EUROPEAN CENTRAL BANK

EUROSYSTEM

Central bank money for the digital era

Our strategy in response to digitalisation and fragmentation

Cassa Depositi e Prestiti

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Current challenges

DIGITALISATION

- Digitalisation is reducing the use of cash and increasing our dependency on non-European providers for digital retail payments
- Tokenisation and distributed ledger technology (DLT) could transform financial transactions

FRAGMENTATION

- No European retail payment solution currently allows people to pay digitally across the euro area
- New settlement assets could reintroduce fragmentation and credit risk
- Geopolitical tensions increase the risk of fragmentation in the global financial system

The Eurosystem aims to **modernise central bank money** in response to the transformation taking place in payments and finance.

MODERNISING CENTRAL BANK MONEY

Our main areas of focus

Digital euro

New technologies for settlement of wholesale transactions

Cross-border interlinking

THE DIGITAL EURO

Complementing physical cash with its digital equivalent

The digital euro would **empower Europe** through:

EVERYDAY CONVENIENCE

Available to everyone and accepted throughout the euro area for any digital payment

INNOVATION AND PAN-EUROPEAN REACH

Open standards and acceptance network, providing a platform for innovation and pan-European reach

GREATER STRATEGIC AUTONOMY AND RESILIENCE

European governance, European infrastructure and offline functionality

We are laying the technical foundations for the potential issuance of the digital euro.

THE DIGITAL EURO

Focus of the current phase as of November 2025

The ECB **aims to be ready for a potential first issuance** of the digital euro during **2029**, working under the assumption that European co-legislators adopt the digital euro Regulation in the course of 2026.

Technical readiness

- Developing the digital euro's technical foundations, including initial system set-up and piloting
- A **pilot exercise** and initial transactions could start in **mid-2027**

Market engagement

- Collaborating with payment providers, merchants and consumers to finalise the rulebook
- Conducting user research and testing the system through pilot activities

Legislative process support

Continue providing technical input to EU co-legislators and assist with the legislative process as required

In this phase, **the Eurosystem will build the necessary technical capacity ahead of a possible decision to issue**, while maintaining flexibility and alignment with the legislative process.

NEW TECHNOLOGIES

For settlement of wholesale transactions

There has been a significant increase in the adoption of **distributed ledger technology (DLT) and tokenisation** (the digital representation of assets on programmable platforms). DLT could:

ENHANCE EFFICIENCY

- Trading, settlement, and custody on the **same platform**
- **24/7/365 operating hours**
- Use of **smart contracts** to automate and speed up processes between issuers and investors

LOWER BARRIERS TO ENTRY

A shared DLT platform could **enable small and medium-sized enterprises to access capital markets**

EUROSYSTEM EXPLORATORY WORK

- To address market demand, the Eurosystem has conducted **exploratory work** to test DLT for the settlement of wholesale transactions in central bank money
- **There is an opportunity to create an integrated European market for digital assets (digital capital markets union) from the outset.**

Report with key findings from the Eurosystem's exploratory work

PONTES AND APPIA PROJECTS

Update on our work

PONTES

Offering a Eurosystem DLT-based solution, linking DLT platforms and TARGET Services to settle transactions in central bank money **from Q3 2026**. Will be gradually enhanced with additional functionalities

APPIA

Focusing on a longer-term approach for an innovative and integrated payments and securities ecosystem in Europe that also facilitates safe and efficient operations at the global level

- Increase safety and efficiency across the financial ecosystem
- Market integration and further competition
- International role of the euro and connection to the rest of the world

The Eurosystem is committed to supporting innovation without compromising on safety and efficiency in financial market infrastructures.

CROSS-BORDER INTERLINKING

Our initiatives in line with G20 objectives

MULTI-CURRENCY SETTLEMENT

Leveraging the multi-currency feature of the Eurosystem's instant payments settlement service (TIPS) to settle funds end to end instantly in central bank money, in TIPS hosted currencies.

GLOBAL CROSS-BORDER PAYMENTS

The ECB is committed to improving cross-border payments globally by:

- implementing the cross-currency settlement service for cross-border payments;
- interlinking with fast payments systems outside Europe through bilateral links (e.g. India, Switzerland) and multilateral networks (Nexus).

Digital euro:

- Dedidcated webpage
- FAQs
- Latest progress report
- Fit in the payment ecosystem
- Key findings on innovation potential
- User research report by Ipsos

Settlement of DLT-based transactions:

- Tokenisation and DLT
- Exploratory work
- Pontes
- Appia
- Focus session

Cross-border payments

- Dedicated webpage

Thank you