SPEECH

Shifting payment landscape: what a digital euro will bring

Speech by Piero Cipollone, Member of the Executive Board of the ECB, at Banka Slovenije

Ljubljana, 10 July 2025

It is a pleasure to speak to you today.

The ongoing shift in the way we pay is affecting the fundamental fabric of our economies. Whether we are consumers browsing digital marketplaces, entrepreneurs pursuing digital innovation, or decision-makers facing the digital transition, we are all involved in reshaping payments.

Payments are more than a means of settling transactions, they are the lifeblood of a modern economy. And in a digital world, our economies will only be as competitive, inclusive, autonomous and resilient as our payments are.

Slovenia has put the digital transformation at the heart of its economic strategy, aiming to place the country among the top five most digitalised economies in Europe by 2030.[1] An innovative and striving digital payments ecosystem can play a key role in this journey.

As a central bank, our responsibility is to accompany and enable this transition. We must ensure that the shift to digital payments enhances accessibility and efficiency, without creating fragmentation or new dependencies.[2]

Let me be clear upfront: this does not mean abandoning cash. Cash serves us well, providing a European means of payment that is accessible, accepted throughout the euro area and continuously available. People remain attached to cash for good reasons, and we are committed to continuing to provide it.[3] In fact, we will soon start preparations for a third series of euro banknotes which will bear a new design.[4]

But cash cannot be used for online payments, which represent a growing share of our day-to-day transactions. So we need to extend its benefits to the digital sphere. By introducing a digital euro we would aim to offer a digital equivalent of cash, which preserves Europeans' freedom to pay with sovereign money, is free for basic use, preserves privacy, fosters resilience and is accepted throughout the euro area, for any digital payment.[5]

In preparing for a digital euro, we are carrying out one of our core tasks as defined in the Treaty: providing a means of payment with legal tender status and issuing money as a public good.[6] Given this fundamental role, if we were the only player in payments that did not go digital, it would be fair to question whether we would be fulfilling our mandate. By preparing for a digital euro, we are simply adapting to evolving technologies and preferences.[7]

This is particularly important in a monetary union like the euro area[8], where 25 years after the launch of the euro, we still lack a European solution that enables people to pay digitally throughout the euro area and for all types of payments. And it is especially relevant today, at a time when dependencies on non-European solutions could be weaponised.[9]

A digital euro would be a public-private cooperation, with European payment service providers playing a key role in its distribution. This would allow them to retain fees and data and would also enable banks to maintain client relationships. By contrast, these relationships could be threatened by payment solutions that seek to bypass banks, such as stablecoins which are currently dominated by non-bank and non-European issuers and mostly denominated in dollars.

Moreover, a digital euro would enable payment service providers to scale up and offer their solutions throughout the euro area by leveraging the digital euro's infrastructure and acceptance network. This would remedy the current state of digital payments, which is a case in point of the situation described by Mario Draghi, namely that the fragmentation of the European market along national lines prevents European firms from being competitive on a European level, let alone globally.[10]

In my remarks today, I will first explore the challenges presented by the current digital transition in payments. I will then explain how the digital euro offers opportunities to address them.

The shifting landscape for payments

Slovenia offers an appealing snapshot of the transformation which is under way in many European economies. Slovenians are still deeply attached to cash: in 2024 nearly two-thirds (64%) of payments at physical locations in Slovenia were made in cash. Yet digitalisation has been advancing steadily, with the share of card payments at physical locations rising to 29% in 2024, up from 19% in 2016.[11]

This development is not unique to Slovenia. Across the euro area, increasing digitalisation means that online shopping now accounts for over a third of day-to-day retail transactions, while cash payments have fallen to just 24% in value terms.

This shift underscores the importance for us as central banks to not only safeguard trust in money in physical form, but increasingly in digital form too. Our robust defence of cash stems directly from our mandate to issue money that Europeans can use and access throughout the euro area for their day-to-day transactions.

In fact, our work on the digital euro follows logically from our defence of cash. In a world where cash cannot be used for e-commerce transactions and where people also increasingly prefer to pay digitally at physical locations, we must provide a digital equivalent of cash. This will preserve the freedom of Europeans to pay, knowing that a digital euro will be accepted wherever they can opt to pay digitally. And it will allow merchants to reconcile their customers' preference to pay digitally with the benefits of cash as a means of payment that protects them from excessive fees and network disruptions.

If we failed to act, we would not only be failing to fulfil our mandate, we would also risk the digital transformation reversing the progress we have made with euro cash. At present we have no sovereign and inclusive digital means of payment with legal tender status. As a result, the growing use of digital payments risks entrenching our dependency on a small number of private non-European players, subjecting our money to the kindness of strangers. This dependency already results in higher fees for merchants and the transfer of taxpayers' money – in the form of lost seigniorage – outside of Europe.

So today I would like to emphasise three major challenges posed by the ongoing transformation.

The first is that the increased use of digital payments results in a growing reliance on non-European payment providers, which is cause for concern. Two-thirds of card-based transactions in the euro area are processed by international schemes. Some 13 euro area countries are entirely dependent on non-European systems for payments.

Slovenia is a case in point. Despite efforts to promote local schemes, the Slovenian payments ecosystem remains reliant on international card schemes, which dominate the market.

This dependency on non-European payment solutions means that decisions taken outside Europe could affect European consumers' ability to seamlessly conduct everyday digital transactions, hindering Europe's strategic autonomy.

The second challenge is the persistent fragmentation of the European payments market.

Despite the clear benefits of integration, banks have not managed to unite the market. The lack of compelling commercial incentives, especially given the profitability and deep-rooted nature of national payment schemes, has discouraged investment in a pan-European solution. Additionally, coordination among banks, each with distinct interests, priorities and legacy investments, has proven difficult.

And even when the infrastructure and a European scheme are in place, like the TARGET instant payment settlement (TIPS) infrastructure and the SEPA Instant Credit Transfer scheme, we have not seen the emergence of pan-European instant account-to-account payment solutions at the point of sale. European providers do not have the incentive or the capacity to invest in competitive, user-friendly front-end solutions across the euro area.

For example, Slovenia's instant payment scheme, Flik, offers a promising user experience across various payment situations. However, its reach remains limited because it is only available to customers of Slovenian banks, excluding non-residents and domestic users of foreign banks. Moreover, merchant acceptance of Flik does not yet match that of traditional card payments, partly because its customer base is still limited. This reflects a vicious circle where limited acceptance discourages adoption and low adoption disincentivises acceptance by merchants. As well as reducing competition, this makes it impossible to scale up the solutions offered by payment service providers that are unable to massively invest in a European-wide acceptance network.

Instead, as the use of digital payments increases, we are left with a patchwork of domestic solutions that lack the reach and scale to compete effectively across the EU – and sometimes not even at the national level. In Slovenia, Karanta, a national scheme backed by the largest domestic bank, had a market share of just 0.20% in 2024.

This fragmentation is not just inefficient; it makes digital payments more expensive and less convenient than they could be, placing an unnecessary burden on both consumers and merchants. It is estimated that merchants across the euro area pay around €3 billion every year to process international debit cards.

The third challenge relates to the user experience offered by existing solutions. In Slovenia, for example, consumers are forced to use multiple apps, cards and platforms to make payments, resulting in a fragmented and often frustrating experience.

These issues are not specific to Slovenia. They reflect a wider European challenge: the lack of a European-wide acceptance network for an open digital payment infrastructure that matches the reality of our increasingly digital and interconnected economies.

A digital euro for everyday payments

In light of these challenges, we need to ensure that the benefits of digital payments are enjoyed by all, while at the same time safeguarding our sovereignty and the trust that underpins our single currency.

A digital euro would ensure that central bank money remains universally accessible for everyday transactions, not just in physical form, but also digitally. It would guarantee that citizens can pay anywhere in the euro area using a trusted, risk-free instrument issued by the Eurosystem. This is consistent with the Eurosystem's mandate under the EU Treaties to issue the only means of payment that has legal tender status. A digital euro would be a modern expression of monetary sovereignty.

And let me say it again: the digital euro is not intended to replace cash. It would complement it. We recognise that people across the euro area, and especially in Slovenia, are strongly attached to cash. It remains a vital tool for inclusion, personal freedom and resilience. We are unwavering in our commitment to cash.

At the same time, our responsibility as a central bank is to ensure that, as payments become increasingly digital, citizens can continue to benefit from the trust and security that public money provides. In the long run, maintaining a direct link to a central bank-issued means of payment that is usable at the point of sale across all use cases may be essential in preserving trust in commercial bank money.[12] Moreover, without a public digital alternative, consumers and merchants would be increasingly dependent on the terms, prices, and data practices set by a few, mostly non-European, private actors. For instance, over the past few years the average net merchant service charges in the EU have nearly doubled, despite regulatory efforts to contain them.

Introducing a digital euro would provide an attractive alternative to foreign payment solutions and is the only way to ensure Europe's monetary sovereignty. It would guarantee that the euro can always be used for digital payments anywhere in the euro area, ensuring that Europeans retain the freedom to make transactions seamlessly and securely, independent of decisions taken outside the EU.

Moreover, the digital euro would address the persistent fragmentation that is hampering the retail payments market. The lack of incentives and coordination among European banks to develop a continent-wide solution for payments at the point of sale is understandable but hard to overcome, given the significant investments that are needed to challenge entrenched foreign providers, their acceptance network and their proprietary standards. Instead, national payment solutions remain dependent on non-European firms to offer a comparable in-shop payment experience, as is the case for cross-border or tap-to-pay payments, for example.

So, just as the introduction of euro banknotes united Europe 23 years ago and brought tangible benefits to its citizens, the digital euro has the potential to create a truly integrated digital payments landscape that preserves the two-tier payment system and the healthy equilibrium between public and private money that has served us so well for so long.[13] As central bank money, it would have legal tender status, meaning it would be accepted everywhere, instantly generating powerful network effects. Leveraging its open standards and acceptance network would give European payment providers the scale and certainty they need to innovate and expand.

This would also benefit banks who are currently losing fees and data to the dominant international payment solutions and could soon also lose deposits to stablecoins, which are dominated by non-European firms and are denominated in US dollars for 99% of their value.

For European payment service providers, establishing common standards through the digital euro would enable platforms such as Flik to extend their reach domestically and to operate across all euro area countries from the outset, just as easily as national schemes do within national borders. This would open up the market to fairer competition, forcing established players to adjust the costs they impose on merchants, particularly small and medium-sized enterprises. Consumers would ultimately benefit through lower prices.

We are designing the digital euro platform in such a way that it expands the range of possible conditional payments – think of automatic reimbursements in the event of train or flight delays, for example. This will increase choice and stimulate innovation, leading to a richer and more user-friendly experience for everyone. The digital euro would rely on a new settlement ledger, intended to support advanced payment functionalities, including conditional payments. Our prototyping and experimentation have shown that such payments can be implemented by leveraging application programming interfaces – or APIs as they're known. In recent months we have partnered with some 70 merchants, fintech companies, start-ups, banks and other payment service providers, including from Slovenia, to explore the potential of the digital euro to drive innovation. We will share our findings soon.[14]

The digital euro would offer a comprehensive and smooth user experience for consumers that covers all use cases: payments in shops, online and between individuals. It would provide integrated online and offline functionalities all while upholding the highest privacy standards. The offline functionality would offer cash-like privacy, with transaction details known only to the payer and the payee.[15] Such an all-in-one solution does not currently exist, and its introduction would mark a significant step forward for Europe.

Conclusion

Let me conclude.

Building an agile and robust digital payments ecosystem is essential for Europe's digital transformation. Ignoring this task risks further fragmentation and dependencies, resulting in a less convenient and more costly payment experience for consumers and merchants, including in Slovenia.

The digital euro offers a solution: a European public good that will complement cash, ensuring trust, sovereignty, and universal access to secure, cost-free payments across the euro area. It will empower people and businesses in Slovenia and beyond to transact easily and safely, online and offline, at home and across borders. And it will allow European private payment solutions to scale up and become more competitive.

Ultimately, the digital euro is more than a currency innovation – it is a public commitment to the future of Europe's digital economy. It embodies our shared values of openness, resilience and fairness, ensuring that as our economies evolve, no one is left behind and that Europe remains in control of its monetary destiny.

1.

Slovenian Ministry of Economic Development and Technology (2022), *Strategy for the digital transformation of the economy*.

2.

The Eurosystem has the statutory task of promoting the smooth operation of payment and settlement systems (see Article 127(2) of the Treaty on the Functioning of the European Union and Articles 3 and 22 of the Statute of the European System of Central Banks and of the European Central Bank).

3.

ECB (2025), "The Eurosystem cash strategy".

4.

ECB (2025), "Future banknotes" and ECB (2025), "ECB selects motifs for future euro banknotes", *press release*, 31 January.

5.

Cipollone, P. (2024), "The digital euro: what's in it for you?", *The ECB Blog*, ECB, 1 November.

6.

The Eurosystem (the ECB and the national central banks of the euro area) has the task of issuing euro banknotes, which have the status of legal tender (see Article 128(1) of the Treaty on the Functioning of the European Union and Article 16 of the Statute of the European System of Central Banks and of the European Central Bank). See also Opinion of the European Central Bank of 31 October 2023 on the digital euro (CON/2023/34), OJ C, C/2024/669, 12.1.2024.

7.

See Article 1 of the Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro: “With a view to adapting the euro to technological changes and to ensuring its use as a single currency, this Regulation establishes the digital euro and lays down rules concerning in particular its legal tender status, distribution, use, and essential technical features.”

8.

Lane, P.R. (2025), “The digital euro: maintaining the autonomy of the monetary system”, keynote speech at University College Cork Economics Society Conference 2025, 20 March.

9.

Cipollone, P. (2025), “Empowering Europe: boosting strategic autonomy through the digital euro”, introductory statement at the Committee on Economic and Monetary Affairs of the European Parliament, 8 April.

10.

Draghi, M. (2024), *The future of European competitiveness*, September.

11.

ECB (2024), *Study on the payment attitudes of consumers in the euro area (SPACE)*, December.

12.

See Lane, P.R. (2025), ibid, and Panetta, F. (2023), “The cost of not issuing a digital euro”, speech at the CEPR-ECB Conference “The macroeconomic implications of central bank digital currencies”, Frankfurt am Main, 23 November.

13.

See Lane, P.R. (2025), ibid. and Panetta, F. (2021), “Central bank digital currencies: a monetary anchor for digital innovation”, speech at the Elcano Royal Institute, Madrid, 5 November.

14.

See ECB (2025), “ECB partners with private sector through digital euro innovation platform”, *press release*, 5 May and Cipollone, P. (2025), “Harnessing the digital future of payments: Europe’s path to sovereignty and innovation", speech at the France Payments Forum event "Digital euro and the future of payments in Europe", Paris, 15 May.

15.

See ECB (2025), "Digital euro and privacy" and Daman, M. (2024), "Making the digital euro truly private", *The ECB Blog*, ECB, 13 June.