



Issues note for Eurogroup 13 March 2023

The policy objectives of a digital euro – strategic discussion

In July 2021,⁽¹⁾ the Eurogroup agreed on a process for holding discussions on the key political dimensions of the digital euro, based on input from the ECB and the Commission. This process led to regular exchanges ⁽²⁾ at the technical and political level aiming to deepen the knowledge and expertise of all stakeholders involved. It allowed the Eurogroup to express its views on the key political dimensions in different statements. The latest statement adopted on 16 January 2023 ⁽³⁾ reaffirmed the Eurogroup's support for the ongoing preparatory work for the potential issuance of a digital euro, encouraged a high level of innovation and ambition and recalled the Eurogroup's intention to continue to play an active role in the process.

Depending on its design, a digital euro could achieve several policy objectives. It could play a key role in an increasingly digitalised economy by strengthening the open strategic autonomy of the European Union, reflecting the central geopolitical role played by payment systems. Together with other European regulatory and market initiatives, it could improve the integration, efficiency and competitiveness in the payment systems by providing for a pan-European retail payment solution, fostering innovation and potentially supporting future technologies and new uses. ⁽⁴⁾ It could improve financial inclusion and ensure that users have access to a cost-free, simple and reliable public means of payment. Overall, it could deliver benefits for individuals, businesses, and Member States, while preserving the role of central bank money as an anchor for our monetary system. A digital euro could contribute to the overall functioning and resilience of the Economic and Monetary Union and it is relevant for the international role of the euro.

Since the launch of the digital euro project, the trend towards an increased digitalisation in payments continued ⁽⁵⁾, as well as the advancements in cryptographic methods and in the use of distributed ledger technology. The crypto-asset ecosystem has substantially evolved both in scope and scale, and recent turmoil and volatility have sparked questions on the potential need for a public response. An increasing number of central banks have initiated work towards the development of Central Bank Digital Currencies (CBDCs) – with varying underlying policy

⁽¹⁾ See [Summing-Up letter](#) of the Eurogroup meeting on 12 July 2021

⁽²⁾ Policy objectives and uses of a digital euro in the global competitive context ([8 November 2021](#)), privacy ([4 April 2022](#)), potential impacts on the financial system and the use of cash ([11 July 2022](#)), and business models of public and private participants in the digital euro ecosystem ([3 October 2022](#)).

⁽³⁾ <https://www.consilium.europa.eu/en/press/press-releases/2023/01/16/eurogroup-statement-on-the-digital-euro-project-16-january-2023/>

⁽⁴⁾ For example in terms of programmability of payments and the facilitation of cross-border and multi-currency payments.

⁽⁵⁾ See for instance the [Study](#) on the payment attitudes of consumers in the euro area (SPACE).

objectives. ⁽⁶⁾ International discussions and multilateral pilot projects are also ongoing on the potential of CBDCs to enhance international finance by providing platforms for facilitating trade and cross-border payments. ⁽⁷⁾

It is therefore opportune for Ministers to hold a general exchange of views on the overall evolving context in which discussions on the digital euro are taking place, building on the technical and policy knowledge that has built up since the start of the project. As the Commission intends to table a legislative proposal by May 2023 according to its Work Programme, and as the ECB Governing Council plans to review the outcome of the investigation phase in autumn 2023, this would also allow identifying how to achieve the above-mentioned objectives and the underlying political, design and regulatory choices.

Considerations on granting the digital euro legal tender status

One of the key policy considerations which has not yet been discussed at the Eurogroup is whether the digital euro as a new digital form of central bank money should be granted legal tender status, similarly to euro cash. ⁽⁸⁾ Ultimately, this could play an important role for the potential success of the digital euro by facilitating its penetration as a means of payment, which depends on the willingness and ability of payers to use the digital euro in transactions. It would support the digital euro's take-up by end users, and be an element underpinning the credibility and usability of the digital euro as public money issued by the ECB.

Granting the digital euro legal tender status would generally have three main consequences.⁹ First, it would be considered as a discharge of payment obligations, meaning that once a payer has used it for a transaction up to the nominal amount due, no further payment would be required. Second, it would mean that a digital euro should be accepted at 100% of its full face value. Third, it would imply a legal obligation for (certain) payees to accept payments in digital euro (as implied by legal tender status), thereby increasing its network effects, and potentially affecting its distribution. At the same time, it is also important to consider possible concerns of granting a blanket application of the legal tender status for the digital euro and whether exemptions should be considered to ensure proportional application, while balancing the principles of contractual freedom and mandatory acceptance.

The European Commission also announced its intention to publish a proposal to regulate the legal tender of euro cash in parallel to the forthcoming proposal on the digital euro, thereby aiming for consistency in the treatment of cash and digital euro.

Ministers may wish to express their preference as regards granting the digital euro legal tender status and communicate political considerations to be taken into account going forward.

⁽⁶⁾ 114 countries, representing over 95 percent of global GDP, are exploring a CBDC. In May 2020, only 35 countries were considering a CBDC. A new high of 60 countries are in an advanced phase of exploration (development, pilot, or launch). See [CBDC tracker](#).

⁽⁷⁾ <https://www.bis.org/about/bisih/about.htm?m=3097>

⁽⁸⁾ So far, in the euro area, euro banknotes and coins are the only means of payment having legal tender status pursuant, respectively, to Article 128(1) TFEU and to Article 11 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro. The concept of legal tender is enshrined but not explicitly defined or regulated in EU law.

⁽⁹⁾ The European Court of Justice defined legal tender a “means of payment cannot generally be refused in settlement of a debt denominated in the same currency unit.” See [judgment](#) of 26 January 2021 in joined cases Johannes Dietrich and Norbert Häring v Hessischer Rundfunk, (C 422/19 and C 423/19, ECLI:EU:C:2021:63, § 49). The 2010 [Commission Recommendation](#) concerns euro cash in general (banknotes and coins).

Proposed way forward

In the January 2023 statement, the Eurogroup expressed its willingness to continue to play an active role in discussing the key political issues underlying a digital euro, including regarding the costs and benefits, the international use of the digital euro and policy implications of the underlying architecture. The Eurogroup will also discuss in inclusive format the relevant implications for non-euro area Member States and hear on their progress and plans for the introduction of CBDCs in their jurisdictions. Members also expressed an interest in understanding the potential implications of technologies being considered for the digital euro. A proposed planning for the organisation of these discussion is annexed to this note.

Questions for discussion

- 1. How do (euro area) Finance Ministers evaluate the various objectives of the digital euro project related to strengthening the European geopolitical/economic sovereignty, safeguarding the monetary anchor nature of the euro, enhancing consistency/efficiency of payment systems in a digitalised world, promoting financial inclusion, and ensuring operational resilience?*
- 2. What are Ministers' views on the legal tender status of the digital euro, and what are the key considerations to take into account in this context?*
- 3. Do Ministers agree with the proposed topics for discussion in upcoming Eurogroup meetings?*

ANNEX - Proposed topics for Eurogroup discussions on the Digital euro

13 March Eurogroup	The policy objectives of a digital euro – strategic discussion
28 April Eurogroup in inclusive format	International considerations of CBDCs, including an update on the digital euro project and CBDC projects in the EU
15 May Eurogroup	Update on the digital euro project – review of the overall high-level design, poss. including the compensation model
Pm. July Eurogroup meeting	Stocktake on the digital euro project