



# A Digital Euro Must Add Value for People and Businesses in Europe

*EU Commission and ECB are working on a digital euro. They are paving the way today for its introduction in 2025 at the earliest. However, it is still completely unclear what form this digital euro might ultimately take. The debate has just begun.*

## Why a digital euro?

The ECB is bound to respond to experimental thoughts around a Facebook currency, to the turmoil affecting Bitcoin, other crypto assets and their unregulated trading platforms – as well as to plans by central banks around the world to develop digital currencies. And it is true: Neither the EU institutions nor European banks and savings banks have any interest in privatised, digital, parallel currencies. Completely arbitrary and unregulated disruption must be avoided.

Industry needs the digital euro – in practice and immediately. Payment processes can be accelerated, automated and internationalised – that is efficient. It would therefore make sense for the ECB to begin by implementing a tokenised wholesale euro and only then to devote its attention to a digital euro for retail customers once it has gathered experience with the wholesale euro.

## A digital euro must offer what citizens appreciate about cash

Citizens appreciate certain properties of cash, including not only the fact that it can be used offline but also – and more importantly – that it ensures anonymity and safeguards privacy. A digital euro will therefore only be accepted if it is designed like cash. Worldwide, the EU stands for very high data privacy standards. These need to be maintained. Right now, however, the ECB's plans actually amount to a payments system built around central

banks. The real innovation – digitalised money, e.g. on a blockchain – would not be implemented at all. Much of what the ECB is currently planning has already been easily achieved through the established SEPA scheme and the payment solutions based on it. By contrast, a digital euro that could be stored in a decentralised and self-managed EU ID wallet would be truly innovative.

## Payment transactions need innovation and competition

The most innovative services for payment transactions have always evolved in a market environment. A digital euro for citizens can therefore reasonably be issued by the ECB only as “raw material” around which innovative services will develop in a competitive environment.

## Another payments system that does the same thing and competes with European market participants is superfluous.

Innovation and user experience are going under if services around a digital euro are offered free of charge by the ECB itself in the form of basic service. Ultimately, an EU payments infrastructure provided free of charge by the ECB would pave the way for the primarily non-European platform economy characterised by “big techs”. This would do bad service to European sovereignty.

## Financial inclusion needs no digital euro

Hopes that a digital euro might promote financial inclusion are ill-founded. In addition, the EU Payment Accounts Directive already secures the provision of accounts to European citizens and the associated access to payment transactions. This has recently been

demonstrated by the very substantial provision of current accounts for Ukrainian refugees. Financial inclusion is therefore happening in cooperation with banks and savings banks – and hardly with the aid of parallel systems managed by central banks.

## Preserving democracy with checks and balances

A digitalised currency – like any other currency – will only be successful if people trust it. Democratic participation with checks and balances must be respected. Any risks that a digital euro might present to financial stability need to be analysed independently. The ECB's mandate in monetary policy must not be overexpanded. This is the only way to create a basis of legal certainty.

### Acceptance and confidence in the digital euro call for...

- Genuine digital cash. Anything called a “digital euro” must be a digital euro.
- Innovation and competition in payment transactions, aimed at providing the best services for people and businesses.
- Integration into the democratic governance structure of the EU's checks and balances.

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