



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE
President

Ms Julie Lechanteux
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main 5 February 2021

L/CL/21/20

Re: Your letter (QZ-076)

Honourable Member of the European Parliament, dear Ms Lechanteux,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 21 December 2020.

As I stated in a letter dated 21 January 2021¹ to your honourable colleague, cash is the main means of payment in the euro area and it fulfils crucial needs for citizens, even though its use as a means of payment is in decline.² The Eurosystem will continue to ensure the availability of cash.³ At the same time, considering a range of potential scenarios related to payments, the Eurosystem is conducting analysis and practical experimentation on the technical requirements for the potential issuance of a digital euro, as discussed by

¹ See *Letter from the ECB President to Mr Chris MacManus, MEP*, ECB, 21 January 2021, available at: https://www.ecb.europa.eu/pub/pdf/other/ecb_mepletter210122_MacManus~9d777905e2.en.pdf.

² For more information, see *Study on the payment attitudes of consumers in the euro area (SPACE)*, ECB, December 2020, available at: https://www.ecb.europa.eu/pub/pdf/other/ecb_spacereport202012-bb2038bbb6.en.pdf. It should also be noted that the use of cash for transaction purposes is only one driver of banknote demand – around 75% of euro banknotes in circulation are used as a store of value.

³ The Eurosystem has recently published its Cash 2030 strategy to ensure that banknotes remain widely available and accepted as a competitive, reliable payment instrument and store of value that can be owned and used directly by all consumers. See https://www.ecb.europa.eu/euro/cash_strategy/html/index.en.html.

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Mr Panetta when he presented the Eurosystem report on a digital euro⁴ to the Members of the European Parliament in the ECON Committee.⁵

The report includes a range of scenarios that could lead to a decision by the Eurosystem to issue a digital euro in the future. As you mention, one of those scenarios is the widespread uptake of payment solutions available in foreign currencies or through unregulated entities (such as crypto-assets, unregulated stablecoins or non-euro denominated central bank digital currencies), but there are other equally important scenarios analysed in the report. Those scenarios include, for example, accelerating digitalisation of the economy and a significant decline in cash usage as a means of payment.

Regarding your second remark, a digital euro would differ fundamentally from crypto-assets and stablecoins. Crypto-assets are not like central bank money: their prices are volatile because they lack any intrinsic value and there is no reliable institution backing them. They are the liability of nobody and are completely unprotected. They are not money. As regards stablecoins, these do not benefit from deposit insurance. Moreover, the issuer of a stablecoin cannot guarantee the certainty of the value of the payment instrument it offers consumers. More generally speaking, stablecoins could pose significant risks to monetary sovereignty, financial stability, competition and technological independence⁶. In this respect, the Proposal for a regulation on markets in crypto-assets (MiCA), and amending Directive (EU) 2019/1937, published by the European Commission in 2020, sets out a bespoke harmonised framework for the issuance of crypto-assets (including stablecoins) and the provision of related crypto-asset services.

The Eurosystem attaches equal importance to the analysis of the risks and advantages brought by the potential issuance of a digital euro. Our pledge is to make sure that a digital euro would meet the needs of euro area citizens.

A digital euro would be central bank money issued by the Eurosystem in digital form for retail use in payments and – like banknotes and central bank reserves – it would be risk-free (i.e. its holders would not be subject to any market risk or issuer default risk). With regard to challenges related to people's individual rights, it would be designed in a way that protects user privacy while complying with relevant legislation, including legislation on anti-money laundering and countering the financing of terrorism. Furthermore, a digital euro should provide costless access for basic payment needs and be available on an equal basis in all euro area countries, thus offering the same wide accessibility and ease of use as cash. Since a digital euro

⁴ See *Report on a digital euro*, ECB, October 2020, available at: https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf.

⁵ See *A digital euro for the digital era*, introductory statement by Fabio Panetta, Member of the Executive Board of the ECB, at the Committee on Economic and Monetary Affairs of the European Parliament, 12 October 2020, available at: https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201012_1~1d14637163.en.html.

⁶ See "The two sides of the (stable)coin", Speech by Fabio Panetta, Member of the Executive Board of the ECB, at II Salone dei Pagamenti 2020, 4 November 2020, available at: <https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201104~7908460f0d.en.html>

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would complement – and not substitute – cash, it would provide citizens with the option to pay using central bank money in digital form and it would be up to them to choose which means of payment to use.

The Eurosystem is now listening to stakeholders. More than 8,000 citizens, firms and industry associations submitted responses to our recent public consultation on the design and financial and social issues of a digital euro.⁷ A comprehensive analysis of the consultation will be published in the spring. This will be an important input to the Governing Council's decision on whether to launch a digital euro project. We are also in dialogue with public authorities, including the European Parliament and the European Commission⁸, to discuss the implications and the framework that would be necessary for the possible introduction of a digital euro.

Yours sincerely,

[signed]

Christine Lagarde

⁷ For more information, see “ECB digital euro consultation ends with record level of public feedback”, *press release*, ECB, 13 January 2021, available at: <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210113-ec9929f446.en.html>.

⁸ For more information, see “ECB intensifies technical work on digital euro with the European Commission”, *press release*, ECB, 19 January 2021, available at: <https://www.ecb.europa.eu/paym/intro/news/html/ecb.mipnews210119.en.html>.

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