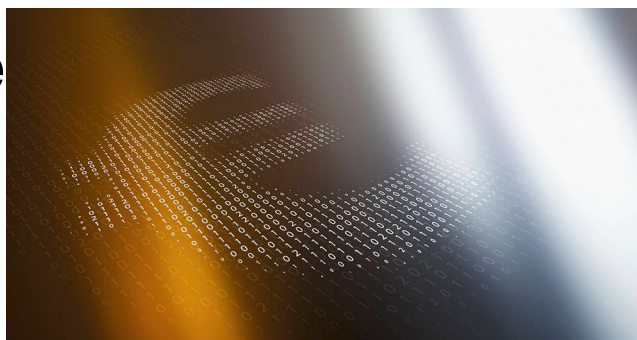


A Digital Euro for the EU? The European Commission's Call for an Impact Assessment



[Central Infrastructure](#), [Financial Institutions](#), [Banking](#)

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On April 5, 2022, the European Commission (EC) published [a call for evidence for an impact assessment on a digital euro for the EU](#). The document explains that the initiative is meant to be a proposal for a Regulation and, in terms of EC adoption, this is planned for Q1 2023.

The initiative aims to establish the digital euro as a new form of central bank money issued next to banknotes and coins, and would also cover the essential aspects and key design functions of the digital euro that would enable the European Central Bank (ECB) to issue the digital euro.

It is worth noting that issuing a digital euro and deciding on its technical features falls within the ECB's remit but requires its prior creation by an EU Regulation that sets out its essential elements based on Article 133 of the Treaty on the Functioning of the European Union (TFEU). That article provides for the laying down of "measures necessary to the use of the euro as the single currency." Moreover, additional amendments of the current EU legislative framework may be needed to adjust to the digital euro and digital currencies issued by central banks of non-euro area Member States.

The [digital finance and retail payment strategies of the EC](#) that was adopted in September 2020 already encouraged the exploration of a digital euro as a possible complement to euro cash, which is legal tender by virtue of the treaties and the EU legislation. Moreover, the [ECB's retail payment strategy](#) shares similar objectives.

The ECB issued its report on a digital euro in October 2020 and ran a public consultation on a digital euro between October 2020 and January 2021. In July 2021, the Governing Council of the ECB decided to start an [investigation phase on a digital euro project in October 2021](#).

The EC digital euro initiative has the following objectives:

- **Avoid that the digitalisation of payments erodes the use of cash for payments to a point that weakens the confidence in the euro as a single currency.** The EC believes that while the role of digital payments is continuing to grow, cash's availability, acceptance and use for payments may decline. This could put at risk the monetary sovereignty (i.e. the ability of public authorities to control the unit of account in their jurisdiction in order to manage the macroeconomy) and the two-layer monetary system based on convertibility of regulated/supervised forms of money into central bank money. Central bank digital money would thus complement cash in terms of providing a monetary anchor for the payments system by ensuring that private money can always be converted into public money.

Moreover, the digital euro would, in the view of the EC, allow for financial inclusion, allowing the unbanked access to digital payments.

- **Complement private payment solutions, in particular with regard to the offering of pan-European, instant-based payment solutions.** The EC document explains that the design of the digital euro should ensure a high level of synergy with private initiatives, for example, when it comes to its distribution, acceptance and use.
- **Strengthen the domestic and international role of the euro as an invoicing currency, also for digital payments.**

In terms of risks that the development of the digital euro might pose, these include potential GDPR-related issues for the users due to the traceability of the digital euro when compared to cash, as well as a potential unlevel playing field for private payment service providers (PSPs) that creates a possibility for disintermediation.

On such aspects, the EC document explains that the functioning of the digital euro will require processing of personal data, including sensitive personal data, and such processing will take place in full compliance with the GDPR framework. Moreover, the EC document explains that the design of the digital euro will seek to minimise the risk of large-scale conversion of deposits by introducing limits or disincentives to using the digital euro as a store of value instrument.

The digital euro's design choices may include, according to the EC document:

- Account or bearer-based models (e.g. verification)
- Access to the digital euro and usability (e.g. an obligation for intermediaries to ensure the access to and usability of digital euro for their clients)
- The identification of appropriate identity solutions, including the possibility of using the [European digital identity wallet](#) (EDIW)
- Offering the possibility of a common certified infrastructure, including a solution for onboarding and for online and offline payments
- The payment solutions (online, offline, micro and programmable payments)
- The store of value functions (potential limits or disincentives to mitigate risks to financial stability and the impact on the financial sector)
- A business model (fee structure for intermediaries)
- A legal tender status (e.g. acceptance requirements for merchants providing digital payment services)

The EC consultation document is available [here](#). Replies are welcome by **June 14, 2022**.

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