



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Introductory remarks

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ERPB

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# Current challenges

**A rapid transformation** is affecting the fundamentals of money, payments and our responsibilities.

## Two factors are having a profound effect on our mandate



### Digitalisation

The rapid advancement in digital technology is generating new demands, creating emerging markets and introducing novel risks

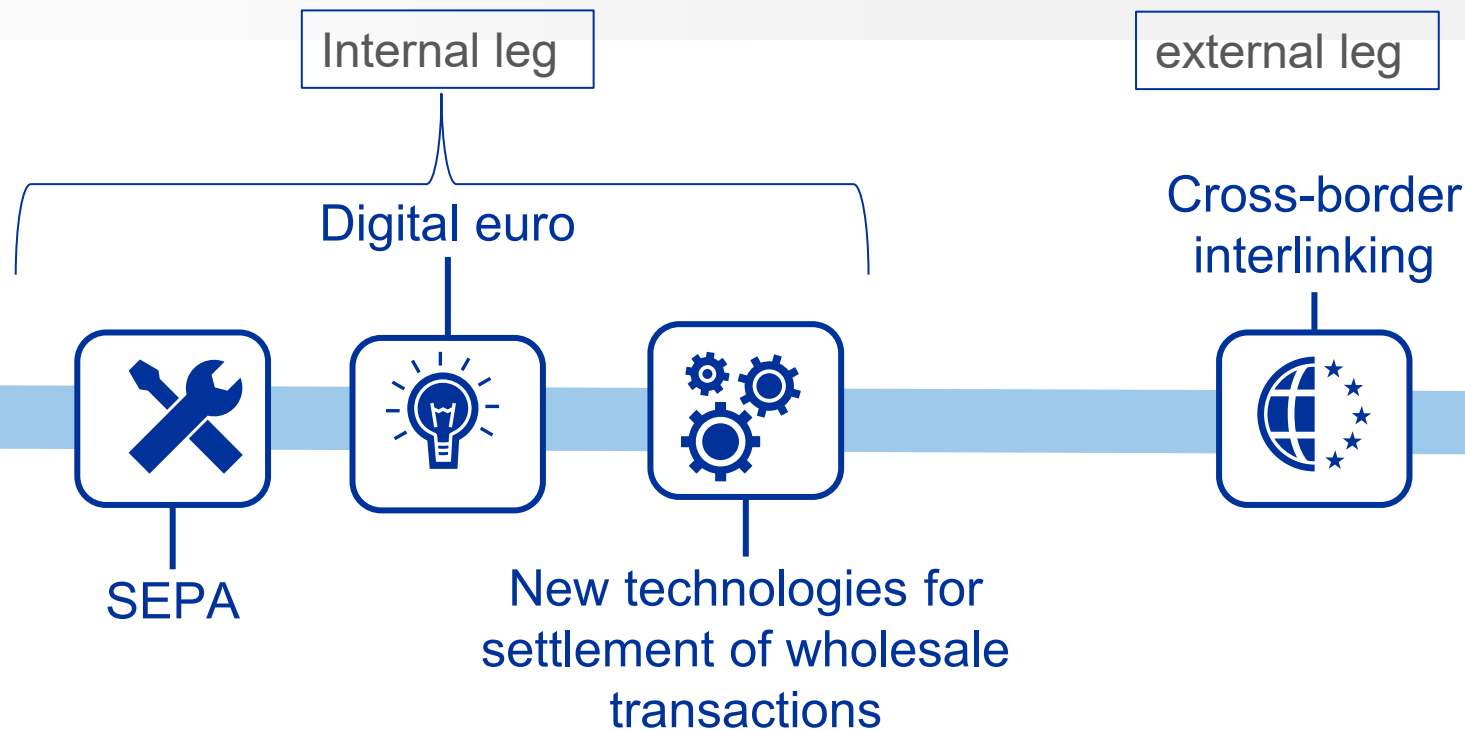


### Risk of fragmentation

- Geopolitical challenges
- European retail payment solutions remain national in scope and there is no European solution available to compete with international schemes

To address these challenges, the ECB is working on four main areas.

# Our four main areas of focus



# Enhancing the Single Euro Payments Area (SEPA)

The Single Euro Payments Area (SEPA) does not offer a digital payment option for our most important daily needs, namely in-store, mobile and e-commerce payments.

## The Eurosystem's retail payment strategy:



Our primary goal is to **foster the development of privately operated, pan-European solutions for payments** at the point of interaction, governed at the European level.

The **Eurosystem supports market-led initiatives** that meet a set of requirements established for a European solution at the point of interaction.



Another key priority is the **full deployment of instant payments**.



# Digital euro

To deliver on our mission and fulfil our responsibilities, we need to bring retail central bank money into the digital age by providing **a digital equivalent to cash**.

## A digital euro would empower Europe in three ways:



### Offer greater daily convenience

Digital euro as public money available to everyone and accepted everywhere



### Support private sector initiatives to scale up to pan-European level

Open standards



### Enhance Europe's strategic autonomy

The digital euro would be built with European technology and infrastructure

Currently, **we are laying the technical foundations for the potential issuance of a digital euro**.



## Exploring new technologies for settlement of wholesale transactions

**There has been a significant increase in the adoption of financial technology**, particularly distributed ledger technology (DLT) and tokens.

- ➔ DLT can **enhance efficiency**: Trading, settlement and custody on same platform; 24/7/365 operating hours; smart contracts to automate and speed up processes between issuers & investors
- ➔ A shared DLT platform could **lower barriers to entry**, enabling small and medium-sized enterprises to access capital markets

**To address strong market demand, the Eurosystem is conducting exploratory work to test DLT for the settlement of wholesale transactions in central bank money.**

The extensive implementation of tokenisation and DLT could revolutionise market structures and address the technological barriers to establishing a **capital markets union**.



# Cross-border interlinking

We have recently decided to launch initiatives to help improve cross-border payments inside and outside the EU, in line with G20 objectives.



## Multi-currency settlement

This will leverage the multi-currency feature of the Eurosystem's instant payments settlement service TIPS to settle funds end-to-end instantly in central bank money in multiple currencies. (**Sweden**, *Denmark, Norway*)



## Global cross-border payments

The ECB is committed to improving cross-border payments globally, including by interlinking with fast payment systems outside Europe (*India, Nexus, advanced economies*) .



## One-leg out instant payment scheme

We will explore how TIPS can support the use of the SEPA one-leg out instant payment scheme with selected partners, to make instant payments to payees outside the euro area possible (*Buna, Israel*).



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Thank you