

Fabio Panetta: Interview with Der Spiegel



Interview with Fabio Panetta, Member of the Executive Board of the ECB, conducted by Tim Bartz

9 February 2021

Mr Panetta, ECB President Christine Lagarde has announced that within five years at the latest the central bank could introduce the digital euro. What is that? Why is it needed?

People are paying less and less with cash and more and more digitally, at supermarket checkouts or online. One in two Europeans would now prefer to pay digitally, and the pandemic has accelerated this development. As a supplement to cash, people want an efficient digital means of payment which protects data and is accepted throughout the euro area. We want to be able to respond to these demands swiftly, since the trend is going to grow stronger.

How will the digital euro work?

The details have not been settled yet; we have only just concluded the consultation phase. The aim of a digital euro would be to provide an alternative to other digital means of payment that is simple, universally accepted, safe and reliable. And we would continue to offer cash.

Up to what amount would you be able to pay digitally?

It's not yet clear whether there would be a cap on payments. Ideally, there would not. However, there might be limits on how much digital euro you're allowed to hold.

And it would be in a special account at the ECB?

Like cash, and unlike other means of payment, a digital euro would be a claim on the central bank rather than a claim on private financial services providers. Nevertheless, banks would play an important role in the distribution of the digital euro. You could compare it to cash, which people mostly get via their bank's ATM.

So you will be competing directly with commercial banks in future?

No, we have explicitly and repeatedly stated that we want the banks to be our partners, not our competitors. We will offer safe money, not financial services. Offering financial services is the role of commercial banks. It would be crazy for us to do so. People already decide today whether to pay with cash, with various cards or online. In future they will have one more digital option, if they wish.

But people could transfer all their money into the ECB account in the hope that it would be safer there. The next financial crisis is certain to come.

That will not be the case. We might only allow digital euro holdings up to a certain threshold, or make them unattractive above this amount by charging interest. For example, the threshold could be around €3,000, which would be far more than the cash requirements of most people today. But this is still under discussion.

Once again: people already use digital means of payment like Apple Pay, Google Pay and PayPal. Why is a digital euro also needed?

We received 8,000 responses during the consultation phase. What people are most concerned about is data protection. They consider it important that no improper use is made of their personal data, which is something that can be guaranteed by the central bank. Moreover, the availability of central bank money for payments ensures that people are not dependent on a few providers who dominate the market. Such providers could exploit their market power and charge excessive fees.

Nonetheless, people put all sorts of things on social networks. They clearly don't care about data protection when they do that.

People also post photos, but certainly not their account details. Nobody does that. And people can trust the ECB to protect their privacy, as it has no commercial interest in personal data. And we don't want to make profits from the digital euro either, so that's another advantage.

But private providers don't demand any money from users either.

Yes, but they take their margin from sellers, credit card companies or banks, and thus indirectly from users, as these costs are passed on in the prices they are charged.

It is doubtful whether anyone thinks about that when they're at the supermarket checkout.

We won't force anyone to pay with digital euro. But we do want to give people the opportunity to use a uniform, secure and cost-free means of payment that is accepted throughout the euro area. Exactly like the euro in cash form, but digital.

How much interest is there in the digital euro?

The public consultation on a digital euro was our most successful yet. It showed that privacy was the first priority of respondents. The digital euro would be ideal for that. A digital euro project would start with an investigation phase, which would allow us to further test the reaction and expectations of the public.

The ECB's problem is not so much Apple Pay or Google Pay. With the digital euro, aren't you primarily aiming to counter Facebook's planned digital currency Libra or Bitcoin or even the digital yuan, which China's central bank is working on? You are afraid of losing sovereignty over your own currency. If Libra or the yuan are successful, the ECB will no longer be able to properly conduct monetary policy.

Our main motivation is, of course, the digitalisation of the financial sector. We need a European option, and we don't want a small group of companies dominating business and possibly raising fees. Should an economic zone as large as the euro area be left on the sidelines, when big tech and other central banks are forging ahead with the digitalisation of payments? I think not. We have to take part.

The ECB is also the banking supervisor for the euro area. If you deprive the commercial banks of deposits, they won't have money to refinance themselves in the capital markets. They might have to knock on the ECB's door to ask for liquidity. That would further increase the commercial banks' dependence on the ECB. Aren't you scoring an own goal?

No, the digital euro won't destabilise the financial system and the banks. If people decide to turn some of their cash into digital euros, the banks won't lose any deposits. And as I said, we will discourage large holdings of digital euro. If banks do in fact lose deposits, then we can make more liquidity available to them.

So I'm right?

But that would be within the framework of normal open market operations that we already carry out when, for instance, we lend to banks or purchase bonds. And banks have abundant excess reserves at the moment. Certainly more than will ever flow into a digital euro.

The open market operations are highly controversial, particularly in Germany.

Our actions are necessary in order to fulfil our mandate. I don't see any problem in that. The ECB enjoys a high level of credibility in the euro area.

But what if no one wants your digital euros?

Then we haven't done our job properly and will have to improve the quality of our offer. But I don't see why people would turn down the offer. The unprecedented number of responses to our consultation is a positive sign.

You're starting a bit late if you don't want to launch the digital euro for five years.

We are not late; we are doing the same as other central banks. The market is evolving rapidly, but we need 100% security and a sound concept. That takes time.

What are the next steps?

In the early summer, we will present our preliminary analysis to the ECB's Governing Council. It must then make a decision in principle on whether we should proceed. If so, the real work will begin, deciding on what the operational scope and technical solution for the digital euro should be. That will take at least 18 months. After that, the ECB's Governing Council must make another decision, and then the solution could be implemented. Four or five years would be a realistic timescale. And we must consult with policymakers. The ECB has set up a working group with the European Commission.

Are you considering a trial period? The Chinese are already trialling the digital yuan in a district in the megacity of Shenzhen.

That would be a possibility. Trialling the digital euro in different cities would probably be a wise move.

Civil protection: Council presidency and European Parliament reach provisional agreement

The Council presidency and European Parliament representatives today reached a provisional agreement on a proposal to strengthen the EU civil protection mechanism.

The proposed new rules will allow the EU and the member states to be better prepared for natural and man made disasters and to respond faster when they strike, including in cases which affect a majority of member states simultaneously. The text also sets out the funding of the civil protection mechanism in the context of the multiannual financial framework 2021-2027.



The EU civil protection mechanism is an essential tool of EU solidarity. It has provided vital support for member states facing devastating fires, earthquakes and other disasters. However, the Covid-19 pandemic has shown us the challenges faced when many member states are in need of support simultaneously. The new rules will allow us to be even better prepared for similar situations in the future.

Eduardo Cabrita, Portuguese Minister of Home Affairs

The proposed rules will allow the European Commission to address gaps in the area of transport and logistics, and, in cases of urgency, directly procure certain additional rescEU capacities. These rescEU capacities, as well as those hosted by member states, will be fully financed from the EU budget.

Prevention and preparedness will also be improved under the proposed regulation. The Commission, in cooperation with member states, will define and develop EU disaster resilience goals in the area of civil protection. These non-binding goals will be set out in Commission recommendations and will be based on current and forward looking scenarios, including data on past events and the impacts of climate change on disaster risks.

The text foresees a total of €1 263 million in funds for the 2021-2027 period, following the political guidance provided by the European Council on 21 July 2020. It also includes an amount of up to €2 056 million to implement the civil protection related measures to address the impact of the Covid-19 crisis foreseen in the EU recovery instrument.

This is an increase of over three times as compared to the 2014-2020 budget. It reflects the strengthening of the EU's collective response to disasters, including the recent establishment of a reserve of capacities (rescEU), the reinforcement of the European civil protection pool and the improvements in disaster prevention and preparedness.

Moreover, the proposed regulation sets out the percentage of funds to be allocated to prevention, preparedness and response, while providing for a margin of flexibility. In case of urgent need, the Commission will be able to reallocate funds to response actions beyond the flexibility margin. This flexible approach will allow the EU to better react to the unpredictable nature of disasters and make use of the funds where they are most needed.

Background

The EU civil protection mechanism was first established in 2001 and it coordinates the response to natural and man-made disasters at the EU level. Its objective is to foster cooperation among national civil protection authorities, increase public awareness and preparedness for disasters and enable quick, effective, coordinated assistance to affected populations.

The EU civil protection mechanism includes a European civil protection pool. This is a voluntary pool of capacities pre-committed by member states for

immediate deployment inside or outside the EU. The civil protection mechanism was last amended in 2019, when an additional reserve of resources, called rescEU, was created to provide assistance in situations where overall existing capacities are insufficient.

Press release – COVID-19 lessons learnt: boosting EU civil protection



Parliament and Council agreed to strengthen the existing legal framework on civil protection, in response to the unprecedented experience of the COVID-19 pandemic. New provisions aim to ensure that the EU and member states will be better prepared to respond to large-scale emergencies, especially when these affect several countries simultaneously.

In order to deploy crisis relief more swiftly, the Commission will be able to directly acquire, under specific conditions, the necessary resources under [rescEU](#).

1.263 billion EUR will be allocated to the UCPM under the 2021-2027 financing period, supplemented by 2.056 billion EUR from the [EU Recovery Instrument](#), an overall budget that is roughly five times larger than the one available during the previous seven years. Parliament ensured that enough financial

resources are allocated to the three pillars (prevention, preparedness and response to disasters) of the mechanism, ring-fencing prevention spending.

Whenever rescEU resources are used for national purposes, EU action will now be more visible and receive more recognition, as countries will be required to acknowledge that the financial resources deployed have come from the EU.

The Commission and member states will also define disaster resilience goals to support prevention and preparedness actions. These objectives are meant to improve the EU's and national capacity to withstand the effects of large cross-border disasters.

Quote

Rapporteur [Nikos ANDROULAKIS \(S&D, Greece\)](#) said: "One year ago, the pandemic landed on Europe's shores. One year ago, Italy's request for support through the Union Civil Protection Mechanism went unanswered as member states were grappling with the prospect of the pandemic hitting them directly. The agreement reached today ensures that no call for help from an EU country to the Union will be left unanswered. I am proud of the speed, urgency and ambition that Parliament has instilled in the proposal and in this result. Speedy implementation will now be key."

Next steps

Parliament and Council are now expected to endorse the content of the agreement.

Background

The EU Civil Protection Mechanism (UCPM) was set up in 2013 as a voluntary system to help member states deal with increasingly frequent natural disasters. Since 2019, when [rescEU](#) was created, the EU can jointly procure resources to assist countries hit by disasters when national capacity is overstretched.

During the current COVID-19 crisis, the UCPM facilitated the repatriation of over 90,000 EU citizens from all over the world. Over 1.3 million protective masks, along with ventilators, personal protective equipment, therapeutics and other supplies have been procured and deployed through rescEU to support national health services. A new strategic rescEU medical reserve, currently hosted by nine EU countries, allows the EU to react to crises more quickly.

[Press release – Opening – February](#)

plenary session



Incoming MEPs

Tom Vandenkendelaere (EPP, BE) as of 25 January 2021

Emma Wiesner (NI, SE) as of 4 February 2021

Changes to the agenda

Monday

Pursuant to Rule 163 on urgent procedure, the following files are added for adoption:

- Temporary relief on slot utilisation rules at EU airports, and
- Temporary measures concerning the validity of certificates and licences (Omnibus II).

These requests will be put to the vote on Monday.

Requests by committees to start negotiations with Council and Commission

Decisions by committees to enter into inter-institutional negotiations (Rule 71) are published [on the plenary website](#).

If no request for a vote in Parliament on the decision to enter into

negotiations is made by Tuesday 12.00 midnight, the committees may start negotiations.

Information on the extraordinary remote participation procedure is available [here](#).

Press release – EP Today



Pre-plenary press briefing at 15.30

Parliament's and political groups' spokespersons will hold a press briefing on this week's plenary session at 15.30. More information [here](#).

Opening of the session

EP President David Sassoli will open the remote plenary session at 17.00.

Live coverage of debates and votes can be found on [Parliament's webstreaming](#) and on [EbS+](#).

For detailed information on the session, please also see our [newsletter](#).

All information regarding plenary, including speakers' lists, can be found [here](#).

Debate with ECB President Christine Lagarde

After the opening of the session, MEPs will discuss, with Christine Lagarde, the European Central Bank's policy in a report on its activities in 2020 and what the ECB can do within its mandate to mitigate the economic effects of the pandemic. The vote will take place on Tuesday, with results announced on

Wednesday.

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Call for new EU consumption and recycling rules

MEPs will discuss the principles and policy needed to transform the current “take-make-dispose” economy into a carbon-neutral, environmentally sustainable, toxic-free and fully circular economy by 2050. The vote will take place on Tuesday, with results announced on Wednesday.

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Fighting in-work poverty/Minimum wage

Parliament will present its strategy to combat inequality and tackle the growing problem of in-work poverty. An EU directive on minimum wages is one of the most important instruments to reduce growing inequality both within and between member states, the draft text says. The vote will take place on Tuesday, with results announced on Wednesday.

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In brief:

Human Trafficking. MEPs are set to call on the EU to do more to tackle human trafficking and to push for the demand and use of victims’ sexual services to be criminalised. The vote will take place on Tuesday, with results announced on Wednesday.

COVID-19/youth and sports. MEPs are set to call for measures to address the negative effects of the pandemic on youth and sports. The vote will take place on Tuesday, with results announced on Wednesday.

Votes

Between 18.30 and 19.45, MEPs will vote, among other things, on

- the request for the waiver of the immunity of Álvaro Amaro
- the appointment of Frank Elderson as the Vice-Chair of the ECB’s Supervisory Board.

The results will be announced on Tuesday morning at 8.30.