

THE DIGITAL CURRENCIES OF CENTRAL BANKS REMAIN A PRIORITY: THE BANQUE DE FRANCE PUBLISHES A CALL FOR APPLICATIONS TO EXPERIMENT A CENTRAL BANK DIGITAL EURO

The publication by the Banque de France, on 29 March 2020, of a call for applications to experiment with a central bank digital euro¹ is evidence of **strategic importance of the subject** for financial regulators, even in times of a global public health and economic crisis. The project had been announced at the end of 2019 by the Governor of the Banque de France, François Villeroy de Galhau², in response to the Libra initiative and the various studies conducted by the G20 and the G7 on stablecoins³.

This call for applications was therefore expected. However, its upheld publication in the current unprecedented coronavirus context confirms the desire of the leading economic authorities to **continue to position France as a pioneering and leading jurisdiction in terms of financial innovation and digital assets**. This publication also confirms the need to explore, particularly in times of crisis, **how new technologies could work to improve the efficiency of the current financial system**.

The scope of the experimentation announced by the Banque de France concerns central bank money, i.e. money directly issued by a central bank. The aim is not to replace the existing forms of central bank money (i.e. both coins and banknotes in circulation, and commercial money held by private banks), but rather *"to identify how innovative technologies could improve the efficiency and fluidity of payment systems and financial infrastructures, allowing a better financial sector to ensure the smooth financing of the economy"*⁴. In this sense, this experimentation aims in particular to **accompany the movement towards the "tokenisation"⁵ of financial assets (security tokens) and non-financial assets (utility tokens)**, which has intensified in recent years.

The aim of this experiment is threefold: **(i)** to test, in conjunction with the Banque de France, cases in which a digital central bank currency would be used; **(ii)** to assess the impacts of the use of this central bank digital currency for market infrastructures; and **(iii)** to analyse the macroeconomic, monetary and financial, and legal consequences of the introduction of such a digital tool. The experimentation under consideration by the Banque de France covers three use cases:

- the first consists in the payment, by means of a token⁶ (or any other dematerialisation process), in central bank money against the delivery of listed or unlisted financial instruments

¹ <https://www.banque-france.fr/en/financial-stability/market-infrastructure-and-payment-systems/call-applications-central-bank-digital-currency-experimentations>

² Article (in French), Les Echos: [La Banque de France va expérimenter un euro digital en 2020](#), 4 December 2019.

³ G7 Working Group on stablecoins, *"Investigating the impact of global stablecoins"*, October 2019; et Financial Stability Board, *"Regulatory issues of stablecoins"*, October 2019.

⁴ Banque de France, *"Fact sheet - central bank digital currency"* p.1

⁵ Generic term that refers to an issuer's use of a blockchain protocol to issue digital tokens or to register assets in a blockchain-type register

⁶ This token representing central bank money is not a digital asset within the meaning of Article L.54-10-1(2) of the French Monetary and Financial Code. Banque de France, *"Call for applications – central bank digital currency experimentations"*, p.6.

- the second consists in the payment, by means of a token (or any other dematerialisation process), in central bank money against the digital money of another central bank; and
- the last consists in the payment, by means of a token (or any other dematerialisation process), in central bank money against digital assets⁷.

The Banque de France specifies that it "**will not engage in monetary creation in the context of these experiments**. The token reflecting the amount in euros in digital form will be destroyed at the end of the accounting day on which the payment was made"⁸.

The Banque de France is not inflexible in its specifications and does not impose any technology for the experimentation, thus respecting the principle of **technological neutrality** that has governed the regulatory and legislative work on financial innovation for several years. The innovative nature of the technology is, however, a discerning criterion⁹.

The call for applications is open until 15 May 2020 (3p.m.) and is addressed to financial institutions¹⁰ in Europe and the European Economic Area.

With this call for applications, **the Banque de France positions itself as a pioneering institution within the euro zone** by openly displaying its ambition on a strategic topic at a time when monetary policy issues are occupying the public debate. It is also an opportunity for financial institutions (particularly French ones) to showcase their expertise and to justify ongoing projects, particularly in the world of "tokenised" financial instruments.

Digital technology could thus become one of the main tools available to central banks in the preparation of their strategic plans that will have to be put in place over the coming months, at the end of the quarantine periods and at the emergence of a new economic era.

Click [here](#) to access the English version of the Banque de France's call for applications.

Click [here](#) to access our article: "Oriented crypto-euros: working towards a dedicated digital currency to boost the Eurozone economy".



⁷ As defined in article L.54-10-1(2) of the French Monetary and Financial Code.

⁸ Banque de France, "Call for applications – central bank digital currency experimentations", p.12.

⁹ Banque de France, "Call for applications – central bank digital currency experimentations", p.12.

¹⁰ Applicants are required to have a payment account in the French Target 2 component and to be participants in a Central Securities Depository in Target 2-Securities. Banque de France, "Call for applications – central bank digital currency experimentations" p.6

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