

The Digital Euro

Perspectives on the impact on commercial banks

Product Manager ID & TB/FMV Role Cards

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Nordea

Digital Euro – A digital form of cash

- The digital euro will be a complement to physical cash.
 - Expanding central bank liabilities to the digital space in P2P and C2B commerce.
 - A third rail for digital payments, complementing and partly overlapping with A2A and card payments.
 - Legal tender status with **mandatory distribution and acceptance** for all eurosystem participants.

Existing payment methods



Bank account



Cards



Cash



Other methods



“Digital cash” – The digital euro



Available
across the
Eurozone



Accessible by
all EU citizens



Enhanced
privacy



Offline
availability



Issued by the
ECB

Intermediaries will distribute the d€

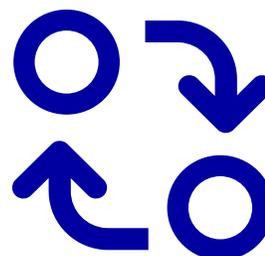
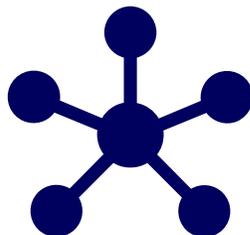
PSD2 defined PSPs responsible for distribution

Distribution

Acquiring

Customer relations, including channels and card issuing

KYC/AML/CTF



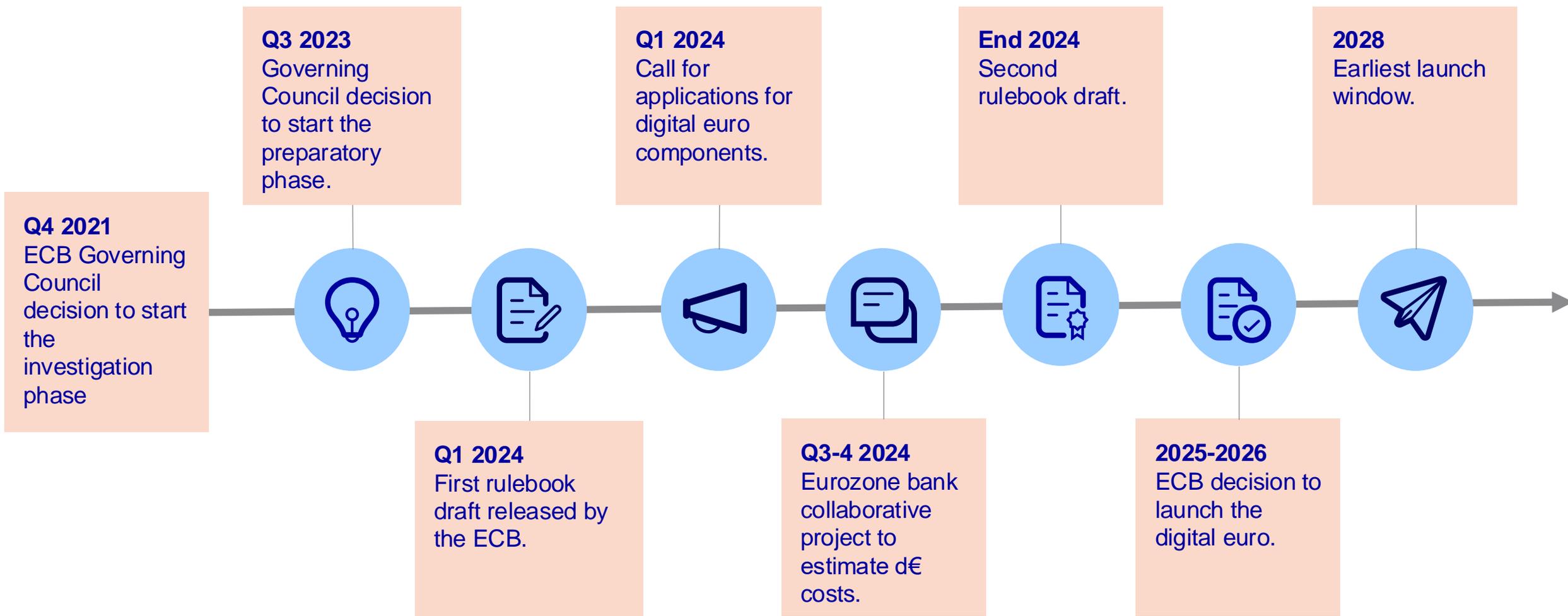
PSPs as on- and off-ramps between commercial and central bank money

(Reverse) waterfall

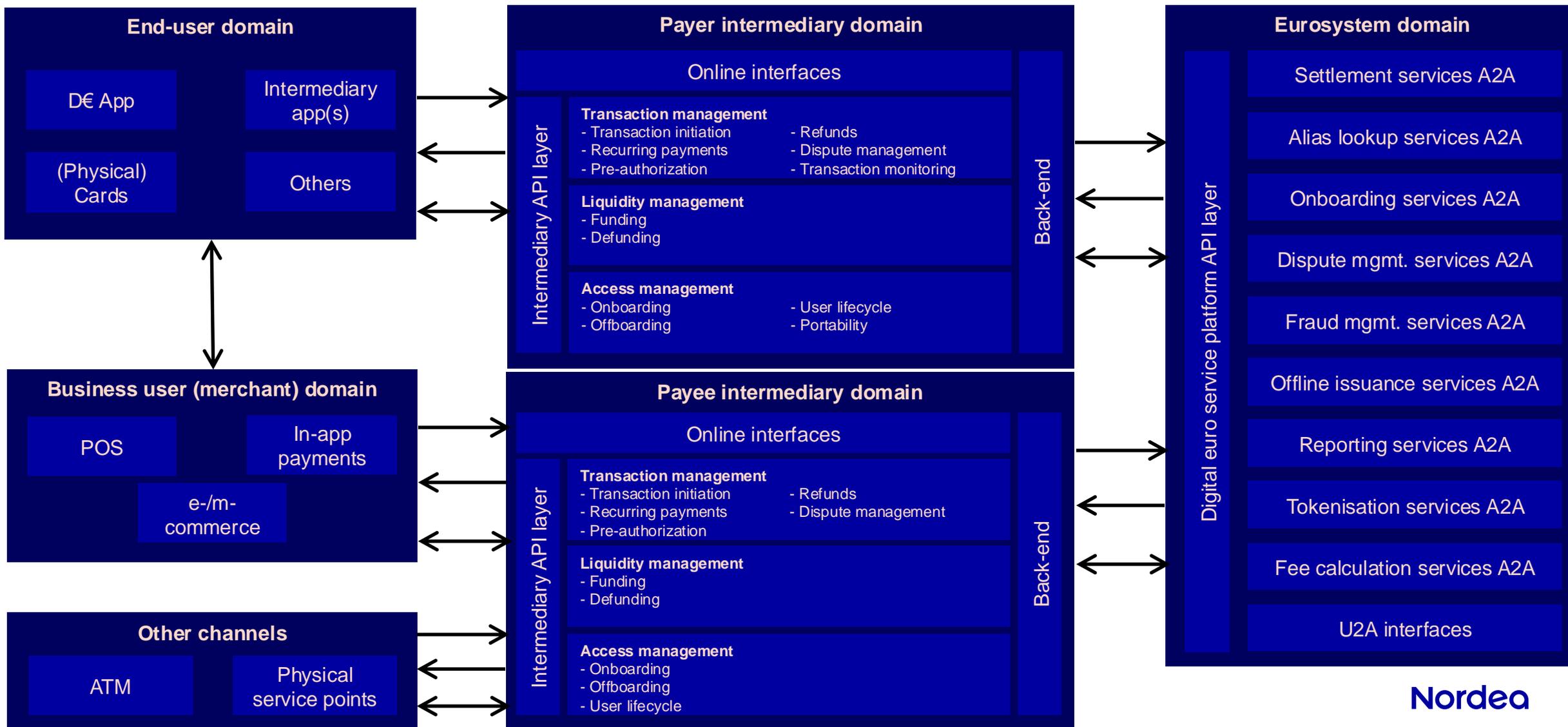
No remuneration

Holding limits (zero for businesses)

Digital Euro timeline



High level architecture



There are multiple points of concern in the current design

- Development and operational cost for intermediaries (PSPs and commercial banks).
- Overlap with existing regulation driven and private sector initiatives.
- Unclear value proposition for digital euro users.
 - Risk of creating a scenario where one euro is not the same as the other euro (commercial bank euro <> digital euro online <> digital euro offline).
 - Confusion about what the digital euro actually is opens up new attack vectors and exploits for malicious entities.
- All identified risks can be mitigated with open and intentional cross-sector collaboration and harmonization of existing and future regulation.

In summary

- ECB's goals for the digital euro are to
 - Promote European payment sovereignty.
 - Provide a public alternative for retail payments.
 - Create a unified Eurozone payment network.
 - Promote financial and digital inclusion.
- Intermediaries (PSPs and commercial banks) will carry a significant part of costs and risks of the digital euro.
- A balanced approach utilizing existing and already decided financial infrastructure investments would be a preferred way forward.

Thank you!

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Fintech Daydreaming podcast
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