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BVI supports ECB's considerations for a digital euro

We¹ welcome the considerations of the European Central Bank for a digital euro in form of either a Central Bank Digital Currency (CBDC) or commercial bank money.

We believe in the economic benefits arising from a digital euro for the financial sector. The ECB report² on a digital euro considers the wholesale application of a distributed infrastructure. Payments via a digital euro, including but not limited to crypto-asset transactions, would increase efficiency in settlement due to the method of "delivery vs. payment" (DVP), thus reducing the need for intermediaries while mitigating counterparty risk.

We therefore support the European Commission's reasoning as expressed in the Proposal for a regulation on a pilot regime for market infrastructures based on distributed ledger technology (COM(2020) 594 final). Recital 16 states that when settling a transaction in DLT-securities, the DLT-based multilateral trading facility should "ensure that the payment for DLT-transferable securities from the buyer occurs at the same time as DLT transferable securities are delivered from the seller", i.e. enabling DVP.

A digital euro that allows cash payments on a distributed ledger could be designed either as CBDC or commercial bank money. In this context, the European Commission's Proposal for a regulation on Markets in Crypto-assets (COM(2020) 593 final) defines 'electronic money tokens' as a type of crypto-asset issued by commercial banks, which are meant as a means of exchange and linked to the value of a fiat currency that is legal tender.

¹ BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset Managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 113 members manage assets more than 3.6 trillion euros for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.

² European Central Bank, Report on a digital euro, October 2020, https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf