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WORKING DOCUMENT

From:	EUROPEAN CENTRAL BANK
To:	Working Party on Financial Services and the Banking Union (Digital Euro Package) Financial Services Attachés

Subject:	Digital euro - WP meeting on 15-16 May - ECB slide presentation - Eurosystem analysis on resilience
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(Delegations will note that this is essentially the same version as the slide-deck on display at the WP meeting on 16 May, except for the addition of new slide 6.)



EUROPEAN CENTRAL BANK

EUROSYSTEM

Eurosystem analysis on resilience

Council Working Party

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16/05/2025

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The role of digital euro in improving resilience of euro area payments

EE/FI/LT/LV non-paper: specific proposals

- Member State option to designate authorities or other institutions
- Member State discretion to activate emergency switching
- Independent front-end solutions

- Continued availability of online digital euro in case waterfall mechanism is unavailable via queueing of payments
- Flexibility for lifting online and offline holding limits, having sufficient offline holding limit by default
- Member State flexibility to extend the acceptance of digital euro beyond the regular users



Shared objective: Provide options that support continued availability of digital euro services under well-defined exceptional circumstances



Eurosystem non-paper

- 'Entity of last resort', synergies with entity for financial inclusion purposes
- Emergency switching under exceptional circumstances
- Digital euro app to support continued availability of front-end services

- More flexible defunding option supports continued availability of online digital euro when private money (waterfall functionality) is unavailable
- Possibility to increase offline holding limits within overall holding limit

Facilitating availability of digital euro in exceptional circumstances



Enhancing the distribution of the digital euro: An “entity of last resort” to facilitate financial inclusion *and* resilience

- ‘**Entity of last resort**’ function: citizens can switch their accounts in case PSPs become unavailable. It could provide **digital euro payment services** to these users that are necessary from a resilience and preparedness perspective.
- **Synergies** with designated entity for financial inclusion purposes (Article 14(3)).
- **Entity would already be part of the digital euro scheme under normal circumstances.**



Emergency switching to “entity of last resort”

- **Emergency switching** in exceptional circumstances to facilitate switching to the **designated ‘entity of last resort’**.
- Option to activate driven by request of Member State.



Digital euro app

- The digital euro app **helps support continued availability** of front-end service for users.

Facilitating online and offline use of digital euro in exceptional circumstances

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Offline functionality supports resilience objective:

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- Offline functionality facilitates digital euro payment **in situations without connectivity**.
 - Offline devices will need to **recharge battery**; intervals differ by device.
 - Temporary increase of offline holding limit (within overall holding limit) is already possible when devices connect.

Effectiveness of temporary increase of online holding limits is limited:

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- Changes to holding limits require **careful calibration**.
 - **Limits would need to be raised before** funding PSP becomes unavailable.
 - **Online digital euro requires continued availability** of PSP to provide digital euro services.

Ensure continued availability of digital euro payments at merchants under exceptional circumstances

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Objective: Ensure continued availability of online digital euro in case waterfall mechanism is unavailable

Principles

- Solution to be found in line with instant settlement nature of digital euro.



Proposed solution: Possibility to guarantee continued **availability of payments to merchants** by finding a solution in enforcement of zero holding limit:



- **End-of-day defunding** can provide a buffer for merchants in exceptional circumstances.
- Still allows instant settlement of digital euro payment transactions.



- **Offline transactions** provide fall-back solution in case of persistent outage of online digital euro payments.

Additional considerations

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Challenging to extend range of users under exceptional circumstances



- Challenge to provide necessary technical equipment in exceptional circumstances to users who do not accept digital euro payments.
- Best solution is to ensure that (potential) users are prepared and accept digital euro payment under normal circumstances.

Digital euro infrastructure built for resilience:



- Digital euro built on state-of-the-art technology and taking into account need for resilience & preparedness by design
- Design takes into account distribution of technical infrastructure to avoid single point of failure and provide redundancy.