



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

Christine LAGARDE
President

Mr Engin Eroglu
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 12 January 2024

L/CL/24/007

Re: Your letter (QZ-029)

Honourable Member of the European Parliament, dear Mr Eroglu,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 08 November 2023.

The European Central Bank (ECB) envisages a digital euro as a digital form of cash, issued by the ECB, which would be available to everyone in the euro area for any digital transactions. A digital euro would complement cash, not replace it: cash would continue to be available in the euro area, like it is today. Our commitment to preserving the role of cash is also reflected in our work on a new series of banknotes, which involves actively engaging with the public to make banknotes more relatable to all Europeans.¹ The high level of participation in our public survey – with over 365,000 people responding – confirms how important cash still is for people.

There is no reason why public money issued by the central bank, which is currently available only in physical form as cash, should not also be available for digital payments. As the use of cash declines in an increasingly digitalised world, the risk is that public money could be gradually crowded out. And already today, cash cannot be used for e-commerce transactions, nor for person-to-person remote transfers.

¹ Based on the outcome of the public surveys run over the summer of 2023 (see “Report on public preferences for new euro banknote themes”, Verian, 29 November 2023, available here: https://www.ecb.europa.eu/euro/banknotes/future_banknotes/shared/pdf/ecb.report_public_preferences_banknotes_themes_en.pdf), the Governing Council decided to move to the next stage of the redesign process and selected two possible themes, “European culture” and “Rivers and birds” (see press release, ECB, 30 November 2023, available here: <https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr231130~cad7fa27ab.en.html>).

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

A digital euro would be free for basic use.² It could be used by Europeans anytime and anywhere in the euro area from person-to-person, at the point of sale, in e-commerce and in government transactions. It would be available both online and offline. It would offer the highest level of privacy³ and would allow people to transfer money instantaneously. No digital payment instrument currently offers all these features. The digital euro would fill that gap.

A digital euro would ensure that there is a pan-European payment solution for the euro area under European governance. It would rely on its own infrastructure, thereby increasing resilience. And it would provide a platform on which European supervised intermediaries could build pan-European services for their customers, increasing efficiency, reducing costs and fostering competition and innovation in the European payments sector. This would strengthen the monetary sovereignty of the euro area.

On 18 October 2023 the Governing Council decided to start the next phase of the digital euro project: the preparation phase.⁴ This follows the completion of the investigation phase, launched by the Eurosystem in October 2021, and does not constitute, pre-empt or predetermine a possible decision on whether to introduce a digital euro.

The Commission has put forward a proposal for a Regulation on the establishment of the digital euro. This Regulation, to be adopted by the co-legislators, will shape the core characteristics of a digital euro, particularly its legal tender status – giving people the option to always pay with it – as well as privacy and safeguards regarding anti-money laundering and countering the financing of terrorism. The ECB stands ready to provide technical input to support the legislative work and is committed to incorporate any design adjustments that may be necessary as a result of the legislative deliberations.⁵

A decision on issuance will only be considered by the Governing Council after the European Parliament and the Council of the EU have concluded the legislative work on a digital euro. The preparation phase will focus on continuing the technical work and engaging with all stakeholders, including the public, to ensure a digital

² See “A stocktake on the digital euro – Summary report on the investigation phase and outlook on the next phase”, ECB, October 2023, available here: https://www.ecb.europa.eu/paym/digital_euro/investigation/profuse/shared/files/dedocs/ecb_dedocs231018.en.pdf; see also “The Digital Euro – The next step in the advancement of our currency”, ECB, October 2023, available here: https://www.ecb.europa.eu/paym/digital_euro/investigation/profuse/shared/files/dedocs/ecb_dedocs231018_1.en.pdf; and for additional explainers and videos, see the digital euro page on the ECB’s website, available here: https://www.ecb.europa.eu/paym/digital_euro/html/index.en.html.

³ The Eurosystem would not be able to see users’ personal data or link payment information to individuals. The digital euro would also achieve a cash-like level of privacy for offline payments.

⁴ See “Eurosystem proceeds to next phase of digital euro project”, ECB, 18 October 2023, available here: <https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr231018~111a014ae7.en.html>.

⁵ See Letter from Fabio Panetta to Irene Tinagli, ECON Chair, on Governing Council decision to proceed to preparation phase of the digital euro project, 18 October 2023, available here: https://www.ecb.europa.eu/pub/pdf/other/ecb_mepletter231018-Tinagli~244fcefefe.en.pdf.

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euro meets the highest standards of quality, security and usability should a decision to issue a digital euro be taken in the future.

The ECB has always emphasised that the digital euro would be a true European initiative. This implies extensively engaging with all stakeholders and supporting the democratic debate on a possible digital euro, in order to develop a digital euro that works for everyone. Since the digital euro project was launched in October 2021, the ECB has regularly engaged with a wide variety of European stakeholders, whose views and concerns have been considered and will continue to be duly taken into account. The Eurosystem's work on a possible digital euro has been regularly discussed and has been welcomed by the European Parliament,⁶ the Eurogroup,⁷ and euro area Heads of State and Government.⁸ The input received from you during these exchanges has been extremely valuable and has fed into the Eurosystem's work.

I can assure you that the ECB will continue to engage closely with the European Parliament on the digital euro project, including via dedicated hearings before the ECON committee. The ECB will also continue engaging closely with euro area member countries as well as other EU bodies and institutions. Furthermore, the Eurosystem is committed to continuing the cooperative and transparent approach with regard to the general public established since the project was launched. It is clear that broad societal support for a possible digital euro is key. We must prepare our currency for the future and all European institutions have a part to play in this endeavour.

Yours sincerely,

[signed]

Christine Lagarde

⁶ See, for example, speeches to ECON committee in September, April and January 2023, September, June, and March 2022, available here: <https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230904~8f5dff1e57.en.html>, https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230424_1~f44c7ac164.en.html, <https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230123~2f8271ed76.en.html>, <https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220929~91a3775a2a.en.html>, <https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220615~0b859eb8bc.en.html>, https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220330_1~f9fa9a6137.en.html.

See also European Parliament resolution of 16 February 2023 on the European Central Bank – annual report 2022, 16 February 2023, available here: https://www.europarl.europa.eu/doceo/document/TA-9-2023-0057_EN.html.

⁷ See, for example, Eurogroup statement on the digital euro project, 16 January 2023, available here: [https://www.consilium.europa.eu/en/press/press-releases/2023/10/18/statement-by-the-eurogroup-on-the-decision-of-the-ecb-s-governing-council-to-launch-the-next-phase-of-the-digital-euro-project/](https://www.consilium.europa.eu/en/press/press-releases/2023/01/16/eurogroup-statement-on-the-digital-euro-project-16-january-2023/#:~:text=The%20Eurogroup%20considers%20that%20the,taken%20at%20the%20political%20level; and Eurogroup statement on the decision of the ECB's Governing Council to launch the next phase of the digital euro project, 18 October 2023, available here: <a href=).

⁸ See Statement by the Members of the Euro Summit, Brussels, 25 March 2021, available here: <https://www.consilium.europa.eu/media/48975/25-03-21-eurosummit-statement-en.pdf>.

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