posi+ivemoney

A digital euro for the people

Positive Money Europe advocates for a universally accessible and safe electronic form of public money to complement the existing physical form, which is cash. This brief highlights the opportunities provided by the introduction of a digital euro, and presents our policy recommendations for an ambitious digital euro that serves people and society.

Why a digital euro is crucial:

To understand the need for a digital euro, it is important to distinguish between private and public money. Private money is created by private banks and exists as the deposits in our bank accounts. Public money, issued by the central banks, is currently only available as cash. Cash is the most liquid, anonymous and safe asset that we have access to in our economy today. It is safe because it is a promise from a public institution, namely the central bank, to pay the owner of the money what the banknote states is its worth – as opposed to a promise from private entities like banks, which can go bankrupt.

However, cash now accounts for less than 15%[1] of the money in circulation in the Eurozone, and its decline has serious consequences. Without cash, people would have to rely entirely on private banks for the public good of money and payment systems, which excludes many — particularly vulnerable groups who lack access to banking services. This reliance increases the risk for people, leaving them unable to convert private money into public money during banking crises. Additionally, the disappearance of cash removes an anonymous payment option, and shifts more personal data to private banks.

Given these challenges, it is clear we need a digital equivalent of cash. The European Central Bank's (ECB) introduction of a digital euro offers a solution by providing secure, universally accessible public money. This would help:

01 **Reestablish money as a public good:** Without a digital form of cash in an increasingly digital world, we would be forced to rely entirely on private money, the safeness of which depends on profit-driven corporations, namely private banks.

02 **Promote financial inclusion:** A digital euro would ensure equal access to banking services for all, especially those underserved by traditional banks. As cash declines, a digital euro can preserve access to basic payments, ensuring no one is left behind.

1 https://www.ecb.europa.eu/press/pdf/md/ecb.md2309_annex~31eb3d827a.en.pdf

Our policy recommendations:

Because it is public money, the digital euro needs to be designed for the benefit of people and society, and not solely with the interests of the banking sector in mind. The digital euro must:

- **Be free of costs for users:** The European Commission's proposal on the digital euro[2] specifies essential services to be free of charge. These services should cover everyday needs such as individual payments, direct debits, and both online and offline transactions. Essential free services should include account setup, maintenance, and providing payment tools such as cards.

- **Have a high level of privacy:** To build public trust, the digital euro must offer strong privacy protections, especially for small transactions. While full anonymity like cash may not be possible, it should provide a high level of privacy for low-value, low-risk payments. This includes a 'privacy threshold' for small account-based transactions and cash-like anonymity for offline, value-based payments. The design should remain open to future technologies that may enhance privacy in offline transactions.

- **Be accessible through public or nonprofit intermediaries:** The digital euro, as a public good, should be available through public or nonprofit entities. While the European Commission proposes this for individuals without bank accounts or facing accessibility issues, everyone should have the option to use these intermediaries. This ensures access remains open even if banks reduce their distribution of digital euros for profitability reasons, as has happened with cash.

- **Have no or high holding limits:** To ensure usability, the digital euro should have no or very high holding limits. Low limits (such as that of €3,000 that has been mentioned) would prevent people from using digital euros for larger payments, such as rent deposits. Holding limits should only be imposed if necessary to manage acute financial stability risks. If used, these limits should be phased out gradually, giving banks time to adjust. Having said that, there are numerous studies, including from the Bank of International Settlements[3], that show that the risk of bank runs is low and that Central Bank Digital Currencies (CBDCs) could in fact increase the resilience of the financial system.

What's next:

Both the ECB's and the Commission's current proposals for a digital euro fall short of its transformative potential, prioritising the banking sector's interests over those of people. By over-relying on private financial intermediaries and imposing significant holding limitations, these plans threaten the digital euro's role as a universally accessible public good.

The European Parliament's position on the digital euro can play a pivotal role in shaping this policy to ensure it benefits European people, businesses, and consumers alike. The ECB has urged swift legislative action to keep pace with the technical progress of the digital euro, stressing the need for cooperation between the co-legislators to finalise rules by 2025.

---

1 https://finance.ec.europa.eu/publications/digital-euro-package_en#information

2 https://www.bis.org/publ/work976.pdf