



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB update on topical matters

ESTA conference
3-4 June 2024

ECB-UNRESTRICTED



C. Bécuwe / Directorate Banknotes

Overview

- 1. Euro banknote circulation developments**
- 2. Report on CIT/CMC concentration**
- 3. Activities ongoing on the future euro banknotes**
- 4. Update on the digital euro project**

1.1 Euro banknote circulation developments

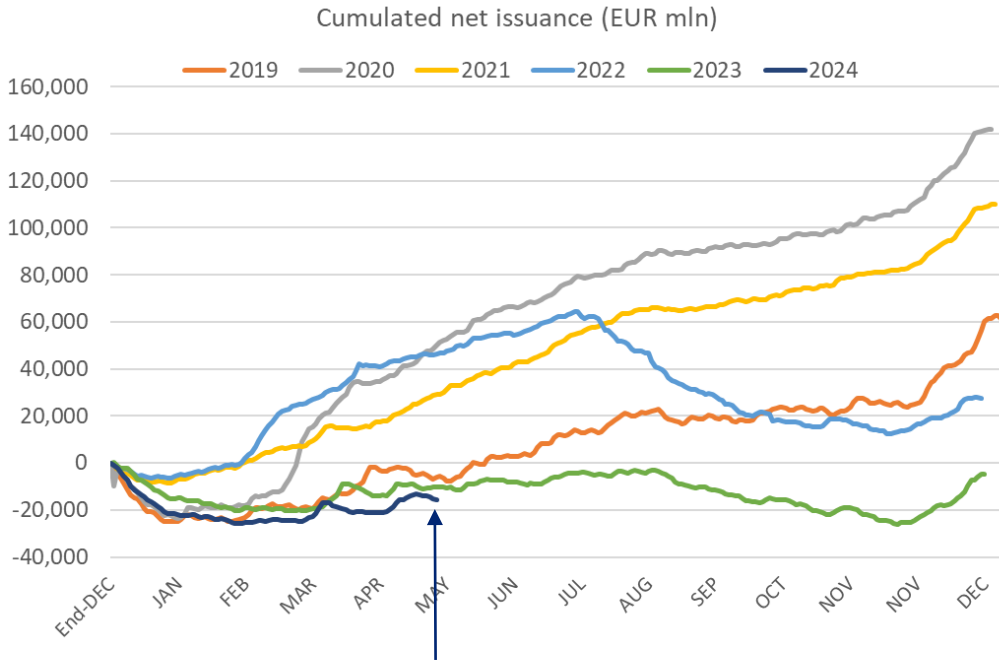
Cumulated net issuance p.a.
(EUR million, both series):

In **2024**, as in **2023**, the cumulated net issuance value has so far remained unusually low. High “Christmas peak” in 2023 led to higher net returns in Jan-Feb 2024.

Circulation
(EUR million, both series)

End-April 2024:
29.5 billion worth
EUR 1.55 trillion

Annual growth:
0.4% (pieces)
-0.7% (value)

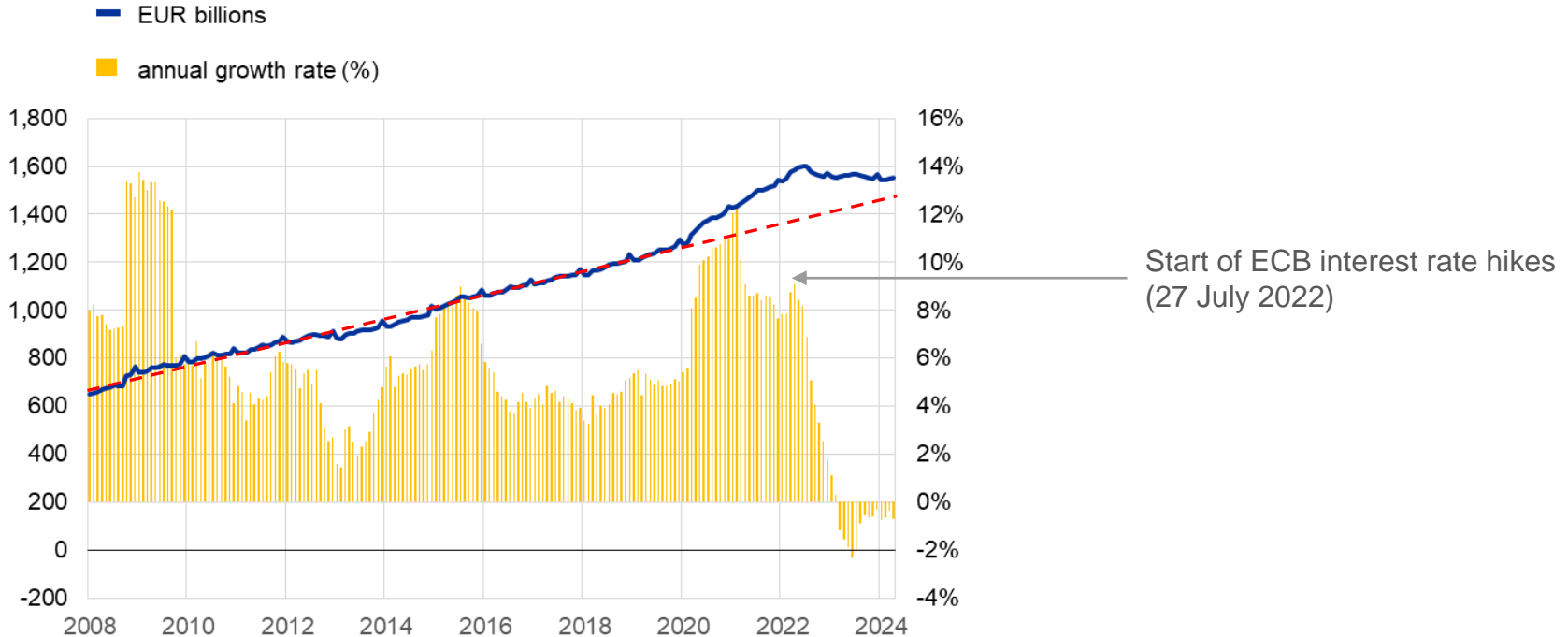


15 May 2024

Note: Q1 2024 includes the Easter peak (not the case for Q1 2023 and Q1 2019)

1.2 Euro banknote circulation developments

The decreasing circulation value seems to compensate for the pandemic-induced increased net issuance since March 2020 (see **trend line**).



2.1 Report on CIT/CMC concentration

Background

Mandate:

- To assess concentration risks and Pan-European risks
- To examine mitigation of the risks and sharing best-practices.

Conclusions:

- CITs/CMCs leaving concentrated market may undermine public trust
- Likelihood of leaving the market is assessed low, but impact assessed as high
- Recommendation to gather insight into operational, legal and financial structure
- (Continue to) have good insight in BCP, be prepared for failure (e.g. by maintaining infrastructure).

2.2 Key points raised by the three major CIT/CMC companies at European level

- From CIT via CMC to **diversified** payment companies / “Strategic” acquisitions/diversification
- **Profitability** as main incentive to remain in cash-related activities
- **Decentralised** governance
- **Business Continuity Plans** are in place and tested
- Limited ability to take over large market shares
- **Limited** cross border activity.

2.3 Key concerns expressed by CITs/CMCs

- Profitability is related to **cash volumes** → concerns of CITs/CMCs:
 - Reducing number of bank branches and ATM network
 - Enforcement of legal tender status
 - Digital euro replacing cash?
- Wish for Eurosystem to play a more pro-active stance in favour of cash
- Wish for further **NHTO schemes** and subsidization in isolated areas
- **Different laws** in different countries are not always productive/ sometimes too bureaucratic.

2.4 Way forward for the Eurosystem

- Increased concentration and decreased profitability => **monitoring and exchanging information** with CITs/CMCs
- **Maintain periodic contact** between Eurosystem and mother companies of most important CITs/CMCs
- Introduce common “minimum **communication standards**”

3.1 Activities ongoing on the future euro banknotes

Monitoring of stakeholder requirements

- Regular **interactions with all banknote stakeholders**, to gather stakeholder requirements and keep product requirements for future banknotes up-to-date

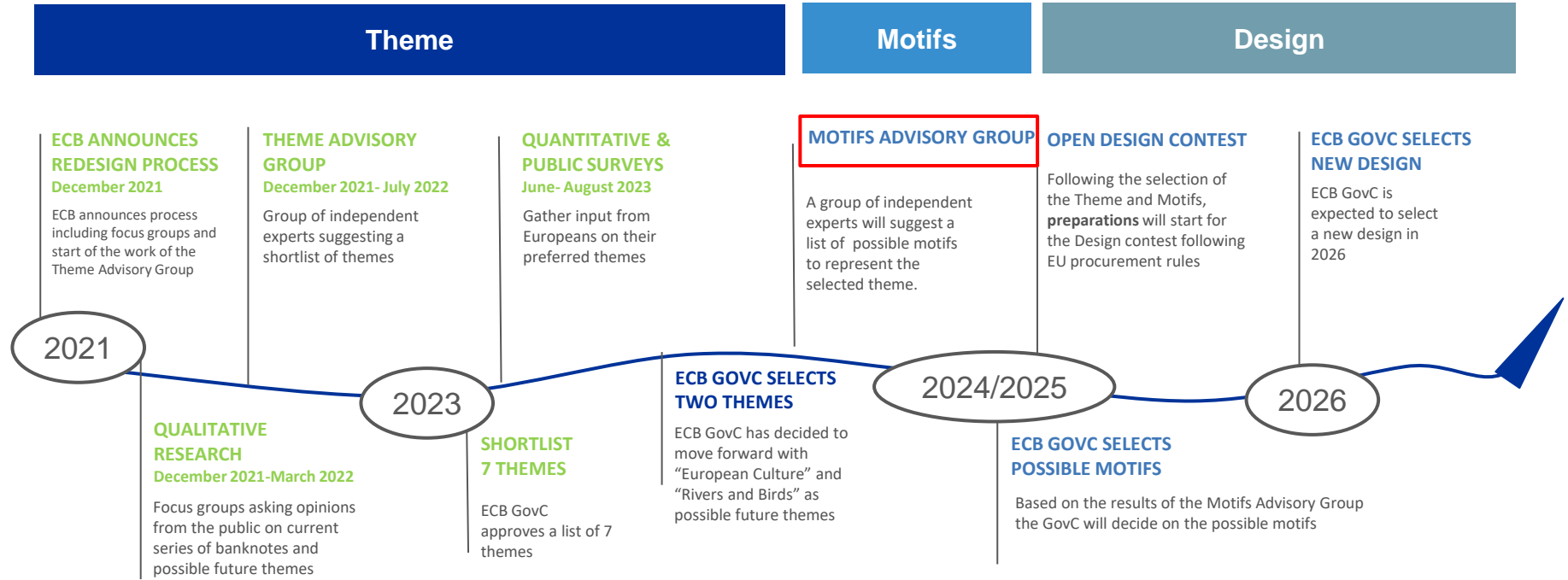
Redesign of the euro banknotes

- **‘Rivers and Birds’ and ‘European Culture’ are possible future themes**; Motifs to illustrate both themes being defined; Design Contest in 2025; new designs to be selected by 2026; **no plan to issue a third series of euro banknotes yet**

Research and Development

- Development of **new features**, processes and methodologies to address product requirements for future banknotes and keep up with innovation
- Methodologies for **public perception** of public features based on neuroscience
- Methodologies for **eco-designing** of future euro banknotes

3.2 Timeline of the redesign process



4.1 Digital Euro Project – Where do we stand?

Investigation phase

Oct. 2021 – Oct. 2023

Concept definition,
technical exploration and
design proposal

Preparation phase

Nov. 2023 – Oct. 2025

Main expected next steps:

- Finalise the **scheme rulebook**
- Select **service providers**
- Learn through **experimentation**
- **Deeper dive** into technical aspects, including further research into offline functions and developing a testing and rollout plan for the future

Next phase

From Nov. 2025

Potentially developing and
rolling out digital euro use
cases

A decision to issue a digital euro will only be considered by the ECB once the European Union's legislative process has been completed

4.2 Digital Euro as complement to cash

- The ECB sees the digital Euro as a **complement to cash**, not a substitute for it.
- The ECB is closely following the ongoing legislative process for the draft regulation on the **legal tender status of euro banknotes and coins**.
- The Eurosystem's Cash 2030 strategy and ongoing work on the third series of euro banknotes demonstrate the ECB's long-term commitment to its statutory tasks

Q&A