



Conversation with Jérôme Grivet

Jérôme Grivet - Deputy Chief Executive Officer, Crédit Agricole

David Wright - President, EUROFI

David Wright

My next guest is Jérôme Grivet, who is the deputy CEO of Crédit Agricole. A very warm welcome, Jérôme, and thank you very much for your continued support of Eurofi. You have a most distinguished background, having been advisor for European affairs to Prime Minister Alain Juppé. You worked a great deal after that for Crédit Lyonnais and, at the end of 2010, became the CEO of Crédit Agricole Assurances and deputy general manager of Crédit Agricole in charge of finance in May 2015. You were appointed deputy CEO in charge of steering and control in September 2022. You have come from the École Nationale d'Administration (ENA), as so many great French officials who I have met in my life have.

We are going to talk about the digital euro in particular. How do we make it work? Is this good news for consumers? Is it good news for banks? How do you see things?

Jérôme Grivet

It is a very complex and technical question, but I will try to make it as simple as possible, because it is important to really stick to the main principles. Simplicity is the heart of the matter. If we want to ensure the success of the digital euro, it has to be very simple for the European citizens.

Most European citizens would think that they already have digital euros in their pockets, with all the tools and devices that are provided by their banks. It is perfectly legitimate for the European Central Bank (ECB) to want to provide European citizens with the latest formal step of a currency. There were the coins, then banknotes, and now the digitalised euro, but, if we want to make it a success, it has to be very simple. We must start with the basic functionalities and try as much as possible not to duplicate the existing payment

functionalities that are already provided by banks to their consumers.

I will make one final, important point. Every time we question our clients about what they think about this prospect, privacy is also an essential element that they point to.

David Wright

Talking about the needs of users, you mentioned privacy. Are users positive or negative about this? How do you see this?

Jérôme Grivet

They are very attached to privacy. If the idea is that the digital euro is the newest form of the traditional euro under the form banknotes, it has to come with exactly the same privacy elements as cash. This is probably why all European citizens questioned about the digital euro very much emphasize this issue of privacy.

David Wright

Is this account- or wallet-based?

Jérôme Grivet

Every solution comes with its own advantages and drawbacks. If the digital euro is to be a substitute for the physical euro that we already have today, offline wallet is the preferred solution. If we go online – which is perfectly understandable, because, if we want to be present in the digital world, we need to have the capacity to interact with e-commerce – it is another issue. In that case it is much more directed at payments rather than cash deposits considered as a reserve of value.

David Wright

How does the business model work with banks? Is it integrated into banks' websites or apps? What is the right business model, from your perspective?

Jérôme Grivet

If we want to make it as simple, as swift and as efficient as possible, it has to be completely integrated into all the tools that banks already provide to their customers. It has to be seamless. Whatever the form, there must be continuity between what exists already – all of the tools that all of us have in our pockets in order to use our cash and our deposits – and the digital euro. It has to be integrated with banking tools.

We know that this comes with a lot of costs. Banks will have to deal with Know Your Customer (KYC), with anti-money laundering (AML), with the capacity to use ATMs and with the issue of fraud. When it comes with costs, we have to define a business model in which there is a balance between costs and benefits, and between obligations and incentives. In terms of remuneration, which is going to be limited, because the digital euro has to be free for citizens, and the ECB wants to cap the costs of payments for merchants, we must ensure that all the costs that banks will incur are compensated by some type of interchange fees, especially when payments are made with the reverse waterfall process.

David Wright

Are you very worried about the cost side of this? Do you think that it will be just dumped on the various financial institutions, who will be told, 'Good luck. This is it. Take the costs'?

Jérôme Grivet

We know that all these payment systems are costly, because they need to be very secure and to cover all aspects of regulation. I mentioned AML and KYC, and there is always the possibility of fraud, the cost of which also must be covered. We need systems that are efficient, instant and very secure for the consumer, and this comes with a cost which must be adequately covered.

David Wright

Just tell us a bit about how you see the preparation and the debates going on at the ECB and the Commission. Is it inclusive and open enough? Is enough work being done on the costs and benefits, or are you concerned that there are too many shortcuts?

Jérôme Grivet

There is still a lot of work to do, because we have not found the right schemes and the right balance between obligations and incentives and between costs and benefits. From the point of view of a bank that has 35 million individual customers in Europe, we do not think that the right balance has been set.

David Wright

One issue that often comes up is that of financial stability, with tensions in the markets, and people shifting their portfolios from one type of cash to another. Is that a matter of concern to you? Is this one of the primary problems?

Jérôme Grivet

Financial stability is very important for the development of the European economy and is one of the key

successes that have been achieved over recent decades. It is important to preserve and further enhance this financial stability going forward. The digital euro has to take that into account. There is the issue of possible bank run because European citizens could easily switch their bank deposits to their digital euro wallet. Studies show that, under certain circumstances, this could represent quite significant amounts of cash flowing out of banks' balance sheets, and this would be detrimental to financial stability by fostering systemic movements. Indeed, would not happen when everything is quiet and calm, so this is an important issue.

Financial stability is also not only a matter of avoiding disintermediation that would be detrimental to the role of banks in financing the economy, but also to avoid disruption in the payment activities, hence the necessity to find the right balance between the costs and benefits and between the obligations and incentives.

David Wright

Would you favour some sort of cap or limit on how many digital euros your 35 million customers could hold?

Jérôme Grivet

If we refer to the cash holdings of European citizens as of today, it is around €100. This can be a reference. Another functionality of the digital euro is to facilitate payments, and so the system of waterfall and reverse waterfall makes it possible to avoid large holdings of digital euros. What is important is to have an equivalent of the cash holdings that European citizens have nowadays, because the digital euro is intended as a means of payment and not as a store of value. This leads to a very limited amount, for sure.

David Wright

It has been most interesting talking to you about this subject. Do you see the digital currency as part of what is called open strategic autonomy? Do you see this as a building block of strengthening the European capital market per se?

Jérôme Grivet

It is clear that there is a strategic dimension in the launching of the digital euro, and it is very important for Europe to watch what is taking place worldwide and what other jurisdictions are doing with their own central bank digital currencies. We see that, in China, for example, it has been launched but is not used very much by Chinese citizens. It is also important to look at what kinds of private initiatives can be taken with stablecoins and private currencies. It is very important that Europe has its own answer, but we must continue to watch what others do in order not to deviate from what is most relevant to securing our strategic goals.

David Wright

Thank you very much, Jérôme, for being with us, and thank you, again, for your support of Eurofi. The debate is not finished, which means that you have an open ticket to Budapest in September. I hope that you will be with us there.