



# DIGITAL EURO

## Position paper

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Bancaria  
Italiana

## INDEX

EXECUTIVE SUMMARY.....	4
ECB OBJECTIVES.....	6
DIGITAL EURO: ABI PILLARS .....	7
ROLE OF INTERMEDIARIES.....	9
Distribution model.....	9
Compensation model .....	10
Tools to avoid excessive use of digital euro.....	11
Funding and de-funding of digital euro positions.....	12
SETTLEMENT CHOICES.....	13
Transaction Validation .....	13
Privacy of personal data.....	14
TECHNOLOGICAL ARCHITECTURE .....	15
DLT infrastructure .....	15
Programmability .....	15
A concrete case of programmability: the Culture Pass.....	18
CONCLUSIONS .....	19
ANNEX: 10 CRITERIA FOR A CENTRAL BANK DIGITAL CURRENCY .....	20

*Italian banks believe that the **digital euro** could become a cornerstone of the European digital economy, especially if it enables supervised intermediaries to develop innovative value-added services, allowing them to meet currently unmet needs or simplify existing processes.*

*In this way, it will be possible to: i) offer a basic service free of charge to consumers that is easily accessible; ii) provide advanced services alongside it, which can enable interested parties to carry out truly innovative payment processes; iii) fully implement a two-tier model, where a core set of components managed by the central bank acts as a catalyst for market development as a whole, enabling commercial banks to offer basic and value-added services competitively and independently from non-European players.*

## EXECUTIVE SUMMARY

Central Bank Digital Currency or CBDC, i.e., **digital euro** in our region. Central banks around the world (90% of the total<sup>1</sup>) are analysing, studying, or experimenting with the possible issuance of a central bank digital currency. At the same time, there are advanced projects and initiatives to develop digital currencies, the so-called stablecoins, issued by private entities that are currently unregulated, which aim to maintain the stability of these currencies by anchoring their value to an official currency. In this rapidly evolving context, where initiatives conducted by central banks of other countries stimulate those promoted by private entities and vice versa, the European Central Bank (ECB), together with the national central banks that form the Eurosystem, is conducting a project on the **digital euro**, which is proceeding at a fast pace, so that they are considered among the most active central banks in this field.

In July 2021, the ECB Governing Council decided to start the investigation phase related to the **digital euro**, outlining the objectives that the Eurosystem sets for the possible issuance of a European sovereign digital currency. To enable such possible issuance, the EU Commission will set a proposal for a regulatory framework for the **digital euro**, including among other things, the legal tender status.

Banks operating in Italy are actively and constructively participating in the debate: through ABI they responded to the public consultation on the first Report<sup>2</sup> and promoted concrete experimentation activities on possible value-added services that, in the hypothesis that the **digital euro** is implemented with programmability functions, can accelerate innovation, and enrich the range of services offered to customers.

The scenario is not yet defined, and the impact that the introduction of the **digital euro** can have is being considered by the Eurosystem and the market to make it balanced and sustainable.

### **The digital euro must be widely adopted by citizens...**

To ensure a good degree of adoption, banks can act as effective distributors, providing practical and client-oriented assistance and tools to consumers, while at the same time carrying out KYC (Know Your Customer), anti-money laundering, and counter-terrorism financing controls to ensure that the central bank's money is used in compliance with regulations.

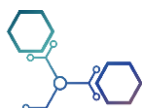
### **...without becoming a store of value.**

Preserving financial stability and ensuring that banks support the economy are key objectives of the ECB's mandate. To achieve this, it is crucial to prevent bank deposits

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<sup>1</sup> Bank for International Settlements – “BIS Papers No 125”, May 2022 ([link](#))

<sup>2</sup> European Central Bank – “Report on a digital euro”, October 2020 ([link](#))



from shifting, both structurally and cyclically. To avoid excessive use of the **digital euro** and to facilitate seamless exchange between payment accounts and **digital euro** positions, the ECB has proposed various tools. These measures have a dual purpose of preventing the **digital euro** from being used as a store of value while preserving its functionality in payment transactions.

**It is necessary to generate a network effect to ensure the success of the initiative.**

The payments market is a two-sided market: to ensure the success of a payment instrument, broad acceptance by merchants and widespread dissemination among citizens is necessary, two elements that are strongly stimulated by the active participation of intermediaries. That is why the underlying compensation model must simultaneously satisfy all actors, ensuring adequate economic incentives for each of them. Characterizing the **digital euro** as a public good, like cash, may provide the key to unlocking network effects.

**The **digital euro** could act as a raw material to accelerate the European digital economy.**

The challenge posed by the digitalization of central bank money can represent an opportunity for innovation if the settlement model and essential design choices ensure that it is apt for the digital age, not just dematerialized cash, which actually, we are already using every day in the form of digital payments. If the **digital euro** is conceived as a mouldable raw material, suitable for use by intermediaries as a foundation for building next generation services, then it will bring real added value to the economy and citizens, respecting competition in the market and without jeopardising private innovation.

Italian banks have already developed some use cases in early 2021 designed to facilitate daily experience.

In this context, within the dialogue between regulators and market players, ABI and banks operating in Italy are providing the maximum contribution of knowledge and active participation in ongoing debates and analyses. This is facilitated through broad involvement in the numerous discussion fora activated by the ECB (Market Advisory Group, Euro Retail Payments Board, Rulebook Development Group), as well as in dedicated working groups of the European Banking Federation (EBF). This document is intended to be a further contribution, illustrating the various aspects of the position shared by banks operating in Italy.



## ECB OBJECTIVES

The term **digital euro** refers to a liability of the ECB made available in digital form for retail payments, in addition to cash and deposits held with the central bank. With the possible issuance of the **digital euro**, the Eurosystem aims to achieve the following objectives:

- To maintain public access and full usability of central bank money in a world where consumers and businesses increasingly use digital payments and less cash as a means of payment.
- To support digitalization in the European economy,
- To preserve monetary sovereignty in a scenario of diffusion of foreign central bank digital currencies or their private alternatives.

The ECB has stated that a **digital euro** would respond to people's growing preference for digital payments, reiterating, however, that it does not intend to replace other electronic payment methods nor cash, but will make central bank money available to European citizens, also in the digital world. Moreover, it will enable payments between individuals, as is already the case for cash payments.

Banks believe that the **digital euro** could contribute to maintaining monetary sovereignty and, at the same time, to the development of the European digital economy. For these objectives to be effectively met, it is necessary for citizens to adopt the **digital euro** and use it for payments, and this can only happen if the **digital euro** allows for a better user experience and the development of innovative services.



## DIGITAL EURO: ABI PILLARS

Starting from the first positions expressed already in June 2020 regarding central bank digital currencies and elaborated before the start of the investigation phase of the **digital euro** (see Annex) which constituted an important reference for the Association's response to the ECB consultation<sup>3</sup>, the following three pillars that guide ABI and its members in all works related to the **digital euro** were distilled.

### **1. It is essential to safeguard the intermediation role of banks for the economic system.**

It is key to maintain the role of banks as intermediaries in the economic system. There is also a need for a two-tier architecture that, alongside the Eurosystem, preserves the active role of intermediaries in processes such as onboarding, cash distribution, and anti-money laundering controls. Supervised intermediaries, given their direct contact with users, are best placed to identify advanced payment services that meet customers needs.

### **2. The **digital euro** must be functionally different from electronic payment instruments, to complement and not compete with commercial bank money, bank initiatives and investments.**

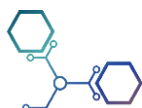
Just as banknotes and coins have a different function and "form" compared to electronic payment instruments today, so that citizens can immediately recognize the difference, the same should happen with the future **digital euro**. From the banks' point of view, it must have different characteristics to enable specific use cases. To this end, it would be useful to define the potential synergies with existing payment instruments and, at the same time, identify the differentiation factors of the new solution to create a new experience for customers that brings real value to end users.

### **3. The **digital euro** must play a role in supporting the digital economy, providing the raw material to offer innovative and value-added services. The key functionality to enable this is the programmability of payments realised via DLT (Distributed Ledger Technology).**

Thanks to the programmability of payments, the **digital euro** could reconcile, on the one hand, the full control and issuance by the ECB/Eurosystem, and on the other hand, allow

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<sup>3</sup> European Central Bank – "Eurosystem launches digital euro project", July 2021 ([link](#)).



banks to provide and propose new services, or offer today’s services in a much more efficient way.

Italian banks consider the use of DLT necessary to provide truly innovative functionalities and propose new services. The programmability functionalities could enable the **digital euro** to satisfy currently unmet needs or simplifying current processes, bringing real added value.

Based on these three pillars, ABI is actively contributing to the investigation phase of the ECB<sup>4</sup> (Figure 1), both directly and through the EBF and other European credit sector associations.

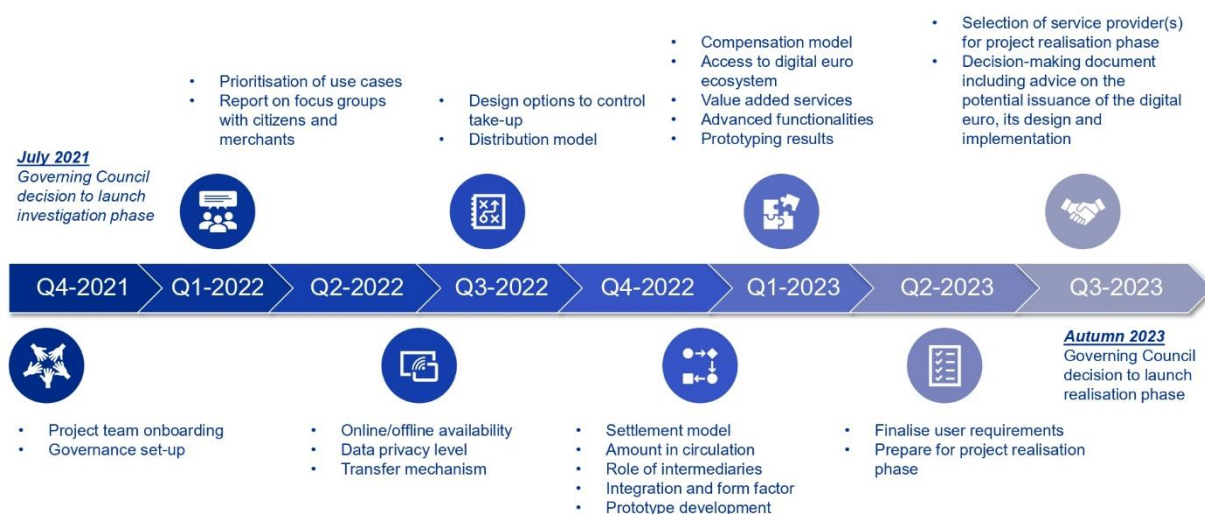
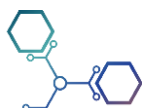


Figure 1 – ECB digital euro investigation phase timeline

In the following sections, we outline the key messages conveyed to the ECB on the main topics of discussion.

<sup>4</sup> European Central Bank – “Publications on a digital euro” ([link](#)).



## ROLE OF INTERMEDIARIES

To safeguard the credit function of banks and in continuity with the fundamental role they have in the distribution of cash and in offering payment services to the public, it is imperative that they should play the role of intermediaries also regarding the distribution and management of the **digital euro**, performing activities such as:

- Ensure customer onboarding, through KYC processes.
- Distribute and withdraw the **digital euro** as cash today (and tomorrow).
- Provide ad-hoc **digital euro** wallets and link them to their apps to perform transactions and to fund and de-fund the digital euro positions.
- Develop innovative use cases for **digital euro** payments.
- Conduct AML (Anti-Money Laundering) and CTF (Counter Terrorism Financing) controls.
- Integrate **digital euro** services for merchants with cash collection and online digital payments and at physical points of sale.

It is also essential that the distribution of the **digital euro** be entrusted only to supervised intermediaries authorised under EU law.

### *Distribution model*

Regarding the rules for the distribution model of the **digital euro**, the Eurosystem preferred option is a "payment scheme" is shared. This scheme should be organized into three separate but interconnected levels, as follows:

- ECB level, which should regulate issuance, convertibility, and maintenance of the **digital euro**, as well as principles to ensure the harmonisation of certain key aspects defined in the subsequent levels (e.g., onboarding, anti-money laundering controls, and policy choice aspects), and enable the development of value-added services by intermediaries.
- Level A, which, similarly to SEPA schemes, should set payment rules, seeking synergies with existing SEPA schemes. Interoperability with other schemes and digital currencies could also be explored. This level should be managed by the ECB in cooperation with market stakeholders.



- Level B, which would be left to the private sector, should allow the emergence of innovative and value-added services. The role of the scheme should be to define the technical standards that would guarantee the interoperability of the various payment solutions that would subsequently be developed and managed by the private sector in compliance with the principles established in the previous levels.

There is also a need to ensure a look&feel that makes it clear to users when they use the **digital euro** issued by the ECB as opposed to other digital payment instruments in commercial bank money.

### *Compensation model*

The **digital euro**, as a central bank currency, would represent a public good. Therefore, the ECB expects that a basic use should be provided for free; it would cover all the necessary services to allow citizens to pay and receive **digital euro** (e.g., account opening and management, funding and de-funding with cash or commercial bank money, transferring the position to another intermediary). To ensure the stability and proper functioning of the market as a whole, and the economic sustainability of the private intermediaries distributing the **digital euro**, a portion of the increased seigniorage could provide an adequate economic support. This is in line with the goal of positioning the digital euro alongside existing electronic payment services in an already highly competitive and developed market, as well as with its status as a public good<sup>5</sup>.

To ensure a good level of adoption and diffusion, it is necessary to envision an appropriate compensation model for the **digital euro**, capable of inducing and stimulating appropriate behaviours by all actors involved: citizens, merchants, and intermediaries. The latter, for instance, should be sustained with appropriate incentive mechanisms to ensure a solid and wide diffusion, in line with the objectives set by the Eurosystem and the regulatory framework that EU Co-legislators will introduce as regards the legal tender status of the **digital euro**. In this regard, it is worth remembering that adoption by citizens requires a variety of services in addition to the basic ones: from communication to assistance in the first access phase, from the correct implementation of anti-money laundering and anti-fraud controls to the implementation of mechanisms aimed at settling any disputes, and last but not least the support to citizens in correctly understanding the new instrument and the methods of use. All these activities require development and management costs that cannot be borne solely by market players.

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<sup>5</sup> Bindseil, Panetta, Terol - "Central Bank Digital Currency: functional scope, pricing and controls", December 2021 ([link](#)).



It is the view of the Italian banks that the adoption of the **digital euro** also depends on the ability to provide a range of value-added services, which would make its use attractive to citizens and merchants, differentiating it from what is already available. The experience conducted in the early 1990s by the Bank of Finland, and subsequently abandoned, on the issuance of a CBDC through a bearer instrument - in the form of a prepaid card - shows that the mere payment service does not meet the needs of the market and does not allow for a sufficiently sustainable business model for distributors<sup>6</sup>. Therefore, the possibility of offering value-added services from the very first issuance, for which the market will identify sustainable forms of remuneration, is essential to enrich the **digital euro** with a multitude of functions capable of attracting different segments of users, be they citizens or businesses.

### *Tools to avoid excessive use of digital euro*

One of the Eurosystem principles that Italian banks fully agree with is that the **digital euro** should not be used as a store of value, but only as a means of payment. To achieve this, it is necessary to design instruments that limit and do not encourage the holding of digital euros. It is the view of the Italian banks that the best instrument to prevent excessive use of the **digital euro** is a clear and easily understandable holding cap, while regarding the other possible tools envisaged by the ECB, such as the application of a disincentivising interest rate it is considered that it would confuse citizens and misalign **digital euro** with respect to cash, which is unremunerated central bank money.

The investigation work conducted so far has led to the possible design of mechanisms that allow to make and receive payments even beyond a set maximum holding threshold (to be defined by the ECB), thanks to a linked payment account. This functionality makes it less relevant to allow citizens to hold a high balance to meet daily payment needs, as transactions can be always executed. For this reason, it is considered that the assumptions initially made (EUR 3,000-4,000) by the ECB can be revised downwards<sup>7</sup>, also considering that according to recent ECB data, in the euro area the average amount of cash held by citizens in their wallets is EUR 83<sup>8</sup>. In addition, considering the (reverse) waterfall mechanisms linked to a payment account that can be put in place, it is essential to add also a limit on individual transactions exceeding the balance of the **digital euro** position; indeed, if the risk of disintermediating bank deposits can be adequately

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<sup>6</sup> Bank of Finland Economics Review – “Lessons learned from the world’s first CBDC”, August 2020 ([link](#)).

<sup>7</sup> These assumptions were based on the countervalue of cash in circulation in relation to the number of Eurosystem citizens; however, it does not take into account that only 20% of cash in circulation is used for payments. Indeed, a significant amount of cash is used as a store of value and a large quantity of cash is also outside the EU.

<sup>8</sup> European Central Bank - “Study on the Payment Attitudes of Consumers in the Euro area- SPACE”, December 2022 ([link](#)).



mitigated by a lower holding limit (in line with the reasoning referred to above), payment transactions without any amount limit would generate two problems:

- Potential overlap with all payment services, including SEPA.
- Security and liability issues for banks in economic and reputational terms in exception handling and fraud prevention.

There is also the topic of systematically monitoring compliance with the limits imposed on the use of the **digital euro**. Programmability could offer a structural solution to this challenge. In fact, it would be possible to deploy logic to ensure automatic compliance with both quantitative limits and legal rules (e.g., anti-money laundering and counter-terrorist financing compliance-driven controls), with a significant advantage in terms of overall costs and the time needed to develop and release changes. Programmability could also facilitate a homogenous implementation across all positions. For more details see the dedicated section.

### *Funding and de-funding of digital euro positions*

Several mechanisms are envisaged to fund a **digital euro** position from an external liquidity source, either by transferring funds from a linked account held with a supervised intermediary or by cash. In general, funding can be done manually by the citizen when needed or triggered by specific events (e.g., predetermined thresholds or time intervals). In addition, mechanisms are provided to allow a payment to be made even if there is no capacity, by triggering a funding from the linked account (so-called reverse waterfall), and to allow a payment to be accepted even if it brings the balance above the maximum allowed (so-called waterfall), by immediately reversing the excess amount to the linked payment account.

The availability for continuous (24/7/365) funding and de-funding services for **digital euro** appears to be a basic requirement for the Eurosystem. It is recommended that this requirement should not apply to cash deposits, for which further study is needed.

Italian banks are positively looking at these options, but some issues related to the conversion from cash to **digital euro** (and vice versa) need to be emphasised:

- Since not all intermediaries handle cash, there should be no mandatory requirement to offer such a service.
- If an offline functionality is confirmed, it will still be necessary to ensure online reconciliation of positions before the conversion takes place.



## SETTLEMENT MODEL

The choices regarding the settlement of **digital euro** transactions assume that the nature of central bank liabilities should always be preserved, and that every **digital euro** transaction should be recorded in the books of the Eurosystem, while balancing the need to preserve the confidentiality of citizens' data and of their transactions. To this end, it should be noted that in any case, it will be the intermediary's task to instruct the payment by providing a pre-validation of the transaction based on its details and the availability of funds. The ECB has considered various options only with reference to the role of the Eurosystem in the final validation of the transactions and the entry on its books.

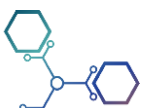
It is considered that the attribution of the final validation of the transactions and their final settlement (with the related bookkeeping) to the Eurosystem does not undermine the ability of intermediaries to offer value-added services, which is already based on pre-validation of transactions and the information that the settlement has taken place rather than on the performance of settlement itself. In addition, it is considered correct that only the Eurosystem has the possibility to write on its books.

### *Transaction Validation*

The analyses conducted by the ECB have led to the identification of two main models: the first, considered more similar to cash, involves no connection during payment, with transactions occurring without validation by third parties (intermediaries); the second, closer to the digital era, involves online transactions validated by third parties.

Banks operating in Italy believe that the most suitable model for validating **digital euro** transactions is the online one with third-party validation. Through this configuration, it is possible to leverage the mechanisms already implemented by regulated payment service providers to guarantee services like customer protection, dispute management, AML/KYC controls, continuous anti-fraud monitoring, and high levels of security, which would not be achievable with an alternative validation model, leaving the citizen solely responsible for the correct execution of **digital euro** transactions. The online configuration with third party validation is therefore considered more suitable for supporting the digital economy and competing with non-European digital currencies (private stablecoins or other CBDCs) that could enter our market.

Offline functionalities should be conceived as a backup, potentially dual offline (when both the user and the point of interaction are without connection), but strictly limited in time. A permanent offline **digital euro** would entail higher risks, in terms of security and possible double spending. Before developing such functionality, a specific cost-



benefit analysis should be carried out to understand the real need for this functionality in the euro area and evaluate its economic sustainability.

### *Privacy of personal data*

Regarding the ongoing debate on the visibility that the various actors should have on users' personal data, a clear distinction must be made between privacy in terms of the protection of customers' personal data and the concept of anonymity. The first aspect is already well regulated by the GDPR (General Data Protection Regulation), while anonymity is likely to increase cases of fraud affecting customers themselves, as the monitoring of transactions, even of small amounts, is crucial to identifying fraud patterns.

Generally speaking, the principle of “same activities, same risk, same rules” should be applied to the **digital euro**, and it is therefore considered crucial that the current regulations and, in particular, GDPR, AML/ CFT and PSD2, regarding access to payment account data, apply equally to the **digital euro**, both for carrying out the required controls and for offering value-added services. In particular, it is considered necessary to ensure that the intermediaries involved (as both the originator's bank and the beneficiary's bank) have the necessary data at their disposal to carry out the required checks.



## TECHNOLOGICAL ARCHITECTURE

To differentiate the **digital euro** from other existing payment services, offering opportunities to create added value, it is considered that it must offer native programmability functions for payments and, therefore, be built within a DLT environment.

### *DLT infrastructure*

DLT enables unique functionalities and a smooth interaction model among participants within an agile ecosystem. There is a wide range of DLT platforms, each with different characteristics (token based or account based, programmable in an extremely flexible manner or hardly programmable, with or without systems to govern access and the ability to write onto the register), and it is possible to identify the solution that best responds to the ECB's desired design. It is indeed understandable that technology is the last decision expected in the current investigation phase. However, it's important to keep in mind that where the impact of innovation may be significant, gaining an understanding of cutting-edge technologies can be beneficial in expanding the range of available options.

DLT enables a more distributed model for participants than the traditional one by effectively managing the allocation of responsibilities between the central bank and the **digital euro** distributors. It is crucial that the two-level architecture model integrates the ECB's control of the monetary base and other fundamental aspects of the **digital euro** while also allowing for the provision of innovative services that rely on it as a “raw material”. This would create the conditions that make the **digital euro** adoption appealing to citizens.

### *Programmability*

Thanks to the role of banks, it is possible to find technical solutions and an operational framework that can preserve the nature of central bank liabilities, while adding some benefits typical of the digital world (already met by digital payment instruments) as well as programmability features, which could be a differentiating factor. To fully exploit the potential of the **digital euro**, it is of paramount importance that it can represent a significant innovation, so as to differentiate itself from existing payment instruments and attract users with value-added services that are not yet present today.

Since the first institutional dialogues, ABI has emphasised the convenience of allowing intermediaries to offer value-added services through native programmability, with the

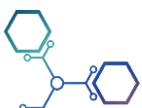


twofold aim of continuing to stimulate private sector's payment innovation and making the **digital euro** attractive to citizens.

Therefore, it is considered fundamental that the **digital euro** can be designed from the outset to ensure the programmability of payments, so as to allow payment service providers to design their value-added services leveraging the basic functionalities that the **digital euro** will have to guarantee. If the **digital euro** could provide a "mouldable" raw material for various PSPs to build value-added services, it would be possible to overcome the problem of "interoperability", which is present in existing services.

If designed with appropriate programmability features, the **digital euro** would enable the development of several innovative services, including:

- DvP (delivery versus payment) with digital assets settled 'atomically', i.e., as a single transaction.
- Conditional **digital euro** payments by type of payer and/or underlying goods and services (e.g., for donations or bonuses for specific purposes such as childcare).
- Programmability for IoT (machine-to-machine payments).
- Use of the **digital euro** to settle blockchain/DLT-based transactions that now use crypto-assets.
- Automatic reimbursement for unused services and for the purchase of specific goods or services (e.g., tickets/vouchers).



Based on these considerations, three key points of the ABI's position regarding the programmability functions of the **digital euro** emerged:

*Programmability is not understood as programmability of money, as this could undermine the status of legal tender and limit the possibilities available to citizens, but as programmability of payments, which performs its function without affecting the nature of money.*

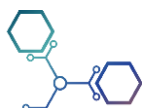
*Some of the relevant programmability features can be based on the two-tier model to be adopted for the distribution of the **digital euro**: a first tier linked to policy decisions and thus governed by the Eurosystem; a second tier allowing for the provision of innovative services by PSPs that could be modelled according to market needs, both for retail customers and for businesses and public administrations.*

*The first level of programmability allows for the automation of Eurosystem policy decisions via smart contracts, which would apply automatically and homogeneously to all **digital euro** positions. In this way, changes that might be necessary (e.g., for limits) could be implemented by updating a single smart contract. This approach would also allow the automatic applicability of other types of controls (e.g., anti-money laundering), with a significant reduction in terms of overall cost, development time and release of any update. It would also be possible to envisage a way to limit the visibility of the ECB only to the identifier created through pseudo-anonymisation and other techniques aimed at ensuring the confidentiality of personal data (privacy by design).*

With the twofold purpose of actively contributing to public debate and supporting Italian banks in preparing for the future scenario, ABI, in collaboration with ABI Lab, has launched an experimentation project in the context of the **digital euro**, which involved eighteen banking groups and five technology partners. This initiative led, in March 2021, to the completion of four demos dedicated each to an innovative service, which could be imagined using a programmable **digital euro**: Safe Return, Pay&Split, Simply Home, and Culture Pass<sup>9</sup>.

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<sup>9</sup> ABI – “Verso l’euro digitale: fare tesoro dell’esperienza delle banche italiane”, March 2022 ([link](#)).



## A concrete case of programmability: the Culture Pass

The Culture Pass is a voucher issued by the Italian “Ministero della Cultura”, which allows young people who turn 18 to purchase certain products and services.

The current process requires, on the one hand, the accreditation of the merchant to the platform and, on the other hand, the disbursement of the credit to the beneficiaries through a smartphone application. After these activities, based on the rules set by the Ministero della Cultura (issuer), the beneficiary can use the voucher for purchases. The amount of the voucher is deducted from the beneficiary's availability when the merchant accepts it as payment. Then, the merchant can finally request the settlement of the accumulated vouchers, but the accreditation may take several days.

The Culture Pass innovative service has made it possible to integrate programmability functions into the current process, which automatically limit the use of the voucher according to the rules imposed by the issuer. In this scenario, smart contracts manage all phases of the process: setting the rules, issuance, usability, and redemption of the voucher. The transfer between beneficiary and merchant is settled instantly, when the payment is accepted by the merchant, without further steps. After fulfilling its function, the smart contract is consumed and, therefore, it disappears. In this way, the merchant receives fully fungible **digital euro**, as they are not conditional (conditionality was encoded in the smart contract).

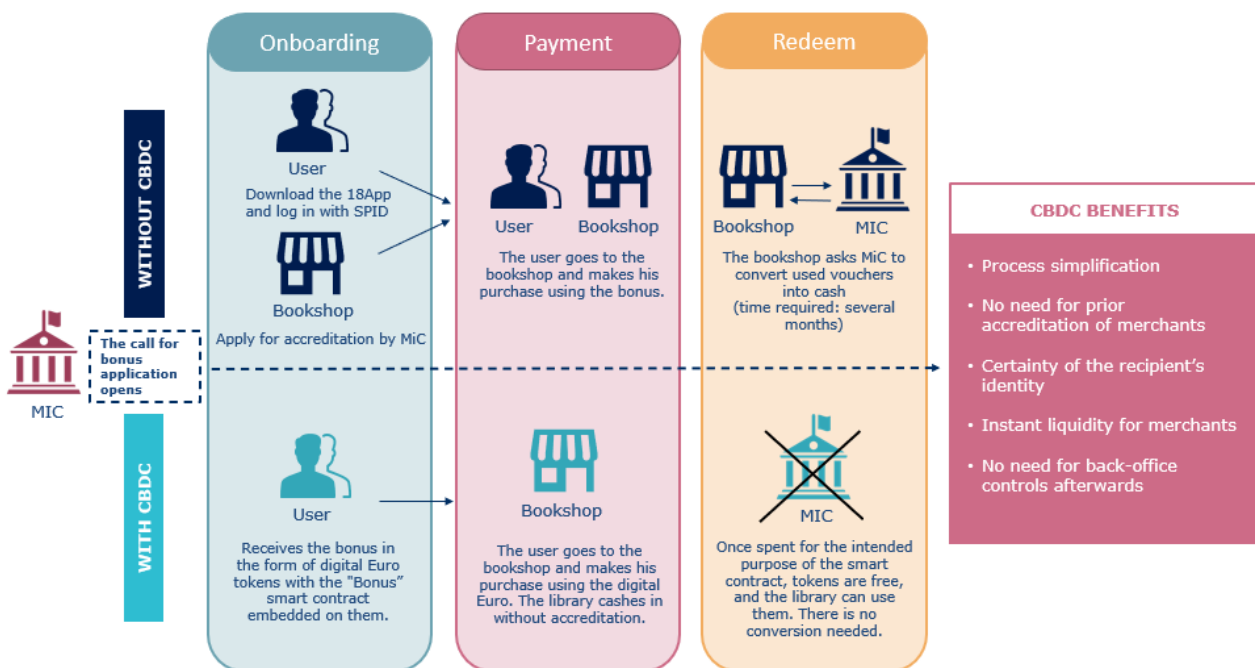
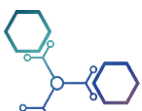


Figure 2 – Culture pass process flow with and without CBDC



## CONCLUSIONS

ABI welcomes the Eurosystem's decision to continue its work on the **digital euro**, which, if properly designed, can also be a proper response to privately issued digital currencies and CBDCs issued by foreign central banks. Therefore, ABI has always offered the maximum cooperation to the authorities and provided an active and constructive contribution to the ongoing debate in all European fora with market stakeholders, in the conviction that the concrete involvement of banks in the project will be crucial for it to produce benefits for the sector and the economy as a whole.

What we can see on the horizon is the arrival of a new form of money that, alongside cash and the payment services already available, can offer a new and different payment instrument to enable our digital economy to keep up with the most innovative technologies with a purely European instrument.

The concrete design of the **digital euro**, as well as the technology underpinning it, will enable banks to expand their offerings with new services and innovative products that, enabled by programmability features, can meet the new and future needs of citizens.

For example, the **digital euro** should enable banks to (i) offer value-added services in addition to basic services; (ii) streamline distribution, management, and control processes; and (iii) facilitate convertibility with other forms of money. ABI believes that these goals can only be achieved if the **digital euro** enables a third-party validated online transaction model and incorporates innovative features such as native programmability.

Considering the public good nature of the **digital euro**, and to ensure the stability and proper functioning of the market as a whole, the costs of developing, distributing, and providing basic services cannot be borne solely by private players.



## ANNEX: 10 CRITERIA FOR A CENTRAL BANK DIGITAL CURRENCY

In June 2020, ABI Executive Committee approved the following key principles for a position on CBDCs.

1

Monetary stability and full compliance with the European regulatory framework must be preserved as a priority.

2

Italian banks are already operational on a distributed ledger infrastructure with the Spunta Banca DLT project. They intend to be part of the change brought about by such an important innovation as digital currencies.

3

Programmability functionalities represent an innovation in the financial field that can profoundly transform the use of money and exchanges, even across jurisdictions. It is a transformation that has the potential to bring significant added value.

4

It is necessary for digital money to gain the utmost trust of citizens. To this end, it is essential that the highest standards of regulatory compliance, security and supervision are met.

5

A CBDC, thanks to the central role played by the central bank, represents the instrument that can reconcile the need for innovation more than any other, consistent with the current regulatory framework, stability, and interoperability with the analogue world.



6

To realise the full transformative potential of these instruments, the possibility of issuing a CBDC intended for the public, which could be used alongside cash, is also being explored at the European level. Thanks to the role of banks, it is possible to identify technical solutions and models to preserve the typical characteristics of central bank money, while introducing many benefits of the digital world.

7

Detailed work may lead to identifying the model for distributing, storing, and exchanging digital currencies that best balances the needs of customer service, maintaining the effectiveness of monetary policy transmission mechanisms and regulatory compliance. Certainly, for each of these objectives, the role of banks is crucial.

8

Achieving a high degree of user-friendliness, while ensuring full interoperability between the digital and analogue worlds and a total level of interoperability between all players in the ecosystem, is a success factor in the deployment of CBDCs.

9

Specific attention must be paid, depending on the technological choices that will be adopted, to the protection of citizens' data. The introduction of the GDPR has made the European Union an international champion on this issue, which allows us to propose tools and solutions that are also well governed from a data protection perspective.

10

The availability of a digital currency or a CBDC could enable a number of very interesting use cases, thus also facilitating person-to-machine and machine-to-machine exchange logics, promoting, thanks to the programmability feature of these currencies, the execution of exchanges upon the occurrence of predefined conditions.

**For more information:**

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