



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

*COURTESY TRANSLATION*

Christine LAGARDE  
President

Mr Antonio Maria Rinaldi  
Mr Marco Zanni  
Ms Francesca Donato  
Mr Valentino Grant  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

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**Re: Your letter (QZ-058)**

Honourable Members of the European Parliament,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 23 October 2020.

The Eurosystem provides safe money and a reliable means of payments to households, businesses and the broader financial system in the euro area. We have always been committed to maintaining confidence in our currency, which has meant adapting the form of money and payment services we provide to the changing ways in which people spend, save and invest. It is in this context that the Eurosystem is currently conducting conceptual analysis and practical experimentation on the technical solutions that might support the issuance of a digital euro in the future. Let me also say that I am very pleased that Mr Panetta recently had the opportunity to present the Eurosystem Report on a digital euro<sup>1</sup> and engage in an exchange of views with Members of the ECON Committee.<sup>2</sup>

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<sup>1</sup> See *Report on a digital euro*, ECB, October 2020 available at:  
[https://www.ecb.europa.eu/pub/pdf/other/Report\\_on\\_a\\_digital\\_euro~4d7268b458.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf)

<sup>2</sup> See *A digital euro for the digital era*, Committee on Economic and Monetary Affairs, 12 October 2020, available at:  
[https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201012\\_1~1d14637163.en.html](https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201012_1~1d14637163.en.html)

**Address**  
European Central Bank  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

**Postal address**  
European Central Bank  
60640 Frankfurt am Main  
Germany

Tel. +49-69-1344-0  
Fax: +49-69-1344-7305  
Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

With regard to your first question on whether transactions in digital euro would be managed in a centralised or decentralised system, let me explain that we are currently evaluating/exploring both centralised and decentralised approaches, which will rely on certain technologies, be they blockchain or others. We are assessing the implications of the respective approaches with regard to the functionalities that a digital euro could provide, including on user privacy in transactions. Irrespective of the technology used, the underlying back-end infrastructure should ultimately be controlled by the Eurosystem to reinforce trust in the digital euro as its liability. I would also like to stress that we will consider the issuance of a digital euro against the highest standards in terms of security and in full compliance with relevant regulatory frameworks, including anti-money laundering and countering the financing of terrorism regulations, which may have an impact on the degree of transparency required for individual transactions. For example, large-value transactions could be subject to a more stringent identification of the users involved.

As regards your second question related to geopolitical implications, the assessment of possible international spill-over effects of a digital euro, both within and outside the European Union, is an important part of our analysis. In this context, an open dialogue within the central banking community, with public authorities as well as in international fora, is already taking place. It remains crucial for the Eurosystem to complement its domestic efforts with close international cooperation to identify common principles and encourage innovation.<sup>3</sup> Such cooperation does not of course commit any central bank to issue a digital currency, which remains a sovereign decision to be taken by each individual monetary jurisdiction.

As regards your last question on the role of commercial banks in a digital euro system and the possible impact on their provision of credit, a digital euro, as outlined in the aforementioned report, should be made available on an equal basis in all euro area countries through supervised intermediaries, which could leverage their existing customer-facing services and avoid the costly duplication of processes. A digital euro would also be designed so as to be an attractive means of payment, not a form of investment, and thus avoid the associated risk of large shifts from private money (for example commercial bank deposits) to digital euro. The Eurosystem is assessing the tools that could be used to avoid such shifts with a view to safeguarding the stability of the banking sector, monetary policy transmission, and the retail payments system. The issuance of a digital euro would not in itself restrict banks' ability to grant loans that would be disbursed by crediting deposit accounts of the loan recipients. Moreover, as emphasised in the Eurosystem report on a digital euro, the private sector would be able to build new businesses based on digital euro-related services. A digital euro should ultimately be useful to citizens and foster innovation. It should therefore be integrated with the current payment systems, thereby creating synergies with the services provided by supervised intermediaries and leveraging on private initiatives that are in line with the Eurosystem's payments strategy.

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<sup>3</sup> The European Central Bank is part of an international central bank group – comprising the Bank of Canada, the Bank of Japan, Sveriges Riksbank, the Swiss National Bank, the Bank of England and the Federal Reserve System (Board of Governors), together with the Bank for International Settlements – which has recently published a joint report on foundational principles and core features of central bank digital currencies. See *Central bank digital currencies: foundational principles and core features*, Bank for International Settlements, 2020, available at: <https://www.bis.org/publ/othp33.pdf>

To close, let me highlight that the Eurosystem has now entered a phase of active listening and has launched a public consultation to receive feedback from all interested stakeholders, including future end users, on the design and on the financial and social issues surrounding the possible introduction of a digital euro.<sup>4</sup> The consultation will be open until 12 January 2021, and we encourage everyone to take part. Together with European institutions and authorities, I am looking forward to further discussing the framework that would be necessary to introduce a digital euro. The European Parliament, as co-legislator and representative of European citizens, will have a fundamental role in discussing the framework that would be necessary to introduce a digital euro.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>4</sup> See the information on the Public consultation on a digital euro on the ECB's website, available at: <https://www.ecb.europa.eu/paym/intro/cons/html/index.en.html>. The deadline is 23:59 CET on 12 January 2021.

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Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

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