



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Digital euro – for everyone, everywhere in the euro area

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*Kangaroo Group virtual  
debate*

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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**

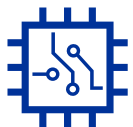
# Why would we need a digital euro?



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

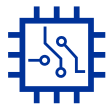
# Key features of a digital euro



Complementing, not substituting, cash



**Supervised intermediaries** (banks and other providers of payment services) **will be in charge of distributing** a digital euro



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

# Focus on privacy



Privacy is a **fundamental right**



Digital euro **public consultation** highlighted **privacy as a key concern of users**



The ECB is liaising with the **European Data Protection Supervisor** to ensure that the digital euro will provide the **highest possible privacy standards by design**



- The **ECB will not see or store users' personal data**
- **Intermediaries will be responsible for customer onboarding and AML/CFT checks**, as is the case for electronic payments today

# Financial inclusion



A digital euro can support financial inclusion by being:

- Easily and widely **usable**
- **Accessible** throughout the euro area
- Usable via **app** and **physical payment card**
- **Free** for basic use
- **Private**
- Available **offline**
- Designed **mindful of the needs of people with disabilities and the less digital-savvy**

We are investigating ways to facilitate **onboarding possibilities for the unbanked** and offer **support to those vulnerable to digital financial exclusion**.

# Financial stability considerations



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

*“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 use as a form of investment (e.g. limits to individual holdings)
2. A distribution model based on **supervised intermediaries**
3. The possibility for the central bank to **steer liquidity conditions** if necessary

# Distributing the digital euro to end users



The Eurosystem will **issue/redeem** and **settle** transfers of its own liabilities



Financial **intermediaries will be in charge of distributing** the digital euro



The Eurosystem is considering a **payment scheme approach** → a common rules-based framework for participants to develop their products, which would:

- Guarantee a **homogenous end-user experience** across the euro area and interoperability via standardisation
- Help ensure **pan-euro area reach**
- Respect the **role of supervised intermediaries**, offering room for **innovation**



# 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 distributing payment service providers**
- 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 ongoing work and exchange views** with representatives from European civil society organisations.