

## **10<sup>th</sup> Meeting of the Fintech Working Group**

29 November 2022, 14h30-16h15

Meeting room SPINELLI 5E2 (Language regime: EN)

**Chair MEP Stasys Jakeliūnas**

### **Money at a crossroad: retail CBDCs vs. privately issued crypto-assets**

#### Minutes of the meeting

**MEP Stasys Jakeliūnas**, Chair of the FinTech Working Group, opened the 10<sup>th</sup> meeting of this ECON formation, which had as its aim to exchange views on retail Central Banks Digital Currencies (CBDCs) and privately issued crypto-assets, by welcoming the guest speakers: Ms **Marilyn Pikaro**, Director of Innovation, conducts and consumer department at the European Banking Authority (EBA) and **MS Rūta Merkevičiūtė**, Head of Unit “Digital Finance” (EBA), Ms Maria Demertzis, Deputy Director of Bruegel and **Mr Ulrik Nødgaard**, CEO of Finance Denmark and Chair of the Digital Strategy Group of the European Banking Federation (EBF).

In his introductory remarks, Mr Jakeliūnas pointed out the dynamism in the crypto-assets market, indicating that in a short time the number of so-called crypto-currencies has increased to more than 20,000. He also mentioned recent events that had impacted digitalisation of the financial markets, such as the COVID-19 pandemic and the war in Ukraine. Very high volatility of crypto-assets and collapse of the FTX exchange platform rise important questions about risks of such instruments and their markets for consumers, financial stability and financial market integrity. Regarding CBDCs, several projects are currently being developed, including at the EU level, for which a legislative proposal from the Commission is expected in spring next year.

**Ms Pikaro** kicked off the round of interventions presenting an overview on the activities carried out by EBA in relation to crypto-assets and the digital euro project, which consist mainly on monitoring the market developments, providing advice on risks, tracking the market volatility, promoting convergence on regulatory and supervisory approaches pending the application of MiCA and contributing to international work streams and to EU discussions on the digital euro. EBA will play an important role in the transition phase of MiCA regulation both in terms of policy development, building up supervisory capacity and commencement of supervision. **Ms Merkevičiūtė** added as regards consumer protection - EBA has published various warnings to consumers over the years, the last one jointly with the other ESAs in March 2022 highlighted not only risks but also steps consumers can take to help protect themselves. In terms of regulation, MiCA covers most areas of crypto-assets in the EU. However, in order to be effective in cross-border activities, it is necessary to strengthen supervisory cooperation. Also in the current discussions on the digital euro, EBA is contributing with the insights to the definition of the distribution model and intermediaries, privacy and AML/CFT specificities, consumer protection and financial stability.

**Ms Demertzis** began her intervention by raising the question of the social value of the CBDCs. She outlined the different types of money according to who the issuer is, and the evolution of the digital and crypto space, distinguishing between the various generations of crypto-assets, their predominance on the market and their resemblance and links with the traditional financial services. Besides the increasing importance of the crypto-assets market and the latest events, such as it is the case of the collapse of FTX exchange platform, crypto-assets should not be considered, at this stage, a systemic issue. Regarding CBDCs, Ms Dermertzis pointed out the reasons behind the current projects

on public digital currencies and the potential advantages that those projects could bring, among others, in terms of financial inclusion and further resilience of the monetary system.

**Mr Nødgaard** echoed during his intervention the remarks made by the previous speakers and underlined the prominent role that Europe has as part of the discussions on the future of banking, payments market and digitalisation of financial services. He added that the banking sector supports the political ambition of ensuring the sovereignty of the European payments market. The banking industry supports looking into the potential of new forms of digital public and private money. According to Mr Nødgaard, a well designed digital euro, with a clear added value for end users and with the appropriate safeguards, could play a key role in the mix of new tools and solutions to meet the future needs of the payment sector. He stressed the need to insure the digital euro does not reduce banks funding and hence impede banks' ability to lend. Not all crypto- assets can well function as means of payments, due their volatility. Upcoming MiCA regulation can help to build trust among citizens and merchants on crypto-assets and consequently be used in payment transitions.

During the Q&A session, MEP Jakeliūnas enquired speakers about the adequacy or redundancy of the MiCA regulation for preventing future crypto-assets cases similar to FTX collapse. The three guest speakers agreed on the relevance of the MiCA regulation as first step in the regulation of the crypto-assets market in the Union. According to them, the effectiveness of this piece of legislation would be demonstrated once it becomes applicable and it will depend on future trends and developments on the crypto-assets market at the global level. The Chair also queried speakers about their views on the global stablecoins and involvement of the so called BigTechs in the financial markets and potential impact they could have. Some speakers were of the view that these were two separate topics and that the active involvement on BigTechs in crypto-assets projects and finance in general would increase the visibility and popularity of the market due to the impact and reaching of those companies, for instance Facebook which counts with billions of users, and consequently have an impact on the stability of the financial sector and level playing field consequences in comparison to traditional financial institutions in terms of regulatory compliance and data process.

Mr Jakeliūnas also asked speakers how they see retail CBDCs regarding the potential role of the digital euro as means of payment and/or a monetary tool and its potential impact in the current banking system model. Mr Nødgaard pointed out that provided that the potential negative effects on banks funding are mitigated the introduction of the digital euro is not considered a threat for the banking industry. He welcomed a thorough ECB assessment on potential impacts. The EBA representative highlighted the importance of checking any possible effects on the banking business model during the ongoing investigation phase of the digital euro and the relevance of considering the AML and privacy regulation when deciding on its design. In reply to the possibility of limiting the access and use of public digital currencies to jurisdictions with no strong monetary policy and the potential effects of such instrument, Ms Demertzis replied that CBDCs will make those digital currencies more accessible but that accessibility will not change the way in which the currency will be authorised in different jurisdictions in comparison with its non-digital version.