

NON-PAPER BY FRANCE, GERMANY, ITALY, SPAIN AND THE NETHERLANDS ON A DIGITAL EURO

We welcome the efforts of all European and national institutions involved in the development of a digital euro and particularly thank the European Central Bank for all the technical work and consultations led so far. Digital euro could play a vital role to strengthen the strategic autonomy of the European Union and to foster financial sector innovation, while preserving the role of central bank money as an anchor for our monetary system. As the prospect of the introduction of a digital euro is coming closer and closer, it is necessary to reach a shared understanding of a secure and easily accessible digital euro. We therefore constructively support the European institutions in their efforts to enhance the discussions on central bank digital currencies.

In view of these discussions, we, Dutch, French, German, Italian and Spanish Economic and Financial Committee Members, stress that we look forward to addressing the following issues:

- **A digital euro should complement cash and should guarantee access to central bank money for everyone, especially in times of increased e-commerce and decline in cash payments.** A properly designed digital euro, which is safe, respects the right to privacy, is easy and convenient to use and widely accessible to the public, including in terms of costs for users, has the potential to foster innovation and financial inclusion, as well as to deliver major benefits for citizens, businesses and Member States. Furthermore, a digital euro also needs to be environmentally sustainable by design.
- **A digital euro should catalyse innovation in the financial sector and the real economy.** A digital euro should complement private-sector digital retail payment solutions, including when these are built around new forms of digital commercial bank money. Furthermore, a political discussion is needed on which functionalities and underlying technologies the digital euro should be based on. It is desirable for a digital euro to be a building block of the necessary architecture to meet demands for state-of-the-art payment solutions, while the euro's fungibility is preserved.
- **The legal tender status of the digital euro should be considered in order to ensure consistency with cash and make digital central bank money available for retail use.** Like traditional legal tender (banknotes and coins), a digital euro would have to be accessible to all in the euro area and capable of being used broadly. At the same time, cash should remain a reliable alternative to digital means of payment and payers should retain their discretion to also pay with cash.
- **A digital euro should contribute to the financial stability of the euro area.** The introduction of a digital euro must not impair the ability and the independence of the European System of Central Banks in ensuring monetary transmission in order to fulfil its price stability mandate. To safeguard the efficient allocation of capital in the euro area, a digital euro should be designed in a way that focuses on the payment function, while taking into consideration the full range of the attributes of money. We look forward to further robust and quantitative analysis on mechanisms to mitigate the impact of a digital euro on the financing of the economy, including but not limited to caps and tiered remuneration. We also expect discussions on the distribution modalities of a digital euro and the role of private actors, as well as on how associated costs will be borne.
- **Like cash, and to maintain and strengthen users' trust, a digital euro would need to allow for financial privacy.** In general terms, the identity of payers and payees shall not be

disclosed to the central bank or to third-party intermediaries that are not involved in the transaction, except on the basis of Union law. A digital euro would need to fulfil all necessary regulatory requirements in order to ensure effective combating of money laundering and the financing of terrorism, compliance with financial sanctions and tax rules. A risk-based approach could be followed to allow for more privacy in the case of less risky and smaller transactions.

- **The digital euro should contribute to shape the future of the international monetary system.** To the extent possible, a digital euro could be made interoperable with other central bank digital currencies in order to reap the potential benefits of faster, cheaper and safer cross-border transactions (cross-currency use) and to be used by residents from outside the euro area (cross-border use). The risks associated with the use of a digital euro outside the euro area must be minimised and monitored.

The close involvement of Member States and the timely sharing of information, starting from the current investigation phase, is necessary to ensure the pivotal role of the political discussion on a digital euro. The success of a digital euro depends on its ability to meet citizens' demands and its acceptance in our societies. The digital euro should therefore positively contribute on important topics such as the privacy of citizens, the financing of our economies and the robustness of the monetary and financial system. The issuance of a digital euro should be a common European project, supported by the European public and rely on a solid legal and democratic basis.

For the near future, we would expect an intense involvement of Member States in the process. Considering the far-reaching impacts on society and on the European economy, the creation and the definition of the main characteristics of the digital euro will require the intervention of the European co-legislators. Involving Member States at this stage would contribute to avoid possible future delays in the implementation of the digital euro. In this sense, we welcome recent initiatives from the European Commission and the President of the Eurogroup to engage member states and we stand ready to further contribute.