



EUROPEAN CENTRAL BANK

EUROSYSTEM

The case for a digital euro in the European payments landscape

VII Conference on behavioural financial regulations and policies organised by the Herbert Simon Society

4 December 2024



Piero Cipollone
Member of the Executive Board of the ECB

Europe's payments landscape is changing fast

Digitalisation

- **Rapid advances in digital technology** are generating new demands, emerging markets and novel risks
- In the absence of a digital form of cash, central bank money would be at risk of no longer being viewed as a **monetary anchor**



Risk of fragmentation

- As **geopolitical challenges** intensify, building Europe's economic resilience is crucial
- **No European digital payment option** that covers the entire euro area



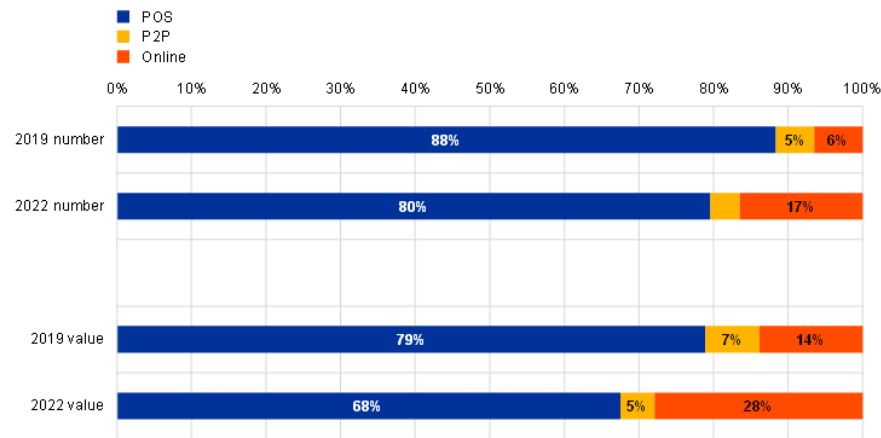
These trends are **threatening Europe's strategic autonomy** and risk weakening our **monetary sovereignty**



Europe's payments landscape is changing fast

Number and value of non-recurring payments by payment situation, 2019 – 2022, euro area

(percentages)



Sources: ECB, calculations based on De Nederlandsche Bank and the Dutch Payments Association (2020, 2022) and Deutsche Bundesbank (2018, 2022).

Note: Percentages may not add up to 100% due to rounding.

Europeans show an increasing preference for online transactions

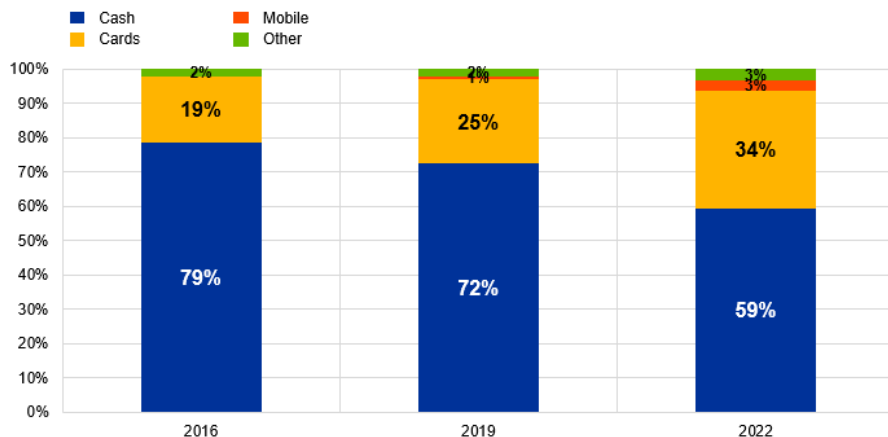
- The share of online purchases has increased from 6% to 17% (2019-22)
- In terms of value, the share of online payments in 2022 was 28% (up from 14%), indicating that **online payments were more frequently used for larger payment amounts**



Central bank money is losing ground also at the point of sale

Share of payment instruments used at the POS in terms of number and value of transactions, 2016-2022, euro area

a) Number of transactions



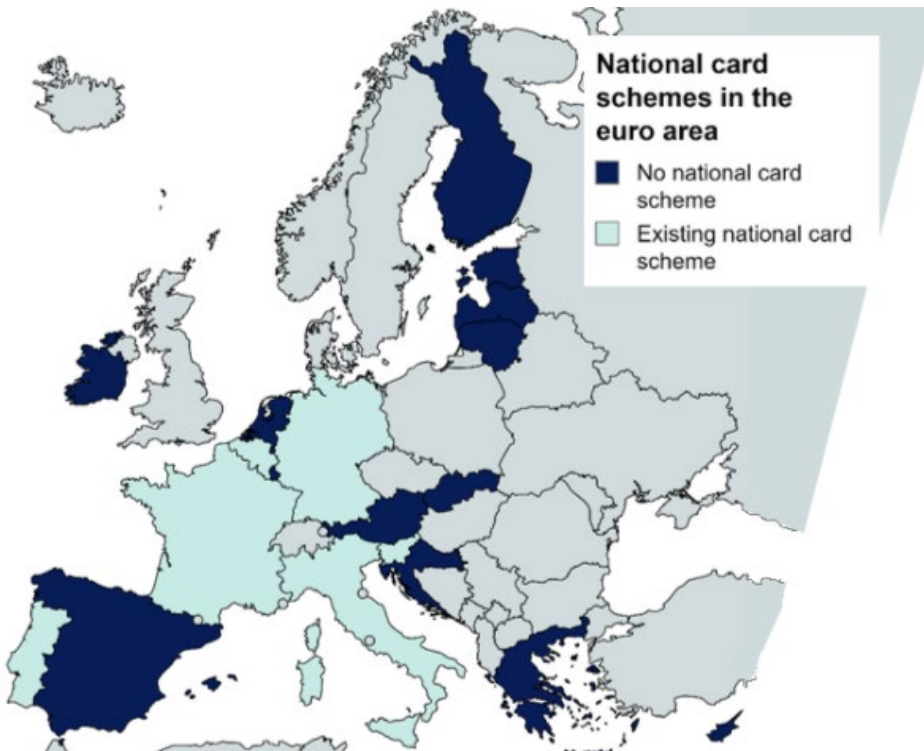
For payments in physical stores, Europeans tend to prefer digital solutions...

- In 2022, **cash was only used in 59% of transactions** at the point of sale (POS), down from 72% in 2019
- **Card payments** were used in 34% of POS transactions, up from 19% in 2016 and 25% in 2022
- **Contactless payments increased** from 41% of all card payments in 2019 to 62% in 2022



Geographical fragmentation

Our payments landscape is fragmented and lacks a digital form of cash covering all the euro area



- **13 out of 20 euro area countries have no national card scheme**
- **European merchants are highly dependent on non-European digital payment providers, which settle 64% of all digital transactions in the euro area**



Product fragmentation

No payment solution spanning all use cases

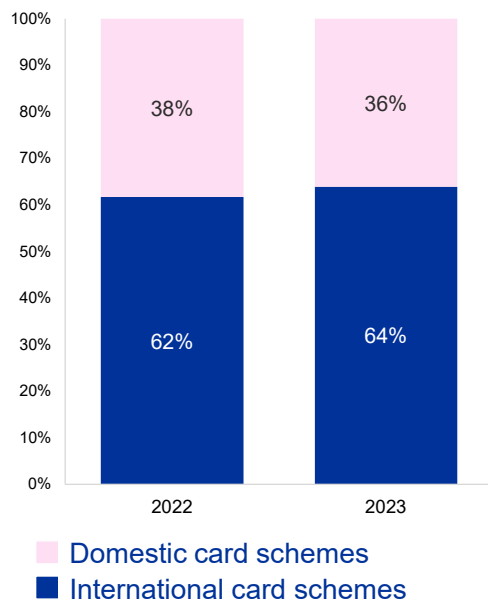
	Cash		National schemes (card or account-based)		International schemes (card or account-based)	
	Domestic	Euro area	Domestic	Euro area	Domestic	Euro area
Person-to-person payments	✓ *	✓ *	Some	✗	✗	✗
Point-of-sale payments	✓	✓	Some	✗	✓ **	✓ **
E-commerce payments	✗	✗	Some	✗	✓ **	✓ **

* Only proximity transactions, unless mailing cash

** Where accepted

Digitalisation and fragmentation may jeopardise the euro area's strategic autonomy

Electronically initiated card transactions in the euro area



- **Dominant international card schemes and e-payment solutions are currently capturing a larger market share**
- This affects:
 - **consumers**, who don't have full access to the European market and suffer the consequences of **low innovation and lack of services** (such as person-to-person payment solutions)
 - **small merchants**, who pay large fees and are discouraged from expanding across borders or even into their national online markets
 - **European banks**, which are losing fees and missing out on client relationships and user data

A digital euro: ensuring a European future, not just in payments



Objective: Preserve the role of public money and uphold monetary sovereignty and strategic autonomy

A digital euro would be a form of public money that guarantees convertibility at par with commercial money, complementing cash and other existing digital solutions.



Payments are the **backbone of the single market**



Payment infrastructure is **critical infrastructure**. The EU needs to have its own.



Ensuring access to digital central bank money is key to **preserving European monetary and financial sovereignty** in a digital world

Aligning incentives for the success of the digital euro



- To achieve the digital euro's full potential, it is **crucial to align private and collective incentives**
- **This will foster collaboration and innovation**, driving the collective benefits of digital currency while meeting individual needs
- The digital euro has been designed to address the needs and incentives of European
 - **consumers**
 - **merchants**
 - and **private intermediaries**, offering them **tangible benefits** and **new opportunities**

For consumers: a unique payment option that everyone in the euro area can trust

A digital euro would **tick all the boxes** for all euro area countries and use cases

	Cash		National schemes (card or account-based)		International schemes (card or account-based)		Digital euro	
	Domestic	Euro area	Domestic	Euro area	Domestic	Euro area	Domestic	Euro area
Person-to-person payments	✓*	✓*	Some	✗	✗	✗	✓	✓
Point-of-sale payments	✓	✓	Some	✗	✓**	✓**	✓	✓
E-commerce payments	✗	✗	Some	✗	✓**	✓**	✓	✓

* Only proximity transactions, unless mailing cash

** Where accepted



Simple and easy to use

- Usable for all retail payment scenarios (person-to-person, in-store, e-commerce)
- Accepted throughout the euro area thanks to legal tender status



Resilient and always available

- Offline functionality would allow cash-like payments, enabling transactions even during power outages or in areas with limited connectivity



High privacy

- Increasing privacy in digital payments, setting a new “gold standard”

For merchants: a real alternative to international card schemes



Reaching more customers

- Being able to serve customers across the euro area
- No more card acceptance issues, the digital euro would be universally accepted



Cost-attractive

- Digital euro would give merchants more bargaining power vis-à-vis international card schemes
- Digital euro would be cheaper



An efficient payment experience

- A solution for all key payment use cases with standardised, recognisable front-ends, and instant settlement, making it more likely that e-commerce customers complete their purchase

For banks: a European solution that will secure banks' role in digital payments and provide a basis for innovation



Securing banks' role in payments

- Distribution of a digital euro via PSPs will help **maintain customer relationships** amid trend towards digital wallets and x-pays. **Holding limits** would ensure equilibrium with private money



Expand reach to entire euro area

- Opportunity to provide payment services to **all euro area clients, for all use cases**



Fair compensation and leveraging of existing infrastructure

- PSPs **generate revenues** via merchant fees without having to pay for scheme and settlement costs. Standards will be re-used as much as possible¹, **minimising investment needs**



Enable innovation

- PSPs can offer value-added services, built on digital euro open standards, as an additional source of revenue. **Example:** Ongoing experimentation with the market on conditional payments such as pay-on-delivery

¹ See the latest [report](#) of the Rulebook Development Group.

For European solutions: pan-European rail tracks to foster growth and innovation



Open, common and fully European standards

- The network effects generated by the digital euro's legal tender status, combined with the digital euro rulebook, would function as a public good, benefiting both public and private initiatives



Facilitating euro area-wide expansion

- Private (mostly national) solutions would find it cheaper and easier to launch new products and services across borders, thanks to reduced costs associated with adapting acceptance infrastructure



Expanded market, greater economies of scale

- Cost-effective standardisation and increased scalability allow for more focused and resource-rich investment in innovative payment products, strengthening competitiveness against international competitors

Conclusion



The European payments landscape is changing fast, and we need to adjust.



A digital euro would offer new possibilities, and we **are working with all stakeholders** to reap the benefits.



Implementing a digital euro across the euro area would take several years but market participants need clarity. **We must therefore start preparing now.**



We need to set an ambitious pace to ensure that Europe is prepared for a digital euro.



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Thank you

Additional materials:

- Updated digital euro [FAQ](#)
- [Summary report](#): A stocktake on the digital euro
- [ECB Opinion](#) on the digital euro
- Digital euro [two-pager](#)
- Digital euro [booklet](#)
- Digital euro [LinkedIn page](#)