

UPDATE: European Commission launches targeted consultation on a digital euro

On 5 April 2022, the European Commission (COM) launched a targeted consultation on the digital euro (the “Consultation”), a digitalised form of central bank money, complementing cash and offering greater choice to consumers and businesses in situations where euro banknotes could not be used. In the context of the EU’s digital transition, the digital euro could support the EU’s digital finance and retail payments strategies, given its potential as an additional, innovative, and safe means of payment.

Objective of the consultation

The Consultation aims to collect information on expected impacts on key industries, users, chambers of commerce and other stakeholders in international trade and gather further evidence on the following issues:

- Users’ needs and expectations for a digital euro
- The digital euro’s role in the EU’s retail payments and digital economy
- Making the digital euro available for retail use while continuing to safeguard the legal tender status of euro banknotes and coins
- The digital euro’s greater impact on the financial sector and the financial stability
- Application of anti-money laundering and counter-terrorist financing (AML-CFT) rules
- The privacy and data protection aspects; and
- International payments with a digital euro

Furthermore, given that a Regulation on the basis of Article 133 TFEU would be required for a digital euro to be used as the single currency, concurrently with euro banknotes and coins, an impact assessment will be prepared, supported by consultations carried out by both the Commission and the European Central Bank (ECB).

The digital euro project

Background

In September 2020 the Eurosystem’s High-Level Task Force on Central Bank Digital Currency (HLTF on CBDC) launched experimental work on a digital euro in order to assess and gain further insights into the technological feasibility of design choices, which were identified in the ECB’s Report on a digital euro, published in October 2020.

Said Report included the following legal considerations regarding a digital euro:

- The concrete design choices for the digital euro would determine the legal basis for its issuance.

- EU primary law does not exclude the possibility of issuing digital euro as legal tender, which would consequently require payees to accept it for payments.
- Certain practical arrangements regarding the distribution of and access to a digital euro could in principle be outsourced but would need to be subject to strict Eurosystem supervision.

From October 2020 until January 2021, the ECB ran a public consultation to gather views on the benefits and challenges of issuing a digital euro, as well as on its possible design. The ECB also conducted focus groups in all euro area countries to collect views on the payment habits of different target audiences. In April 2021, the ECB published the Eurosystem report on the public consultation on a digital euro. In January 2021, COM and the ECB agreed to work together and analyse various design options and the related regulatory implications of the digital euro. In mid-July 2021, the Governing Council of the ECB decided to launch a two-year investigation phase of a digital euro project starting in October 2021.

Rationale for the digital euro

The digital euro could support the emergence of cross-border solutions for payments and the deployment of instant payments. It could further support innovation and competition in payments and strengthen the EU's open strategic autonomy.

The ECB states the following reasons to issue a digital euro:

- Complementing cash and deposits
- Creating synergies with the payment industry
- Supporting digitalisation in the European economy
- Ensuring access to central bank money
- Avoiding risks of unregulated payment solutions
- Preempting the uptake of foreign currencies

Phases of the digital euro project

The digital euro project consists of three phases:

- The investigation phase;
- The experimentation phase, focusing on the technical aspects of a digital euro; and
- A determination by the ECB on whether to work on the actual development of a digital euro.

During the ongoing two-year investigation phase, the ECB will further develop the various design options, user requirements and will look at how financial intermediaries could provide services based on the digital euro. The project will also shed light on the changes to the EU legislative framework which might be needed and that will be discussed with, and decided by, European co-legislators. Throughout this phase, the ECB will continue to engage with the European Parliament and other European policymakers and the technical work on the digital euro with COM will also be intensified. A Market Advisory Group (MAG) will take account of prospective users' and distributors' views of a digital euro.

In March 2022, as part of digital euro investigation phase, the ECB published a report on payment preferences, the main findings of which have as follows:

- Citizens want universally accepted payment methods in online and physical stores across Europe
- Users prefer instant and contactless person-to-person payments
- High safety and security standards are seen as fundamental for digital payment methods.

Next steps

COM's Targeted consultation on a digital euro will run until 14 June 2022, and its findings will be published thereafter.

The digital euro project is currently in its investigation phase, which will last until October 2023 and will be followed by a determination of the ECB on whether to further work on the project. We will keep you updated on new developments.

Key contacts

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External links

- [Targeted consultation on a digital euro](#) (April 2022)
- [Study on New Digital Payment Methods](#) (March 2022)
- [ECB press release on digital euro project launch](#) (July 2021)
- [ECB Eurosystem report on the public consultation on a digital euro](#) (April 2021)
- [ECB press release on intensifying its technical work on digital euro with the European Commission](#) (January 2021)
- [ECB Report on a digital euro](#) (October 2020)
- [Digital euro hub page](#)
- [Market Advisory Group](#) (MAG)