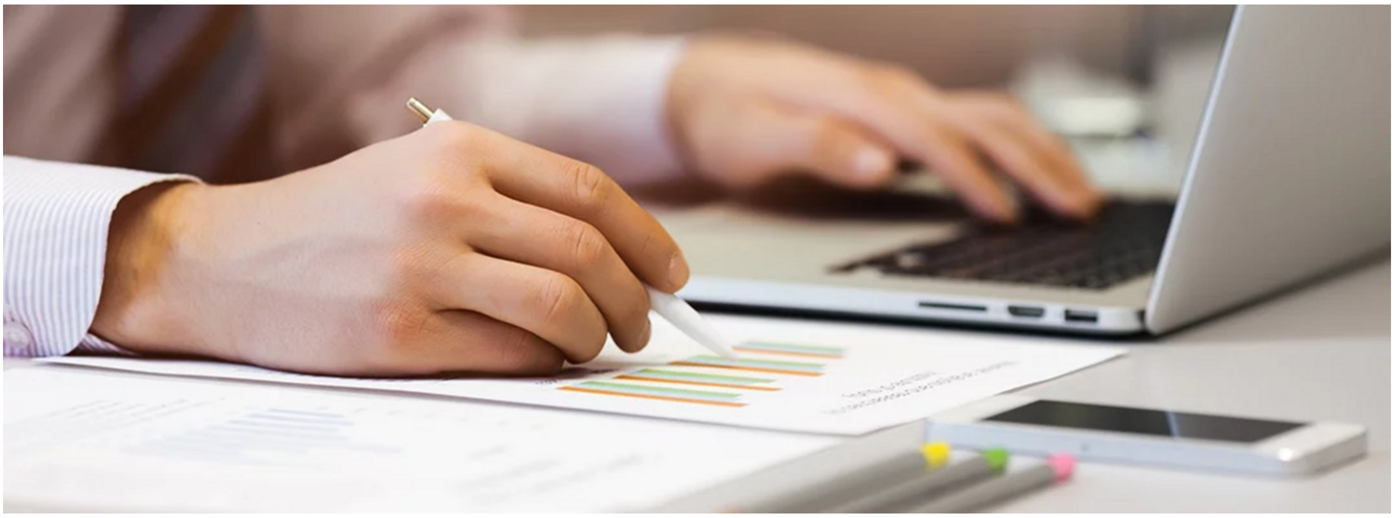

Put to the test: G+D dispels myths surrounding the digital euro

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With the decision of the ECB ↗ on the start of the preparation phase, Europe has come one step closer to the digital euro. However, there is still a number of misunderstandings and misconceptions surround the introduction, the design and the practical use of the currency. Giesecke+Devrient (G+D) has addressed some recurring points of criticism and compared them with the known facts.

The digital euro is at the top of the priority list for the Institutions of the EU. The European Commission adopted legislation ↗ to this effect at the end of June, and the European Central Bank (ECB) announced in mid-October that, following the completion of a two-year investigation phase, it now intends to move into the preparation phase for the project. There's an urgency across the continent for a Central Bank Digital Currency (CBDC). As the only public digital payment currency, the digital euro would be the answer to the growing demand for secure and reliable digital payment options. With it, the euro area would have an alternative to private digital payment offerings and highly volatile cryptocurrencies or private currencies, with availability for all citizens. As a complementary format to cash, it would essentially be the digital twin of euro bills and coins. As such, it would have the potential to become a driver of the digital economy and an anchor of stability for the payment and currency system. Moreover, a digital euro would promote efficiency in European payment transactions and also strengthen the competitiveness and monetary sovereignty of the euro area.

Although the concept of a digital euro is already well advanced, false assumptions still persist around its introduction, design, practical use and consequences of a state-issued digital currency. G+D dispels the myths:

→ **Myth 1: Cash will be gradually abolished.**
It is often assumed or implied that the digital euro would replace cash in the form of bills and coins in the medium term. In fact, the two should complement each other. The digital euro would be the electronic counterpart and an urgently needed addition to cash. Cash has many benefits as a means of payment, but it cannot be used in the digital world. Both forms of public money would exist in a coordinated manner as analog and digital payment formats.

→ **Myth 2: Every citizen must have an account with the ECB.**
Cash enters circulation as the respective national banks of the European states issue and distribute it via commercial banks. The introduction of a digital euro would not change this balance between public and private institutions. As before, the central banks would remain in the background and would neither come into direct contact with customers nor compete with traditional banks. The tried-and-tested division of roles and responsibilities between central and commercial banks and financial service providers, in which consumers are served in a decentralized manner, would remain in place. Users of the digital euro would continue to have a free choice of their commercial bank.

→ **Myth 3: The digital euro makes citizens controllable and monitorable.**
Privacy and data protection have top priority in the design of the digital euro. The digital euro would not be programmable or allow payment transactions to be traced through data flows. Transaction data would be technically separated from personal information. The ECB should not hold any data, especially since it has no interest in knowing what citizens are buying. This makes the digital euro fundamentally different from the business models of private payment providers, which generally use the data generated by digital payment offerings for commercial purposes.

→ **Myth 4: The digital euro already exists.**
People who pay online or with their mobile devices might think that they are already using something like a digital euro, but this is incorrect. The electronically triggered actions, which are account-bound, are usually carried out via private third-party providers, such as credit card companies. They go hand in hand with a corresponding classification of the user and are therefore not freely accessible to everyone. Payments with a digital euro would also work without a bank account, proof of age, credit rating and transaction fee, just like with cash in the physical world. Last but not least, it is planned that the digital euro should also work without Internet access, i.e. offline.

"The digital euro would combine the benefits of cash with the convenience of digital payment options without dependencies, security risks or additional costs for citizens," explains Dr. Wolfram Seidemann, CEO of G+D Currency Technology. "As the perfect complement to cash, it would be the inclusive digital payment option of the future, available to everyone."

Dr. Wolfram Seidemann, CEO of G+D Currency Technology

About Giesecke+Devrient

Giesecke+Devrient (G+D) is a global SecurityTech company headquartered in Munich, Germany. G+D makes the lives of billions of people more secure. The company shapes trust in the digital age, with built-in security technology in three segments: Digital Security, Financial Platforms and Currency Technology.

G+D was founded in 1852 and today has a workforce of more than 14,000 employees. In the fiscal year 2022, the company generated a turnover of 2.53 billion euros. G+D is represented by 123 subsidiaries and joint ventures in 40 countries.

Further information: www.gi-de.com.