DIGITAL EURO NEXT STEPS

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The digital euro: Europe's investment in resilience and innovation

Payments are the lifeblood of a modern economy. They connect consumers, businesses and financial institutions through millions of daily transactions. At the heart of this system lies central bank money, the trusted anchor that supports confidence, stability and resilience. As our economies become increasingly digital, central bank money must evolve too.

The digital euro is therefore much more than a new means of payment. It is Europe's investment in strategic autonomy and resilience built around central bank money.

The need for action is clear. Europeans are paying digitally more than ever, yet access to central bank money remains limited to physical cash. At the same time, Europe depends heavily on non-European providers for retail payments – a dependence that becomes increasingly critical as digital payments continue to grow. In an uncertain geopolitical environment, strengthening the resilience of such critical infrastructure has become a strategic priority.

The digital euro would complement, not replace, euro cash. It would ensure that citizens and businesses continue to have access to public money in the digital age, whether they are paying in shops, online, offline or person-to-person. Like cash, it would be backed by the Eurosystem, available throughout the euro area, and designed to offer a high degree of privacy, particularly for offline payments.

Crucially, the digital euro should also be seen as an opportunity for Europe's banking sector. Some have expressed concerns that it could compete with commercial banks. In fact, the opposite is true. Banks and payment service providers are at the heart of the project. They would distribute the digital euro, manage customer relationships and provide payment services to users.

This matters as banks face increasing competition from non-bank payment providers, big tech firms and digital assets. Doing nothing is not an option. The digital euro offers a European alternative that helps banks remain competitive while preserving their role in the financial system.

Innovation is a key part of that vision. The digital euro would provide a common European platform on which banks and payment service providers can build new services. Through the ECB's innovation platform, market participants have already explored applications such as conditional payments, where transactions are executed automatically once predefined conditions are met. These types of services have the potential to improve customer experiences and support entirely new business models. Building on this work, we are also looking forward to a second wave of innovation workstreams that will unlock further opportunities for European payments innovation.

The digital euro could also help overcome fragmentation in Europe's payments market. Common standards and legal tender status would support pan-European payment solutions and broadening the range of options. Therefore, the ECB has also agreed with European standard-setting bodies such as ECPC, nexo standards and the Berlin Group to reuse existing open technical standards for digital euro online payments, helping to reduce adoption costs and foster market coordination.

Financial stability remains a priority. The project includes safeguards such as holding limits and non-remuneration, while analysis based on banks' own data indicates that risks to funding and liquidity can be effectively contained.

Progress is now accelerating. Following the European Parliament's vote on 9 July, trilogue negotiations between the Parliament, the Council and the European Commission have formally begun. We welcome this important milestone and hope for a timely conclusion of the single currency package by year-end, which will safeguard euro cash while establishing the legal framework for the digital euro.

Technical preparations are advancing as well. Following a call for expressions of interest, the ECB selected 36 payment service providers from across the euro area to participate in the digital euro pilot. Starting in the second half of 2027, the 12-month exercise will test the infrastructure under real-life, controlled conditions and inform future implementation decisions.

Ultimately, the digital euro is about ensuring that Europe has a resilient, independent foundation for its payments system. By combining the trust of central bank money with the opportunities of innovation, it can strengthen Europe's autonomy, competitiveness and resilience for the decades ahead.

ALEXANDRA HACHMEISTER
Director General Digital Euro Directorate – Deutsche Bundesbank

The digital euro: Europe's missing link in digital payments

Germany's payments infrastructure is among Europe's strongest. Yet its strengths are concentrated in domestic payments and do not fully address the needs of today's increasingly digital and European payment landscape, particularly in the areas of e-commerce and cross-border transactions, where non-European providers dominate.

The digital euro is conceived as a "digital twin" of cash: central bank money for everyday payments, available both online and offline and distributed through banks and payment service providers (PSPs). In Germany, it will complement the girocard and offers synergies with other private-sector payment solutions, such as Wero. Its value lies first and foremost in its European reach, its role as a European public infrastructure in a market increasingly dependent on non-European payment networks and digital wallets, and its provision of common payment rails on which private providers can compete and innovate.

European reach matters because Europe's digital payments landscape remains fragmented, with no single European digital payment instrument offering broad acceptance across European borders. The digital euro can help bridge this gap by providing a common European payment infrastructure that supports in-store, online and person-to-person payments throughout the euro area, and potentially beyond.

To succeed, however, the digital euro must integrate seamlessly into today's payment ecosystem rather than becoming another silo. The digital euro would be integrated into familiar banking apps and digital wallets as an additional payment option, such as Wero. Europe currently relies heavily on proprietary standards set by international card schemes and global wallet providers. To promote interoperability, the European Central Bank has signed agreements with three European standard-setting organisations – the European Card Payment Cooperation (ECPC), nexo standards and the Berlin Group – to reuse open technical standards for online payments. This approach should reduce implementation costs, allow terminals to be upgraded through software, simplify merchant acceptance and enable private providers to share a common infrastructure instead of building parallel systems.

Widespread adoption will also depend on creating the right incentives. Banks and PSPs are concerned about implementation costs, pressure on margins, and the risk that global non-bank players will capture the most profitable segments of the payment value chain. European legislators and the Eurosystem must ensure that banks, PSPs and merchants view the digital euro as a business opportunity rather than a regulatory obligation, while also meeting the needs of customers and merchants.

A common European payment rail would reduce dependence on global providers, strengthen Europe's influence over payment standards and pricing, and provide a platform for innovation – from conditional payments and loyalty programmes to new corporate services. Banks and PSPs would be compensated for processing digital euro transactions and would also be able to generate revenue by offering value-added services, such as buyer protection and buy now, pay later solutions. By bearing the costs of the core infrastructure and capping acceptance fees, the Eurosystem will lower barriers to participation and support broad adoption.

During the pilot phase from mid-2027, in which selected banks, PSPs and merchants will test real digital euro transactions, participants will be able to refine customer journeys, shape technical standards and position themselves at the forefront of tomorrow's European payments ecosystem.

Financial stability also requires careful design. The digital euro is intended primarily as a means of payment, not as a store of value: it will be non-interest-bearing, subject to holding limits and linked to bank accounts through a waterfall mechanism. These safeguards aim to preserve banks' customer relationships and funding base while allowing banks and PSPs to develop innovative services on the digital euro infrastructure.

Europe's digital payments landscape remains fragmented.

Germany already has one of Europe's strongest domestic payment systems. The digital euro serves a different purpose: to ensure that the next generation of European digital payments is built on European infrastructure, governed by European standards and open to private innovation. It is not intended to replace existing national solutions, but to add the European layer needed to enable seamless payments across borders and support innovation across the continent.

JOHANNES REHULKA
Managing Director & Secretary General, Austrian Raiffeisen Association – Raiffeisen Association

A common digital euro of banks and central banks

European institutions have committed significant resources to the digital euro project, the adoption of the regulation is underway and banks across the eurozone are beginning to prepare for the issuance. Our banking group remains convinced that emerging private payments initiatives could reduce the dependence on non-European actors more cost-efficient and probably faster than the digital euro, while being more customer-friendly. However, the debate about the digital euro has moved beyond the question of whether it should be introduced. The banking sector's focus is now to ensure that its final design strengthens rather than weakens Europe's financial ecosystem and doesn't jeopardize the credit supply for Europe's economy.

Institutions within our cooperative banking group will participate in the next year's Eurosystem pilot activities, continue to engage in other stakeholder activities and provide feedback on draft rulebooks. The banking sector is not standing on the sidelines; it is making a constructive contribution to the project. Banks have decades of experience in payment operations and product development. The ECB should make greater use of this expertise to maximise the project's chances of success and involve the banking sector more proactively.

At the same time, it must be noted that banks have invested heavily in private payment infrastructures, most recently in instant payments solutions. The digital euro won't stimulate these initiatives, rather, it will compete for consumer transactions. Nevertheless, a meaningful coexistence is possible. The key is that the digital euro remain focused on its core purpose: providing a digital equivalent of cash. For this purpose a strict holding limit on a low basis is a prerequiste for the whole project to ensure financial stability. Services such as purchase disputes, insurance products, conditional payments, buy now pay later offerings or loyalty programs should be value-added services that could be offered either through private payment instruments or on top of digital euro payments. This commercial decision should remain with market participants. Moreover, the digital euro should remain strictly focused on retail payments. We already have a successful, sovereign European infrastructure with SEPA and the ECB is already pursuing innovation in wholesale payments through its Appia and Pontes projects.

Nevertheless, the digital euro is a new payment infrastructure operating alongside existing ones. Additional expenses for banks and PSPs can be reduced through smart design choices and the maximum possible reuse of existing standards and certification frameworks, but cannot be eliminated entirely. The ECB should continue its efforts to leverage existing market infrastructure and standards wherever possible.

The compensation model for PSPs will be one of the most important determinants of the project's success. The challenge is to maintain a reasonable balance between several interests. Consumers want free services, merchants want low acceptance costs and the ECB seeks a model in which seigniorage revenues exceed its operational costs. Given these interests, it is not unlikely that banks will be left to foot the bill. However, policymakers must avoid overburdening banks. The compensation mechanism must, at a minimum, fully cover the costs incurred by PSPs and allow for a small profit margin.

The digital euro can only be a success, if European citizens and banks see an added value.

A European-wide uniform cap should not be set solely against the cost structures of large online banks. Small and regional banks often operate extensive branch networks and face higher servicing costs. In the interests of financial inclusion, such a business model should not be penalised. No institution should be forced into a structurally loss-making activity. Regarding the remuneration of distributing PSPs, the best solution would be to build on proven European legislation and apply the Interchange Fee Regulation, rather than creating a new complex remuneration regime from scratch.

For a successful roll-out, it is important that the digital euro is introduced through a staggered approach. Not every conceivable use case must be available on day one. Therefore the initial phase should focus on delivering minimum functionality reliably and efficiently. Only if the European citizens and banks see an added value in the implementation of the digital Euro the digital Euro it is likely to become a successful addition to the European payment landscape.

TERESA MESQUITA
Chief Operating Officer and Executive Board Member – SIBS

Partnering with SIBS for digital euro readiness

As Europe advances toward the digital euro, payment service providers face a strategic choice: build direct integration with the Eurosystem's DESP infrastructure or adopt a shared connection layer that reduces complexity, risk and cost.

SIBS Digital Euro Connector is designed for the second path. Acting as a Technology Service Provider (TSP) between banks and the Eurosystem, SIBS provides the integration, orchestration, certification and operational capabilities needed for PSPs to become digital euro ready.

The proposition is clear: a single, secure platform that allows banks to comply with digital euro scheme requirements, connect to digital Euro use cases, and scale across European markets.

The introduction of the digital euro will be a challenge for PSPs; SIBS simplifies that complexity. The connector is built around standardization, safety, certification, and European scalability; reducing workflow interactions by up to 90% vis-a-vis an in-house implementation while accelerating time-to-market by up to 50%. It is built on a highly available, multi-tenant, cloud-agnostic architecture running entirely on European infrastructure, ensuring resilience and digital sovereignty. It covers mandatory DESP access while creating space for future value-added services. By relying on a TSP, PSPs can reduce costs and accelerate go-to market strategies. Integration is transparent to the end user — the PSP keeps its channels, brand and customer relationship, and can focus on creating superior user experiences.

SIBS is a fully-fledged payment processor on cards and A2A with more than 40 years of experience operating mission-critical services and infrastructures that connect PSPs, central institutions, merchants, consumers and processors. This track record is especially relevant for the digital euro, where services must be always available, secure, auditable and resilient.

Mostly known for its successful digital wallet solution, MB WAY, launched in 2015 and now reaching approximately 90% of Portugal's banked population, SIBS contributes to the sovereignty of the European payments market through key European interoperability initiatives, such as the EuroPA Alliance launched with Bizum and Bancomat, in 2023. Today, EuroPa covers 10% of the overall European card payments, connects more than 200 PSPs, and reaches 180 million users. More recently, SIBS partnered with the European Payment Initiative (EPI), Bizum, Bancomat and Vipps MobilePay to enable cross-border interoperability.

SIBS is a founding member of the European Mobile Payment Systems Association, representing 13 mobile payment systems, and the European Card Payment Corporation that developed the CPACE. SIBS has also been engaged in the digital euro working groups since the discovery phase, contributing to technical and functional groups, and is an active member in the standardization bodies that will be involved in the digital euro solution (ECPC, ECPA, Berlin Group).

In a nutshell, SIBS has the knowledge, experience and credibility to be a long-term partner for PSPs in preparing for and operating within the digital euro ecosystem.

With the Irish Presidency's commitment to finalizing negotiations by the end of the year, the 2029 timeline for launching of the digital euro is becoming a reality.

On the policy front, the scheme rulebook should recognize the role of TSPs and of European mobile payment applications to ensure a competitive and innovative market. For the layers built on top of the new infrastructure, it is crucial to leverage existing European standards and market infrastructures.

For PSPs, preparation cannot wait until final regulation is complete.

For PSPs, preparation cannot wait until final regulation is complete. The decisions taken now will determine how quick and efficient PSPs can be, once the digital euro moves from pilot to market readiness.

SIBS will support PSPs in the digital euro pilot phase, testing the flows for P2P both online and offline, and P2M at the physical point of sale and in e-commerce. The experience during the 12 months pilot will allow us to test and improve SIBS digital euro connector in a live environment.

For PSPs, the strategic question is no longer whether digital euro integration will be complex. It is whether that complexity should be managed alone — or shared through a platform built for compliance, resilience and scale.

AGUSTIN REYNA
Director General – The European Consumers' Organisation (BEUC)

Building trust in a digital euro that works for all consumers

The digital euro is entering its final legislative phase. The European Parliament and Council adopted their positions, and negotiators now need to agree on the final text. This is a key moment to make sure the digital euro meets consumers' needs and offers added value to their everyday payments.

Beyond the important objectives of European sovereignty and resilience, the digital euro is also about how consumers pay in their daily lives. As society becomes increasingly digital, payment habits and available choices are changing fast, with more consumers relying on digital solutions.

Cash remains essential and must be protected, but consumers will also benefit from a public payment alternative for the digital world that is designed to work for everyone.

A digital euro that meets consumer expectations

For the digital euro to succeed, consumers need to use it. And for that, it must be attractive to them.

Last year, BEUC conducted a survey across 10 euro area countries to better understand consumers' experiences with digital payments and what they would expect from a new payment option.

The findings show that security and reliability are the most important features for consumers if a new digital payment method was introduced. These are followed by ease of use, low or no fees, the possibility of obtaining a refund in cases of fraud or scams, protection of privacy, and universal acceptance.

The digital euro should therefore offer the highest level of protection possible, but at a minimum, the same as in existing payment methods – including for commercial disputes, apart from fraud and technical issues. The offline functionality is also welcome to allow payments during network disruptions or exceptional circumstances, as well as for its added privacy.

An ambitious list of free basic services, including a payment card – the preferred payment method for adults as our survey has shown – will ensure ease of use and accessibility, together with universal acceptance so it can be widely used.

Privacy by design and default

Payment data is very sensitive as it can reveal personal details about people's lives. BEUC's survey found that 81% of adults and 72% of teens are at least somewhat concerned about privacy violations, such as misuse of personal or financial data or law enforcement surveillance.

Policymakers now have the chance to make the digital euro a more private digital payment option, by adding strong safeguards to the legislation.

For offline proximity payments, it is foreseen that the digital euro can offer a similar level of privacy as with cash, as transaction details would be known only to the payer and payee. This is very positive for consumers, especially since they could choose to use it even when they have connection.

For online payments, the digital euro will comply with the EU's data protection rules and should apply data minimisation by design and by default, so that data is only processed when strictly necessary, such as for fraud prevention and anti-money laundering.

It is also essential that the Eurosystem cannot identify or track individual transactions, as set out in the proposed legislation and confirmed by the European Central Bank's work.

Ensuring financial and digital inclusion

With the decline of bank branches and ATMs, more consumers are forced to switch to digital payments. According to BEUC's survey, 46% of teens and 39% of adults helped a friend or relative make a digital payment, mainly due to lack of skills.

The digital euro can help fight digital financial exclusion, something private solutions do not always prioritise. Because it pursues a general interest, it can reach groups that face more difficulties, such as the elderly, people with disabilities, the non-banked, or people who are not comfortable with digital tools.

For this, the digital euro should be distributed by public entities apart from private payment service providers, with free inclusion support on-site, and simple onboarding processes without a smartphone.

Building consumer trust

Many different elements matter for consumers and depend on their situation and preferences. But overall, it is essential that the digital euro keeps the key features of cash to complement it as a public payment method in the digital sphere. This means free basic use and universal acceptance, strong privacy, high security and reliability, effective redress when something goes wrong, and financial and digital inclusion measures so that no one is left behind when paying in cash is not possible.

If policymakers include these features in the final legislation, the digital euro will not only be a new payment infrastructure, but a payment option that people trust and choose to use.