EUROPEAN CENTRAL BANK

EUROSYSTEM

Digital euro – stocktake

European Central Bank

16 January 2023

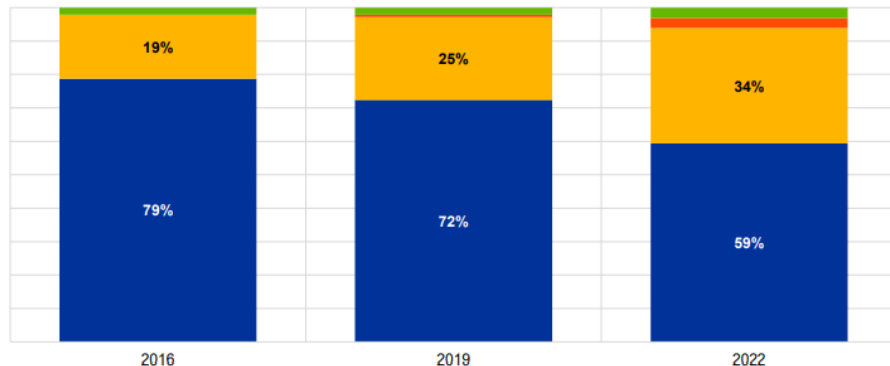# Digital payments further on the rise, but cash remains an important option

The downward trend in cash usage intensified after the pandemic…

Share of payment instruments used at the point of sale in terms of number and value of transactions, 2016-22, euro area

(percentages)

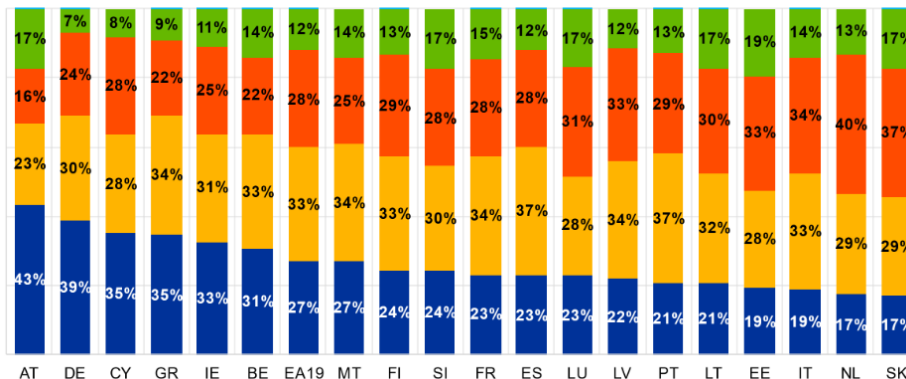**Number of transactions**

- Cash
- Cards
- Mobile app
- Other

… but having cash as a payment option is important or very important for most.

The importance of having the option to pay with cash, by country

(percentages)

- Very important
- Fairly important
- Not so important
- Not important at all
- Don't know

Why issue a digital euro?

The digital euro as a **monetary anchor** would preserve public access to central bank money in the digitalised world by being **widely accessible to prospective users**.

Pan-euro area reach is a basic principle for any form of the euro currency.

A digital euro would strengthen the **strategic autonomy** of the euro area by increasing its independence from non-European payment solutions and would increase **economic efficiency** by curbing market-abusive behaviour.

See key objectives primer.

Strengthening the international role of the euro

€ A digital euro should first and foremost meet the **retail payment needs** of the euro area

🌐 **Most central banks** are exploring retail central bank digital currencies (CBDCs)

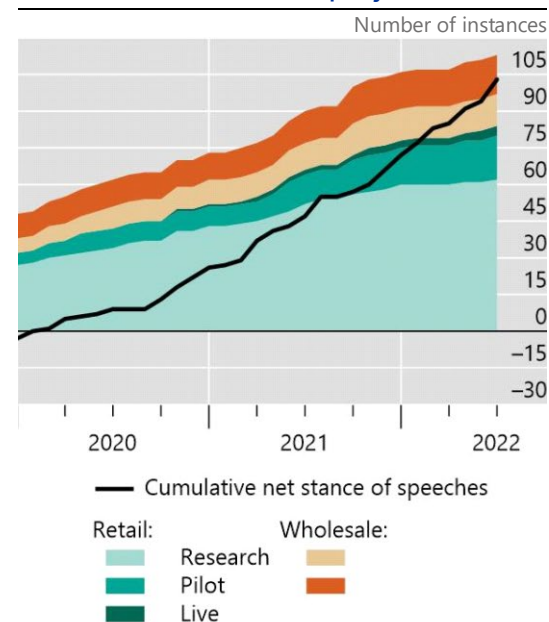⬡ **Interoperability with other retail CBDCs** to facilitate cross-currency use

🤝 **Cooperation at international level** to make CBDCs interoperable

Rise in CBDC projects

Number of instances

2020   2021   2022

— Cumulative net stance of speeches

Retail:
- Research
- Pilot
- Live

Wholesale:
- (Research)
- (Wholesale)

Source: Bank of International Settlements, July 2022

Preserving privacy by default and by design

The digital euro design will ensure **privacy of personal data and payments…**

- **The ECB will not have information** on people's holdings, their transaction histories or payment patterns.
- Data are **only accessible to intermediaries for regulatory compliance.**
- The digital euro is **NOT** about **programmable money.**

…while **legislators will decide on the right balance between privacy and other public policy objectives.**

- A **risk-based approach** could allow more privacy for less risky transactions.
- **Offline digital euro** could provide a level of privacy similar to cash.

Ensuring a key role for intermediaries in distributing a digital euro

Supervised intermediaries will **play a key role in providing a digital euro** as a public good:

- Act as **direct counterparts** for individuals, merchants and businesses
- Perform **all end-user services,** as for electronic payments today
- Build **innovative payment and financial services** on top of a digital euro

Strong private-public cooperation **for a successful digital euro**

Making a digital euro usable everywhere in the euro area, like banknotes today

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

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 distribute the digital euro and develop **innovative front-end solutions**;
- support market participants in **offering payment services on a European scale**.

Taking stock and road ahead

Foundational design options

First set (Q3 2022)
Online/offline
Privacy
Tools to avoid excessive use
Transfer mechanism

Second set (Q4 2022)
Role of intermediaries
Funding and defunding
Settlement model
Distribution model

Third set (Q1 2023)
Compensation model
Delivery approach
Advanced functionalities
Core and value added services

Use cases

Person-to-person | E-commerce
Physical store | Government payments

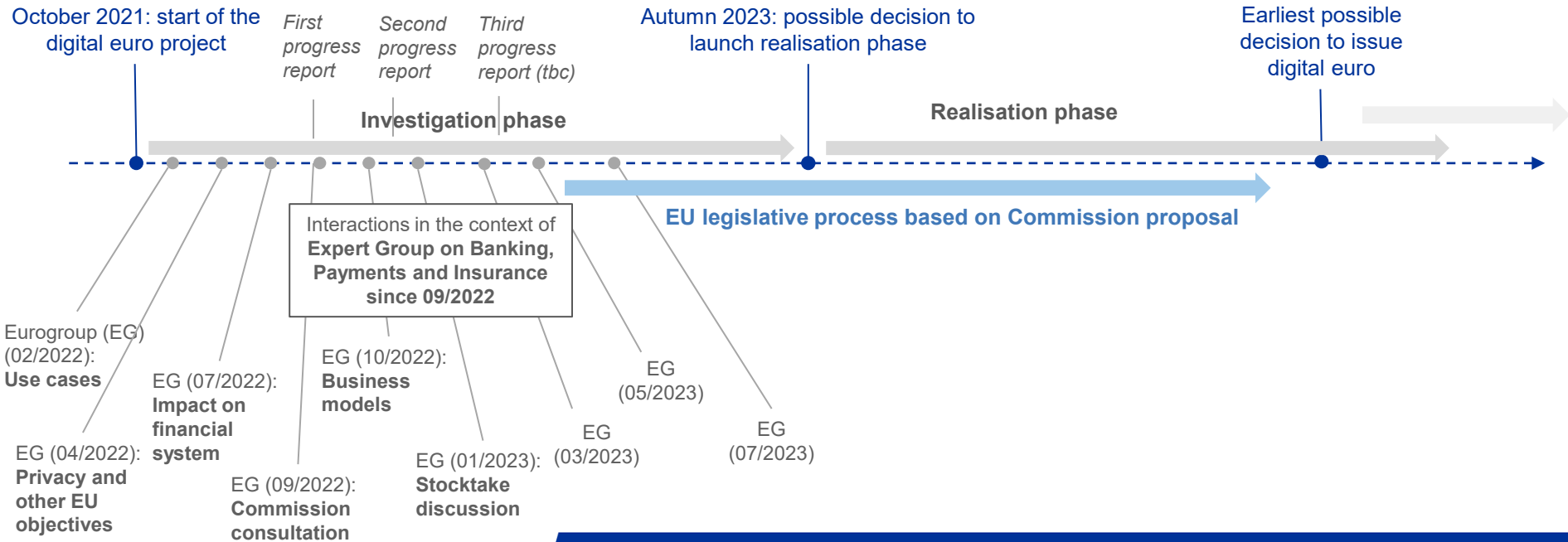## Research and experiments (Q2 2023)

Focus group research | Market research
Protoyping exercise

High-level design of a digital euro and holistic review (Q2 2023)

Way forward for the digital euro project

October 2021: start of the digital euro project

First progress report

Second progress report

Third progress report (tbc)

Autumn 2023: possible decision to launch realisation phase

Earliest possible decision to issue digital euro

Investigation phase

Realisation phase

EU legislative process based on Commission proposal

Interactions in the context of **Expert Group on Banking, Payments and Insurance since 09/2022**

Eurogroup (EG) (02/2022): **Use cases**

EG (04/2022): **Privacy and other EU objectives**

EG (07/2022): **Impact on financial system**

EG (09/2022): **Commission consultation**

EG (10/2022): **Business models**

EG (01/2023): **Stocktake discussion**

EG (03/2023)

EG (05/2023)

EG (07/2023)

Upcoming deliverables

January 2023: launch of **market research** on technical design of possible digital euro components and services

- Report on findings of market research in Q2 2023

February 2023: start of **scheme rulebook drafting**

- Appointment of rulebook manager and call for market participants to join Rulebook Development Group

Q2 2023: report on findings of the **prototyping** exercise and second round of focus group research

- December 2022: publication of technical onboarding package for prototyping

Q2 2023: **digital euro high-level design** – bringing it all together

Thank you for your attention