



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Mario DRAGHI
President

Ms Eva Kaili
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 20 October 2015

L/MD/15/586

Re: Your letter (QZ-125)

Honourable Member of the European Parliament, dear Ms Kaili,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 12 August 2015.

With respect to the ECB's policy regarding alternative forms of payment, I would like to stress that an important aspect to look at is the currency in which any alternative form of money is denominated.

Virtual currency schemes (VCS), such as Bitcoin, have their own denomination which is different from the euro. VCS are not scriptural, electronic, digital or virtual forms of a particular currency. They are something else, different from known currencies. No virtual currency has so far been declared the official currency of a state, nor do any physical formats, backed by law, have a legal tender capacity. Accordingly, no creditor is obliged to accept payment with such a currency to discharge a debtor of its debt. This means that virtual currencies can be used only as contractual money, when there is an agreement between buyer and seller in order to accept a given virtual currency as a means of payment. I had the possibility to discuss the relevance of VCS for the ECB's tasks and their potential impact on policies in these specific areas in a letter of reply which I sent to your colleague Mr Gianluca Buonanno on 20 April 2015.¹

¹The letter is available on the ECB's website at: http://www.ecb.europa.eu/pub/pdf/other/150421letter_buonanno_3.en.pdf.

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Let me also stress that although VCS units are not denominated in euro, they could possibly become a concern to the ECB if their issued volume, links to the real economy, traded volume and user acceptance were to become material within the euro area so that such a currency would affect the euro itself – and noticeably affect its role as a medium of exchange, unit of account or store of value – or were to affect tasks of the ECB, such as those regarding monetary policy and price stability, financial stability, prudential supervision and promoting the smooth operation of payment systems. Currently, the usage of VCS is low and is not expected to pose a threat to the euro area payment system. The Eurosystem monitors and will continue to monitor payments-related developments in VCS.²

More generally, as regards the use in the euro area of informal documents acknowledging a debt owed (IOUs, “I Owe You”), that you mention in your letter, the ECB’s stance would inevitably be a function of their actual legal features, with an emphasis on their denomination, i.e. whether these IOUs are denominated in euro. Moreover, the ECB’s stance would depend on the extent to which these would be qualified as legal tender, i.e. whether they are intended to be used as a medium for the discharge of debts and whether their acceptance in the discharge of debt obligations is mandatory by law.

In this respect, let me recall that the ECB has the exclusive competence to authorise the issuance of legal tender in the euro area countries. Hence the issuance of means of payment purporting to be denominated in euro would be an infringement of the ECB’s competences under the Treaties.

Yours sincerely,

[signed]

Mario Draghi

² For more information (including data) on virtual currency schemes, I would like to refer you to the report published by the ECB in February of this year entitled “Virtual currency schemes – a further analysis”, available on the ECB’s website at: <http://www.ecb.europa.eu/pub/pdf/other/virtualcurrencyschemesen.pdf>.