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REF: 2022-00632

SUMMARY

DIALOGUE FORUM E-KRONA

DATE: 20 October 2022

DOCUMENT RB PUBLIC

CLASSIFICATION:

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Meeting 4. Incentives and Business Models

Introduction

The fourth meeting of the e-krona dialogue forum was about incentives and business models. Prior to the meeting, the participants had received questions reflecting their different perspectives, representing banks, other payment service providers, service providers that are not PSPs and retailers.

Banks

What factors and circumstances does a bank take into account today when launching a new, or closing down an existing, payment solution/service?

From a bank perspective, business case, security, risk management and compliance were identified as important factors to take into account when launching a new payment service. In addition, banks needed to take due account to other banks' interests within the collaborative space. Taking advantage of network effects was said to be important.

What features of a potential e-krona (design, technical or commercial) will be important for banks to participate as intermediaries in the e-krona ecosystem?

It was mentioned that in order for banks to have incentives to participate it is important that the Riksbank make it possible for the intermediaries to cooperate in order to find use-cases that can be beneficial to everyone involved in the e-krona ecosystem. A simple business model, which allows for cost coverage will be key. Participants also mentioned that standardisation of design aspects is important and that the e-krona should strive for the same design as, for example, the digital euro.

It was also mentioned that an e-krona that can be used for wholesale purposes would be interesting, and that these type of use-cases should be explored further.

What factors would probably make it less attractive for banks to participate as intermediaries in the e-krona ecosystem?

Here, the banks pointed to a business model which did not allow them to have their development costs covered. Banks expect high development costs, which require a customer need and willingness to pay, or a clear cost saving, for private actors to get involved. The alternative would be tax financing, but here too there was a need to clarify benefits and costs to society.

There were also discussions regarding the impact on the banks' business model, and financial stability in the banking sector and in society as a whole, which could be affected by the introduction of an e-krona. One needs to ensure that there will be no adverse effect from the introduction - one way could be to limit the amount of e-kronor allowed for private individuals, it was stated.

Other Payment Service Providers

How could different types of new payment service providers (such as payment institutions, including companies providing payment initiation services, e-money institutions, etc.) operate as intermediaries in the e-krona ecosystem?

It was mentioned that other types of payment service providers could contribute to increased use and distribution of e-kronor in different ways. New payment service providers may provide access to e-krona accounts, and the functionality that the e-krona system could provide, for companies and individuals. E-money institutions could benefit from modern technology and codify access to e-kronor with modern APIs.

What features of a potential e-krona (design, technical or commercial) will be important to incentivize new payment service providers to participate as intermediaries in an e-krona ecosystem?

Participants mentioned that API integration will be important. Integration must be easy and rapid as well as backed by support services. A standardised API was requested, but participants questioned the need for a standardised user interface. In general, participants pointed to large possibilities to automate payments, both to other intermediaries and to retailers.

Other design features mentioned as important were design interoperability with other digital currencies and platforms, automated reporting and reconciliation, computerised monitoring, payment tracking and chargeback functionalities as well as instant settlement. One should aim for as low a transaction cost as possible and for limited information requirements, for example by using different aliases.

What factors would probably make it less attractive to new payment service providers to participate as intermediaries in the e-krona system?

Factors that would make it less attractive to participate as an intermediary in the e-krona system could be an increased KYC burden, high cost for integration, manual processes and limited interoperability with other digital central bank currencies. It was highlighted as important for new payment service providers to have the same access to the e-krona system as traditional payment service providers – it should be the same for everyone.

Perspective Other Service Providers

What other types of roles (in addition to the role of intermediary) would potentially exist in the e-krona ecosystem for actors currently providing various financial services?

Several potential roles beyond the role as intermediary were envisaged. These include different types of 'partner roles' (mostly technical), which do not require license as a payment service provider and are outside the actual e-krona network. Examples mentioned were card companies, cash desk suppliers, e-commerce platforms, terminal and vending machine suppliers, petrol pumps, accounting systems, analysis systems, reporting and file management systems, invoice producers, gift card companies etc. The service provider would primarily offer services to companies, organisations and public authorities and would typically not have a direct relationship with the end users.

Is there a need for these roles to be formalised within the ecosystem, e.g. should they be based on an authorisation from a financial supervisory authority or the approval of the system owner?

Authorisation would not be justified, it was mentioned, since these actors have no defined responsibility or obligation in the chain of transactions that would affect users. On the other hand, certification and control from the system owner can be appropriate to assure a good integration and customer experience. An agreement or contract also provides for the possibility of carrying out certain checks on companies and obtaining contact information for the distribution of news and information on updates to the technical solution. A contract may also contain clearer commitments to ensure good and proper management of the technical solution.

What factors would make it more or less attractive for the above mentioned actors to provide services within the e-krona ecosystem?

Factors that could make it less attractive for a service provider to develop and offer services could be complex authorisation/certification processes, or that there are insufficient incentives to make it worthwhile to integrate the e-krona. It was believed that the adoption of the e-krona will be an important factor. The business value is to be able to offer relevant technical solutions and thus become more attractive to companies and organisations.

Perspective Retailers

What are the overall most important reasons why a retailer chooses to offer a particular payment solution or payment service?

From a retailer perspective, customer needs and profitability were mentioned as the main reasons for connecting a payment service. A payment service must be affordable and make it possible for consumers to potentially buy more. Examples mentioned were the possibility for the customer to pay for their purchase even in the event of a power outage or to increase profitability by using customer data (anonymised customer data can also be useful). These can also include ways to increase customer loyalty, such as through member clubs, finding new customer groups, or offering new features such as depositing gaming profits, recycling deposits or safe and quick returns.

What functions of a potential e-krona (design, technical or commercial) will be important for retailers to have an incentive and willingness to offer an e-krona as a means of payment?

Key features mentioned were that an e-krona had to be easy to use and accessible to everyone. The transactions must be made at low risk and cost and it should be possible to pay with the e-krona off-line.

Overall, the service must be easy to manage – it must not involve additional work in the form of complicated customer knowledge processes or new hardware, and it must be easy to reconcile and to train staff.

What factors would make it less attractive for a retailer to implement and offer e-krona as a means of payment to their customers?

Factors mentioned were high costs or complex processes for the retailer or for the consumer to use e-kronor, or if the platform was not designed in such a way as to enable new features. It was stressed as important to identify needs among customers and/or retailers that can be met by an e-krona.

Planning Ahead

The next meeting is scheduled for 7 December. Three more meetings are planned for next year.