

Digital euro: not the path to European sovereignty

The European Central Bank (ECB) launched the project to create the digital euro, a Central Bank Digital Currency (CBDC), in 2021. The reasons behind this project have evolved over the years. Today, strategic autonomy is often cited as the main justification for the digital euro. Currently, Europe does not have a payment solution—other than cash and credit cards—that can be used in every eurozone country. Moreover, credit card management is in the hands of non-European players. If these players were to withdraw their services from Europe, there would be no modern, digital payment method available for purchases made in shops or online across Europe. Some European countries also do not have their own payment solutions and are entirely dependent on non-European card schemes. This is seen as a potential threat with significant economic consequences.

Febelfin shares the ECB's concern about strategic autonomy but does not believe that the digital euro, as it is currently being developed, offers an appropriate response to this threat. There are several reasons for this:

- **Not the fastest or most efficient path to European sovereignty:** Private payment solutions based on instant payments developed by European players will become available to millions of users in the EU within the next 18 months. Indeed, the European payments sector is scaling up European solutions through interoperability across Europe as an EU alternative to non-European payment solutions. Scaling these up is faster and more efficient than building a new, standalone infrastructure for the digital euro.

Moreover, connecting domestic systems and leveraging existing standards is more cost-effective than building a new ECB infrastructure from scratch. With SEPA and the TARGET systems, there is already a robust technical infrastructure that is independent of non-European players. Merchant front-end hardware is sustainable and ready to be connected across the EU.

◊ Read more on **how Belgian banks are ensuring European sovereignty in payment transactions** in the text box on page 4.

- **No added value:** The digital euro offers no added value compared to existing payment solutions. Payment transactions in Belgium are already highly developed and meet consumer needs. They offer a payment option for every need, developed by private market players. This is reflected in a very high level of bank account ownership in Belgium and consumers who are familiar with

transfers, direct debits and the use of payment cards in physical and online shops. Mobile payments are also well established.

In its research phase, the European Central Bank (ECB) is specifically focusing on four use cases. However, these use cases compete directly with existing (or planned) private payment solutions on the market. It is therefore necessary for the digital euro to distinguish itself sufficiently from existing solutions, otherwise it will not be used and the investments imposed on banks will be lost. On the other hand, the potential success of the digital euro could lead to the supplanting of existing payment solutions, bringing innovation in the payment landscape to a standstill.

If the digital euro is introduced, it must offer clearly distinctive features so that it complements rather than replaces existing options.

- **Limits innovation capacity:** The ECB aims to transform the digital euro into a payment method that would cover nearly all use cases and offer maximum ease of use to users. As a result, the digital euro would be very expensive to develop. A study by PWC ¹ calculated the costs for private payment institutions to introduce the digital euro. Only the introduction costs during the first four years for a limited number of applications were taken into account. Maintenance costs, costs for merchants or development costs for the offline version were not estimated. Only for this limited scope, the costs amounted to 18 billion euro for the banking sector in the eurozone. If the scope is expanded and all costs are included, the bill for the entire eurozone would amount to 30 billion euro. Underestimating or ignoring these costs prevents market players and policymakers from gaining a realistic picture of the social impact of the project.

Moreover, the development of the digital euro would require so many internal resources (including personnel) that the development of the bank's own innovations would come to a standstill for at least a few years. At least in the initial period, the digital euro would therefore slow down innovation rather than stimulate it.

- **Undesirable effect:** The digital euro could also have an adverse effect:
 - Because the issuance of the digital euro wallets would also be possible for non-European players, the European ecosystem would be opened up to foreign players. We therefore advocate defining a clear role for European players and ensuring that the distribution of a digital euro does not fall into the hands of non-European players.
 - Giving the digital euro an unfair advantage through legislation (mandatory acceptance) could push existing European and national solutions (such as Bancontact, EPI (WERO), etc.) out of the market. This would weaken European sovereignty and innovation.

¹ <https://www.pwc.de/de/finanzdienstleistungen/pwc-digital-euro-cost-study-2025.pdf>

- By forcing financial institutions that would issue the digital retail euro (mandatorily), to arbitrate their innovation projects, due to the associated costs and the monopolisation of their development capacity (see above).
- **No guarantee that it will be used:** Just because it would be a legal tender does not mean that it would actually be used. Customers ultimately decide for themselves which means of payment they want to use to make payments. The aspect of legal tender has nothing to do with this. It is also highly uncertain whether the digital euro will be able to counteract the use of credit cards managed by non-European players. After all, there is no credit attached to the digital euro, which is by definition the case with credit cards.

The way in which the digital euro is being developed will result in a very expensive means of payment that aims to achieve a goal that can be achieved more cheaply and quickly within the private market. It is therefore advisable to have the pan-European payment system developed through cooperation between private parties.

How are Belgian banks ensuring European sovereignty in payment transactions?

For decades, the Belgian market has been a source of innovation in the payment landscape. A prime example of this is the Belgian company Bancontact Payconiq Company. A pioneer in its field, it has played a leading role in the transition to digital payments in Belgium for many years. With 18 million Bancontact debit cards in circulation and 2.5 billion payments in Belgium, it is firmly anchored in the Belgian economic fabric. The majority of the (contactless) debit card payments we make today are therefore processed via the national card scheme. As a result, Belgium is already much less dependent on non-European card schemes than other countries in the eurozone.

In addition, Belgian banks are currently focusing on the development of a pan-European payment system: WERO, offered by the European Payments Initiative (EPI).

The European Payments Initiative (EPI) is a recent collaboration between banks from Belgium, Germany, France and the Netherlands with the ambition to enable payments in shops, e-commerce and between consumers. They do not use an underlying card scheme for this, but use instant transfers instead. EPI is gradually rolling out its solution in various areas of application, its target date being the end of 2026. Currently, 30 institutions have already joined the EPI ecosystem, including nine banks in Belgium. EPI currently comprises more than 43.5 million registered users and more than 100 million transactions between consumers. In order to achieve a supported pan-European solution, EPI has reached out to other initiatives and has already joined forces with the European Payments Alliance (EuroPA). EuroPA is a collaboration similar to EPI between banks and payment institutions from Spain, Italy and Portugal.

With the support of our national card scheme, Bancontact and WERO (EPI), Belgian banks contribute to achieving European sovereignty in payment transactions.