

## SPEECH

# From dependency to autonomy: the role of a digital euro in the European payment landscape

## Introductory statement by Piero Cipollone, Member of the Executive Board of the ECB, at the Committee on Economic and Monetary Affairs of the European Parliament

Brussels, 23 September 2024

It is a pleasure to be here today to meet the new members of this Committee and to update you on the status of the digital euro project. Let me also congratulate Madame Lalucq on her election as ECON Chair.

The ECB appreciates the open and valuable exchanges we have had with the ECON Committee on the digital euro since the beginning of the project. I am fully committed to continuing these exchanges and look forward to our future discussions.

Today I will focus on three key areas. First, Europe's dependency on foreign players for retail payments. Second, the benefits of a digital euro for everyone, including consumers, merchants and banks. And third, the progress we have made on the digital euro project so far.

## Foreign dominance in the European payment landscape

Fast-forward to the year 2030. Imagine you are at the football World Cup in Spain. You want to buy a drink, but you can only pay with Alipay. This scenario is not as far-fetched as it may seem: this summer, buying tickets for the European Football Championships in Germany was only possible with Chinese or American means of payment.

Could you imagine this happening in the United States? Going to the finals of the American football league, for example, and having no American means of payment available? I certainly cannot.

The Eurosystem will of course continue to ensure that people in Europe can pay with cash.<sup>[1]</sup>

However, cash is becoming less and less popular as digital payments and online shopping grow.<sup>[2]</sup>

For example, more and more people are buying their groceries online. But you can't use cash to pay for these. More often than not, the only option is PayPal or an international card scheme like Visa or Mastercard.

And more and more people are using digital wallets like PayPal or Apple Pay on their mobile phones. By 2027 these platforms are expected to handle 40% of e-commerce and 27% of in-store payments in Europe.<sup>[3]</sup>

At the same time, the share of companies in the euro area not accepting cash has been increasing significantly.<sup>[4]</sup>

These developments are contributing to the marginalisation of elderly and less tech-savvy people. They also make us dependent on non-European companies, which is risky.

Imagine what would happen if you could not pay digitally. For example, two weeks ago significant parts of the European card payments market were shut down for almost an entire day.<sup>[5]</sup> Just like with electricity, gas or water, we don't think about payments until they stop working. For energy, we had to learn this the hard way following Russia's invasion of Ukraine. For payments, we owe it to Europeans to do better.

We need our own strong digital payments system.<sup>[6]</sup> We can achieve this by bringing central bank money into the digital era with the introduction of a digital euro: a digital form of cash, issued by the central bank and available to everyone in the euro area.<sup>[7]</sup>

A digital euro would strengthen Europe's financial sovereignty and resilience because it would be built with European technology and infrastructure. It would empower Europe to independently develop and manage digital payment solutions, supporting the further deepening of the Single Market.<sup>[8]</sup>

But most importantly, the digital euro would offer tangible benefits to all stakeholders – consumers, merchants and banks.

## Benefits for European citizens

We strongly support the Single Currency Package<sup>[9]</sup>, which will ensure that cash remains widely accessible and accepted. At the same time, it will pave the way for a digital euro, which would take the advantages of cash into the digital world.

Consumers could use a digital euro for all payments, everywhere in the euro area, also when shopping online. With a digital euro, making or receiving payments would be free of charge and as easy as using cash today. Consumers would need to use only one device and remember just one password. In addition, having a single means of payment for all circumstances would make it easier for users to have an overview of their expenditure.

Importantly, a digital euro would seek to promote digital financial inclusion by ensuring that no one is left behind.<sup>[10]</sup> It would be accessible to everyone across the euro area, via a mobile app or a physical card, so everyone can choose the technology that they are most comfortable with, no matter how old or tech-savvy they are.

Finally, a digital euro would offer the best possible privacy and data protection afforded by the current technology used in large payment systems.<sup>[11]</sup> From the outset, ensuring user privacy has been a central focus of the digital euro project.

A digital euro would be available both online and offline.<sup>[12]</sup> With the offline functionality, users would enjoy cash-like privacy. The details of your offline payments would only be known to you and the

recipient. For online payments, too, we would ensure that your personal data remain your own. The Eurosystem will not be able to identify you, nor directly link you to your payments.[\[13\]](#)

## New opportunities for merchants

A digital euro would also bring new opportunities for European merchants.

Right now, merchants in Europe are largely dependent on a handful of dominant online or card payment methods, often relying on non-European providers. International card schemes currently account for 64% of card transactions in the euro area.[\[14\]](#)

This costs European merchants a lot of money. They collectively pay a significant amount each year to international card schemes like Visa or Mastercard. And the cost is mostly borne by smaller merchants, who incur charges three to four times higher than those of their larger competitors.[\[15\]](#)

A digital euro would include safeguards for merchants by capping the fees they pay to banks for processing payments.[\[16\]](#) A digital euro would thus narrow the gap between what smaller and larger merchants are charged for digital payments.

By providing a true alternative to existing payment solutions, a digital euro would also put all merchants, large and small, in a stronger position to negotiate better conditions with other providers. Finally, it could provide a safety net for merchants in case of network or power outages, thanks to its offline functionality.[\[17\]](#)

## Benefits for banks

Banks would benefit too, particularly in our rapidly evolving payment landscape, in which new players – especially big tech companies from outside Europe – are increasingly entering the market. The banks would be remunerated for the services they offer, while the Eurosystem would cover the costs of the digital euro scheme and infrastructure.

When you compare a digital euro with services like PayPal or Apple Pay, the benefits for banks become even clearer. For instance, banks do not earn anything if people top up their PayPal wallet via direct debit. And with Apple Pay, banks actually have to pay a fee just to let their cards be used in Apple Wallet.

A digital euro would also open up a new source of revenue by allowing banks to provide value-added services to their customers.[\[18\]](#)

We are working closely with the market to ensure that a digital euro leverages the existing standards as much as possible, which would keep costs down and support Europe's competitive payment landscape.[\[19\]](#)

Moreover, cards and applications currently available in only one or a handful of Member States could use these standards to reach customers across the euro area without the need to invest in new acceptance infrastructure. Therefore, a digital euro would mean that European payment service providers could offer their customers the convenience of using their product everywhere in the euro

area – just like international card companies. It would also strengthen banks' negotiating positions vis-à-vis these companies.

Finally, banks and other payment service providers would be responsible for distributing a digital euro, thus serving as the sole point of contact for digital euro users. So a digital euro could help banks retain their customers in the face of growing payments competition.

## Project preparation phase at full speed

Let me now give you a brief update on where we stand with the project.<sup>[20]</sup>

We started the investigation phase back in 2021 and are now at the midpoint of the preparation phase, with roughly one more year to go.

One of our key focus areas during this phase is to develop a methodology for determining the maximum amount of digital euro a person could hold at any time.<sup>[21]</sup> The holding limits are important to ensure financial stability and prevent large-scale transfers from bank deposits to digital euro, especially during crises.

These limits would be high enough to avoid negatively affecting the digital euro user experience.<sup>[22]</sup>

Experts from the ECB, the national central banks in the Eurosystem and national competent authorities, building on their unique know-how, have started to identify the factors that could influence the holding limit calibration, on the basis of three key areas defined in the draft Regulation: usability, monetary policy and financial stability.<sup>[23]</sup>

While the exact holding limits would be defined closer to the potential launch and on the basis of a well-defined governance process enshrined in the draft Regulation,<sup>[24]</sup> we are committed to ensuring that our methodology would be predictable. This is why ECB experts regularly talk to consumers, merchants and financial institutions, to keep everyone updated on the technical work and to gather feedback.

We are also working on finalising the digital euro rulebook, which will provide a clear set of rules and standards to ensure a consistent user experience across the euro area.<sup>[25]</sup> This will also help private companies roll out their own solutions.<sup>[26]</sup> We are working closely with all the representatives in the Rulebook Development Group, including consumers, retailers, banks and non-bank associations.

In addition, we are currently in the process of selecting potential providers<sup>[27]</sup> who could develop a digital euro platform and infrastructure.<sup>[28]</sup>

Finally, we are also looking closely at other key technical aspects, such as privacy and offline functionality. We will keep you updated on all these developments.

By the end of 2025 the ECB's Governing Council will decide whether to move to the next phase of the project. But the Governing Council will not take any decision about the issuance of a digital euro before the legislative act has been adopted.

## Conclusion

To conclude, introducing a digital euro across the euro area would take time, but it is key for Europe's future. Countries across the world are exploring retail central bank digital currencies. If we want to be standard-setters and keep our position among the frontrunners, we need to move swiftly.

A digital euro is a common European project, which is why we are talking to all the relevant stakeholders and carefully listening to their views and concerns. I also remain committed to engaging regularly with the European Parliament.

Introducing a digital euro that all banks and other providers make available to their customers and that all merchants accept, everywhere in the euro area, would take several years. Market participants need certainty to invest in the digital euro and this requires coordination between co-legislators and the central bank.

I appreciate all the work that the ECON Committee has done on the digital euro so far. The legislative discussions are now in your hands. The ECB is of course ready to engage with the negotiating team and to provide continued technical support when needed.

It is important that the legislative and technical work advance in parallel, swiftly and in close cooperation. Together, we can ensure that the digital euro strengthens Europe's financial sovereignty and serves all its citizens.

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1.

The [Eurosystem cash strategy](#) aims to ensure that cash remains widely available and accepted as both a means of payment and a store of value. See also ECB (2023), “[ECB selects “European culture” and “Rivers and birds” as possible themes for future euro banknotes](#)”, *press release*, 30 November.

2.

See ECB (2022), [Study on the payment attitudes of consumers in the euro area \(SPACE\)](#), December.

3.

See Worldpay (2024), [Global Payments Report](#).

4.

The share of companies not accepting cash increased from 4% to 12% between 2021 and 2024. See ECB (2024), [Use of cash by companies in the euro area in 2024](#), 18 September.

5.

On 12 September 2024 card payments across Germany and other European countries were disrupted owing to problems at an IT service provider.

6.

See the [Eurosystem retail payments strategy](#). See also Cipollone, P. (2024), “[Innovation, integration and independence: taking the Single Euro Payments Area to the next level](#)”, speech at the ECB conference on “An innovative and integrated European retail payments market”, Frankfurt, 24 April.

7.

Central bank money is already available in digital form for transactions between financial market participants thanks to TARGET Services. In April 2023 we announced that the Eurosystem will explore how wholesale financial transactions recorded using alternative technologies, like distributed ledger technology (DLT), could be settled in central bank money. We have set up a dedicated Eurosystem-internal task force and a dedicated market contact group to provide expert input. See more on the ECB's [website](#).

8.

See Letta, E. (2024), [\*Much more than a market\*](#), April.

9.

In June 2023 the European Commission put forward two proposals to ensure that citizens and businesses can continue to access and pay with euro banknotes and coins across the euro area, and to set out a framework for a possible new digital form of the euro that the ECB may issue in the future, as a complement to cash. See [Proposal for a Regulation of the European Parliament and of the Council on the legal tender of euro banknotes and coins](#), European Commission, COM(2023) 364 final, 28 June 2023; and [Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro](#), European Commission, COM(2023) 369 final, 28 June 2023. See also [Opinion of the European Central Bank of 31 October 2023 on the digital euro \(CON/2023/34\)](#).

10.

Article 14 of the draft legislation also foresees access to digital euro for people without bank accounts and in-person support for people in need when they start to use the digital euro. For more information, see ECB (2023), "[Digital financial inclusion](#)", 8th ERPB technical session on digital euro, 12 May.

11.

See Daman, M.G.A. (2024), "[Making the digital euro truly private](#)", *The ECB Blog*, ECB, 13 June.

12.

An offline functionality would allow people to use digital euro even when they have poor or no network reception. Prior to making a payment, the user must prefund their offline digital euro payment account and the funds would be stored locally on their device. The payment would take place without any third-party involvement.

13.

The data available to us would be pseudonymised, meaning that we would not see any personal data that could identify users. A user's bank would have access to the minimum information needed to comply with EU law. We are committed to using the latest privacy-enhancing technologies, while continuing to assess new measures that might be feasible and effective.

14.

According to the most recent ECB payment statistics, international card schemes account for close to two-thirds (64%) of all electronically initiated transactions made with cards issued in the euro area.

15.

EHI (2023), [Zahlungssysteme im Einzelhandel 2023](#).

16.

The draft legislation envisages a compensation model with fair economic incentives for all involved (e.g. consumers, merchants and banks) in line with the following principles: (i) as a public good, a digital euro would be free of charge for basic use; (ii) payment service providers (PSPs) would charge merchant fees for providing digital euro-related services to offset the operational costs of distributing a digital euro, as is the case today for other digital means of payment; PSPs would also be able to develop additional digital euro payment services for their customers, on top of those required for basic use; (iii) the fees that merchants pay to PSPs for digital euro services would be subject to a cap to provide adequate safeguards against excessive charges, as outlined by the European Commission in its legislative proposal on a digital euro; (iv) the Eurosystem would bear the issuance costs, as it does in the production of banknotes.

17.

For example, on 18 November 2023 Spain's banking systems faced a huge setback when the Redsys online payment platform experienced an unexpected system failure, which disrupted key financial services across much of Spain.

18.

For example, conditional payments (defined as payments that are instructed automatically when pre-defined conditions are met) or functionalities enabling effortless bill-splitting among friends and family.

19.

The ECB regularly engages with market stakeholders through the Euro Retail Payments Board (ERPБ), a high-level strategic body tasked with fostering the integration, innovation and competitiveness of euro retail payments in the EU. See more on the ECB's [website](#).

20.

For further details on the progress of the digital euro project, see ECB (2024), [Progress on the preparation phase of a digital euro – First progress report](#), 24 June.

21.

Businesses and public sector organisations could receive and process payments in digital euro, but they could not hold any themselves.

22.

The “waterfall functionality” would allow users to make or receive payments in digital euro above the holding limit by linking a digital euro account to a commercial bank account. When receiving a payment, this would allow automated conversion of retail central bank digital currency in excess of a holding threshold into a bank deposit held in a linked commercial bank account chosen by the end user. Similarly, a reverse waterfall would ensure that end users can make a payment even if the amount exceeds their current digital euro funds. Additional liquidity would be pulled from the linked commercial bank account and the transaction would be completed in digital euro at its full value.

23.

In this context, the ECB has launched a dialogue and a data collection exercise to obtain the granular data required to perform the assessment. See also ECB (2024), [Update on workstream on the methodology for the calibration of holding limits](#), 11 April.

24.

See also Article 40 of the digital euro legislative proposal, which states that before the planned issuance of the digital euro, the ECB must provide to the European Parliament, the Council and the Commission information on the instruments to limit the use of the digital euro and the parameters that the ECB plans to adopt in view of the prevailing financial and monetary environment.

25.

The Eurosystem established a Rulebook Development Group for the digital euro scheme to obtain input from the financial industry, consumers and merchants. The Group consists of 22 public and private sector experts with experience in finance and payments. See ECB (2023), [Members of the Rulebook Development Group](#), 15 February. A few weeks ago, we published the third update report outlining the progress made by the Rulebook Development Group. For more information, see the letter from Piero Cipollone to Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs of the European Parliament, on the “[Update on work of digital euro Rulebook Development Group](#)” of 5 September 2024.

26.

A digital euro would provide an alternative acceptance infrastructure for all day-to-day payments, which could be used by payment service providers and schemes to roll out their solutions across the euro area.

27.

In line with the above-mentioned focus on sovereignty and resilience, only companies that are registered in the EU are eligible to participate in the procurements.

28.

For more information, see ECB (2024), “[Calls for applications for digital euro component providers](#)”, *MIP News*, 3 January; and letter from Piero Cipollone to Irene Tinagli, Chair of the

Committee on Economic and Monetary Affairs of the European Parliament, on the “[Update on work of digital euro Rulebook Development Group and start of selection procedure for potential digital euro providers](#)” of 3 January 2024.

## CONTACT