

EBA CLEARING's response to the European Commission's Targeted Consultation on a digital euro

The European Commission (Commission) conducted a targeted consultation on a digital euro. The Consultation seeks the views of stakeholders regarding a variety of aspects of a potential digital euro, including: the digital euro's role in EU retail payments and the digital economy, legal tender status, the impact on the financial sector and financial stability, the application of anti-money laundering and counter terrorist financing (AML-CFT) rules, and privacy and data protection.

This Consultation is in addition to the public consultation on the digital euro held by the European Central Bank (ECB) between October 2020 and January 2021.¹

EBA CLEARING has submitted a response for the European Commission's consideration raising the following points:

- **The euro already exists in a digital form**
 - Pan-European euro wholesale and retail payments in a digital form already exist today, e.g., RTGSs, TARGET2 and EURO1 for wholesale payments and STEP2-T, TIPS and RT1 for SEPA retail payments. Acceptance is very broad, and the euros are fungible.
 - The ecosystem around the current digital euro is mature and functions well. Any new form of the digital euro would need to be fully interoperable with the current ecosystem.

- **The European payments industry is competitive and innovative, and is well placed to meet the policy objectives cited by the Commission**
 - In recent years, the industry has made substantial investments in the roll-out of instant payments. The ecosystem is being operated with state-of-the-art technology, there is resilience and choice, and innovation will continue to enhance its functioning. The Commission should support the industry in leveraging these existing building blocks to further develop and foster the European payments industry.²

¹ EBA CLEARING's response to the ECB consultation is available here:

<https://www.ebaclearing.eu/media/azure/production/2665/eba-clearing-response-to-ecb-public-consultation-on-digital-euro-for-website.pdf>

² For example, EBA CLEARING has published the following visions for: (1) programmable money (*Demystifying programmable money: How the next generation of payment solutions can be built with existing infrastructure*, Journal of Payments Strategy & Systems, volume 15, number 4, Henry Stewart Publications); and (2) request to pay (*Request to Pay: Monetising the instant payments investments*, Journal of Digital Banking, volume 5, number 3, Henry Stewart Publications).

- Indeed, with SEPA Request to Pay (SRTP) in combination with instant payments, EBA CLEARING expects that payment solutions will become more accessible. The costs of acceptance infrastructure will decrease, especially for SMEs, because payment solutions could be integrated on existing mobile devices, using for example NFC and dynamic QR codes.
- A programme for the development of a digital euro introduces a risk of fragmentation and distraction, which would be counter-productive for achieving the Commission's policy objectives.
- **The roles which banks, payment institutions and other entities are fulfilling today for euros kept in electronic form, as intermediaries, should be the same for the provision of a digital euro to end-users**
 - The financial ecosystem has relied on this model for several decades now and the model has demonstrated a number of advantages, such as resilience and risk mitigation, as well as innovation, competition and bringing choice to end-users.
 - It is of key importance that the model used for the introduction of the digital euro does not create single points of failure. The benefits of having intermediaries in the model are, in particular, exemplified in situations of a financial crisis when, in case of a bank failure, the Central Bank can play its key role as lender of last resort and ensure financial stability. This intermediary layer plays an important shock-absorbing function and should continue to do so in a future digital euro set-up.
 - Any instrument to be implemented by the Central Bank should be simple, standardised and effective, and should avoid creating barriers to use or entry. The playing field between public-sector and private-sector initiatives should be level in order to stimulate innovation and prevent crowding out the private sector. In this respect, any new form of the digital euro should be fully compatible, fungible and interoperable with the current ecosystem, i.e., commercial bank obligations.
 - The concept of a level playing field includes the regulatory framework. Equivalent compliance requirements for both forms of euro would facilitate interoperability and avoid a scenario in which the digital euro creates new frictions in payment processing. Today, euros in electronic form do not have the status of legal tender, in contrast with cash. If the digital euro were to have legal tender status, this would severely distort the level playing field between the digital euro and other means of electronic payment.

EBA CLEARING is very interested in continuing its active dialogue with the Commission and the ECB on the evolution of the euro payments landscape in general and, in particular, to discuss the different areas for collaboration between the private and public sector, as noted in the response above.

As the system operator of two pan-European systemically important payment systems,

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EURO1 and STEP2-T, and one of the two pan-European SCT Inst payment systems, RT1, as well as ancillary services around these, and due to its pan-European user-driven governance and DNA, EBA CLEARING has valuable contributions that could be leveraged for the success and roll-out of the digital euro and the overall objectives of Europe in this regard.