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POSITION PAPER

DIGITAL EURO

Brussels, November 2025

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INTRODUCTION

In recent years, digital innovations and new technologies have increased exponentially in the field of payments to the detriment of cash. EU citizens can now pay, transfer money and invest using technologies that did not exist a few years ago. In the light of this trend, more than a hundred Central Banks around the world (including the European Central Bank (ECB)) are currently looking at the possibility of issuing their own Central Bank Digital Currencies (CBDCs). International organisations such as the International Monetary Fund (IMF), agree that CBDCs can bring many benefits, such as the development of more robust domestic payment systems, increased transparency and financial inclusion, in addition to a reduction of transaction costs.

In June 2023 the European Commission published its "Single currency package" consisting of three regulations:

- establishing the legal framework for a digital euro,[1]
- on the distribution of the digital euro in non-Euro area Member States[2], and
- ensuring cash is widely accepted and accessible as a means of payments across the euro area[3].

Discussions are taking place in the Council of the EU and there is hope to reach a General Approach by the end of the year. In the EP the rapporteur's draft reports were published in October.

As the prospect of a digital euro is coming closer, many political as well as technical questions have unfolded regarding the future of our money, the payments' system and ultimately their possible socioeconomic implications. These upcoming political decisions will have a significant impact on the daily lives of EU citizens.

This position paper aims at defining the main principles Renew Europe will defend when establishing a digital euro in the EU. It focuses on defining what central bank digital currencies are and promoting a better understanding of their potential advantages. Moreover, it also aims to clarify the different sensitive issues at stake (such as privacy protection, the future of cash and the role of private banks) and to identify the potential trade-offs. Lastly, the paper provides Renew Europe's position on the most relevant design features of the digital euro.

1 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023PC0369
2 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023PC0368
3 https://economy-finance.ec.europa.eu/euro/use-euro/euro-legal-tender_en#legislative-proposal-on-the-legal-tender-of-euro-banknotes-and-coins

Executive summary

While cash use for transactions is declining and will continue to decline, the EU is still strongly dependent on non-European companies in the payments sector. Therefore, Renew Europe welcomes the Commission's proposal and the ECB's technical work on a **digital euro for digital retail payments offering citizens an additional means to conduct their ordinary payments with public money in the form of a digital banknote**. For the digital euro to be a success and to bring onboard as many citizens as possible, Renew will push for a digital euro that preserves the **option of privacy for retail payments, the availability of cash, and provides EU citizens with an additional value beyond** what is already offered by existing digital payment services. In this regard, Renew underlines the importance of offering the digital euro as an alternative means of payments. This digital banknote would not be a physical cash replacement. It should imitate as much as possible the features of cash for payments conducted in a digital fashion. As such, Renew Europe advocates for a digital euro that is available for use by the public everywhere and anytime, and calls for a token-based design that enables the option of offline payments to ensure anonymity. The digital euro can actively contribute to the strength of the euro as a global reserve currency and reinforce our monetary sovereignty.

Preventing the digital euro from having any potential negative influence on deposit levels and banks' capacity to lend is also key to Renew Europe, as financial stability depends heavily on bank deposits. Moreover, Renew Europe believes that relevant intermediaries (such as banks, e-money and payment institutions) should be involved in its distribution.

Renew deems it important to avoid any exclusion of EU Member States that are not members of the Eurozone, while carefully assessing the potential impact of a digital euro on their financial stability.

Overall, Renew deems the digital euro an ambitious project that should preserve public money as a monetary anchor, strengthen Europe's strategic autonomy in the payments' sector and promote financial inclusion.

Glossary

- **Currency:** the unit used for conducting payments in a given country, issued by its central bank. Coins and banknotes are a physical representation of the units of that currency (tokens).
- **Fiat money:** currencies that lack intrinsic value (they are not a representation of a commodity, like gold) and thus rely on government backing to keep their value in the market. Most currencies in the world are fiat money (ex: US dollar, euro).
- **Token:** a physical or digital unit (it could be an object -like a coin- or a code stored in a digital wallet) that serves as a tangible representation of something (for example, a currency).
- **Fungible:** a feature of physical cash; being replaceable by another identical item, as all existing items are identical and thus have the same value.
- **Central Bank Digital Currency (CBDC):** a digital representation of an existing currency, issued by the central bank, and with similar functionalities to the ones of cash.
- **Crypto-asset:** a digital representation of value (not backed by a government or referencing any other asset) that can be stored electronically, relying on distributed ledger technology or similar de-centralised technologies for verifying payments.
- **Stablecoin:** digital assets issued by companies whose purpose is to reference the value of a fiat currency that is legal tender at parity, and thus to maintain a more stable value than the rest of crypto-assets.
- **Blockchain:** a digital system for keeping a record of transactions. The system relies on a network of users that are in charge of validating them (instead of a single entity).
- **Distributed ledger technology (DLT):** a type of technology that supports the distributed recording of encrypted data.[4]
- **Digital wallet:** an online app or service that allows users to store funds and conduct payments.
- **Retail payments:** transfers of funds conducted by citizens between themselves, with businesses or with the government, involving relatively small amounts. They can be linked to consumption and everyday activities, but also to salaries or to tax obligations.
- **Wholesale payments:** those used to settle a number of financial transactions conducted by banks or other financial entities. As they are used to settle several operations, they normally involve very high face values.
- **Online payment:** a transfer of funds that relies on internet access to be completed.
- **Offline payment**: a transfer of funds that can be conducted without internet access, allowing for the user to pay anywhere, anytime.
- **Conditional or programmable payments:** according to the ECB, people could decide to authorise an automatic payment where pre-defined conditions of their own choosing are met[5]. An example of this would be an automatic monthly payment in digital euro to pay the rent.

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4 Definition contained in article 3 of the Markets in Crypto-Assets Regulation (MiCA) : https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02023R1114-20240109

5 Panetta, Fabio, The digital euro: our money wherever, whenever we need it. Available at https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230123~2f8271ed76.en.html

- **Programmable money:** money with limitations on where, when or with whom people could use it. "With this feature, a government could also define a positive or negative interest rate to incentivise or disincentive the use of money for the purchase of a particular good; limit its use to a certain category of services; set an expiry date"[6]. Programmable payments and programmable money are thus different concepts.
- **Merchants:** a merchant is a retailer who is selling goods in exchange for money.
- **Payment Service Provider (PSP):** a payment service provider is someone whose business it is to provide electronic payment services. These services can be provided to consumers making payments or parties using the payment services (retailers (merchants)) to enable citizens to buy a good, or both. A payment service provider acts as an intermediary between consumers and businesses. The PSP of the consumer and that of the merchant are not the same.

6 European Data Protection Supervisor, TechDispatch #1/2023 - Central Bank Digital Currency. Available at https://edps.europa.eu/data-protection/our-work/publications/techdispatch/2023-03-29-techdispatch-12023-central-bank-digital-currency_en

CONTEXT

In recent years, the European payments landscape has been reshaped by the dominance of a handful of global providers, the steady decline in the use of cash, and the rapid rise of crypto-assets and other private digital payment instruments. These trends highlight both the opportunities and vulnerabilities of Europe's monetary system, providing the backdrop for the development of a digital euro.

a) A fragmented European payments sector dominated by non-European actors

Most European retail payment solutions are focused on national markets, lacking a pan-European reach. To date, no private pan-European payment solution has evolved. Because of this fragmentation, cross-border transactions within the euro-area broadly rely on a small number of non-European market players[7]. Two thirds of EU card payment transactions are run by non-EU companies today (e.g. Visa or Mastercard), and their market share is likely to increase in the coming years[8]. In the euro area, 13 countries rely entirely on international card schemes for card transactions. Where they exist, national solutions (e.g. Bancomat in Italy, Girocard in Germany and Carte Bancaire in France) are not interoperable within the European Union. Only Visa and Mastercard payment cards can be used at any point of sale throughout the EU.

According to the ECB, in an unstable geopolitical environment, Europe's dependence on non-European payments companies is risky[9].

Moreover, one of the results of this market dominance are the increasing fees which merchants (especially smaller retailers) have to pay: the average net merchant service charges in the EU almost doubled between 2018 and 2022[10].

b) The increasing use of digital payments over cash

For years our model for payments has been based on a hybrid one: central banks issue public money (cash for individuals and deposits for banks), and the private sector relies on it to provide customers with payment solutions (such as credit cards) based on commercial bank money (such as deposits). Although we use both methods at all times, cash is not the same as an electronic payment: one is central bank money and the other is private money. An essential feature of this hybrid model is the ability of individuals to convert private (commercial bank) money into public (central bank) money at parity and at any time and to use this central bank money to make payments. For example, a business accepts payments from credit cards because it can be converted into the same amount of central bank money. This convertibility helps to preserve confidence in both private and public money. In this way, public money acts as an "anchor" for the monetary system, maintaining financial stability and confidence in the currency.

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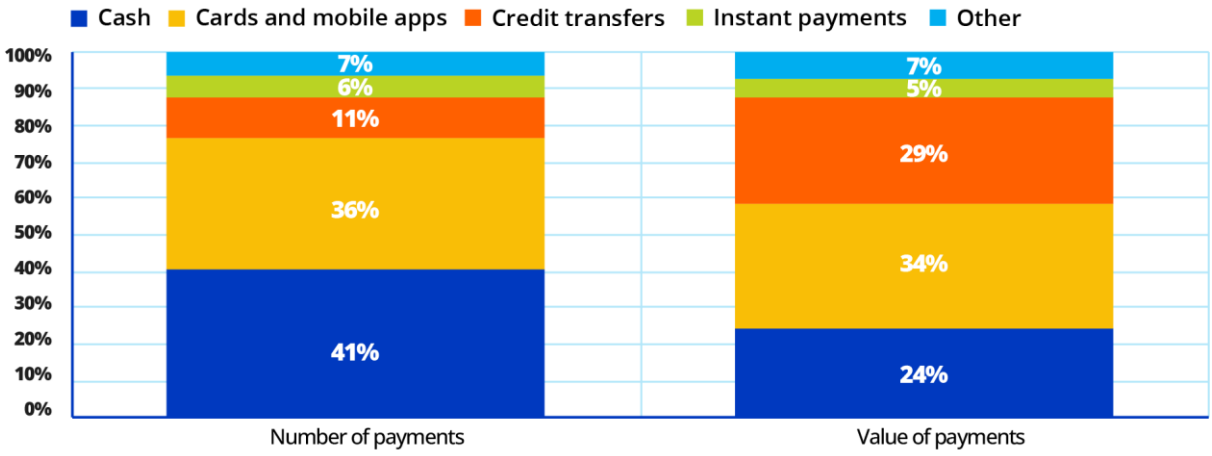
7 Cipollone Piero, Innovation, integration and independence: taking the Single Euro Payments Area to the next level
8 ECB, Report on Card schemes and processors (February 2025), https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.pr250228_1~7f0697af45.lt.html
9 Cipollone Piero, From dependency to autonomy: the role of a digital euro in the European payment landscape, https://www.ecb.europa.eu/press/key/date/2024/html/ecb.sp240923~cccba29006.en.html (September 2024).
10 European Commission (2024), Study on new developments in card-based payment markets, including as regards relevant aspects of the application of the Interchange Fee Regulation - Final Report.

This longstanding hybrid model for payments is now evolving in line with the various transformations we see in consumer behaviour.

The Covid-19 pandemic accelerated the use of digital and contactless payments. Over recent years, although cash remains an important means of payment, its use has declined to the benefit of digital payments.

Day-to-day payments in the euro area by payment instrument, in value terms

(percentage of the value of all non-recurring day-to-day payments)



Source: ECB (2024), Study on the paymentn attitudes of consumers in the euro area (SPACE).
Note: the"Other"category includes bank cheques, credit transfers, direct debit, instant payments, loyalty points, vouchers and gift cards, crypto-assets, buy-now-pay-later services and other payment instruments.

According to the ECB[11], the decline in cash use risks jeopardizing people's trust that private money can always be converted into central bank money, potentially damaging trust in the euro itself. The evolution of payment methods towards an increasing preference for electronic payments and the growth of online commerce could reduce the cash circulation of the euro in the future and thus the amount of public money in circulation compared to private money. Ultimately, in the digital space, central bank money is not able to fulfil its key objective of offering a public means of payment backed by the sovereign authority for retail transactions across the entire eurozone.

c) The emergence of new kinds of currencies

As the use of cash continues to decline, the demand for secure and riskless digital payments remains extremely high. In this context, private decentralised digital payment projects, i.e. that function outside any financial legislation (including crypto-assets) can be seen as a response to that demand. Moreover, the rise in the use of crypto-assets as investment vehicles during the period of ultra-low interest rates in the past decade have turned these private projects into relatively popular alternatives more quickly than expected. Notwithstanding their increasing usage, these private means of payment could entail significant risks, as they would not play the role of a monetary anchor which cash currently plays.

The dominance of non-European players in European payments is also spreading through cryptoactives, even leading to the emergence of private currency offerings. The most emblematic

11 Lagarde, Christine & Panetta, Fabio. Key objectives of the digital euro. Available at https://www.ecb.europa.eu/press/blog/date/2022/html/ecb.blog220713~34e21c3240.en.html

private currency project was Libra (which later became Diem), launched by Facebook (Meta) in 2019. Even though Libra faced many regulatory obstacles as well as unanimous political opposition (leading to its abandonment in February 2022), it acted as a wake-up call for many central banks and governments. It accelerated reflection on the digital euro, as it highlighted an increased risk of market domination and dependence on foreign payment technologies which could have undesired implications for the European Union's strategic autonomy.

Examples of International Progress

USA:
More recently, the US administration's repeated commitment to make the United States the "world capital of crypto" could represent a threat to European monetary sovereignty for everyday payments and creates a sense of urgency for Europe[12].

In January 2025, the US President issued an executive order aiming to ensure US leadership in digital assets in financial technology and to strengthen the international role of the dollar by promoting stable, legal, and legitimate dollar-backed currencies around the world. In March 2025, he then established a "Strategic Bitcoin Reserve" and "US Digital Asset Stockpile". These moves formally recognize crypto-assets as a reserve asset of the US government, although they are regularly criticized for their speculative nature, particularly for exchanges and transactions.

In July 2025 the US President signed the Genius Act into law, which establishes the first regulatory framework in the US concerning the issuance and regulation of payment stablecoins, which is also likely to impact the EU as well as the US. In September 2025 nine European banks joined forces to launch a Euro-denominated stable coin, which is compliant with EU legislation (MiCA)[13].

Brazil:
Before launching their Digital Real pilot project in 2022, the Central Bank of Brazil launched PIX in November 2020. Rather than being a CBDC, PIX is an instant payment system available 24/7 using a PIX alias or QR code, removing the need for a bank card and meaning that transfers can take place via mobile phones for example. By January 2022 PIX was being used by over 70% of the Brazilian population. Transactions are free for customers and fees are lower than alternatives for merchants and businesses, which has had a strong impact on uptake. The Central Bank of Brazil also continues with its Digital Real pilot project.

d) The entry of big techs into the payments business

Large digital companies are developing rapidly in the payments sector. More and more people are using digital wallets like PayPal or Apple Pay on their mobile phones. By 2027 these platforms are expected to handle 40% of e-commerce and 27% of in-store payments in Europe[14]. EU payment service providers face difficult competition: according to the ECB they face the risk of falling behind in terms of interchange fees, but also in terms of client relationships and user data[15]. In this context, the role of a digital currency would focus on strengthening the European payments ecosystem as a whole through the provision of a neutral, EU-wide public payments infrastructure.

12 Reuters interview with ECB board member Cipollone: https://www.reuters.com/markets/europe/reuters-interview-with-ecb-board-member-cipollone-2025-02-06/
13 https://www.ing.com/Newsroom/News/Nine-major-European-banks-join-forces-to-issue-stablecoin.htm
14 Cipollone Piero, From dependency to autonomy: the role of a digital euro in the European payment landscape.
15 Cipollone Piero, The role of the digital euro in digital payments and finance (28 February 2025)

Consequently, to preserve the role of central bank public money in a digital economy, in 2021 the ECB started exploring the possibility of issuing a digital euro to establish a cheap and secure public EU-wide payment system. In 2023 the Commission published its legislative proposal, the Single Currency Package[16].

16 https://finance.ec.europa.eu/publications/digital-euro-package_en

WHAT ARE CENTRAL BANK DIGITAL CURRENCIES (CBDCS)?

CBDCs are a digital version of the physical tokens (cash) that act as a representation of a given currency and store its value. CBDCs are, therefore, digital tokens issued by a central bank - in other words, a digital banknote.

These digital banknotes can be classified according to their design. CBDCs can be **retail**[17] (if the public uses them) or **wholesale**[18] (if financial institutions settle their operations with them) depending on their users. Digital currencies can also be either **token-based**[19] or **account-based**[20], depending on how and where the digital currency is stored. An account-based approach often involves a trusted third party to verify a user's identity, as payments are conducted by updating the balance of the counterparty accounts and therefore financial intermediation is needed. A token-based approach, on the other hand, gets around this authentication requirement as the ownership of the digital tokens can be verified by the other part involved in the transaction via a digital signature, potentially enabling offline payments and providing the public with greater privacy. Any public institution developing a digital currency will have to make a number of policy choices that will define the most suitable design and uses of the new token.

a) Are crypto-assets and CBDCs the same thing?

One of the most frequent misconceptions regarding CBDCs is regarding them just as a central bank backed version of existing private crypto-assets (*also known as cryptocurrencies*). But this is not the case.

First, CBDCs are digital tokens issued by a central bank, representations of an existing currency and can thus serve as a storage of value. Therefore, the digital euro would not be a new asset with a different value to that of the euro, but a digital token that could be used to conduct operations denominated in euros. Therefore, CBDCs enjoy the same price stability.

Crypto-assets, on the other hand, are not a representation of an existing currency as they are not backed by any public institution (fiat currency). However, sometimes they are considered currencies by the public. Why? Because they are fungible, liquid, and have their own valuation (and even an exchange rate with major currencies) based on their potential uses. Even though MiCA will improve consumer protection and introduce requirements for the issuance of crypto-assets, these (unlike CBDCs) lack the backing of a central bank and are not legal tender, meaning that they are prone to experience higher fluctuations.

CBDCs have also been compared with stablecoins[21], as they both are digital tokens that appear to be fixed to the value of a central bank backed currency. But are they really comparable? Even though stablecoins are pegged to the value of a fiat currency, they are not the same. In the case of CBDCs, the equivalence between the price of the central bank digital tokens and that of the fiat currency is automatic and immediate, as both are issued by the same institution, whereas in the

17 Refer to: glossary
18 Refer to: glossary
19 Refer to: glossary
20 Refer to: glossary
21 Refer to: glossary

case of a stablecoin the price equivalence is dependent on the amount of reserves and management decisions of its issuer, thus being vulnerable to panic or bad management.

b) Development of Central Bank Digital Currencies around the world

Although CBDCs are still in developmental stages, many central banks around the world have already launched research programmes or pilot projects to assess the convenience of issuing a CBDC suited to their domestic needs.

In developing countries, CBDCs could serve as a potential tool to modernise existing payment infrastructures, as citizens often lack access to a variety of banking services outside of mobile phone-based services for payments, money transfers, and microfinance. Emerging economies such as India and Brazil have already launched their own digital currency pilot programs aiming at reducing the countries' excessive reliance on cash and modernising their existing economies through digitalisation.

Last, whilst CBDCs in developing countries can assist in the transition towards more robust digital economies, developed economies (like the US or the EU) may use CBDCs to improve payment efficiency and offer an alternative that complements existing payment methods. The Bank of Japan recently launched a pilot project for a Digital Yen, while the Bank of England is assessing the future issuance of a Digital Pound. The Federal Reserve in the USA has been looking into a Digital Dollar. However, in January 205 the Trump administration signed an executive order directing all agencies to stop any work on a CBDC. The USA is thus the only country in the world where a CBDC has been banned.

In October 2025, 137 countries and currency unions, representing 98% of global GDP, were exploring a CBDC. In May 2020 that number was only 35. Currently, 72 countries are in the advanced phase of exploration—development, pilot, or launch[22].

c) The ECB preparation of the digital euro and the legislative proposal by the European Commission

The ECB proposal:

The ECB is currently working on the technical design of a digital euro as a form of cash, issued by the central bank and available to everyone in the euro area.

The ECB published its first report on the digital euro in 2020, and officially launched the digital euro project in 2021. Between 2021 and 2023, it ran an “investigation phase” studying possible design options and distribution models. In November 2023, the ECB launched the “preparation phase” to develop a digital euro rulebook and selecting providers that could potentially develop a digital euro platform and infrastructure.

Since 2021, the President of the ECB, Christine Lagarde, but also Fabio Panetta and now Piero Cipollone (member of the Executive Board of the ECB in charge of the technical preparations), have appeared frequently before the Committee on Economic and Monetary Affairs of the European Parliament (ECON) in order to keep Members informed and to discuss the different design options.

22 Atlantic Council, Central Bank Digital Currency Tracker: https://www.atlanticcouncil.org/cbdctracker/

They have regularly confirmed that the decision on whether to issue the digital euro will only be considered once the EU's legislative process has been completed.

For the moment, the ECB has reported that the digital euro would primarily act as a central bank liability offered in a digital form for all citizens and businesses to use for their retail payments. It would complement the use of cash and be mainly distributed by supervised intermediaries (such as banks). In parallel a wholesale digital euro is being established to be used exclusively by financial institutions for the large-scale settlement of commercial transactions within the euro area using digital ledger technology. The wholesale digital euro is not part of this legislative package and is being developed separately. According to the ECB, a new 'digitaleuroapp' would provide access to digital euro payment services of intermediaries. The ECB has also made clear that the digital euro would not be programmable money (Panetta said that "the ECB does not issue vouchers, it issues money"), but programmable payments would be possible.

Last, as part of its preparatory work, the ECB selected a number of external companies (some from the EU, others from abroad) for testing how payments made in digital euros in the companies' platforms would be processed. Shortly after the joint prototyping exercise was launched the ECB received criticism from the European Parliament. Some Members argued that Amazon, a foreign company who had recently been involved in a number of controversies related to its fiscal and social policies (together with an alleged breach of EU data protection rules in 2021), should have not been part of the project. The ECB emphasised that the advanced technology of Amazon and its high user reach were useful for the prototyping exercise and clarified that by taking part in it no company would gain access to citizens' private data.

More recently, the ECB launched the procurement process, selecting suppliers by June 2025. However, the contracts should only be triggered after the decision to issue the digital euro has been made.

Key elements of the Commission proposal:

In June 2023, the European Commission presented its proposal on the digital euro, setting out the main principles and details of the project.

Status of the digital euro

- It would be introduced as a complement to cash and not as a replacement.
- The digital euro would be legal tender. This means compulsory acceptance for a payment in euros (with exemptions for small businesses).

Issuance and distribution

- The ECB and national central banks are responsible for issuing the digital euro. If the legislative proposal were adopted, the decision as to whether or not to issue the digital euro would fall to the ECB. The ECB would be responsible for taking the decision to issue the euro.
- 'Payment service providers' (PSPs) (essentially banks) under a contractual relationship with users will carry out the distribution of the digital euro. There will therefore be no contractual relationship between users and the ECB.
- The digital euro should be available for both online and offline payments.

Limitations to ensure financial stability

- Limits are proposed to the use of the digital euro as a store of value. The ECB would develop instruments to limit the use of the digital euro as a store of value, to contain the risks to

financial stability and the implementation of monetary policy. These include the possibility of setting a ceiling on holdings (holding limit) of digital euros.

- Moreover, the digital euro does not bear interest and therefore offers no remuneration.

Fees and commissions

- For retail customers, the digital euro is free of charge for basic services. These basic functionalities must be defined in an annex to the Regulation. However, value-added services may be billed by payment service providers.
- For merchants, a framework for fees is provided. PSPs are free to set their fees, provided they remain below the ceiling determined by the methodology set out in the proposal. This ceiling is intended to prevent unjustified excessive pricing of digital euro payments, which would be less advantageous than that applied to payments in commercial currency.

Online or offline payment

- Digital euro payments can be made online or offline. The possibility of settling transactions offline allows a higher level of privacy protection.

THE CASE FOR A DIGITAL EURO

From the outset, Renew Europe has shown its support for the development of a safe and useful digital currency for the euro area, recognizing it as a tool to help the EU institutions deliver some of their key political priorities.

- If the EU does not introduce its own digital currency it risks losing its monetary sovereignty. Other major regions in the world are developing their own CBDCs. Taking into account the length of the EU's decision-making process, Renew advocates that the EU does not wait and introduces a digital currency as soon as possible.
- A digital euro would enable privacy levels similar to cash for those who wish when making digital payments through the offline function.

a) Reinforcing European sovereignty in the payments sector

When it comes to payments, Europe's dependence on non-European players is now a reality. As already mentioned, the European payments market is currently fragmented, divided into national solutions that are not interoperable between countries. Card payments are currently dominated by two American players: Visa and Mastercard. Big Tech companies, either American or Chinese, are increasingly penetrating the market with X-Pay solutions.

This domination by non-European players, with no pan-European player having yet emerged, is unsatisfactory. It creates situations of dependence, which, already problematic in normal times, could prove dangerous in the event of a crisis.

The war in Ukraine provides a good example. Following the invasion of Ukraine, Visa and Mastercard decided to suspend their operations in Russia. With cards bearing these labels no longer working, Russian banks were forced to turn to their local payment networks, and then to use Chinese networks such as Union Pay[23]. Russia then found itself in a situation of financial dependence on China, a dependence that China now seems to be taking advantage of, implementing sporadic cuts to Union Pay in Russia as well[24].

A European payment scheme planning to be pan-European in the form of the European Payment Initiative (EPI) appears to be gaining momentum and is currently available in Belgium, France and Germany with plans to roll out to a number of other Member States. Beyond person-to-person payments EPI plans to offer e-commerce payments and then Point of Sale (POS) payments.

The increase in the use of private tokens also raises questions on the future role of public money and whether it would keep the central position it currently holds in the payments system. The digital sector is currently dominated by a number of companies located outside the EU, so there is a risk of excessive reliance on non-European technology in a future tokenised economy. There is also the rapid rise of stable coins denominated in US dollars, which, in the case of a crisis, could have a significant impact on financial stability in the euro area with the risk of the rapid flight of deposits from the euro area. If the EU does not take leadership on a digital currency, others will,

23 Reuters, Russian banks may issue cards with China's UnionPay as Visa, Mastercard cut links, https://www.reuters.com/markets/europe/russian-banks-may-issue-cards-with-chinas-unionpay-visa-mastercard-cut-links-2022-03-06/

24 La Tribune, « La Russie subit des problèmes de paiements avec la Chine » (2024), in https://www.latribune.fr/economie/international/la-russie-subit-des-problemes-de-paiements-avec-la-chine-989968.html

and we might regret it. Public power in this field is essential, as it is directly linked to building our strategic autonomy.

In that sense, the emergence of a digital euro could help Eurozone countries to assert our sovereignty and complement the development of pan-European infrastructures such as the European Payment Initiative. Furthermore, the development of a digital token backed by the central bank would ensure that the EU's public money remains necessary, competitive and fit for the digital age. Offering both public and private European digital payment options would ensure a diverse ecosystem of solutions, preventing dependence on a few monopolistic providers.

b) Guaranteeing access to public money in a digitalized economy

The use of cash for transactions is steeply reducing and will continue to decline (irrespective of whether a digital euro is introduced or not), while at the same time digital payments are rapidly increasing[25]. Therefore, there is a need to maintain citizens' access to public money. Public money provides economic players with a unit of account ensuring uniformity (as 1 euro is worth 1 euro everywhere) and must be ensured. Developing a digital euro that would work as a complement to cash would provide citizens with a public alternative instrument to conduct digital payments, free of use, and accessible offline and online everywhere in the Euro area. **Thus, a digital euro that preserves privacy and is widely used would preserve the role of public money as a monetary anchor in a digital payment system and would strengthen confidence in our currency.**

c) Incorporating the latest technological developments to payments in euros

Some of the technological developments that are used by crypto-assets could be used for ensuring transfers of digital euros are immediate, secure, and respect individual privacy. New tools used for payments and their verification like blockchain or decentralised ledger technology could be incorporated into our payments system in a safe way by adding them as features of a new digital euro. That would ensure that the new public token is competitive and relies on state-of-the-art technology, respects individual privacy while preventing creating new loopholes in the existing AML/CTF (anti-money laundering and combatting the financing of terrorism) framework. The proposal of the ECB is that the digital euro shall offer a state of the art payment solution and infrastructure to respond to today's challenges and be fit to incorporate future innovations in payments in order to last over time.

d) Fostering innovation and competitiveness in the single market, as well as financial inclusion

By offering a wide variety of use cases, including online and offline payment options across Europe, a digital euro could be beneficial for both consumers and businesses. In addition, developing a digital euro should accompany the ongoing digital transition by leveraging synergies with the private sector. Intermediaries could be given the opportunity to offer innovative services based on the digital euro, and it could facilitate the rapid uptake of payment solutions in the euro area. In this sense, the digital euro could be a way to foster innovation, improve payment's efficiency and support the EU's competitiveness and strategic autonomy.

The digital euro could act as a catalyst for innovation and efficiency in the euro area. It would create a trusted platform for rapid uptake of new payment solutions, improving cross-border

25 European Central Bank, Study on the payment attitudes of consumers in the euro area (SPACE) – 2022, December 2022. Available at https://www.ecb.europa.eu/stats/ecb_surveys/space/shared/pdf/ecb.spacereport202212~783ffdf46e.en.pdf

interoperability and supporting a vibrant, competitive European payments market, thus providing opportunities for European PSPs to compete in the global environment, especially in the face of fierce competition from digital tech giants in the payments sector.

By being legal tender and therefore ensuring widespread acceptance, coined with the fact that basic digital euro services would be provided free of charge, this innovation could also be a useful tool for ensuring financial inclusion for those without easy access to mainstream retail financial services. As seen with PIX in Brazil, free and simple payment solutions can enable the provision of additional services to the previously 'unbanked'.

e) Promoting the international role of the euro

Introducing a digital euro would also be a response to the introduction by major global players of their own CBDC. In the absence of a digital euro, the emergence of digital CBDCs and stable coins in other major economies and their potential cross-border uses could even jeopardise the position of the single currency within our borders if no action is taken. CBDCs offer advantages in terms of efficiency, widespread use, liquidity and security, and could also facilitate cross-border payments. Therefore, a European CBDC would enhance the attractiveness of our currency and enhance use as a global means of payment, thus becoming a useful tool to boost the international standing of the Union.

f) Ensuring the preparedness of EU's retail payments market in the context of severe crisis scenarios

As highlighted in Niinistö's 2024 Report on Strengthening Europe's Civilian and Military Preparedness, the EU must enhance its readiness for severe crisis scenarios. The increasingly unstable geopolitical environment further heightens the risks to Europe's security, economy, and critical infrastructure.

State-sponsored cyberattacks increasingly target financial infrastructures, seeking to disable payment systems and critical service providers. Several incidents have already disrupted banking operations for extended periods. At the same time, physical attacks on undersea cables in the Baltic and North Seas have exposed vulnerabilities in Europe's connectivity and resilience. Disinformation campaigns further aim to erode trust in financial institutions, with the potential to trigger bank runs or amplify operational disruptions into systemic risks.

In response, Member States are preparing measures to ensure continuity of everyday payments during major disruptions. The digital euro will play a key role in strengthening the resilience of Europe's retail payment system. It will provide offline functionality, unique digital euro access number[26] and secure access to funds through switching functionality[27] in situations where one or more payment service providers' services become unavailable. This will reinforce Europe's financial stability and public trust in times of crisis.

26 The access number for the digital euro (i.e. the account number) will not change when you switch payment service providers.
27 The end user will have the option to switch payment service providers in both normal and exceptional situations.

RENEW EUROPE POSITION ON THE MOST RELEVANT DESIGN FEATURES

In order to ensure the use of the future digital currency is aligned with the objectives mentioned above, a number of policy decisions on its design features need to be taken.

a) What role will financial intermediaries play?

- **Context and policy options**

Issuing a digital euro raises two important questions regarding the role of private financial intermediaries (banks and other payment service providers): the way in which it could impact the role of private banks as financial intermediaries; and their role in the distribution of a digital euro to consumers.

A CBDC could allow citizens to store their savings in digital euros outside of their usual bank accounts. Without caps or limits, this could have severe implications for private banks, reducing the deposits in private banks, and affecting their ability to provide credit and forcing them to review their business models. To avoid this, the ECB and the Commission propose setting caps on digital euro holdings and ensuring it pays no interest. Therefore, it remains a tool for payment rather than savings. The RE group supports this approach and believes that the ECB and the Commission are well placed to ultimately implement and monitor holding limits. The co-legislators should be involved in this process, via delegated acts for example.

According to the Commission proposal, banks would be in charge of distributing a digital euro, and therefore their role as financial intermediaries would be preserved. The ECB and national central banks (the Eurosystem) are developing harmonized rules, standards and procedures for participants to develop their products (scheme approach). The ECB also proposes to follow a 'compensation model' to incentivise distribution by offering a range of economic incentives to issuers, acquirers and merchants. The obligatory acceptance of the digital euro by merchants will provide a new, European actor to the market, with a different fee system and the potential to provide a service with lower and more transparent fees for merchants.

The ECB is working on the principle of technological neutrality, which means that both EU and non-EU PSPs would be able to distribute the digital euro and related services. The Commission proposal also takes this position.

Renew Europe position

- Renew Europe considers that **the relevant intermediaries (such as banks and other payments service providers) need to be involved in the distribution of a digital euro,** and therefore would welcome a system where banks, payment institutions and e-money institutions can host digital euro holdings and the infrastructure for conducting online/offline transactions.
- **Economic incentives and adequate compensation should be used** to encourage the active distribution of the digital euro by private banks so as to ensure the new currency would be widely available, while also ensuring a more transparent and competitive fee structure for digital euro distribution.
- **Banking institutions should be allowed to offer financial products related to the digital euro.** They should also be allowed to integrate the digital euro into their existing online banking applications and to work on interoperability.
- **Renew welcomes the ECB's work to develop common European rules so that EU citizens are able to pay digitally everywhere in Europe.** When designing this digital euro scheme, Renew advocates for the right balance of roles between the public and private sectors: European intermediaries should be involved, especially to build on their longstanding experience in developing and managing payment infrastructures.
- Bank deposits play a key role for financial stability, and therefore **it is necessary to ensure that the digital euro does not severely impact deposit levels and banks' ability to lend**.
- Therefore, Renew Europe supports the Commission's proposal to introduce an upper limit on digital euro holdings which would avoid major shifts from bank deposits, while not limiting the ability of citizens to conclude payments with the digital currency. A cap fixed at 1000€ could be a good starting point to then potentially be increased in a second phase. The ECB and the Commission are well placed to implement, monitor and eventually alter this holding limit; ensuring the involvement of the co-legislators, via delegated acts for example..

b) Offline payments

The Commission proposal provides the possibility to make transactions in digital euro without an internet connection ("offline use") – an important feature in areas with poorer access to online services or in cases of power outage for example (for as long as batteries last). Indeed, it would be possible to hold digital euro locally stored on electronic devices, i.e. "offline" digital euros. This option would provide greater privacy. Like cash withdrawals it would only be known that money has been transferred to the offline wallet, not who was paid when.

Renew Europe position

- **Renew Europe supports the Commission's proposal allowing citizens to use an offline functionality for payments in digital euros.**
- Therefore, all the entities allowing holdings in digital euros should develop wallets that allow for offline payments using mobile devices.

c) Protecting privacy and fighting against money laundering activities and tax evasion

- **Context**

A frequent criticism of CBDCs is that they could reduce the anonymity that cash provides, since digital payments always leave a trace. While this could help authorities fight money laundering and other illicit activities, it also raises concerns about surveillance and loss of privacy for citizens in everyday transactions. To address this, the commission proposes safeguards:

- → For online payments, PSPs will have access to personal data related to deposit caps, incoming/outgoing payments, anti-money laundering measures, and compliance with European sanctions.
- → Offline payments will benefit from a higher level of confidentiality: PSPs will only have access to data linked to incoming/outgoing transactions, such as funding and defunding (amount, date and time of transaction, account numbers).
- → PSPs will have to apply high security and privacy protection measures to ensure that any data transmitted to the ECB does not directly identify a user.
- → The ECB will not be able to directly link data to an identified user. The situations for which the ECB and the national central banks could process personal data would be strictly limited (e.g. supporting exchanges between PSPs, guaranteeing the security of the euro digital infrastructure). In such cases, strong safeguards such as pseudonymisation and encryption would be applied to protect data security and privacy.

Renew Europe position

- **Renew Europe considers that preserving the privacy of retail payments is of the utmost importance**, and that the ECB should have no access to information on citizens' holdings and their activities.
- Moreover, Renew Europe supports that offline transactions involving small amounts (with an upper limit yet to be defined) should have the same level of anonymity as cash, whereas larger and online payments should be subject to the same privacy safeguards and scrutiny of current payments.
- Therefore, a potential solution for combining the need for protecting privacy and fighting fraud could be to ensure anonymity for small value payments (potentially conducted offline) and to trace those exceeding a certain threshold. That would replicate the existing framework, where anonymity in cash payments is preserved but there are thresholds on the use of cash for large payments.
- Banks should be responsible for settling and controlling payments as they currently do for their own payment systems in order to prevent digital euros being used for fraud, money laundering activities or terrorism financing.
- Last, it is necessary to assess the need to extend the scope of the Transfer of Funds Regulation in order to ensure CBDCs (in particular, the digital euro) are covered. Moreover, it might also be needed to ensure consistency with MiCA if crypto-asset service providers (CASPs) are allowed to offer services comprising CBDCs.

d) Relation with cash

Alongside the technical challenges, the digital euro project raises a more political and philosophical question around the relation to cash, which varies greatly amongst Member States. While there is a general decrease in the use of cash for transactions, in many Member States citizens still favour this payment method[28]. As an "electronic equivalent" to cash, a digital euro raises the question of whether a digital euro would ultimately substitute or complement cash, and what is the latter's future.

28 European Central Bank, Study on the payment attitudes of consumers in the euro area (SPACE) – 2022, December 2022. Available at https://www.ecb.europa.eu/stats/ecb_surveys/space/shared/pdf/ecb.spacereport202212~783ffdf46e.en.pdf

Renew Europe position

- Some might see the digital euro project as a way to foster the disapearance of cash. On the contrary, **Renew Europe believes that the possibility to pay with cash must remain widely available to citizens and that a digital euro should only come as an alternative means of payments** for consumers to pay digitally with public money. This will be key for EU citizens to take ownership of a digital euro and ultimately for the project to be a success. In addition, relying only on a digital currency to distribute public money would generate too many risks in terms of financial stability. Therefore, Renew will advocate for a digital euro that would not replace cash, but complement it.
- In that sense, a digital euro should be granted legal tender (an essential feature of public money) in order to ensure its attractiveness. The digital euro legel tender should be harmonised with the legal tender of physical cash as much as possible. The Commission proposal also includes the cash legal tender text, illustrating that neither the Commission nor the ECB is advocating for the disappearance of cash

e) Should the new digital euro be programmable money? Should conditional payments be allowed?

- **Context**

It is important to distinguish between programmable money and programmable (or conditional) payments. Programmable money is controversial because il would mean creating tokens that could be switched on or off and restricted to certain usage. This would interfere with the money supply and could even threaten financial stability.

Conditional or programmable payments, on the other hand, already exist today. With CBDCs, they could become more automated and sophisticated allowing payments to be triggered when certain conditions are met. For example, an automatic rent payment could be executed each month when the due date arrives. Or a citizen only actually makes the payment for the train ticket at the moment that the train arrives on time.

- **Commission's proposal**

In the Commission's proposal, the digital euro is not planned to be programmable money, i.e. the ECB would not impose specific restrictions on the usage of that money (where or to whom people can pay with digital euro). Nevertheless, the ECB stresses that it should still be designed in a way where conditional and automated payments can be processed by the public (e.g. to pay the rent).

Renew Europe position

- **Renew Europe is opposed to any programmable money**, as it could affect money supply and adversely impact financial stability. Therefore, Renew welcomes the Commission's proposal not to develop such a feature. Ensuring that the public money supply remains constant is a priority for Renew Europe.
- **However, Renew Europe supports a conditionable digital euro** that allows programming the digital token for automated payments if certain conditions are met (for example, transfer funds from a certain account to another one in case holdings in that account exceed a certain threshold).
- These conditional payments' functionalities should be future proof in order to incorporate new features when these become technologically feasible. The digital euro should be a tool for multiplying the possibilities of conditional payments and for enabling citizens to programme and manage their financial operations in a more efficient way.
- The ECB should be in charge of assessing whether any future programming features could affect money supply or financial stability.

f) Ensuring a large access to the digital euro

To ensure a digital euro is successful as a "European public good", it will need to be accessible and usable by the majority of EU citizens, especially vulnerable populations. Today, part of the EU population does not have access to financial institutions or lack basic digital skills. A challenge for the digital euro will be to also take onboard these populations and to support financial inclusion.

Renew Europe position

- Renew supports a European regulatory framework ensuring that a digital euro has the same features as cash: be accessible and usable everywhere and by everyone in the euro-area, no matter the intermediary used, without leaving anyone behind. Every citizen in the EU should be able to use it for their day-to-day payments (from person to person, in shops or online).
- Renew Europe strives for a digital euro that does not exclude any population from accessing financial means. It will support a payment method that facilitates access to financial services previously out of the reach of some citizens, thereby enhancing financial inclusion.
- Furthermore, Renew is of the view that in a digital society physical cash infrastructures (ATMs) should remain widely available. Therefore, the development of a digital currency should by no means give banks leeway for reducing that infrastructure or making it less accessible for citizens.

g) The use of the digital euro outside the euro-area

The euro remains the second most used currency in the world after the US dollar [29]. Launching a digital euro raises the question of its use outside the euro-area and how it could be able to compete with foreign CBDCs. The ECB's approach so far is to prioritize the use of a digital euro first in the euro area. If co-legislators opt for a digital euro accessible outside the EU, the conditions of such a development for non-EU countries would need to be defined and the potential risk to the financial stability of those countries assessed.

Renew Europe position

- The issuance of a digital euro should support EU's policy objectives to enhance the role of the euro as a global payment unit. In doing so, the EU regulatory framework should make sure its use is convenient to non-euro area users but also does not create any negative impact on third countries' financial stability.
- While cross-border payment systems remain fragmented, as correspondent banking processes remain long and costly, and as the US has a head start in addressing these issues, it is important that the digital euro project takes ownership of its international dimension. International coordination would be key in the future to deliver a digital euro interoperable with other central bank digital currencies (like a future Digital Pound), to the benefit of European consumers.

h) What role for EU co-legislators in the issuance of the digital euro?

The allocation of competences between the EU institutions for the issuance of the digital euro has been a growing topic. While the ECB acknowledges it cannot issue a digital euro without the relevant EU legislation in place, it also argues that it has the sole competence to decide whether and when to issue a digital euro. On the other hand, many voices in the European Parliament and in the Council underline the need for the project to be supported by a strong democratic process, and therefore to include as much as possible the co-legislators in the decision to issue the digital euro.

29 European Central Bank, International use of the euro remained stable in 2021. Available at https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220614~97ed81761f.en.html#:~:text=The%20international%20role%20of%20the,European%20Central%20Bank%20(ECB).

Renew Europe position

- While recognizing that monetary policy remains an exclusive competence of the ECB, Renew believes that the digital euro project should receive a strong democratic endorsement. Therefore, and because the project is triggering many complex issues and questions, and is not currently widely understood by EU citizens, EU co-legislators should be involved in the final decision to issue the digital euro or not.
- Before the planned issuance of the digital euro, the ECB shall submit a report to the European Parliament, the Council and the Commission demonstrating the compliance of the project with the rules laid down by the regulation.
- Ultimately, this should help the digital euro to gain legitimacy, and to be used by citizens.

CONCLUSION

Renew Europe supports the digital euro project striving to reinforce the EU's sovereignty and strategic autonomy as well as protecting the role of public money. However, issuing a digital euro represents a major technical as well as political challenge. As a complement to cash, the success of the digital euro will depend on ensuring that it is trustworthy, secure and user-friendly, while ensuring the appropriate protection of citizens' privacy. Furthermore, it should allow the fight against money laundering and tax evasion, without destabilizing the financial system.

We should not forget the highly political nature of such a project that touches upon the essential prerogative of public power: the issuance of money. The euro is a core element of the EU's identity, we therefore need citizens to be on board and to embrace the project. It is crucial to ensure that there is a plurality of choice. It is not acceptable to have a monopoly of private solutions, nor a monopoly of non-European solutions.

The European Commission's legislative proposal gives EU co-legislators the opportunity to decide on a number of key critical design choices of a digital euro. Renew Europe is looking forward to moving forward quickly once the rapporteur's draft report is published. The digital euro needs a solid regulatory framework enabling the EU to be at the forefront of the digital transformations in the payments sector, that security, privacy and fair cost distribution are addressed from the outset, leaving no one behind.

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