EUROPEAN CENTRAL BANK

EUROSYSTEM

Digital euro: state of play

Eurogroup

20 January 2025

[The figure for the share of cash in the chart on slide two was updated on 14 February 2025 at 10:00 to reflect a correction in the calculation in an older version of the presentation.]

Declining role of public money has implications for our monetary sovereignty

ECB's latest survey on payment attitudes in the euro area:

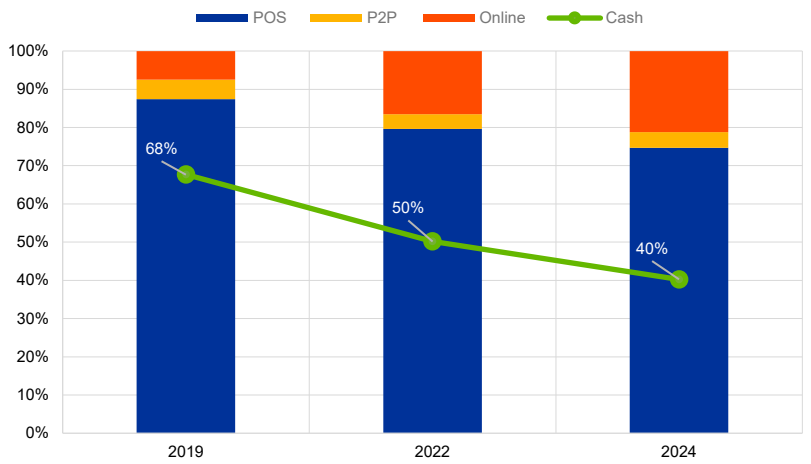
- **Cash is no longer king** for day-to-day transactions
- **Cards are most popular**
- **Mobile solutions are rapidly gaining popularity**

New foreign payment solutions are setting up shop in Europe, while the dominance of international card schemes is growing

Risks to monetary sovereignty in the new geopolitical environment, where stablecoins gain further traction

Share of cash in day-to-day payments

Percent of the number of all non-recurring / day-to-day payments in the euro area



Sources: ECB, SPACE Survey 2019, 2022, 2024.

Digital euro would strengthen the European payments market by supporting innovation…

Considerable interest in our experimentation exercise (93 applications)

Main scope: *Pioneers*

Focus on **technical testing** and **conditional payments**

Secondary scope: *Visionaries*

Conceptual work to explore innovative use cases (e.g. integrating receipts in a payment app)

Workshop on the future of business-to-business (B2B) payments

Open forum with industry and payment experts to gather input on new use cases (beyond the current scope of the digital euro project)

…and bolstering existing European payment solutions

Digital euro would not compete against but **strengthen European private solutions by:**

- Being easy to integrate with existing European payment solutions
- Enabling existing European payment solutions to cover new use cases and achieve pan-European reach

Currently, non-European actors are benefiting from our inability to act together

What integration within existing European payment solutions could look like:

Digital euro would preserve financial stability and public finances

Digital euro is part of a general digitalisation trend

Safeguards are foreseen in the design to preserve **financial stability**, including holding limits

We're working closely with stakeholders on the **methodology for holding limits**

- Preliminary results show that risks to the financial sector are contained, both in terms of liquidity and profitability

Decline in the use of cash could lead to a **steady decline in seigniorage**

- "Seigniorage" is central bank revenue from money creation (currently cash)

People's holdings of **digital euro would counteract this effect by maintaining seigniorage** income for governments

Conclusion

Given the **rapid changes in digital payments and the geopolitical environment**, we need to keep making progress on the digital euro

The digital euro **project is on track**, addressing all the technical questions to facilitate legislative discussions

We will continue **working with all stakeholders**

We need to keep an ambitious pace, also for the legislative work, to address the risks to our competitiveness, resilience and sovereignty in a timely manner

Additional supporting materials:

- Updated digital euro FAQ
- Report: Progress on the digital euro
- ECB Opinion on the European Commission's legislative proposal on the digital euro
- Digital euro two-pager
- Digital euro LinkedIn page

Thank you