

## Eurogroup statement on the digital euro project, 16 January 2023

Since the launch of the investigation into the possible issuance of a digital euro in October 2021<sup>1</sup> in response to the invitation by Leaders at the Eurosummit, the Eurogroup has held regular exchanges of views on the key political dimensions of a digital euro. This investigation does not prejudice any future decision on the possible issuance of a digital euro, which would only come after further exploration in a possible realisation phase.

In order to be successful, a digital euro needs to be a common European and inclusive project, supported by the European public, and built on a solid democratic basis. We therefore welcome the engagement from the European Central Bank and the European Commission in regularly informing the Eurogroup and EU Member States and ensuring thorough technical preparations of our discussions.

The Eurogroup considers that the introduction of a digital euro as well as its main features and design choices requires political decisions that should be discussed and taken at the political level. The creation of a digital euro would require an appropriate legal basis, involving the European Parliament and the Council of the European Union based on a legislative proposal by the European Commission.

Today, the Eurogroup took stock of the progress in the digital euro project. The ECB President presented the design and distribution options that were recently endorsed by the ECB Governing Council<sup>2</sup>. The Commission's Executive Vice-President updated us on their preparatory work towards a legislative proposal.

The Eurogroup reaffirms its support for the continued efforts of all European and national institutions involved in the preparatory work for the potential issuance of a digital euro, and encourages a high level of innovation and ambition in exploring its possible design and distribution options. Depending on its design, a digital euro could play a key role in an increasingly digitalised economy by strengthening the open strategic autonomy of the European Union, reflecting the central geopolitical role played by payment systems, in fostering financial sector innovation and delivering benefits for citizens, businesses, and Member States, while preserving the role of central bank money as an anchor for our monetary system.

In line with our statement adopted in February 2022<sup>3</sup> the Eurogroup discussed several key issues regarding the digital euro over the last year and provided views<sup>4</sup> on the general objectives and political dimensions<sup>4</sup> of a digital euro, thereby complementing the work carried out by the ECB and the Commission, in full respect of the institutional roles and mandates of all actors involved. During our discussions, the following issues were raised:

- A digital euro should complement, and not replace cash, and should guarantee access to central bank money for euro area users in times of increased digitalisation in payments<sup>5</sup>. A digital euro should be safe and resilient, ensure a high level of privacy, be easy and convenient to use and widely accessible to the public, including in terms of costs for end-users. Ministers also called for considering the environmental implications of the digital euro design.
- To succeed, the digital euro should ensure and maintain users' trust, for which privacy is a key dimension and a fundamental right. At the same time, the Eurogroup also considered that the design of a digital euro should comply with other policy objectives such as preventing money laundering, illicit financing, tax evasion, and ensuring sanctions compliance. A risk-based approach could be followed to allow for more privacy in the case of less risky transactions, which could ensure a wider adoption of the digital euro among citizens with a stronger preference for privacy. The Eurogroup also supports the exploration of an offline functionality which would serve a wider range of use cases and also contribute to financial inclusion by facilitating the use by citizens in different scenarios.
- A digital euro should aim to safeguard the financial stability of the euro area. Potential risks to financial stability should be limited, for example by imposing holding limits and constraints in the design of the digital euro, while maintaining its attractiveness as a means of payment. The parameters of such features should be further analysed and discussed based on a thorough quantitative analysis and their implementation should take into account the prevailing economic and financial environment. The design and introduction of a digital euro should not impair the ability and the independence of the European System of Central Banks in ensuring monetary transmission in order to fulfil its price stability mandate.
- Ensuring a pan-European reach of the digital euro whilst also catalysing innovation in the financial sector and

complementarity with private solutions should be a priority. The digital euro ecosystem should leverage the strength and experience of public and private participants and build on European infrastructure. Whilst further work is needed on the precise allocation of competencies, we consider that supervised intermediaries could play an important role in the digital euro ecosystem.

- The digital euro could be a building block of the future architecture for state-of-the-art payment solutions. To this end, it could allow for initiating a payment automatically when predefined conditions are met – meaning that users would be able to program payments. As money however, digital euro should at all times and throughout the euro area be convertible at par with other forms of the euro, such as banknotes and commercial bank deposits. The digital euro therefore cannot be a programmable money<sup>6</sup>.
- Appropriate regulatory measures, including granting the digital euro legal tender status, should be considered in order to ensure consistency with cash and to make digital central bank money widely accessible for retail use to all end-users in the euro area, whilst taking into account the distribution of the costs and required technologies.
- The digital euro should focus as a priority on the needs and specificities of the euro area. Interoperability with other Central Bank Digital Currencies should be an important feature of the digital euro, including for cross-currency transactions. This will also take into account the development of CBDCs by other jurisdictions, in order to reap the potential benefits of faster, cheaper and safer cross-border transactions. On the other end, the risks associated with the use of a digital euro outside the euro area must be mitigated and monitored.

The Eurogroup will continue to play an active role in discussing the key political issues underlying a digital euro<sup>7</sup>. We look forward to the further work by the ECB, the euro area national central banks and the Commission in assessing key aspects of the digital euro, and stand ready to contribute to these discussions, including regarding the costs and benefits, the international use of the digital euro and policy implications of the underlying architecture. We will also discuss in inclusive format the relevant implications for non-euro area Member States and hear on their progress and plans on the introduction of CBDCs. We look forward to the results of the prototyping exercise conducted by the ECB. Furthermore, the appropriate technical solutions and business arrangements necessary to provide a digital euro will be a key aspect to be considered in the realisation of a digital euro.

We also welcome the Commission's intention to table in the first half of 2023 a legislative proposal that would establish the digital euro and regulate its main features, subject to the decision of the co-legislators.

We note that the ECB Governing Council will review the outcome of the investigation phase in autumn 2023 and decide on this basis whether to move to a realisation phase. The possible issuance of a digital euro would only come at a later stage and would necessarily depend on the EU legislative developments.

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<sup>1</sup> See [Press release](#).

<sup>2</sup> See the ECB [first progress report](#) (September 2022) and [second progress report](#) (December 2022) on the investigation phase of a digital euro.

<sup>3</sup> See [Eurogroup statement](#) adopted on 25 February 2022.

<sup>4</sup> See Summing-Up letters of the relevant Eurogroup meetings on [12 July 2021](#), [10 September 2021](#), [8 November 2021](#), [25 February 2022](#), [4 April 2022](#), [11 July 2022](#), [9 September 2022](#) and [3 October 2022](#).

<sup>5</sup> See for instance the [Study](#) on the payment attitudes of consumers in the euro area (SPACE).

<sup>6</sup> There would for example be no restrictions in the types of goods and services to be purchased, or restrictions in time when a digital euro can be used.

<sup>7</sup> See the [Eurogroup work programme](#) adopted in December 2022.

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