

The Commission proposal on a digital euro¹ takes the possible impact on financial stability and individual freedoms very seriously and proposes effective safeguards.

The proposal aims to preserve financial stability in normal and crisis times. The digital euro is envisaged primarily as a means of payment rather than a store of value. Accordingly, the European Central Bank (ECB) would be required to develop tools to limit the digital euro's store of value function, i.e. via limits on individual digital euro holdings, which the ECB could adapt over time to evolving circumstances. These holding limits together with the zero interest rates and the payment function without actual holdings in digital euro (so called reverse waterfall mechanism) would limit the shift of commercial bank deposits to digital euro and thus mitigate the risk of bank disintermediation, protecting financial stability and the provision of credit by commercial banks.

The proposal also clearly and transparently limits and frames the processing of personal data related to the digital euro. This ensures full respect of the General Data Protection Regulation (GDPR)², including the principles of data minimization and purpose limitation³. A user would be identified in line with EU anti-money laundering and counter terrorist financing rules⁴. The ECB would not have access to a user's identity. The pseudonymisation foreseen in the proposal aims to ensure that users cannot be identifiable based on data patterns. The proposal ensures that neither the ECB nor payment service providers would have access to data related to offline transactions as these would be settled directly between users. Offline transactions would therefore give users a level of privacy comparable to cash.

¹ COM/2023/369 final.

² OJ L 119, 4.5.2016, p. 1–88.

³ Member State data protection authorities established under the GDPR will be responsible for the supervision of processing of personal data related to the digital euro as well as under the European Union Data Protection Regulation (OJ L 295, 21.11.2018, p. 39–98).

⁴ https://finance.ec.europa.eu/financial-crime/anti-money-laundering-and-counteracting-financing-terrorism-eu-level_en