



EUROPEAN CENTRAL BANK

EUROSYSTEM

The digital euro - the next level in the advancement of our money

OeNB Open Forum event



26 June 2023

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State of play



High **support for the euro** as a single currency in Europe (Eurobarometer survey)

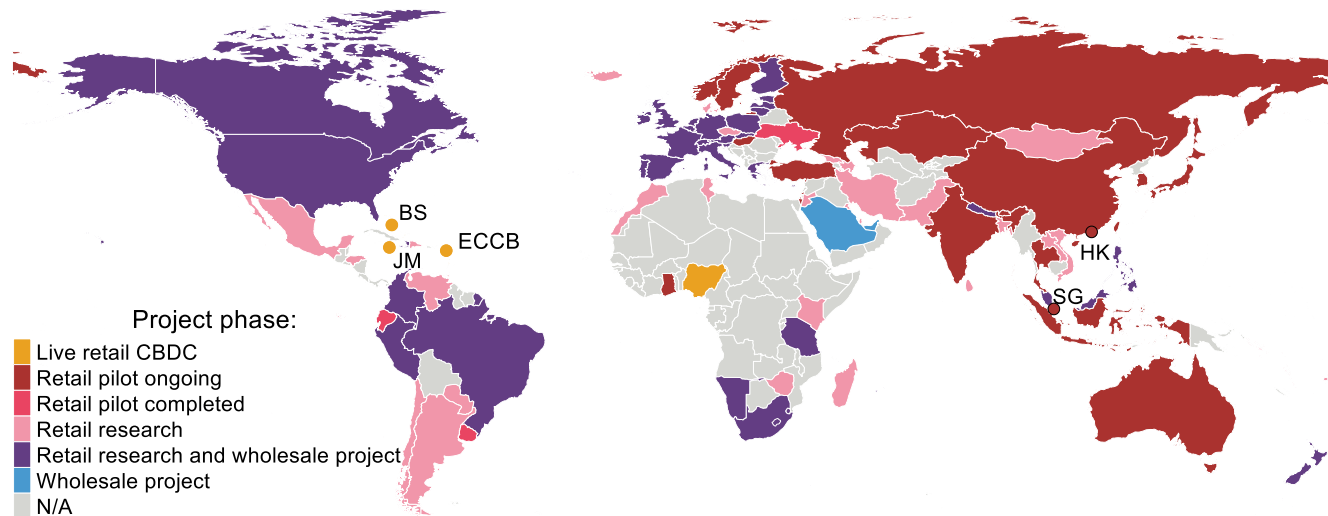


Changes in recent **payment behaviour**:

- Cash payments in the euro area have dropped from 72 to 59% (over last 3 years)
- Preference for digital payments is increasing across Europe

Majority of central banks are working on CBDCs

- **More than 90%** of central banks are exploring CBDCs,
- **More than half** of central banks are developing CBDCs or running concrete experiments,
- **More than two thirds** of central banks are considering it likely or might possibly issue a retail CBDC in the short or medium term.



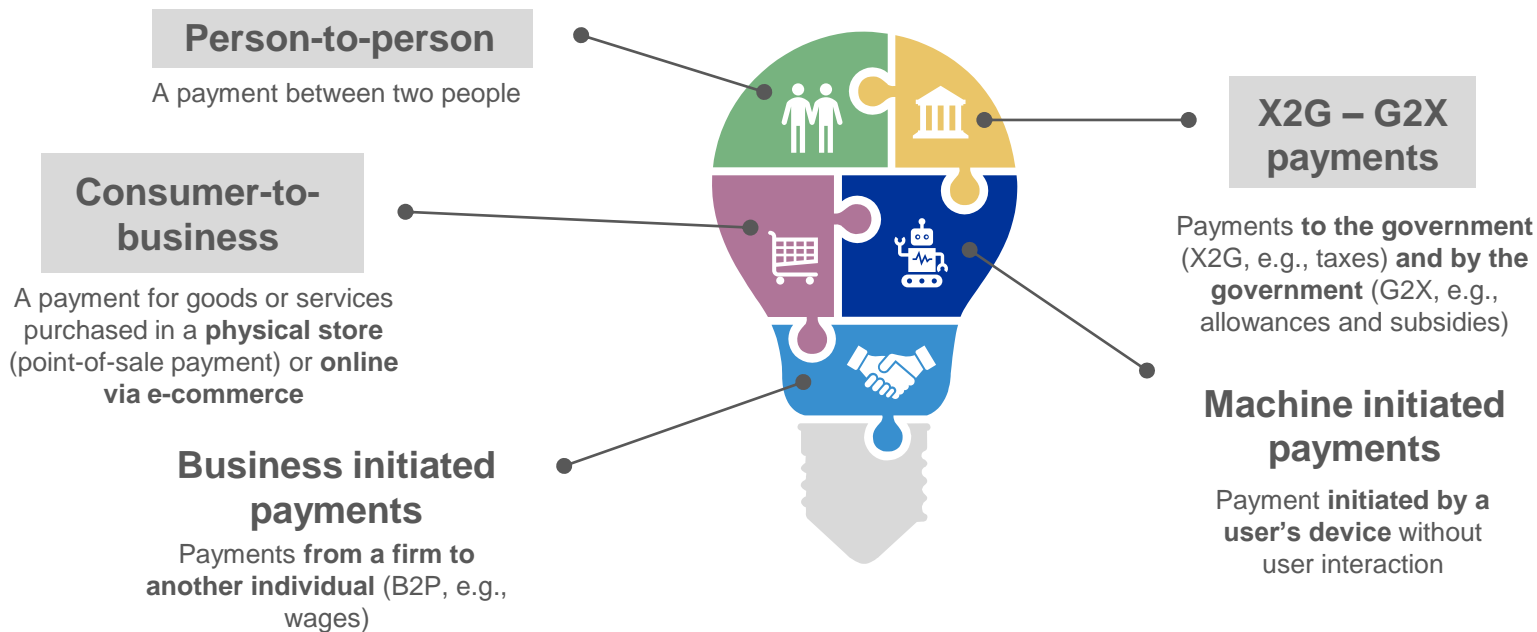
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What is the digital euro?

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

Digital euro use cases

A digital euro use case describes a common payment scenario:



Focus on privacy



Privacy is a **fundamental right**



Digital euro **public consultation** highlighted **privacy as a key concern of users**



Focus group research on new digital payment methods & digital euro showed more nuanced views around privacy in payments



Full anonymity and full transparency to central bank are not to be pursued
→ **baseline scenario** is that limited data is **transparent to the intermediaries** for customer onboarding and AML/CFT purposes, as is the case for electronic payments today

Distributing the digital euro to end users



Eurosystem will issue/redeem and **settle** transfers of its own liabilities



Financial **intermediaries will play a key role in distributing** the digital euro



The Eurosystem is considering a **payment scheme approach** → developing a common rules-based framework for participants to develop their products

- Facilitates a **homogenous end-user experience** across the euro area and interoperability via standardisation
- Best positioned to ensure **pan euro area reach**
- Respects the **role of supervised intermediaries** and still offers room for **innovation**

Financial inclusion



A digital euro can support financial inclusion by being:

- Easily and widely **usable**
- **Accessible** throughout the euro area
- Usable via **app** and **physical payment card**
- **Free** for basic use
- **Private**
- Available **offline**
- Designed **mindful of the needs of people with disabilities and the less digital-savvy**

We are investigating ways to facilitate **onboarding possibilities for the unbanked** and offer **support to those vulnerable to digital financial exclusion**.

Principles of the digital euro compensation model to incentivise distribution

- 1 Free basic use by private individuals**
- 2 Network effects generating economic incentives for acquirers and merchants**
- 3 Comparable economic incentives for distributing PSPs**
- 4 Eurosystem bears its own costs, as with production and issuance of banknotes**

Taking stock and the road ahead

Foundational design options

First set
(Q3-2022)

Online/offline
Level of 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

Prototyping exercise

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



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