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Member of the Executive Board

ECB-PUBLIC

Ms Irene Tinagli
Chair of the Committee on Economic
and Monetary Affairs
European Parliament
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Governing Council decision to launch the investigation phase of a digital euro

Dear Chair, dear Irene,

The ECB Governing Council has decided today to launch the investigation phase of a digital euro project. The investigation phase will last 24 months and aim to address key issues regarding design and distribution. A digital euro must be able to meet the needs of Europeans while at the same time helping to prevent illicit activities and avoiding any undesirable impact on financial stability and monetary policy. This will not prejudice any future decision on the possible issuance of a digital euro, which will come only later. In any event, a digital euro would complement cash, not replace it.

During the project investigation phase, the Eurosystem will focus on a possible functional design that is based on users' needs. It will examine the use cases that a digital euro should provide as a matter of priority to meet its objectives: a riskless, accessible and low-cost form of digital central bank money. Furthermore, the investigation phase will assess the possible impact of a digital euro on the market, identifying the design options to ensure privacy and avoid risks for euro area citizens, intermediaries and the overall economy. It will define the business model for supervised intermediaries within the digital euro ecosystem.

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The investigation phase will also shed light on the changes to the EU legislative framework which might be needed for introducing a digital euro and in which the European Parliament will be fully involved as European co-legislator.

Issuing a digital euro would affect our whole society. The alignment of European policymakers, mindful of their respective roles and mandates, and support from European citizens are a key success factor for its future acceptance. I am pleased to see the European Parliament's interest in, and support for, the Eurosystem's work in its recent resolutions.

In addition to the ECB President's regular hearings at the Committee on Economic and Monetary Affairs, I am personally committed to continuing the practice of regular exchanges on the digital euro with the Committee in the European Parliament throughout the project investigation phase. I stand ready to hold regular topical hearings with the Committee, following progress made in the investigation phase.

These topical exchanges of views could focus on major design issues and policy-relevant aspects of a digital euro, in a sequence aligned with the Eurosystem's project plan. I propose to schedule these exchanges at points in the investigation phase when the Eurosystem has formed a staff position, but before the Eurosystem High-Level Taskforce has come to its final assessment and prior to the Governing Council's decisions on design options. This scheduling would ensure that members' views can be appropriately taken into account in the Eurosystem's discussions. Naturally, we will also debrief the Committee ex post on any decision taken by the ECB Governing Council.

A discussion by the end of this year on policy objectives and uses of a digital euro – also taking into account the global context – could be a good starting point. The next topic – the trade-offs in the design of a digital euro between privacy and other EU policy objectives – could be discussed in the first or second quarter of 2022. In subsequent quarters we could move onto the potential impact of a digital euro on the financial system and the use of cash, followed by the discussion on business models of public and private participants in the digital euro ecosystem. The precise timing of exchanges will need to consider progress in the investigation phase.

The ECB will also continue to engage with other European institutions and authorities throughout the project investigation phase. We will have regular exchanges with the members of the Eurogroup on the topics outlined above. Moreover, in the joint contact group with the European Commission, we will continue reviewing at technical level a broad range of policy, legal and technical questions emerging from a possible introduction of a digital euro.

We look forward to continuing the discussions on the digital euro with you and members of the Committee in the coming months.

Yours sincerely,

Handwritten signature of Roberto Poletto in blue ink.