

## Press Release

### **CFS survey on the necessity of a “digital euro”**

## **German financial industry considers digital euro desirable – Risks to the banking system must be avoided**

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### **Background:**

Plans to introduce a digital euro are taking concrete shape. Such a currency could be launched as “digital cash” in as little as 3 to 4 years. A survey of financial industry professionals and managers shows that the largest share of respondents (45.9%) consider the introduction of a digital euro to be desirable, but not essential. More than one in eight panelists go even further and regard a digital euro as essential (14.1%). On the other hand, more than a quarter of respondents (26.4%) believe a digital euro is not necessary because the existing means of payment are sufficient. 12.5% of the participants are actually opposed to the digital euro. In addition, two-thirds of the panelists believe that the economy in the eurozone would not be weakened if plans to introduce a digital euro never materialised. By contrast, around 26% of the survey participants do see the risk of a weaker eurozone economy in case the digital euro is not implemented.

“The survey results show that the ECB should emphasise the benefits of a digital euro even more clearly – because a considerable portion of the market remains uncertain at this stage,” explains Professor Volker Brühl from the Center for Financial Studies. A clear majority of respondents (53.3%) believe that a digital euro should only be issued via credit institutions. Only 27.8% are in favour of a digital euro being issued directly by the ECB. A remarkably high 18.9% of respondents have yet to form an opinion on this matter.

“The digital euro must not under any circumstances be allowed to weaken the stability of our two-tier banking system. Therefore, credit institutions should have a central role in the issuance of the digital euro,” Brühl adds.

One question often raised in this context is whether the introduction of a digital euro would increase the risk of a bank run. The survey reveals a mixed picture among the financial experts: 48.6% of the panel participants see a heightened risk, while 42.9% do not. “The introduction of a digital currency issued by central banks is breaking new ground. This also applies to the ECB and the digital euro. In this respect, the mixed opinion is not surprising. The ECB would do well to proceed prudently in order to take advantage of the opportunities offered by the digitalisation of the euro and to keep the

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risks under control. Under no circumstances should the eurozone leave the field open to other players,” comments Hubertus Väth, Managing Director of Frankfurt Main Finance.

There is broad consensus among the respondents on the question of whether the digital euro should replace cash in the future. Almost 95% of respondents are in favour of keeping cash. “There is a lot to be said for avoiding the coupling of these two strands of discussion in order to alleviate fears,” says Hubertus Väth, Managing Director of Frankfurt Main Finance.

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The results are based on a quarterly management survey in the German financial sector.

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. The CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, the CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

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