

# Digital euro

## 1. Addressing strategic dependencies through a European digital currency

### 1.1 The digital euro as a tool to reinforce EU strategic autonomy

The Chair observed that it is more necessary than ever for Europe to become aware of its structural weaknesses, vulnerabilities and strengths. The digital euro could be a powerful tool through which to address vulnerabilities, while fostering strength. This opportunity requires both public and private sector action.

A central bank official noted the inherent cost and risk in relying on Visa and Mastercard, American solutions, in a rapidly changing geopolitical context. In 13 euro area countries, there is sole reliance on international card schemes for in-shop payments. In recent times, the US appears to be rewriting the rules of international cooperation, with implications for the EU. This only increases the need for a European solution. A public representative added that the digital euro could be one answer to the question of European strategic autonomy.

An industry representative suggested that most, if not all, stakeholders would agree that Europe must increase its competitiveness, while reducing dependencies on providers and services outside of the continent. With regard to strategic autonomy, one has to bear in mind that the market share of Android and iOS in Europe. These providers could, in theory, decide to prohibit certain services, cutting off access to the digital euro through mobile applications. It is essential that all factors of the debate be considered in the round if we are discussing about strategic autonomy by way of implementing a digital euro.

### 1.2 Digital cash: ensuring continuity in times of disruption

A central bank official characterised opportunities in times of disruption to other electronic payment channels as an important practical feature of the digital euro. One should be able to transact in digital euro offline, as is currently possible with physical cash, providing an alternative when there is an issue with data connection or a power outage.

### 1.3 A complementary solution, not a dominating one

A central bank official clarified that Europe should not aim to dominate the payments market through the creation of a European solution in the future. The digital euro should be an alternative to existing solutions. A central bank official agreed that the digital euro represents an alternative. It should not be considered a substitute for cash or private sector solutions.

## 2. Clarifying the roles of public and private sectors in innovation

### 2.1 Public-private partnership: an enabling infrastructure, not a substitute

A central bank official stated that the digital euro is designed as a public-private partnership and should strengthen the whole ecosystem. A European Central Bank (ECB) report on the ecosystem would be published in May or June 2025. A central bank official concurred that the digital euro should be formed as a private-public partnership.

### 2.2 Private innovation must remain in the driver's seat

A public representative emphasised that central banks and politicians cannot be responsible for innovation, even in the short term. It is for the private sector to innovate and experiment. This domain is fast moving and some efforts may fail. The private sector must take the risk. The focus for the public sector should be on creating an environment conducive to and encouraging of the creation of proprietary technology by the European private sector. A pan-European solution covering points of sale, e-commerce and peer-to-peer currently does not exist. Public sector efforts should be directed towards this problem. It is in the interests of the continent at large in the short term, but also in terms of long-term competitiveness, to have the private sector in the driving seat, fostering innovation. Central banks are robust and resilient and have extensive knowledge, but they are not innovators.

An industry representative was also of the view that innovation can only come from the private sector. This is not a role for public authorities or the legislator. An industry representative agreed that innovation should be left to the market.

### 2.3 Public intervention is justified only when private solutions stall

A central bank official contended that some kind of public intervention is required when private sector innovation is not happening at the pace expected or is not happening at all. Politicians can, if necessary, intervene with legislation, as in the case of instant payments.

An industry representative remarked that, regardless of its status as legal tender or not, the digital euro may still be unsuccessful. Intellectually and symbolically, it has a lot to offer, including in terms of strategy and sovereignty. However, it is consumers who will make the digital euro a success and, in practical terms, it offers little to address their needs. As it is designed today, it is nothing new. Unlike international card schemes, it cannot expand outside of Europe, because it would be managed by a central bank. The question of competitiveness remains open.

### 3. Enhancing competitiveness through convergence and cooperation

---

#### 3.1 Building scale: Wero as a model for pan-European solutions

An industry representative highlighted that, in summer 2024, P2P was delivered in Germany, Belgium and France. There are now 39.5 million customers on Wero. In autumn 2025, the e-commerce solution will be delivered, with the next goals point of sale, QR codes and near field communication (NFC) in an effort to blend divergent national payment systems into one coherent system. In 2026, iDEAL will merge with Wero. The latter has largely addressed the issue of national solutions lagging behind. The opportunity has been taken up by some countries and this represents a significant step forward for banks, which historically have not invested in payments.

#### 3.2 Avoiding fragmentation: integrating the digital euro into the existing ecosystem

An industry representative underlined that the digital euro must be part of the payment ecosystem, rather than in competition with it. A central bank official noted that the ECB is working with market stakeholders to determine how a digital euro would fit into the current ecosystem.

#### 3.3 Caution on unintended consequences and market distortions

An industry representative identified a deficiency in the current draft legislation, which creates an unlevel playing field in favour of the digital euro. The digital euro is made legal tender, while its price is artificially lowered to ensure that it is cheaper than other means of payment.

An industry representative commented that the current legislation also aids US companies, making it possible for market participants such as PayPal to move into point of sale with the digital euro. The legislation implies that banks with an existing pan-European solution will have to cease investment in their current payment systems, instead spending time, effort and resources in implementing the digital euro, which may not be preferable to the customer. European taxpayers' money cannot be used to implement a system that makes the likes of Mastercard and Visa stronger, because they can use the digital euro for free.

A public representative noted that the digital euro has within it associated costs and unintended consequences for financial stability, stress and long-term innovation. There are trade-offs to be made. The Chair suggested that, while many of the unintended consequences are already recognised by stakeholders, there remains work to do to effectively address them.

### 4. Increasing public support and understanding

---

#### 4.1 Addressing the awareness gap across member states

A central bank official outlined the awareness gap between member states. A survey by Deutsche Bundesbank in April 2024 revealed that 50% of Germans are open to using the digital euro as an additional payment option. However, only 41% were aware of its existence. In Ireland, a November 2023 survey by BearingPoint showed that 40% of respondents were unaware of the digital euro. Despite this, 50% of respondents viewed the introduction of the digital euro alongside traditional currency as beneficial. Willingness to use the digital euro varies between age groups.

In November 2024, a Central Bank of Malta survey indicated that 85% of respondents were unaware of the digital euro, though 50% supported its introduction and nearly 75% would consider using it. An Ipsos survey, also in 2024, demonstrated that, in almost all countries, more than half of the population would be likely to try the digital euro.

#### 4.2 Consumer choice must be preserved

A central bank official reported that the decline in the use of cash has levelled off since the Covid period. Consumers nevertheless continue to turn to electronic means of payment. The consumer has a choice and this cannot be forced.

#### 4.3 A strong brand and European identity are essential

A central bank official indicated that more public education is required if the digital euro is to be a success. A strong branding strategy, reinforcing its European identity, will also be beneficial. The Central Bank of Cyprus and its peers in the euro area, including the Euro Retail Payments Board (ERPB), are already making efforts to educate the public and take feedback. This forms part of the Central Bank of Cyprus's euro retail payments strategy.

### 5. Looking ahead: vision for 2030

---

#### 5.1 A seamless, pan-European payment system for all

An industry representative considered the ideal payment market of 2030 to be one in which customers and clients have a solution that can be used everywhere, both domestically and internationally. One of the reasons why Austria continues to retain two international service providers is because these solutions can be used everywhere, without a thought. Ease of use is for the customer a key concern.

An industry representative expressed a preference for a European payment solution that would combine with

US players only where required outside of the continent. Inside Europe in 2030, there should be an easier, faster and more effective European solution. The existing, helpful standards for the Single Euro Payments Area (SEPA) and instant payment can be used. Nothing new is required in this regard.

A central bank official suggested that, by 2030, there could be a single, seamless European payment option available across Europe to all consumers. There is no need for competition between private and public offerings. The digital euro would provide an infrastructure within which private sector solutions can be built, as innovation continues to stem from private sector initiatives. A public representative was of the opinion that consumers should have a pan-European means of payment for point of sale, e-commerce and peer-to-peer at their disposal, with the private sector playing a primary role in terms of innovation. In this way, innovation can be continuous and sustained, rather than a one-off effort that is frozen for another 30 years.

An industry representative added that, by 2030, banks and PSPs could help achieve European sovereignty by competing with international market competitors, rather than with the regulator or the supervisor. A central bank official conveyed a hope that the world would be more stable at this time, facilitating a focus on important issues like the creation of a viable digital euro solution.

The Chair perceived there to be questions remaining to be answered and challenges to be addressed. It is clear that cooperation, collaboration and maintaining a dialogue will be key moving forward.

## **5.2 The digital euro as a stable platform enabling continuous innovation**

An industry representative noted that the threats to European monetary sovereignty posed by dollar-based stablecoins are best addressed through regulatory measures. This issue is unrelated to the digital euro in the payments space, where private European solutions are the preferred path forward. A central bank official observed that the digital euro will not in itself be the innovation. It will provide a platform upon which innovation by the private sector can be fostered. It must be designed such that European payment providers remain at the core of payment services for consumers and merchants. One, coherent standard will make it easier to facilitate payments outside of Europe.

A central bank official added that any such European solution should have the potential to extend outside of Europe and must be interoperable, in order to address the cross-border payments issue.