



EUROPEAN CENTRAL BANK

EUROSYSTEM

Update on the digital euro project status

Item 5 – 20th ERPB meeting

20 November 2023

Evelien Witlox, Digital euro programme manager



A digital form of cash



The evolution of money

As we move towards a digitalised economy, a **digital euro would be the natural evolution of our currency**

A digital euro would **complement cash**, not replace it

What is a digital euro?

The digital euro is **central bank money for retail payments made by citizens and businesses in the entire euro area**

5 unique characteristics

- + **Free** for citizens and **inclusive** by design
- + Available for any **digital payments throughout the euro area**
- + Covering transactions **online, person-to-person, in shops or with the government**
- + High **privacy standards**
- + **Also available offline**

A digital euro would serve the 347 million people who live in the euro area



Responding to evolving payment trends

Combining people's changing preference for digital payments with the benefits of central bank money (digital form of cash)

Making people's lives easier

Providing a public digital means of payment for everyone to pay anytime and anywhere throughout the euro area

Strengthening Europe's resilience

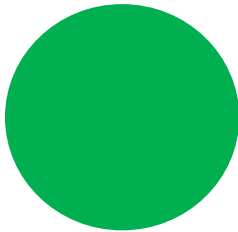
Preserving Europe's strategic autonomy while supporting innovation and competition

1

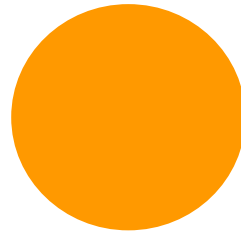
The design of a digital euro

A holistic digital euro design for an increasingly digitalised European payments sector

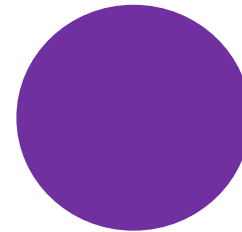
Access



Payment features



Business model



A digital euro to serve an increasingly digitalised European society



Available in several payment scenarios

- + Person-to-person payments
- + Payments in **physical** and **online stores**
- + Payments to and from the **government**

Widely accessible and accepted

In line with the legislative proposal presented by the European Commission:

- + **All euro area payment service providers** will offer digital euro to customers who ask for it
- + **All euro area merchants** accepting digital payments will also have to accept digital euro

Moreover, a digital euro would:

- + **Be inclusive**, leaving no one behind

Bringing together the advantages of cash with the benefits of digital payments



Distinctive features welcomed by consumers and merchants alike

- + Like cash, digital euro would be **accepted everywhere** in the euro area
- + **Online** and **offline** functionalities
- + High level of **privacy** by default
- + **Conditional** payments, but NOT programmable money
- + Easy **porting of digital euro holdings**, including for emergency situations

Comfortable payment experience

- + Smooth onboarding and simple access for end-users via (i) **existing online banking apps** or (ii) **new digital euro app**
- + Payments via **mobile phone** and/or **physical card**
- + **Contactless** payments via QR-codes and alias
- + Usability with **holding limits** and linked account

Supervised intermediaries play a key role as distributors of the digital euro



Intermediaries at the front line

- + Intermediaries, including banks, will distribute the digital euro, managing **customer relationships, digital euro payments and related services**
- + The Eurosystem will issue the digital euro and settle payments and develop a **digital euro scheme** to ensure a digital euro can be equally used throughout the euro area

Adequate compensation principles

- + A digital euro would be **free for basic** use by citizens
- + **Network effects** generating economic incentives for acquirers and merchants
- + **Economic incentives** for distributing payment service providers
- + Eurosystem bears its **own costs**, as for production and issuance of banknotes

2

Preparation Phase

After two years of research, the Eurosystem launched the digital euro preparation phase on 1 November 2023

Investigation phase

Oct 2021 – Oct 2023

Concept definition, technical exploration and design proposal

Preparation phase

Nov 2023 – Oct 2025

Prepare to develop, finalise the scheme, search for possible providers, learn through experimentation and legislative process

From Nov 2025
subject to Governing Council's approval

Development and preparation to roll out digital euro use cases

Starting preparations anticipating Europe's needs to be effectively ready on time



Ahead of the curve

The goal of the Preparation Phase Part 1 is to **prepare for the development of a digital euro** to be ready as much as possible should the Governing Council decide on issuance.

In detail

The main foreseen activities for Preparation Phase Part 1 include:

- + Finalising the **scheme rulebook**
- + Selecting **service providers**
- + Learning through **experimentation**
- + **Diving deeper**, including further research on offline functions and a testing and roll-out plan for the future

The digital euro project will evolve in parallel to the legislative process



Necessary steps

The decision to issue a digital euro will only be taken by the Governing Council **once the digital euro legislation is adopted** by European co-legislators

Ready to contribute

Throughout the process, the ECB will **make the appropriate adjustments** to the digital euro design in line with legislative deliberations and **provide technical input** as needed

Engagement with European stakeholders and the public will remain at the core of the digital euro project



European policymakers

Commission | Eurogroup | Parliament | other EU bodies

Market participants

Consumers | Financial institutions | Infrastructure and technology providers | Merchants

Central banking community

BIS | Central banks working on CBDC

Other stakeholders

Academics | Civil Society Organisations

Increased engagement with the public

3

Conclusion

A digital euro to prepare Europe for the digital age and strengthen our single currency



Fit for the digital age

A digital euro would combine the benefits of digital payments with some of the most valued properties of cash

Truly pan-European

A digital euro would be equally accepted and distributed throughout the euro area, as currently happens for euro banknotes and coins

Backed by the Eurosystem

Be it digital or physical, a euro will continue to be reliable money, no matter what

Thank you