

**What is
the digital
euro and
why should
retailers and
wholesalers
care?**



Digital currencies have been a hot topic in recent years. With Meta's plans to launch the Diem stablecoin (called 'Libra' at the start), Bitcoin's rise and subsequent volatile descent and the recent cryptocurrency exchange FTX bankruptcy, digital currencies are stirring a lot of media and political attention today and in coming years.

Many central banks across the world are investigating how they could introduce digital currencies themselves, the so-called Central Bank Digital Currency (CBDC) in the retail environment. Between central banks themselves and between central and commercial banks, 'wholesale' CBDCs have been in use for years already.

Why this information paper for retailers and wholesalers?

As the momentum and publicity around the digital euro is increasing, this document aims to provide an update for and from retailers and wholesalers. It is based on currently available information and EuroCommerce payment experts' expectations. This working document will be updated and recirculated as the project progresses.

The digital euro is an important and relevant topic for retailers and wholesalers, because – if launched – it will affect the everyday life of almost all EU and EEA¹ citizens. It will offer an additional way for retailers to get paid for their goods and services. While it is not intended to replace physical money, cards or other electronic payment methods, the digital euro is likely to take away some of their shares in the payment mix.

¹ The European Economic Area (EEA) includes the European Union, Iceland, Liechtenstein and Norway.

² The Eurosystem comprises the European Central Bank (ECB) and the National Central Banks (NCBs) of the countries that have adopted the Euro.

³ A 'scheme' means a set of formal, standardised and common rules enabling the transfer of value between end users by means of electronic payment instruments issued and distributed by participating members of the scheme.

What is the digital euro?

The European Central Bank (ECB), in close cooperation with the European Commission, the Euro Area group and other stakeholders including retailers and wholesalers, is exploring the introduction of a retail digital euro. Because the Eurosystem² would directly issue such a digital euro, it would be considered a liability of the central bank – just like physical cash but in digital form.

Further down the road, a digital euro 'scheme'³ rulebook will be issued, and legislation passed by the EU. Depending on the outcome of the legislative process, the digital euro may get legal tender status, mandating retailers and wholesalers to accept it as a means of payment.

As a CBDC, the digital euro is considered public money issued and guaranteed by the ECB. In contrast, digital currencies issued by private parties do not have the same guarantee. There are many other differences as summarised in [annex 1](#).



Why is the Eurosystem investigating the digital euro?



As the use of physical euros keeps declining in many member states, the balance between private and public money becomes more and more uneven, causing concerns around financial stability.



The need to gain and maintain more European sovereignty. If too much of the money is being managed by private parties, often not based in the EU, it may significantly reduce the Eurosystem's ability and tools to steer monetary policy whilst supporting an increasing digital European economy.



Financial inclusion for consumers, who may not have access to or an affinity with digitalisation and bank or card accounts. Digital euro could also act as an offline fallback solution in case central electronic systems are not available or not operational.



How will the digital euro work in stores and online?

Consumers will likely access digital euro via their banking apps or via a designated digital euro app or wallet. Additionally, consumers would possibly be able to use other devices also in an offline environment, such as chip cards.

In store the most common way to transact with the digital euro will likely be contactless (Near Field Communication, NFC) and QR-codes. For online payments with digital euro, the use of QR-codes and an account login with username and password are expected. Retailers and wholesalers strongly advocate to use the existing acceptance infrastructure as much as possible to avoid implementation costs and promote adoption among retailers of the sector. Transaction limits and offline capability are as important to retailers as they are to consumers.

What will be expected of retailers and wholesalers regarding the digital euro?

As the digital euro includes retail payment use cases, retailers will be key stakeholders in the role as acceptors. Should the EU adopt 'legal tender' status for the digital euro, all retailers and wholesalers in the Euro Area will be mandated to accept the digital euro as a means of payment⁴. Retailers and wholesalers will have to sign contracts or amendments with their Payment Services Providers (PSPs)⁵ to facilitate the acceptance of the digital euro at the check-out in stores, online and in-app.

Some may also have to upgrade their infrastructure so digital euro payments can be initiated, for example, by installing QR code readers, NFC-capable terminals, or mobile devices. Back-end processes related to reconciliation and settlement will likely be affected, too.

What should retailers and wholesalers expect from the digital euro?

The digital euro is expected to have a positive impact on competition in the payment landscape. It will further strengthen European independence from non-European big tech, such as Mastercard, Visa, or Paypal currently necessary for cross-border payments within the EU. It may also improve the resilience of the European financial system and offer an alternative payment method providing robustness for retail payments. Further work is ongoing to elaborate how conditional payments can work within the digital euro framework.

The cost of acceptance will likely be lower than competing private card- and non-card-based payment methods and potentially be lower than the costs of handling cash. PSPs⁵ facilitating digital euro acceptance will have to be remunerated.

The digital euro will be setup as a scheme; implementation across the Euro Area should be identical, regardless of the jurisdiction or the facilitating PSP. As a result, the digital euro will be a payment instrument that will be used omni-channel and cross-border throughout the Euro Area.

If designed correctly, retailers and wholesalers believe the introduction of a digital euro will be beneficial and stimulate competition in the retail payments landscape. Retailers have to be conscious of opposition to the digital euro coming from certain public and political groups, fearing lack of privacy, a non-democratic approach and not seeing what problem the digital euro is going to solve.



⁴ Exemptions for mandatory acceptance may apply – depending on the final legislation.

⁵ Payment Service Providers (PSPs) are third-party companies that assist businesses like retailers to accept electronic payments, such as debit and credit cards and account-to-account payments.



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What is the timeline for the digital euro?

The Eurosystem is currently conducting a 2-year investigation phase and will take a formal decision at the end of 2023. If so decided, the digital euro project will officially start its realisation phase. Earliest go-live can then be expected for 2025 or 2026.



More information

[Documents and meetings of the Eurosystem and the Euro Retail Payments Board](#)



EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.

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Annex 1

Different forms of digital currencies and coins

	Cash (physical euro)	Digital euro	Crypto currencies	Stable Coins	Commercial bank money
Public or Private	Public	Public	Private	Private	Private
Liability	Liability of central bank	Liability of central bank	asset of the holder, not a liability	Liability of private issuer of stable coin	Liability of commercial bank
Risk (loss of value)	Medium risk of theft, loss or damage	Low risk – guaranteed by ECB	High – not backed or supervised by a central bank	Medium/High – not guaranteed or supervised by a central bank	In the EU guaranteed for deposits up to 100.000 EUR or local currency equivalent.
Management	ECB	ECB	Decentral	By each issuer	By each bank
Technology	Notes and coins	Not yet decided	Blockchain ⁶	Central ledger or Blockchain	Central ledger
Currency	Fiat money ⁷	Fiat money	Not linked to fiat money	Linked to fiat money or other commodities	1-1 Convertible into fiat money
Volatility	Stable	Stable	Highly volatile	Volatile	Quite stable unless consumers lose trust
Use as investment or payment instrument	Payment instrument mainly. But cash can be held	payment instrument only	Investment (main use), rarely used as payment instrument	Investment and/or payment instrument	Investment and/or payment instrument
Geography	Mainly Europe, but can be global	Initially Euro Area only	Global	Specific countries	Countries where commercial bank operates
Examples	Euro notes and coins	Digital euro	Bitcoin Ethereum	Diem Tether (USDT) Tether Gold (XAUT)	Deposits on bank accounts, credit cards, etc

⁶ Blockchain: is a type of distributed ledger technology (DLT) that consists of growing lists of records, called blocks, that are securely linked together using cryptography

⁷ Fiat money: government-issued currency that is not backed by a physical commodity, such as gold or silver, but rather by the government that issued it.