

Bundesverband deutscher Banken | P.O. Box 040307 | 10062 Berlin | Germany

Mr
Fabio Panetta
Member of the Executive Board
European Central Bank
Sonnemannstr. 20
60314 Frankfurt am Main

**Involving the banking industry in the investigation phase of
the digital euro**

28 June 2022

Dear Mr Panetta,

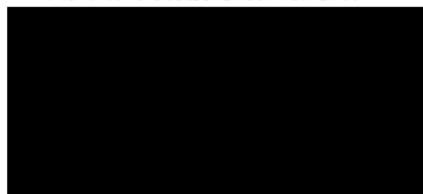
We welcome the ECB's initiative to strengthen Europe's digital and monetary sovereignty. At the same time, however, we see uncertainty about the ECB's guiding principles on implementing this initiative and about its impact on the local financial industry.

We, the German banking industry committee, would therefore like to make our important request to you today for a further intensification of the exchange with you and your colleagues, in particular on the design and distribution of a digital euro. Certainly, we view our existing exchange, among others via the Market Advisory Group (MAG) and the Euro Retail Payments Board (ERPB), on various individual issues as important. However, we believe there is also a necessity to consider the possible risks of a digital euro / central bank digital currency (CBDC) on the real economy and for banks, especially.

From the German Banking Industry Committee's point of view, a digital euro could have a significant impact on banks. A CBDC, in particular, could risk fundamentally changing the established two-tier banking system. In turn, this would have negative consequences for banks' lending opportunities and conditions. As a result, careful consideration should be given to the impact of a digital euro on the financial sector, on lending and on financial stability. Banks are reliable partners of the European Central Bank

Coordinator:

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in the tried and tested two-tier system for the transmission of monetary policy and the supply of cash to households and businesses. In the commercial bank money system, financial institutions also carry out important functions for determining savings and lending rates, i.e., they ultimately have an allocating function for the overall economy. The credit institutions can and want to continue performing these functions.

Against the background of the many open questions and points on the design and distribution of the digital euro with the potential to considerably impact the lending industry and the banking sector, we would like to request a timely exchange on the identified potential risks based on reliable information about the design and distribution of the digital euro. The exchange should also consider the question of how intermediaries who provide consumers with access to the digital euro can be given the chance to obtain remuneration to allow the costs and benefits to be shared fairly. Remuneration from the digital euro should be sufficient to cover the costs to all parties and, at the same time, generate surpluses for the necessary further development of offers, and should substitute possible revenue losses from the discontinuation of current payment transfers.

Due to the diverse requirements of the digital transformation, we would also like to discuss an ecosystem of innovative digital forms of money with you. The German Banking Industry Committee has been working intensively for some time on the possibility of tokenised bank money in order to address the requirements, among other things, of Industry 4.0. In addition to considering a retail CBDC, another important step would be the introduction of a wholesale CBDC for interbank business.

We look forward to hearing from you soon as to how we can obtain the requested information and how a more concrete exchange can take place.

Yours sincerely,
on behalf of the German Banking Industry Committee,
Association of German Banks

