

Implications of the introduction of a Digital Euro

A strategic challenge for European banks



October 2025

Digital Euro will have a severe impact on the European payment landscape – banks are urged to prepare now

Key Insights

- The Digital Euro (D€) will be **mandatory for European banks**
- Implementation and processing of **D€ services will lead to high costs**
- Next to cost structure, **D€-business case is at risk based on three main drivers**:
 - Cannibalization of established payment means
 - Level of interchange fees (IPF) for D€ will decrease periodically
 - Prices for value-added services (VAS) will decrease over time
- **But**: Obligation to accept D€ for merchants might offer new opportunities for issuers



Action needed

- The Digital Euro will be **introduced in a directive way in less than 2,5 years**
- Regulatory compliance and to secure payment revenue pools is at stake
- Strategic capacities are strongly dependent on bank's current positioning



TC Project Approach leads to success by addressing...



Regulatory compliance



Strategic foresight and consistency



Business modelling and competitiveness



Operational preparation and efficient implementation

As starting point, TC offers a collaborative workshop to conduct an initial Digital Euro impact assessment

Digital Euro ante portas - European banks should assess their payment portfolio and be prepared for its implementation



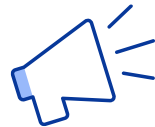
Initial situation

- European Central Bank and European Commission are driving the development of a Digital Euro Framework
- Updated version (V0.9) of the Scheme Rulebook published
- D€ Progress report of July 2025 reaffirms the current outline¹, targets and timeline



Challenges

- **European Banks will be required** to offer Digital Euro services
- **Less than 2,5 years** – Digital Euro start is planned for 2028
- **The initiative has the potential** to fundamentally change the European payment landscape
- **High costs and conflicts** to existing payment strategies can be associated with the Digital Euro



Call to action

- **Securing** legal compliance
- **Preparation** for the upcoming challenges and development of an implementation roadmap
- **Strategic positioning within the payment industry** – with whom to partner and against whom to compete?
- **Re-evaluation and adaption** of payment portfolio strategy
- **Seize opportunities** arising with the Digital Euro

¹ As the ECB's current outline concentrates on a consumer-focused D€ this document complies with this assumption. An update will be conducted in case of a wholesale-focused outline in future.

European legislators set strict requirements for the comprehensive and mandatory introduction of the Digital Euro



Legally binding introduction and acceptance for issuers and merchants



Regulation of transaction fees on the issuing and acceptance side



Defined transfer mechanism between current accounts and D€ accounts



Basic services for end customers free of charge



Offer and individual pricing for value-added services possible



Start of implementation planned for 2028



Launch as a retail Digital Euro, wholesale not planned at this stage



Can be used both online and offline



What impact will the introduction of a Digital Euro in this form have on the business models of European banks?

The full scope implementation of the Digital Euro will likely be mandatory and will have massive effects on currently existing business models



D€ obligation by legislation

- The legislative proposal of the European Commission obliges issuers/acquirers to offer Digital Euro services and merchants to accept D€-payments
- A concrete implementation date or a timeline for introduction of different services will be externally set by the regulator – approx. starting 2028



Proactive preparation is crucial as externally given timeline is ambitious and the challenges to overcome are substantial



Fee-Determination mechanism

- Fees for issuers (Inter-PSP Fee) and acquirers (Merchant Service Charge) will be regulated
- Fees will orientate towards comparable means of payments and cost-efficient issuers/acquirers
- Re-evaluation of the fee cap in a regular cycle (e. g., yearly)



“Race to the bottom”, leading to low transactional revenues, is a possible scenario



Funding mechanism for D€ accounts

- Automatic and manual transfers of Euros and Digital Euros is a novelty for issuers/acquirers and will lead to high implementation costs
- On top, issuers/acquirers will have to manage more accounts (Euro + Digital Euro)



Potential to have a deep technical impact in existing infrastructures, associated with high investment and new categories of run costs



Core services and use case implementation

- Core services to be offered as a minimum with mandatory online and offline usability
- Obligation to provide electronic payment instruments for P2P-, POS-, E-Com- and Gov.-Trx.
- Offering of physical payment cards to prevent exclusion of the non-digital-minded
- Offering of individually priced value-added services possible – no regulatory price cap planned



Low diversification possibilities in a wide range of service offerings and cannibalization to existing payment products, but value-added services can provide new opportunities

Excursion: A European acceptance network would be a catalyst for Wero

Starting Point

Strong non-European players



European's fragmented payment landscape

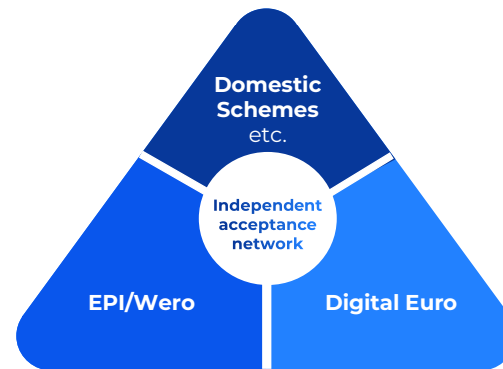
- Local Card Schemes
- Access-to-Account systems
- Digital wallets

Need for European acceptance

Convincing merchants to accept new payment methods is usually associated with high costs for issuers

But: obligation to accept D€ opens new opportunities

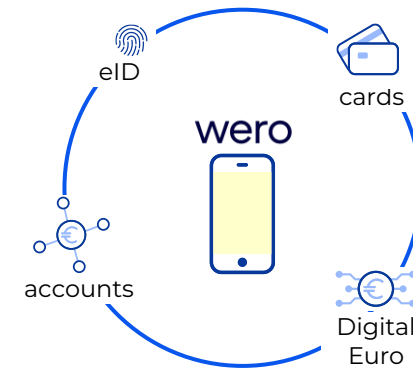
New independent acceptance network



Possible solution

- Establishing a mandatory acceptance network for the Digital Euro
- Wero could be leveraged as a solid foundation
- Creating centrality and developing interoperability between European payment networks

How Wero could function as catalyst



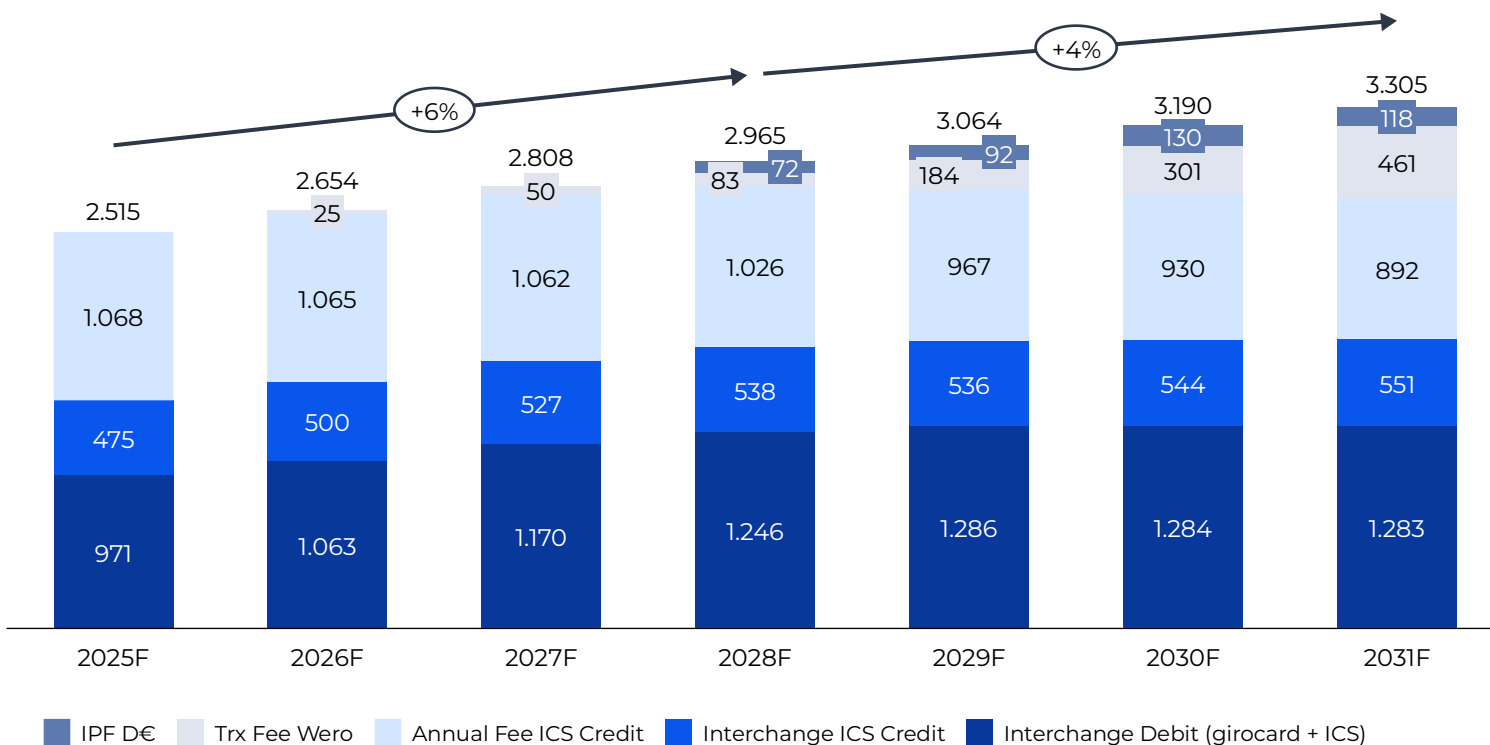
Implementation of D€ into Wero's wallet solution

- Utilization of existing interfaces to minimize intermediaries and legacy systems
- Avoidance of costly and complex parallel developments
- Usage of an already existing partnering network of participating organizations with combined effective power
- Additionally, to include D€: extending Wero's functionalities to direct debit methods, integration of payment cards, including electronic identity and value-added services

Implementation of Digital Euro will lead to decreasing issuer's payment revenues in European markets

Projected development of issuer's revenues of selected payment products

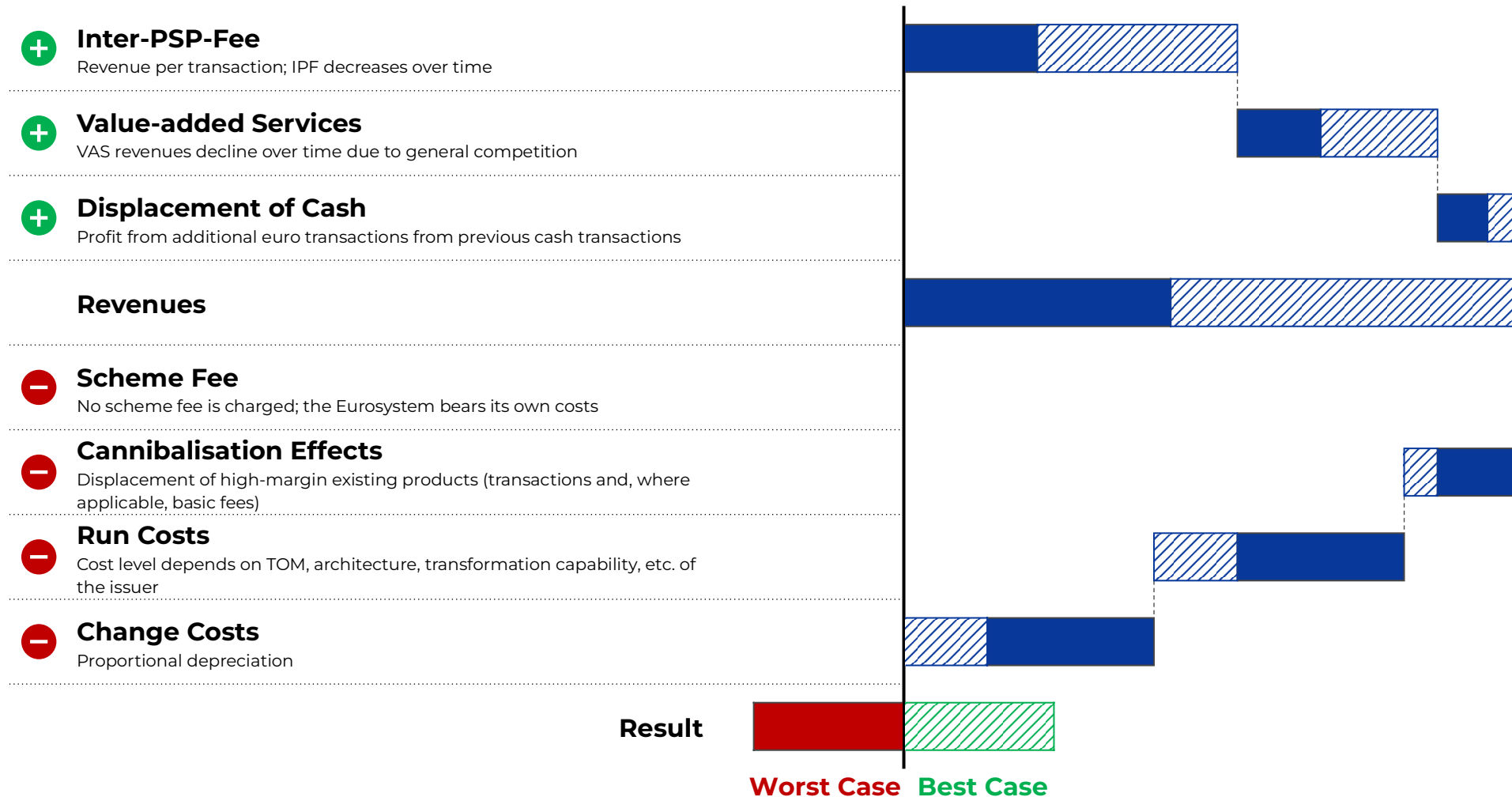
Germany, in Mio. EUR



Key findings:

- **Revenue growth** of overall payment mix for issuers to **slow down** by introduction and processing of D€
- CAGR of German revenues decreases from 6 % to 4 %
- Main drivers are **increasing cannibalization rates** at the expense of established payment means in combination with **decreasing IPF** over time

Whether the business case for issuers achieves a positive ROI depends largely on strategic positioning



Different possible strategic approaches are emerging from the bank's current positioning and foreseeable changing landscape

Current bank positioning (examples):



Strategic approaches:

D€ focus strategy:

Sales growth through pioneering role in D€ offerings and lucrative additional services

ICS focus strategy:

Securing revenue from the ICS business and reducing D€ costs

Regional diversification:

Customer growth by tailoring the product range to individual, regional customer needs

Wero as a D€ enabler:

Use of synergy effects between Wero and D€

Strategy evaluation can be performed by review of relevant criteria – individual weighting should be conducted

		D€ focus strategy	ICS focus strategy	Regional diversification	Wero as D€-enabler
Evaluation criteria (excerpt)	Regulatory compliance	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●
	Customer needs	Customer needs only partially met due to discrimination of domestic and international schemes	Needs of card users met, but D€ users are not at strategies heart	All kind of products offered, but high complexity for customers to use the right product in the matching environment/market	Needs met under prerequisite that Wero is comprehensively accepted as primary D€-solution
	Costs for increase in acceptance	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●
	Implementation Costs	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●
	Run Costs	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●
	Time to Market	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●	● ● ● ● ●
	Bank's profitability	?	?	?	?

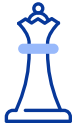
Low Score (negative) ● ● ● ● ● → ● ● ● ● ● High Score (positive)



Individual assessments are necessary to develop fitting strategy approaches for different institutions

A successful D€ strategy begins with the analysis of all relevant parameters

Parameters to be evaluated as a starting point for successful D€ strategy development (excerpt)



Reassessment of payment strategy

“Health check” of the current payment strategy, including assessment of expected impacts



Analysis of transformation capability

Assessment of technical, procedural and personnel capabilities with regard to comprehensive infrastructural transformation



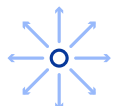
Identification of lucrative value-added services

Value-added services tailored to customer needs offer opportunities to optimise the D€ business case



Planning measures to increase customer usage

Planning measures that promote the use of the D€ from the beginning, e.g., loyalty programs and incentives



Structured development of a partner network

Creation of a roadmap for developing a partner network to increase acceptance of the D€



Not taking action is not an option!

Risk of non-compliance with legal requirements once D€ becomes mandatory

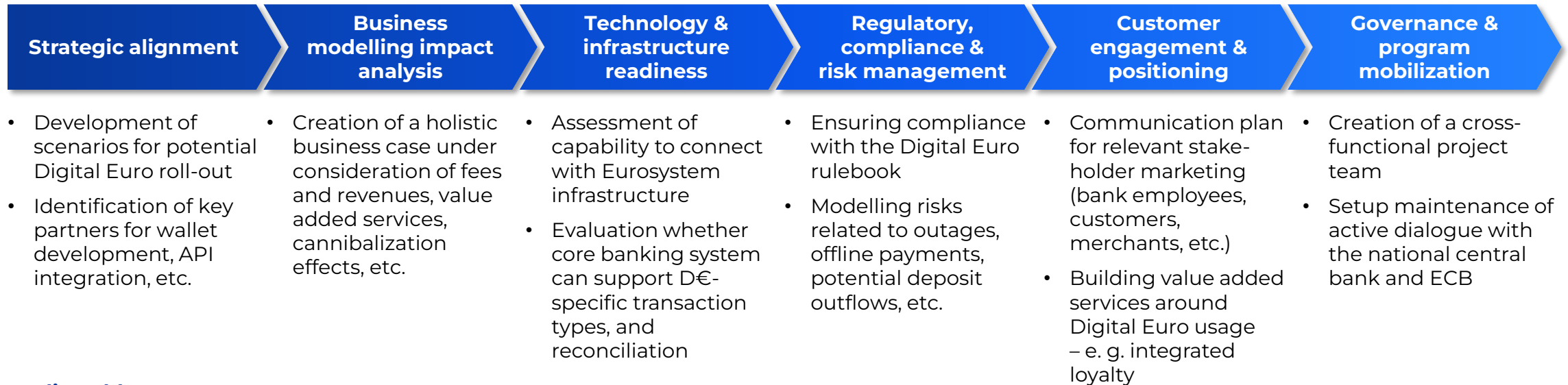
Inadequate and delayed preparation leads to internal governance overload

Risk of falling behind the competition

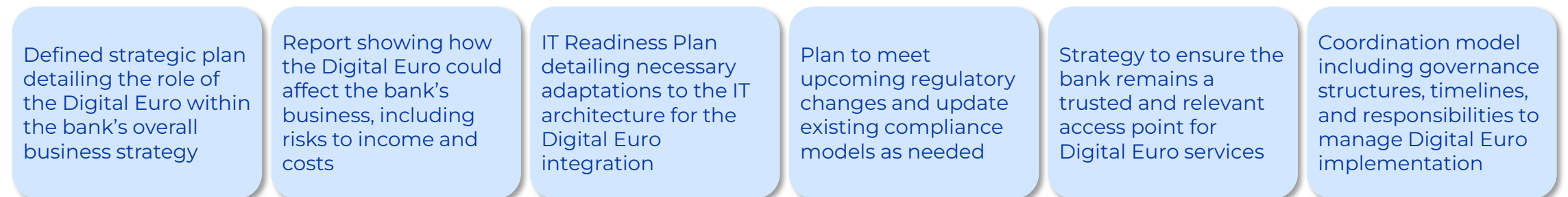
Unclear sourcing strategy leads to unfavorable cost structure

Unadapted payment strategy leads to high cannibalization effects

Proposed project approach for the Digital Euro strategy creation and implementation preparation



Deliverables



TC offers a collaborative workshop to conduct an initial impact assessment



We recommend an **exploratory workshop** to align stakeholders on the Digital Euro's implications, assess initial readiness, and co-create a high-level roadmap

Possible workshop agenda

1. Context setting (30 min)

- Overview of the Digital Euro initiative
- Global CBDC benchmarks

2. Banking business model impact (60 min)

- Deep dive into potential business impacts
- Discussion: Where are we most exposed?

3. Initial readiness self-assessment (60 min)

- E.g., Interactive heatmap review across key dimensions

4. Use case brainstorming (30 min)

- Identifying Digital Euro opportunities

5. Roadmap sketching & next steps (30 min)

- Discuss how to move forward



Location

- On-site recommended
- Half-day (3.5 - 4 hours)



Participants

- Cross-functional: e. g. Strategy, Treasury, IT, Risk
- Thede Consulting / Projective Group



Price

- 10 TEUR (net) incl. preparation and follow-up

Thank You.

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