

## **Piero Cipollone: The digital euro in a fragmenting world - ensuring Europe's resilience and autonomy in payments**

Public lecture by Mr Piero Cipollone, Member of the Executive Board of the European Central Bank, at an event hosted by the Stockholm School of Economics in Riga and Latvijas Banka, Riga, 1 April 2026.

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Thank you, Governor Kazks. I am grateful to the Stockholm School of Economics in Riga and to Latvijas Banka for hosting this event and letting me explain how the digital euro can ensure Europe's resilience and autonomy in payments in a fragmenting world.

Latvia's relationship with the euro goes well beyond monetary policy.<sup>1</sup> On adopting the single currency in 2014, at the height of the euro area crisis, Latvia made a strategic choice. When Prime Minister Valdis Dombrovskis asked his fellow Latvians if they wanted "to belong to core Europe", the answer was yes.<sup>2</sup>

This was ultimately a decision about sovereignty. For Latvia, as for Estonia and Lithuania, joining the euro – like becoming a member of EU and NATO before – was a way of anchoring its European identity and strengthening its geopolitical position. It reflected a conviction that small countries can reinforce their sovereignty by sharing it freely and willingly with trusted partners.

But sovereignty is only as strong as the infrastructure it rests on. And that infrastructure must be resilient – as the Baltics and Europe more broadly learnt the hard way in the energy domain, where long-standing dependence on a single external supplier turned, almost overnight, into a strategic vulnerability. The Baltics have since diversified their energy supply, clearly illustrating that a country needs to control its infrastructure if it is to shield itself from decisions made elsewhere.<sup>3</sup>

That lesson has since echoed across one area after another of Europe's economy, from supply chains to semiconductors and critical raw materials. Today I want to apply that wisdom to payments. I will argue that we need to reduce our existing dependencies in payments – and avoid creating new ones – to ensure our economic resilience and strategic autonomy.

But let me be clear: strengthening Europe's autonomy does not equate to adopting protectionist practices that would shut our markets, reducing competition and making us weaker in the long run. It means ensuring that we have a sovereign payment infrastructure and solution that Europeans can always rely on and that provide sound foundations for open competition and innovation.

### **How dependence in payments becomes vulnerability**

Let me specify how dependence on non-European financial infrastructure translates into vulnerability. Several mutually reinforcing mechanisms are at work.

The first is disconnection: dependence on a non-European infrastructure leaves users vulnerable to an outright withdrawal of access. As payments are vital to daily life and the economy, the mere threat of disconnecting payment systems could give others leverage over Europe.

The second mechanism is extraterritorial reach. This is the capacity of one country's legal framework to propagate into other countries through globally integrated infrastructure. Individuals can be directly and tangibly affected, for example by being unable to use bank cards or conduct routine transactions. Judges at the International Criminal Court recently experienced this first-hand.<sup>4</sup>

The third mechanism is that dominant providers unilaterally exercise market power. International card schemes can set the terms, the fees, the technical standards and the dispute resolution procedures applying to hundreds of millions of European transactions every day. By contrast, European merchants and payment service providers are generally rule-takers rather than rule-makers.

The most obvious indication of our dependence on non-European payment systems for day-to-day transactions is the exceptionally high level of foreign card penetration. Two-thirds of euro area card transactions are governed by the business rules of non-European companies. And two-thirds of euro area countries – including all three Baltic States – depend entirely on international card schemes for in-store payments. At present, there is no pan-European, European-governed digital payment solution that covers the entire euro area.

Consumers and merchants across Europe must therefore adhere to the terms, prices and data practices set by a few, mostly non-European, private companies and have limited scope for negotiating or switching.

Between 2018 and 2022, the average net merchant service charges in the EU almost doubled, despite regulatory efforts to contain them.<sup>5</sup> The EU's Interchange Fee Regulation, adopted in 2015, capped consumer interchange fees at 0.2% for debit cards and 0.3% for credit cards. But the international card schemes have responded by expanding fee categories that fall outside the Regulation – scheme fees, processing fees, compliance penalties – effectively eroding the intended benefits of the cap.<sup>6</sup> And the burden falls disproportionately on smaller retailers, who face charges three to four times higher than those paid by larger counterparts. This eventually pushes up prices for consumers and reduces their purchasing power.

Moreover, schemes are still adjusting rules and costs unilaterally. In recent years, for instance, international card schemes started charging merchants additional costs for transactions that do not use the scheme's tokens.<sup>7</sup> In May 2025 a coalition of major European retailers wrote to three European Commissioners warning that international schemes had made their fee systems "so complex and opaque" that merchants "cannot understand, let alone challenge, what they are paying and why".<sup>8</sup>

As more transactions move online, Europe is becoming increasingly dependent on non-European payment infrastructure. Public money – the money of the people, issued by

their central bank – is now only available in physical form, cash. But cash cannot be used when paying digitally, such as in e-commerce, which now accounts for more than a third of retail sales by value. Cash use has hence been declining rapidly, from 68% of day-to-day transactions in the euro area in 2019 to 40% in 2025 and from 40% to 24% in value terms over the same period. This shift has been even more pronounced in the Baltic States, which are among the most digitalised economies in the euro area.

## The digital euro

The digital euro is the Eurosystem's response to this structural gap.

It is a digital form of cash that will be legal tender: in other words, you can use it wherever digital payments are accepted, across the euro area. And as it will be available both online and offline, it can be used even when there is no network connection.

The benefits of the digital euro can most clearly be seen against the three dimensions of vulnerability I have just described.

First, the digital euro will reduce Europe's excessive dependence on non-European providers. It will ensure that Europeans can pay with their money – the sovereign money issued by their central bank – in the digital economy, just as they can with cash in the physical economy. By providing a fully European infrastructure, governed by European rules, the digital euro can help underpin Europe's economic security. To achieve this, the Eurosystem is working solely with internal providers (euro area national central banks) and with external providers that are registered in the EU and are not controlled or owned by non-EU companies. The digital euro will thus ensure Europe's ability to process its own citizens' transactions without depending on infrastructure governed elsewhere. It will also deliver on Europeans' high privacy expectations. The Eurosystem will not be able to identify users, while offline payments will benefit from cash-like privacy levels, with transaction details known only to the payer and the payee.

Second, the digital euro is designed for continuity and will prevent disruption. Its infrastructure will be distributed across at least three geographic regions, each with multiple servers. Moreover, should their payment service provider experience an outage, users would still be able to access their money and make payments through another provider, because their digital euro funds would be held securely on the Eurosystem balance sheet. And the digital euro app would allow users to access and spend their money without interruption. Finally, the digital euro's offline functionality will ensure it can be used even without an internet connection, a phone signal or access to a functioning ATM. These resilience features owe much to contributions from contributions from national central banks and treasuries of the Baltic States, which are among the most advanced nations in Europe in terms of expertise in cyber defence and operational resilience.<sup>9</sup>

And the third is that it will mitigate the downsides of fragmentation and excessive concentration of market power. The Eurosystem will not charge scheme or processing fees for digital euro transactions, which will mean reduced costs for merchants and payment service providers. Moreover, the digital euro can create the conditions for

European payment companies to compete at scale, thereby enabling them to contest the dominance of international players. Its open standards and unparalleled acceptance network will provide a common foundation that makes it easier for European payment solutions to scale up and offer innovative services at the European level. For example, the digital euro could be co-badged on European domestic card schemes and integrated in European digital wallets, allowing consumers to pay with these solutions throughout the euro area – even where they were previously not accepted – without having to rely on partnerships with non-European payment solutions. By providing a common infrastructure that the private sector can build on, the digital euro will be a catalyst for innovation and further strengthen our strategic autonomy. This is another example of how the digital euro will foster a genuine partnership between the public and private sectors.

## **A comprehensive payments strategy**

The digital euro addresses the retail payments gap, which is where Europe's dependencies have the most tangible impact on citizens. But the need to preserve or increase our resilience and autonomy also extends to other parts of the payments sector, such as wholesale, business-to-business and cross-border transactions. In view of this, the Eurosystem yesterday published its comprehensive payments strategy – a comprehensive vision for the future of the European payments landscape.<sup>[10](#)</sup>

One key part of this vision is the settlement of wholesale transactions. Most large-value wholesale transactions are currently settled in central bank money. But tokenisation and distributed ledger technologies are opening up new possibilities for how financial instruments are issued and traded. We need to provide central bank money in tokenised form to reduce the risk of developing new dependencies. For example, we would not want to see a fragmented landscape emerging in which tokenised assets could not be transferred across networks or in which non-European assets would be needed to settle DLT-based wholesale transactions.

From September, we will offer tokenised central bank money as part of our Pontes project. This will provide a safe asset and trusted common anchor that tokenised markets can use to develop at the speed and scale that Europe needs. Without that anchor, innovative private solutions will not be able to scale with confidence, leaving markets to depend on settlement assets that present liquidity and credit risk – many of which may be issued in foreign currency, on non-European platforms.

Meanwhile, through our Appia project, we aim to develop a blueprint for an integrated, innovative and resilient European tokenised financial ecosystem, in close cooperation with all relevant public and private sector stakeholders. We recently published a roadmap for the project outlining the key policy objectives and areas where further technical work is needed.<sup>[11](#)</sup>

Private settlement assets will play a role in this ecosystem – whether in the form of tokenised deposits or euro-denominated stablecoins issued in Europe – just as commercial bank money does in traditional finance. But with central bank money acting as an anchor of stability, fragmentation is less likely. Tokenised central bank money can

provide the settlement bridge that makes private assets convertible to one another – enabling, for instance, tokenised deposits to be transferred between banks or stablecoins to be settled in fiat currency directly on-chain.

## Conclusion

Let me finish by coming full circle.

When Latvia adopted the euro in 2014, it was an act of conviction, grounded in the belief that shared institutions and a shared currency can make small countries stronger and more – not less – independent. The Baltic States then moved faster than most of Europe to embrace the digital economy, the benefits of which are evident in Riga's thriving fintech sector.

But that speed also created a tension that now confronts the whole of Europe: namely, that an advanced digital economy running largely on infrastructure designed and governed outside Europe exposes us to strategic dependencies.

The digital euro and the comprehensive payments strategy we published yesterday are about resolving that tension. They aim to ensure a thriving digital economy in Europe, built on solid European foundations.

The next steps in the digital euro project are for the EU legislators to complete the legislative process, and for us in the Eurosystem to prepare the pilot and get ready for issuance from a technical standpoint. More broadly, our task is to ensure that the euro continues to work in all its forms – across the entire European economy, and on European terms.

In an increasingly fragmented world, the integrity and independence of Europe's payment infrastructure is a matter of monetary sovereignty. For the Eurosystem, maintaining that sovereignty is a core responsibility. And the time to act is now.

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<sup>2</sup> The Guardian (2013), "[For Latvia, euro still attractive despite Europe's financial crisis](#)", 16 July.

<sup>3</sup> European Commission (2025), "[Baltic States join the European continental electricity grid after fully disconnecting from Russian and Belarussian networks](#)", *press release*, 9 February.

<sup>4</sup> Ambos, K. (2025), "[The Sanctioning of Law: On the US Government's Sanctions Policy Against the International Criminal Court](#)", *Verfassungsblog*, 18 December.

<sup>5</sup> Cipollone, P. (2025), "[The role of the digital euro in digital payments and finance](#)", contribution based on remarks at the Crypto Asset Lab Conference on 17 January 2025, 28 February.

<sup>6</sup> EuroCommerce (2020), "[Benefit of Interchange Fee Regulation now nullified by fee increases](#)", *press release*, 7 December.

<sup>7</sup> Ecommerce Europe (2024), "[Position Paper on the cost of payments](#)", 26 November.

<sup>8</sup> Reuters (2025), "[Retailers urge European Commission to crack down on Visa, Mastercard](#)", 14 May.

<sup>9</sup> Working Party on Financial Services and the Banking Union (Digital Euro Package) (2025), "[Digital euro - WP meeting on 15-16 May - ECB slide presentation - Eurosystem analysis on resilience](#)", 16 May.

<sup>10</sup> ECB (2026), "[The Eurosystem's comprehensive payments strategy](#)", 31 March.

<sup>11</sup> ECB (2026), "[Appia – paving the way for a future-ready, integrated financial ecosystem leveraging tokenisation and DLT](#)", 11 March.