

# CENTRAL BANK DIGITAL CURRENCIES (CBDC)

## POLICY RECOMMENDATIONS

The emergence of CBDCs, and debates surrounding the possible introduction of a digital euro for the retail sector, presents opportunities for enhancing financial efficiency and inclusion, but also creates concerns which need to be addressed. The successful integration of a retail CBDC with existing financial systems requires a balanced approach that fosters innovation while safeguarding stability. Collaboration among policymakers, banks, and industry stakeholders is essential to fully leverage the potential of CBDCs.

### Recommendation 1

## COLLABORATIVE REGULATORY FRAMEWORK FOR CBDC INTEGRATION

- A clear and collaborative regulatory framework should be established to integrate the digital euro into the crypto asset ecosystem. This framework must create a level playing field for all participants while ensuring compliance and fostering innovation. With appropriate legislative and technological development, a retail CBDC in the EU could catalyse support for existing fintechs and enable new business models.
- Addressing concerns raised by the European Parliament and Member States in the ongoing legislative process is vital for reducing regulatory uncertainty, encouraging responsible deployment of digital euro related services, and ultimately contributing to a more robust financial system. This must be resolved before the European Central Bank Council's decision on the digital euro's realisation in October 2025.

### Recommendation 2

## STANDARDS FOR INTEROPERABILITY BETWEEN CBDCS AND CRYPTO ASSETS

- Promoting interoperability between CBDCs and various crypto assets, such as stablecoins, is essential for maximising the benefits of a digital euro. This includes ensuring that programmable payment functions in a European retail CBDC are compatible with the crypto sector.
- Establishing industry-wide standards and protocols will facilitate seamless transactions between traditional and new systems of finance, enhancing user experiences and supporting the growth of innovative financial applications. By improving interoperability, we can enable smoother movement between the fiat and crypto ecosystems, ultimately driving greater adoption and usability.

### Recommendation 3

## FINANCIAL INCLUSION INITIATIVES UTILISING THE DIGITAL EURO

- Prioritising financial inclusion initiatives that leverage the digital euro is essential. By integrating CBDC infrastructure with crypto asset services, accessible and low-cost financial solutions can be provided more efficiently to more people.
- Such initiatives align with the European Central Bank's commitment to fostering an inclusive financial ecosystem, ensuring that all citizens can benefit from the introduction of a digital euro.

The introduction of CBDCs into the financial landscape offers transformative potential if they are designed interoperable and if the legislation ensures a level playing field. An approach that emphasises a design adapted to the realities of a financial system in the 2030's and beyond will ensure that a digital euro for the retail sector contributes to an efficient and accessible financial system. Engaging in these discussions will be critical for shaping an environment that similarly accommodates innovation but also protects users and maintains financial integrity.