

The digital euro: simplicity as the guiding principle, phased implementation as a prerequisite

The digital euro is one of the most ambitious European payment projects of recent decades. Now that the political negotiations on the legislative framework are being finalised, attention is increasingly shifting to its practical implementation. In this context, it is not sufficient to ask whether the digital euro is technically feasible or politically desirable; it must also be practically workable and secure, while strengthening rather than further fragmenting private European payment initiatives.

The ultimate success of the digital euro will therefore be determined primarily by the choices made today regarding its design and implementation, rather than by the political decision to introduce it. An overly complex model risks generating high costs and increasing operational risks, while offering only limited added value for consumers compared to existing payment solutions.

For consumers, a payment method has two essential characteristics: it must be secure, but above all easy to use. Today, numerous secure and user-friendly payment solutions already exist. An overly complex digital euro is therefore likely to reduce ease of use and consequently see only limited uptake among consumers.

Three principles

It is therefore essential that both the further development and the final drafting of the legislative text are guided by a number of clear core considerations. In this regard, we propose three guiding principles:

1. Make the digital euro as simple as possible and opt for a phased implementation
2. Explicitly take fraud and security risks into account in the design
3. Integrate the digital euro as much as possible into the existing European payments landscape

Principle 1: Simplicity and phased implementation

The current approach to the design of the digital euro is based on maximum user-friendliness and broad usability in all payment situations. The proposed legislative texts imply a digital euro that, immediately upon introduction, would be usable for every possible online or offline payment (between individuals, at a payment terminal or for e-commerce). In addition, consumers are to have complete freedom as to where and how many digital euro accounts they may open. These accounts must be able to be funded from an ordinary bank account designated by the consumer.

The use of the digital euro must also be straightforward for the consumer. Funding of the digital euro account from the current account would take place automatically, just like automatic “defunding” to the current account must be provided in order to comply with the legal limits on holding digital euros. Finally, the consumer must be able to transfer their digital euros to another payment institution while retaining the account number.

Taken together, this leads to the introduction of a completely new and highly integrated digital payment system in a single step. This amounts to a **“big bang” approach**, with significant operational and system risks. Historically, this is not the way in which payment innovations are generally rolled out successfully.

In practice, new payment schemes and infrastructures are rarely introduced all at once. Successful migrations begin with limited basic functionality, which is then gradually expanded as stability, experience and trust in the ecosystem grow. The core challenge lies not in the technology, but in building trust and ensuring controlled adoption by all actors involved in the payments landscape.

Examples from the past illustrate this clearly. The introduction of **SEPA** took place through a long transition period during which national and European schemes existed in parallel. In the implementation of new SWIFT standards such as ISO 20022, old and new formats are used alongside one another during a transition period in order to guarantee continuity and stability.

A recent and relevant example is **Wero**, which has been rolled out gradually in various European markets since its launch in 2024. The initiative began with peer-to-peer payments and is currently expanding into e-commerce applications. This shows that even a new pan-European payment initiative deliberately opts for a phased market introduction rather than an immediate, all-encompassing roll-out.

Against this background, we propose a comparable phased approach to the digital euro.

1. Start with one account per user

Start with one digital euro account per user at a Payment Service Provider (PSP) established in Europe, linked to a current account with the same PSP. This limits complexity and anchors the digital euro fully within the regulated European financial system.

This also avoids an open funding model in which non-European wallet providers could offer digital euro services without full responsibility for the underlying account and the related compliance obligations. In that case, control over the distribution and use of the digital euro could partially lie outside Europe, leading to a further increase in dependence on non-European market players.

2. Phased implementation with a focus on offline functionality

The choice between online and offline functionality should be made in phases. It is logical to start with one of the two modalities. In the first phase, the greatest added value and likelihood of success lie in an offline digital euro. If a decision is taken to introduce the digital euro, the offline version can function alongside cash payments as a complement in certain crisis situations with limited connectivity. This is consistent with the cash-like character envisaged for the digital euro, including ease of use, privacy and the absence of programmability.

3. Start with one use case: peer-to-peer payments

The use cases must also be introduced gradually. In a first phase, the focus should be on peer-to-peer payments. This is a controlled use case that makes it possible to test the system under real conditions and build trust.

Once this phase is operating smoothly and has been widely adopted, it can gradually be extended to payments at in-store payment terminals and subsequently to e-commerce. This expansion should be market-driven and should only take place once the basic version has clearly proved successful.

4. Setting holding limits

To preserve the cash-like character of the digital euro, we advocate a reduced holding limit per user. That limit must be sufficiently low to position the digital euro strictly as a means of payment, and not as a savings or investment instrument.

Every euro held at the central bank via the digital euro is, after all, a euro removed from commercial banks' balance sheets. These deposits currently constitute an important source of funding for lending to households and businesses. An excessively high holding limit could therefore put pressure on the financing of the real economy.

Principle 2: Fraud risks

Consumer protection against fraud must be explicitly built into the development of the digital euro as one of its central design principles. This is essential to ensure that ease of use does not come at the expense of security.

In this context, the above-mentioned automatic funding mechanism, also referred to as the “waterfall system”, should be assessed critically. Within this model, a payment can automatically be funded from a linked bank account when the balance of the digital euro wallet is insufficient, without the user’s explicit confirmation.

For example, if a fraudster gains access to a digital euro wallet with a balance of €50 and initiates a payment of €1,000, the remaining €950 can be directly retrieved from the linked bank account through automatic funding.

This risk is further amplified in an ecosystem in which a digital euro wallet can be linked to bank accounts at different Payment Service Providers (PSPs). As a result, the potential financial damage may increase significantly and the effectiveness of existing fraud management mechanisms may come under pressure, because a fraudster could gain access via automatic funding to several linked accounts at different institutions.

Critical actions such as funding the digital euro account must therefore always require an explicit and active instruction from the user, in line with the principles of PSD2 and the requirements relating to Strong Customer Authentication (SCA). The automatic funding mechanism runs counter to this and is moreover difficult to reconcile with the approach taken in PSR and PSD3, where enhanced consumer protection is central.

Principle 3: Integration into the existing payments landscape

One of the main arguments for introducing the digital euro is strengthening the European payment sovereignty. That is a legitimate and important objective, which deserves support.

However, Europe is not starting from scratch. It already has efficient instant payment systems, robust clearing and settlement infrastructures under European supervision, and emerging pan-European initiatives such as EPI (including Wero) and EuroPA.¹

Against this background, building a completely new and separate infrastructure for the digital euro — at an estimated cost of €18 billion — would be economically counterproductive. It would not only

¹ The EPI (European Payments Initiative) is a pan-European initiative by banks and payment institutions aimed at developing a uniform European payment solution, including the digital wallet Wero. EuroPA (European Payments Alliance) is a collaboration between existing mobile payment solutions (such as Bizum, Bancomat and MB Way) that enables interoperability between national payment systems, thereby simplifying cross-border payments within Europe.

divert considerable resources away from the innovation capacity of private payment solutions, but also increase the risk of fragmentation in the existing payments landscape.

A more efficient and forward-looking approach is to build on existing systems and initiatives wherever possible. By integrating the digital euro into existing private payment solutions such as EPI (Wero) and EuroPA and making them interoperable, scale can be achieved more quickly while maintaining continuity for users and merchants.

In short, the digital euro should be embedded in the existing European payments landscape and build on it, rather than creating parallel structures.

Conclusion: preconditions for European payment sovereignty

Strengthening European payment sovereignty is a legitimate and valuable objective. If Europe wishes to realise this ambition, it must do so with and through the European companies, institutions and experts responsible for implementing the system in practice.

These actors bring crucial operational expertise and rightly warn against risks such as excessive complexity, high costs and a low adoption rate. Their insights therefore deserve a central place in the further development.

European sovereignty can only be achieved through close cooperation with those who will ultimately be responsible for implementing and sustaining the system.