

12 March 2026

Integrating the Digital Euro into Europe's existing payment landscape

Executive summary

The Commission's proposed regulation establishing a digital euro would introduce a retail central bank digital currency (CBDC) alongside well-functioning private solutions that already deliver secure and innovative person-to-person (P2P), point-of-sale (PoS), and e-commerce payments. ¹

In the context of the broader simplification and competitiveness agenda, the digital euro should not require industry to divert investment away from existing, successfully deployed payment solutions. Instead, it should complement these solutions and facilitate interoperability with private-sector services.

Since 2023, DIGITALEUROPE has called on co-legislators to define a proportionate digital euro framework, which should articulate a compelling customer value proposition, be based on a cost-benefit analysis and on an evidence-based study of potential risks to financial stability, whilst acknowledging the technical and operational complexities of the roll-out of this new form of public money. ²

As co-legislators progress with legislative negotiations and the European Central Bank (ECB) advances the technical workstream for the issuance of the digital euro, DIGITALEUROPE calls on the EU institutions to take into account the following recommendations:

- ▶ Prioritise the issuance of an offline digital euro whilst supporting payment service providers (PSPs) in achieving scale at the EU level.
- ▶ Ensure that holding limits address unintended consequences on financial stability.
- ▶ Allow all stakeholders involved in the distribution of the digital euro to be adequately compensated.
- ▶ Guarantee consistency with existing EU legislation and the business practices that derive from it.

¹ COM (2023) 369 final

² See DIGITALEUROPE, *DIGITALEUROPE position on the proposal for a regulation on the establishment of a Digital Euro*, available at <https://cdn.digitaleurope.org/uploads/2023/10/Digital-Euro-Position-Paper.pdf>

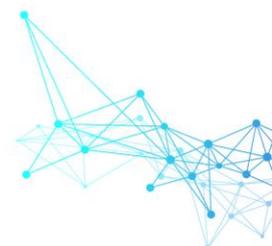
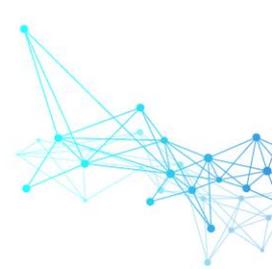




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Issuance and distribution

We support the conditionality approach whereby an offline digital euro is issued first, and an online digital euro is issued only in the demonstrated absence of a pan-European PSP offering P2P, PoS and e-commerce payments with a clear value proposition to end-users and widespread acceptance.³

An offline digital euro would respond to the needs of Europe's payment market and help the EU achieve important public goals. First, it would offer citizens continuous access to central bank money in a digital format, thereby helping the Eurozone to keep the pace with digitisation of the economy. It would also enhance the resilience of Europe's payments ecosystem by providing a reliable means of payment in exceptional circumstances that disrupt the continuity of digital payments (e.g. outages or natural disasters), as reflected in the Council's text in new Arts 37a - 37d.⁴

Additionally, the offline digital euro would contribute to strengthening Europe's financial stability, as it would not lead to disintermediation or the erosion of banks' deposits, which could otherwise jeopardise credit institutions' ability to provide credit to the economy.

By not being routed through or recorded in an online infrastructure, an offline digital euro would also contribute to achieving high privacy standards and support alignment with the General Data Protection Regulation (GDPR).⁵ DIGITALEUROPE considers robust privacy safeguards to be an essential condition for user trust and uptake of the digital euro.

Should the EU institutions decide to proceed with the simultaneous issuance of the online and offline digital euro, they should establish a clear and predictable timeline for the rollout, ensuring that industry has sufficient time to prepare for compliance and plan the investments necessary to provide online digital euro services and interfacing services for the offline digital euro.

Access to the digital euro

Through the digital euro project, the public sector aims to preserve public money in the digital age by ensuring the availability of a public alternative to existing private payment solutions. In this context, public authorities - the ECB, alongside the national authorities designated under the Payment Service Directive 2 (PSD2) that would be authorised to offer digital euro payment services under the Commission's proposal - should assume responsibility for developing, maintaining, and appropriately funding that alternative.⁶

Against this background, the role of industry should be framed primarily as facilitating the adoption and reach of the digital euro, with financial entities able to optionally provide value-added services. This approach is particularly relevant for the offline digital euro, where no existing market infrastructure is in place and the necessary operational set-up should therefore be built and run by the ECB.

³ European Parliament, *Draft Report on the proposal for a regulation on the establishment of the digital euro* (COM(2023)0369 - C9-0219/2023 - 2023/0212(COD)), Rapporteur Fernando Navarrete Rojas, Amendments 282-504, PE778.136v01-00

⁴ Doc 16695/25

⁵ Regulation (EU) 2016/679

⁶ Directive (EU) 2366/2015



Interoperability

We support the Council's decision to retain Recital 59 and Art. 26 in its General Approach and Parliament's amendments 1164 and 1166.⁷ Supporting interoperability through industry-developed standards - at both European and international level - should be a key policy objective in the ongoing legislative negotiations to ensure the smooth functioning of the payments market.

Given that the financial industry has already developed robust standards underpinning a wide range of payment functionalities - including card-based payments and instant payments - the digital euro regulation should enable the use of existing acceptance and payment infrastructure, avoiding the introduction of unnecessary or duplicative new technical requirements.

Compensation

According to ECB estimates, the banking industry will bear investment costs of between € 4 billion and € 5.77 billion to distribute the digital euro.⁸ These figures should be considered at the lower end of the spectrum, as other published assessments point to significantly higher potential implementation costs.⁹ Similarly, other industry players will incur significant investment costs to ensure the distribution of the digital euro.

In this context, a clear trade-off emerges: even if the public sector takes primary responsibility for building and maintaining the digital euro's infrastructure, significant costs and operational obligations would still fall on private intermediaries, particularly for distribution and intermediation of the digital euro – such as users identification, funding and defunding functionality, custody and maintenance of accounts and wallets, payment initiation and post-settlement – and for customer services.

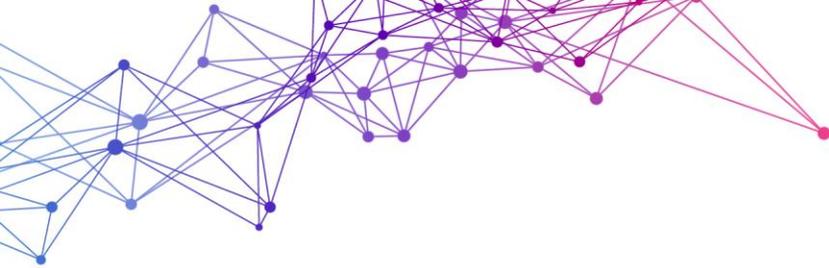
Imposing flat-fee or zero compensation models would not reflect the market reality, would disincentivise investment and innovation in payments, and could ultimately undermine the long-term uptake of the digital euro.

It is therefore important that the legislation provides for a proportionate compensation framework applicable to all stakeholders, including manufacturers providing the underlying technology, thus allowing them to cover costs incurred to develop, integrate and provide digital euro services. DIGITALEUROPE advises against Parliament's amendment 961 advocating for zero compensation, whilst supporting amendments

⁷ European Parliament, *Draft Report on the proposal for a regulation on the establishment of the digital euro* (COM(2023)0369 - C9-0219/2023 - 2023/0212(COD)), Rapporteur Fernando Navarrete Rojas, Amendments 1153 – 1525. PE778.136v01-00

⁸ European Central Bank, *A view on recent assessments of digital euro investment costs for the euro area banking sector*, available at https://www.ecb.europa.eu/euro/digital_euro/timeline/profuse/shared/pdf/ecb.deprep251010_a_view_on_recent_assessments_of_digital_euro_investment_costs_for_the_euro_area_banking_sector.en.pdf

⁹ PwC, *Digital Euro Cost Study. From concept to implementation: evaluating some economic implications of the digital euro for European retail banks*, available at <https://www.pwc.de/de/finanzdienstleistungen/pwc-digital-euro-cost-study-2025.pdf>



858 and 859, which argue that merchant service charges and inter-PSP fees and fees to natural persons should comply with the principle of proportionality.¹⁰

The compensation model should also enable market players to generate revenues through business-oriented services built on the digital euro infrastructure, thereby fostering innovation and creating use cases for business adoption.

The role of the ECB and other public authorities

The proposed legislation would expand the ECB's remit beyond simply issuing a digital version of cash and providing the necessary regulatory framework for that instrument. Instead, it envisages expanding the ECB's operations to replicate a variety of infrastructure and services currently provided by PSPs and intermediaries, without being subject to the same rules and market conditions.

At the same time, the ECB would play a key role in determining pricing for intermediaries that distribute the digital euro, whilst remaining the supervisor of systemically important payment systems and financial institutions and providing a consumer facing scheme that will compete directly with supervised entities.

To ensure transparency and accountability, the regulation should provide for a clear separation between the ECB's role as digital euro issuer and clearing settlement provider, and its role as supervisor of financial market infrastructures and credit institutions. We support Parliament's amendment 613, which reflects this approach.¹¹

When involved in the deployment of digital euro payment services, the ECB should be subject to rights and obligations comparable to those that apply to PSPs under the PSD2 and those that will apply to the industry under the upcoming Payment Service Directive 3 (PSD3) and Payment Service Regulation (PSR).¹²

Access to mobile devices

Interoperability solutions mandated under Art 33 of the Commission's proposal should not unintentionally increase financial fraud or create security and privacy risks for consumers' data. Art 33(2) should explicitly allow original equipment manufacturers (OEMs) to incorporate security and privacy considerations by default, including at the operating system level, when designing interoperability solutions linked to the provision of digital euro payment services, provided that such measures are duly justified.

We would advise against establishing an alternative EU-based dispute settlement mechanism as part of the general conditions for effective interoperability and access to mobile devices that Electronic Communication Service Providers (ECSPs) should publish according to Art 33(3) of the Commission's proposal and the Council's general approach. Instead, we would support EU level or Member States courts providing guidance on the interpretation of provisions related to access to mobile devices to ensure that consumers' privacy and consumers are adequately protected.

¹⁰ European Parliament, *Draft Report on the proposal for a regulation on the establishment of the digital euro* (COM(2023)0369 - C9-0219/2023 - 2023/0212(COD)), Rapporteur Fernando Navarrete Rojas, Amendments 799 – 1152 PE778.136v01-00

¹¹ European Parliament, *Draft Report on the proposal for a regulation on the establishment of the digital euro* (COM(2023)0369 - C9-0219/2023 - 2023/0212(COD)), Rapporteur Fernando Navarrete Rojas, Amendments 505 – 798 PE778.136v01-00

¹² COM (2023) 366 final and COM (2023) 367 final, respectively



Art 33 (4) of the Council's general approach would empower the ECB to develop standards and technical specifications and procedures for hardware and software enabling PSPs to process both online and offline digital euro payment transaction. It is worth noting that hardware and software features of mobile devices developed by OEMs and Electronic Communication Service Providers (ECSPs) in the area of payments vary greatly, are highly complex and involve critical security and integrity consideration. Therefore, we suggest that standards and technical specifications in this area should instead be developed and adopted by the relevant European standardisation bodies. This approach would promote greater alignment with existing standards, thereby avoiding duplication and certification costs, whilst ensuring that technical rules are future-proof, widely supported and consistent with existing global practices.

Holding limits to merchants

To address financial stability concerns whilst enabling practical business operations, merchant holdings should be subject to automatic overnight sweeps that transfer accumulated digital euro balances to traditional bank accounts. This approach would allow merchants to accept digital euro payments throughout the business day and execute batch conversions at the end of the day, whilst preventing the accumulation of large digital euro holdings that could pose risks to the banking sector's deposit base.

Open Banking

The Digital Euro regulation should allow third-party providers authorised under PSD2 to offer both account information and payment initiation services. We are concerned about Recitals 10a and 26 and Art 5(3) in the Council's text, as well as by the Parliament's amendment 645, which would limit third-party providers to offering only account information services. As a result, payment initiation services in the context of the digital euro would depend on bilateral agreements between third-party providers and banks.

Such an approach would create legal uncertainty by undermining alignment between the existing payment regulatory framework and the digital euro regulation and would increase market fragmentation. It would also limit access to payment initiation services for both individuals and businesses.

Technical features

The regulation should allow PSPs to link each digital euro payment account to a single non-digital euro payment account. In this regard, we support Art 13(4) of the Commission's proposal.

Regarding Art 28, rather than being required by the regulation to offer the ECB's front-end app in addition to their own, PSPs should retain the flexibility to decide whether to provide access to the ECB app alongside their own interface. PSPs should be able to offer digital euro payment services either through their proprietary applications or, where they see added value, by making the ECB's app available as an additional channel, together with the necessary payment instruments enabling users to access and use digital euro services.

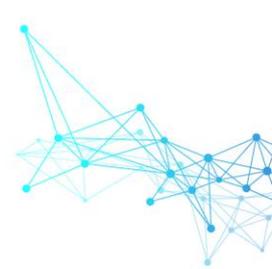
Tiered KYC with Cash-Like Privacy for Low-Value Transactions

We support Parliament's amendment 838, which would establish a framework for balancing financial inclusion with anti-money laundering requirements through tiered Know Your Customer (KYC) standards.

This approach would empower the Anti-Money Laundering Authority (AMLA) and the European Banking Authority (EBA) to develop regulatory technical standards exempting PSPs from full customer due diligence



for low-value transactions, subject to risk-mitigating conditions including maximum transaction values and holding limits. This approach mirrors physical cash treatment, preserving privacy for everyday transactions whilst maintaining safeguards against financial crime and enabling vulnerable groups to access basic payment services without barriers.





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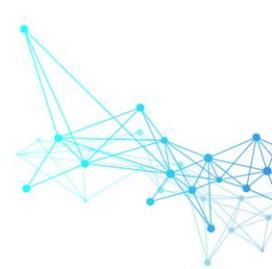
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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. We wish Europe to grow, attract and sustain the world's best digital talents and technology companies. Together with our members, we shape the industry policy positions on all relevant legislative matters and contribute to the development and implementation of relevant EU policies. Our membership represents over 45,000 businesses who operate and invest in Europe. It includes corporations which are global leaders in their field of activity, as well as national trade associations from across Europe.

