

**EGOV**

ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT



ECONOMIC GOVERNANCE

What's next for the digital euro?

(November 2023)

This briefing summarises the conclusions of the ECB's investigation phase and gives an overview of the recent legislative proposals from the Commission. It also discusses the ECB's legal opinion, highlighting where the ECB has concerns with the legislative proposals. These concerns chiefly result from perceived intrusions by the legislation into the ECB's monetary policy competences. Finally, the briefing points out open questions and tentative answers, including on the delineation of competences between the legislator and the central bank, for the attention of the competent Committee of the European Parliament.

1. ECB's conclusions from the investigation phase

The European Central Bank (ECB) has announced that it will move on to the “preparation phase” of the digital euro project. This is without prejudice to any future decision on issuance, which the ECB would in any case take only after a legislative framework is adopted. **The ECB's announcement follows a two-year investigation into the feasibility of introducing a digital euro to complement cash** in response to the increasing popularity of digital payments. A recent ECB [report](#) on the investigation phase gives account of the results. For further details, please refer to **EGOV's previous [analysis](#).**

The ECB concluded that the digital euro would coexist with physical cash and other electronic payment methods, providing users with more payment options. It is intended to address the risk of dependency on foreign payment providers and to enhance Europe's resilience. It would offer **European governance, its own infrastructure, and a platform for pan-European services.**

The digital euro is designed to be available to residents of the euro area, allowing them to choose their digital euro services provider, and potentially extended to those residing in non-euro area countries. Businesses within the euro area could accept digital euro payments, and the public sector would also be able to make and receive digital euro payments. The onboarding process - basically, the opening of a digital euro account - for users would vary based on existing business relationships and the need for know-your-customer (KYC) checks. It would be usable both online and offline, with online payments requiring payment service provider (PSP) validation and offline payments allowing for a cash-like level of privacy.



The **digital euro would have holding limits (see also the further discussion below in light of the ECB's legal opinion)**. Seeking to ensure a balance between bank deposits and central bank money, individual holding limits would rein in the digital euro as an investment option. Such limits aim to maintain financial stability and prevent sudden large-scale shifts from bank deposits to digital euro, which could impact short-term liquidity and commercial bank funding. Despite holding limits, (reverse) waterfall functionalities (i.e. automatic transfers to/from users (bank) accounts when minimum or maximum holding thresholds are reached) would allow for the execution of a transaction once the threshold becomes binding by optionally means of linking the digital euro account with a payment account.

The ECB's investigation phase report foresees **that payment service providers (PSPs) would distribute the digital euro** and outlines the key roles and responsibilities they would have. Users would open and manage digital euro accounts with PSPs, which would act as intermediaries between the central bank and end users. PSPs would provide essential services, including onboarding/offboarding (opening and closing digital euro accounts), payment instrument management, linking digital euro accounts to commercial bank accounts, and user lifecycle management. The ECB considers the digital euro as a collaborative effort between the public and private sectors, with the aim to make the digital euro widely accessible and functional.

The report places a strong emphasis on supporting financial and digital inclusion. It acknowledges that euro cash is crucial for financial inclusion. According to the ECB's argument, as the use of digital payments increases, a digital euro should maintain a similar level of inclusiveness to cash. It follows that the ECB wants to ensure that a digital euro is accessible, user-friendly, and affordable for individuals who may be vulnerable to digital financial exclusion, such as those with low digital skills, disabilities, the elderly, or people living in areas with poor internet connectivity. Member States are expected to designate entities to offer support and assistance to individuals at risk of digital financial exclusion, including onboarding and use of digital euro services, with no cost to eligible individuals.

The ECB highlights privacy and data protection as fundamental aspects of the digital euro proposal, with a focus on maintaining individual rights and ensuring public trust. The aim is to safeguard users' privacy by ensuring that central banks cannot access or store data that could directly identify users. The Eurosystem plans to minimise its involvement in user data processing, with pseudonymisation (i.e., the accounts with the ECB would have a pseudonym, such as an account number, while the ECB would try to avoid knowing the actual name of the accounts beneficiary) and encryption. Such privacy measures would prevent the ECB from identifying individuals making digital euro payments.

However, **privacy and data protection must be balanced with anti-money laundering, terrorism financing (AML/CTF), and tax evasion prevention**, as well as facilitating open banking. All this would fall into the remit of the PSPs that manage the accounts of end users and would need to identify them in the onboarding process. Beyond the needs of AML/CTF and so forth, users would have control over how their personal data are used, with the option to allow PSPs to process their data for commercial purposes or additional services on an opt-in basis. The ECB envisages **an online and an offline version of the digital euro**; the online version would be privacy-wise comparable to using a bank account and cards for payments, while the offline version would be more similar to cash, allowing, within certain limits, an anonymous use where the payment services provider cannot see individual payments.

The report considers that the **investigation phase of the digital euro has demonstrated the feasibility of developing a digital euro that aligns with user needs and Eurosystem requirements.**

2. Overview of the Commission legislative package on the digital euro

On 28 June 2023, **the European Commission presented a package of legislative proposals** on the digital euro. The Commission package comprises:

- [A proposal for a Regulation on the establishment of the digital euro](#);
- [A proposal for Regulation on the legal tender of euro banknotes and coins](#), which regulates the mandatory acceptance of central bank money, including in its potential digital form;
- [A proposal for the Regulation on the provision of the digital euro by payment service providers in Member States whose currency is not the euro](#) to clarify the interaction of the introduction of a digital euro with non-euro area providers.

The **key objective of the legislative package is to establish a digital form of central bank money**, clarifying that this would merely complement its physical form (i.e. banknotes and coins) while laying out the rules and conditions for its use.

Among key headlines from the Commission proposal:

1. The digital euro would be issued by the Eurosystem, following authorisation by the ECB. It will serve as a **means of payments** and the Commission foresees that **the ECB is “required to develop instruments that limit the use of the digital euro as a store of value.”** To this end, the proposal envisages that the ECB *can* define quantitative thresholds to limit the use of the digital euro by natural persons (“holding limits”) and requires that the ECB does not pay interest on digital euro holdings. While conditional payments (say, automatic payments on a specific date) would be possible, the proposal rejects the possibility of making the digital euro “programmable money” (money that expires or can only be used for limited purposes).

2. The digital euro would be conferred legal tender status, making it mandatory for payees to accept payments in digital euro. The proposal explicitly requires Member States to appoint National Competent Authorities to monitor and address the implementation of rules related to its mandatory acceptance. A few exemptions are introduced, e.g. for microenterprises, while leaving the door open to the definition of further exclusions by the Commission in the future.

3. A digital euro would be first available to euro area residents or visitors, though it could be made available at a later stage outside the euro area following bilateral agreements between the ECB and the national central banks of non-euro area Member States or the EU and third countries. The ECB and the Commission are aligned as to who should be able to use the digital euro (article 13).

4. A digital euro would be available for both online and offline use. The Commission proposes to deal with **privacy** and **data protection** along the lines of the ECB’s report, see above.

5. In light of its legal tender status, the proposal lays down rules related to the compensation. The key fees and charges would be represented by **merchant service charges or inter-PSP fees**. The ECB would be called to monitor on the uniform and proportionate application of rules across the euro area. In particular, the ECB should ensure that fees and charges do not exceed the lower amount between (1) the relevant cost of PSPs, which would cover a reasonable amount of profit, and (2) the charges for comparable means of payments. The ECB would also bear its own costs. No fees are foreseen for funding / de-funding operations.

6. All payment service providers authorised to offer their services in the EU would be able to distribute the digital euro. Distribution would however be mandatory only of credit institutions. Annex II

of the proposal outlines a number of basic digital euro functions that should to be offered free of charge to natural persons¹. Additional innovative services could instead be provided at a cost.

For further details, please refer to the **European Parliamentary Research Services' [legislative briefing on the digital euro package](#)**.

3. ECB opinion on the Commission's digital euro proposals

The ECB's opinion ([CON/2023/34](#)) welcomes the legislative proposal in principle. Nevertheless, the ECB recommends a number of changes to the proposed legislation. At a high level, the ECB sees the proposed legislation as a **necessary basis** for regulating the use of and services around the digital euro. The ECB will thus not issue digital euro before the proposal becomes legislation (see Section 5 below). Nevertheless, the ECB emphasises that the **decision to design and eventually issue digital euro (or not) is part of monetary policy and thus its sole prerogative** - rather than that of the legislator.

This monetary policy prerogative is also at the heart of the more far-reaching changes suggested by the ECB. **There is an apparent divergence of views between the Commission and the ECB about what is required to regulate the use of digital euro on the one hand and what freedom is required for the ECB in order to safeguard its independent conduct of monetary policy.** A first case in point is that the Commission requires the ECB to set holdings limits for individual users, and to do so "in particular" for the sake of financial stability. The ECB does not dispute at this stage that holdings limits should apply. However, it **suggests to delete the obligation to set holdings limits in proposed secondary legislation**, since it considers that the setting of such limits is its own sole responsibility under the Treaties. The ECB also recognises the importance of financial stability as one objective of such limits. Namely, a limit on individual holdings would prevent that in a banking panic, depositors withdraw large deposits from banks and deposit them in their digital euro accounts with the ECB. The ECB however objects to the legal text emphasising the "particular" importance when setting those limits. The ECB recalls in this context that its core mandate is monetary policy, which is also one of the determining factors when setting the limits.

For similar reasons, **the ECB also objects the proposed ban on interest payments for digital euro holdings in secondary legislation.** On the one hand, the ECB endorses for now that digital euro holdings should not bear interest. On the other hand, it does not want to exclude future scenarios where it may want to remunerate holdings and emphasises again that paying interest is within the remit of monetary policy and should not be constrained by secondary legislation. Taking both limits and interest payments together, the decisions at stake also have **interesting structural implications**, in addition to the financial stability concern already mentioned. The higher any holdings limits are set and the higher any eventual future remuneration for holdings would be, the more of a close substitute for commercial bank deposits the digital euro could become at some point in the future - whereas today, it is only commercial banks that can take deposits as a wherewithal to allocate credit to households and firms.

While the setting of holding limits with banking sector stability in mind has been [studied](#), it has not been researched to our knowledge **under what circumstances holdings limits should be set differently when either financial stability or price stability is prioritised, or under what circumstances the digital euro should be remunerated for the sake of optimal monetary policy.** In principle, it is conceivable that higher digital euro holdings by private individuals could help the central bank **withdraw eventual excess reserves**

¹ At this stage the Commission proposal and the ECB differ to some extent on what constitutes a basic service available for free. The Commission does not consider automated funding, portability and dispute management as such services while it includes funding and defunding with cash.

from banks, or help it to **adjust credit allocation** to the economy by returning the reserves to the commercial banks against specific collateral or outright securities purchases. **Fully acknowledging that the ECB clearly wants at this stage not to remunerate the digital euro, the public hearing might be an opportunity to discuss with the ECB in what possible scenarios remuneration would be warranted and what the implications for monetary policy and commercial banks would be.**

These rather more fundamental concerns aside, the ECB points out a number of further recommendations for the legislative process:

- The ECB is content how the recitals describe the respective **liabilities of the ECB (see Box 1) and PSPs** vis-à-vis end users, but would appreciate it they were also stipulated in the articles (enacting terms).
- The ECB invites the legislator to consider if **each user should be limited to having a single digital euro account** only, which would facilitate the compliance with holding levels.
- The proposal imposes a **requirement to offer digital euro accounts** only on banks and certain public entities, but it allows a wide range of PSPs to do so voluntarily. The ECB recommends considering if the obligation should extend to certain PSPs.
- The ECB recommends **extending the list of so-called “basic services”** which have to be provided to users free of charge. In particular it should also include **automated funding/defunding** (i.e. transferring money to or from a bank account when the digital euro account is empty or exceeds the holding limit, what arguably provides convenience to users relative to doing so manually), **switching accounts** from one provider to another (to enhance competition) and **dispute management**. The ECB also recommends a **delegated power** for the Commission to update the list.
- The ECB recommends to frame the required joint **AML guidelines** in law with minimum standards to make sure they deliver the desired consistency.
- Our earlier [in-depth analysis](#) discussed the issue of regulating the **remuneration for PSPs and costs for merchants** in detail and pointed to open questions regarding the attractiveness of the digital euro. The ECB suggests tightening up the regulation of this remuneration further, for instance with “robust enforcement mechanisms” and by clarifying undefined parameters as the “reasonable margin of profit”. It also recommends to review the legal mechanism for setting the fees since a publication by the ECB cannot entail the necessary legally binding power. The fees should be regulated instead by a delegated act of the Commission.
- The ECB seeks a number of clarifications regarding the **distribution of the digital euro outside the euro area**. For instance, it wants clarity that a visitor can only use digital euro during its visit and it seeks certain powers over non-euro area national central banks and PSPs.

Box 1: ECB's liability and the legal base

Since the beginning, **the ECB has emphasised that the digital euro will be a liability on its balance sheet**. However, as we pointed out in our [in-depth analysis](#) on the progress reports, the nature of this liability is not easy to grasp since the ECB is not liable to an individual user for anything particular; in that sense, there is more of a political liability to ensure monetary stability at stake. In this context, the Commission's recitals, and also the ECB's opinion, emphasise that there is **no account contract, and hence no contractual liability, between the user and the ECB**. The contract is accordingly between the user and the PSP. This is also important for the **legal base** of the digital euro: Even if there is no account contract, **there is nevertheless an account for the individual user at the ECB** where her digital euro holdings are recorded. Does this constitute opening an account or is the opening of an account the act performed by the PSP? **Article 17 of the ESCB Statute provides that the ECB can open accounts for “market participants”**, but does not talk about private individuals. Neither the Commission nor the ECB discuss if this article needs a change to allow the ECB to issue digital euro. In principle, this provision of the statute can be changed in ordinary legislative procedure.

- While the ECB has announced that **on- and offline digital euro would be available from the start**, it would prefer not to be legally bound to this and instead emphasise this involves a “best effort” on its side. This hints at the technical challenges that still need to be overcome for the offline version.

4. Open questions

As the comparison between the Commission proposal and the ECB opinion reveals, **co-legislators will have to consider a fundamental question relating to central bank independence**. Major policy choices on the design of a digital euro conceal an inherent tension on the allocation of competences between the legislator, the EU’s executive and the central bank itself. On the one hand, central bank independence is enshrined in the treaties for very good reasons. On the other hand, designing and eventually issuing a digital euro is a potentially wide-ranging decision due to implications for the competitiveness of parts of the financial services sector.

Its usefulness for monetary policy aside, the digital euro inevitably also will have some structural impact on the financial system. As it is designed, the digital euro will become a good substitute, and maybe a superior competitor, for private payment systems, at least as far as private users are concerned. However, in function of hypothetical future decisions, farther-reaching structural implications are imaginable, even if they are clearly not what the ECB aims at. First, from a purely technical perspective, a broader spectrum of users of digital euro payments is not unthinkable. Second, in the extreme, if no holding limits were set, or if holding limits were set very high, and if eventually some remuneration for holdings were to be paid, a digital euro could also become a very close substitute for deposits with private banks. In such a constellation, the central bank’s role in the economy would be much enlarged, for instance regarding the allocation of credit by lending the deposits it receives to commercial banks or investing them in bonds. To be sure, such a constellation is merely portrayed here as an exaggeration for illustration purposes and very far from what the ECB has in mind, as evidenced by its report summarised above. Nevertheless, the question is in order **to what extent the legislator should be able to frame decisions of such potential structural reach**. When the Treaties and the ESCB Statute were adopted, the central banks issued only banknotes and only “market participants” had money in accounts with the central banks (see also Box 1). The roles of commercial banks and central banks were clear-cut so that competition between them was not an issue.

The ECB’s opinion highlights how these questions ultimately relate to the core nature of money, including in its digital form. The ECB’s request to maintain freedom on the definition of holding limits is strictly connected not only to whether the digital euro should be allowed to store value per se, but to broader financial stability considerations that feed into the secondary objective of the ECB in its conduct of monetary policy in the euro area. Similarly, the ECB seeks to retain the amplest room of manoeuvre on future monetary policy instruments by requesting to keep open-ended the possibility to remunerate a digital euro should this be necessary. The question for co-legislators is whether such additional firepower is needed and desirable.

These institutional tensions emerged at an early phase of the discussion of the digital euro. In our first [analysis](#) of the ECB progress reports, we had highlighted the **divergences between the ECB and the Commission on the preferred legal basis for the legislative framework** underpinning the issuance of the digital euro. In its first [report on a digital euro](#), the ECB had indicated [Article 127\(2\)](#) of the Treaty on the Functioning of the EU (TFEU) as its preferred legal basis by granting it an ample margin of discretion by seeing the issuance of a digital euro as part of its monetary policy responsibility and its duty “to promote the smooth operation of the payment system”. This diverges from the approach of the Commission of

recurring to [Article 133 TFEU](#) to allow co-legislators to **“lay down the measures necessary for the use of the euro as the single currency”**.

The looming differences in views on the institutional aspects between the ECB and the legislator could also raise interest in possible safeguards needed before progressing with the issuing of digital euro. While the ECB has reiterated that it would not decide on issuance before the conclusion of the legislative process, **co-legislators might consider in the course of their negotiations the introduction of a “democratic safeguard” to further restrict the scope of action by the ECB by subjecting the decision on issuance to their consent**. This possibility is currently not foreseen in the Commission's legislative proposal, yet it might be brought forward in an attempt to ultimately require the ECB to get a democratic greenlight and political buy-in before moving forward with issuance. The feasibility of this procedure would ultimately rest on the interpretation of the Treaties and on the interaction between the issuance of the digital euro with the ECB's conduct of monetary policy.

Specifically, Article 129(3) TFEU should be considered in this context. It lists **a number of provisions of the ESCB Statute that can be changed by ordinary legislative procedure**². Accordingly, primary legislation does envisage some room for the legislator to frame the conduct of the ECB's policies, while safeguarding an unchangeable main body of provisions that concerns the core of the ECB's independence. Article 17 of the Statute (dealing with accounts with the ECB and the national central banks), is one of the provisions that can be changed. Since the digital euro consists in liabilities in accounts with the ECB, this article might offer an **opportunity for expanding and at the same time appropriately framing who can deposit money in accounts with the ECB and potentially also under what conditions**, such as holding limits and remuneration (or absence thereof). This does not obviate the need for carefully analysing what conditions or framing are compatible with the monetary policy prerogative and independence of the ECB under Articles 127 and 130 TFEU. Ordinary legislative procedure should and cannot be used to constrain monetary policy. In this context, it may be noted that **our understanding of how variables such as holding limits and remuneration are relevant for the conduct of monetary policy is still rather limited**.

The ECB in its report on the investigation phase has also highlighted a number of more technical questions to be addressed at a later stage. Among them, the ECB points to the need to define the **amount of funds that business users could hold in offline devices** for the purpose of allowing offline transactions. Currently, the ECB foresees that online holdings for business users should be zero, implying an automatic defunding (waterfall³) upon reception of a payment. There is however a difference with respect to offline transactions, where digital euros should be enabled to stay on the device, at least until defunding, for the purposes of enabling the transaction. Similarly, the ECB opens to the **definition of higher privacy standards for certain online transactions**. This could be done by defining a transaction threshold below which simplified due diligence procedures could be foreseen in line with existing practices under the Transfer of Funds Regulation (TFR). Finally, other choices could imply the **definition of a harmonised minimum age to open a digital euro account**.

² The legislator can act on the relevant Statute provisions either upon a Commission proposal or upon a recommendation from the ECB, where the latter approach may provide the ECB the possibility to launch legislative deliberations into the direction it considers most appropriate for monetary policy, accompanied by an explanation of needs and motives and an impact assessment.

³ The ECB [defines](#) the waterfall as the approach as a method to allow to automatically convert *“the amount of digital euro that exceeds a defined holding threshold into private money, in a linked liquidity source chosen by the digital euro user such as a private money account”*.

5. Next steps

While the ECB sees it as its prerogative to decide whether to issue digital euro or not, it recognises that the introduction of a digital euro requires a dedicated legislative framework (please see the discussion of the Commission's proposal and the ECB's opinion above). Therefore, the ECB will await decisions from European co-legislators before taking this final step.

In the meantime, **the ECB's Governing Council has now launched a so-called preparation phase to run for two years, starting on November 2023**, focusing on testing, experimentation, and continued stakeholder consultation. It will determine future steps based on results from the preparation phase and legislative developments.

Following the publication of the digital euro package by the Commission, **the European Parliament and the Council kicked off their legislative discussion on the proposals in summer 2023**. The ECB is ready to provide technical input to support EU co-legislators and will closely follow the legislative debate to ensure future compliance with the legal framework. Ultimately, the timing of the final legislation will depend on the progress done under this parliamentary term and the positions taken by the new parliament as constituted after the European election in June 2024.

In the European Parliament, the Committee on Economic and Monetary Affairs (ECON) has been appointed as the responsible committee for the package under the leadership of MEP Stefan Berger (EPP, Germany)⁴. A public hearing on the digital euro is currently scheduled on 28 November 2023. The ECON Committee has also regularly held public hearings with former ECB Executive Board Member Fabio Panetta, who was responsible for the digital euro project, to discuss progress. Following the departure of Mr Panetta as he became the Governor of the Bank of Italy, this dialogue is expected to continue with its successor Piero Cipollone. The European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE) is also associated with competences on privacy and data protection aspects with Bulgarian MEP Emil Radev (EPP) serving as rapporteur for opinion. The [draft opinion](#) was published on 14 November 2023 and is open for amendments until 8 December 2023.

In the Council, the Spanish Presidency has launched legislative discussions among Member States in the summer. Member States have also regularly engaged on discussions on the digital euro in the Eurogroup, which [welcomed](#) the decision to move to the preparation phase and committed to continue to *"play an active role in providing a complementary political strategic anchor to the future work"*.

⁴ For a full composition of the negotiating team, please refer to the EP legislative observatory for the proposal on the establishment of the digital euro ([here](#)), for the proposal on the provision of the digital euro by non-euro area PSPs ([here](#)), and for the proposal on the legal tender of euro banknote and coins ([here](#)).

Box 2: Eurogroup statement on the digital euro project

On 16 January 2023, the Eurogroup issued a [statement](#) on the digital euro projects providing political guidance on some of its key features. The statement reiterates the need to take decisions on the “main features and design choices” of the digital euro at political level and particularly underlines the role of involving co-legislators in the definition of such elements.

The Eurogroup particularly highlighted that:

- The **digital euro should not replace cash** but rather be a complement, granting access to central bank money as payments are increasingly digitalised.
- **Safety, privacy, ease and convenience of use, wide accessibility** (also in terms of costs) are key element of the final design. Ministers also requested to assess the environmental implications of a digital euro.
- **Privacy is key to maintain trust and the design should address AML/CTF considerations, prevent tax evasion and ensure sanctions compliance.** Through a risk-based approach, there could be differentiations on the level of privacy depending on the risk of the transaction and citizen's preferences.
- Ministers support having an **offline functionality, contributing to financial inclusion.**
- The digital euro should **safeguard financial stability.** In this respect, finance ministers float the idea of setting up **holding thresholds** and further have quantitative analysis on other potential constraints on the design of the digital euro. It also calls against threatening the independence of the ESCB and **preserving monetary transmission.**
- The digital euro should have a **pan-European nature and leverage public-private partnerships.** It should be built on a European infrastructure and have supervised intermediaries play a crucial role in the ecosystem.
- The digital euro should drive innovation in future payment solutions. Finance ministers underlined that it could be used to program payments and should be able to be convertible at par for other forms of the euro. However, the **“digital euro (...) cannot be a programmable money”.**
- The digital euro should focus on the euro area while being **interoperable with other CBDCs**, thus facilitating cross-currency and cross-border transactions. Risks associated with the use outside of the euro area should be mitigated.

The Eurogroup also committed to continue discussing the project, including implications for non-euro area Member States.

Annex

External expertise on the digital euro commissioned by the ECON Committee

[Ignazio ANGELONI](#) focuses on the main relevant aspects: market impact, implications for banks, design and technical issues, monetary policy, financial stability, the role of fintech and Big Techs, international dimensions, privacy, and financial inclusion. On each, **brief recommendations for the ECON Committee's work** are offered. The concluding judgment is broadly positive on the preparatory work but **doubtful on the wisdom of eventually launching a digital euro**.

[Seraina GRÜNEWALD](#) assesses the digital euro from a legal perspective. She finds that whether or not to issue a digital euro is for the ECB to decide, while **the co-legislators' role is to "recognise" the digital euro** and integrate it in the EU's broader legal framework. She expresses concerns about low holding limits and remuneration for the digital euro and encourages a reflection about the remuneration of intermediaries.

[Christian HOFMANN](#) argues **in favour of the introduction of a digital euro** because of its benefits for the public's store of value and cashless payment options. In his conclusions, he questions the ECB's assumption that caps on digital euro holdings would be necessary in the interest of financial stability. He favours instead an approach that allows everyone **unlimited access to digital euros**.

[Cyril MONNET](#) finds a digital euro **socially desirable**. However, he fears that the envisaged design makes the **use case questionable** from consumers' point of view, in part because it will offer less convenience than other, commercially provided, digital means of payment. His study lays out some desirable design features of a digital euro that can foster broad adoption.

[Annelieke MOOIJ](#) considers that the ECB's primary mandate allows the digital euro to be legal tender and remunerated. However, **the creation of a payment platform requires a mandate from the EU legislator**. Regarding data protection and fundamental rights, the **author recommends additional guidance in secondary legislation**, including determining supervision by the European Data Protection Supervisor.

[Dirk NIEPELT](#) considers that the two progress reports provide an **insightful overview** over some of the thinking underlying the digital euro project. Nevertheless, he concludes that **the reports remain vague** in some respects given the early stage of the project.

Disclaimer and copyright. The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2023.

Contact: egov@ep.europa.eu

This document is available on the internet at: www.europarl.europa.eu/supporting-analyses