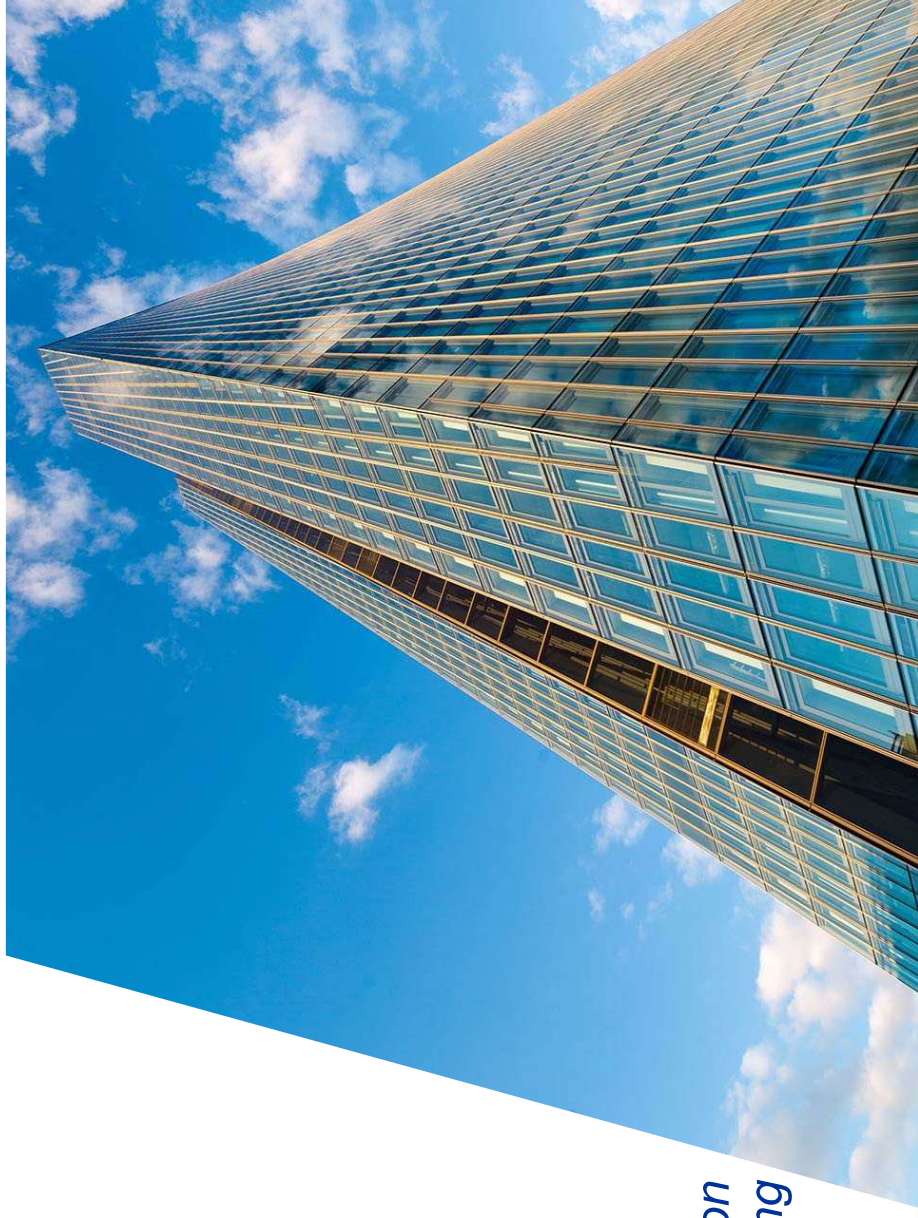


Digital euro – a work in progress

*European Banking Federation
Executive Committee Meeting
Frankfurt*



10 March 2023

Fabio Panetta

Member of the Executive Board

What is the digital euro?

“The digital euro is a **central bank digital liability** for **retail payments** made by citizens and businesses in the **entire euro area**”



Complementing, not replacing, cash and wholesale central bank deposits



Supervised intermediaries (e.g. banks and payment service providers (PSPs)) will **facilitate the distribution** of a digital euro



The central bank will **not access users' private data**



A digital euro will **never** be **programmable money**

Why would we need a digital euro?

*The evolution of
money*



*To make your life
easier*



*To increase
resilience*



What could a digital euro offer?



Intermediaries

- A broader **reach**
- **Revenues** from increased **e-commerce**
- **Keep overall costs under control**
- Provide a platform for **innovation**



Citizens

- A payment solution for any occasion at anytime
- Can go where cash and cards cannot
- Still has cash-like features
- Inclusive by design



Merchants

- More options
- Stronger negotiating conditions
- Higher conversion rates

Financial stability considerations



Financial stability has been a **core consideration** from the beginning

- *“The excessive use of the digital euro as a form of investment and the associated risk of sudden large shifts from bank deposits to the digital euro should be avoided.”* (ECB Report on a digital euro, 2020)



Other major central banks have in general adopted a **similar position**



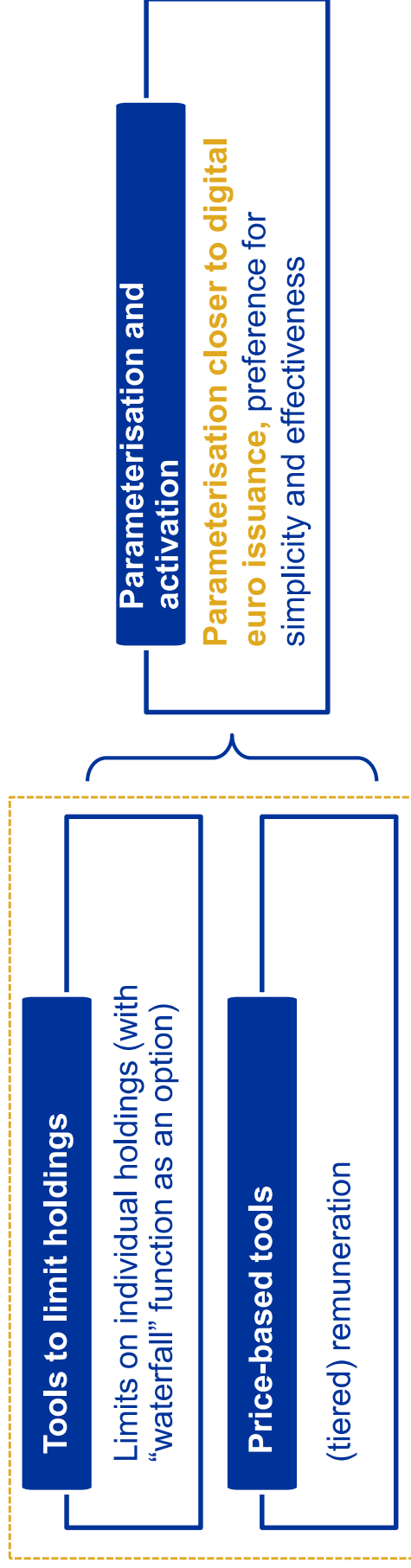
In this context, a central bank has **three important tools** at its disposal:

1. CBDC **design features** to reduce excessive usage (**yes**)
2. A distribution model that ensures **intermediation** (**yes**)
3. Ability to **steer liquidity conditions** to the extent required (**already in its toolbox**)

Excessive use of digital euro as an investment best avoided through design

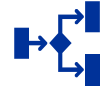
Any **undesirable consequences** that may result from the issuance of a digital euro for financial stability, monetary policy or the provision of services by financial intermediaries are **best mitigated through its design**

Potential design features



A scheme is the best way of ensuring usability throughout the euro area, like banknotes today

*If a citizen is provided with a **digital euro payment instrument** by an intermediary in one country, they should be able to use that instrument freely to pay **at any merchant in the euro area, regardless of the intermediary and the country.***



With broad market involvement, a **digital euro scheme** would establish a set of common rules, standards and procedures to:

- ensure **pan-euro area reach** and a **harmonised** end-user payment experience;
- retain **flexibility** to respond to user preferences and habits;
- provide the highest degree of **freedom** for the market to develop **innovative front-end solutions**;
- support market participants in **offering payment services on a European scale**.

Core principles of a compensation model to incentivise distribution

1 Free of charge for consumers to meet their basic payments needs

2 Network effects which generate economic incentives for acquirers and merchants

3 Comparable economic incentives for issuers

4 Eurosystem bears its own costs, as for the production and issuance of banknotes

*Offers the benefits of
digital payments
combined with the
properties of cash*



*Accepted everywhere
by everyone*



*Reliable money, no
matter what*



*A forceful tool to match changing user preferences and overcome the
challenges of the global digital era*

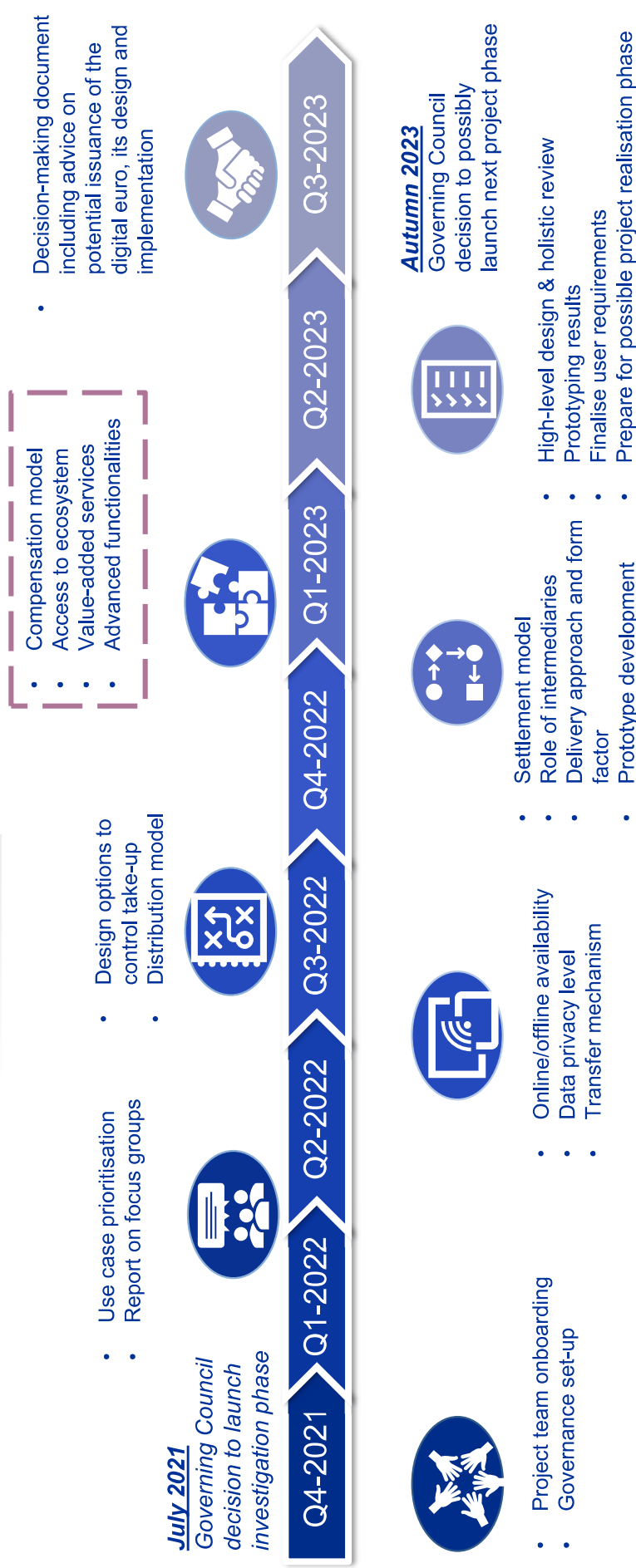
Thank you

Find more information on the
digital euro on the [ECB website](https://www.ecb.europa.eu)

Appendix

Where do we currently stand?

Tentative - timeline is subject to change



Taking stock and the road ahead

