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Digital euro and cash management: challenge or opportunity?



The digital euro is being developed as a new form of central bank money for use in digital payments. According to the European Central Bank's current objectives, it is expected to complement cash in the digital sphere by 2029, while strengthening the resilience and monetary sovereignty of payments across Europe.¹

In the current draft of the Digital Euro Scheme Rulebook (v0.9, June 2025), the European Central Bank defines the key roles and processes associated with the digital euro.² In addition to private users who will be allowed to hold digital euro up to a limit that is yet to be determined, only intermediaries — banks and payment service providers — will be permitted to hold and manage digital euro balances directly via a digital euro service platform dedicated cash account (DESP DCA) within the TARGET system. Businesses and merchants, on the other hand, will be able to maintain multiple digital euro accounts for transactions. However, any balances will automatically be converted into commercial bank money and credited to a designated bank account, in line with the rule (D€-LM-012-001/2).

For banks, this introduces a new challenge of integrating an additional payment stream into their cash management offerings. Those who fail to do so in time risk losing ground in the corporate banking business.

1. [Digital euro: protecting our freedom, autonomy and security](#)
2. [Draft digital euro scheme rulebook v0.9](#)

The importance of cash management for corporates

Cash management for companies involves far more than simply processing payments. It governs liquidity, forms the basis for managing receivables and ensures transparency in the use of funds.

Banks support this through a wide range of specialized cash management solutions, such as:

- **Virtual accounts**, which enable automated and reliable allocation of recurring incoming payments (e.g. insurance premiums)
- **Collection and disbursement processes**, for example via camt.054 messages (ISO 20222 cash management notification), which structure

bulk payments and simplify receivables management

- **Cash pooling**, i.e. allowing liquidity to be consolidated across multiple accounts and entities, enabling centralized liquidity control.

These and other mechanisms form the backbone of corporate cash management. The ability to reconcile transactions reliably, manage liquidity effectively and report key figures accurately increases efficiency and planning security for businesses.

Implications for corporates with the introduction of the digital euro

The often individually tailored end-to-end processes in today's corporate cash management will be put to the test with the introduction of the digital euro. Every transaction in the new environment will involve a funding or defunding process between two accounts from a corporate perspective — at least one digital euro account and a corresponding reference current account. In the funding process (reverse waterfall method), funds are transferred from the company's current account into the digital euro system to enable payments in digital euros. In the defunding process (waterfall method), the opposite occurs — digital euro balances, for example after receiving payments at a point of sale or in e-commerce, are converted back into commercial bank money.

With this shift, corporates face several key questions regarding their cash management:

- How can incoming digital euro payments be allocated as precisely and automatically as

current account transactions? Will existing virtual account structures continue to work in the new digital euro ecosystem, or will they lose relevance?

- How will cash management and reconciliation processes change if each digital euro payment results in a real-time individual posting to a current account through the 'waterfall posting mechanism', replacing today's batch postings, batch windows and aggregation processes?
- How must enterprise resource planning (ERP), treasury and backend systems be adapted to process new digital euro references (e.g. instruction IDs, settlement IDs) seamlessly and ensure a consistent 1:1 match between payment, order and POS event? Can existing reference models be transferred to maintain mapping continuity?

Recommended actions for banks

The introduction of the digital euro presents banks with the challenge of safeguarding their corporate cash management offerings given this new payment stream. The three aspects mentioned above — virtual accounts, batch postings and references — represent only a small number of issues. Beyond these, banks should consider a wide range of strategic topics in the context of cash management, such as integrated cash pooling (without a separate physical pool), payment-on-behalf-of (POBO) and collection-on-behalf-of (COBO) models, multi-currency accounts and potential interest mechanisms, all of which may be affected by the introduction of the digital euro.

Corporates will expect their established processes to continue running smoothly. Early analysis is

therefore essential to understand how existing workflows will interact with the new digital euro mechanisms. A systematic review of the bank's own cash management product portfolio — from virtual accounts to reporting solutions — forms the foundation. It is equally important to identify new requirements early on, such as interfaces, automated reconciliations and enhanced reporting formats.

Those who create transparency early and develop robust solutions will strengthen customer relationships and competitiveness within the expanded transaction banking ecosystem shaped by the digital euro.

How Capco and Wipro can support you

Capco and Wipro support institutions in the strategic, business and technical preparation for the digital euro. Our focus is on the interplay between regulatory compliance, technical integration and product strategy. Together with our clients, we develop solutions that secure and enhance existing cash management processes in the context of the digital euro and unlock new market potential.

From analyzing the impact of the digital euro on existing payment systems and processes to the design and implementation of new cash management processes, we help banks not only manage the digital euro but also actively shape it for themselves and their customers. In this way, a regulatory challenge becomes an opportunity to further develop the entire cash management offering.

Those who integrate the digital euro into their cash management strategy at an early stage build trust with corporate clients and position themselves as innovation partners in the digital payments landscape of tomorrow.

Contact us to find out how we can support your organization on your digital euro journey.

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About Capco

Capco, a Wipro company, is a global management and technology consultancy redefining transformation across the financial services and energy industries. Capco leverages the power of AI and our deep domain expertise to help our clients move faster, make smarter decisions, and drive greater impact. Our award-winning Be Yourself at Work culture and diverse talent drive bold, forward-thinking ideas and lasting change.

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