



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Digital euro

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ICMA Fintech Forum

26 November 2020

ECB-RESTRICTED



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# Overview

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- 3 Where is the “border” between retail and wholesale CBDC
- 4 A complement to private initiatives
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# What is a “digital euro”?

*Digital euro would be **central bank money** made available in **digital form** for **retail use in payments** by citizens and firms*



**Digital equivalent** of legal tender euro banknotes



**Complementing**, not replacing, cash



Costless access for citizens' basic payment needs to a **simple, risk-free and trusted** digital means of payment

# CBDC versus other forms of money and assets



## Liability of central bank

- i. **Cash:** physical form, to *general public*
- ii. **Central bank deposits:** *digital form*, limited access

→ **CBDC:** complement to cash and deposits



## Liability of a private entity

- i. Commercial bank money
- ii. E-money
- iii. Some 'stablecoins' that entail a claim/liability on an identifiable entity



## Not a liability

- i. Crypto-assets

# Wholesale central bank money: not a digital euro



## Liability of central bank

- i. **Cash:** physical form, to *general public*
- ii. **Central bank deposits:** *digital form, limited access*

**Available** for decades via **TARGET services:**

- TARGET2 (T2)
- TARGET2 SECURITIES (T2S)
- TARGET Instant Payment Settlement (TIPS)

One can also study:

- **24/7 availability** of central bank money in wholesale transactions
- whether the use of a **distributed infrastructure** in wholesale transactions might improve the efficiency and fluidity of payment systems and financial infrastructures

# Where is the border retail/wholesale CBDC?

Digital euro should be designed so as to avoid its excessive use as means of investment and the associated risk of large shifts from bank deposits to digital euro.



**Holdings subject to hard limits** (e.g. maximum amount to be held) **or soft ones** (e.g. tiered remuneration with disincentives as from a certain amount)



Digital euro has limited relevance in the wholesale sphere (similar to banknotes)

# Digital euro: a complement to private initiatives



## Key arguments to support this view:

- Co-existence of several means of payments is desirable
- Private sector will remain more innovative
- Central banks do not have ambition
  - to take-up the front-end or
  - to take away deposits from banks' balance sheets.
- Digital euro would be offered preferably through supervised service providers

# Way forward



## **Towards mid-2021 the Eurosystem will consider whether to launch a digital euro project**

- **Start with an investigation phase**

*... to obtain answers to open questions raised in the report*

*... to develop a minimum viable product that would be able to meet Eurosystem requirements and the needs of prospective users*



**The objective is to ensure that the Eurosystem will be prepared to issue a digital euro if it decides to do so in the future.**



# Link to digital euro pages

[Executive summary page](#)



[Full report](#)

