Digital euro

ECB OMG meeting

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## Overview

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What do we mean by “digital euro”?  

Digital euro would be **central bank money** made available to **citizens and firms** in **digital form** for use in **payments**.

- **Complementing**, not substituting, cash and wholesale central bank deposits
- **Synergies** with industry
- Digital euro **not necessary so far**
Main benefits of a digital euro

- Supporting **digitalisation** in the European economy
- Response to a declining use of cash as a means of payment
- Tackling **sovereignty concerns** related to foreign private digital means of payment in the euro area or possible future foreign CBDC

The Eurosystenm needs to be prepared
### CBDC versus other forms of money and assets

<table>
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<th>Liability of central bank</th>
<th>Liability of a private entity</th>
<th>Not a liability</th>
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<td>i. <strong>Cash</strong>: physical form, to general public</td>
<td>i. Commercial bank money</td>
<td>i. Crypto-assets*</td>
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<td>ii. <strong>Central bank deposits</strong>: digital form; limited access</td>
<td>ii. E-money</td>
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<td>iii. Some ‘stablecoins’ that entail a claim/liability on an identifiable entity</td>
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**CBDC/Digital euro**: complement to cash and deposits

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*This definition corresponds to Occasional Paper Series No 223, ECB, 2019.*
Digital euro: a complement to private initiatives

- Maintaining **co-existence** of several means of payments
- Private sector will remain more **innovative**
- Central banks do not have ambition to:
  - take-up the front-end or
  - take away deposits from banks’ balance sheets
- CBDC would be offered preferably **through supervised service providers**
Two types of (possibly co-existing) digital euro

Account-based:

Transaction

Settlement

Bearer:

Transaction and settlement

Programmable?

e.g. TIPS
Elements of functional scope

The digital euro would:

- look like any other modern payment solution for both POS and online payments
- be made available throughout the entire euro area
- be supportive to financial inclusion
- be particularly mindful of privacy
- be by definition risk-free central bank money
- be free of charge for basic use by payers
- allow if possible off-line use
- allow to control for undesired effects on financial stability and monetary policy
Necessary elements in a viable product

End-user perspective

Design decisions

Legal issues

Back-end Infrastructure

Front-end infrastructure

Distribution framework
Public consultation

• ended in January 2021 with **record level** of public feedback
• over **8,000 responses** received in online survey
• input from **citizens, firms and industry associations** on desirable designs and how to address challenges
• **privacy, security and pan-European reach** ranked highest in European citizens’ preferences

**Detailed analysis of responses to the public consultation will be published in spring.**
Conceptual work
• Continue the analysis of different design options

Practical experimentation
• Test the implementation of functional design options

Work with the European Commission
• Joint review of broad range of policy, legal and technical questions

This work is done in parallel to the analysis of responses to public consultation
Focus of practical experimentation

- test the compatibility of a digital euro and existing settlement services (e.g. TIPS)
- explore the interconnection between decentralized technologies, e.g. distributed ledgers, and centralized systems
- investigate the use of payment-dedicated blockchains with electronic identity
- assess the functionalities of hardware enabling offline transactions

Explore various aspects of different design options: technical feasibility, compliance with the principles and policy objectives of the Eurosystem, and satisfaction of user needs.
Towards mid-2021 the Eurosystem will consider whether to launch a digital euro project

• Start with an investigation phase
  … to obtain answers to open questions raised in the report
  … to develop a minimum viable product that would be able to meet Eurosystem requirements and the needs of prospective users

The objective is to ensure that the Eurosystem will be prepared to issue a digital euro if it decides to do so in the future.