International aspects of CBDCs: update on digital euro

Eurogroup
Key considerations of the Eurosystem

A digital euro should first meet the needs of the euro area

• To keep the project from becoming too complex, we will gradually introduce different use cases.
• We aim to make the digital euro accessible to everyone within the euro area before focusing on users outside the euro area.

But we should not miss the opportunities offered by the international dimension

• access to and use outside the euro area (no currency conversion)
• cross-currency payments (currency conversion), requiring interoperability
International developments in CBDCs

Most central banks around the world are exploring digital currencies (CBDCs)

The ECB supports ongoing international CBDC initiatives:

- **BIS**: working with group of seven central banks
- **G7**: following up on public policy principles for retail CBDCs
- **IMF**: developing CBDC Handbook

Rise in CBDC projects

Source: Bank for International Settlements, July 2022
Using digital euro outside the euro area

Use cases
• Cross-border payments in digital euro
• Payments in digital euro outside the euro area
• Use by visitors

Rules for geographical access will be set down in legislation → design of digital euro can accommodate them

If legislation allows, access could be extended to consumers and merchants in the European Economic Area and selected non-EU countries, if they so wish
Digital euro interoperability with other CBDCs

Use cases

- **Person-to-person** payments in CBDC (e.g. remittances)
- **E-commerce** payments from an online merchant outside the euro area
- Payments to a merchant outside the euro area

Possible models

- **Interlinking model**: allows transacting without participating in each system
- **Single system model**: single system across multiple currencies

Enabling cross-currency payments “takes two to tango”
New initiative on wholesale central bank money settlement

New **Eurosystem task force** to explore new technologies for wholesale central bank money settlement:

- Contribute to **digital innovation**, while ensuring that central bank money remains a **monetary anchor**
- Gain insight into how different solutions could facilitate interaction between TARGET services and DLT platforms
- Receive expert input from a **dedicated market contact group**
Thank you