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Interview with Evelien Wiltox on the digital euro

Evelien Wiltox, Programme Manager of the digital euro project at the European Central Bank

1 In your view, what is the differential value that the digital euro will bring in comparison to current payment instruments?

A digital euro would be a payment solution for every occasion anytime and anywhere in the euro area. A digital euro would complement euro banknotes and other electronic payment solutions, offering an additional payment choice.

A digital euro would be unique in the sense that it would...

- ... be available and usable throughout the entire euro area for everyday payments, including person-to-person, point of sale and e-commerce payments. No other retail payment instrument currently offers the same degree of universality.
- ... offer a higher level of privacy than similar means of payment. The Eurosystem would not be able to identify who is behind each digital euro payment. Moreover, when paying offline, it would be almost like using cash when it comes to privacy standards.
- ... be inclusive by design, leaving no one behind, including citizens with low digital and financial skills.
- ... be free for citizens to access and use – same as banknotes today.

2 How is the Eurosystem planning to ensure a digital euro doesn't pose risks to the financial stability of the euro area?

The Eurosystem is committed to design a safe and easy to use payment instrument, but also to reduce any potential threat a digital euro could pose to Europe's financial system. For this reason, the Eurosystem would establish a limit on digital euro holdings individuals can hold. This limit would prevent excessive bank deposit flows into digital euro accounts, even in times of crisis, and strengthen the nature of the digital euro as a retail means of payment. The exact threshold would be specified at a later stage, taking into consideration the economic conditions of the time.

Moreover, payment service providers would keep their central role managing relations with end-users, as they do with banknotes today. Private intermediaries would be responsible for the distribution of a digital euro throughout the entire euro area. They could benefit from

the digital euro's pan-European infrastructure to further innovate and develop their own solutions.

Overall, a digital euro would increase the competition and resilience of our payments sector.

3 There is also a fear that the issuance of a digital euro would mean the end of cash. Will that be the case?

No, this will not be the case. A digital euro would exist alongside cash in response to people's growing preference to pay digitally, in a fast and secure way. Cash would continue to be available in the euro area, as would the other private electronic means of payment currently being used.

In fact, to ensure this coexistence, the European Commission presented last year **two legislative proposals**. One on the legal tender of euro cash to safeguard the role of euro banknotes and coins and ensure they are widely accepted as a means of payment in the euro area. And, a second one, establishing the legal framework for a possible digital euro to ensure Europeans have an additional choice to pay digitally with a widely accepted, secure and resilient form of public money in the euro area.

4 There are concerns that a digital euro would expose citizens' payment information to the central bank and, by extension, the public sector. Could you explain how the digital euro is being designed to address these concerns?

Privacy is not only a key concern for citizens but also their right. We are committed to ensure that a digital euro offers high privacy standards for its users. To this end, the Eurosystem would never be able to know the identify or payment habits of anyone using a digital euro. When paying offline, it would be almost like using cash when it comes to privacy standards. Personal transaction details would only be known to the payer and the payee.

Ultimately, the balance between privacy and data protection and other public policy objectives, like money laundering and the fight against other illicit activities, is for the European co-legislators to decide. The ECB stands ready to adjust and contribute as required.

5 The Eurosystem has expressed the intention to have an indirect distribution model. As such, users would access the digital euro via their payment service providers. What incentives would service providers have to distribute the digital euro?

Payment service providers would play a key role in the distribution of digital euro across the euro area. They would act as the main point of contact for individuals, merchants and businesses for all digital euro-related issues and would perform all end-user services.

A digital euro would also allow intermediaries to have immediate reach throughout the entire euro area, unlike most private innovations, which tend to focus on specific domestic markets. They could also develop innovative financial products and services with pan-

European reach for their customers, expanding their market offerings. Thanks to a digital euro, payment providers could attract a larger user base across the euro area and benefit from economies of scale.

Moreover, the digital euro compensation model, as currently foreseen in the European Commission's draft legislative proposal, provides intermediaries with fair incentives comparable to other digital means of payment. In this regard, a digital euro also opens the door for intermediaries to invest in additional value-added services for their customers.