

THE FUTURE OF DIGITAL EURO

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The digital euro project continues to advance. The speech by **Fabio Panetta**, member of the executive board of the European Central Bank (ECB), a few weeks ago has made it clear that the path to the digital euro is getting closer. The manager reiterated the importance of regulating all crypto assets and creating the necessary regulatory framework for public and private forms of digital money.

The reasons why the ECB decided to issue the digital euro were based on supporting the digitization of the European economy, reducing cash as a means of payment and supporting financial stability in Europe against the digital currencies of other central banks and private initiatives. The need to deal with the proliferation of cryptocurrencies (especially given the increase in investments in bitcoins and ethereums) and the growing role of stable coins (stable cryptocurrencies) also weighed heavily on the decision.

The experts predict that, given the number of challenges and risks in the issuance of the digital euro that are being identified, the legal system will inevitably need to be modified.

"The project is currently in the design phase, so it is difficult to clearly determine the necessary regulatory changes to accommodate the digital euro in our European legal system. The truth is that there are many challenges and risks identified and, therefore, it seems that the digital euro is being configured with many limitations that may prevent it from competing on equal terms with private stable coins," says **Gloria Hernández**, partner at finReg360.

One of the limitations that has become known recently was proposed by Fabio Panetta in his June speech: that the limit of the digital euro be between 1 and 1.5 million digital euro tokens. This measure has, among its objectives, to discourage residents from holding tokens as an investment similar to crypto assets and would avoid negative effects on the financial system and monetary policy of the EU.

"The problem that many point out is that these limitations and the slowness in defining the model and characteristics of the digital euro (necessary given the magnitude of the proposal) make the solution that could see the digital euro vanish from many projects. Consequently, private stable coin initiatives are gaining strength and may be the real alternative. In this sense, there are countries that are evaluating whether the Central Bank Digital Currency (CBDC) should be issued and managed by private initiatives, even by the banks themselves (bank digital money) directly supervised by the central banks," adds Hernández.

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