



***Annex: Adan's response to some of the questions in the
EC consultation on the digital euro***

Table of contents

Question 5 - How important would the following policy outcomes related to the possible issuance of a digital euro be in your opinion?

Question 6 - What aspects or features of the digital euro would be important to support financial inclusion?

Question 10 - What use cases in your sector would you see for a digital euro? Please briefly explain the use case(s) you see pertinent.

Question 22 - How important would the aspects listed below be for Merchants to counterbalance the one-off investment cost of new point of sale (POS) terminals or software that can handle digital euro payments?

Question 25 - Should there be a prohibition on surcharges on payments with digital euro?

Question 46 - Which features could appropriately enhance the privacy and data protection of the digital euro users? Note that these features are without prejudice to the lawful grounds of processing, as specified in Article 6 GDPR and the application of AML requirements, as appropriate.

Question 33 - What do you think the impacts of a digital euro would be on the business of providers of payment services and crypto-asset services?

Adan's responses

In this document, the Association for the Development of Digital Assets (Adan) wanted to respond in detail to some of the questions raised in the European Commission's consultation on the issue of a digital euro in the European Union.

Question 5 - How important would the following policy outcomes related to the possible issuance of a digital euro be in your opinion?

In Adan's view, all of the above issues are of particular relevance to the European Union in the context of the launch of the digital euro. But some of them involve issues of the utmost importance:

- Giving everyone access to public money in digital form: While in France the level of banking is estimated at 99%, some Member States do not offer a sufficient level of accessibility to their citizens;

- Monetary sovereignty: while many states - the United States and China - have already launched phases of investigation into the issuance of a CBDC, Europe, for reasons of strategic sovereignty for Europe and the euro, must necessarily align itself with the digital transformation taking place across the world;
- Safeguarding privacy and data protection in payments: the latest investigations conducted by the ECB on the digital euro have revealed that citizens are particularly attached to their right to privacy.

With regard to "providing a European public alternative to new emerging payment solutions such as crypto-assets, stablecoins and foreign CBDCs", Adan objects to the use of the term "alternative". The digital euro is complementary to the use of private initiative stablecoins and is not intended to replace them. Stablecoins are assets, using the euro to promote the eurozone in the crypto-asset and fiat sector, they are not intended to replace the use cases identified by the European Commission and the ECB.

Question 6 - What aspects or features of the digital euro would be important to support financial inclusion?

According to Adan, it is a priority for the digital euro to promote "financial" inclusion. From this point of view, the use of blockchain technology can be a real opportunity for the European Union.

Indeed, depending on their configuration (accessibility to the network, number of validating nodes, the possibility of deploying smart contracts, etc.), blockchain networks can be open to the participation of all users or limit their participants. In the case of the euro, which should be usable by millions of people worldwide, open networks seem much more practical and user-friendly. They are likely to improve the accessibility of the digital euro for current and potential holders, with an easy process of onboarding, easy payment process and accessible device for payments (e.g. chipcards), enable offline and peer-to-peer transactions, without the need for a bank account.

Question 10 - What use cases in your sector would you see for a digital euro? Please briefly explain the use case(s) you see pertinent.

According to Adan, the number of use cases that the digital euro will be able to offer depends greatly on the technological architecture on which it will be based.

Generally speaking, Adan considers that public blockchains are the best way to exploit all the use cases offered by the digital euro:

- Offering a new digital payment method for peer-to-peer transfers. With additional technologies, these transfers could even be executed offline;
- Facilitate the emergence of a new mode of payment and inter-bank transfers in an instantaneous and low-cost manner;
- Enable scheduled euro transfers when the conditions are met and pre-agreed between the parties to the transaction;
- Create an alternative to cash for payments between individuals and merchants;
- Enable small financial transactions (e.g. small loans and borrowings) in a decentralised, peer-to-peer manner, without the need for a bank account;
- Building bridges to the crypto-asset and DeFi sectors, by facilitating crypto-asset services via digital euros (e.g. buying/selling crypto for legal tender currencies).

Other use cases may of course emerge following the deployment of a digital euro on blockchain, facilitating financial inclusion and reducing transaction costs for European citizens.

Question 22 - How important would the aspects listed below be for Merchants to counterbalance the one-off investment cost of new point of sale (POS) terminals or software that can handle digital euro payments?

The digital euro has the potential to offer many opportunities for merchants to offset the one-off investment cost of new POS terminals or software capable of processing digital euro payments. Beyond the ranking provided in the response questionnaire, Adan would like to remind the European Commission of the importance of making the technological infrastructure on which the digital euro will be based open source in order to offer a digital euro on different technical media: smartphones, chipcards, wearables or other devices and contactless functionality.

Indeed, choosing an open-source approach means developers and private enterprises would be free to build compatible applications as long as they adhere to the standards set by the protocol.

Question 25 - Should there be a prohibition on surcharges on payments with digital euro?

The current payment experience is mainly undermined by their costs and execution times, especially for cross-border transactions.

In view of the issuance of the digital euro, open blockchain networks would lead to considerable time and cost savings and have a significant competitive advantage over less open technologies used for the issuance of digital currency by central banks in other countries.

Executing the cash portion of transactions on a blockchain network through a digital euro could improve cost and time efficiency for users by streamlining and reducing the processes managed by current payment infrastructures (operational costs) and multiple intermediaries (intermediation costs) as well as some compliance costs thanks to the automation possible through smart contracts and the secure pooling possible among participants.

Question 46 - Which features could appropriately enhance the privacy and data protection of the digital euro users? Note that these features are without prejudice to the lawful grounds of processing, as specified in Article 6 GDPR and the application of AML requirements, as appropriate.

The digital euro must also ensure the privacy of citizens. To this end, blockchain networks offer an interesting mix of features that make them suitable for institutionally and community-supported applications. Accounts are pseudonymous, allowing each user to maintain a certain level of privacy, while at the same time all transactions are publicly recorded, allowing for reliable auditing. In addition, cryptographic primitives allow, where appropriate and even for the most open systems, to support higher levels of confidentiality, including making some transactions completely private, for example for low-value offline transactions.

Question 33 - What do you think the impacts of a digital euro would be on the business of providers of payment services and crypto-asset services?

The provision of the digital euro services should be open to a large panel of participants, not only existing banking institutions but also nascent companies from the “crypto” industry that would meet a dedicated set of conditions adapted to their specificities and current stage of development.

~

About Adan

Adan (Association for the Development of Crypto-Assets) brings together crypto-assets and blockchain professionals in France and Europe. Its members cover many activities: markets, custody, payments, management, analysis tools, project and user support. Adan's mission is to unite the digital asset industry and promote its development in the service of a new digital economy. To this end, the Association has technical expertise in digital assets and maintains a close dialogue with public authorities and industry associations.

Contact

Faustine Fleuret, President and CEO - faustine.fleuret@adan.eu

Mélodie Ambroise, Head of Strategy and Institutional Relations - melodie.ambroise@adan.eu

Hugo Bordet, Regulatory Affairs Manager - hugo.bordet@adan.eu

Website : <https://adan.eu>

Twitter : @adan_asso