



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Digital euro – a work in progress

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*European Association of  
Co-operative Banks  
Board meeting*

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# What is the digital euro?

The digital euro is **central bank money** for **digital retail payments** by **citizens, businesses and governments** in the **entire euro area**

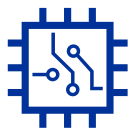
# Why would we need a digital euro?



A payment option allowing **everyone** to pay digitally **everywhere** in the euro area



The **evolution of cash** in the digital age, protecting the role of public money as a **monetary anchor** for the financial system



A **European platform for innovation**, allowing intermediaries to build services for their customers that are instantly available across Europe



Increasing **resilience** of European payments

# Key features of a digital euro



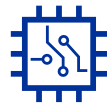
Complementing, not replacing, cash



Supervised intermediaries (e.g. banks and payment service providers) **will facilitate the distribution** of a digital euro



The ECB **will not see or store users' personal data**



A digital euro will **never** be **programmable money**

# Financial stability considerations



Financial stability has been a **core consideration** from the beginning

*“The excessive use of the digital euro as a form of investment and the associated risk of sudden large shifts from bank deposits to the digital euro should be avoided.”*

(ECB Report on a digital euro, 2020)



In this context, a central bank has **three important tools** at its disposal:

1. CBDC **design features** to reduce excessive usage
2. A distribution model that ensures **intermediation**
3. Ability to **steer liquidity conditions** to the extent required

# A scheme is the most effective way of ensuring usability throughout the euro area, like banknotes today



With broad market involvement, a **digital euro scheme** would establish a set of common rules, standards and procedures to:

- ensure **pan-euro area reach**;
- provide 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;
- offer scope to develop **innovative front-end solutions**;
- support market participants in **offering payment services on a European scale**.

# Core principles of a compensation model to incentivise distribution

- 1 Free basic use by private individuals
- 2 Network effects which generate economic incentives for acquirers and merchants
- 3 Economic incentives for issuers
- 4 Eurosystem bears its own costs, as for the production and issuance of banknotes

# Thank you

Find more information on the  
digital euro [on the ECB website](#)



# Taking stock and the road ahead

## Foundational design options

First set  
(Q3-2022)

Online/offline  
Level of privacy

Tools to avoid excessive use  
Transfer mechanism

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

Prototyping exercise

## High-level design of a digital euro and holistic review (Q2-2023)

# Interactions with European policymakers and stakeholders

## European Parliament

## European Commission

## Eurogroup

- Close coordination with the Eurosystem on design and business model decisions. The European institutions and policymakers provide **important input/feedback on the analysis of design decisions**.
- The European Parliament and euro area finance ministers in the Eurogroup **discuss major design issues and policy-relevant aspects of a digital euro on a regular basis**.
- The Commission will present a **legislative proposal to establish and govern essential aspects of a digital euro** for adoption by the European Parliament and the Council of the EU.

## Digital Euro Market Advisory Group (MAG)

## Euro Retail Payments Board (ERPB)

- **Listening to the market stakeholders** from both the demand and supply sides of the retail payments ecosystem – this includes consumers, merchants, payment institutions and banks.

## ECB Civil Society Seminars

- Seminars where ECB experts **present the work and exchange views** with representatives from European civil society organisations.