

MINUTES

7th MEETING OF THE DIGITAL EURO MARKET ADVISORY GROUP (MAG)

9 November 2022, 09:30 – 16:30 (CET)

Introductory remarks

The Chair welcomed members and participants to the seventh Digital Euro Market Advisory Group (MAG) meeting which was held at ECB premises in Frankfurt am Main. The Agenda was approved.

The Chair thanked members for their participation not only in the recent written procedures on the settlement model and funding and defunding, but also for their active contributions recently to the dossiers in the analysis phase. A short debrief on the foundational design options endorsed by the Governing Council¹ at the end of September concluded the introductory remarks.

Results of the MAG survey and suggested way-forward

The ECB then presented results of an evaluation survey run after the July MAG meeting.

On the basis of this survey several suggestions were discussed. This included a debriefing on the latest market interactions regarding the digital euro, further explanations supporting ECB presentations and potential dedicated Q&A sessions with members. Some members pointed out the different nature and variety of the questions and issues addressed to them, both strategic and technical. It was suggested that more clarifications on the context of the questions might help in answering them. Additionally, the benefits of topical workshops with MAG member subgroups, further direct interaction with ECB staff and dedicated sessions at physical MAG meetings were mentioned. Furthermore, some remarks were made on the work process followed to give feedback.

Outcome from the written procedures on the settlement model and funding and defunding

The ECB provided high-level feedback² on the contributions received from members on its analyses presented at the September meeting. Most members shared the view that the entity liable for the digital euro – the Eurosystem – should be the only one to record legally binding liabilities in its own books. On

¹ The published [report](#) presents the progress made during the investigation phase of the digital euro project.

² Accessible via the following [link](#).

funding and defunding, members overall acknowledged the rationale of the proposed set of functionalities, including the waterfall and reverse waterfall logic.

During the meeting, several members raised questions on the compatibility of certain design decisions (e.g., holding limits and high privacy) with the envisioned settlement model. Further discussions ensued around the separation of intermediary and Eurosystem responsibility in settlement and funding/defunding.

Cross-currency architecture for digital euro payments

The ECB presented its analysis on how and when to enable cross-currency payments using digital euro³.

The floor was then opened for members to raise questions. Some members joined in asking for further clarification regarding the scope of cross-currency payments (e.g., EEA or global) and the conversion and settlement of the digital euro payment (e.g., CBDC/fiat; local/foreign currency). The Chair clarified that the dossier targets CBDC payments. Other members then emphasized that cross-currency payment use cases are also served by the private sector and that this dossier should be assessed against that background. One member mentioned whether cross-currency payments could not be regarded a value-added-service. Referring to the design considerations on privacy and security, several members called for considering minimum standards for interoperability with other CBDC environments.

Supervised intermediaries and scheme access criteria

The ECB presented its analysis of scheme access criteria and the scope of supervised intermediaries⁴.

Members were then invited to share their views. Several members pointed to legislative boundaries (e.g., SFD, PSD2) that needed to be considered or discussed with legislators going forward. In this regard, the Chair informed that work on this dossier takes into account decisions that may fall under the European legislator's remit. The possibility of introducing a "proportionality" principle, i.e., by allowing for a lower level of services offered in conjunction with lower requirements, was then brought forward by some members. Collectively, members emphasized the importance of maximum standardization (e.g., of APIs) required via clear scheme rules. One member asked to carefully consider whether it should be mandatory to hold the digital euro account at the same intermediary where you hold the funding/defunding account.

Form factor options for a digital euro and delivery approach for the digital euro consumer interface

The ECB presented its analysis of the envisaged form factors of the digital euro and of the consumer delivery approach⁵.

Many members stated that in addition to QR-codes, NFC and cards should indeed be seen as necessary form factors for the digital euro. Reasons cited included heterogeneous payment preferences across the Eurozone, financial inclusion, and form-factor-fit to payment use cases (e.g., POS vs. e-commerce). One member then stressed that when designing a solution, one needed to take into consideration the objective of strategic autonomy as to not set requirements that only large non-European actors might be able to fulfill. Individual members also gave valuable feedback on technical details of app design and NFC functionality.

³ Accessible via the following [link](#).

⁴ Accessible via the following [link](#).

⁵ Accessible via the following [link](#).

Programmable payments

The ECB presented its analysis of options for enabling programmable payments for the digital euro⁶. A presentation by one member on use cases for programmable payments and required standards/back-end functionalities followed afterwards.

Overall, members welcomed the proposed role of the private sector as the main innovator. Some members required more clarity on the technical foundation that would allow for programmability, also referring to use cases implementing smart contracts in a distributed ledger technology. The Chair clarified that envisioned functionality should be regarded technology-agnostic for the time being. One member further raised concerns regarding the compatibility of current legislation with envisioned programmable payment use cases (e.g., reservation of funds in PSD2).

Closing remarks and way forward

The Chair briefly updated members of the way forward on the scheme rulebook development and the front-end prototyping. The Chair then thanked members for their participation, informed them of the next (virtual) meeting 8 December and closed the meeting. A written procedure, with deadline extended until 5 December, was launched after the meeting to collect members' inputs and views on the analyses presented.

⁶ Accessible via the following [link](#)

ANNEX 1. LIST OF ATTENDEES OF THE 7th MEETING OF THE DIGITAL EURO MARKET ADVISORY GROUP (MAG) ON 9 November 2022

Chair: Ms. Evelien Witlox

Members

Aleksander Kurtevski	Nilixa Devlukia
Alessandro De Cristofaro	Nils Beier
Antonio Macías Vecino	Paul Le Manh
Axel Schaefer	Piet Mallekoote
Cristian Cengher	Régis Folbaum
Cyril Vignet	Roberto Catanzaro
Diederik Bruggink	Ruth McCarthy
Etienne Goosse	Sean Mullaney
Fanny Solano	Silvia Attanasio
Fernando Rodríguez Ferrer	Sofia Lindh Possne
Gerard Hartsink	Stefano Favale
Inga Mullins	Teresa Mesquita
Jens Holeczek	Valdis Bergs
Jochen Siegert	Ville Sointu
Nicolas Kozakiewicz	Yves Blavet

Observers

National Central Banks of the Eurosystem
European Commission

ECB participants

Evelien Witlox
Ignacio Terol
Maria Teresa Arráez
Jürgen Schaaf
Daniel McLean
Andrea Pinna
Thomas Janik
Stephanie Bergbauer
Marcus Härtel
Esther Barruetaña
Maximilian Germann