

**Fabio Panetta**

Member of the Executive Board

Ms Irene Tinagli  
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**Governing Council decision to proceed to preparation phase of the digital euro project**

Dear Chair, cara Irene,

I am pleased to inform you that the Governing Council of the European Central Bank (ECB) today decided to proceed to the next phase of the digital euro project, starting on 1 November 2023.<sup>1</sup>

This decision marks the end of the investigation phase, during which the interaction with the Committee on Economic and Monetary Affairs (ECON) has been extremely valuable.

In that regard, I would first like to reiterate the ECB's and my own personal gratitude to you and all other Members of the European Parliament for your constructive feedback on the digital euro project thus far.

Over the last two years, the Eurosystem has developed a high-level product design for a digital euro and related user requirements. Throughout the investigation phase, we have been transparent about our design

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<sup>1</sup> See [Eurosystem proceeds to next phase of digital euro project](#), ECB, 18 October 2023.

considerations and the options that were ultimately endorsed.<sup>2</sup> We have engaged closely with the European Parliament and other EU institutions and policymakers, as well as with market participants and prospective users, all of whom have provided valuable input that has fed into our work and enhanced our understanding of the needs and the challenges that the digital euro must address.

Building on the conclusions from the investigation phase, the preparation phase will include further in-depth analysis, comprehensive testing and experimentation, and thorough consultation with all stakeholders, to ensure the digital euro meets the highest standards of privacy, quality, security, and usability. This implies, as a first step, (i) further analysis and experimentation on digital euro design aspects and functionalities; (ii) together with market participants, continued work on the draft rulebook for a digital euro scheme; and (iii) starting the selection process for service providers that could potentially develop and later operate the technical solutions. All these activities will be supported by extensive engagement with stakeholders from both the public and the private sector. We will also seek to intensify our external communications on the digital euro project, with a view to increasing public understanding and trust. The actual development of a digital euro and the eventual pilot phase would only be planned at a later stage.

Attached to this letter, you will find a report entitled “A stocktake on the digital euro – Summary report on the investigation phase and outlook on the next phase” that presents the main findings from the investigation phase and sets out the next steps. In addition, you will find a high-level summary of that report. You may wish to share the attached materials with ECON members. We will publish further information and explainers, including in video format, on the ECB’s digital euro webpage.<sup>3</sup>

I want to emphasise again that the decision to move to the next phase of the project does not constitute a decision to issue a digital euro; nor does it pre-empt such a decision or prejudge the outcome of the ongoing

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<sup>2</sup> We have published a series of reports summarising the progress made in the investigation phase. See [Progress on the investigation phase of a digital euro](#), ECB, September 2022; [Progress on the investigation phase of a digital euro – second report](#), ECB, December 2022; [Progress on the investigation phase of a digital euro – third report](#), ECB, April 2023; and [Progress on the investigation phase of a digital euro – fourth report](#), ECB, July 2023. The first report covers topics such as the transfer mechanism, privacy and tools to control the amount of digital euro in circulation. The second report focuses on the roles of intermediaries, a settlement model, funding and defunding and a distribution model for the digital euro. The third report covers the Eurosystem’s views on accessing the digital euro, holdings, onboarding, distribution aspects, services and functionalities. The fourth report presents the Eurosystem’s views on a compensation model, updates on ongoing work and the results of the prototyping exercise and market research. In addition, the ECB has commissioned focus group research. See [Study on New Digital Payment Methods](#), Kantar Public, March 2022; and [Study on Digital Wallet Features](#), Kantar Public, April 2023. Other reports have been published on prototyping and market research exercises. See [Digital euro – Prototype summary and lessons learned](#), ECB, 26 May 2023; and [Market Research Outcome Report](#), 26 May 2023. Moreover, all presentations on the design and distribution options – on which the ECB invited feedback from market stakeholders in the context of both the Euro Retail Payments Board (ERPB) technical sessions on a digital euro and the Market Advisory Group (MAG) – are available on the [ECB’s website](#).

<sup>3</sup> See [A stocktake on the digital euro – Summary report on the investigation phase and outlook on the next phase](#), ECB, October 2023; see also [The Digital Euro – The next step in the advancement of our currency](#), ECB, October 2023; for additional explainers and video material see also the digital euro page on the [ECB’s website](#).

legislative process. A decision on issuance will only be considered at a later stage, once you, the co-legislators, would have adopted the legislation.

The digital euro is a common European project, and to create a successful final product the technical and legislative work should run in parallel. The ECB's continued progress with the technical preparations for a digital euro, which require time, will allow to better inform the legislative process. We will of course also take into account any design adjustments that may be necessary as a result of the legislative deliberations. I can assure you that the ECB will continue to engage closely with European institutions and authorities on the digital euro project, in particular at the regular ECON hearings, to which we remain fully committed. Given the broad societal implications that a digital euro would have, we must always seek broad support from European citizens. The ECB will continue supporting the democratic debate on digital euro.

The ECB also stands ready to provide technical input to support the legislative work and contribute to a timely adoption of the regulation.

Finally, I would like to express my personal gratitude for the cooperation we have enjoyed over the past few years. Although I will be leaving my position at the ECB, I will remain committed to the digital euro in my new role in the Eurosystem and will continue to be fully available to work with the ECON committee.

Yours sincerely,

[signed]

Fabio Panetta