



EUROPEAN CENTRAL BANK

EUROSYSTEM

Digital euro and transformation of payments



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Overview

- 1 Definition and key messages
- 2 Advantages of a digital euro
- 3 External developments around CBDC
- 4 Elements for a viable product
- 5 Complementarity to private initiatives
- 6 Possible types and features of a digital euro
- 7 Public consultation and experimentation

What do we mean by “digital euro”?

*Digital euro would be a **central bank liability** made available in **digital form** for use in **retail 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 CBDC or private digital means of payment in the euro area



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



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

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

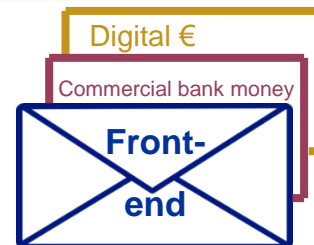
Necessary elements in a viable product



Back-end Infrastructure



Front-end infrastructure



Distribution framework



End-user perspective



Design decisions



Legal issues

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:

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)

Public consultation



Eurosystem has entered in phase of ‘active listening’ through public consultation:

- **Citizens’ input on desirable designs**
- **Engagement with professionals**

... to fully understand how to address challenges and comply with needs/expectations of European citizens, businesses, intermediaries



Experimentation work will be done in parallel to public consultation

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

Thank you!

Do you have any questions ?