

Denis Beau: Fostering innovation within a framework of trust

Speech by Mr Denis Beau, First Deputy Governor of the Bank of France, at the Pay Tech Day, Paris, 26 June 2025.

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- In today's geopolitical context, maintaining Europe's sovereignty has become a major imperative in all areas. The payment sector is no exception. Although our payment system is robust, it is heavily reliant on non-European technologies and players. And this dependency is set to increase with the rise of tokenised finance and stablecoins – which are almost exclusively pegged to the US dollar and are being championed by the new US administration.
- But this is no reason to feel defeated. On the contrary, as the Governor of the Banque de France said recently in his Letter to the President of the Republic, it should spur us into action. From my perspective as a central banker, working for an institution whose missions include safeguarding the security and efficiency of our payment system, our action should aim to reconcile innovation with fraud mitigation on the one hand, and innovation with sovereignty on the other. This dual objective is essential to guarantee trust in our currency and our payment instruments, and freedom of choice in how to pay. It is perfectly within our grasp, as we have significant strengths and experience at both the national and European levels – which I would like to recall and highlight today.

I. Regarding the reconciliation of innovation in retail payments with fraud mitigation:

- **Clearly, the profound transformations in our payment ecosystem are creating new challenges for maintaining a high level of security.**

The changes are resulting in **rapid digitalisation**, fuelled by technological innovation, the emergence of new **payment players and new private settlement assets** – notably stablecoins, which first appeared a few years ago and have developed rapidly in recent months.

The shifts are creating new challenges for payment security, as **digitalisation has led to unprecedented sophistication in fraud attempts**; for example, "spoofing" where criminals impersonate someone from your bank. **Fraudsters are also using artificial intelligence to launch broad-scale attacks** in multiple languages, or to enhance social engineering techniques, for example with deepfakes or falsified documents.

To counter these challenges and prevent fraud from proliferating and eroding trust in our payment instruments, we can rely on a number of **technical and regulatory levers, and on the work of our supervisors** – in France, the ACPR and the Banque de France. For example, the mandatory IBAN-name checks introduced under the "instant credit transfer" package, due to come into force in October, will be extremely useful for preventing **IBAN substitution fraud**, notably after the hacking of a user's

email account. This is a concrete illustration of how new regulation can support and secure growth in innovative use cases, such as instant credit transfers. Another example is **the sharing between banks of identifiers used to commit fraud** – an initiative the Banque de France supports and for which it is prepared to provide a technical platform. Details of this sharing mechanism have been set out in a draft law submitted by the MP Daniel Labaronne, which has been approved by the National Assembly and is due to be examined soon by the Senate.

- But I would also like to highlight the **usefulness and proven effectiveness in fraud prevention of bodies like the OSMP and CNMP in France (respectively the Observatory for the Security of Payment Means and the National Payments Committee)**, which encourage collaboration between all stakeholders crucial to payment security, on both the supply and demand side. **One of the OSMP's main successes is the concerted roll-out of strong customer authentication (SCA), which has significantly reduced card payment fraud.**

Combating fraud also means constantly finding responses to new threats, but without absolving users of their responsibilities. The OSMP's market technology watch is designed to contribute to this goal. It has recently focused on finding responses to the quantum threat and on incorporating AI models into fraud prevention, and this year will concentrate on crypto-asset payment security.

To tackle cross-border threats and criminal networks, it would be useful to have bodies like the OSMP operating at the European level, and I sincerely hope the revision to EU payment services regulation (PSD3/PSR package), which is entering the trilogue phase, will lead to this.

II. In addition to being secure, innovation must be reconciled with sovereignty

- There can be no doubt, the tokenisation of finance is no longer a distant prospect, but is becoming a tangible reality in markets, infrastructures and usages. It offers a dual promise: **significant efficiency gains in asset transfers**, and a more seamless, direct channelling of **savings** towards the **financing needs** of the real economy.

But these promises will only be fulfilled if tokenisation is properly regulated, so that the main risks are kept under control. The principal one is that of **increased reliance** on non-European technologies, standards, actors and settlement assets, and greater fragmentation of our European market.

- **To mitigate these risks, we have three complementary levers at our disposal, which we need to use resolutely, jointly and rapidly:**
 - First, **regulation**: we need to ensure a level playing field for payment actors, by providing a clear and balanced framework – especially if a policy of deregulation is pursued at the global level, notably in the United States. This was the idea behind the decision to open up access to NFC antennae on Apple iPhones to other operators – to provide a framework for open competition. For new, innovative players, the MiCA regulation also establishes harmonised rules for issuers of stablecoins and other crypto-

assets, and for crypto-asset service providers, while also mitigating risks to end-users. But MiCA does not cover all the risks posed by tokenisation and its interconnections with traditional finance. One of the main ones is the threat of "digital dollarisation", where US dollar-backed stablecoins issued by non-bank, non-European players become the predominant settlement asset in transactions involving European users.

- The second lever is **service offerings from private sector players**: strengthening our sovereignty also means supporting the emergence and development of high-performance, pan-European payment solutions, to ensure Europe retains control over tomorrow's secure and innovative payments. This is why the Banque de France and the Eurosystem are supporting private initiatives such as the Wero digital wallet, and efforts to increase its interoperability with other European payment solutions; these are starting to bear fruit with the recent announcement of a partnership between EPI and EuroPA.
- The third and final lever is **services in central bank money for retail payments and for the settlement of tokenised asset transactions between intermediaries**.

For retail payments, the Eurosystem is preparing to issue a "digital banknote+" and is actively working with commercial banks to maximise synergies between their private solutions and this central bank digital currency. The project's objectives are critical and fall into two main categories: the first is guaranteeing access to public money at a time when digital payments and the digital economy are expanding. The second is helping to maintain and strengthen Europe's sovereignty over our payment ecosystem, in response to the threat of privatisation through payment solutions controlled by non-European actors.

In parallel, as central bank money is the safest settlement asset and is universally accepted, **the Eurosystem is building a DLT settlement solution in central bank money** to support the development of tokenised finance. The Governing Council has decided to conduct the project in two phases:

- **In the first phase**, over the near term (by the second half of 2026), **the Eurosystem will provide actors with a central bank digital currency on DLT**, capitalising on the success of the experiments conducted in 2024. This first step is essential to ensure tokenised financial transactions are secure.
- **The second phase** can begin already and consists in exploring, in conjunction with all interested European players, the creation of a more integrated infrastructure – a **"shared European ledger" – for recording, synchronising and processing financial transactions for all public and private European market players**. This could help to **create the Savings and Investments Union (SIU)**.
- **To conclude**, I would like to state my conviction that we are at a pivotal moment for our European payment system. Public and private stakeholders have an important and complementary role to play in maintaining our control over and the

singleness of our currency. Succeeding will imply reconciling innovation, security and sovereignty. This is a necessary condition for preserving trust in our currency, the euro, and our freedom of choice with regard to payment solutions. It is almost within our grasp, if we can resolve, collectively and rapidly, to use three important levers in combination: regulation, private initiatives and Eurosystem solutions. Naturally, the Banque de France will play a steadfast role in this.

Thank you for your attention.