



EUROPEAN CENTRAL BANK

EUROSYSTEM

Summary of collected inputs from MAG members

Cross-currency and
conditional payments

24/02/2023

Digital euro project team



Disclaimer

The following presentation summarises findings of the answers provided individually or jointly by some digital euro MAG members; these findings need not necessarily reflect design decisions for the digital euro

Cross-currency payments – high-level summary of feedback received

MAG members were invited to share their views on the use cases and to flag any challenges they see to the provision of cross-currency payments.

MAG members:

- supported **prioritising the needs of the euro area market** in order to establish a performing product first, and due to the preliminary maturity of other CBDC projects and most payments being same-currency.
- acknowledged the **importance of cross-currency transactions** and suggested focusing interoperability efforts first on non-euro area EEA countries, then on other European countries with high trade exchange, and finally on non-European countries with high trade exchange.
- supported the **use case of person-to-person transactions** (including remittances) and further enriched the analysis suggesting to **overcome the distinction between e-commerce and in-store payments** due to the growing **omni-channel approach** by merchants handling payments online and in-store in a seamless way and with the same check-out experience.
- flagged **regulatory, technical and operational challenges** with establishing a consistent legal framework emerging as a crucial aspect. Further expected challenges include the **determination and transparency of exchange rates**, technical compatibility among CBDCs with different standards and processing time.
- noted that **interoperable CBDCs could increase (cyber) resilience** as they would constitute an alternative rail to existing solutions, while the exposure of a shared single system to security breaches might be higher with expected benefits in terms of cost efficiency and innovation capability.

Conditional payments – high-level summary of feedback received

Conditional payments*, which is understood as the ability to instruct a payment automatically when pre-defined conditions are met.

*These payments were formerly referred to as “programmable payments”. The new term will be used going forward in public communication.

MAG members were invited to share their views on the use cases and reflect on the need for support to the market to provide conditional payment services (incl. core capabilities of a back end IT architecture)

MAG members:

- Overall, acknowledged that the market is best placed to lead the development of conditional payment services, as they know consumers well and can flexibly responds to the their needs
- saw **merit in the digital euro supporting conditional payments** while stressing the **importance of getting the basic functionalities** of the digital euro right first, including efficiency, performance, privacy, security, and usability.
- recognized the **identified use cases** as potentially desired and developed by the market, while acknowledging this as just an indicative list, leaving it up to the market to develop these and/or additional ones
- backed the **need for common standards to ensure interoperability** of different payment options and services offered by different market participants. These common standards should be part of the digital euro scheme but without being too prescriptive and limiting the capabilities of market participants to create innovative conditional payment solutions.
- perceived **reservation of funds functionality as a valuable core capability** improving convenience and increasing trust in services for both merchants and end-users for many POS and e-commerce use cases.
- Some noted that any core capabilities in the back-end settlement infrastructure provided by the Eurosystem should be included from the very beginning, as there is significant complexity in adding them later and adding intermediaries' systems and processes afterwards
- considering the **potential IT architecture underlying programmable payments**, supported **clear separation between settlement layer and those elements enabling conditional payments**.

Thank you!