

Digital euro: timeline and success factors

1. No launch decision without political consensus and appropriate legislation

1.1 Preparation phase progressing towards completion by the end of October 2025, pending regulatory guidance

A Central Bank official stated that there has yet to be a decision on launching the digital euro. The decision hinges on political consensus and the establishment of regulation supporting it as a digital legal tender. Since November 2023, there has been a focus on preparation, engaging actively with legislators and market participants, assessing the digital euro's potential impact, and exploring ways banks might utilise existing systems to facilitate its integration into society. By the end of October the initial phase of preparation should be completed, and internal and external providers selected. The digital euro's rulebook is nearly complete. However, guidance from forthcoming regulations is crucial to advance preparation efforts. Appropriate legislation must be adopted before any launch decision, which will then influence the Council's determination on issuing the digital euro.

1.2 Council's two-year technical ownership process addressing institutional questions on holding limits and financial stability

An official noted that over the past two years the Council has been diligently examining the digital euro proposal made by the Commission in 2023. This endeavour is particularly challenging due to the highly technical nature of the subject, which is relatively new for all member states and the Council itself. There has been a substantial phase where member states needed to take technical ownership and become proficient in understanding the intricacies of the digital euro from a technical standpoint. This technical scrutiny has been necessary to ensure that all dimensions, including political, are appropriately considered.

An official stated that it is important to acknowledge that the digital euro project is unprecedented in scope. Significant institutional queries exist, because the foundational treaties did not originally foresee the integration of a digital currency like the euro into financial systems. Time and effort have been invested in recent weeks and months to identify the European institutions that should be involved in the decision-making process for critical issues. Such issues include holding limits, whose implications for financial stability are of paramount importance to all European institutions. Despite complexities, there is optimistic anticipation of reaching an amicable compromise that reflects European values of negotiation and consensus.

An official observed that, as the Danish presidency

takes charge, there is a concerted effort towards effective navigation of the digital euro's progress, even for a non-euro country. By the end of 2025, the Council intends to address two principal concerns. The first is privacy, which requires pivotal political decisions. Public opinion echoes privacy as a primary concern. Achieving balance remains challenging, but it underlines the need for a purely political debate. The second concern directly impacting the industry is the examination of the digital euro's costs and compensation model. Technical work continues, especially in data analysis, as previous proposals lacked concrete impact studies.

An official added that intervention in the pricing of various payment methods involves intricate calibration; a process is now being initiated to establish a legitimate public-private partnership (PPP) for the digital euro's distribution. While the Council refrains from committing to rigid project timelines, there is determination to move forward. The intention is to develop the idea further over the coming months.

1.3 Parliament's parallel trajectory examining fundamental questions on European sovereignty in payments through technical seminars and data gathering

A policymaker stated that Parliament is advancing along a parallel trajectory to the Council, albeit with some nuances, and reviewing essential questions about the true objectives it aims to accomplish. The ECB's technical proposals are to be commended, but there is a necessity of integrating these within the political boundaries, especially regarding privacy and financial stability. One pivotal inquiry revolves around optimising European sovereignty in payments. A significant question is whether this should rely on a central-bank-driven public solution, or persist as a privately driven, pan-European digital payment model that has prevailed over the preceding 25 years. The feasibility of either option remains uncertain. The private sector has been aggressively investing in its strategies, yet success is not assured. The digital euro needs to be used as a constructive incentive for the private sector, pushing it to address longstanding inadequacies.

A policymaker explained that from a technical standpoint, the ECB and private participants have engaged in both public hearings and technical seminars, paralleling the Council's approach. Conducting 10 seminars at a technical level, with representation from the ECB, the Commission and the private sector, has provided valuable insights. A Parliamentary draft report should be delivered imminently, after political negotiations on fundamental matters that have previously been outlined. This marks the onset of an extensive process driven by trilogues that will take place after internal Parliament negotiations.

A policymaker observed that data scarcity is currently prevalent, particularly concerning compensation metrics. Piero Cipollone has agreed to provide data provision on financial stability impacts, especially concerning the metrics of the most affected banks. Such empirical evidence is vital for informed decision-making. Political decisions will hinge on evaluating risk tolerance, which Parliament will deliberate collectively.

2. Shifting payment behaviours and geopolitical threats expose an overreliance on non European providers, creating resilience gaps

2.1 The digital euro as a sovereign payment infrastructure, uniting Europe's digital society through digital legal tender

A Central Bank official stated that a critical shift in payment behaviours is evident, with a decisive move away from cash toward digital formats. This, in combination with the geopolitical climate and evolving threat landscape in Europe, underscores an overreliance on non-European digital payment providers. This dependence exposes a significant vulnerability, namely a lack of digital payment infrastructure beyond cards, coupled with risks from stablecoin-driven private networks potentially causing deposit outflows from the financial system.

A Central Bank official highlighted that resilience gaps are evident in Estonia and other nations. Cyber-attacks, power outages, and technical failures can incapacitate both cash and digital payment systems. Incidents in Spain, Portugal, Denmark, and Estonia illustrate the severe economic and social discomfort arising from even brief periods where citizens are unable to pay. In situations where banks cannot provide alternatives, the public sector is inevitably regarded as a fallback, prompting questions about the availability of digital legal tender.

A Central Bank official commented that the digital euro promises to unite Europe via a sovereign payment infrastructure, serving as a public utility through banking channels for the benefit of 350 million citizens and all eurozone merchants. It ensures digital payment continuity, offering a reliable means of transacting when private solutions falter due to disruptions. The digital euro will serve as a critical assurance for citizens who need to make purchases even amidst systemic challenges.

A Central Bank official drew parallels with 2002 when cash unified Europe within the eurozone, symbolising economic unity and facilitating commerce. Today, the digital euro is poised to unite the digital society, marking the evolution from physical cash to digital currency. This transition lays the foundation for strong connections with global trade partners, expanding the reach of current and emerging private payment solutions to achieve a pan-European scope.

2.2 Three coexistence scenarios between digital euro and pan-European private solutions: complementarity versus redundancy in the context of growing dollar-referenced stablecoins

An industry representative stated that there are three scenarios, integrating both a digital euro and a pan-European private solution. The first scenario posits the absence of a successful private solution, relying solely on the digital euro. This approach would necessitate a gradual deployment, beginning with limited holding capacities, a nuanced product composition, and ideally, an offline version of the digital euro. User acceptance might vary, but this cautious approach would allow gradual adaptation. In the second scenario, Europe exclusively embraces a private solution. Spain has adopted digital payment methods such as Bizum, facilitating peer-to-peer transfers, e-commerce transactions, and in-store payments seamlessly across diverse regions. The third and most complex scenario involves coexistence between the digital euro and a private solution. Europe serves as a fertile ground for testing divergent opinions on this coexistence. Complementarity versus redundancy presents a central debate; some stakeholders perceive these solutions as complementary, while others view them as potentially overlapping and redundant.

An industry representative added that there is a burgeoning presence of stablecoins, with growth from 60 to 170 stablecoins between mid-2024 and July 2025, mostly dollar referenced. However, this growth provides time to nurture an endogenous option combining the private solution and the digital euro.

2.3 The Baltic dependency on international card schemes contrasts with the Spanish multi solution ecosystem

A Central Bank official noted that the recurring theme of resilience within the discussions emphasises its critical importance in cultivating a robust and sustainable financial system. Within the Baltics, the concept of resilience is not merely theoretical, but a pressing and essential matter, particularly in light of the digital euro debates. The Baltic region is currently characterised by a significant dependency on international card schemes at the point of sale, resulting in a lack of diversity and alternative options in payment solutions. Development of new systems and innovations in the Baltics are severely lacking. The Baltics are missing from the roadmap of the European Payments Initiative (EPI), and local banks are not even beginning to ideate potential new payment solutions.

A Central Bank official highlighted that this absence underscores the improbability of local businesses spontaneously devising new systems or alternatives, which necessitates the consideration of the digital euro as a potentially transformative option. With no current alternatives, the digital euro presents itself as a promising solution to enhance the region's financial resilience. In the Baltics the digital euro is perceived not just as a supplementary option, but as the sole viable proposal that holds the potential to significantly enhance the resilience of the payment system. While perspectives may vary when compared to other regions

such as Spain, the Baltics view the digital euro as an essential measure capable of transforming the local financial landscape.

A Central Bank official added that true resilience extends beyond theoretical discussions and necessitates practical application and acceptance. The digital euro must be integrated into daily use, becoming a familiar and reliable tool for consumers rather than a contingency plan solely activated during crises.

3. The role of payment service providers requires a single overarching goal and viable business model throughout the supply chain

3.1 Leveraging existing national and regional instant payment solutions serving 200 million Europeans to avoid redundancy of previous investments

An industry representative highlighted the importance of addressing the challenges associated with the digital euro, but also the need to leverage existing contributions that can help to resolve these complexities. Numerous national and regional solutions have emerged over the last decade, establishing themselves as the preferred digital methods in various countries. These solutions encompass over 15 markets across the eurozone, catering to nearly 90% of the population. Furthermore, they extend into nations beyond the eurozone, such as Denmark and Poland.

An industry representative noted that a robust pan-European system currently exists, rooted in instant payments, centralised and managed by the European Central Bank (ECB), which encompasses 100% of European banks. While the clearing and settlement layer is comprehensive, employing a centralised approach, complexities primarily arise in the nuances of last-mile application and adoption levels, particularly concerning cross-border payments. Most payments between individuals, such as family and friends, utilise entrenched systems, which are integral to the daily financial activities of over 200 million Europeans.

An industry representative stated that the digital euro should coexist and augment existing European payment solutions. This coexistence could potentially target innovative use cases such as offline transactions, or extend network infrastructure to regions that currently lack digital solutions. Established solutions could play a pivotal role in distributing the digital euro to wallets and banking apps they currently support. This distribution would inherently enhance established standards, such as those initiated by SEPA (Single Euro Payments Area). There is great strategic importance of leveraging national and regional infrastructures to ensure resilience, performance, security, and safety, complementing centralised systems by thoughtfully catering to localised needs.

3.2 Establishing interoperability between the digital euro and private solutions through formal involvement in design, governance, remuneration models and rulebooks

An industry representative noted the importance of establishing a singular overarching goal when introducing the digital euro. With multiple objectives under consideration, such as monetary sovereignty, the preservation of public money's role, strategic autonomy, innovation promotion, enhancing the euro's international stature, resilience, accessibility, and inclusion, caution is needed against attempting to address all of them simultaneously. A principal goal should be selected that encompasses key objectives such as resilience, while allowing other aims to be better served by alternatives like a wholesale digital euro, wholesale CBDC, or euro stablecoin. A viable business model is needed throughout the supply chain.

An industry representative stated that there is importance in reflecting the substantial fixed costs associated with maintaining a payment infrastructure, as opposed to focusing solely on transaction-based fees. The model could be recalibrated to better encompass fixed and marginal costs.

An industry representative agreed that optimising solutions necessitates acknowledging and integrating constraints such as resource allocation, new use cases and timing, especially if sovereignty issues are involved. Establishing interoperability between the digital euro and private solutions requires involving all relevant sectors formally in design and governance, as well as in remuneration models and rulebooks. This integration is vital to avoid unintended consequences such as crowding out existing solutions or inhibiting ongoing investment and innovation within European payments.

4. Offline functionality is digital cash without surveillance, subsidised by zero scheme fees to build redundant infrastructure for resilience

4.1 A permanently offline version preserves privacy and stability without affecting deposit structures

An official stated that while the digital euro is an account-based system rather than digital cash, the offline capability closely aligns it with the concept of digital cash. This feature is distinct, as it is not commonly offered by the private sector, and it establishes a unique link to public money and trust. There is an unlikely scenario where societies fully embrace a cashless reality.

An official noted that the concept of resilience has gained traction since 2022. Increasing resilience involves building redundant systems, which tend to be less optimised financially, but crucial from a reliability standpoint. Legislative support could bolster offline functionality. There are ongoing private sector

initiatives, like card-based offline transactions, but public sector intervention has a vital part to play. Providing a legal basis through digital regulation acts as a powerful signal.

A policymaker observed that the significance of both online and offline elements within the digital euro discussion is reflective of cash's properties. A permanently offline, tokenised version would be akin to physical banknotes stored digitally, maintaining their private attributes. Concerns about surveillance possibilities and pseudo-anonymisation in the context of digital currency reflect a toxic political narrative.

4.2 Mandatory acceptance and offline functionality are unique characteristics requiring a compensation mechanism protection for merchants

An official stated that the success of the digital euro significantly hinges on the development of a robust compensation mechanism. The digital euro is intended to coexist with existing private sector solutions that have already contributed positively to sovereignty in the payments market. Ensuring compatibility between these systems is crucial. There are unique characteristics of the digital euro compared to other payment systems, particularly the mandatory acceptance and offline functionality, both of which are pivotal for enhancing payment system resilience.

An official observed that the compensation mechanism must achieve two primary objectives: safeguarding merchants who are obligated to accept the digital euro and establishing incentives for the digital euro's effective distribution. The scheme should be focused on services that align with the digital euro's purpose, and specifically target payments between consumers and merchants. A clearly defined list of basic services should be subject to fee caps.

5. Smart regulation provides incentives without precluding options

5.1 A cost-based model risks making the digital euro prohibitively expensive

An official noted that while various model options exist, challenges persist due to unclear cost estimates and varied expenses across sectors and member states. A cost based model risks making the digital euro prohibitively expensive for merchants in countries with

competitive payment systems, thereby eliminating incentives. A transitional model could be implemented, with a worse-off clause as an interim solution. This clause would ensure that merchants are not charged more for accepting digital euros than for comparable payment methods.

5.2 Holding limits risk financial stability for 400 million people: online capability should only be pursued if private sector efforts fall short

A policymaker stated that within Parliament there is a strong focus on initiatives that simplify life for businesses and individuals. A fundamental debate centres around whether the digital euro is the most effective tool for achieving this ease. The initial proposal was built within a context that no longer exists, as the world has become more dangerous and alternatives more viable. Over the last two decades there has been an increased likelihood of the private sector delivering functions and innovations.

A policymaker noted that there is a scarcity of resources due to the complexity and scale of the task. Ensuring that one method becomes unconditionally assured means potentially precluding the progression of other viable options, because extensive resources would be allocated towards fulfilling mandatory distribution and acceptance requirements across PSPs, banks, and merchants. Smart regulation is needed. Given past financial crises, introducing an untested mechanism such as holding limits could exacerbate issues. Holding limits should be applied cautiously, considering superior alternatives when possible. An open-minded, scenario-inclusive approach is needed.