



EUROPEAN CENTRAL BANK

EUROSYSTEM

**ECB-PUBLIC**

*COURTESY TRANSLATION*

Mario DRAGHI  
President

Mr Jonás Fernández  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 12 September 2018

L/MD/18/306

**Re: Your letter (QZ-055)**

Honourable Member of the European Parliament, dear Mr Fernández,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 18 June 2018.

The ECB and the Eurosystem currently have no plans to issue a central bank digital currency.<sup>1</sup> Nonetheless, we are carefully analysing the potential consequences of issuing such a currency as a complement to cash. In this regard, we are closely following activities by other central banks and working together with the central bank community in the context of standard-setting bodies such as the Committee on Payments and Market Infrastructures (CPMI). Our analyses consider the implications for the transmission of monetary policy, payment systems, financial stability and the economy more broadly.

From an economic perspective, introducing a central bank digital currency could potentially yield both costs and benefits. In principle, a central bank digital currency could meet demands for both the security and digitalisation of the economy. It could also allow monetary policy to reach a wider range of economic actors more directly. At the same time, by potentially providing an alternative to some types of bank deposits, a central bank digital currency could have implications for the degree of intermediation and leverage in the banking system, which is important for the role of banks in financing the real economy. The actual costs and

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<sup>1</sup> We characterise this, loosely, as a widely available digital central bank liability.

**Address**

European Central Bank  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

**Postal Address**

European Central Bank  
60640 Frankfurt am Main  
Germany

Tel. +49-69-1344-0  
Fax: +49-69-1344-7305  
Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

benefits would ultimately depend on the specific features of a digital version of central bank money. The same applies for the possible legal implications.

There are several reasons why we do not consider issuing a central bank digital currency to be a concrete option for the near future. First, the technologies which could potentially be used to issue a central bank digital currency, such as distributed ledgers, have not yet been thoroughly tested and require substantial further development before they could be used in a central bank context. With regard to the central bank administering individual accounts for households and companies, this would imply that the central bank would enter into competition for retail deposits with the banking sector and lead to potentially substantial operational costs and risks.

In addition, current conditions do not indicate that there is a concrete need to issue a central bank digital currency in the euro area. The demand for euro banknotes continues to grow, and cash remains a popular means of payment.<sup>2</sup> Moreover, there is an increasing range of options for digital payments which allow non-cash transactions to be completed almost as immediately as cash transactions. This development will be further supported by the TARGET instant payment settlement (TIPS) service, which, as of November 2018, will allow payments to be settled in central bank money 24/7 on a pan-European basis.<sup>3</sup>

Yours sincerely,

[signed]

Mario Draghi

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<sup>2</sup> See Esselink, H. and L. Hernandez, "[The use of cash by households in the euro area](#)", *Occasional Paper Series*, No 201, ECB, Frankfurt am Main, November 2017.

<sup>3</sup> More information on the new TIPS service is available on the ECB's website at: [https://www.ecb.europa.eu/paym/intro/news/articles\\_2017/html/201706\\_article\\_tips.en.html](https://www.ecb.europa.eu/paym/intro/news/articles_2017/html/201706_article_tips.en.html).

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