Digital euro – a work in progress

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 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

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

- **Third set (Q1-2023)**
  - Compensation model
  - Delivery approach

**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 | 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. |
| Eurogroup | 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) | 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. |
| Euro Retail Payments Board (ERPB) |  |
| ECB Civil Society Seminars | Seminars where ECB experts present the work and exchange views with representatives from European civil society organisations. |