

Establishment of the digital euro

2023/0212(COD) - 28/06/2023 - Legislative proposal

PURPOSE: to establish the digital euro and regulate its essential aspects to ensure the use of the euro as a single currency across the euro-area.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: digitalisation and new technologies are increasingly shaping European peoples lives and the European economy. With the European economy becoming more and more digital, Europeans also increasingly use private digital means of payment to transact.

Banknotes and coins - which are the only current forms of central bank money with legal tender available to the general public (including people, public authorities and businesses) alone cannot support the EUs economy in the digital age. Their use in payments therefore diminishes as online purchases increase and payment habits of the general public shift towards the large variety of private digital means of payment offered in the EU. This puts at stake the desirable balance between central bank money and private digital means of payment. This trend could even be reinforced in the future, with the emergence of third country central bank digital currencies (CBDC) and stablecoins issued by private firms, which could challenge the role of the euro in payments, in the EU and outside.

To address the need of a rapidly digitalising economy, the proposed digital euro should support a variety of use cases of retail payments. Those use case include person to person, person to business, person to government, business to person, business to business, business to government, government to person, government to business, and government to government payments. In addition, the digital euro should also be able to fulfil future payments needs, and in particular machine to machine payment in the context of Industry 4.0 and payments in the decentralised internet (web3).

CONTENT: the Commission proposal sets out the legal framework and essential elements of the digital euro, which would enable the European Central Bank to eventually introduce a digital euro that is widely usable and available. It will be for the ECB to decide if and when to issue the digital euro.

The proposal establishes the digital euro and lays down rules concerning in particular its legal tender status, distribution, use, and essential technical features.

Objective

The objective of this proposal is to ensure that central bank money with the status of legal tender remains available to the general public, while offering a state-of-the-art and cost-efficient payment means, ensuring a high level of privacy in digital payments, maintaining financial stability and promoting accessibility and financial inclusion.

Legal tender status

The digital euro is granted legal tender status which entails inter alia its mandatory acceptance by payees, unless otherwise provided in the Regulation. The proposal defines a set of exceptions to the obligation to accept the digital euro. This set of exceptions includes the right for a microenterprise not to accept the digital euro, unless it accepts comparable digital means of payment. Similarly, a natural person acting in the course of a purely personal activity is not obliged to accept the digital euro.

Distribution

All payment services providers (PSPs) authorised in the EU may provide digital euro payment services, including additional digital euro payment services, in addition to basic digital euro payment services. Payment service providers do not need an additional authorisation from their competent authorities to provide digital euro payment services. For the purpose of distributing the digital euro, payment service providers need to enter into a contractual relationship with digital euro users. A contractual relationship between digital euro users and the European Central Bank is excluded. Digital euro users may have one or several digital euro payment accounts, held at the same or at a different payment service provider.

The provision of digital euro services by PSPs is limited to (i) natural or legal persons residing or established in the Member States whose currency is the euro, (ii) natural or legal persons who opened a digital euro account at the time they resided or were established in the Member States whose currency is the euro, but no longer reside or are established in such Member States, (iii) visitors, (iv) natural or legal persons residing or established in Member States whose currency is not the euro, and (v) natural or legal persons residing or established in third countries, including territories under a monetary agreement with the European Union.

Access to and use of the digital euro outside the euro area

The proposal lays down rules governing the access to and the use of the digital euro outside the euro area, which depend on whether natural and legal persons reside or are established in a non-euro area Member States or in a third country.

Rules on cross-currency payments between the digital euro and local currencies are laid down. They should be subject to a prior arrangement between the European Central Bank and the non-euro area national Central Banks.

Technical features

The digital euro will be designed in a way that facilitates its use by the general public, including financially excluded persons or persons at risk of financial inclusion, persons with disabilities, functional limitations or limited digital skills, and older persons.

Digital euro users will not be required to have a non-digital euro payment account. The digital euro should be available for digital euro payment transactions both offline and online.

The digital euro will not be programmable money and would therefore not be used to limit its spending to or direct it at specific goods or services: as a digital form of the single currency, it should be fully fungible.

Reporting

The European Central Bank will report on the digital euro as part of its regular reporting obligations. Furthermore, it will specifically report to the Parliament, to the Council and to the European Commission on the instruments to limit the use of the digital euro as a store of value as well as their parameters, in relation to the objective to safeguard financial stability, no later than 6 months before the planned issuance of the digital euro, and at regular intervals afterwards.