Establishment of the digital euro

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The Committee on Economic and Monetary Affairs adopted the report by Fernando NAVARRETE ROJAS (EPP, ES) on the proposal for a regulation of the European Parliament and of the Council on the establishment of the digital euro.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Subject matter

With a view to providing a sovereign and secure digital means of payment throughout the euro area, safeguarding public access for Union citizens to central bank money in digital form, and ensuring people's freedom to choose how to pay, this Regulation **establishes the digital euro as a new form of retail central bank digital currency that is a complement to cash**. It lays down rules concerning, in particular, the issuance, legal tender status, distribution, use, privacy and data protection aspects, and essential technical features of the digital euro.

The amended text specifies that the European Central Bank (ECB) must take all necessary measures to **avoid any potential conflict** of interest between its monetary, supervisory and payment systems oversight tasks, in accordance with the Treaty on the Functioning of the European Union, and its activities in relation to the management of the digital euro.

Issuance of the digital euro

The European Central Bank should have the exclusive right to authorise the issue of the digital euro, and the European Central Bank and the national central banks may issue it as a form of central bank digital currency for retail use. After the authorisation of the issuance, the ECB should publicly announce the envisaged date of the first issuance of the digital euro. Digital euro holdings should be the exclusive property of digital euro users and not of the payment service providers providing digital euro services, nor of any other intermediary.

Following the authorisation of the issuance of the digital euro, the European Central Bank should provide for a **rollout phase of at least 24 months** to allow the Eurosystem, payment service providers and digital euro users to reach the necessary level of readiness. Before the first issuance of the digital euro, the European Central Bank should carry out pilot testing in a controlled reallife environment for an adequate period of time.

The provision of digital euro payment services should not affect Member States' obligation to ensure sufficient and effective access to cash, in particular in rural, remote or underserved areas.

Data protection

Under this Regulation, the digital euro will also be governed by the detailed measures, rules, and standards that the ECB may adopt within its competences. Such detailed measures, rules and standards shall fully implement the **principles of data minimisation**, and of data protection by design and by default, as defined in Regulation (EU) 2016/679, and should implement privacy-enhancing technologies.

Payment service providers will be the controller of personal data as regards these tasks and should ensure that data about digital euro users is never unlawfully transferred to third country authorities or any other entities. **In no circumstance** should the European Central Bank have access to any personal identification data of any natural person.

Distribution model

All payment service providers could distribute the digital euro across the EU. Most businesses would be required to accept it. Exceptions would apply to the **self-employed, and small and micro enterprises** that do not accept other digital payments. Visitors, tourists and, in some cases, people living outside the euro area would also be able to use it. Digital euro users should not bear any loss of online digital euro holdings resulting from any **system outage**, technical malfunction or disruption of the digital euro settlement infrastructure.

Fees and charges

Payment service providers (PSPs) should be able to charge digital euro users for additional digital euro payment services beyond the basic digital euro payment services. However, PSPs should not impose commercial practices which have the purpose or effect of circumventing the right of digital euro users to have **basic digital euro payment services provided free of charge**. Such commercial practices include, among others, account maintenance fees, inactivity fees, minimum balance requirements, or similar charges on digital euro accounts for basic digital euro payment services.

Digital euro users should not be required to have or open a non-digital euro payment account or to accept other non-digital euro products and should **not be discriminated against** in any way by their payment service provider for choosing to use only basic digital euro payment services. Any fees for additional services provided beyond the basic digital euro payment services should be clearly disclosed in advance, individually negotiated and separately itemised from those basic digital euro payment services and be set contractually.

Fees for merchant and inter-provider would be capped, while offline payments would be entirely fee-free.

Quantitative limits

The ECB should set an **overall ceiling to the quantitative limits on digital euro holdings**. Members proposed that the European cap be set by the Commission, based on ECB recommendations, and reviewed at least every two years.

As a general rule, **legal persons should not maintain any digital euro holdings**. However, legal entities should be allowed to accumulate temporary holdings of incoming digital euro payments for a **maximum period of 24 hours** to allow for batch defunding of digital euros to their non-digital euro payment accounts.

The European Central Bank should act as the dispute-settlement body for disputes among payment service providers relating to the application of the rulebook governing the operation of the digital euro.