



Numérisation de l'économie :
en route vers l'euro numérique ?

Een digitale euro voor een digitale economie ?

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WEBINAR

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Tim Hermans | Filip Caron | Yvan Timmermans

14 January 2021



Digital euro would be a central bank liability in digital form for retail payments



Liability of Central Bank

Cash

Central bank deposits

Retail
CBDC/digital
euro



Liability of a private entity

Commercial
bank money

E-money

Stablecoins with
an identifiable
entity



Not a liability

Non-asset-
referenced
tokens

Digital euro *could be* a viable option to achieve central bank and EU objectives



Support digitalisation



Respond to a declining use of cash



Tackle sovereignty concerns



Reinforce monetary policy transmission



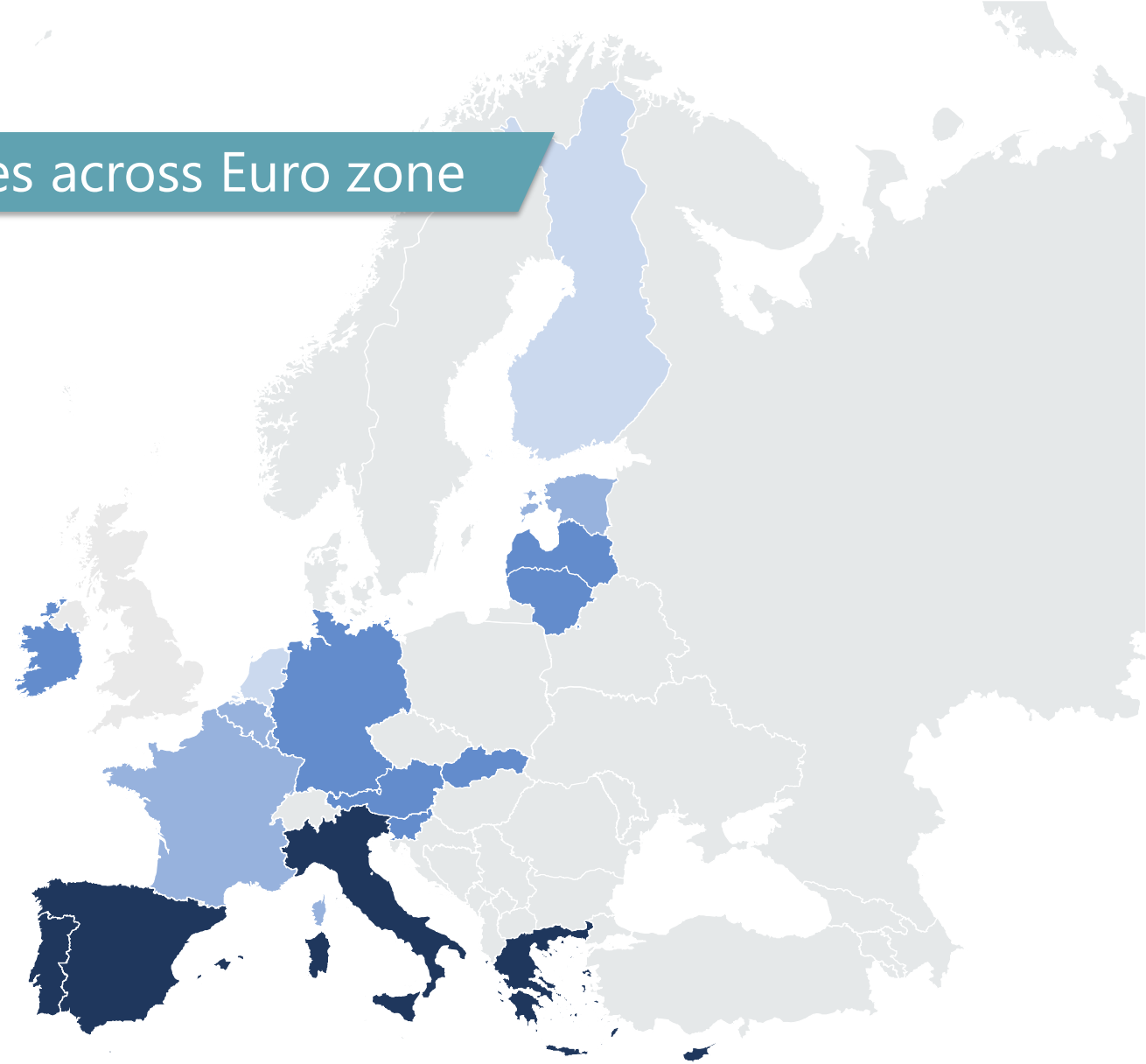
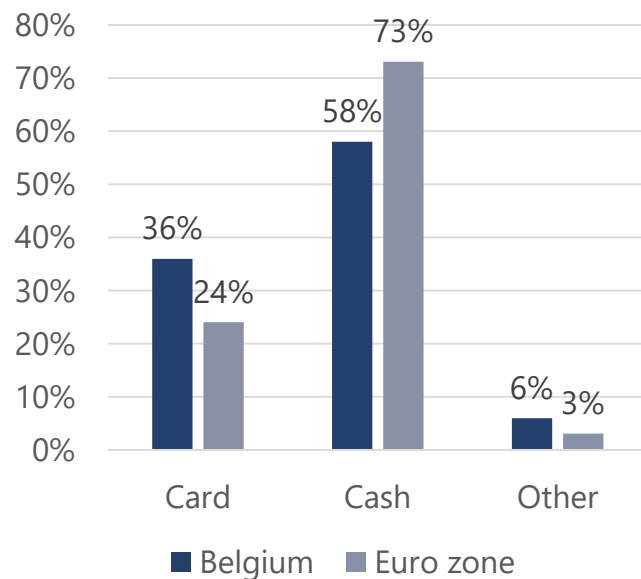
Prepare for extreme events



Reduce cost and ecological footprint

Cash remains king, but its usage declines across Euro zone

Cash remained the most commonly used payment instrument for retail payments in Belgium in 2019 (58%), with a slight decline compared to 2016 (63%).



CBDC is being researched and investigated in the major jurisdictions

The Federal Reserve System

- Working group on policy aspects of CBDC
- Partnership with the MIT to test various architectures

The Eurosystem

The People's Bank of China

- Started CBDC live experimentation in 2020
- Studies begun in 2014

80% of Central Banks are engaging in CBDC

Digital euro: financial stability and monetary policy

STABILITY OF BANK FUNDING

- Normal circumstances: potential increase in funding costs
- Crisis situations: potential digital bank runs

MAINTAINING THE MONETARY ORDER

- Preserve the intermediation function of banks
- Prevent an increased exposure to shocks for the Eurosystem

Digital euro should be designed to avoid its use as a form of investment.

- > Holding limits?
- > Disincentivising through remuneration (interest bearing)?

Some benefits of CBDC to strengthen monetary policy in the literature

BENEFITS

- Overcoming the Zero Lower Bound (negative interest rates)
- Ability to provide helicopter money
- New monetary policy instrument

REQUIREMENTS

- Discontinuation of banknotes (or at least of larger denominations)
- Each citizen must have a CBDC account

Digital euro should be primarily designed as an attractive means of payment.

Anonymity, privacy, AML and KYC

- Payments data will not be used for commercial purposes (> < big techs)

ANONYMITY

- Important feature for the general public
- Digital currency is less anonymous than cash
- Anonymity could be technically possible for limited amounts

PRIVACY

COMPLIANCE TO LAW

- Payments in a digital euro would have to respect the rules on AML-CFT, sanction screening, KYC and tax evasion
- Possibly through intermediaries (on-boarding and front-end)

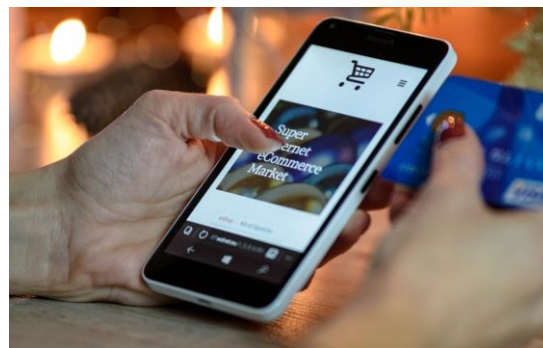
Open-minded investigation of the functional and technical design possibilities



Back-end infrastructure



Access via intermediaries



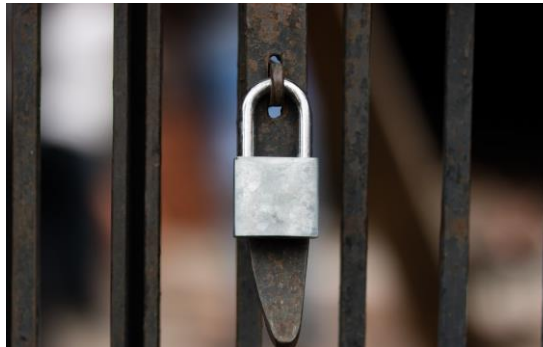
End-user access solutions



Remuneration



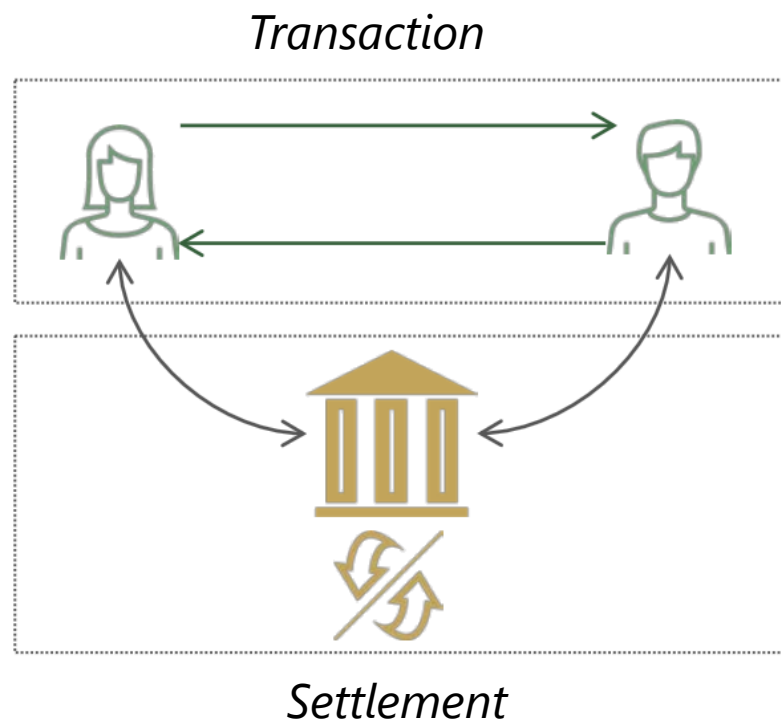
Restrictions on access



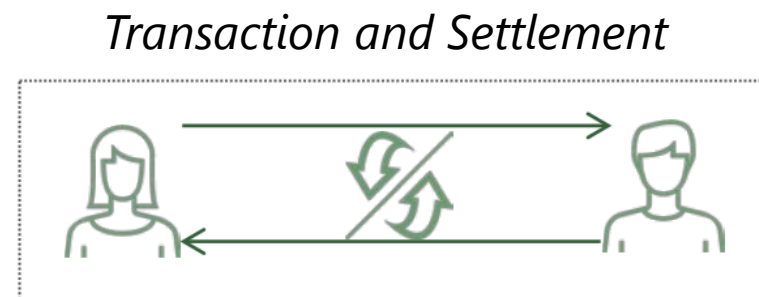
Different degrees of privacy

Opting for an account- or token-based approach will be a key design decision

Account-based



Token-based



Source: European Central Bank (2020)

Digital Euro and private initiatives



Digital euro would complement cash and private payment services.



Private intermediaries would be best placed to provide front-end solutions and ancillary services to build new business models based on a digital euro.



The Eurosystem continues to support private sector efforts to create unified pan-European payment solutions at the point of interaction (POI) like the European Payment Initiative (EPI).

Digital euro and wholesale CBDC



Digital euro as currently envisaged is a retail CBDC for the general public.



Wholesale CBDC targets wholesale agents and already exists (accounts of credit institutions in TARGET2).

•New requests are emerging:

- Increased efficiency and accessibility (24/7/365)
- Better interoperability between RTGS and Distributed Ledger Technology (DLT) solutions (payment versus payments / delivery of securities versus payments)

•In order to answer to these new needs, a new form of wholesale CBDC could be developed (for instance tokenised cash).

Conclusion

- Digitalisation is spreading to all areas of our life, including the way we pay.
 - In this context the Governing Council decided to advance work on the possible issuance of a digital euro.
 - A digital euro would raise legal, technological and policy questions that the Eurosystem needs to address.
 - The process will take a long time.
 - We are now in a phase of listening and experimentation.
 - Digital euro would be a complement to cash and private payment solutions.
 - Digital euro should be more a means of payment than a form of investment.
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- ➡ **No decision yet: should the need arise, the Eurosystem wants to be ready to introduce a digital euro in the future.**
 - ➡ **Towards the middle of 2021: decision whether to launch a digital euro project.**

Dank u voor uw aandacht!

Merci pour votre attention !

Tim Hermans | Filip Caron | Yvan Timmermans

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