



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Ms Eva Kaili

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt am Main, 26 September 2019

L/MD/19/330

**Re: Your letter (QZ-040)**

Honourable Member of the European Parliament, dear Ms Kaili,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, former Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 30 July 2019.

The European System of Central Banks (ESCB) is closely monitoring innovation in the financial sector and actively exploring new technologies that may prove useful in supporting our functions in line with our mandate.

In this regard, the ESCB is analysing crypto-assets and stablecoins with a view to understanding their potential implications for monetary policy, the safety and efficiency of payments and market infrastructures, and the stability of the financial system. Thus far, stablecoins and crypto-assets have had limited implications in these areas and are not designed in ways that make them suitable substitutes for money. Nonetheless, given the rapid pace of technological development and business model evolution, this assessment may be subject to change in the future. For instance, new stablecoin arrangements (such as Libra) backed by large technology companies could have the potential for widespread adoption, both for retail and wholesale payments.

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As pointed out in my letter of 25 July 2019 to your honourable colleague Mr Ferber<sup>1</sup>, central banks within the ESCB also cooperate with their peers in the G7 working group on stablecoins chaired by ECB Executive Board Member Benoît Cœuré, acting in his capacity as Chair of the Bank for International Settlements' Committee on Payments and Market Infrastructures. The G7 working group has acknowledged that stablecoin initiatives highlight the need to step up ongoing public and private efforts to resolve outstanding challenges, particularly in cross-border payments and access to payment services. At the same time, stablecoin arrangements are largely untested and give rise to a host of risks and issues, including those related to monetary policy transmission, financial stability, and the smooth functioning of the global payment system and the extent to which it is trusted by the public, as well as other public policy priorities. Therefore, at their meeting on 17-18 July 2019, the G7 Finance Ministers and Central Bank Governors discussed the benefits and risks stemming from innovation in the financial sector, such as stablecoins and other product developments of potentially global and systemic nature. They agreed that regulatory and systemic concerns, as well as policy considerations, should be addressed before any such initiatives are implemented.

The ESCB is receptive to the policy questions these developments have raised regarding the suitability of existing forms of payments for meeting the new and emerging needs of economic actors. Like other central banks, the ESCB is analysing the opportunities and challenges associated with making a digital form of the euro available to the general public, while taking into consideration domestic requirements and global developments. From a central bank perspective, the key issue for a central bank digital currency is not the technology, but rather its utility in terms of costs and benefits to the public. Alongside this ongoing analysis, efforts are underway to upgrade existing payment systems and settlement services to ensure that they continue to match the needs of the markets they serve and support economic activity. One example of this is the TARGET Instant Payment Settlement (TIPS) service launched in November 2018 by the Eurosystem. It enables payment service providers to offer fund transfers to their customers in real time and around the clock, every day of the year.

Yours sincerely,

[signed]

Mario Draghi

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<sup>1</sup> Letter from Mario Draghi, President of the European Central Bank, to Mr Markus Ferber, MEP, on stablecoins, available at [https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter190726\\_Ferber\\_1~fc2089bb67.en.pdf?4a43ca668e6671157ff0c699665dd972](https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter190726_Ferber_1~fc2089bb67.en.pdf?4a43ca668e6671157ff0c699665dd972).