

# A Digital Euro for People

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Shifting power from big banks to people





Source: istock

# POLITICO

## Digital euro sparks sovereignty battle between EU governments and ECB

Source: <https://www.politico.eu/article/digital-euro-sparks-sovereignty-battle-eu-governments-ecb-monetary-tool-banking/>

## FINANCIAL TIMES

The BIS last month [formally quit](#) China's mBridge, the most established cross-border CBDC project. (BIS denied the exit was politically motivated, but no one really believes that.) Its recently launched alternative, Agorá, is backed by just seven institutions, of which the Bank of Mexico is the sole emerging markets participant.

Source: <https://www.ft.com/content/e50d0d40-a670-4ee7-b734-5f0ee3375aeb>



## European banks are scared of the digital euro. Here's how their secret lobbying could torpedo it

Source: <https://www.ftm.eu/articles/banks--fear-digital-euro-secret-lobby#:~:text=If%20the%20digital%20euro%20became,they%20might%20lose%20that%20income.>



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Source: shutterstock





**Dear European Central Bank,**

**WE ARE DEMANDING URGENT ACTION AGAINST BANKS' WINDFALL PROFITS**

**Open letter to the European Central Bank's Governing Council**  
**The ECB needs to revise minimum reserve requirements to address banks' windfall profits**

Dear members of the Governing Council,

Brussels, 24 January 2024

Today, the deposit facility rate in the euro area is at its highest level since the inception of the euro in 1999. Simultaneously, commercial banks' reserves held with the national central banks and the European Central Bank (ECB) stand at €3.7 trillion as a legacy of unconventional monetary policy operations.<sup>1</sup> This combination has given rise to a situation in which euro area banks are earning substantial risk-free windfall profits exceeding €140 billion annually, merely by depositing funds with the Eurosystem.<sup>2</sup> These unconditional transfers from central banks to banks in the euro area compare with the EU total expenditure of €169 billion in 2023. In light of these circumstances, we urge you, Member of the Governing Council, to consider a revision of the minimum reserve requirements.

While banks revel in these extranormal profits...

+3.34

AVERAGE DEPOSIT DELTA IN THE EURO ZONE = 47%

Country	Delta (%)
CROATIA	12%
SLOVAKIA	20%
CYPRUS	30%
PORTUGAL	32%
IRELAND	33%

SOURCE: AIBN AMRO

VIDEO 02:33

BANKS' LIQUIDITY LEVELS, MARKET

**Disgruntled Europeans hit out at banks for not passing on higher rates on savings**

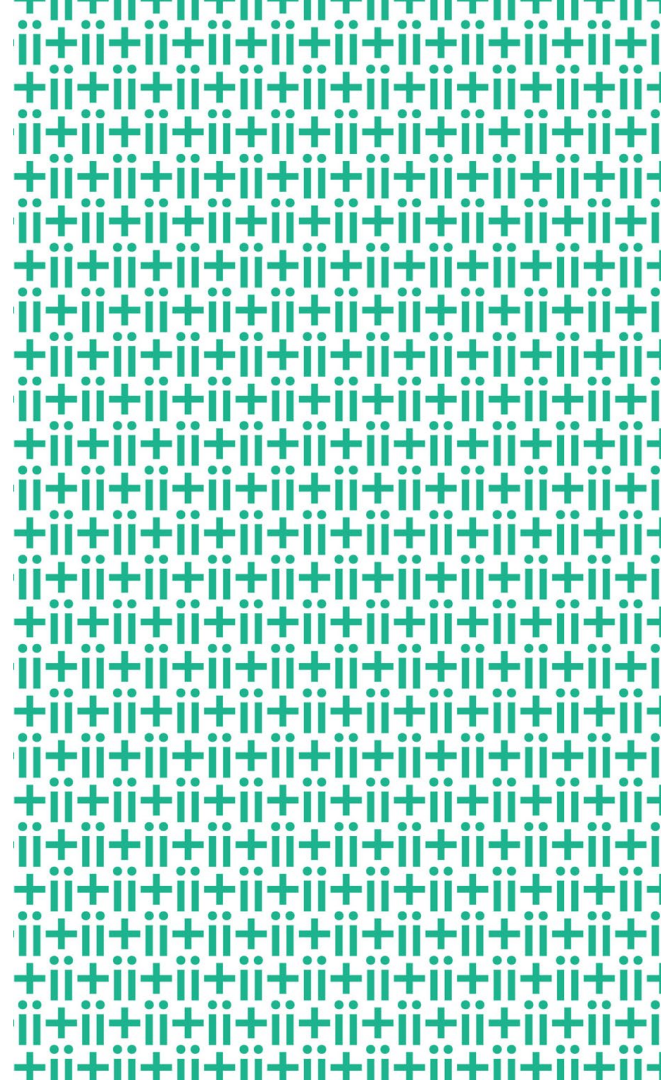
Source: <https://www.cnn.com/2023/08/31/savings-europeans-hit-out-at-banks-for-not-passing-on-higher-rates.html>



# A digital euro for people

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Universally accessible and safe  
electronic form of public money +  
system more resilient(**short term**)

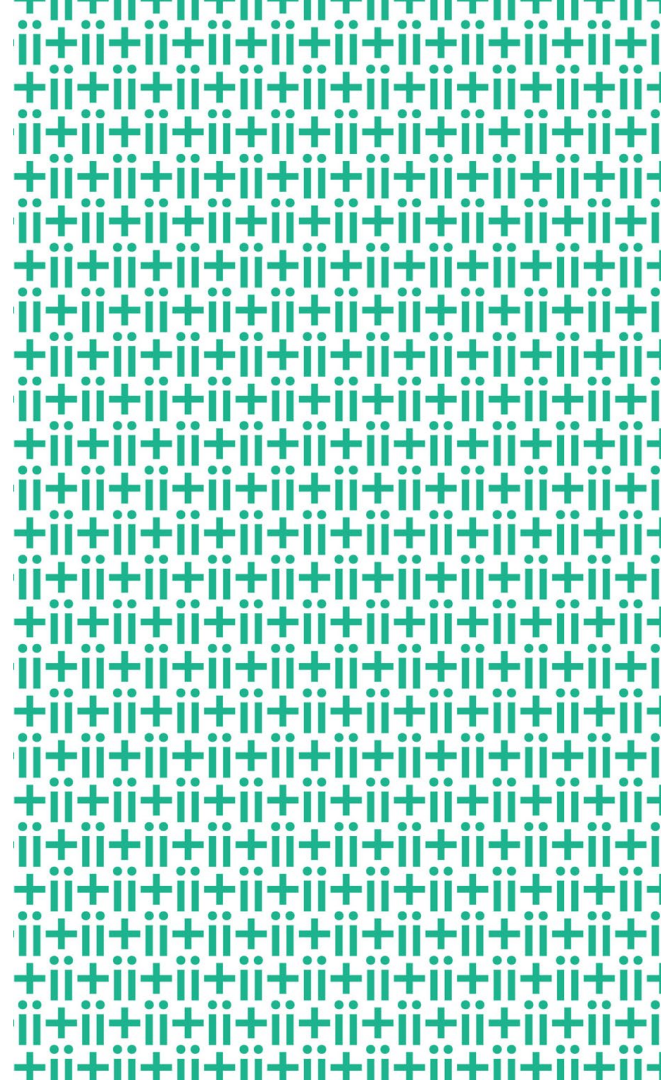


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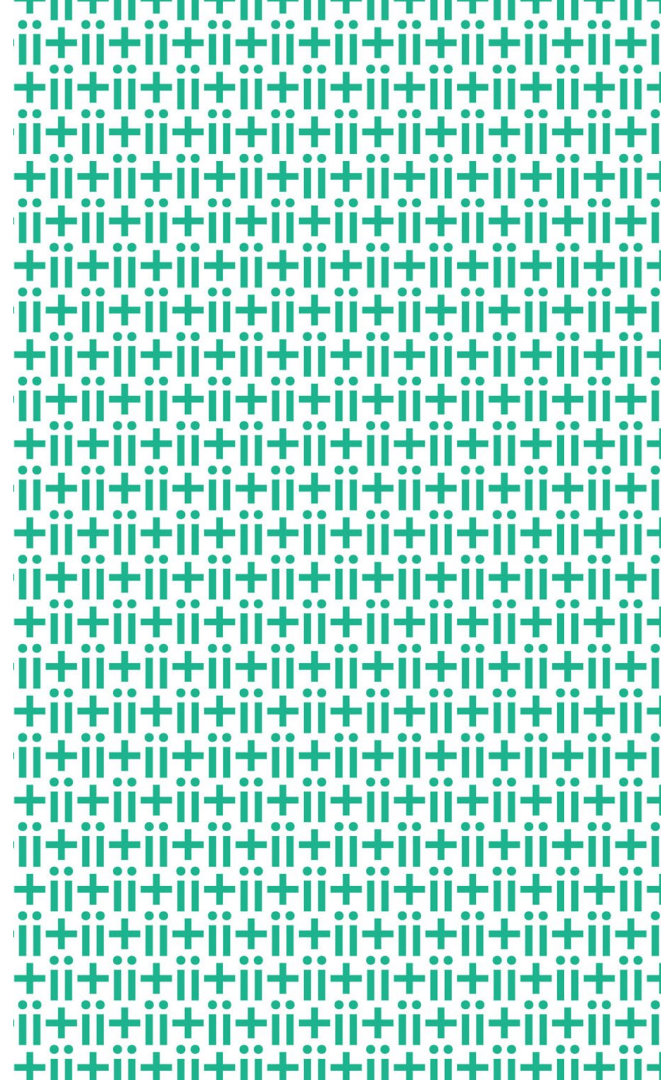
Increased competition in payments  
and credit services market + system  
more resilient (**medium-long term**)



# Design elements

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*Replicate the benefits of cash & be attractive for people*

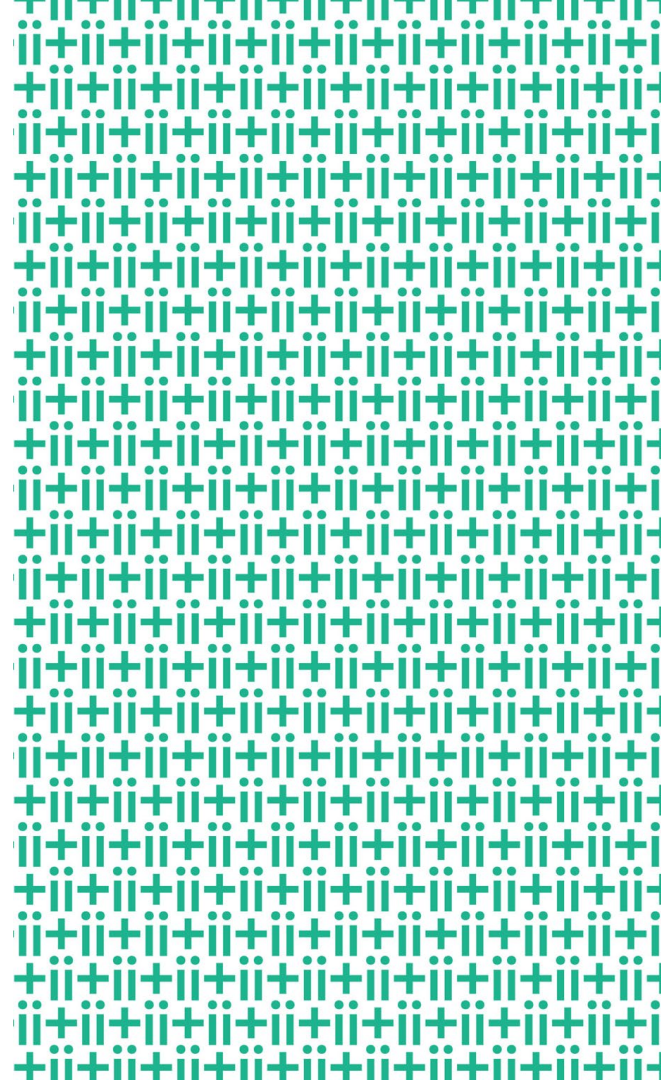


# Design elements

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*Replicate the benefits of cash & be attractive for people*

1. High level of privacy
2. Free of cost
3. Public & private intermediaries
4. No or low holding limits
5. Remuneration left open



# Holding limits & remuneration



# Current digital euro proposal



Source: <https://www.occupy.com/>

# Undue banking sector influence

“An unrestricted use of digital euro as a store of value could **endanger financial stability** in the euro area, with **adverse effects on credit provision** to the economy by credit institutions”

(*Emphasis added*, Recital 32, [EC proposal for a regulation on the digital euro](#))

# Undue banking sector influence

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(*Emphasis added*, Recital 32, [EC proposal for a regulation on the digital euro](#))

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**Article 15(1) on principle of holding limits** : “With a view to enabling natural and legal persons to **access and use** digital euro, to defining and implementing **monetary policy** and to contributing to the **stability of the financial system** , the use of the digital euro as a store of value may be subject to limits.” (*Emphasis added*)

**Article 16 (1) (2) & (8) on limits to the use of the digital euro as a store of value:**

- (1) “...the European Central Bank shall **develop instruments to limit the use of the digital euro as a store of value** and shall decide on their **parameters and use**, in accordance with the framework set out in this Article..”
- (2) “The parameters and use of the instruments referred to in paragraph 1 shall:
  - (a) safeguard the objectives set out in Article 15(1), **in particular financial stability** ;”

(8) Within the framework of this Regulation, the **digital euro shall not bear interest** . (*Emphasis added*)



# A digital euro for banks?

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1. High level of privacy



2. Free of cost



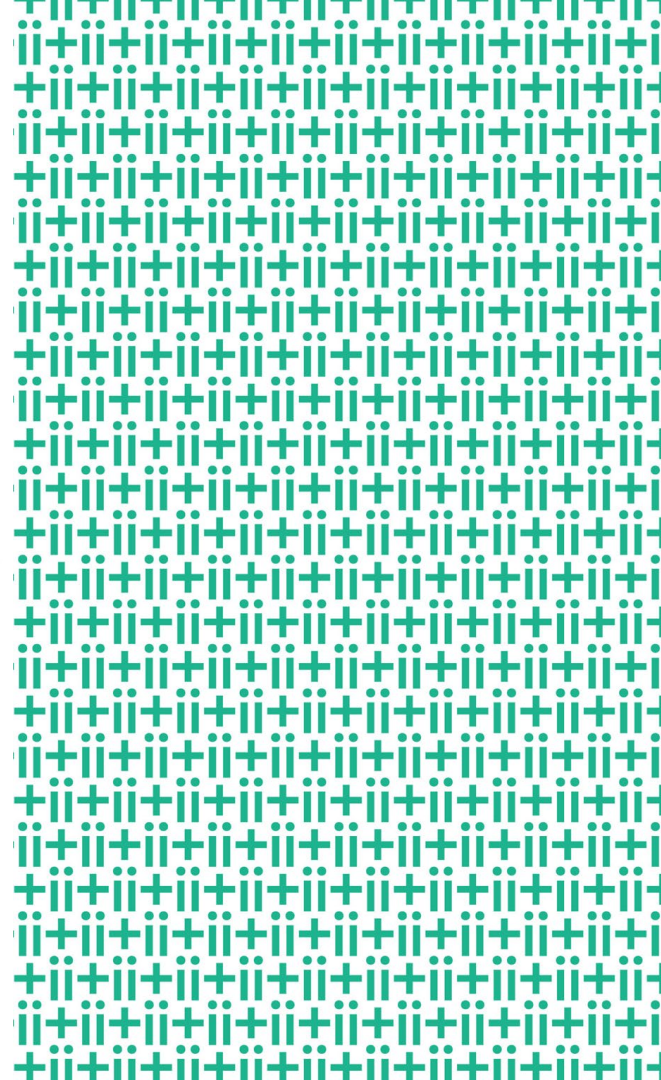
3. Public & private intermediaries



4. No or low holding limits



5. Remuneration left open



# EU legislative process

## European Commission

1. 2022: Legislative Consultations and Preparations
2. 2023: Digital Euro Legislative Proposal

## European Parliament

1. Sep 2023: Berger (EPP, DE) report, 119 amendments
2. Oct 2023: additional 606 were tabled by MEPs
3. Oct 2023 - today : filibustering by conservatives

## Council of the EU

Slow progress, final position end of 2024 or early 2025



Trilogues in 2025?

# Thanks for listening - stay in touch!

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