ESTA
The Cash Management Companies Association

Report on the hearing in ECON with P Cipollone and V Dombrovskis
14 July 2025
(The report is not chronological but regroups issues according to the main themes raised.)

The video of the hearing is accessible here.

Initially, very few MEPs were in the room. The rapporteur F. Navarrete and only Gilles Boyer, shadow, for renew, attended from all the shadow rapporteurs.

Aurore Lalucq, the chair (FR, S&D) introduced the debate: "*currency is not just a means of payment, it is an institution, based on something very fragile: trust*." The digital euro (DE) will not replace cash, but digital payments have now overtaken cash. The theme was repeated several times by P. Cipollone and V. Dombrovskis throughout the debate.

V. Dombrovskis made an initial statement on the change of payment and technology in the 25 years since the euro is in place, and the subsequent reduction of the place of cash. "We need to keep up with technology and the digital age", and Europe needs to be at the forefront of it. It provides many advantages and opportunities such as paying anytime anywhere, without interest and fees, notably for merchants and increasing the sovereignty of payments of Europe.

Dombrovskis then addressed the "concerns" raised with the DE: not in competition with the private sector, work in close cooperation with it, no adverse impact on banks, holdings limits to safeguard financial stability, increase in privacy as Central Banks will not be able to identify the payer and the payee (though he admitted later on, the PSPs will) and provide the right balance between privacy and anti-money laundering (AML) concerns. It will finally be an inclusive payment tool even for unbanked or debanked. It will allow a pan-European payment solution.

P. Cipollone went on about why we should do it and the cost of not doing it. First point he made is to "keep pace with the digital era", the second was the resilience, competition (vis-à-vis US-based cards – merchants will be able to negotiate fees) and consumer freedom. The role of cash is reduced and we need to provide a "digital alternative". As cash reduces in payments, the gap is filled by non-European PSPs and SEPA does not provide for POS solutions. The DE is a "digital cash".

Stable coins and MICA

The debate covered extensively stable coins, which one MEP described as the "money launderers' dream". Dombrovskis stated that providers of stable coins are moving forward, and we cannot wait (there was a lot of emphasis by the ECB and the Commission on the urgency behind the DE, as stable coins could fill the gap if the DE is slow to come. There is also uncertainty as to how to understand and implement MICA, so the Commission will issue a Q&A clarifying some questions at the attention of supervisors. Cipollone stated a number of times that the ECB wishes to give people the freedom to keep paying in a central banks money. If we come too late, stable coins will be there before the digital euro. Market will adopt standards once the legal framework is in place, if we take too long, they'll take what's available. The sooner we adopt the framework, the sooner merchants will know that the digital euro will come and they will not look at other solutions: "They will not adopt standards that favour stable coins, they will adopt standards tomorrow, as soon as the legislation is in place. This will discourage merchants to go and look for other solutions".

On the question of the relevance of the DE in the landscape of financial products, Cipollone responded that "people don't get up in the morning with an urgency to pay, they have an urgency to spend". The easier, the simpler, the more seamless and the better for them as then, people will not go shopping around for other solutions. The more instruments you have, the more your liquidity will be fragmented and this is the hidden cost of not doing the DE. Dombrovskis added that the DE will contribute to the resilience of the system as "there will be additional payment options in time of crisis". It will strengthen the resilience of the EU economy and the offline option will ensure people will continue to be able to make payments. The director general of FISMA was invited to comment on MICA by the Commissioner, and he said that the legislation allows for the circulation of global stable coins, so it is not possible to prohibit them, but because at the time it was clear that most would be denominated in US$, the legislation includes important safeguards. A. Lalucq commented that the EP as a co-legislator has worked a lot on MICA, however, she recalls Christine Lagarde of the ECB in Committee saying she was "very worried with the way the Commission was interpreting MICA". Therefore, Lalucq said to the Commission, "our concerns are legitimate".

Cipollone commented on the digital US$ being dropped: "well that's not exactly the case as in the "genius bill", there is a provision that will allow to deposit US stable coins to the FED, this is called hybrid digital dollar. The difference is that it will be private stable coins, and the seigniorage that should accrue to the US citizen will accrue to the issuers of the stable coins. We are not taking that path, because the seigniorage belongs to the people, for cash and for DE as well. "We could have but we issued a regulation that prohibits depositing stable coins at the ECB for financial stability reasons: **so, we are defending cash although in a digital form**". (video at 18:11:10)

F. Navarrete said that "we've heard criticism on previous safeguards on stable coins, so what makes the Commission so confident that this time the safeguards are fine, with regard to financial stability which will never be at stake? What is the added value to have a centralised ledger on the balance sheet of the ECB versus a leaner alternative, a pure offline, tokenised cash that is untraceable, has little risk for financial stability? I failed to see the advantage of a pure online system, apart from having a pan-European scheme."

Cipollone responded that there is a confusion in thinking that financial crisis will occur because of the DE: that's not the case. There have been many when the DE did not exist. In case of financial crisis in Europe, people would have US$ stable coins and that would be as safe as a deposit in the US. Think of the same situation with the DE in place. People could park this money in the central bank and it could be recycled immediately to the economy: a completely different situation, as the deposits are not leaving the euro area. Another point: sight deposits in banks concerned by the DE will be 1/3rd of all sight deposits. 2/3rd are deposits of wealthy people who have more than 100.000 euros on their account. In case of rumours for crisis, this money will not stay in Europe and the ECB would have to intervene for liquidity.

Costs of currencies

Pierre Pimpie, (FR, PfE) asked about the cost for all this and if it has been calculated. If there is a crisis, don't you think that accounts will be emptied, that there will be a run on these accounts? Dombrovskis responded on costs to PSP and raised the issue of compensation, without going into the detail (e.g. permanent or temporary) and that there will be an inter-PSP fee to ensure remuneration and a business case for them. Merchants will be better off as the ECB is not going to charge fees for providing DE, contrary to international card schemes. For the ECB, the cost will vary based on the number of wallets people will be allowed to have and on whether we have the offline function. The cost will be somewhere between 400 million and 1.2 bn euros for the ECB. The cost will be provided by the seigniorage of the DE. In its absence, seigniorage will go down because cash is going down anyway.

Ludek Niedermeyer (Vice chair ECON, CZ, EPP): asked about cost assessment: not only are coins and notes old fashion but they cost of lot to handle. When I was in CB, I tried to find some figures but I never found them. So, I wonder if you have figures on the economies to be made from a shift from old-fashioned bank notes to the digital euro ?

Cipollone's response: "well, it's not that easy to compare. First, banknotes in payments are going down but still, you need the infrastructure: this is the cost of freedom. What is important to know is that DE and cash generate seigniorage, and **the seigniorage generated is way larger than the costs**. Look at the branches that central banks have around the countries, that's essentially to handle cash. It is obvious that the cost of printing notes is higher than the cost of "minting digital euros", but for the DE, you have huge costs for cyber security, for example."

Programmable vs conditional money

The debate came again on the controversy whether the DE would be programmable. P. Cipollone said it would not be, but it could allow for conditional payments as is currently already the case and he announced a report to be published in a few months "with 70 different situations". DE payments will not be traceable, and only the PSP, not central banks will know the identity of the payee and the payer.

Gilles Boyer (FR, Renew, shadow) expressed the confusion between the objectives of being "an alternative to cash" and that of "bolstering a pan-European payment solution". However, "if we can agree on both objectives, then we should not wait further". He asked Cipollone again for the time needed for issuing DE and Cipollone saif 2 ½ to 3 years (the previous response to the same question was 2 ½ years only).

Cash discussion

Cash was raised substantially during the discussion and more than it has been in earlier hearings.
Siegberg Frank Droese (DE, ESN) raised the issue of **citizens' freedom** linked to the DE. Those who travel know that there exist good digital payment systems and during the hearing, I have not been convinced that we need a digital euro. Are we sure the DE will not lead to people's limitation of transactions, for example in crisis situations of for politically motivated situations? He asks Cipollone specifically why so far haven't we got a strong legal assurance that cash will stay. Slovakia and *Hungary* (he probably meant Slovenia) are facing infringement procedures because they have constitutional provisions maintaining cash? There is no trust in the words of EU institutions there. And he asks Dombrovskis: Trump has said they will not develop a digital US$, so why are we working so hard on this? Dombrovskis started with the latter question acknowledging that the US is not pursuing on its CBDC but they are enabling the environment for the digital US$ stable coins. However, we see limited use of them for payments in the US and they have high volatility and high transaction fees.

Dombrovskis then responded on cash but without much substance. He stated the promise that "cash will be preserved" ("we are making very clear that first we intend to preserve the role of cash for those citizens who prefer so"). But strangely then he embarked on the digital euro instead of responding on cash: "it's very clear that the digital euro will not be programmable money and the commission and the ECB will not be setting limitations to the use of digital euro. It is important not to be confusing programmable money with programmable payments. Therefore, we have sufficient safeguards in our proposal".

The response from P. Cipollone: The ECB is on the receiving side of the legislation. On cash, ECB has been very vocal in defending cash, "but not just vocal: we are taking concrete actions: redesigning the euro banknotes. Why? Because we want to make sure that the safety features are always up to date. Second, if you look at our opinion on the single currency package, we are very tough on restrictions which should be limited as much as possible." "The ECB is very, very determined in defending the role of cash. We cannot go beyond that, but for what is in our remit we are very tough and very vocal in defending cash. **The logical consequence is that we think we should also have a digital version of cash, as cash is so vital for the economy**." (Video at 18:11:10)

Miscellaneous issues raised

Mr Jussi Saram, a Finnish MEP from the group of the Left: "DE is a no-brainer: why should we pay further for a foreign cartel". He referred to the "incredible conspiracy theory" used by politicians that the DE will kill cash and that it is "going to become totalitarian". As we know, Europe is under attack from many sides and the opposition against DE is a way of undermining Europe and our sovereignty. How can we show in the legislation that the digital euro is not against people but against cartels.

Dombrovskis: we clarified that as in parallel to the DE, we propose a regulation on legal tender of cash, reinforcing its status and obliging euro member states to ensure sufficient availability and acceptance of cash. "We need patient communication and debunking these stories that DE will take away cash, we need to insist again and again and again, and push the reality through."

Indeed, the EU institutions are defending cash, albeit in its digital form.

In **conclusion**, the Chair A. Lalucq stated, "Time is against us!"