

# THE DIGITAL EURO IN 2026: POLICY ALIGNMENT, PERSISTENT CONCERNS, AND EMERGING SOLUTIONS



## THROUGHOUT 2026, EUROPEAN INSTITUTIONS

and financial services firms have increasingly aligned on the strategic rationale for a Digital Euro – a Euro-denominated Central Bank Digital Currency (CBDC), with parallel progress across legislative, technical, and political tracks.

At the same time, the project continues to face objections (particularly around financial stability, industry costs, and infrastructure integration), which have led to a series of proposals to address them.

In February, the European Parliament voted to support the creation of the Digital Euro, describing the move as “essential to strengthen EU monetary sovereignty, reduce fragmentation in retail payments and support the integrity and resilience of the single market.”<sup>1</sup>

Over March and April, the European Central Bank (ECB) continued its technical preparations for the Digital Euro and for infrastructure supporting tokenized money and financial assets in Europe more generally. This broader tokenization agenda involves two pillars:

Pontes is an initial drive to create an interoperable European Distributed Ledger Technology (DLT) system, which will connect existing DLTs and certain core “target services” essential to creating an on-chain European money system, including the Digital Euro.<sup>1</sup> Pontes is currently scheduled to go live towards the end of 2026. Appia is a longer-term project to create integrated DLT-based capital markets throughout Europe, and connect European digital capital markets to global ones.

Operationally, 2026 marked a shift toward execution. The ECB has moved beyond conceptual work to focus on rulebook design, infrastructure build-out, and ecosystem integration. However, legislation from the European Commission, approved by the European Parliament, is still essential for the creation and implementation of the CBDC.

Despite broad institutional support, several impediments have been raised in recent months by policymakers and industry stakeholders.

Financial stability and banking disintermediation remain the thorniest issues. The Digital Euro would exist alongside digital versions of commercial bank money in the form of tokenized deposits, acting interoperably with Euro-denominated digital cash created by the European banking system.<sup>3</sup> Banking representatives have argued that the Digital Euro turns central bank money into a direct competitor of commercial bank money, raising concerns about deposit outflows and pressure on bank funding models. This view is echoed in policy discussions, where deposit migration to the ECB is seen as a potential risk to the two-tier banking system. The ECB is also interested in a CBDC as an alternative to private sector stablecoins, which it argues could act as a threat → to bank liquidity and consequently the stability of the banking sector.<sup>4</sup>

The cost implications for banks and merchants is another key issue. Banks have highlighted the scale of required investment and operational costs, while merchants have warned that unclear or complex fee structures could discourage adoption. The ECB’s 2024 merchant research paper argued that the potential of the digital euro will not be realized without a streamlined and predictable cost model.

Interoperability and infrastructure challenges have also featured prominently. Industry participants note the technical difficulty of integrating a new central bank digital currency into a fragmented European payments ecosystem while ensuring compatibility with existing systems.<sup>5</sup>

To these objections, the ECB has outlined a clear set of mitigants. To address financial stability risks, the ECB has proposed holding limits on digital euro balances and zero interest remuneration. On cost and adoption, →

→ proposals include compensation mechanisms for banks distributing the digital euro and merchant calls for no scheme or processing fees, including zero-cost offline payments. To tackle interoperability, the ECB is pursuing open technical standards and extensive industry collaboration and testing.

The Digital Euro has progressed from concept to a coordinated policy and implementation effort backed by strong institutional consensus across central and national governments, regulators, and the financial services sector.

And, while impediments continue to exist, so do design solutions – suggesting that the debate has shifted from whether the digital euro should exist to how it can be implemented in a way that preserves Eurozone financial stability and consumers of banking and other services. ■

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