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Member of the Executive Board

Ms Irene Tinagli

Chair of the Committee on Economic  
and Monetary Affairs

European Parliament

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BELGIUM

14 June 2022

L/FP/22/25

### **Progress reporting on the investigation phase of a digital euro**

Dear Chair, dear Irene,

The ECB Governing Council launched the investigation phase of the digital euro project in July 2021. As we have previously emphasised, this is a common European enterprise and therefore our collective effort is key to the preparation and eventual success of a digital euro.

In this light, we would like to thank you for the fruitful cooperation between our two institutions. We are pleased to see the European Parliament's interest in, and explicit support for, our work on the digital euro – as indicated in the European Parliament Resolution of 16 February 2022.

I am personally committed to continuing the practice of regular exchanges on the digital euro with the Committee on Economic and Monetary Affairs throughout the project investigation phase. We would gladly continue organising technical seminars with the staff of the Parliament ahead of the hearings, to clarify the technical details of the progress made on our side.

At our next topical hearing, we will discuss the potential impact of a digital euro on the financial system and on the use of cash. As previously proposed, this could be followed by a discussion, after the summer, on business models of public and private participants in the digital euro ecosystem.

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Looking further ahead, the ECB continues to stand ready to engage with European institutions and authorities, including the European Parliament, but also the Eurogroup, the Council of the EU and the European Commission, as the investigation phase continues in 2023.

The European Parliament, as a co-legislator, will play an important role in the discussions on a regulation to establish and govern essential aspects of the digital euro as a new form of central bank money, based on a legislative proposal by the European Commission that is expected for the first quarter of 2023. As discussed in March, your role as co-legislators will be essential, for instance to enable high levels of privacy in digital euro payments and to give a digital euro legal tender status.<sup>1</sup>

In parallel, as also requested in the aforementioned resolution, we stand ready to continue our regular exchanges of views with you on the progress made during the investigation phase in 2023. We stand ready to discuss major design issues and policy-related aspects of a digital euro after the Eurosystem has formed a staff position on the topics in question but prior to the final assessment of the Eurosystem's High-Level Task Force on Central Bank Digital Currency and the Governing Council's related decisions.

Future reporting on investigation phase progress could cover matters related to the compensation model of a digital euro, the user experience and access to the digital euro ecosystem, as well as possible advanced functionalities. Moreover, as part of the investigation phase, we will also conduct prototyping work to explore solutions for making payments with a digital euro. We stand ready to report also on the results of these exercises in 2023.

We expect the Governing Council to decide, by the end of 2023, whether to proceed to the realisation phase. We would be pleased to discuss such a phase before a decision is made. Any further reporting on the project would depend on the outcome of the decision, but we are committed to continuing our regular exchanges during a potential realisation phase. Any future decision on the possible issuance of a digital euro will come only later, also depending on legislative developments in the Parliament and the Council on the regulation to establish and govern essential aspects of the digital euro.

We look forward to continuing the discussions on a digital euro with you and your fellow Committee members in the coming months.

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<sup>1</sup> Legislative changes to the current regulatory framework for anti-money laundering and combating the financing of terrorism would be needed to enable high levels of privacy beyond the baseline scenario for lower-risk digital euro payments – namely simplified due diligence for low-value online transactions and exemption from monitoring of low-value proximity payments.

Yours sincerely,

Fabio Panetta