The euro as a digital currency – state of play

Eurogroup

25 February 2022
Use cases for a digital euro

- **Person-to-person**: a payment between two individuals
- **Consumer-to-business**: a payment for goods or services purchased in a *physical store* or online via *e-commerce*
- **Business-initiated**: a payment between two businesses or from a business to an individual (e.g. wages)
- **Payments to the government** (e.g. taxes) and **by the government** (e.g. allowances and subsidies)
- **Machine-initiated**: a fully automated payment initiated by a device and/or software on the basis of predefined conditions
Strategic importance of use cases

Two **key prioritisation criteria**:

1. Does the use case support the **policy objective of a digital euro**?
2. Does the use case target an **important market segment** that can expand and attract further users?
Maintain *public access to and full usability of central bank money* in a world in which consumers and firms are turning to electronic payments

- Supporting **digitalisation** of the European economy
- Responding to a **decline in the use of cash** as a means of payment
- Tackling **sovereignty concerns** relating to foreign CBDC or private digital means of payment in the euro area
Non-European solutions dominate digital payments in e-commerce and physical stores.

Cash is dominant for person-to-person payments, but the segment is open to disruption and strategically important to drive adoption and foster network effects.

European solutions are available for business-initiated payments.

Machine-initiated payments could support innovation, but the private sector is also likely to develop solutions.
Some important developments to consider:

- **Strong growth of e-commerce** as a percentage of total retail sales
- Digital payments between individuals (person-to-person) still limited, but preferences could change as more digital solutions become available

Prioritisation of use cases
Next steps

- Governing Council to endorse prioritisation of use cases
- Ongoing Eurosystem assessment of key design features, with a focus on the needs of payers and payees in the prioritised use cases (e.g. as regards privacy, online/offline use and programmability)
- Related Eurogroup discussions in Q2 2022
  - Trade-offs in the design of a digital euro between privacy and other EU policy objectives (April 2022)
  - Potential impact of a digital euro on the financial system and the use of cash (June 2022)
Thank you for your attention
References


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