

Minutes of the 4th meeting of the FinTech Working Group
Chair: Stasys Jakeliūnas

Topic: Central Bank Digital Currencies (CBDCs)
27 October 2020

Agenda

1. Welcome by the Chair
2. Presentation of the report “[Central bank digital currencies: foundational principles and core features](#)” by Mr Benoît Cœuré, Bank for International Settlements (BIS) Head of the Innovation Hub
3. Presentation of the [ECB report on a digital euro](#) by Mr Ulrich Bindseil, European Central Bank (ECB) Director General for Market Infrastructures and Payments
4. Presentation of the [Riksbank's e-krona project](#) by Mr Henry Ohlsson, Swedish Central Bank (Sveriges Riksbank) Deputy Governor
5. Q&A session
6. AOB

Participating Members of the European Parliament: Stasys Jakeliūnas (Greens/Chair of the FinTech Working Group), Othmar Karas (EPP), Jessica Polfjärd (EPP), Eva Kaili (S&D), Eero Heinäluoma (S&D), Jessica Stegrud (ECR), Chris MacManus (GUE/NGL), Ondřej Kovařík (Renew);

External Guest Speakers: Mr Benoît Cœuré (BIS Innovation Hub), Mr Ulrich Bindseil (ECB), Mr Henry Ohlsson (Sveriges Riksbank);

External Participants: Jean Allix (BEUC).

Meeting Summary

After the welcoming and opening words of **MEP Stasys Jakeliūnas**, Chair of the FinTech Working Group, **Benoît Cœuré**, Head of the Bank for International Settlements (BIS) Innovation Hub, kicked off his intervention with a presentation on Central Bank Digital Currencies (CBDCs), the state of play of the work done by seven central banks worldwide and the BIS, and also the rationality behind these activities. He also informed participants on the recent published report, and the common foundational principles and core features of CBDCs: 1) do not harm to wider policy objectives, 2) ensure coexistence and complementarity of public and private forms of money and 3) promote innovation and efficiency. According to the BIS, if CBDCs meet these principles and features, they can be an important instrument for central banks to deliver their policy objectives. The BIS will continue to further investigate policy questions and identify different technical solutions for CBDCs. Mr Cœuré concluded his intervention presenting the BIS Innovation Hub and its objectives as well immediate plans, in particular on CBDCs and cross-border payments.

Ulrich Bindseil, Director General for Market Infrastructures and Payment at the European Central Bank (ECB), focused his intervention on the ECB report on the Digital Euro and highlighted the complementary rather than substitutionary role of the digital euro to cash,

and the importance of synergies with the financial industry. According to the ECB, the digital euro will contribute to the digitalisation of the EU economy, preserve usability for citizens of central bank money in case the usability of banknotes would decline due to factors outside the control of the central bank, and to tackle sovereignty concerns related to private digital means of payment or possible future foreign CBDC. Balance sheet sizes of central banks should not change if CBDCs were replacing cash. Mr Bindseil also touched upon different aspects of the development of a digital euro, including end-user perspectives, design decisions, legal issues, back-end infrastructures (TARGET services), front-end infrastructures and distribution frameworks. The ECB representative also informed participants of the public consultation launched on digital euro. Towards mid-2021, a decision is expected on whether to launch a digital euro project.

The meeting continued with the intervention of **Henry Ohlsson**, Deputy Governor at the Swedish Central Bank (Sveriges Riksbank). Mr Ohlsson started with presenting the decreasing percentages of cash payments in Sweden, the role of the state in payment systems, and the risks of a cashless society. On the e-krona project, Mr Ohlsson explained how the project was initiated, its objectives and evolution; and pointed out that a final decision on launching the e-krona has not been taken yet.

In the following Q&A session, **MEP Ondřej Kovařík** enquired about the state of play of other CBDCs initiatives beyond the EU, particularly in China, and the lessons learned from the e-krona pilot project, in particular on the risks related to financial stability. Mr Coeuré elaborated on the outcome of the BIS survey on central banks' work on CBDCs around the globe and on private projects, such as Libra, and mentioned that the COVID-19 outbreak has sparked off more interest for CBDCs. As for the lessons learned, Mr Ohlsson mentioned matters related to technology and the legal framework. He finished his intervention by stating that CBDCs should not interfere with financial stability and monetary policy.

MEP Eero Heinäluoma asked about further financial stability aspects, remuneration aspects, and cybersecurity and anti-money laundering (AML) risks. Mr Coeuré stated that CBDC should be considered separately from the monetary policy tasks. Regarding developing small open economies, Mr Coeuré shared concerns that CBDCs may result in effects similar to dollarization, i.e., a partial loss of autonomy in monetary policy decisions. Due to the technical features of CBDCs, such affects may occur at much greater speed than past dollarization effects. Regarding remuneration, he pointed out that it had not yet been decided whether or not deposits in the form of CBDCs would pay interest. Regarding AML, privacy matters should also be considered, so, it will be necessary to find the right balance between CBDCs and anonymity. Thus, CBDCs projects should start from policy rather the technical choices. Regarding cyber security, Mr Coeuré stated that it was necessary to find solutions considering IT architectures of both central and commercial banks.

MEP Chris MacManus intervened regarding cashless societies and potential negative impacts on social inclusion. This concern was also raised by **Jean Allix**, special advisor on financial services at the European Consumer Organisation (BEUC). Mr Ohlsson outlined that concerning the equality issue, private sector will not be able to provide a solution. CBDCs would not leave anyone behind as even without a bank account, the citizens are currently interacting with the public sector via many different ways, and, therefore, further means to

involve all segments of the population would be developed accordingly. Mr Coeuré explained that innovative solutions are being already investigated in this regard, both in developed and developing countries.

The Chair asked the guest speakers if the adoption of CBDCs may result in banking deposits moving from commercial banks to central banks and how to deal with this. According to Mr Ohlsson, this might be the case, but this flow should not be significant, except in crisis times. He also added that commercial banks are providing a broad range of services, thus, peoples' interest in banks will stay mostly the same, in spite of CBDCs.

The Chair closed the meeting thanking everyone for having participated. Discussions on this matter, within this Working Group, will continue. The next meeting of the FinTech Working Group will take place before the end of the year and may focus on private players including Libra and their supervision.