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SUMMARY

DIALOGUE FORUM E-KRONA

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CLASSIFICATION:

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Meeting 6. Cooperation, governance and access through intermediaries

Introduction

At the sixth meeting of the e-krona dialogue forum, the Riksbank presented some of the work that has been done regarding cooperation, governance and access through intermediaries. The participants had received presentations and questions prior to the meeting and the discussions were based on those questions.

The Riksbank also presented their ongoing work on their user study. During the autumn, studies have been made to investigate various payment situations, attitudes and needs as well as preparedness and cash as an instrument of preparedness among the general public. The Riksbank will also conduct a retail user study and the results of both studies will be available when finished.

Cooperation and governance

A model for cooperation between the Riksbank and the market in a future e-krona solution includes, among other things, regulations, conditions for participation, branding, guidelines for interfaces and the level of service provision. The government/central bank can choose different levels of governance of the cooperation model that affect participating market participants (intermediaries) to different degrees.

At meeting 4 of the dialogue forum for the e-krona, the design of a cooperation model was discussed and the discussion at meeting 6 was a continuation of this theme, but with some more specific questions. Within the framework of the e-krona project, the Riksbank has continued the analysis of a possible design for a cooperation model and the analysis has been made on the basis of three different levels of governance by the Riksbank - low, high and very high degrees of governance:

- Low degree – common brand, free design of interface and services
- High degree – common brand, certain harmonisation of interface and services
- Very high degree – common brand and app. Full harmonisation of interface and services

Some participants argued that if the e-krona should mainly serve as a 'payment means for all' (i.e. a public good), innovation and competition may be less important, speaking in favour of a high or very high degree of cooperation and centralised governance.

It was also argued that proper risk management, utilisation of economies of scale and increased resilience of the payment infrastructure may require a high or very high degree of cooperation and centralised governance.

It was mentioned that the level of cooperation and centralised governance does not need to be constant over time. An e-krona could be launched with a common app and full harmonisation of interface and services to be relaxed gradually.

Participants also argued that the level of cooperation and centralised governance influences intermediaries' business opportunities and should be defined together with the compensation (incentive) model.

It was mentioned that for the governance to work, the model needs to be very clear and there should be an e-krona brand that people can recognize instantly.

Interoperability and security were also discussed. The e-krona platform needs to be safe and secure without too many different steps/intermediaries, and exchanging e-krona and other forms of money needs to work seamlessly. The platform should also be open to a wide range of participants.

Access through intermediaries

Whether or not the end-user should be dependent on a specific intermediary to access their e-krona is a question being discussed within the e-krona project, and the issue becomes particularly important with regard to service provision and contingency planning. One hypothesis is that end-users' e-krona holdings should not be tied to a single intermediary, but be accessible through in principle all intermediaries. The rationale behind is that this model is in line with the e-krona not being a claim on a

single intermediary. It may also reduce the burden for intermediaries, making this a more attractive role to take up, while easing any lock-in effects, which strengthens competition among intermediaries. It would also avoid situations where end-users cannot access their e-krona due to incidents at a specific intermediary.

Participants argued that the model increases the dependence on the central ledger where all information will be stored – that is, we become less reliant on individual intermediaries at the cost of an increased single point of failure-risk.

It was mentioned that intermediaries' business case from offering e-krona services (interchange fees, loyalty kick-backs, etc.) is affected if end-users can access their e-krona holdings through other intermediaries. It could be difficult for intermediaries to establish themselves and find a long-term business model. However, participants also saw the potential for creating business opportunities, for example through different types of customer loyalty programmes, or niche services such as customer due diligence and money laundering checks. It will be important to make sure that intermediaries will not take shortcuts that negatively affect the quality of the service in order to minimize costs.

Further challenges mentioned were the on boarding and compliance checks that may become more complicated and will require a set of rules defining the 'responsible' intermediary, including in case of cross-border payments received. It would be difficult to get an overall picture of the customer and the participants saw customer due diligence and money laundering as potential problems that need to be investigated further.

Participants also discussed if end-users, in crises and/or normal times, should have access to their e-krona holdings through a service offered by the Riksbank, without having to go through an intermediary.

It was highlighted that the Riksbank need to closely follow the work of ECB to ensure that Sweden develops a model that is consistent with the digital euro. It was also mentioned that a parallel system is necessary if we want to increase preparedness, and that incentives for consumers must come first - then the willingness to invest will come automatically.

Planning ahead

Two more meetings are scheduled during spring. The next meeting is on 20 April. On that occasion, the ongoing parliamentary payment inquiry report should be completed and the aim is to discuss the report and its findings.