

DIGITAL EURO: ADDRESSING OUTSTANDING DESIGN AND IMPLEMENTATION CHALLENGES



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The digital euro: shaping Europe's currency for tomorrow

More Europeans shop online or pay by mobile, yet cash cannot be used online. Today, euro cash exists only in physical form, as the banknotes and coins in our wallets.

The digital euro is designed to fill this gap. It would offer a payment solution for everyday payments, available anytime and anywhere across the euro area. Like cash, it would be issued and guaranteed by the Eurosystem. It would complement physical cash with its digital equivalent, giving people and businesses an additional choice. The primary objective is clear: to ensure continued access to central bank money in a digital age.

The digital euro must also be seen in the broader context of safeguarding Europe's monetary sovereignty in a digital world. Europe currently relies heavily on non-European providers for digital retail payments. Nearly two-thirds of card transactions in the euro area are processed by international schemes. This dependence entails

economic and strategic costs and reduces Europe's control over critical payments infrastructure.

Payment systems are as indispensable as other essential infrastructures. We rarely notice them when they work, but the consequences are immediate when they fail. The digital euro, would ensure that Europeans retain access to public money, strengthening resilience and Europe's ability to shape its payments future.

The digital euro is being designed as a simple, safe and universally accepted means of payment. It would work in shops, online and in person-to-person transactions across the euro area, through familiar interfaces such as banking apps, payment cards or digital wallets. Basic use would be free of charge. The envisaged offline feature would allow people to pay even when connectivity is poor, with cash-like privacy levels.

Inclusion is a core pillar. The digital euro would be accessible to everyone, including people who are financially or digitally vulnerable and people with disabilities. Dialogue with consumer associations and civil society organisations and is shaping user journeys, authentication options and support models to ensure the digital euro is accessible and easy-to-use for everyone.

Merchants, especially smaller retailers, could benefit from a genuine European alternative to international card schemes. The digital euro would bring more competition, more transparent conditions and instant settlement in central bank money – the safest form of money. It would lower acceptance costs for small businesses and strengthen their position in negotiations with PSPs, while improving service continuity thanks to offline payments. As noted by the merchants themselves, a digital euro fit for purpose would enhance competition across the Single Market, ultimately benefiting them and all consumers.

Banks and other PSPs would play a central role in distributing the digital euro, maintaining customer relationships, onboarding and compliance. Safeguards such as holding limits and non-remuneration are designed to minimise any potential risks the digital euro might pose to the financial system. PSPs will receive compensation for providing digital euro payment services

to end-users. Moreover, the Eurosystem would not charge scheme or settlement fees, creating room for PSPs and merchants to share costs and revenues fairly. Compared with the dominance that international card schemes and big tech mobile payment solutions enjoy today, this would offer a more balanced, European-governed framework.

With legal tender status and a single European rulebook, it would provide a common standard for everyday digital payments across the euro area. Private PSPs could build on this public foundation to achieve pan-European reach for their solutions and develop innovative services centered around the digital euro to compete and innovate.

Both the Eurosystem's technical preparations and the legislative process led by European co-legislators are advancing. The Eurosystem is building the necessary technical capacity ahead of a possible decision to issue the digital euro, in line with European leaders' calls for accelerated progress on the development of a digital euro.

**The digital euro would
be just like cash, but
ready for the digital age.**

Subject to the adoption of the legislation in 2026, the ECB aims to be ready for a potential first issuance of the digital euro during 2029. As part of these preparations, a pilot exercise with market participants and initial transactions could begin earlier, potentially starting as soon as mid-2027. On the legislative side, the Council of the EU has agreed its position on the digital euro Regulation, and the Parliament affirmed the digital euro as a strategic project to safeguard Europe's monetary sovereignty.

In today's digital and volatile world, Europe cannot afford to depend on external actors. The digital euro can secure Europe's control over the rails of its digital payments and ensure that Europeans can always rely on a truly pan-European form of "digital cash" – easy, secure and available both online and offline.



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Digital euro: public payments infrastructure for the digital era

The global political environment is becoming increasingly uncertain with many previous long-standing assumptions being put to the test. Systems once considered neutral have revealed how easily they can be leveraged as instruments for economic pressure, while emerging technologies with profound potential are also posing risks to fundamental principles, such as public trust. In this context, ensuring that European citizens retain access to public money - issued and governed in Europe - is no longer a technical matter, but one of stability and resilience.

These emerging developments also bring into focus what our key priorities are. Payments are a fundamental piece of infrastructure of a modern economy. In Europe, as elsewhere, there is a significant reliance on international card schemes. The services they provide play an important role in all of our economies, providing essential services to business and citizens and enabling innovation. Notwithstanding these points, the introduction of the digital euro would provide a pan-European payment solution, anchored in central

bank money and capable of ensuring the continuity of payments.

Continuity is also core to resilience, the importance of which has been highlighted by a variety of events in recent years. These include catastrophic flooding, forest fires, widespread power outages, as well as cyber-attacks on public infrastructure. Such environmental, security and infrastructure events have demonstrated the need for resilience in our payment ecosystem, as localised disruptions have caused wider systemic challenges.

Across the Union, efforts to strengthen preparedness and crisis response have reinforced the importance of safeguards that ensure continuity in essential services, including payments. Key features of the digital euro, including offline functionality, decentralised infrastructure and emergency account switching, can enhance the resilience of our payments systems by ensuring payments continue during outages or disruptions.

The digital euro also supports several key goals that remain critical in a digitalised economy. At its foundation, the digital euro aims to preserve access to public money as cash usage declines, which helps maintain trust in money itself. This is important as new technologies challenge this trust, and increasingly opaque systems reshape the way people transact. As payment habits evolve, the expansion of issuance by the ECB to digital money will strengthen confidence in the monetary system. By working in collaboration with the private sector to develop a new platform that supports innovation, the digital euro would ensure that central bank money remains a tangible reference point for citizens and businesses, supports private providers in expanding both their geographical footprint and product portfolios, and strengthens monetary sovereignty.

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Whilst these objectives are undoubtedly ambitious, they are neither unfocused nor contradictory. At the same time, we should recognise that certain ambitions of the EU, like strengthening the international role of the euro are better served through complementary initiatives like the wholesale digital euro.

A well designed and successful digital euro should offer consumers and merchants an effective, practical and useful payment solution, whilst also preserving financial stability. To that end, the European Council has agreed a clear and balanced procedure for determining the holding limit. The ECB will set the holding limit on the basis of a technical assessment, but it will do so within an overall ceiling established by the Council. This approach reflects a carefully balanced inter-institutional framework that has been designed to prevent deposit substitution, while ensuring the limits provide for a digital euro that remains practical for everyday use.

The European Council mandate seeks to balance (i) the effective functioning of the digital euro as legal tender with (ii) the need to avoid disproportionate costs for merchants and (iii) to ensure fair remuneration for banks and PSPs. These three principles were core to the compensation framework and received unanimous support in Council, with the aim to support adoption while preserving market stability.

This piece of European legislation has the potential to have a real and positive impact on all of our citizens, and in turn support the development of the European digital economy. We look forward to working constructively with the European Parliament on this important file in order to bring the benefits of the digital euro to reality.



EVALDAS RUZGYS

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Digital Euro: digital public money for trust in Europe

The digital euro represents digital public money for European citizens. It is created to become trusted central bank money in an increasingly digitalised economy, while safeguarding financial stability and fostering innovation in Europe's payments landscape.

Citizens use payment instruments that are convenient, safe and widely accepted. The digital euro is therefore designed to be attractive in the digital age and to meet users' expectations across the euro area.

It will ensure broad acceptance in physical shops and online. It will provide strong privacy safeguards, including a level of privacy for low-value transactions comparable to cash. It will enhance resilience by enabling payments in situations of no connectivity or when a payment service provider is temporarily unavailable. Basic use of the digital euro will be free of charge for consumers.

Inclusion is a core design principle. The digital euro will be simple, intuitive and easy to recognise. It will be accessible to every euro area citizen willing to use it. Its design will accommodate both digitally savvy users and those who prefer familiar solutions, such as tapping a payment card. By combining usability, resilience and privacy, the

digital euro aims to be highly trusted, just as euro cash is.

Public debate often questions whether financial stability safeguards — notably holding limits and non-remuneration — could undermine the attractiveness of the digital euro. These measures are intended to prevent excessive shifts from bank deposits to central bank money and to avoid adverse effects on bank liquidity. Non-remuneration is consistent with the nature of cash. Holding limits, however, are sometimes perceived as constraining usability.

ECB analysis indicates that even a significant holding limit (e.g. €3,000) per person would not pose risks to financial stability in the euro area, while remaining sufficient for the day-to-day payment needs of most citizens. Moreover, users will be able to link their digital euro wallet to a bank account. Payments above the holding limit could be executed seamlessly, provided sufficient funds are available in the linked account, with automated mechanisms covering any shortfall instantly. In this way, usability and financial stability can be effectively reconciled.

Beyond its payment function, the digital euro contributes to several closely interconnected policy objectives: preserving public money in the digital age, strengthening monetary sovereignty, enhancing Europe's strategic autonomy, fostering innovation, promoting resilience and inclusion, and reinforcing the international role of the euro.

Digital euro is designed to build trust by Europeans, preserve stability and foster innovation.

In a digitalised world, trusted public digital money that complements cash is essential for monetary sovereignty. Its broad usage together with private means of euro retail payments ensures the singleness of euro money. However, the private payment means in euro area are highly dependent on non-European providers. 13 out of 21 euro countries do not have an alternative for international card schemes. Digital euro available across the whole euro area reduces excessive dependence on non-European providers and supports strategic autonomy. The digital euro itself introduces innovative features, such as offline functionality, while providing a platform for further private-sector innovation in payments. Resilience and inclusion, as inherent characteristics of

public goods, are embedded in its design and reinforce trust in public money.

The international dimension is also significant. Stablecoins — predominantly denominated in US dollars — are expanding globally, including in Europe, often starting with cross-border payments, e-commerce and tourist locations. The digital euro would offer a trusted public alternative for domestic use and could also support international use where appropriate. Together with wholesale central bank digital currency initiatives, it may contribute to strengthening the international role of the euro. At the same time, it could mitigate risks of bank disintermediation associated with stablecoins, helping banks maintain customer relationships and their deposit base.

The role of market participants will be crucial for the effective distribution and operation of the digital euro. The Eurosystem is committed to close dialogue with stakeholders to ensure smooth integration into the European payments ecosystem. However, as a form of public money, the digital euro remains a public good. Its issuance and core design are the responsibility of the Eurosystem and, in accordance with EU legislation, the relevant EU institutions.

By combining innovation with stability, and market integration with public responsibility, the digital euro is determined to be a trusted European public money in the digital age.



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Payments, trust and the digital euro: what fiscal authorities need to know

Why market infrastructures are not just operational plumbing

Payment and settlement systems are often described as plumbing, yet they are the bedrock of state capacity. Tax revenues, pensions, salaries, social benefits, and government debt all rely on a payment layer that must work flawlessly. The Eurosystem's TARGET Services are at the core, ensuring cash, securities, and collateral move safely and efficiently across Europe.

T2 settles high-value payments, T2S handles securities settlement, and TIPS settles instant payments. This is infrastructure of staggering scale: every six days, T2 processes payments equivalent to the entire GDP of the euro area. Thus they are far from just 'plumbing' - they support the stability of the single currency and payments, which are the foundations of trust in the state.

The Tokenisation Shift

Capital markets are entering the next technological frontier: tokenisation. Major European depositories already issue securities on DLT. Smart contracts extend this transformation to all assets including deposits, and the enabling of automated, conditional payments.

But innovation also brings risks. If payments and settlement migrate to private stablecoins or unregulated tokenised platforms, public money could lose ground. Liquidity could fragment; sovereign bond settlement could become less predictable; and collateral

operations could drift beyond central bank (CB) reach.

The Eurosystem is responding with wholesale CB digital currency initiatives. The Pontes project builds short-term "bridges" connecting DLT platforms with existing TARGET Services, allowing tokenised securities to settle safely in CB money. Appia explores a longer-term architecture for wholesale settlement, with a focus on cross-border efficiency — critical for trade, customs flows, and fiscal capacity.

For governments, the message is clear: tokenisation can support fiscal policy only if the cash leg of transactions continues to settle in central bank money. Pontes and Appia preserve this anchor.

The Digital Euro and Public Trust

The digital euro is not just a payments project. It is a societal initiative aimed at preserving trust in public money in an era of declining cash use, rising digital payments, and the proliferation of cryptocurrencies and foreign CBDCs. Europe's two-tier system relies on citizens ability to convert private bank money into central bank money at par. As cash usage declines, the risk grows that private digital money will dominate, increasing fragmentation and reducing monetary sovereignty.

A digital euro would ensure the public continues to have access to a universally accepted, risk-free form of money — the digital equivalent of cash. Legislation under the European Commission's Proposal of the 'Single Currency Package' guarantees both the legal tender status of cash and the at par convertibility between commercial money and the digital euro.

Seigniorage and Stability

Concerns about sudden shifts of deposits into digital euro holdings are mitigated by two realities: adoption is expected to be gradual, and holding limits will allow the Eurosystem to manage circulation

more predictably. Seigniorage revenues are therefore not expected to be materially affected. As the digital euro is being designed as a public good, the Eurosystem aims at maintaining seigniorage, irrespective of future demand for cash as a store of value.

What Fiscal Authorities Need to Know

The digital euro offers a major opportunity to modernise public finance by enabling instant, secure and free government-to-person and person-to-government payments, from welfare and pensions to tax collection. Three features stand out:

1. A public good by design

The Eurosystem would cover the cost of issuing the digital euro, just as it does for banknotes.

2. Government payments are a priority

The aim is to enable government payments from the first release in 2029. Key innovations under testing entail integrated e-receipts, recurring or conditional payments allowing better targeting, faster disbursement and reduced administrative burden.

3. Strengthened resilience and autonomy

With two-thirds of European retail payments clearing via American schemes, the digital euro offers Europe an additional, sovereign payment rail. Offline functionality provides a critical fallback in emergency scenarios, complementing cash, which relies on ATMs and thus the power grid and physical replenishment.

Putting all the pieces together, a simple truth emerges: the digital transformation of money and the move towards tokenisation is reshaping the financial infrastructure on which governments, central banks, enterprises and citizens rely on every day. The euro is going digital, cash remains, and the Eurosystem is strengthening its backbone so that safety, resilience, and European autonomy are preserved. These developments are not technical details — they are the foundations of trust on which the modern state depends.



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The European Consumers'
Organisation (BEUC)

From autonomy to everyday use: why consumers need a public digital euro

The digital euro to be issued by the European Central Bank would introduce a public digital means of payment alongside physical cash.

The debate around the project has accelerated in the context of European sovereignty and today's geopolitical tensions. But beyond these important strategic considerations, the digital euro is also about something very practical for consumers: how we pay in our daily lives.

Rapid technological developments in an increasingly digitalised society are changing our payment habits and available choices. While cash remains widely used and must be protected, consumers are increasingly relying on digital solutions.

An attractive digital euro for consumers

For the digital euro to achieve its objectives, it has to be taken up by consumers. And for that, it must be attractive to them.

In 2025, BEUC conducted a survey across 10 eurozone countries to understand how consumers experience digital payments and what they expect from a new payment option.

The results show that if a new digital payment method was introduced, the most important features it should have are, above all, security and reliability, followed by ease of use, low or no fees, the ability to obtain a refund in case of fraud or scams, protection of privacy and universal acceptance.

The digital euro must therefore offer the same level of protection as existing payment methods and improve it where possible. Offline functionality is also needed to ensure reliability and continuity of payment services during network disruptions or exceptional circumstances.

Free basic services, including a physical payment card – as the preferred payment method for adults both in stores and online – to ensure ease of use, and universal acceptance so it can be widely used, are key to ensuring uptake.

Building trust in the system

Security is essential to build trust. BEUC's survey shows that 82% of adults are at least somewhat concerned about becoming victims of cyberattacks or online fraud and scams, and worries about not being able to get a refund if they fall victim to fraud are even higher (86%).

Strong fraud prevention and protection mechanisms, as well as a dispute resolution system, must be included in the digital euro framework for it to be trusted and offer fair treatment to consumers.

**If the digital euro
reduces exclusion
and strengthens
consumer trust, it will
have succeeded.**

Concerns about privacy breaches, such as misuse of personal or financial data or law enforcement surveillance, are also very high with 81% of adults and 72% of teens at least somewhat concerned.

Payment data is highly personal and sensitive, as it reveals details about people's lives. The digital euro must offer stronger privacy safeguards than current digital payment methods, while still complying with fraud prevention and anti-money laundering rules.

It is also essential to communicate that the Eurosystem will not be able to identify or track individual

user transactions and that EU data protection rules will apply, in order to address these concerns.

Financial stability is also important to preserve trust. The holding limit should ensure this while allowing consumers to use the digital euro in a practical way. If the limit is too low, people will not find it useful. If it is set at a reasonable level, it can safeguard stability and keep the digital euro attractive.

The added value for consumers

The digital euro can provide additional benefits by bringing the key characteristics of cash into the digital world, while complementing existing solutions.

It can guarantee free basic use and universal acceptance, strong privacy safeguards, and reliable protection if something goes wrong. Because it is designed in the public interest, it can include accessibility features that profit driven systems do not always prioritise, addressing current gaps in the market.

Its added value is therefore not to replace existing solutions, but to guarantee that in an increasingly digital economy, consumers have access to a secure and inclusive public payment option.

Measuring success from the consumer perspective

Success should not be measured in transaction volumes, but by concrete improvements in consumers' daily lives.

The digital euro will be successful if it improves access to digital payments for those who are currently excluded or face barriers. It should reduce the number of people who struggle to pay online or in cashless environments.

It should also contribute to lowering fees for basic payment services, strengthen protection against fraud, improve confidence in how payment data is handled, and ensure that Europeans are not left without a workable payment option at any moment

If the digital euro reduces exclusion, strengthens trust and provides a reliable fallback option in times of disruption, it can be considered a success.



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Design proposals for a simple and cost-effective digital euro

Despite the differing views on the digital euro, there is one fundamental point on which there is no debate: in the current geopolitical context, it is more essential than ever to restore Europe's sovereignty in payments. The key question is identifying the best collective response in terms of both efficiency and time-to-market. In that objective, we must challenge the idea that one single actor holds the absolute answer.

In addition, to preserve Europe's investment capacity in payment innovation and in new payment methods, we cannot afford an additional investment in new payment rails with no demonstrated added value for citizens and sovereignty.

Keep it as simple as possible, for all stakeholders. Citizen's expectations evolve fast towards wallet-level convenience – with instant, contactless, and invisible flows. On the merchant's side, success factors remain the same as for all payment means: security, trust and transformation rate. And for PSPs, a balanced business model is a “Must Have”

In these perspectives, complexity should be minimized on two fronts: for users, to facilitate adoption, and for the infrastructure, to limit delivery

risks while safeguarding resilience and security, with on top of that, clearly defined roles and responsibilities across the value chain.

Some choices can help limit financial and implementation risks, while also improving overall efficiency. Automatic funding (the so-called “reverse waterfall”) of the digital euro wallet might enhance convenience for the payer; however, it must avoid creating operational complexity between PSPs during the act of purchase. One way would be to limit automatic funding to commercial and digital euro accounts held with the same provider. This option will also reduce the risk of the digital euro being distributed through non-European providers, thereby strengthening sovereignty objectives.

Another design choice that merits consideration is the possibility of allowing multiple digital euro accounts: all P2P transactions and funding events would require checks to ensure aggregate limits are respected, adding complexity and cost, but delivering little incremental consumer value.

In short, we should return to the fundamentals of the digital euro's value proposition i.e. a digital equivalent of cash – simple and accessible – which will remain fundamentally different in their value proposition. European citizens do not need a new payment mean they need a reliable way to pay, and it is all the better if that solution is sovereign.

**An ideal digital euro
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Be cautious with holding limits to avoid any risk to financial stability. One of the banking sector's concerns regarding the digital euro is the risk of deposit reallocation. A low holding limit helps mitigate this risk by reducing the probability of rapid deposit outflows, since no one knows with certainty how users will hold and use the digital euro. Indeed, experience with new payment means indicates that adoption and usage depend on many factors both rational, such as performance, user experience, and a clear added-value proposition, and less rational, notably perceived confidentiality and perceived security.

Reuse as much as possible existing infrastructure. Implementing a

retail digital euro will require huge investment. Banks' estimates based on the draft rulebook expect aggregated bank investment to be in the order of €18 to 31 billion for the initial implementation phase. Reducing infrastructure duplication lowers development costs, certification, and operational risks and accelerates time-to-market. It also reduces maintenance costs while simplifying liability and governance. In practice, we should maximize the reuse of existing market-validated sovereign rails, specifically those of Instant Payment, as well as industry standards and frameworks and promote interoperability with private European payment solutions like Wero.

In summary, an ideal digital euro should be simple for users and have as limited impact as possible on PSPs: limited risk on financial stability, minimal complexity between actors, no weakening of existing or developing sovereign payment methods and maximum reuse of existing European payment rails. These foundational choices require a renewed public private consensus, one that now needs to emerge to reconcile the twin imperatives of adoption within the eurozone and the protection of European sovereignty.



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Winning Europe's payment future: a digital euro that enhances, not erodes

Europe enters a decisive decade for its digital and economic sovereignty. Payments, the backbone of every economic interaction, remain at the heart of this transformation. As legislative discussions on the digital euro advance — now shaped by a finalised Council position and ongoing European Parliament negotiations — the debate is slowly shifting into the public sphere. In this discourse, the position of Europe's banks is at times portrayed, in a highly simplified manner, as uniformly resistant or primarily motivated by undue profit concerns. As is often the case, such oversimplification fails to capture the diversity and substance of the sector's views: Banks across Europe, including ours, recognise the potential of a well-designed digital euro to strengthen European sovereignty, financial resilience, and competitiveness. Our engagement remains based on technical expertise and practical experience, and on a firm willingness to support a digital euro that works for citizens, the economy, and Europe's strategic autonomy.

Today, Europe's payments landscape at the point of sale is still fragmented and, in some countries, heavily dependent on non-European providers, particularly in e-commerce, mobile ecosystems, and cross-border card transactions. These dependencies divert value creation outside Europe and place sensitive data under third-country jurisdiction. Against this backdrop, private sector innovation and a well-designed digital euro represent important pathways towards strengthening European sovereignty. But to fulfil this strategic purpose, the design of a digital euro must reinforce European resilience and autonomy in critical infrastructure rather than unintentionally widening access for foreign platforms.

A central consideration here is the open funding model. Strategic autonomy means preventing a situation where European citizens top up a sovereign digital euro through non-European wallets while domestic banks are forced to silently absorb the costs of assisting this process. This effectively risks entrenching the very dependencies the initiative seeks to overcome. If foreign platforms become gateways to the digital euro, they gain deeper visibility into European payment behaviour and user relationships. A digital euro should avoid inadvertently strengthening these external leverage points. Therefore, its issuance must be tied to European account-holding institutions and, in practice, be implemented along the existing value chain. Building public confidence and acceptance is a key objective, extending far beyond the project's strategic value. Furthermore, acceptance will depend on a seamless, intuitive user experience. By embedding the digital euro within the trusted banking apps citizens already use on a daily basis, we avoid the friction of fragmented systems and leverage the existing relationship of trust between banks and their customers.

Fundamentally, true resilience arises out of diversity and a competitive, innovative ecosystem.

Clearly, the digital euro can make a meaningful contribution to resilience by providing a complement to cash and supporting continuity in crisis scenarios. However, it should not replicate or displace private European payment solutions that already deliver value, such as successful, well-established card

schemes and emerging instant-payment wallets. These private initiatives demonstrate that Europe is capable of developing scalable, user-centric, and sovereign payment options. As from a citizen's perspective, it is very simple: success will be defined by seamless, intuitive accessibility, cost efficiency, and practical relevance. Therefore, the ECB should not act as a retail market participant by offering consumer-facing wallets or account services. Maintaining a clear institutional demarcation preserves competition and protects the diversity of European payment interfaces. Banks and supervised payment institutions, entrusted daily with reliability and security, should remain the primary access points for the digital euro.

Fundamentally, true resilience arises out of diversity and a competitive, innovative ecosystem, it cannot be forced; silver bullets don't exist. And we all know the other side of this "silver bullet"-coin: it is the looming risk of creating a single point of failure. When it comes to financial stability, careful calibration is required. Clear, evidence-based holding limits are needed to avoid destabilising deposit outflows and ensure the digital euro remains a means of payment rather than a store of value. Funding mechanisms must support this objective and reflect the diversity of Europe's banking landscape. These practical considerations are essential to safeguarding lending capacity and the real economy.

Europe's banks are prepared to play their part. We will continue to contribute constructively, grounded in technical understanding and operational responsibility. A well-governed digital euro can strengthen Europe's sovereignty and resilience. But achieving this requires a design that builds on Europe's existing strengths rather than inadvertently eroding them.



CHRISTIAN SCHÄFER

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Europe's fastest path to payments sovereignty

The key question is not whether sovereignty is needed, but how it can be achieved.

There is broad consensus among policymakers and the financial industry that Europe must strengthen sovereignty in retail payments. Resilient payment solutions under European law are essential not only economically, but also for strategic autonomy. Close coordination between policymakers, regulators and the financial sector is necessary to avoid structural dependence on non-European systems.

The European Commission's Retail Payments Strategy (RPS) and related ECB initiatives set a clear direction: competitive, cross-border solutions based on SEPA Instant Credit Transfer - built in Europe, for Europe. Europe's social market economy provides the guiding principle: the state sets rules and safeguards stability; private actors invest, compete and innovate. In payments, this means enabling European providers to scale within a coherent regulatory framework rather than replacing market solutions with public operation. This process is already underway, supported by the financial industry and delivering visible results.

The diagnosis behind the digital euro initiative is largely shared. Retail payments remain partly fragmented, and dependence on non-European providers persists. However, incomplete implementation of the Retail Payments Strategy - which never had a fixed deadline - does not automatically justify issuing two new public retail payment solutions under the label of a digital euro as the primary response.

Between laissez-faire and full public provision lies a third path: regulatory coordination in support of private-sector solutions. Across Europe, bank-based instant payment solutions have achieved scale domestically and, as we illustrate, across some borders. Policymakers could support, incentivise and ultimately mandate the private sector to deliver a fully interoperable, pan-European retail payment solution based on existing infrastructure, notably SEPA Instant Credit Transfer, instead of creating two new public solutions. Regulation could require that instant payments be usable everywhere in the euro area for all major retail use cases.

Although current solutions differ in governance and design, they share strengths: instant settlement, regulatory compliance, consumer trust, private investment and competition focused on customer experience. A binding obligation to ensure interoperability could turn today's fragmentation into a federated European network while preserving innovation and competition.

**The key question is not
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Measured against the usual objectives of a digital euro, a mandated private-sector solution performs well. Sovereignty would remain anchored in European law, standards and supervision without establishing a parallel centralised public scheme with limited synergies for existing initiatives advancing the Retail Payments Strategy. Innovation would remain market-driven rather than centred on a single public reference product.

By contrast, the digital euro raises issues of proportionality, effectiveness, governance, cost allocation, the role of banks and long-term political control - all requiring thorough impact assessment. Estimated average implementation costs of around €120 million per bank (online only) compare with €5-30 million for EPI implementation. EPI projects can

typically be completed within 12-18 months, whereas a digital euro would require at least three years, without firm evidence that this timeline is feasible. It is also uncertain whether a digital euro designed years earlier would meet market expectations upon launch.

By 2026, private initiatives are expected to show tangible results. The European Payments Initiative (EPI) and its MoU with EuroPA signal a shift from parallel national solutions to structured interoperability based on SEPA Instant. Over 100 million Europeans already use these services. What began as a coordination problem is evolving into a coordination process that could benefit from targeted public support.

Even on an accelerated schedule, a digital euro would likely circulate only toward the end of the decade. If interoperable bank-based solutions are already scaling, legislators must ask what additional gap a new public solution would fill and at what cost.

Options remain: prioritising regulatory measures to deepen interoperability and private integration; setting performance benchmarks before public issuance; or pursuing parallel tracks while ensuring a digital euro does not crowd out emerging European solutions. Europe faces a strategic choice between publicly issued retail payment solutions and regulatory coordination supporting existing private initiatives - creating a market of multiple solutions accepted across Europe.

Treating one option as inevitable risks overlooking a path that could deliver sovereignty faster, with less disruption and closer alignment to Europe's economic model. Ultimately, it is a matter of economic governance and trust in Europe's social market economy.



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Building sovereign payments in Europe

Payment Sovereignty: Why it Matters

In recent years, the perception of geopolitical risks has undergone a profound shift. Sovereignty and resilience of European infrastructures, particularly in the payments sector, have emerged as key concerns and Europe's ability to maintain control over critical payment systems has never been more important.

Payment sovereignty is fundamental to economic stability, security, and trust. It reduces dependency on non-European players, safeguards data privacy, and ensures that Europe can protect its economy and citizens from external disruptions. A resilient payment infrastructure is essential not only for the everyday functioning of European economies but also for reinforcing Europe's broader geopolitical strategy.

Europe's Progress in Retail Payments: A Strong Foundation

Europe has made significant strides in digital payments, becoming one of the first major economies to embrace instant payments. These innovations have paved the way for solutions that offer greater convenience to consumers and businesses alike. From instant transfers between friends and family to payments at e-merchants or in-store, European

payment solutions, backed by trusted brands, have seamlessly integrated into citizens' lives.

This progress has been supported by sustained private-sector investment, alongside robust public infrastructures like the ECB TIPS (instant payments) platform. These developments have laid the foundation for the expansion of Europe's innovative, competitive digital payment ecosystem. Many of these solutions, built on European technology, reduce reliance on non-EU systems and reinforce Europe's payment sovereignty.

Challenges Ahead: External Dependency and Investment Priorities

Despite these accomplishments, Europe faces several challenges. The continent's diversity —ranging from languages and cultures to consumer behaviors — reflects in its payments ecosystem, payment preferences and habits of consumers and businesses are addressed by trusted local brands, while cross-border transactions often rely on non-EU providers and technologies.

Moreover, Europe has one of the most cost-efficient payment sectors among developed economies, also promoted by the regulatory context. With rising technological investment costs, investments must therefore be strategically prioritized, and business models carefully structured to ensure long-term sustainability.

The Potential of the Digital Euro

The digital euro offers a unique opportunity to fill critical gaps in Europe's payments landscape, especially in regions or use cases currently underserved by existing solutions. For those regions or demographics, a publicly issued digital currency could provide an alternative to non-European systems, enhancing Europe's payment autonomy.

Furthermore, a sustainable business model for the digital euro is paramount. By aligning public and private sector goals, the EU can ensure that the digital euro enhances the current payment ecosystem and can fill the gaps in the market.

Innovation and cooperation: A Path to Strategic Autonomy

Interoperability has become a cornerstone in the evolution of European payment systems. As Europe pursues greater payment sovereignty, ensuring seamless communication between various payment solutions and platforms becomes increasingly important. A notable example of this is the TIPS platform, which facilitates

cross-border transactions regardless of the specific infrastructure used by participating entities.

Private-sector initiatives are driving interoperability. EuroPA (European Payments Alliance), for instance, connects trusted European payment solutions to enable cross-border peer-to-peer (P2P) use cases. Furthermore, European payment solutions are cooperating to enable consumers to use their preferred solution cross borders. The cooperation builds on the trust and scale of existing solutions, creating an integrated pan-European experience for cross-border payments.

Advancing Europe
sovereignty in payments
through innovation
and cooperation.

Conclusion: Building the Future of European Payments

Sovereignty and resilience remain central to Europe's economic strategy. By fostering innovation, expanding interoperability, and strengthening public-private partnerships, Europe is well-positioned to ensure that its payment systems remain secure, reliable, and competitive amid growing geopolitical risks.

The future of Europe's payments landscape will depend on effective cooperation to achieve the strategic autonomy it seeks. An efficient and autonomous payment ecosystem will be vital to preserving Europe's ability to act independently, protect its citizens, and maintain economic stability as the geopolitical landscape continues to shift.