibrant gradient that transitions from purple at the top to blue in the middle, and then to teal and light green at the bottom. A diagonal line separates this colorful area from the white background on the right.

3

**Next steps:** Feedback  
we seek from the  
ERPB associations

# ERPB technical session members are invited to:



## Provide views on the technical presentation by 31 January 2025

- Members are invited to share:
  - **Feedback** on the presented value drivers (slide 20 and 21) and their impact.
  - Estimate **likelihood** of materialization for each value driver.
- Would members see any **additional synergies value drivers** that could be considered in the work on the digital euro?

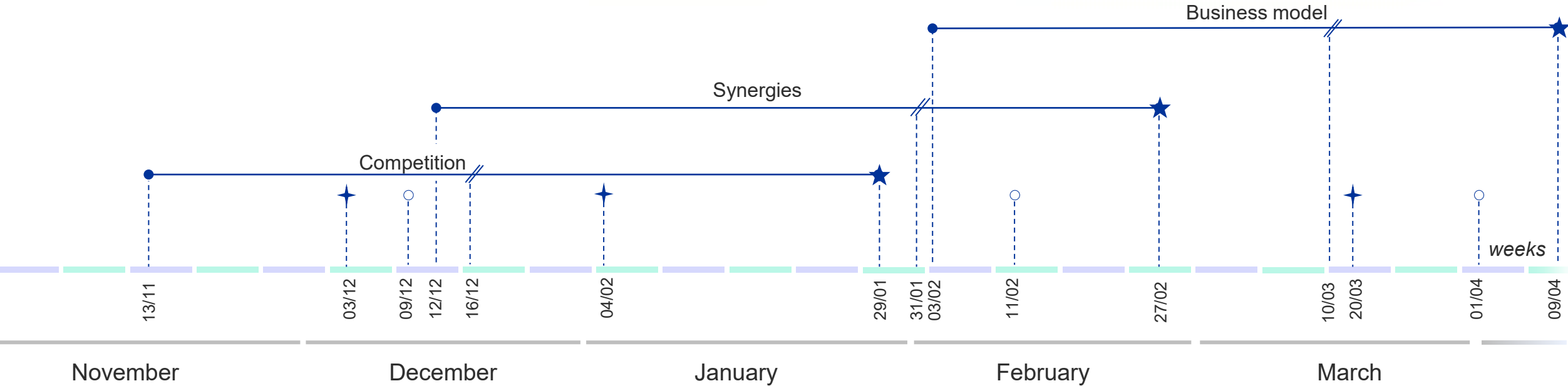
# Reminder: proposed structure per theme is in line with the tried-and-tested approach of the ERPB technical sessions



Main objective:  
**Identifying, enriching and sizing value drivers considering all viewpoints**

\* By default, ongoing individual engagement on “fit in the ecosystem” (e.g., with bank associations, schemes, PSPs etc.) to be subsumed in this stream

# Reminder: high-level timeline



- ✦ RDG meeting
- ERPB technical session on fit in the ecosystem
- ★ ERPB technical session on fit in the ecosystem joint outcome session
- Regular ERPB technical session
- ⧘ Cut-off date for collecting members' views on specific themes