



Digital euro



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Peter Kerstens
European Commission

Overview

- 1 Definition and key concepts
- 2 Why/Advantages of a digital euro/comparisons
- 3 Elements for a viable digital euro
- 4 Complementarity to private initiatives
- 5 Types and features of a digital euro
- 6 Active listening, Concepts, Experimentation, Decision, Implementation
- 7 Current and future process

Quid “digital euro”?

*Digital euro would be **central bank money available to citizens and businesses in digital form for use in payments = retail CBDC = general use CBDC***



Complementing, not substituting, cash and wholesale central bank deposits



Synergies with industry/users



Deliberation, consultation, experimentation/evaluation, Decision, Implementation/Roll-out

Why would we have a digital euro



Supporting **digitalisation** in the European economy



Response to a **declining use of cash** as a means of payment



Tackling **sovereignty concerns**. Preserving a public money option compared to (foreign) private digital means of payment in the EU/euro area or possible future foreign CBDC

CBDC versus other forms of money and assets



Liability of central bank

- i. **Cash:** physical form, to *general public*
- ii. **Central bank deposits:** *digital form, limited access*

→ **CBDC/ Digital euro: complement to cash and deposits**



Liability of a private entity

- i. Commercial bank money
- ii. E-money
- iii. Some 'stablecoins' that entail a claim/liability on someone or something



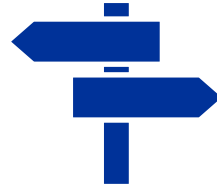
Not a liability

- i. Crypto-assets without underlying assets or rights

Necessary elements in a viable product



**End-user perspective/ Access -
Inclusion – Identity – Privacy
– interoperability - security**



Design decisions



Legal issues

**CBDC
back-
front
end**

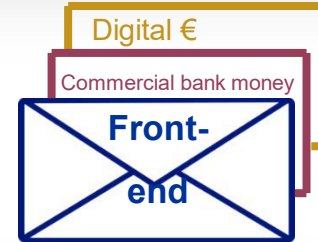


**TARGET
Services?
/ « new »
tech stack?**

Back-end/Front end



AML/TF



Intermediaries/distribution

Digital euro/retail CBDC: a complement to private initiatives



Key arguments to support this view:

- Co-existence of several means of payments is desirable
- Private sector intermediates payment and value transfers and remains innovative and competitive
- Central banks do not have ambition or mandate
 - to take-up the front-end or
 - to take away deposits from banks' balance sheets/displace banks and payment institutions.
- CBDC intermediaries would (likely) be licensed and supervised service providers

Two types of digital euro

Account-based:

Transaction



Settlement

Bearer:

Transaction and settlement



Tech stack?

What would the digital euro look like?



The digital euro would:

- look like any other modern payment solution for both point-of-sale and online payments;
- available throughout the entire euro area. Quid outside euro-area/international use?;
- serve the needs of all segments of the population in a non-discriminatory way and curtail financial exclusion for the “unbanked” and for vulnerable groups;
- be particularly mindful of privacy, which may be at odds with the business model of some private providers of payment services;
- by definition risk-free central bank money
- be digital – industry 4.0/web 3.0 – quid off line?

Further assessments needed...



Digital euro warrants further **assessments & practical experimentations** on:

- Implications for key areas: central banking, economic and financial system, citizens
- Design features (privacy, remuneration)
- Technological aspects (decentralisation, offline usage)

'active listening', experimentation, investigation



Public consultation:

- **Stakeholder input on desirable designs**
... to find out how users would use a digital euro
- **Engagement with public authorities and market participants**
... to fully understand how to address challenges and comply with needs/expectations of citizens, businesses, intermediaries



EU and international coordination on implications of CBDC

Conceptual work and experimentation



Conceptual work

- **Continue the analysis of different design options**
... whether they meet the policy objectives, and whether they satisfy the needs of prospective users



Practical experimentation

- **Test the implementation of functional design options**
... to explore their technical feasibility



Digital euro project



Mid-2021 the Eurosystem launched a digital euro project

- **Start with an investigation phase**

... to obtain answers to open questions raised in digital euro report

... to develop a minimum viable product that would be able to meet Eurosystem requirements and the needs of prospective users

The objective is to ensure that the Eurosystem will be prepared to issue a digital euro if it decides to do so in the future.



Process

Consultation, Conceptualisation, Investigation, Impact
Assessment, Decisions, Legislation,
Implementation/Infrastructure Deployment,
Distribution => Digital Euro

2020 – 2021 – 2022 - 2023 -2024 - 2025 - 2026