Digital euro – stocktake

European Central Bank

16 January 2023
Digital payments further on the rise, but cash remains an important option

The downward trend in cash usage intensified after the pandemic…

… but having cash as a payment option is important or very important for most.

See SPACE survey.
Why issue a digital euro?

The digital euro as a **monetary anchor** would preserve public access to central bank money in the digitalised world by being **widely accessible to prospective users**.

**Pan-euro area reach** is a basic principle for any form of the euro currency.

A digital euro would strengthen the **strategic autonomy** of the euro area by increasing its independence from non-European payment solutions and would increase **economic efficiency** by curbing market-abusive behaviour.

See [key objectives primer](#).
A digital euro should first and foremost meet the retail payment needs of the euro area.

Most central banks are exploring retail central bank digital currencies (CBDCs).

Interoperability with other retail CBDCs to facilitate cross-currency use.

Cooperation at international level to make CBDCs interoperable.

Source: Bank of International Settlements, July 2022

Rise in CBDC projects

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Preserving privacy by default and by design

The digital euro design will ensure **privacy of personal data and payments**…

- The ECB will not have information on people’s holdings, their transaction histories or payment patterns.
- Data are only accessible to intermediaries for regulatory compliance.
- The digital euro is NOT about programmable money.

…while legislators will decide on the right balance between privacy and other public policy objectives.

- A risk-based approach could allow more privacy for less risky transactions.
- Offline digital euro could provide a level of privacy similar to cash.
Ensuring a key role for intermediaries in distributing a digital euro

- **Supervised intermediaries** will **play a key role in providing a digital euro** as a public good:
  - Act as **direct counterparts** for individuals, merchants and businesses
  - Perform **all end-user services**, as for electronic payments today
  - Build **innovative payment and financial services** on top of a digital euro

- **Strong private-public cooperation** for a successful digital euro
With broad market involvement, a digital euro scheme would establish a set of common rules, standards and procedures to:

- ensure pan-euro area reach and a harmonised end-user payment experience;
- retain flexibility to respond to user preferences and habits;
- provide the highest degree of freedom for the market to distribute the digital euro and develop innovative front-end solutions;
- support market participants in offering payment services on a European scale.

Making a digital euro usable everywhere in the euro area, like banknotes today

If a citizen is provided a **digital euro payment instrument** by an intermediary in one country, they should be able to freely use this instrument to pay **at any merchant in the euro area, independent of the intermediary and the country** of the merchant.
Taking stock and road ahead

Foundational design options

- **First set (Q3 2022)**
  - Online/offline
  - Privacy

- **Second set (Q4 2022)**
  - Role of intermediaries
  - Funding and defunding
  - Settlement model
  - Distribution model

- **Third set (Q1 2023)**
  - Compensation model
  - Delivery approach
  - Advanced functionalities
  - Core and value added services

Use cases

- Person-to-person
- E-commerce
- Physical store
- Government payments

Research and experiments (Q2 2023)

- Focus group research
- Market research
- Protoyping exercise

High-level design of a digital euro and holistic review (Q2 2023)
Way forward for the digital euro project

October 2021: start of the digital euro project

First progress report
Second progress report
Third progress report (tbc)

Investigation phase

EU legislative process based on Commission proposal

Autumn 2023: possible decision to launch realisation phase

Realisation phase

Earliest possible decision to issue digital euro

Interactions in the context of Expert Group on Banking, Payments and Insurance since 09/2022

Eurogroup (EG) (02/2022): Use cases
EG (07/2022): Impact on financial system
EG (09/2022): Commission consultation
EG (04/2022): Privacy and other EU objectives
EG (10/2022): Business models
EG (05/2023)
EG (01/2023): Stocktake discussion
EG (03/2023)
EG (07/2023)
Upcoming deliverables

January 2023: launch of **market research** on technical design of possible digital euro components and services
- Report on findings of market research in Q2 2023

February 2023: start of **scheme rulebook drafting**
- Appointment of rulebook manager and call for market participants to join Rulebook Development Group

Q2 2023: report on findings of the **prototyping** exercise and second round of focus group research
- December 2022: publication of technical onboarding package for prototyping

Q2 2023: **digital euro high-level design** – bringing it all together
Thank you for your attention