

SPEECH

The digital euro: strengthening Europe's payments ecosystem

Speech by Piero Cipollone, Member of the Executive Board of the ECB, at the event "The digital euro in Cyprus"

Nicosia, 6 February 2026

It is a pleasure to be in Cyprus today.

I would like to thank Governor Patsalides and the organisers for inviting me.

Cyprus's Presidency comes at a pivotal moment for Europe. In a global environment defined by rapid change, strategic uncertainty and geopolitical tensions, the Presidency's priority, "Autonomy through security and competitiveness", captures Europe's ambition to strengthen its independence by building a strong, innovative and competitive economy.

This is not a call for protectionism. It is a call to invest in Europe's collective capacity to innovate and to compete globally.

The ECB, along with the euro area national central banks, stands ready to play its part in turning the concept of autonomy through security and competitiveness into practical actions and solutions.

We will focus on an area that is intrinsically linked to our institutional mandate: issuing central bank money and promoting the smooth operation of payment systems.

There are two types of central bank money: retail money, which is used by people and businesses to purchase goods and services, and wholesale money, which is used by banks to settle claims between each other.

Digital payments are now the norm, and new technologies are disrupting financial services. While this brings exciting opportunities to boost growth, it also comes with challenges. We need to make sure central bank money remains fit for a digital world and thereby safeguard Europe's monetary sovereignty in a digital world.

On the wholesale side, the lack of a widely available euro-denominated asset to settle transactions using distributed ledger technologies (DLT) creates a void that, if unaddressed, could be filled by non-European solutions. This would create new dependencies and push the euro into a secondary role in global digital finance.^[1]

To address this, the Eurosystem has launched a strategy to settle transactions recorded on DLT in central bank money. This will provide a risk-free asset that supports the growth of an integrated and dynamic European digital finance ecosystem. Our strategy consists of two complementary initiatives: Pontes and

Appia.^[2] We are making swift progress here and aim to launch Pontes, our initial solution for cash settlement, during the third quarter of this year. Appia will develop a vision for Europe's future digital finance ecosystem.^[3]

Similarly, in the area of cross-border payments, the rapid growth of US dollar-denominated stablecoins risks displacing the role of euro commercial bank money. We are making rapid advances on this too, as we unlock faster, cheaper and more transparent cross-border payments by interlinking Europe's fast payment system with those of other countries.^[4]

But there is one domain where Europe's sovereignty is already under pressure: retail payments.

The role of cash – our sovereign means of payment – is declining as digitalisation accelerates. And almost two-thirds of card-based transactions in the euro area are carried out by non-European companies. In 13 euro area countries, including Cyprus, in-store payments depend entirely on international card schemes.

This is the challenge I would like to focus on today as I make the most of having so many different stakeholders in one room, including Members of the European Parliament, national politicians, consumers, merchants and banks.

The ECB is committed to acting in line with its Treaty mandate in this area: to provide sovereign money to Europeans. However, the ECB cannot implement a solution without a robust legal framework to support it. This is why the ongoing work of European co-legislators is essential.

I will first explain why the digital euro is so important, particularly in the current context. I will then describe the many practical benefits it would bring to consumers, merchants and banks across the euro area.

Finally, I will outline why we are optimistic that a public-private approach can help build a more resilient European payments system in the future.

The case for digital cash

Let me start with a simple observation: the way we pay has changed more in the past few years than in the previous 50.

Today, when we pay a bill, book a hotel or shop online, we rarely use cash.

For example, the ECB's study on the payment attitudes of consumers in the euro area shows that here in Cyprus, the share of e-commerce payments increased from around 1% in 2019 to roughly 26% in 2024 – a striking example of how quickly digital payments have become part of everyday life.^[5]

Across the euro area, digital payments are increasingly the norm and cash can no longer be used to pay in all situations. Online shopping already accounts for more than one-third of retail transactions, yet cash cannot be used online.

This creates a structural gap in the monetary system: our economy is becoming increasingly digital, but central bank money remains confined to physical cash in retail transactions.

Make no mistake: we will continue to issue banknotes and we are working hard to ensure physical cash remains widely accepted and available.^[6] In fact, we are preparing to produce and issue a third series of euro banknotes featuring a new design that Europeans can strongly relate to.

But the ECB must ensure that, in this digital age, public money satisfies the evolving needs of Europeans. Therefore, we are getting ready to complement physical cash with its digital equivalent: a digital euro.

This is not a side project – it forms part of the Eurosystem's core tasks as defined in the Treaty: providing means of payment with legal tender status and issuing money as a public good.

By preparing for a digital euro, we are simply adapting to evolving technologies and preferences, and preserving Europeans' freedom to pay with their money – the sovereign money issued by their central bank.

As a digital form of cash, the digital euro would ensure that central bank money remains available and usable in an increasingly digital economy, upholding its role as a trusted anchor of our monetary system.

Benefits for Europe's autonomy

Given the current environment of growing geopolitical tensions, the digital euro is more than just a “nice to have”. As the use of cash declines, we increasingly rely on complex digital technologies that operate largely in the background.

As European citizens, we want to avoid a situation where Europe is overly dependent on payment systems that are not in our hands.

Payment systems have become part of Europe's critical infrastructure, alongside energy, transport and telecommunications. The resilience and security of this infrastructure directly affects our economic stability and strategic autonomy. Imagine that digital payments weren't possible, even just for a day. What effect would this have on society?

Cyprus, like the rest of Europe, is highly dependent on international providers across virtually all use cases, from e-commerce and person-to-person payments to in-store transactions.

Card payments are a case in point. During the first half of 2025 card payments accounted for 74.5% of all cashless transactions in Cyprus – the second highest in the euro area.^[7] But there are no European solutions available for card payments in Cyprus.

This level of dependence means that critical parts of Europe's payment infrastructure are owned and operated outside the euro area. At a time when resilience and strategic autonomy matter more than ever, this creates vulnerabilities that we cannot afford to ignore.

A digital euro, built on European infrastructure, would allow Europe to regain ownership of the rails on which its payment system runs and thereby strengthen our autonomy.

Benefits for consumers

Our motivation is clear, but what concrete benefits would the digital euro bring for consumers?

The digital euro would bring the simplicity and the convenience of being able to pay with a single solution – for example your smart phone. It would also ensure that we always have the freedom to choose to pay with a public means of payment – not only in physical form, but also digitally.

In fact, in a Eurosystem survey, 66% of Europeans said they would be interested in trying a digital euro after the concept was explained to them.^[8]

The digital euro would be a payment solution for every occasion. It could be used anytime and anywhere in the euro area – just like cash, but in digital form. It would be universally accepted and free of charge for basic use.

It would work both online and offline. Offline functionality is particularly important, as it ensures resilience in situations where connectivity is limited and allows people to pay digitally with a level of privacy comparable to cash. For offline digital euro transactions, personal transaction details would be known only to the payer and the payee. And for online payments, the ECB and the national central banks would not be able to identify the payer or the payee: we would only see encrypted codes and the transaction amount. The link between these codes and the identities of the payer and the payee would only be known to their banks.^[9]

To fulfil its goal of serving as a digital complement to cash, the digital euro would be accessible to everyone, including people who are financially and digitally vulnerable and people with disabilities. We have just signed a collaboration agreement with the ONCE Foundation for Cooperation and Social Inclusion of People with Disabilities^[10] to promote and ensure universal access to the digital euro.

In short, the digital euro would combine the convenience of digital payments with the trust, safety and privacy that people associate with cash.

Benefits for merchants

The digital euro would also bring tangible benefits for merchants.

Today, many European merchants depend heavily on international card schemes, which often come with high and non-transparent fees. This is particularly the case for merchants in Cyprus, where it is compulsory for retailers to accept card payments.^[11]

The digital euro would offer a European alternative that is accepted across the euro area, thereby putting merchants in a stronger position to negotiate fees.

Today small merchants – including in Cyprus, where very small businesses are a central part of the economy – pay up to four times more for card payments than larger merchants.^[12] With the digital euro, these small merchants can expect to pay approximately half of what they are paying today for digital payments. And this would also give them more power to negotiate lower fees than what they pay today.

Larger merchants would need to negotiate a lower charge individually. Given that the digital euro does not charge scheme fees a balanced allocation of these cost savings is important to ensure all stakeholders in

the digital euro ecosystem benefit.

From the outset, the ECB has worked closely with merchants and their representatives. This engagement includes high-level meetings with President Christine Lagarde as well as technical workshops at staff level. The design of the digital euro reflects what merchants consider essential: seamless integration with existing checkout systems, ease of use, reliability and resilience.^[13]

The digital euro would allow merchants to receive payments instantly. And thanks to its offline functionality, payments could still be accepted even when internet connectivity is temporarily unavailable.

Benefits for payment service providers

Let me now turn to the payment service providers, in particular banks, which play a central role in the digital euro project.

We have designed the digital euro in a way that ensures banks will not be disintermediated.

Right from the start, we envisaged that the digital euro would be distributed through banks and other supervised intermediaries. Just as they are for cash, banks will remain the primary interface for users.

Also, digital euro holdings will not be remunerated and will be subject to holding limits to avoid the risk of excessive deposit outflows, especially in times of stress. Our recent technical assessments confirm that using the digital euro for day-to-day payments would not undermine financial stability.^[14] And because it will be possible to link the digital euro wallet to a commercial bank account, people will be able to pay and be paid seamlessly in digital euro, even for larger amounts.

While preserving financial stability, the digital euro would also make it more advantageous for banks to offer payment solutions to their clients. Today, with international card schemes, banks lose fees. With big tech mobile payment solutions, they lose both fees and data. And in the future, with stablecoins – which do not have holding limits – they would lose fees, data and stable retail deposits.

But the compensation model envisaged for the digital euro ensures that banks will benefit when payments move from these solutions to the digital euro. As I already mentioned, this is because the Eurosystem will not charge scheme or settlement fees, creating savings that can be distributed among banks and merchants.

European rails for digital payments

In sum, the digital euro will deliver tangible benefits to European citizens, merchants and payment service providers alike – it is a win-win for Europe.

We strongly believe in public-private partnership when it comes to enhancing the resilience of our payment systems and strengthening our autonomy. And both sides of this partnership are moving forward.

On the public side, the digital euro project is advancing well, both technically and legislatively.

On the technical front, we are continuing the preparations and building the necessary technical capacity ahead of a possible decision to issue. As part of this work, we will shortly publish a call for interest inviting

payment service providers to take part in our pilot exercise.^[15]

On the legislative front, we welcome the Council of the European Union's agreement on its negotiating position on the proposed digital euro Regulation.^[16] This agreement by Member States, including Cyprus, is a decisive step towards a digital euro.

The Council's position preserves the key pillars of the European Commission's proposal, including legal tender status, mandatory distribution and acceptance as well as online and offline functionalities. It also introduces targeted adjustments that address some of the concerns raised by European banks.^[17]

In parallel, the European Parliament is actively discussing the proposal and is expected to reach its position in May.

On the private sector side, we welcome the recent announcement on the collaboration between regional and domestic schemes to facilitate cross-border payments and the intention to move towards greater European market integration. This shows that European actors are stepping up.

At the same time, most European payment solutions today have a small footprint in physical shops. Their coverage in online shopping is also limited. Therefore, building a common acceptance network will take time and money, also because most industry standards are currently in the hands of foreign companies. It is therefore unclear whether these solutions, on their own, can scale up enough to address Europe's payment challenges in the long run.

That is why we have always been committed to working with the private sector – to ensure that it can make the best use of the opportunities created by the digital euro.

The digital euro, thanks to its legal tender status, would create a European standard – a common set of rails on which private payment solutions can operate and innovate.^[18]

I often compare this to a public rail network. The infrastructure is public, but private companies can use these tracks to reach any destination in Europe and compete on services, quality and innovation.

Thanks to this shared infrastructure, private European payment initiatives would be able to achieve pan-European reach more easily and scale up faster.

Private providers would also be able to integrate the digital euro seamlessly into their existing payment solutions, for example in digital wallets or by co-badging it on physical cards.^[19]

At the same time, we aim to minimise additional investment costs for payment service providers by reusing existing infrastructures as much as possible.

Adopting the digital euro Regulation has become increasingly urgent if we are to make use of the synergies between public and private solutions and reduce our dependence on foreign companies.

Importantly, some of the benefits of the digital euro will start to materialise even before its launch. Once the legislation is adopted, the digital euro standards can be finalised and made available to the market. As merchants renew their payment terminals, they can ensure that the new devices are “digital euro-ready”.

This will, in turn, allow European payment service providers to begin expanding their reach and the range of use cases they can support.

Delays in the legislative process would risk breaking the momentum of these twin public and private efforts. They would further entrench our dependence on international card schemes and increase our exposure to non-European big tech payment solutions and stablecoins.

Conclusion

Let me conclude.

In October last year European leaders stressed the importance of “swiftly completing legislative work and accelerating other preparatory steps” for the digital euro.^[20] Their message was clear: the time to act is now.

In this fast-changing world, let’s show Europeans that we respond to challenges head-on – by protecting our currency and guaranteeing people’s freedom to pay as they choose.

Consumers, merchants and payment service providers all stand to benefit.

1.

Cipollone, P. (2025), “[The future of money: a central bank perspective](#)”, contribution to a roundtable at Aspen Institute Italia, 19 December.

2.

Vlassopoulos, T. (2025), “[Making wholesale central bank money fit for the digital age](#)” speech, 7 November.

3.

Appia will give rise to a public-private partnership that covers the full value chain, from central bank digital currency to tokenised deposits and euro stablecoins and from tokenised bonds to other innovative form of digital financial instruments.

4.

Within Europe, TARGET Instant Payment Settlement (TIPS) already provides instant settlement in central bank money and is being extended across currencies. In the near future TIPS could evolve into a global hub for instant cross-border payments. By interlinking TIPS with the fast payment systems of other countries, starting with India and other partners worldwide, we can cut intermediaries, shorten transaction chains and lower costs. See Cipollone, P. (2025), op. cit.

5.

See ECB (2024), [Study on the payment attitudes of consumers in the euro area \(SPACE\)](#).

6.

See Cipollone, P. (2025), "[Making euro cash fit for the future](#)", *The ECB Blog*, ECB, 4 August and [Opinion of the European Central Bank on a proposal for a regulation on the legal tender of euro banknotes and coins \(CON/2023/31\)](#), OJ C, C/2023/1355, 1.12.2023.

7.

See ECB (2026), "[Payments statistics: first half of 2025](#)", *press release*, 29 January, and Central Bank of Cyprus (2026), [Statistical Release – Payment Statistics: first half of 2025](#).

8.

See ECB (2025), [Progress on the preparation phase of a digital euro – Closing progress report](#), 30 October.

9.

The ECB will use state-of-the-art technology to pseudonymise and encrypt all data, so we will not see any personal information – just codes representing the payer, the payee and the transaction amount, which only their banks will be able to link with their respective identities. Even for these codes there will be very strict rules on who can access them for the purpose of running the system.

10.

The [ONCE Foundation for Cooperation and Social Inclusion of People with Disabilities](#).

11.

Central Bank of Cyprus (2026), [Statistical Release – Payment Statistics: first half of 2025](#).

12.

EHI Retail Institute (2024), , EHI Studie. .

13.

See EuroCommerce (2024), "[EU businesses' competitiveness impacted by current cards payments landscape](#) – a call for urgent action", *Position paper – Payments*, 8 July; and Ipsos (2025), [ECB Digital Euro User Research](#), 30 October.

14.

See ECB (2025), [Technical data on the financial stability impact of the digital euro](#), October.

15.

We have already seen strong interest in the digital euro pilot focus session, see ECB (2026), [Focus Session \(virtual\) – The digital euro pilot](#), 15 January. For background, see also ECB (2025), "[Eurosystem to invite payment service providers to participate in digital euro pilot](#)", *MIP News Item*, 28 November.

16.

See Council of the European Union (2025), "[Single currency: Council agrees position on the digital euro and on strengthening the role of cash](#)", *press release*, 19 December.

17.

For example, only EU-licensed payment service providers would be allowed to distribute the digital euro, and the proposed compensation model would allow banks to earn higher fee revenues than they currently receive from transactions with international card schemes. See Council of the European Union (2025), *ibid.*

18.

The digital euro rulebook provides a single set of rules, standards and procedures for the provision of basic digital euro payments services for payment service providers participating in the scheme. It draws as far as possible on existing industry standards and market practices. See ECB (2025), [Update on the work of the digital euro scheme's Rulebook Development Group](#), 30 October.

19.

In the case of co-badging, private schemes could remain the default brand wherever they are accepted, while the digital euro would serve as a fallback solution in places where the private scheme is not yet available. For more information see ECB (2025), [Fit of the digital euro in the payment ecosystem – Report on the dedicated Euro Retail Payments Board \(ERPB\) technical workstream](#), October.

20.

See Council of the European Union (2025), "[Statement of the Euro Summit, meeting in inclusive format](#)", 23 October.

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