

Dutch Blockchain Coalition

**Central Bank Digital
Currency for the Euro-area:
design for a sustainable
democracy**

Simon Lelieveldt

June 28, 2022

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for the Euro-area: design for a
sustainable democracy

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“Een door de overheid uitgegeven digitale euro moet, omwille van een duurzame democratie, net zo bruikbaar, onprogrammeerbaar en anoniem zijn als contant geld.”

History of digital - and cryptocurrencies



Types of digital - and cryptocurrencies

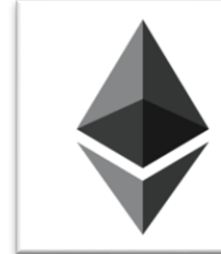
Merchant based



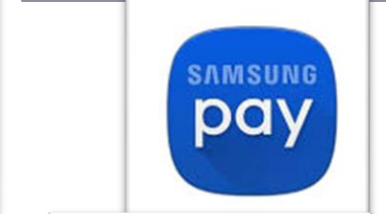
Bank based



Tech based



Big tech based



Central Bank based



**Central Bank
Digital
Currency**

EU consultation appears to position like this

Temple of digital payments

Merchant
based

Bank
based

Tech
based

Big tech
based

Central Bank
based

CASH PAYMENTS: OFF-LINE, ANONYMOUS, UNMONITORED

- Intended/expected usage (use cases)
- Account based – bearer based
- Offline use
- Security and auditability
- Openness and inclusivity
- Privacy and surveillance
- Acceptance standards
- Fee structure and competition
- Who should issue/distribute

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Targeted consultation on a digital euro

Form ever follows function



It is the pervading law of all things organic and inorganic, of all things physical and metaphysical, of all things human, and all things super-human, of all true manifestations of the head, of the heart, of the soul, that the life is recognizable in its expression, that **form ever follows function.**

This is the law.

Louis Sullivan

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Main policy objectives: what are they?

The current design features and thinking in the EU consultation on the EU Central Bank Digital Currency contains both operational and strategic objectives

So let's zoom-out: how did we get here in the first place?



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So let's zoom-out: how did we get here in the first place?



Private Sector – world wide
Full of personal details
Value/payment mechanism
Monetary (scale) impact
Systemic impact



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ALTERNATIVES?



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Private Sector – world wide
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ALTERNATIVES?
Equally intrusive, thanks
to the (self-inflicted) mass
surveillance regime of the
FATF-project



Money and payments – held hostage ?

The current design features and thinking in the EU consultation on the EU Central Bank Digital Currency contains both operational and strategic objectives

So let's zoom-out: how did we get here in the first place?

Consent by FIU to the performance of a transaction

1. Obligated entities shall refrain from carrying out transactions which they know or suspect to be related to proceeds of criminal activity or to terrorist financing until they have completed the necessary action in accordance with Article 50(1), second subparagraph, point (a), and have complied with any further specific instructions from the FIU or other competent authority in accordance with the applicable law.
2. Where refraining from carrying out transactions referred to in paragraph 1 is impossible or is likely to frustrate efforts to pursue the beneficiaries of a suspected transaction, the obliged entities concerned shall inform the FIU immediately afterwards.

Money and payments – held hostage !

The current design features and thinking in the EU



afterwards.

Digital Currency
policy objectives

are in the first place?

ance of a transaction

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Money and payments – held hostage and more !

The current design features and the



FINANCIAL TIMES

War in Ukraine [+ Add to myFT](#)

Visa, Mastercard and American Express suspend operations in Russia

Move by payment networks worsens country's financial isolation over Ukraine



afterwards.

BUSINESS
INSIDER
NEDERLAND

ONDERNEMEN TECH FINANCE CARRIÈRE AUTO PR

Questions tracing back to bank protests in Zhengzhou

In April, four local banks in Henan, the province that Zhengzhou is in, announced they would be freezing deposits, cutting off hundreds of thousands of people from an estimated \$6 billion of their money, per the [BBC](#).

In recent weeks, people have been taking to the streets in Zhengzhou and Henan, calling for authorities and banks to return their money.

Earlier this week, dozens of people traveled to Zhengzhou to participate in a protest. But upon arriving in Zhengzhou and scanning QR codes at train stations, buildings, or hotels, they said their health codes turned red. People detailed their experiences to outlets including [Reuters](#), [Bloomberg](#), and several Chinese news outlets.

One Beijing-based tech professional, Liu, told [CNN](#) he arrived in Zhengzhou on Sunday with a green health code. He was planning to demand that one of the banks release \$890,000 of his deposits. But his code flashed red at Zhengzhou's train station, and he was escorted to a quarantine hotel, where he said he saw about 40 other people whose health codes had also turned red.

Main strategic challenge: being dependent and forced

Design consideration:

One must assume that all governments will at some point in time of history will intrude on the human rights of their citizens in a disproportionate and harmful way



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Werkwijze Belastingdienst in strijd met de wet en discriminerend

Persbericht / 17 juli 2020

Categorie:

Belastingdienst, A

Afdeling Toeslagen van de Belastingdienst had de (du) van aanvragers van kinderopvangtoeslag niet zo moge jarenlang gebeurde. Deze verwerkingen waren onrech discriminerend en daarmee onbehoorlijk – zware over privacywet, de Algemene verordening gegevensbesch blijkt uit onderzoek van de Autoriteit Persoonsgegeve

Kabinet erkent institutioneel racisme bij de Belastingdienst

Toeslagenaffaire Staatssecretaris Van Rij noemt het een „uiterst pijnlijke” conclusie. Welke wijzigingen de fiscus gaat doorvoeren om een nieuw toeslagenschandaal te voorkomen, is nog niet bekend.

Jorit Verkerk 30 mei 2022 Leestijd 1 minuut

Boete Belastingdienst voor zwarte lijst FSV

Categorie:

Belastingdienst, Zwarte lijst,
Overheid & de AVG

nsgegevens (AP) legt de Belastingdienst een boete op De Belastingdienst krijgt deze boete vanwege de verwerking van persoonsgegevens in de Fraude ing (FSV). Dat was een zwarte lijst waarop de alen van fraude bijhield. Met vaak grote gevolgen voor nt op de lijst stonden.

Main strategic challenge: being dependent and forced

Design consideration:

One must assume that all governments will at some point in time of history will intrude on the human rights of their citizens in a disproportionate and harmful way

Design question:

Do we want to allow digital government money to become a political instrument against its future citizens?



Main strategic challenge: being dependent and forced



BANKEN

17 juni

Raad van State legt bom onder wetsvoorstel aanpak witwassen

Design question:

Do we want to allow digital government money to become a political instrument against its future citizens?

De massale schaal waarop banktransacties gezamenlijk zullen worden gemonitord, is ongekend en betekent een vergaande inbreuk op de vertrouwelijkheid van zakelijke en particuliere cliëntgegevens. Daarbij gaat het niet alleen om een vergaande inbreuk op het recht op privacy, deze monitoring kan ook leiden tot uitsluiting en discriminatie. De noodzaak en proportionaliteit van de gezamenlijke transactiemonitoring is niet aangetoond. Daarbij komt dat de rechtsbescherming in het geding is. Het wetsvoorstel voorziet niet in passende maatregelen ter bescherming van de rechten en vrijheden van burgers en bedrijven maar laat het regelen daarvan over aan de banken. De Afdeling adviseert daarom de grondslag voor de gezamenlijke transactiemonitoring te schrappen en van gezamenlijke transactiemonitoring af te zien.

Main strategic challenge: being dependent and forced

Design consideration:

One must assume that all governments will at some point in time of history will intrude on the human rights of their citizens in a disproportionate and harmful way

Design question:

Do we want to allow digital government money to become a political instrument against its future citizens?

Important consideration:

We must trust our ability to solve any other of the policy problems we have via other regulatory and policy tools so we don't resort to ill quick fixes as mass-monitoring transactions, freezing payments and such.

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Main strategic challenge: it's a political choice

These design questions are not technical in nature but political. Therefore the debate should be a matter of political discussion and exchange of thoughts.

In Dutch Parliament, Mahir Alkaya is the leading MP on this topic.

‘Who will own our money ?’

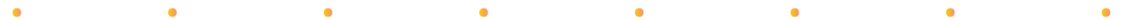


We need strategic thinking to design our future digital euro from the proper perspective.

However.....

Track record of EU in terms of strategic thinking..?

PSD2 was pennywise and poundfoolish: EU does not have a good track record in terms of understanding the strategic and geopolitical impact of regulations in payments.



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Forcing the provision of free open banking by banks without proper reciprocity to force big tech players to do the equivalent at the same time is not really smart



Track record of EU in terms of strategic thinking..?

PSD2 was pennywise and poundfoolish: EU does not have a good track record in terms of understanding the strategic and geopolitical impact of regulations in payments.

Forcing the provision of free open banking by banks without proper reciprocity to force big tech players to do the equivalent at the same time is not really smart

By focusing on only 3 authentication features in PSD2 the EU stifled innovation on a behavioural based 4th authentication method and handed extra leverage to the platform owners of biometric based methods – big tech players – that further capture and dominate the market

Main design considerations

We should not let big tech or other countries force our payment hand and ensure minimum rules of engagement when this digital euro is used within those contexts: the possibility to be pay for bigtech services without the need to have an account and reveal personal identity data.



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We should not let big tech or other countries force our payment hand and ensure minimum rules of engagement when this digital euro is used within those contexts: the possibility to pay for bigtech services without the need to have an account and reveal personal identity data.

We must design from the perspective of a digital euro that will last for hundreds of years in a democratic Europe where governments choose to design their payment mechanisms deliberately to not allow any monitoring, oppression and pursuing of specific political objectives in the future.



DESIGN: HUMAN RIGHTS IN FINANCE

This is not just about: 'privacy-by-design'.
This is about: 'human-rights-by-design'

Privacy as well as ownership as well as presumption of innocence.



EU consultation appears to position CBDC like this

Temple of digital payments

Merchant
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Bank
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Tech
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Big tech
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Central Bank
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CASH PAYMENTS: OFF-LINE, ANONYMOUS, UNMONITORED

The central bank digital euro is a base layer

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Central Bank based bearer instrument for non-account based use

CASH PAYMENTS: OFF-LINE, ANONYMOUS, UNMONITORED

Governments must shape market use themselves !

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Government as
market power for
accountless use
of CBDC where
previously cash
would be used

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CASH PAYMENTS: OFF-LINE, ANONYMOUS, UNMONITORED

Governments must shape in EU-context

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Governments must shape in UN-context



Press release | 24 July 2019 | Brussels

**Fight against money laundering
and terrorist financing:**

Data protection

Rules for the protection of personal data

Temple of digital payments

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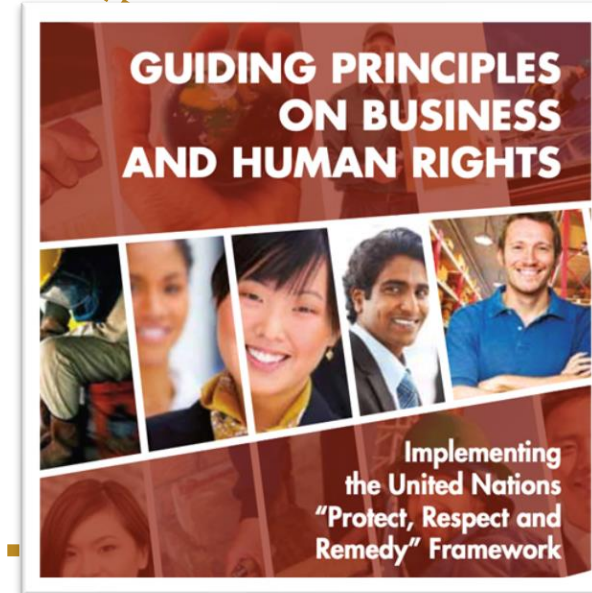
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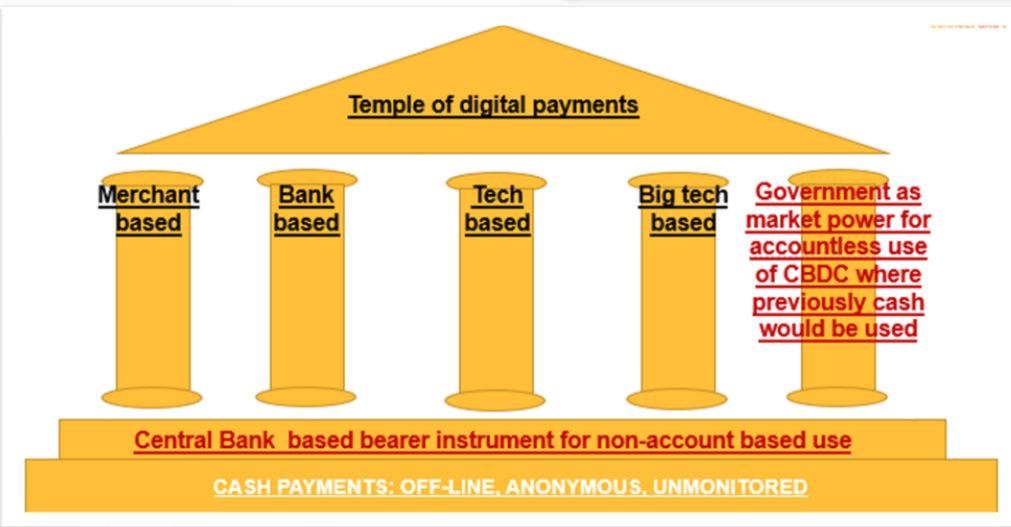
Governments and companies apply UN-principles



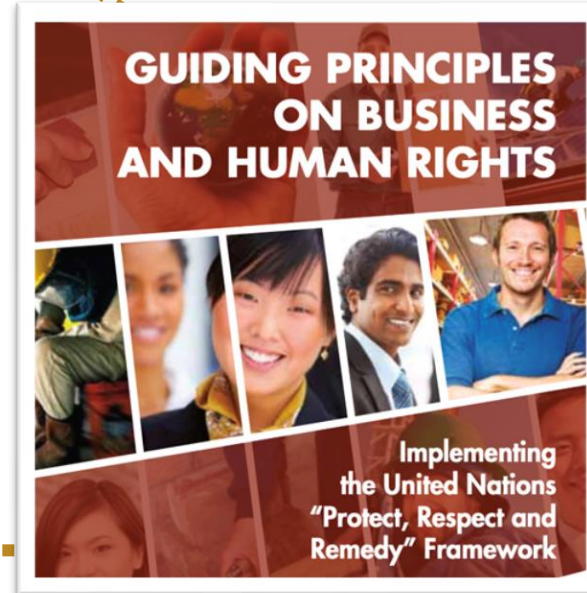
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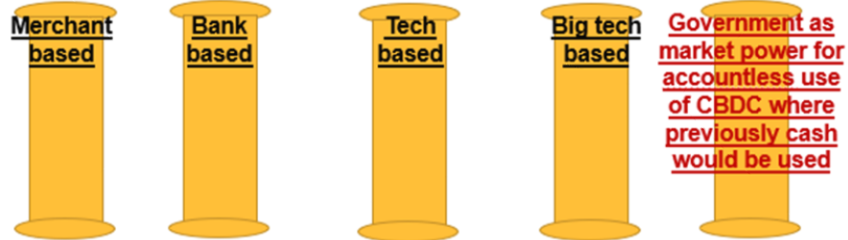


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CASH PAYMENTS: OFF-LINE, ANONYMOUS, UNMONITORED

The right to privacy in the digital age : resolution / adopted by the Human Rights Council on 26 September 2019

 [UN. Human Rights Council \(42nd sess. : 2019 : Geneva\)](#)

 2019

To sum up

1



“Een door de overheid uitgegeven digitale euro moet, omwille van een duurzame democratie, net zo bruikbaar, onprogrammeerbaar en anoniem zijn als contant geld.”



To sum up

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Take the UN-resolution to heart when designing DBC/DLT solutions and always apply: ‘human-rights-by-design’ based on context of your application

• • • • • • • • • •

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**HUMAN RIGHTS
IN FINANCE .EU**



**HUMAN RIGHTS
IN BLOCKCHAIN**



**Dutch Blockchain
Coalition**

**WG: Human Rights
in DLT/Blockchain?**

Simon Lelieveldt

June 28, 2022