



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Exploring the potential of a digital euro

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*Civil society seminar*

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# Overview

- 1 Definition and main benefits
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- 3 External developments around CBDC
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- 5 Complementarity to private initiatives
- 6 Possible types and features of a digital euro
- 7 Public consultation
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# What do we mean by “digital euro”?

Digital euro would be **central bank money** made available **to citizens and firms in digital form** for use in **payments**



**Complementing**, not substituting, cash and wholesale central bank deposits



**Synergies** with industry



Digital euro **not necessary so far**

# Main benefits of a digital euro



Supporting **digitalisation** in the European economy



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



Tackling **sovereignty concerns** related to foreign private digital means of payment in the euro area or possible future foreign CBDC



**The Eurosystem needs to be prepared**

# External developments in 2020

## The Federal Reserve System:

- working group on policy aspects of CBDC
- Partnership with the MIT to test various architectures

## Eurosystem to react by entering phase of *'active listening'* via:

- public consultation
- industry dialogue

## The People's Bank of China:

- started CBDC live experimentation in 2020
- studies begun back in 2014

**80%** of central banks are engaging in CBDC work\*

Libra suggested to integrate CBDC in their systems\*\*

Private sector increasingly active

**CBDC is a solution for citizens to have access to central bank money in a digitalised environment**

# 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 an identifiable entity



## Not a liability

- i. Crypto-assets\*

\* This definition corresponds to [Occasional Paper Series No 223](#), ECB, 2019.

# Necessary elements in a viable product



End-user perspective



Design decisions



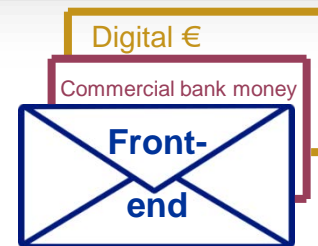
Legal issues



Back-end Infrastructure



Front-end infrastructure



Distribution framework

# Digital euro: a complement to private initiatives



## Key arguments to support this view:

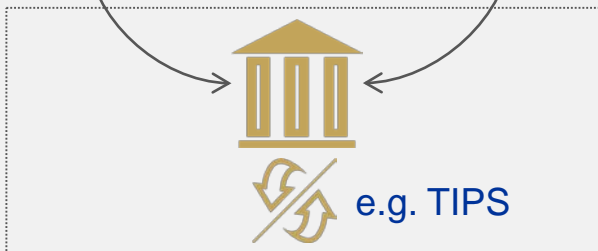
- Co-existence of several means of payments is desirable
- Private sector will remain more innovative
- Central banks do not have ambition
  - to take-up the front-end or
  - to take away deposits from banks' balance sheets.
- CBDC would be offered preferably through supervised service providers



# Two types of (possibly co-existing) digital euro

## Account-based:

*Transaction*



*Settlement*

## Bearer (“token”):

*Transaction and settlement*



# 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;
- be made available throughout the entire euro area;
- 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;
- be by definition risk-free central bank money
- be free of charge for basic use by payers

# 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)

# Phase of ‘active listening’



## **Public consultation** (October 2020-January 2021):

- **Citizens’ input on desirable designs**  
*... to find out how European citizens 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 comply with the principles and policy objectives of the Eurosystem, and whether they satisfy the needs of prospective users*



## Practical experimentation

- **Test the implementation of functional design options**

*... to explore their technical feasibility*



**Conceptual work and experimentation is done in parallel to public consultation**

# Possible launch of a digital euro project



## **Towards mid-2021 the Eurosystem will consider whether to launch a digital euro project**

- **Start with an investigation phase**

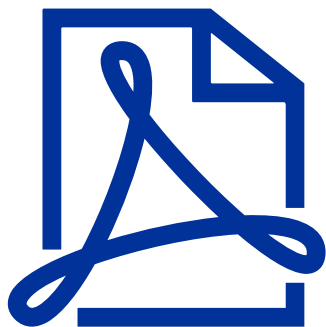
*... to obtain answers to open questions raised in the report*

*... 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.**

# Our publication



[Eurosystem report](#)



[Website \*digital euro hub\*](#)