Council of the European Union
General Secretariat

PUBLIC

Interinstitutional files:
2023/0211 (COD)
2023/0212 (COD)

Brussels, 11 July 2025

WK 9763/2025 INIT

LIMITE

EF
ECOFIN
UEM
CONSOM
CODEC

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

WORKING DOCUMENT

From:	Presidency
To:	Working Party on Financial Services and the Banking Union (Digital Euro Package) Financial Services Attachés
Subject:	Digital euro - WP meeting on 18 July - Presidency discussion note on strengthening resilience and preparedness of European retail payment landscape by digital euro

Danish Presidency
Council of the European Union

PUBLIC

Digital Euro – Presidency discussion note on strengthening resilience and preparedness of European retail payment landscape by digital euro

Working Party on Financial Services and the Banking Union

Date: 11 July 2025

Proposal for a regulation on the establishment of the digital euro

Meeting on 18 July 2025

PUBLIC

Introduction

Ensuring the functioning of critical infrastructure, including payment systems in the EU, is a key priority given the changing security environment. **A resilient digital euro infrastructure can further enhance the resilience and preparedness of European payment systems,** supplementing national preparedness arrangements by establishing EU-wide safeguards for the continuity of payments during exceptional circumstances.

In a non-paper presented in January 2025, Estonia, Finland, Latvia and Lithuania proposed a set of measures with the objective of supporting continued use of the digital euro as a means of payment during emergencies. The provisions proposed in the non-paper **provide Member States with the opportunity to apply optional measures to ensure continued availability of payments services using the digital euro.** These optional measures include the possibility of raising offline holding limits, while respecting the overall holding limit of the digital euro; temporarily activating emergency switching; and setting up mechanisms enhancing the distribution of the digital euro under both normal times and during exceptional circumstances. Member States, the Commission and the ECB welcomed the proposal, but highlighted the need to frame such ideas in a legally sound way and to ensure a harmonized application across Member States in exceptional circumstances.

At the Council Working Party in May 2025 under the Polish Presidency, Member States discussed a wording for the purposes of framing of the measures and ensuring legal and institutional soundness of the legal text. While generally supporting the role of the digital euro in ensuring resilience of payment systems in exceptional circumstances**, some Member States requested further clarity in particular as regards definitions and applicable procedures.** Building on the Member States comments from the May Council Working Party, the Presidency has prepared revised drafting proposals with the aim of addressing these concerns and requests.

PUBLIC

Chapter I

1.1 Definition of exceptional circumstances and specific measures

1.1.1 Clarifying the scope of exceptional measures

The Presidency notes that there was broad support among Member States for including a provision to allow the activation of specific measures in exceptional circumstances, with a view of safeguarding the continuity of payments, including the digital euro. Several Member States, however, requested a number of clarifications to the drafting proposed by the Polish Presidency.

In particular, a number of delegations suggested that Article A should clarify that exceptional circumstances include situations where not only the risk of disruption has already materialised, but **also situations where there is a credible and imminent risk of disruption**. In response, the Presidency proposes to introduce a reference to "risk of disruption" in Article A.

Some Member States also called for greater clarity regarding which **types of disruption the provision is intended to cover**. The Presidency proposes to revise the text so that it now explicitly refers to "*payments, including digital euro payments*", which reflects the suggestion expressed by several delegations that the (risk of) widespread and severe disruption of both general payment infrastructures and those specific to the digital euro can trigger the activation of the measures laid down in Articles B-D. This ensures that the provision is both sufficiently focused and comprehensive.

1.1.2 Proportionality, duration and procedural safeguards

To address concerns raised by several delegations regarding proportionality and the need for clear temporal boundaries, the Presidency proposes to include an explicit reference that any such **measures shall be limited in time**. This addition furthermore responds to comments from delegations highlighting the importance of avoiding open-ended or indefinite application of emergency measures.

At the same time, in order to preserve Member States' autonomy and ensure coherence with national legal frameworks, the second paragraph of the recital accompanying Article A clarifies that **this Regulation is without prejudice to any procedures under national law for declaring emergencies** or requesting measures, as well as to the possibility for Member States to adopt other measures regarding the continuity of means of payments other than the digital euro within their own sphere of competence.

PUBLIC

1.1.3 Business continuity

The Presidency recognises the broad support among Member States for implementing mechanisms to ensure business continuity for merchants through targeted measures. Among these, the **availability of the offline functionality for the digital euro is key to maintaining payment operations in case of a loss of connectivity**. To emphasise this critical role for the offline payment in safeguarding business continuity, the Presidency suggests underscoring this aspect in Recital 36.

In addition, the Presidency notes that several Member States called for the introduction of a measure enabling merchants to continue accepting digital euro payments in cases where the reverse waterfall mechanism is unavailable. The aim of such a measure would be to ensure business continuity by allowing access to digital euro payments even in the absence of access to commercial bank money.

The Presidency suggests addressing this issue through a recital clarifying that, in scenarios **where commercial bank money is temporarily inaccessible and the waterfall mechanism cannot be triggered, merchants may be allowed to continue accepting digital euro payments** to ensure continuity of services.

Furthermore, the Presidency notes that some Member States have raised the question of whether the proposed option to allow merchants to continue accepting digital euro payments when the **waterfall mechanism is unavailable should also be extended to digital euro users.** The idea would be to ensure that individuals could temporarily receive and hold digital euro payments, such as pensions or salaries or income from private individual marketplaces or payments from another person, even in cases where the waterfall mechanism is not operational. At the same time, the Presidency notes that the impact of a disruption to the waterfall mechanism may be more limited in the case of natural persons, who can continue to receive payments and hold digital euro up to the applicable holding limits, even when the waterfall mechanism is temporarily unavailable. In addition, natural person would retain access to the offline functionality, which contributes to resilience by operating independently of connectivity. At this stage, the Presidency is therefore not proposing to reflect such an extension in the legal text, but invites Member States to share their views on whether such an approach should be explored further.

Drafting suggestions

PL Presidency in *blue*
DK Presidency in *red*

Article A – ~~p~~Possibility to adopt certain measures in exceptional circumstances

PUBLIC

One or more of the following measures may be adopted pursuant to the provisions of this chapter, as appropriate, in situations where there is widespread and severe disruption of the continuity of payments or digital euro operations, or a risk of such disruption that affects or threatens to affect, in whole or in part, a Member State or the euro area:

a) raising offline digital euro holding and transaction limits;

b) emergency switching;

c) enhancing the distribution of the digital euro;

These measures shall be applied during the period of time that is necessary in view of the exceptional circumstances in question.

Recital accompanying Article A

To strengthen the resilience of digital euro payments in exceptional circumstances, and to leverage on the digital euro resilience for the benefit of ensuring the continuity of payments, it is appropriate to provide for measures aimed at safeguarding the continuity of digital euro payments. These measures, which consist of the possibility to increase offline limits, activate emergency switching and enhance the distribution of the digital euro, should be limited in time, duly justified and proportionate. They may only be adopted when credible and substantial risks of disruptions to the continuity of payments, including digital euro payments, are growing to a level where actions are needed or when widespread and severe disruptions are already present, whether affecting, in whole or in part, one or more Member States of the euro area or the euro area as a whole. The measures should cease to apply as soon as they are no longer necessary in view of the exceptional circumstances justifying them.

This Regulation is without prejudice to national procedures that Member States may establish for the purpose of requesting the adoption of the measures under this Chapter, to procedures under national law to declare national emergencies, or to their power to adopt other measures regarding the continuity of payments within their own sphere of competence.

PL Presidency in *blue*
DK Presidency in *red*

(36) The digital euro should allow for a smooth payment experience and provide payment continuity also in circumstances where the online digital euro is unavailable

PUBLIC

by ensuring continued availability of offline payments. Any instruments that the European Central Bank might employ to limit the digital euro's store of value function should take this objective into account. Automated mechanisms that link a digital euro payment account with a non-digital euro payment account should allow for an uninhibited payment functionality of the digital euro, by ensuring that transactions are successfully executed in the presence of individual digital euro holding limits that may become binding on the payer's or payee's side. In particular, digital euro users should be able to initiate a digital euro **online** payment transaction even though the amount of their digital euro holdings is ~~**inferior to**~~ **lower than** the amount of the transaction, by automatically mobilising funds from a non-digital euro payment account to complement the transaction amount ('reverse waterfall functionality'). Conversely, digital euro users should be able to receive **online** digital euro payment transactions even though the amount of the transaction exceeds the limit set on their digital euro holdings, by automatically transferring funds in excess of the limit to a non-digital euro payment account ('waterfall functionality'). Such payment functionalities should be expressly authori~~s~~**z**ed by digital euro users. **Merchants and self-employed persons who are typically acting as payees in digital euro payment transactions may accumulate holdings of incoming digital euro payments during the day with a single transfer of funds to the non-digital euro payment account ("waterfall functionality") at the end of the business day, similarly to how physical shops empty their cash register. In exceptional circumstances where the non-digital euro payment account is not operationally available, the frequency of this transfer of funds may need to be extended beyond the end of the business day in order to facilitate that these merchants and self-employed persons can continue to receive digital euro payments.** Where **a** digital euro payment account held by one payment service provider is linked with non-digital euro payment account held by another payment service provider, they should enter into an arrangement specifying their respective roles and responsibilities under data protection rules, as well as agree on the security measures necessary to ensure secure transmission of personal data between the two payment service providers. **For the purposes of the reverse waterfall functionality, natural persons should only have the possibility to link their digital euro payment account to a non-digital euro payment account with the same payment service provider.**

Question 1-3 to Member States:

Q1. Do Member States agree with the proposed drafting suggestions to Article A and its accompanying recital?

Q2. Do Member States agree on the proposed clarifications introduced by the Danish Presidency in recital 36?

PUBLIC

Q3. What are the Member States' views on the possibility of extending the business continuity option to also cover end-users, in addition to merchants, in order to ensure the smooth operation of digital euro payments for private individuals?

1.2. Raising the offline and transaction limits

The Presidency notes that there was overall support for enabling the temporary adjustment of offline digital euro holding and transaction limits in exceptional circumstances, with a view to maintaining the usability of the digital euro in crisis conditions. However, a number of Member States provided specific observations on **the procedure, timing, and scope of the adjustment**.

1.2.1 Ensuring swift and legally sound procedures

To address concerns regarding the urgency and efficiency of such procedures, the Presidency proposes to clarify that, after the submission of a request by one or more Member States to temporarily adjust the limits, **opinions from other Member States and the ECB should be submitted "*without undue delay and in any event within [24] hours*"** from the notification of the request. The same phrasing has been introduced regarding the deadline for the adoption of the Commission's implementing act. This ensures both flexibility and legal clarity while avoiding unnecessary delays, a point emphasised by several delegations.

The Presidency acknowledges that some delegations expressed a preference for involving **Member States more directly in the decision-making process**, for instance by using an examination procedure under comitology. At the same time, a number of delegations underlined the **importance of ensuring that decisions can be taken swiftly** in emergency scenarios. Taking these considerations into account, the Presidency has retained the approach of an implementing act adopted by the Commission without comitology, accompanied by time-bound safeguards, in order to provide procedural clarity while allowing for a prompt response where needed. In addition to this, the Presidency notes that the need for comitology is compensated by the fact that these temporary measures are, in most cases, initiated at the request of the Member States themselves.

1.2.2 Temporary nature and reversibility of measures

The Presidency also proposes to introduce a number of **clarifications regarding the temporal scope of the measures** and the substantive considerations underpinning decisions to raise offline limits. This responds to requests by several delegations who called for clarity on the duration and reversibility of measures.

PUBLIC

To reinforce the temporary nature of such measures and enhance legal certainty, the Presidency proposes introducing a new paragraph 5 to Article B. This provision clarifies that any measure adopted under this Article shall **cease to apply at the end of the specified timeframe** and may be amended or repealed **earlier if circumstances change**. In practical terms, the Presidency understands that once the measure is adopted, the applicable holding limit will be increased accordingly. The update to the holding limit would be applied on the level of individual offline devices upon their next connection to the digital euro infrastructure.

1.2.3 Interaction with the AML/CFT frameworks

Regarding the scope of the increase, a number of delegations raised questions about **whether a specific cap on offline transaction limits should apply** in order to mitigate risks related to money laundering and terrorist financing. The Presidency notes that the introduction of a rigid cap at this stage may limit the flexibility needed in crisis scenarios, where the offline modality could play an important role in supporting payment resilience. In this context, it is important to ensure that the digital euro remains operationally effective under exceptional conditions.

To reflect these concerns, the Presidency proposes to include language in the recital accompanying Article B indicating that any decision under this Article should **take into account AML/CFT risks**, while ensuring that this assessment is **balanced with the need to preserve the usability of the digital euro in exceptional circumstances**. This wording is intended to provide flexibility for crisis response while maintaining risk mitigation as an important consideration.

Drafting suggestions

PL Presidency in *blue*
DK Presidency in *red*

Article B – Procedures for raising the offline holding and transaction limits

1. In the circumstances set out in Article A ~~O~~one or more Member States may submit a request to the Commission for a temporary increase of the applicable offline digital euro payment transaction limits and offline digital euro holding limits, within the limits ~~, which shall respect the limits~~ to the use of the digital euro as a store of value set out in accordance with Article 16. The request shall specify the relevant territories and users and shall contain the grounds justifying that measure and the envisaged ~~precise~~ timeframe for its application.

PUBLIC

2. The European Central Bank and/or the Member States other than those requesting the measure envisaged in paragraph 1 may submit their opinion on the proposed measure without undue delay and in any event within a limit of [24] hours from the notification of the request by the Commission.

3. If the conditions for the adoption of the measure are met, ~~T~~the Commission shall adopt its implementing act without undue delay and in any event within [48] hours after receiving the request referred to in paragraph 1. In case of a negative decision, the Commission shall provide grounds for it.

4. The Commission may adopt such a measure also on its own initiative. Paragraph 2 shall apply mutatis mutandis.

5. The measure shall cease to apply at the end of the timeframe provided for in the Commission implementing act. In duly justified cases, where the circumstances set out in Article A justifying the adoption of the measure continue to exist, change or cease to exist, the Commission shall, without undue delay, adopt a new implementing act under paragraph 3 amending or repealing the measure.

Recital accompanying Article B

To strengthen the resilience of society, payment systems, and the euro, and to support the use of the digital euro in exceptional circumstances, it should be possible to temporarily increase the applicable offline digital euro payment transaction limits and offline digital euro holding limits. These limits should in any event respect the limits to the use of the digital euro as a store of value that are set out in accordance with Article 16. Such a decision may be adopted by the Commission either at the request of one or more Member State concerned or at the Commission´s own initiative. The adoption by means of a Commission implementing act should allow for a rapid activation, also by specifying the relevant deadlines for consultation of the Commission and other Member States as well as for the adoption. The Commission implementing act should take account of the need of balancing its possible impact on money laundering/terrorist financing risks with the need to maintain the usability of the digital euro in exceptional circumstances, and it should allow for input from other Member States and the European Central Bank.

Question 4 to Member States:

Q4. Do Member States agree with the proposed drafting suggestions to Article B and its accompanying recital?

PUBLIC

1.3 Switching: normal and exceptional circumstances

1.3.1 Switching under normal circumstances – Article 31

The Presidency recalls that the online digital euro is not a bearer instrument as ownership is recorded in the digital euro infrastructure and digital euro holdings are accessible exclusively via payment service providers (PSPs). Continued access to digital euro holdings depends on the availability of the relevant keys or "technical proofs". As noted during the May Council Working Party, the continued access to these holdings where a PSP is operationally unavailable depends on the availability of the relevant access keys or "technical proofs". Furthermore, it was noted during the May Council Working Party that the loss of such proofs, particularly in situations where the PSP is also temporarily unavailable, as foreseen under Article 31(2) and Article C, could prevent users from accessing their funds, as switching to a different PSP to access digital euro holdings is not possible without the end-users' technical proofs. This could potentially undermine the integrity of the digital euro and public confidence in its reliability as a public good.

To ensure data separation while maintaining access to holdings, the Polish Presidency suggested exploring the creation of voluntary national central repositories containing end-users' technical proofs, potentially managed by a third party or a public entity other than the ECB or national central banks.

Against this background and taking into account Member States' comments from the May Council Working Party, the Presidency notes that several Member States expressed broad scepticism towards developing a centralised solution, citing its complexity as well as the potential increased risks in relation to data protection and cybersecurity. There was, however, overall support for pursuing a more decentralised model, implemented on a voluntary basis for end-users.

In light of this, the Presidency intends to further explore the feasibility of a solution that would respect user privacy while incorporating appropriate safeguards to ensure that end-users are able to maintain access to their digital euro holdings.

To that end, the Presidency has explored a possible approach whereby **PSPs distributing the digital euro would be required to securely store a copy of the end-user's technical proof**, in addition to the copy made available to the user. This would aim at securing users' fundamental right of access to their property in the digital euro infrastructure under all circumstances. This obligation would not prescribe how PSPs implement the storage, thereby allowing for flexibility, such as storage within their own infrastructure or through sharing arrangements with other PSPs. It would also allow for voluntary arrangements, **with the user's consent, to facilitate the sharing of technical proofs across providers**, potentially enhancing resilience.

PUBLIC

The aim of this approach is to reflect a more decentralised and less intrusive solution than a central repository, while still providing a safeguard in case of situations where users lose access to their technical proofs and their PSP is unavailable. Compared to a central repository, the storage of technical proofs at PSP level could potentially limit the concentration of sensitive data and distributes the operational responsibility, thus potentially reducing systemic cybersecurity and privacy risks.

In terms of privacy considerations, the Presidency notes, drawing on the ECB's presentation during the technical seminar on switching from March 2024, that the storage of technical proofs by PSPs does not, in itself, enable access to users' digital euro holdings or allow inference of user identity.

Moreover, PSPs are already subject to digital operational resilience obligations under the Digital Operational Resilience Act (DORA), which provide a relevant regulatory framework for ensuring the adequate management of their Information and Communication Technology (ICT) systems. The Presidency therefore proposes that these existing requirements could support the aim of implementing a solution in a proportionate and risk-sensitive manner.

Drafting suggestions

BE Presidency text in *black*
DK Presidency in *red*

Article 5

(...)

6. ~~Directive~~ Regulation (EU) ~~2020/1828~~ 2022/2554 of the European Parliament and the Council of 14 December 2022 on digital operational resilience for the financial sector shall apply to payment service providers providing digital euro payment services ~~the representative actions brought against infringements of provisions of this Regulation that harm or may harm the collective interests of consumers~~.

DK Presidency in *red*

Article 31 - Switching of digital euro payment accounts

(…)

PUBLIC

3a. Upon the opening of a digital euro payment account to digital euro users, payment service providers shall request from digital euro users their authorisation to share, with other payment service providers or third parties as applicable, the information necessary to identify the direct liability in digital euro of the European Central Bank or of national central banks towards the digital euro user in order to facilitate switching in the conditions established in paragraph 2 of this Article. Digital euro users may also give that authorisation or withdraw it at any time thereafter.

3b. The payment service providers shall inform digital euro users about the consequences of not authorising the sharing of the information necessary to identify the direct liability in digital euro of the European Central Bank or of national central banks towards the digital euro user in the conditions established in paragraph 2 of this Article.

3c. Any outsourcing arrangements or arrangements between PSPs and third parties for the storing of the relevant information as referred in paragraph 1(f) of Article 34 of this regulation should include adequate safeguards to ensure a high level of data protection, in accordance with Regulation (EU) 2016/679, and apply high-level cyber-security requirements in accordance with the Regulation (EU) 2022/2554.

DK Presidency in *red*

Recital 67:

(...)

The obligation of storage of the information necessary to identify the direct liability of the European Central Bank or of national central banks towards the digital euro users in order to facilitate switching should be subject to the requirements of Regulation (EU) 2022/2554, which sets out requirements to ensure the digital operational resilience of financial entities, including for PSPs offering digital euro payment services.

ES Presidency in *green*
BE Presidency in *black*
DK Presidency in *red*

Article 34
Processing **of personal data** by payment service providers

PUBLIC

1. Payment service providers perform a task in the public interest where they process personal data for the following purposes:

(a) the **implementation and** enforcement of limits~~, including the verification of whether prospective or existing digital euro users have digital euro accounts with another PSP~~, as referred to in Article 16**, including by providing information to and consulting the single access point referred to in Article 16(7a)**;

(b) funding and defunding as referred to in Article 13 (2) and (3), and digital euro payment transactions as referred to in Article 13(4);

(c) the provision of offline digital euro, including the registration and de-registration of the local storage devices as referred to in letter (b) of Annex I;

(ca) switching as referred to in Article 31, including by providing information to and consulting the single access point referred to in Article 31(3);

(cb) ensure access to digital euro, as foreseen in Article 31(2) and in exceptional circumstances as defined in Article C

(d) compliance with Union ~~sanctions~~ **restrictive measures** as referred to in Article 29;

~~(e) the obligations of payment service providers under Directive (EU) 2015/2366 related to the execution of transactions and the prevention and detection of fraud, combatting money laundering and terrorist financing under Directive (EU) 2015/849, taxation compliance under Council Directive 2006/112/EC, Directive (EU) 2011/16/EU and relevant national law, the management of operational and security risks under Regulation (EU) 2022/2554 and obligations under Directive (EU) 2014/92/EU, in so far as they concern the digital euro.~~

(~~f~~e) the provision of information to and the consultation of the fraud detection and prevention mechanism as referred to in Article 32(4).

For the provision of offline digital euro, the processing of personal data by payment service providers is limited to funding and defunding in accordance with Article 37 paragraphs 3, 4 and 5.

PUBLIC

2. For the purposes referred to in paragraph 1 (a) to (c**b**), **and (e)** of this Article, Annex III lays down the types of personal data.

3. The Commission is empowered to adopt delegated acts in accordance with Article 38 to ~~update~~ **supplement or amend, including deletion,** the types of personal data listed in Annex III.

Payment service providers shall be considered ~~to be~~ the controllers of personal data as regards the purposes referred to in paragraph 1 of this Article. Where a digital euro payment account held by one payment service provider is linked with a non-digital euro payment account held by another payment service provider in accordance with Article 13(4), these payment service providers shall be joint controllers.

4. Payment service providers shall implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that any data communicated to the European Central Bank and the national central banks or to providers of support services **are pseudonymised in accordance with Article 4, point (5) of Regulation 2016/679** ~~do not directly identify individual digital euro users~~

5. For the purposes referred to in paragraph 1 (cb) of this Article, payment service providers shall store a copy of the information necessary to identify the direct liability in digital euro of the European Central Bank or of national central banks towards digital euro users in order to ensure that digital euro users can retrieve this information at all times. The payment service providers shall only use the information stored in accordance with this paragraph to ensure switching as referred to in Article 31 and Article C. PSPs shall delete this information upon the termination of the digital euro payment account.

BE Presidency in *black*
DK Presidency in *red*

Article 35

(...)

8. ~~**For purpose of supporting the task of payment service providers to enforce the holding limits in accordance to Article 16(1) and ensuring the emergency switching upon the request of the user in accordance with Article 31(2), the ECB may alone or jointly with national central banks establish a single access point of digital euro user identifiers and the related digital euro holding limits as referred to in point (4) of Annex 4.**~~ **For purpose of supporting the task of payment service providers to enforce the holding limits in**

PUBLIC

accordance to Article 16(1) and ensuring the emergency switching upon the request of the user in accordance with Article 31(2) or in the circumstances of Article C, the European Central Bank may alone or jointly with national central banks establish a single access point of digital euro user identifiers and the related digital euro holding limits as referred to in point (4) of Annex IV. The European Central Bank ~~**and the national central banks**~~ shall implement appropriate technical and organisational measures including state-of-the-art security and privacy-preserving measures to ensure that the identity of individual digital euro users cannot be inferred from the information accessed via the single access point ~~**referred to in Article 16(7a) and Article 31(3)**~~ by entities other than payment service providers whose customer or potential customer is the digital euro user.

9. The European Central Bank and national central banks shall not have access to information stored pursuant to Article 34(5).

DK Presidency in *red*

Annex III

(...)

XX. For the purpose of point (cb) of Article 34(1), processing shall be limited to:

(i) Information necessary to identify the direct liability in digital euro of the European Central Bank or of national central banks towards the digital euro user

Question 5 to Member States:

Q5. Do Member States agree with the proposed drafting suggestions to Article 5, 31, 34, 35, Recital 67, and Annex III?

1.3.2. Emergency switching in exceptional circumstances

The Presidency notes that there was overall support for the Polish Presidency suggestion for an emergency switching provision and acknowledges Member States' requests to ensure that **the measure is temporary and optional by design**. Member States have also noted that upon receiving a reasoned request, the ECB or the relevant national central bank should be required to activate the emergency switching. The Presidency recalls that Article C sets out the possibility for emergency switching in exceptional circumstances, with the objective of ensuring continuity of digital euro payment functions and safeguarding users'

PUBLIC

access to digital euro holdings. In this context, and with the aim of providing greater legal clarity, the Presidency suggests clarifying in Article C(3) that the **temporary nature of the switching measure should be explicitly linked to the continued necessity of achieving these objectives.** In particular, the Presidency suggests specifying that the emergency switching shall only apply for as long as the measure is justified in view of the objective to ensure the continuity of digital euro payment functions and to protect the access of digital euro users to their digital euro holdings.

In connection with the considerations set out under Section 1.3.1 concerning the secure storage and sharing of technical proofs and access keys, the Presidency suggests **supplementing Article C with additional paragraphs aimed at providing a legal basis for PSPs to request user authorisation for switching under exceptional circumstances and to ensure appropriate safeguards for these situations**. This authorisation would be voluntary and revocable, and PSPs would be required to inform users of the implications of not granting such authorisation in a clear and objective manner. In addition, the Presidency proposes that any related storage or outsourcing arrangements should be subject to appropriate safeguards to ensure a high level of data protection and cybersecurity. These clarifications seek to enhance legal certainty, strengthen user and data protection, and support the effective implementation of switching arrangements, including in cross-border contexts.

The Presidency also notes that several Member States have underlined the potential need to ensure that switching can occur across borders in emergency situations. The ECB has confirmed that, from a technical standpoint**, cross-border switching would be feasible, provided the designated PSP or entity is part of the digital euro scheme** and has implemented the necessary preparatory measures. The Presidency suggests that, rather than specifying this aspect further in the Regulation, it could be considered to leave flexibility to Member States in determining how and whether to activate cross-border switching in accordance with Article C and D and within the context of national preparedness plans or coordinated arrangements between Member States.

Drafting suggestions

PL Presidency in *blue*
DK Presidency in *red*

Article C – emergency switching in exceptional circumstances

1. Upon the reasoned request of a Member State, the European Central Bank or the relevant national central bank ~~may~~shall authorise the emergency switching in the circumstances set out in Article A if, on the basis of the information provided by the

PUBLIC

requesting Member State, the measure is justified and proportionate for the achievement of one or more of the following objectives:

(a) to ensure the continuity of digital euro payment functions;

(b) to protect the access of digital euro users to their digital euro holdings.

1a. For the purpose of this Article, the emergency switching shall mean an authorisation of the switching of digital euro payment services from one payment service provider or providers to another payment service provider or providers designated by the Member State. The receiving payment service provider shall perform the switching upon notification of such authorisation, without the need to exchange information with the unavailable payment service provider.

2. The European Central Bank or the relevant national central bank may discuss with the requesting Member State the proportionate measures to be adopted. They shall only refuse to authorise emergency switching if such authorisation is not justified in view of the achievement of the objectives set out in paragraph 1.

3. The emergency switching under this Article shall be a temporary measure. It shall only apply for as long as the measure is justified in view of the achievement of the objectives set out in paragraph 1.

4. When the emergency switching is carried out in accordance with this Article, the digital euro payment account number shall be maintained.

5. Upon the opening of a digital euro payment account, payment service providers shall request from digital euro users their authorisation to share, with other authorities or entities designated to provide temporary digital euro payment services according to Article D or other payment service providers or third parties as applicable, the information necessary to identify the direct liability in digital euro of the European Central Bank or of national central banks towards the digital euro user in order to facilitate the emergency switching in the conditions established in this article. Digital euro users may also give that authorisation or withdraw it at any time thereafter.

6. The PSPs shall inform digital euro users about the consequences of not authorising the sharing of the information necessary to identify the direct liability in digital euro of the European Central Bank or of national central banks towards the digital euro user in the conditions established in this article, in particular the impossibility to carry out the emergency switching foreseen in this article.

7. Any outsourcing arrangements or arrangements between PSPs and third parties for the storing of the relevant information as referred in paragraph 5 of Article 34 in this Regulation, should include adequate safeguards to ensure a high level of data protection,

PUBLIC

in accordance with Regulation (EU) 2016/679, and apply high-level cyber-security requirements in accordance with the Regulation (EU) 2022/2554.

Recital accompanying Article C

To safeguard the operational continuity of digital euro payments in exceptional circumstances and to ensure uninterrupted access for users to their digital euro holdings, it is appropriate to allow the emergency switching. Such emergency switching should be authorised by the European Central Bank or the relevant national central bank, following a reasoned request from the Member State concerned. To this end, Member States may designate payment service providers or entities, located in their national territory or in another Member State, as a backup system to support the temporary provision of digital euro payment services. To be able to provide these services, the entities should participate in the digital euro scheme and have implemented the necessary preparatory measures. These entities may leverage on existing national backup systems to promote operational efficiency and avoid an unnecessary administrative burden.

Emergency switching should be strictly limited in time and should only apply for as long as it is justified in view of the achievement of the relevant objectives.

Question 6 to Member States:

Q6. Do Member States agree with the proposed drafting suggestions to Article C, and its accompanying recital?

1.4 Enhancing the distribution of the digital euro

The Presidency notes the broad support among Member States for the possibility to designate an authority or entity to provide temporary digital payment services in exceptional circumstances.

The Presidency further acknowledges the views expressed by some delegations advocating for flexibility as regards the entities or authorities that are to be designated to provide temporary digital euro payment services in exceptional circumstances. To accommodate this view and ensure effective implementation, the Presidency proposes to clarify that, in exceptional circumstances, all categories of PSPs as defined in the PSD2 (except for the ECB and National Central Banks), i.e. both public and private entities, may be designated to provide digital euro services in line with the changes to Article 14(3) proposed by the Polish Presidency. This approach takes into account the diversity of payment system architectures across Member States and provides the necessary flexibility for Member States.

PUBLIC

In response to remarks from Member States regarding the timing and procedural aspects of deactivating the measure, the Presidency has proposed a revised draft underscoring the time-limited nature of the provision, suggesting that the measure for enhancing the distribution of the digital euro should cease to apply as soon as the exceptional circumstance cease to exist.

Drafting suggestions

PL Presidency in *blue*
DK Presidency in *red*

Article D~~:~~ – Enhancing the distribution of the digital euro in exceptional circumstances

In ~~the situations~~ ~~provided for by~~ the circumstances set out in Article A, and only for as long as it is justified, Member States may decide that ~~they have designated pursuant to Article 14(3)~~ one or more of the authorities or ~~bodies~~ other entities referred to in Article 1 (1) points (a) to (d), and (f) of the Directive (EU) 2015/2366 shall~~, in addition to their other tasks,~~ provide temporary digital euro payment services and payment instruments to digital euro users that are necessary to facilitate the continuity of daily payments.

Recital accompanying Article D:

To safeguard the continuity of digital euro payment functions and to protect access of users to digital euro holdings, Member States may designate authorities or other entities to provide temporary digital euro payment services and instruments to digital euro users under exceptional circumstances. These authorities or entities may be the same as the specific entities designated for the distribution of the digital euro in the framework of Article 14(3), but they may also be authorities or other entities within the categories mentioned in that provision. Member States may ~~operate under~~ use service agreements when designating the authorities or other entities to reduce the burden imposed on them. This could create synergies as under normal circumstances, the designated authorities and entities could be tasked with providing basic digital euro payment services to these consumers as well as the appropriate face-to-face support. This would ensure access to digital euro payment services to vulnerable groups. Under exceptional circumstances, these authorities or entities could be designated to serve a broader range of users with digital euro payment services and instruments to facilitate the continuity of daily payments on a temporary basis. To be able to provide these services, these authorities or other entities should be members of the digital euro scheme and have implemented the necessary preparatory measures. In order to provide guidance on policies, procedures and controls that authorities or other entities designated by the Member States should have in place in exceptional circumstances to balance the need

PUBLIC

for broad access to the digital euro with robust AML/CFT measures, the EBA and AMLA should issue guidelines.

Question 7 to Member States:

Q7. Do Member States agree with the proposed drafting suggestions to Article D and its accompanying recital?

1.5 Other drafting suggestions

1.5.1 Payment continuity under crisis scenarios

In line with the ambition to enhance the resilience of the digital euro, the Presidency proposes to reflect this dimension more explicitly in the accompanying recitals. To this end, targeted clarifications are suggested in recitals 3 and 5 aiming at underlining the role of the digital euro in supporting payment continuity under crisis scenarios.

Drafting suggestions

DK Presidency in *red*

(3) Central bank money in the form of banknotes and coins cannot be used for online payments. Today, online payments rely entirely on commercial bank money. The acceptability and fungibility of commercial bank money rely on its convertibility on a one-to-one basis to central bank money with legal tender, which serves as a monetary anchor. That monetary anchor is at the core of the functioning of monetary and financial systems. It underpins users' confidence in commercial bank money and in the euro as a currency and is therefore essential to safeguard the stability of the monetary system in a digitalised economy and society. As central bank money in physical form alone cannot address the needs of a rapidly digitalising economy, this could gradually remove the monetary anchor for commercial bank money. It is therefore necessary to introduce a new form of official currency with legal tender which is risk free**, resilient,** and helps visualise the convertibility at par of the money issued by various commercial banks.

(5) In a context where cash alone cannot answer the needs of a digitalised economy, it is essential to support financial inclusion by ensuring universal, affordable**, resilient,** and easy access to the digital euro to individuals in the euro area, as well as its wide acceptance in payments. Financial exclusion in the digitalised economy may increase as private digital means of payments may not specifically cater for vulnerable groups of the society or may not be suitable in some rural or remote areas without a (stable) communication network. According to the World Bank and the Bank for International Settlements, "efficient, accessible and safe retail payment systems and services are critical for greater financial

PUBLIC

inclusion". That finding was further substantiated by the study on new Digital Payment Methods commissioned by the European Central Bank, which concluded that for the unbanked/underbanked/offline population, the most important features of a new payment method are easiness of use, not requiring technological skills, and to be secure and free of charge. A digital euro would offer a public alternative to private digital means of payments and support financial inclusion as it would be designed along these objectives, thus catering for free access, easiness of use and wide accessibility and acceptance.

(16) The digital euro, as a digital currency with the status of legal tender denominated in euro issued by the European Central Bank and national central banks of the Member States whose currency is the euro, as part of the Eurosystem, should be widely accessible, usable**,** **resilient,** and accepted as a means of payment. Granting legal tender status to the digital euro should support its usability in payments across the euro area and thus also support the efforts to ensure the continued availability and accessibility of central bank money in its role of monetary anchor, as cash alone cannot address the needs of a rapidly digitalising economy. In addition, the mandatory acceptance of payments in digital euro as one of the main conditions of the legal tender status ensures that people and businesses benefit from a wide acceptance and have a real choice to pay with central bank money in a digital way and in a uniform manner throughout the euro area.

1.5.2 Infrastructure

The Presidency notes that at the Council Working Party meeting in May 2025, held under the Polish Presidency, the topic of the digital euro infrastructure was discussed. Several Member States expressed support for including a "technology clause" aimed at **ensuring the ongoing development of the digital euro's technical architecture and standards** over time.

To reflect this objective, the Presidency suggests introducing a recital underlining the importance of allowing the digital infrastructure to evolve in line with technological progress. Some Member States also proposed embedding this principle into legal provisions. The Presidency notes the relevance of this suggestion and acknowledges the importance of encouraging continued technological development. At the same time, it is important to consider potential cost implications, and the maturity of technologies involved. Therefore, the Presidency proposes addressing the objective through a recital, in order to provide strategic direction while maintaining flexibility in the implementation.

Furthermore, the Presidency notes that several delegations in general also have questioned the use of the phrase "state-of-the-art security", citing the absence of a clear legal or technical definition. Some Member States have pointed that this terminology may **lead to diverging interpretations in implementation and asked for clarification on which technologies the term is intended to cover**, and how the digital euro regulation ensures

PUBLIC

that the digital euro strikes the right balance between the appropriate level of security, privacy and the cost of implementing state-of-the-art technology.

To address Member States' concern about interpretation, the Presidency proposes introducing a recital clarifying that "state-of-the-art" in this context does not necessarily imply the newest cutting-edge technology. Rather, it refers to the current and generally accepted best practices, technological developments, and scientific knowledge relevant to the specific field. As this concern applies across several provisions, the Presidency suggests including Recital XX for now, allowing for flexibility to place it where it fits best together with drafting suggestions at a later stage.

Drafting suggestions

DK Presidency in *red*

(XX) The digital euro settlement infrastructure should, on a continuous basis, be built on state-of-the-art technology and ensure the constant development, adoption and uptake of new technologies while respecting cybersecurity, data protection by design and by default and the preparedness by design principle and accounting for cost efficiency and operational suitability.

(YY) When used in this Regulation, state-of-the-art does not necessarily mean the use of cutting-edge technology. Rather, it refers to the current and generally accepted best practices, technological developments, and scientific knowledge relevant to the data protection and cybersecurity fields.

Question 8 to Member States:

Q8. Do Member States agree with the proposed drafting suggestions to recital 3, 5, 13, 16, and recitals XX and YY?

PUBLIC

Chapter II

1. Enabling offline payments by default and automatic funding

The Presidency recalls that the offline functionality is one of the core features of the digital euro, designed to enhance resilience, inclusion, and privacy in the digital payments ecosystem. During previous discussions, including in response to the French non-paper of September 2024, several delegations highlighted the value of **promoting cash-like privacy features of the offline functionality** whenever a payment is made in proximity and below the transaction and holding limits defined in Article 37(5).

The Presidency notes that following the discussion of the French non-paper in the Council Working Party meeting in September 2024, the majority **of delegations expressed support for the ECB's proposal to enable** users to (i) set the **offline modality as the default** option for proximity payments and (ii) to **activate automatic funding for their offline wallet** when using the offline functionality of their mobile phones. These features were considered helpful in enhancing the user convenience, in particular by reducing the risk of failed transactions and ensuring continued access in situations of limited connectivity or temporary disruptions.

In its written analysis of the French non-paper, the ECB confirmed that both proposals are technically feasible and can be implemented with appropriate safeguards in place. This implies that users would be able to prioritise offline proximity payments ex-ante, and their offline wallet could be funded based on pre-set preferences and thresholds, such as topping-up when a minimum balance is reached. It was also noted that default offline use would operate strictly within the applicable holding and transaction limits set for offline digital euro payments under Article 37 (5). The ECB confirmed that it has been working on integrating the two functionalities in the digital euro rulebook.

In light of the relevance for user experience and, the Presidency suggests that these two functionalities could be reflected in the Regulation. In this context, the Presidency proposes introducing a new paragraph in Article 23, as well as a reference in Annex II to ensure that the funding of the offline wallet would be a basic service. The proposed wording aims to ensure that these features shall be made available to users, while preserving sufficient flexibility for the Eurosystem and payment service providers in determining the technical modalities of their implementation.

PUBLIC

Drafting suggestions

DK Presidency in *red*

Article 23 – Offline and online digital euro payment transactions

1. The digital euro shall be available for both online and offline digital euro payment transactions as of the first issuance of the digital euro.

2. The digital euro, held online or offline, shall be convertible at par between each other, at the request of the digital euro users.

3. ~~**Before initiating a digital euro payment transaction in a proximity payment, t**~~The payee and the payer shall ~~**be informed of**~~ **be able to identify** whether the digital euro payment transaction ~~**will be**~~ **takes place** offline or online.

4. **Digital euro users shall be able to choose whether their digital euro payments in proximity shall be offline or online by default.**

5. **Digital euro users shall be able to establish an automated funding of their digital euro offline holdings, if the digital euro user's device supports automated funding. Automated funding shall be without prejudice to the limits adopted pursuant to Article 37 (5).**

ES Presidency in *black*
DK Presidency in *red*

Annex II – Basic Digital Euro Payment Services

Basic digital euro payment services for natural persons shall consist of:
(…)

(f) ~~**digital euro payment transactions**~~ **funding and defunding operations** referred to in Article 13(4) **and Article 23(5)**; ~~**and**~~

Question 9 to Member States:

Q9. Do Member States agree with the proposed drafting suggestions to Article 28 and annex II?