BANCA D'ITALIA
EUROSISTEMA

Interview with Chiara Scotti to Il Sole 24 Ore
18 March 2025

The digital euro as a tool to defend European monetary sovereignty

'The digital euro, the digital form of euro banknotes and coins, is an unprecedented project in a large market economy like Europe's and it involves a core component of the financial system: currency. The digital euro will be inclusive, accessible to everyone, free of charge, and will allow people to make payments anywhere in the euro area in every situation – whether online or offline – unlike any other means of payment available today. It will also help establish a single European payments market and strengthen the strategic autonomy and monetary sovereignty of the euro area.' In this exclusive interview Chiara Scotti, Deputy Governor of Banca d'Italia, emphasizes the benefits of the digital euro, highlighting its strategic importance and calling for an acceleration in the legislative process. 'The digital euro will not replace cash and other existing means of payment but it will offer an alternative, additional option', she reassures.

How important is the digital euro for Europe's future?

Digital solutions, such as credit cards and mobile payments, which are quickly becoming more popular, mainly use non-European channels, jeopardizing our strategic autonomy. In addition, the emergence of stablecoins denominated in US dollars (or other foreign currencies) could erode Europe's monetary sovereignty. The digital euro would be a powerful tool of unity, strategic identity and sovereignty.

Merely adopting technical standards, shared among subsets of private operators, would lead to multiple payment solutions and persistent fragmentation. Therefore, public sector intervention is crucial to ensure a single solution with shared rules on key issues such as inclusion, costs and ease-of-use.

Finally, the involvement of public institutions, such as central banks, is a guarantee of the reliability and security of the payment system, the liquidity and value of the digital currency and the protection of the consumers' privacy, which for offline payments will be as high as the anonymity offered by cash.

How long will it take until the digital euro is a reality? What is needed to speed up the project?

Three main steps are necessary for the digital euro to exist: the approval of the Regulation by the European Parliament and the European Council; the creation of an appropriate infrastructure, capable of connecting every corner of Europe; and, finally, the distribution and acceptance phase. To have central bank legal tender status, the digital euro, just like the physical euro, requires the adoption of a law establishing it.

A few days ago, ECB President Christine Lagarde stressed the urgency of speeding up the legislative process. She said that the deadline for the ECB 'is going to be October 2025 and that we are getting ready for that deadline. But we will not be able to move unless the stakeholders – Commission, Council and Parliament – actually complete the legislative process, without which we will not be able to move'.

I couldn't agree more with her. At the ECB and within the Eurosystem we are ready to move ahead with the project, but we need a law that authorizes us to do so.

If we do not rise to this challenge, we risk losing control over our currency and becoming dependent on foreign players and on rules that protect neither financial intermediaries nor consumers, merchants or businesses.

The digital euro will be designed to work offline. Does this mean that it will be possible to pay in digital euros without a Wi-Fi or internet connection, just like cash?

The offline functionality will be one of the most innovative features of the project: none of the digital payment solutions currently available can offer this.

Being able to make payments offline, i.e. without an internet connection, would also make the digital euro more accessible. This feature would be crucial for those who live in areas with limited internet coverage or who simply prefer a payment solution that works under any circumstance or who want to set a spending amount at the beginning of the month.

Our goal is to make the payment system more inclusive and resilient.

More inclusive because offline payments would make it possible to use digital euros in remote locations, with low or zero internet coverage, and ensure a cash-like experience.

More resilient because the system would allow people to pay digitally even when the online circuits are down, for example after a cyber attack. The hope, of course, is that we will never have to put these scenarios to the test but, given these turbulent times, we need to be prepared.

Does the digital euro ensure privacy? Won't the ECB turn into a financial Big Brother?

When you pay in digital euros, the ECB will never receive any information about the payment you have made (whether online or offline), but will only know, for your own security, that you used your digital euro account. Offline payments will guarantee maximum privacy, just like cash: any details regarding offline transactions in digital euros would only be known to the payer and the payee. Not even the financial intermediaries will know who paid whom, how much and why.

You said the digital euro is inclusive: how so?

Basic digital euro services will be free of charge for users, with no hidden costs or fees, which makes this an inclusive solution for everyone. The digital euro has been designed to be a truly accessible means of payment, regardless of age, digital skills or familiarity with the banking system. In addition, the digital euro would be offered by a wide range of financial intermediaries, not just by banks. Private citizens will not be able to open their accounts directly with the ECB or Banca d'Italia, as central banks only deal with financial institutions. However, it will be possible to link the digital euro account, which will have a maximum holding amount, to a traditional bank account, to allow the account holders to pay in digital euros and draw on their bank account for payments that exceed the digital euro holding limit.

For those who already use smartphones and apps to manage their finances (such as young people), the digital euro would be an additional, convenient and secure option that comes with the assurance of using money backed by a central bank.

At the same time, the digital euro would also be a tool for those who do not have an internet connection or are uncomfortable with new technologies, like many senior citizens. This is why people will also be able to pay in digital euros using a physical card and support services will be available for those who could find it difficult to use the digital euro.

How does the digital euro strengthen European sovereignty?

The digital euro would be key to strengthening Europe's strategic independence and monetary sovereignty. Today, 13 out of 20 euro-area countries have no national payment card network. Bank-issued debit cards can only be used domestically, while cashless payments abroad are made through international non-European providers. This situation limits our strategic independence and exposes our current system to geopolitical risks. The rise of foreign stablecoins could also greatly undermine our monetary sovereignty, with potential repercussions for the economy and financial stability.

It is important that we offer a fully European alternative, allowing people to choose the option that works best for them. A Eurozone equipped with its own digital currency would strengthen its position in the global economic and financial arena and would better protect its interests.

What is the difference between stablecoins, crypto-assets and the digital euro?

The digital euro, crypto-assets and stablecoins are very different instruments.

The digital euro would be a digital form of cash, with the inherent reliability of an official currency guaranteed by the European Central Bank.

Crypto-assets, such as Bitcoins, are not currencies but highly volatile, scarcity-based speculative instruments with no intrinsic value: their value is determined by their holders, i.e. it is the value their holders believe the crypto-assets to have. Once the holders of a crypto-asset no longer believe it has any value, that asset will become worthless.

Stablecoins are a tokenized private form of currency, they are e-money-tokens, i.e. electronic money that is issued by private entities and pegged to the currencies it represents. A €100 million stablecoin issue, for example, requires a currency reserve equivalent to €100 million. However, in some cases, the term 'stablecoin' is used more broadly. I am thinking of asset referenced tokens (ARTs), as defined by MiCAR (the EU Markets in Crypto-Assets Regulation), which are designed to maintain a stable value by referencing a basket of currencies or a right or a combination of different assets, such as a work of art or a football team. Since the price of the underlying assets, i.e. the reserves to which ARTs are pegged, may fluctuate, their value may not be stable.

To what extent can the digital euro and stablecoins co-exist?

While we can imagine a payment ecosystem where the digital euro and private stablecoins pegged to the euro co-exist, only the digital euro would have the intrinsic reliability of an official currency backed by the European Central Bank.

These instruments would have a different impact on the financial system. While the digital euro would have holding limits, so as not to reduce bank deposits, stablecoins have no holding limits. This could have profound implications for the structure of bank funding, with the retail component shrinking in favour of the wholesale one, which is generally more volatile and expensive. We cannot rule out that euro stablecoins may affect financial stability and the supply of credit to the economy.

The consequences of stablecoins pegged to currencies other than the euro spreading in Europe would be even greater, potentially denting our monetary sovereignty.

Does the digital euro work only at retail level, or can it also be used for wholesale payments?

The digital euro is the retail component of a broader Eurosystem project that also covers wholesale payments. In addition to developing the digital euro at retail level, we are working on wholesale solutions to integrate the distributed ledger technology (DLT) with systems for the settlement of wholesale transactions in central bank money. This would make it possible to settle transactions on a real-time 24/7 basis and to manage trading, settlement and custodian services on the same platform. It would also reduce credit risk, failed transactions and the need for payment reconciliation, as well as lower operational costs and improve liquidity in financial markets.

Should retail banks be afraid of the digital euro?

Our discussions with the banking community so far have been fruitful and constructive. We are making it clear that the digital euro would offer an opportunity for financial intermediaries too. There will be no risk of deposit outflows: on the one hand, there will be a cap on the amount of digital euros that any single person can hold, thus encouraging people to use digital euros as a means of payment rather than as a form of savings; on the other hand, digital euro wallets would not accrue interest, precisely like the banknotes we hold in our physical wallets and unlike traditional bank savings accounts.

Managing savings and offering payment services to citizens are not central bank tasks – they must be provided by financial intermediaries. As stated in the proposed EU Regulation, the ECB will have no contractual relationship with users, as the digital euro will be distributed exclusively by supervised intermediaries. Banks would be in the ideal position to provide value-added services and innovate by developing tailor-made solutions for fostering the adoption and take-up of the digital euro.

Designed by the Printing and Publishing Division of the Bank of Italy