



Paris, November 3rd 2023

Erick Lacourrège, Director General Cash and Retail Payments

7 facts on the digital euro

On October 18th, the Governing Council of the ECB approved the launch of the “preparation phase” of the digital euro project. On the occasion of this major step, several actors have published position papers. These positions are particularly welcome and necessary, as they contribute to the democratic debate that began last June with the publication of the Commission's draft regulation. The Eurosystem has engaged with all stakeholders from the start of the digital euro project and will continue in the next phase to ensure that the design of the digital euro is balanced, addressing the comments and concerns of all players.

I would like to take this opportunity to respond to a few concerns and points of attention recently raised:

- 1) The digital euro will eventually be issued as and when it brings **added value to all European citizens**.

In this spirit, it must be designed to prolong and preserve the most valued characteristics of cash in the digital space, making it comparable to a "digital banknote":

- Its (hopefully) legal tender status will make it usable everywhere in the euro area, in all contexts, a feature that is not really seen with today's payment solutions;
 - Its offline mechanism will allow to offer cash-like privacy, a functionality that does not exist in electronic payments today;
 - It will be free of charge for individuals;
 - It will be designed to promote financial and digital inclusion, including for the unbanked;
 - And individuals will be free to use the digital euro if they wish, according to their preferences, increasing freedom of choice.
- 2) In order to **reduce the initial costs** for financial intermediaries and merchants, the Eurosystem will reuse existing solutions, standards and processes wherever possible.
 - 3) Financial intermediaries will play a **key role in the distribution of the digital euro, reinforcing the public/private partnership at the heart of payments today**:
 - They will remain responsible for all interactions with end-users including account opening, customer relationship management, provision of payment instruments, integration with existing solutions (e.g. cards, mobile applications).

- By contrast, the Eurosystem will only take on tasks that are strictly necessary (issuance, settlement and definition of the rules for distribution) and will not manage end-users' accounts.
 - A digital euro distributed by banks and other intermediaries would maintain their relationships with customers – unlike *stablecoins* issued by BigTechs.
- 4) The digital euro will foster the emergence of open, harmonised acceptance standards in the euro area, which could be reused by financial intermediaries for their private solutions, enabling them to **reduce their dependence on non-EU players and develop pan-European payment solutions (like EPI/Wero)**.
 - 5) The business model for the digital euro, as envisaged by the Eurosystem and the Commission, will be **balanced and viable for financial intermediaries**, enabling them to generate revenues and reduce costs:
 - They will be able to charge fees to merchants;
 - They will be able to charge individuals for the provision of value-added services;
 - The Eurosystem will bear its own costs, like it does for cash, in particular for the scheme management and the settlement, thereby reducing intermediaries' costs;
 - 6) The holding limit imposed on digital euro accounts will **mitigate any risk to financial stability and we are conducting more refined work in this important area**:
 - **The holding limit has not yet been calibrated**, and will be calibrated closer to the date of issuance to reflect changes in economic conditions;
 - **The digital euro would be introduced and adopted very gradually** over a number of years, allowing financial intermediaries to better manage any potential impact on deposits and adjust their funding accordingly.
 - 7) The Commission's draft Regulation seeks to **strike the right balance between privacy and the fight against fraud, money laundering and terrorist financing**:
 - Offline payments would offer cash-like privacy for proximity payments below a certain threshold;
 - Online payments would offer privacy comparable to existing payment methods, with AML/CFT requirements being met by the intermediaries. The Eurosystem also encourages the co-legislators to consider relaxing certain requirements for low-risk, low-amount online transactions.
 - In any case, the Eurosystem will never be able to link payment data to a specific end-user.
 - The co-legislators has now a key role to play in clarifying the desirability of providing more privacy in the digital space and in defining the proper balance between privacy and AML-CFT.

The digital euro is a complex and exciting project, and we still have **a long way to go** in the next phase to thoroughly analyse all aspects. To do so, we will continue to work closely with market players, and more globally all stakeholders, as we did during the investigation phase, in order to facilitate the integration of the digital euro into the payments and financial ecosystem, and to ensure that it addresses their concerns.