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Iberpay publishes a [report](#) on digital euro tests carried out by the Spanish financial sector

- The [report](#) outlines the main conclusions of the tests aiming to prepare the financial sector for the possible issuance of a digital euro or tokenized bank money.
- The proof of concept, called Smart Money, was carried out by Iberpay with the participation of the 16 main Spanish banks and Banco de España as observer.

Iberpay and the 16 main Spanish banks have successfully concluded a sectoral proof of concept called Smart Money, focused on the experimentation of the practical technical aspects and the different design options of a digital euro, with the aim to prepare the financial sector for an eventual decision from the European Central Bank (ECB) to issue a digital euro as a complement to cash.

Different digital money designs proposed by the ECB in its [Report on the digital euro](#) have been tested, such as: token-based and account-based models, DLT technology, online digital money payments and the possibility of making offline payments without internet connection, limits on the possession and use of digital euros, privacy or programmability of payments by using smart contracts.

A Smart Money & Payments Working Group, formed by top-level experts from banks in the areas of payments, innovation, blockchain, public policy and legal, was set up and has been contributing to the project decisively with their knowledge and experience, providing a multidisciplinary, sectorial and collaborative approach to the initiative.



Main conclusions of the Smart Money initiative

The project has recently completed a phase of technical and practical testing within the Red-i (interbank blockchain network launched and managed by Iberpay, in operation since 2019 and proved in other innovation projects).

The experiments confirm the viability of a model for the distribution of a digital euro within the Spanish financial sector, with the following main conclusions:

- A **two-tier infrastructure model**, where the ECB issues digital euros and the financial sector distributes them through financial market infrastructures to end users, would be preferable over a centralized model. This model would benefit from using existing distribution channels and current banking services, enabling a rapid deployment and use of the digital euro. It would resort to customer's knowledge and the financial sector's experience and allow better management of risks related to AML and CTF.
- It is viable and desirable a **coexistence of an account-based model** of digital euro (similar to current bank money) and a token-based model (digital representation of the euro, closer to the concept of cash) in the same infrastructure. However, it should be noted that the token-based model would entail certain risks, as the end user directly manages its digital euros in a digital wallet on their mobile device, similar to managing cash in a physical wallet.
- The viability of **offline payments**, allowing a digital euro to be used without an internet connection, presents great opportunities, although it is necessary to continue exploring possible solutions to resolve certain barriers in their application, such as the European standardization of QR codes or certain restrictions for NFC use.
- The feasibility of applying individual holding **limits** and limits in the use of digital euros has been tested, both in online and offline payments. Additionally, mechanisms have been tested to automatically manage excess in a digital wallet balance without interrupting the receipt of payments when the maximum established limit is exceeded.
- A financial market infrastructure, such as Iberpay, already regulated and supervised for similar functions such as the official distribution of cash in Spain and the management of the Spanish Payment System, could provide the necessary **platform for a wholesale distribution** of the digital euro, benefiting from its payment connections with the ECB platforms and being authorised and liable to settle in central bank money.
- The tests have been carried out on a pseudonymous permissioned network, where the transaction data of end users would only be accessed by their financial institution. Iberpay

and the supervisor would only access general information of transactions, and not personal data. It is also considered necessary to further study and search for techniques that allow strengthening the anonymization of immutable data in a blockchain network to comply with the strict legislation in force on data protection.

- It is also deemed necessary to progress in the development and use of a **digital identity** to manage end-user wallets. In this sense, there is encouraging advance after the announcement of the proposed amendment to the e-IDAS regulation.
- Incorporating **programmability** to the digital euro would pave the way to important financial innovations and new business models for companies and financial institutions, accelerating the process of digitization of the economy and society.

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