Ensuring a phased, proportionate and cost-efficient introduction of the digital euro

The Estonian, Latvian, Lithuanian, and Swedish banking associations support a digital euro framework that is practical, proportionate and capable of strengthening Europe's payment ecosystem without undermining existing market-based solutions.

Recognising that the banking sectors in our home markets are highly digitalised, deeply embedded in citizens' and businesses' everyday payments, savings and financing, and that they operate in a region – the Nordic-Baltic region – consisting of around 30 million customer relationships across households, SMEs, corporates and institutions, the practical implications of the digital euro must be carefully assessed.

Against this background and given that banks will play an important role in the implementation, we welcome clear information on the practical, operational and financial consequences of the digital euro in order to contribute as a constructive partner. To achieve this, the design and introduction of the digital euro must be carefully calibrated, with particular attention to a phased, proportionate and cost-efficient introduction, while considering the role of existing European payment infrastructure.

Key priorities for the signatories:

- Digital euro infrastructure as a service by the Eurosystem
- Phased implementation
- Low holding limits
- Clear allocation of costs, compensation, and responsibilities
- Reuse of existing infrastructure

Digital euro infrastructure as a service by the Eurosystem

To secure a fast and early adoption by many PSPs, we believe that digital euro specific services should be offered as an API based modular solution with the Eurosystem providing centralised cloud-based services. In an environment with a heightened geopolitical climate, such an approach would enhance resilience. A positive effect would also be that the number of potential technical failures may be minimised.

It does not, however, exclude an option for the Eurosystem to provision technical standards for those PSPs willing to develop their own technical deployment.

Phased implementation

Emphasising that the digital euro should operate smoothly and reliably from the outset, we are concerned that an overly complex "big bang" launch could undermine confidence in the entire project. We therefore advocate for a phased introduction regarding use cases and functionalities. Bearing in mind that the introduction entails significant costs for the banking sector, a phased introduction would make it possible to spread investments over time, test the systems before a full-scale launch and manage the uncertainty surrounding compensation, which should be an integral part of a phased introduction.

Low holding limits

The banks' lending capacity and financial stability could be adversely affected if large deposits are moved from the banking system to the digital euro, making it crucial that holding limits are kept at a low level. We therefore believe that the levels should be decided by the European Parliament and the Council, as this is a key policy issue with broad implications for the economy and not merely a technical calibration for the ECB to decide. Low and politically endorsed holding limits create greater predictability and confidence, whilst reducing uncertainty regarding the impact on banks' funding and helping to maintain a stable supply of credit to households and businesses.

Clear allocation of costs, compensation, and responsibilities

The digital euro is a public good, justified on grounds of resilience and preparedness and the objective of enhancing financial inclusion. However, the introduction of the digital euro will require significant additional resources from the banking sector, including investments in systems, operational capacity, customer interfaces and ongoing compliance with the digital euro framework.

Noting with concern that the current discussions leave considerable uncertainty regarding whether costs would be covered by users, merchants, the Eurosystem or the banking sector itself, it is essential that the framework clearly identifies who will bear these costs and how banks will be compensated. Considering that the digital euro is a public good, a clear and workable compensation model is necessary to ensure that implementation is proportionate and cost-efficient, and that the digital euro does not impose uncompensated costs on banks. Finally, mandatory acceptance and the fact that some costs will be covered by the Eurosystem give the digital euro regulatory advantages over private payment solutions. To avoid further distortions of competition, it is also for this reason important to ensure that banks are at least fully compensated for the costs incurred in relation to a digital euro.

Reuse of existing infrastructure

We advocate making the greatest possible use of existing solutions and standards, rather than developing entirely new infrastructure from scratch, so that implementation can take place more quickly, more cost-effectively and in line with already established systems. At the same time, such an approach helps to preserve and strengthen existing European payment solutions and ensure that the digital euro complements, rather than displaces, well-functioning market-based initiatives.