

The ECB would (not really) like to know your opinion on the digital euro - let them know

[18 November 2020 | The European Central Bank \(ECB\) is currently asking citizens and \(especially\) the financial and tech industries how they would like to see the digital euro that the ECB is working on. In bad EU tradition, it is not asking whether we would like it at all. But the survey offers fields where you can tell them anyway.](#)

The average citizen can finish [the survey](#) relatively quickly, because most of the questions are addressed to "professionals" from the financial and tech sectors, i.e. the respective lobbies. It seems a bit pro forma that the citizens are also asked. Explanations are only available in English, and these are not specific to the survey, but rather refer and link to the [54-page report of an ECB working group](#) published in early October, which is not exactly written for laypeople.

I hope my recently published blog post is a bit more understandable, though no less biased, than the ECB survey:

<https://norberthaering.de/en/money-finance/digital-euro-en/>

However, if you are a bit familiar with the topic, the ECB does invite you to also answer the questions for "professionals".

First of all, select the language at the top of the survey's homepage, if you want one which is not English. You will be offered this option repeatedly, but if you set the language later on, you will have to fill everything in again from the beginning. At the start of the survey, you will be asked whether you agree to a publication of your opinion by name.

Here are the survey questions with my answers, not necessarily the ones actually given. In some cases I thought about it again and would put in my answers below if I did the survey again. Partly I was inspired by the answers sent to me by a reader and friend.

User perspective

We want to find out how people in the euro area would use a digital euro. We also want to understand the ways in which a digital euro could complement the existing payment methods you use. Your responses would help us design a digital euro that meets the needs of a broad range of users.

How would you rank, in order of importance, the features that a digital euro should offer? (Selection from given answers)

I want my payments to remain private.

I would like to be able to use the digital euro throughout the euro zone.

I would like to be able to use the digital euro without incurring additional costs.

I would like the digital euro to be a secure means of payment.

Do you have any further comments about the ranking that you have indicated above?

I would like to be asked whether I would like to use and see a digital euro introduced at all. There is no need for a digital euro that circulates offline like cash. Introducing something like this only makes sense if you want to replace and displace cash.

Do you envisage any challenges associated with a digital euro that would prevent you or others from using it? If so, what are they?

Why do you use marketing slang instead of describing problems or disadvantages as such? Do you want to know my opinion or sell me the digital euro?

The main drawback is that it is digital and therefore not suitable for preserving financial privacy, especially under current legislation, which follows the principle that every payment transaction should, if possible, be supervised by government authorities. For this reason I do not want to use the digital euro. Nor do I want it to be introduced, because in my view that would accelerate the displacement of cash. I do not believe the assertions that the digital euro is only intended to supplement cash.

What user functions should be considered to ensure that a digital euro is accessible to people of all ages, including those without bank accounts or with disabilities?

From a technical point of view, the digital euro would have to function roughly the same way as cash. But that is not necessary, because there is cash. People without a bank account should be given one.

[N.H. The following question is hard stuff for laypeople. I assume that the first option refers to a solution in which the digital euro is stored on anonymous cards or digital wallets and can be transferred directly from there to other cards or digital wallets without the involvement of a payment service provider, such as a credit card company.]

There are two approaches we can take to make a digital euro work, one that requires intermediaries to process the payment and one that doesn't. If we design a digital euro that has no need for the central bank or an intermediary to be involved in the processing of every single payment, this means that using a digital euro would feel closer to cash payments, but in digital form – you would be able to use the digital euro even when not connected to the internet, and your privacy and personal data would be better protected.

The other approach is to design a digital euro with intermediaries recording the transaction. This would work online and allow broader potential for additional services to be provided to citizens and businesses, creating innovation opportunities and possible synergies with existing services. For example, it could make it easier to integrate a digital euro into currently available electronic banking services and applications. From your perspective, which of the following do you find most appealing? (select one):

[N.H. Here I was expected to choose between "A digital euro focused on privacy and personal data protection that you can use offline" and one where I get many additional services. I don't want to decide there].

Do you have any further comments on your answer to the above question?

The question is manipulative. Protection of privacy in the sense of anonymity, not only in terms of data security, is important to me. But if this is only to be had by making digital cash for offline circulation, I am against it because cash is better for that.

[N.H. The following are questions for the finance and tech professionals, i.e. lobbyists. One notices that data protectionists, consumer protectionists etc. are not addressed. Questions about data protection should be answered by the lobbyists.]

Financial, payment and technology professionals' perspective

What role do you see for banks, payment institutions and other commercial entities in providing a digital euro to end users?

The introduction of the digital euro may entail high costs for the central bank. A cost-saving solution would be one that builds on the existing technical infrastructure of the banking system, giving the central bank a greater share of control over the money supply again. This is technically feasible through the legal construction of the trusteeship. The banks can hold a special account for digital (central bank) euros for every citizen and legal entity, which is off-balance sheet for the bank.

A digital euro may allow banks and other entities to offer additional services, on top of simple payments, which could benefit citizens and businesses. What services, functionalities or use cases do you think are feasible and should be considered when developing a digital euro?

The question of what kind of legal nature the digital euro will have must first be answered. Will it be legal tender? If so, which EU institution is authorized to declare it legal tender? If it is the primary legislator - a possible answer for which there are good arguments - then the ECB may not be entitled or empowered to issue it without a mandate from the primary legislator. The issue of the digital euro will certainly have an impact on the only legal tender currency issued so far. Such an important change cannot be decided by technical experts alone - in our democracies this is in the hands of the people's representatives.

What requirements (licensing or other) should intermediaries fulfil in order to provide digital euro services to households and businesses? Please base your answer on the current regulatory regime in the European Union.

The current EU financial regulatory framework is not working well. Banks finance what they find most profitable. That is often not what society needs to finance most urgently. The problem is particularly pronounced in the monetary system, because banks have been granted a license by regulators to print money, but they do not do so in the interest of the community, but in their own interest.

Which solutions are best suited to avoiding counterfeiting and technical mistakes, including by possible intermediaries, to ensure that the amount of digital euro held by users in their digital wallets matches the amount that has been issued by the central bank?

not answered

What technical solutions (back-end infrastructure and/or at device level) could best facilitate cash-like features (e.g. privacy, offline use and usability for vulnerable groups)?

There is no need or justification for a second means of payment that functions in the same way as cash in offline mode. Cash is already available for this.

What should be done to ensure an appropriate degree of privacy and protection of personal data in the use of a digital euro, taking into account anti-money laundering requirements, and combating the financing of terrorism and tax evasion?

The rules for the alleged fight against terrorist financing and tax evasion in the financial sector are totalitarian in the sense that they aim at 100% state control over all financial activities of citizens, and thus ultimately over their entire lives. This is not compatible with democracy in the long run.

It is astonishing that experts in the financial and tech scene, who are not exactly conspicuous for their zeal in

Money and more

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protecting privacy, are asked what should be done to protect privacy. Surely it would be better to ask data protection specialists and consumer protectionists.

{N:H. The following questions refer to a [proposal for the design of the digital euro](#) by the high-ranking ECB manager Ulrich Bindseil. They show that this proposal is more than a private opinion.}

The central bank could use several instruments to manage the quantity of digital euro in circulation (such as quantity limits or tiered remuneration), ensuring that the transmission of monetary policy would not be affected by shifts of large amounts of commercial bank money to holdings of digital euro. What is your assessment of these and other alternatives from an economic perspective? (Tiered remuneration is when a central bank sets a certain remuneration on holding balances of digital euro up to a predefined amount and a lower remuneration for digital euro holding balances above that amount.)

Such a castrated digital central bank money with quantity limits and negative interest rates would hardly meet with much demand.

What is the best way to ensure that tiered remuneration does not negatively affect the usability of a digital euro, including the possibility of using it offline?

Offline use is not desirable. There is cash for it.

If a digital euro were subject to holding balance limits, what would be the best way to allow incoming payments above that limit to be shifted automatically into the user's private money account (for example, a commercial bank account) without affecting the ease of making and receiving payments?

There should be no upper limit. The digital euro should be allowed to compete with the insecure bank money and displace it.

What would be the best way to integrate a digital euro into existing banking and payment solutions/products (e.g. online and mobile banking, merchant systems)? What potential challenges need to be considered in the design of the technology and standards for the digital euro?

With special trust accounts for citizens' digital central bank money at commercial banks.

What features should the digital euro have to facilitate cross-currency payments?

As banks have not created a cost-effective way to transfer money between currency areas, it is up to central banks to do so.

Should the use of the digital euro outside the euro area be limited and, if so, how?

I see no reason for this.

[To the survey](#)

[German version of this blogpost](#)

Note: This is the English section of my weblog. You can get to the German section by clicking on the German flag. Only a fraction of the blogposts are available in English. Most are available in German only.

