Digital money in the Digital age

From stablecoins to Digital Euro: what's next for payments?

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Foreword

The rise of digital money represents a significant shift in how value is transferred, stored, and governed in the 21st century. New forms of digital money such as stablecoins, tokenized deposits, and Central Bank Digital Currencies (CBDCs) are becoming more prominent. Consequently, established financial institutions and regulatory frameworks must adapt rapidly.
This transition offers possibilities for increased financial inclusion, operational efficiency, and transparency. Digital money can streamline cross-border payments and lower transaction costs. It could also increase financial inclusion by facilitating access for individuals who have previously lacked mainstream banking services. Additionally, the programmable nature of digital currencies allows for the development of new financial products and the automation of processes.

Globally, the adoption and management of digital currencies have distinct geopolitical impacts. Countries recognize that advances in digital finance may influence monetary sovereignty and strategic autonomy. For example, the development of the Digital Euro aims to improve payments for citizens while maintaining the Eurozone's competitiveness and strategic autonomy. Similarly, China's introduction of the digital yuan marks a new stage in international financial interactions.

Overall, digital money is changing the landscape of international finance, encouraging both cooperation and competition among states, central banks, and private sector participants. Progress in this area will rely on managing evolving regulations, addressing risks, and supporting ongoing innovation with economic and social considerations. As the boundaries between traditional and digital finance blur,

the choices made today will define the direction of the global financial system for decades to come.

This study provides an analysis of the opportunities and challenges associated with digital money, aiming to clarify the complexities of its development and support the effective use of digital currencies for the global economy.
The first section examines the growth of stablecoins, which had a market capitalization exceeding $301 billion as of November 2025 (+90% YoY) and monthly transaction volumes reaching $5.1 trillion. This expansion highlights growing interest in digital assets and confidence in the underlying technologies. Specifically, the study discusses stablecoins' role in integrating traditional financial systems with digital assets and addresses related regulatory and monetary concerns.

Section 2 examines the significance of the Digital Euro in preserving monetary sovereignty and boosting competitiveness within the Eurozone's evolving digital economy. Since 2020, the European Central Bank (ECB) has spearheaded initiatives to introduce a digital form of cash for EU citizens. Recently, the Governing Council of ECB decided to move to the next phase of the project, with the aim of continuing to build the necessary technical capabilities ahead of the potential issuance of the Digital Euro envisaged for 2029. The transition to this new phase marks the conclusion of the Preparation Phase, during which several key activities were carried out, including the provision of a draft Digital Euro Scheme Rulebook and the selection of providers for the development of the Digital Euro platform and the required infrastructure. Nonetheless, challenges such as potential effects on financial stability, consumer adoption, privacy and implications for the broader financial sector persist.

Section 3 evaluates the impact of stablecoins in Europe's payment environment, their prevalence, and their influence on European monetary policy and sovereignty. The relationship between stablecoin, Digital Euro, and commercial money is explored, considering factors such as speed, cost effectiveness, transparency, and programmability. Banks and other financial intermediaries may need to respond to avoid disintermediation.

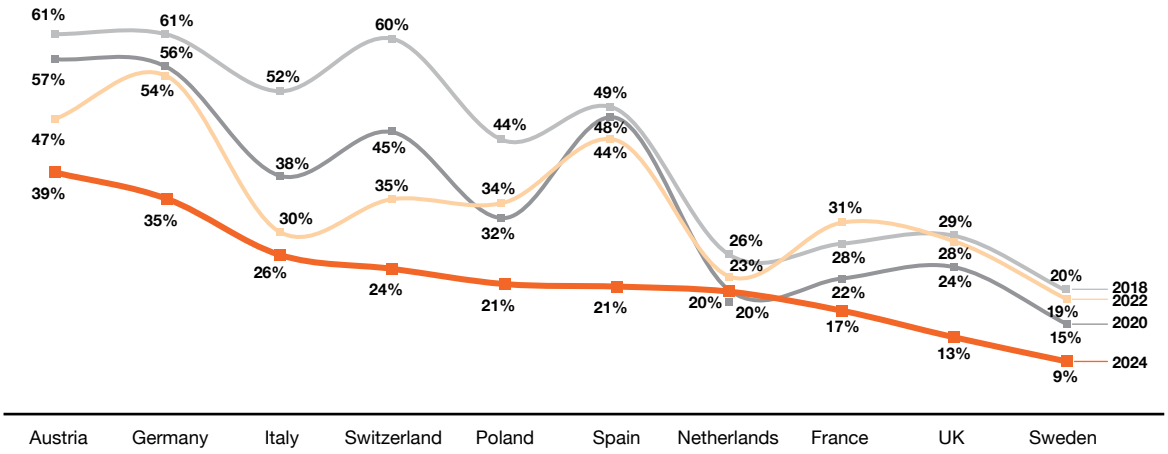
Converting traditional financial operations to digital applications poses challenges and will require sustained effort. As financial systems and regulations evolve, inaction is no longer an option.

Money 2030: pursuing strategic autonomy and sovereignty in the era of digital payments

The economics of money and payments, once a niche area of interest limited to central banking, academia, and the financial industry, has undergone a significant transformation over the past 15 years.

Technological advancements are reshaping the payments landscape at an unprecedented pace, with the impacts becoming increasingly evident in daily life. Cash preference declined by more than half across most countries since 2018, driving increased demand for electronic payment solutions. Domestic payments offer in most instances enhanced convenience and immediate accessibility.

Figure 1: Preference for cash when shopping/paying for services



Source: Strategy& (2024), Payments and Open Banking survey

Technology-focused start-ups (“Fintech”) and major digital platforms (“Big Tech”) are steadily intruding on a market traditionally dominated by banks and credit card providers. Simultaneously, the emergence of distributed ledger technology (DLT) has enabled the decentralized settlement of electronic transactions, paving the way for cryptoassets and stablecoins as a means of payment that could possibly offer opportunities in terms of even cheaper, faster and more efficient solutions, by limiting intermediaries.

Cryptoassets such as Bitcoin, Ethereum, and Solana are digital tokens secured by decentralized blockchains. They serve primarily as stores of value or utility tokens. Beyond native cryptocurrencies, these protocols can also host tokenized representations of traditional assets—including financial instruments, real estate, and commodities. This enables the transfer and settlement of these assets directly on-chain.

However, many investors still view cryptoassets as a speculative asset class. This is largely due to significant volatility and ongoing challenges in governance and regulatory frameworks.

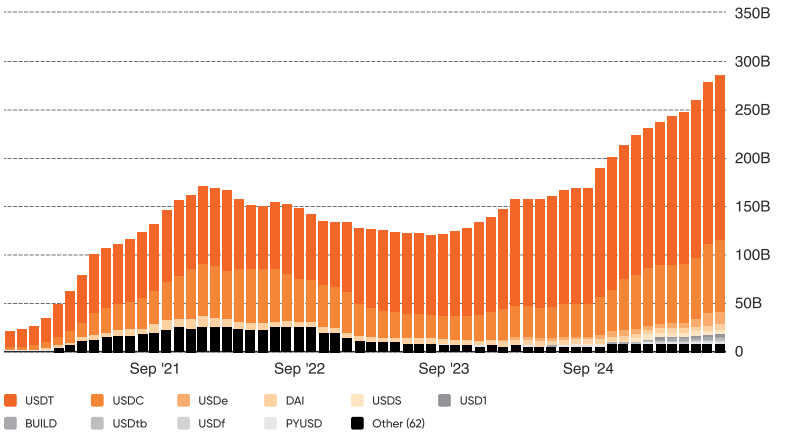
Emerging stablecoins leverage the distinctive technology of cryptoassets and aim to maintain a stable value. These digital currencies are pegged to reserve assets such as fiat currencies or commodities, with the purpose of reducing price volatility. Stablecoins function as bearer instruments and are frequently issued by organizations other than banks, falling under regulatory frameworks such as Markets in Crypto-Assets Regulation (MiCAR) or E-money Token (EMT) classification and the recent Genius Act in the USA. They represent a tokenized form of money, serving as a connection between conventional fiat currencies and blockchain ecosystems.

Stablecoins have experienced remarkable growth in both adoption and usage over the past several years. As of November 2025, the market capitalization soared beyond $301 billion, marking an impressive annual increase of 90%. This surge reflects rising confidence in technology and a growing appetite for digital assets. By 2030, stablecoins are expected to account for nearly 10% of US M2 in the optimistic projections[1]. Such a shift would signal stablecoins moving from the periphery of financial innovation into the very core of monetary activity, fundamentally changing how value is stored, transferred, and settled.

Monthly transaction volumes have witnessed a dramatic rise as well, climbing to US$5.1 trillion in November 2025, two times more than the figures recorded in 2024[2]. Nevertheless, it is important to consider that part of transaction volume may be driven by automated trading and speculative behaviours. Excluding high-frequency trading and automated activities, transaction volumes reached US$1.3 trillion across 231 million transactions in November 2025, representing approximately a twofold year-on-year growth rate. This confirms the transformative potential of stablecoins as they increasingly bridge the gap between traditional finance and the emerging world of digital assets[3].

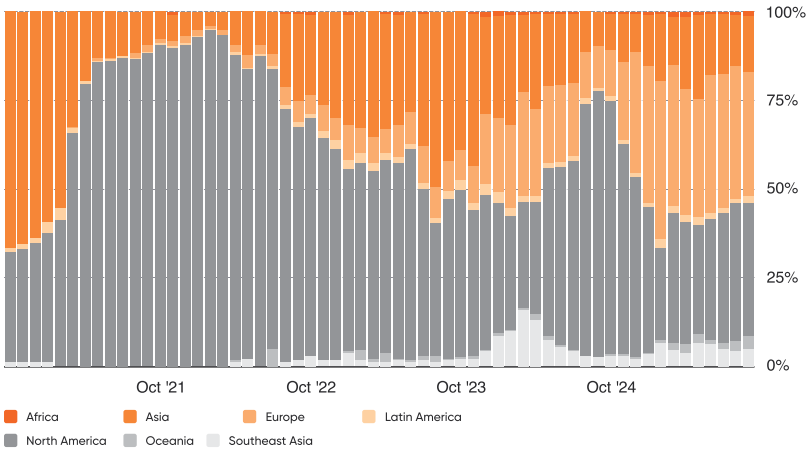
Despite the impressive numbers, retail-sized transactions represent only a minor portion of the overall stablecoin activity, accounting for less than one percent of total settlement stablecoin transactions volume over the past twelve months.

Figure 2: Total stablecoin supply, $ trillion



Source: Dynamic, the 2025 stablecoin playbook

Figure 3: stablecoin transactions by Region



Source: Dynamic, the 2025 stablecoin playbook

1. Keyrock (2025), stablecoins payments: the trillion dollar opportunity
2. The Block
3. Visa Onchain Analytics Dashboard

This expansion can be attributed to several factors. The increasing integration of stablecoins into mainstream payment systems and the proliferation of partnerships with crypto-native companies (such as Bridge, Stripe, and Moonpay) have accelerated their utility for both consumers and businesses. For example, major payment networks, such as Visa and Mastercard, have started incorporating stablecoins into their platforms, enabling instantaneous conversion and facilitating seamless cross-border transactions.

At the same time, large financial institutions are exploring stablecoin issuance and tokenized deposits as part of their transformation strategies, further legitimizing the space and broadening its impact across the global financial ecosystem. JP Morgan has introduced tokenized deposits through its Onyx (now Kinexys) platform and is exploring the issuance of another deposit token (JPMD) on public blockchains. Several major banks, including Citi, JPMorgan, Wells Fargo, and Bank of America, are reportedly considering consortium-based stablecoin issuance, utilizing established trust and regulatory structures. Leading European financial institutions have also initiated similar projects for tokenized deposits, aiming to develop shared platforms for digital money.

Furthermore, the United States administration has taken steps to position the country as a leader in the global digital assets landscape. Stablecoins are considered relevant to influence the US dollar's role in the international economy and to lower borrowing costs by raising demand for US Treasuries through stablecoin reserve holdings.

With more than 99% of stablecoins denominated in US dollars, their widespread adoption could contribute to a bottom-up dollarization driven by individuals, as well as financial and non-financial corporations. In fact, US dollar-pegged stablecoins represent an attractive alternative for users especially in countries with high inflation, capital controls or limited access to dollar accounts[4].

Recent regulatory developments in the US, namely the Genius Act and the Clarity Act, support this strategy by setting the path forward for regulatory clarity around digital assets. The aim is to build the groundwork for a new dollar-based system built on blockchains. Specifically, the Genius Act, signed into law by the President of the United States of America on 18 July 2025, introduces a comprehensive regulatory framework for payment stablecoins. It defines them as digital assets used for payments, convertible to a fixed monetary value, and prohibited from offering interest or yield. Issuers must maintain 1:1 reserve backing in U.S. currency or high-quality liquid assets, with strict rules against reuse of reserves. Among other provisions, the Act enforces tailored risk and governance standards, covering capital, liquidity, operational, and IT risks, including interest rate exposure and reserve diversification. It applies AML and consumer protection rules equivalent to those for banks, banning misleading claims and tying usage to other services.

Nevertheless, a global stablecoin adoption could have significant geopolitical implications. The Bank for International Settlements (BIS), in its Annual

4. BIS Annual Economic Report 2025

Economic Report 2025, highlights the loss of monetary sovereignty and capital flight as major concerns in this scenario. These developments could result in other economies facing increased financing costs compared to the United States, diminished autonomy in monetary policy, and heightened geopolitical dependency.

In this context, CBDCs have rapidly ascended in discussions around the future of money. Unlike cryptocurrencies issued by private entities, CBDCs are a digital extension of sovereign money, issued and backed by central banks themselves and accessible to all citizens. A CBDC can be accessible to the public and could be used domestically or cross-border (retail CBDCs), or available only to Financial Institutions and other licensed Financial Institutions for interbank payments and securities transactions (wholesale CBDCs).

The decision by major economies to experiment with or deploy CBDCs is not a technical evolution, but rather a strategic decision with significant international implications. For example, China has positioned its digital yuan (e-CNY) as a central pillar of its international economic policy. By embedding the e-CNY into trade networks fostered by the Belt and Road Initiative, the Digital Silk Road and the Cross-border Interbank Payment System, China seeks to expand the use of its currency across borders, strengthening its influence within partner countries and reducing reliance on the US dollar for international transactions and thereby gradually shifting away from the US dollar's dominance in global finance.
This is a clear signal of how digital money is becoming a lever for geopolitical ambition.

Moreover, by providing a regulated, state-backed digital alternative, Central Banks can maintain oversight over the payments landscape, reduce the risks associated with shadow currencies, and ensure that innovations in money serve the public good rather than narrow private interests. CBDCs represent a new frontier in the competition for economic resilience and global influence. In this race, early movers like China are seeking to set new standards, while other major economies are carefully considering the implications for their own sovereignty, financial stability, and role in the world economy.

While some jurisdictions have favoured a state-backed solution (e.g., China, EU) and others have preferred a private-sector-led solution (e.g., the US), the United Arab Emirates is currently the only country to have introduced legislation that allows all forms of digital currencies to be developed. The central bank has issued the Digital Dirham, and promoted a favourable regulatory environment for cryptos, including a stablecoin regulation. These measures collectively are paving the way for an extended digital money environment.

Figure 4: CBDCs global map

+90%

Central Banks **engaged** in **CBDCs initiatives**

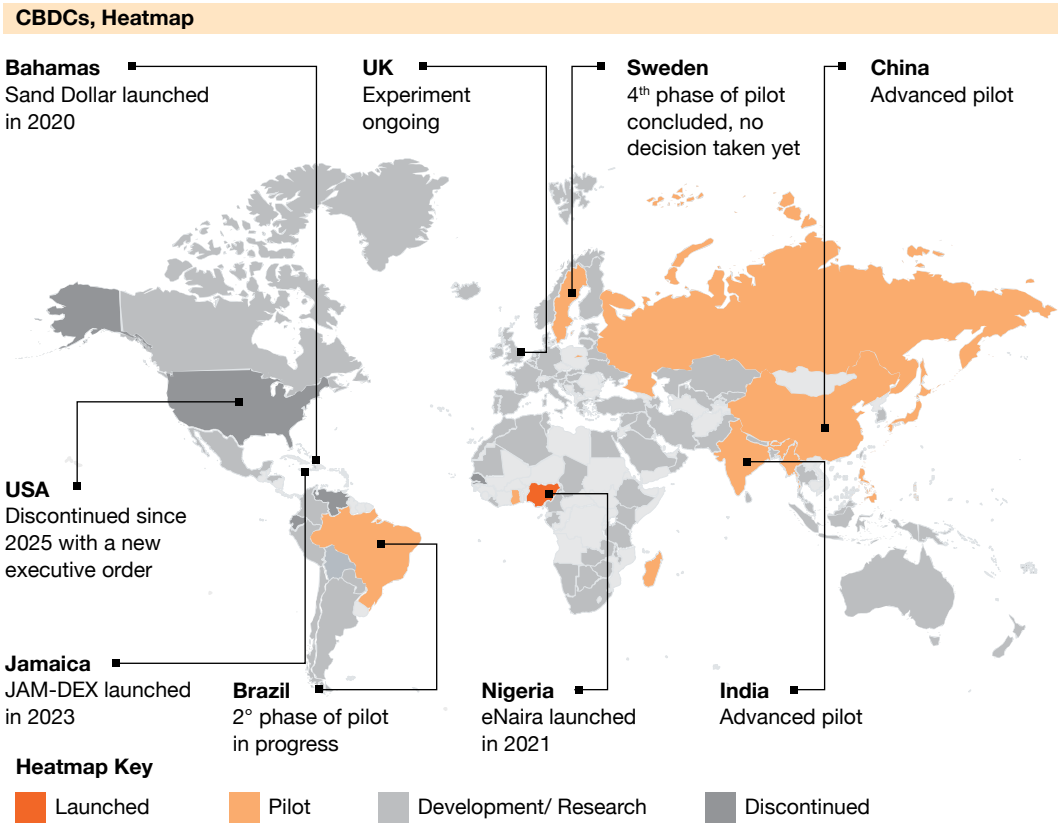
5

CBDCs live (Bahamas, Jamaica and Nigeria) or in **advanced pilot phase** (China, India)

0-1%

Ratio of **CBDCs in circulation to M0** after 4/5 years post-launch

Source: PwC analysis on central banks public information



Digital Euro: a digital form of cash for Eurozone citizens

In this global context, among the CBDCs' frontrunners is the European Central Bank (ECB), which has been actively researching and developing the Digital Euro in its retail and wholesale forms.

Focusing on the retail Digital Euro, the journey began in October 2020, when the ECB published its first report and launched a public consultation. In October 2021, the project entered a two-year Investigation phase to explore design options and distribution models for the Digital Euro.

In November 2023, the ECB's Governing Council approved the next step, transitioning into the Preparation phase. This phase involved, among other activities, the draft of Digital Euro Scheme Rulebook and the selection of providers for the development of the Digital Euro platform and the required infrastructure.

In October 2025, the Governing Council decided to proceed to the next phase, focused on the technical preparation and piloting.

Figure 5: Digital Euro timeline

Investigation Phase
Oct. 2021 - Oct. 2023

Feasibility assessment and definition of the design, technology, privacy model, and distribution framework.

Preparation Phase
Oct. 2023 - Oct. 2025

First draft of the Rulebook, selection of service providers and introduction of the platform for innovation with market operators.

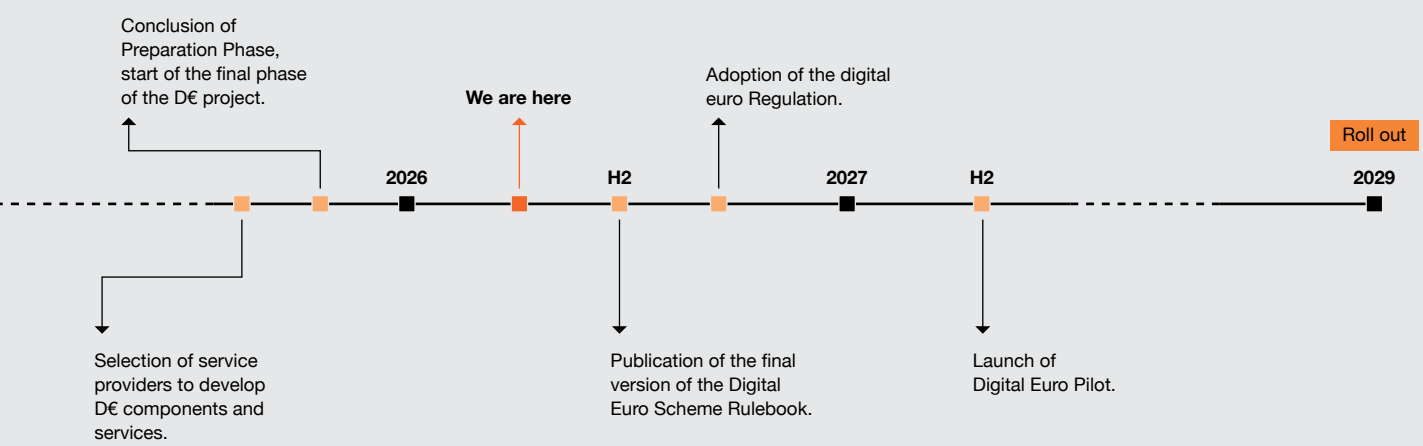
Technical preparation
Nov. 2025 - 2028

Main outcomes:
- Sharing of the final version of the Rulebook and resolution of the open points (e.g., offline, holding limit, remuneration model).
- Preparation of the technical infrastructure for D€ issuance.
- Start of the Pilot if the regulation is adopted by the regulator (decision expected in 2026).

Roll out
2029

Go live, ramp up and adoption.

Milestones



Source: PwC analysis on ECB documentation

There is no universally accepted definition of the motivations behind the ECB's decision to accelerate the development of the Digital Euro. We can summarize these objectives as follows:

I. **Provide a digital cash solution for Eurozone citizens:** the ECB aims to provide Eurozone citizens with a digital form of cash. This digital cash will offer a convenient, secure, and efficient alternative to physical currency, catering to the increasing demand for digital payment solutions and fostering financial inclusion.

II. **Create a Eurozone-wide electronic payment system:** the ECB seeks to establish a Eurozone-wide electronic payment system that serves as a public digital means of payment. This system would be for citizens and would offer an alternative to US-based credit card networks like Visa, Mastercard, and American Express. By doing so, the Eurozone aims to: i) achieve the strategic autonomy in digital and electronic payments, reducing its reliance on international card schemes, ii) reduce fragmentation along national lines through a standardized framework, and iii) promote competition at points of interaction; developing robust European alternatives would reduce costs, enhance resilience, and give Europeans greater control over a critical economic asset.

III. **Enhance Financial Stability and Ensure Monetary Sovereignty:** considering the increasing global competition from foreign digital payment solutions, CBDCs and cryptocurrencies (starting with stablecoins) the Digital Euro intends to become a viable means of payment in the digital age to maintain its financial sovereignty and competitiveness on the global stage.

As ECB liability, the Digital Euro aims to provide a secure, efficient, and universally accessible payment method across the Eurozone. It is intended to facilitate seamless and instantaneous digital payments for consumers across physical retailers, online platforms, and Peer-to-Peer (P2P) transactions and payments to and from Government. A central feature of the Digital Euro is its broad accessibility which ensures that all citizens and businesses within the Eurozone, regardless of their technological capabilities or financial circumstances, can utilize it. Although the design remains under development, the European Central Bank is actively working to balance technological innovation with the imperative of financial stability.

The journey towards Digital Euro adoption is, however, not without challenges. Ongoing discussions focus on the possible impact of the Digital Euro on the future of digital payments in Europe and its implications for the financial sector. Key areas of consideration include: potential effects on financial stability, Customer adoption and Business challenges.

Potential effects on financial stability

While the Digital Euro aims to ensure that the euro remains a viable means of payment in the digital age, its introduction could pose potential risks of disintermediation and to the financial sector's stability, which remains a key goal of the central bank. As a central bank liability, a shift of money into the Digital Euro wallets may represent a substantial outflow of deposits from banks and other financial institutions with potential impacts on banks' liquidity and ultimately on the cost of funding, if not appropriately managed.

The topic has been examined in many studies including a study by Copenhagen Economics and a technical analysis on financial stability impact of the Digital Euro by the ECB.

The ECB is fully committed, within its mandate to ensure financial stability, to introduce adequate measures to prevent the use of the Digital Euro as a store of value and is working with experts to develop a methodology for the calibration of the holding limit. A recent paper[5] provides a preliminary analysis estimating the effects on banks under various hypothetical holding limits.

There have also been discussions about the necessity to establish limits on the maximum amount of each transaction and the total amount per period. Such measures are aimed at ensuring security and fraud prevention, as well as for managing liquidity during the gradual roll-out of the Digital Euro. However, the ECB has not yet expressed its position on this matter, as it has always affirmed that the holding limit will be defined quite close to the first Digital Euro issuance.

5. ECB (2025), "Technical data on the financial stability impact of the Digital Euro"

Customer adoption

There is ongoing discussion regarding whether a Digital Euro would truly address unique needs for end-users or simply duplicate services already provided by current electronic payment methods raising questions about its potential for widespread adoption.

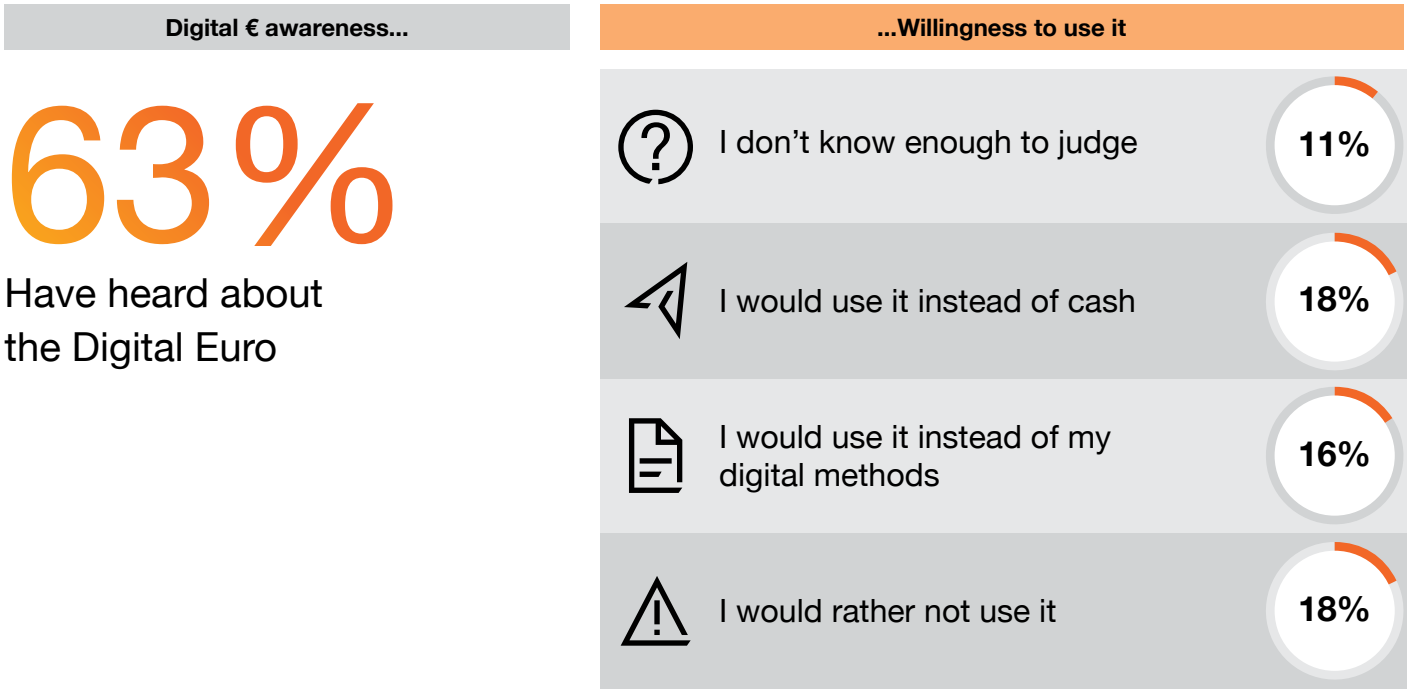
Evidence from other countries sheds light on this uncertainty. In places where CBDCs have already been launched or are in the midst of large-scale pilot programs, user adoption has generally been slow and limited. In the case of Nigeria, the Bahamas, Jamaica, and India, total amount of CBDCs[6] compared to total currency in circulation is on average still below 1%. In the case of India, the deployment of the digital rupee (e₹) has demonstrated notable growth in circulation, with transaction volumes in 2025 more than quadrupling compared to the previous year, and the user base approaching 6 million. Nonetheless, the overall penetration of the digital rupee (e₹) remains modest, particularly considering the dominance of established platforms like the Unified Payments Interface (UPI), which commands over 500 million users. As of November 2025, the e-CNY remains the largest central bank digital currency (CBDC) globally in terms of both transaction volume and user base[7]. According to the People's Bank of China, the e-CNY Pilot recorded in November 2025 a cumulative total of 3.48 billion transactions, amounting to a value of US$2.37 trillion; this represents an increase of 800% compared to 2023. Approximately 230 million personal wallets have been opened. However, overall adoption remains modest relative to platforms such as Alipay and WeChat.

This scenario underscores the potential challenge in achieving meaningful market share within highly competitive and technologically mature payments ecosystems.

In the Eurozone, recent analysis indicates that a not trivial segment of consumers does not plan to adopt the Digital Euro due to established preferences for current payment methods[8]. Our Payments and Open Banking survey conducted earlier this year supports these findings and notes an ongoing need for information: 37% of respondents reported that they had never heard of the Digital Euro, and another 11% were aware of it but did not feel sufficiently informed to form an opinion.

In total, over one-third of customers indicated that they either will not use it (18%) or use it as a replacement for cash (18%). These figures suggest that adoption may be limited by uncertainty and reluctance to transition from established digital payment methods.

Figure 6: Customer perspective on the Digital €



Source: Strategy& (2025), Payments and Open Banking Survey, May

6. PwC analysis on Central Banks data, 2025
7. PwC analysis on People's Bank of China
8. Georgarakos, Kenny, Laeven, Meyer (2025), ECB Working Paper Series No 3035: Consumer attitudes towards a central bank digital currency

Business challenges for the financial sector

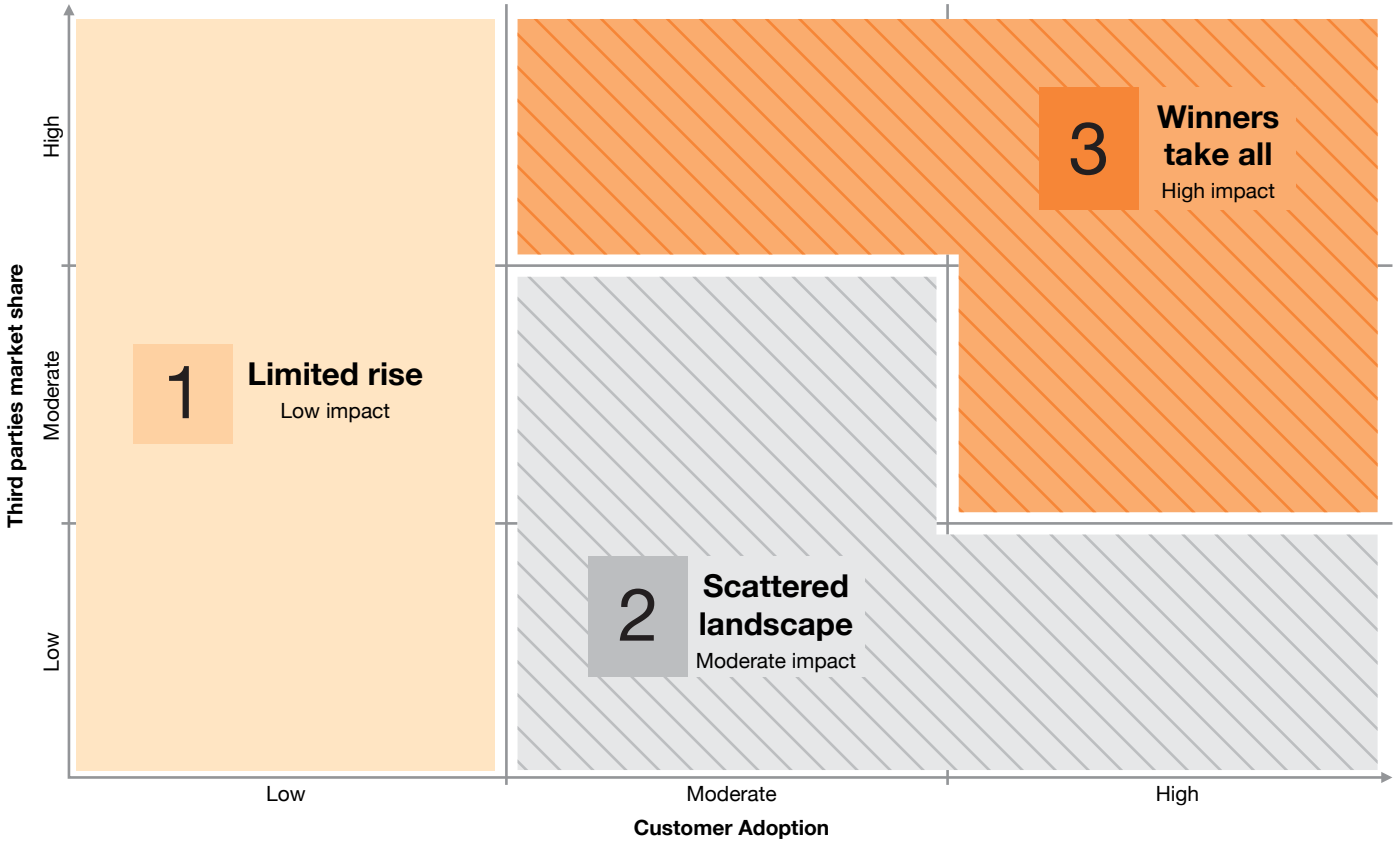
The Digital Euro is a complex and large-scale initiative; the Eurosystem will take over part of the costs associated with the Digital Euro by developing the core infrastructure (including the settlement layer) and not charging the PSPs for scheme management and transaction processing. The PSPs will serve as critical intermediaries responsible for distributing the Digital Euro to end users; Credit Institutions will be required to act as distributors, while other PSPs may opt into this initiative on a voluntary basis. To this end, they will be expected to directly or indirectly integrate with the Eurosystem and develop all the components required to manage the Digital Euro's core functionalities (e.g., onboarding, funding, defunding, payments).

The costs of implementing the Digital Euro cannot be limited to an "IT upgrade" given its likely large impact on the banks' overall business models[9].

This challenge is further compounded by numerous regulatory requirements in the European payments landscape (e.g., PSR, PSD3, FIDA, EUDI wallet, etc.), which may restrict banks' ability to innovate in other areas precisely when they are required to develop and maintain services related to the Digital Euro and the other mentioned regulations.

Looking at the top line, the range of use cases supported by the Digital Euro—such as in-store and online payments, as well as P2P transactions—and its anticipated form factors (e.g., NFC, QR codes) will ensure that European citizens have access to comprehensive and familiar payment functionalities. Existing national solutions (e.g., Bizum, PagoBancomat) and cross-country initiatives at European level (e.g., EPI, EuroPA) are collaborating to strengthen Europe's sovereignty by reducing fragmentation across the lines.

Figure 7: Digital Euro scenario analysis and potential impacts on P&L



9. PwC (2025), Digital Euro cost study

In this context, the potential overlap of the Digital Euro online functionalities with private market solutions may lead to cannibalization of existing revenue streams; the business model underlying the Digital Euro will be addressed by the co-legislators in the foreseeable future and will play a crucial role in ensuring the economic sustainability of all the parties involved and, at the same time, the success of the initiative itself.

The future trajectory of the Digital Euro will be shaped by two critical variables: the pace and scale of customer adoption, and the extent to which non-bank actors succeed in capturing distribution and intermediation roles. These dimensions define a scenario space where traditional banks face different strategic imperatives and P&L exposures.

In a scenario **(1)** where customer adoption remains subdued, the Digital Euro would likely emerge as a complementary payment instrument with a minimal transformative force. In this configuration, Financial Institutions would experience negligible erosion of interest income and commission revenues, as existing payment rails and deposit structures would largely persist. The focus would shift toward operational integration and regulatory alignment, presenting lower disruption risks.

A more complex dynamic emerges if adoption accelerates without clear market consolidation. In such a fragmented environment **(2)**, customers would disperse across incumbents, fintechs, and new entrants, with no single gatekeeper commanding the ecosystem. Banks would face margin compression. Yet the absence of dominant platforms would preserve competitive optionality: institutions capable of delivering superior user experience and integrated financial services could defend, and potentially expand, their client relationships.

The most consequential scenario **(3)** materialises when high adoption converges with the rise of powerful gatekeepers. Here, the structural economics of banking could be fundamentally redrawn. Third parties controlling the customer interface would capture the most valuable segment of the value chain, transforming banks into commoditised infrastructure providers. Legacy cost structures, designed for a different competitive era, would become liabilities rather than assets. In this scenario, the implications would go beyond competitive dynamics. If non-EU gatekeepers were to control the customer interface, the EU would lose direct influence over the most strategic layer of financial intermediation. Rather than strengthening EU strategic autonomy, an unbalanced implementation of the Digital Euro Package could unintentionally undermine it.

Across all three trajectories, a common strategic imperative emerges: banks must develop adaptive capacity. This means accelerating investment in seamless digital engagement, and forging partnerships that preserve customer proximity irrespective of how the ecosystem evolves. The Digital Euro is not merely a new payment instrument—it could become a transformative force, reshaping the intermediary landscape and redefining value flows across European finance.

As the economy becomes more digital, the euro must foster a competitive, innovative, open, and self-reliant Europe; to this end it is important that the Digital Euro will fit into the current payment ecosystem and meet the needs of stakeholders.

To ensure the successful implementation of the Digital Euro it is essential to continue the constructive dialogue among key stakeholders, with a robust partnership between the private and public sectors. This would make it possible to achieve many fundamental results: reduce set-up and maintenance costs, reduce the risks of disintermediation in favor of non-EU players and build an infrastructure that will enable the flourishing of innovative services.

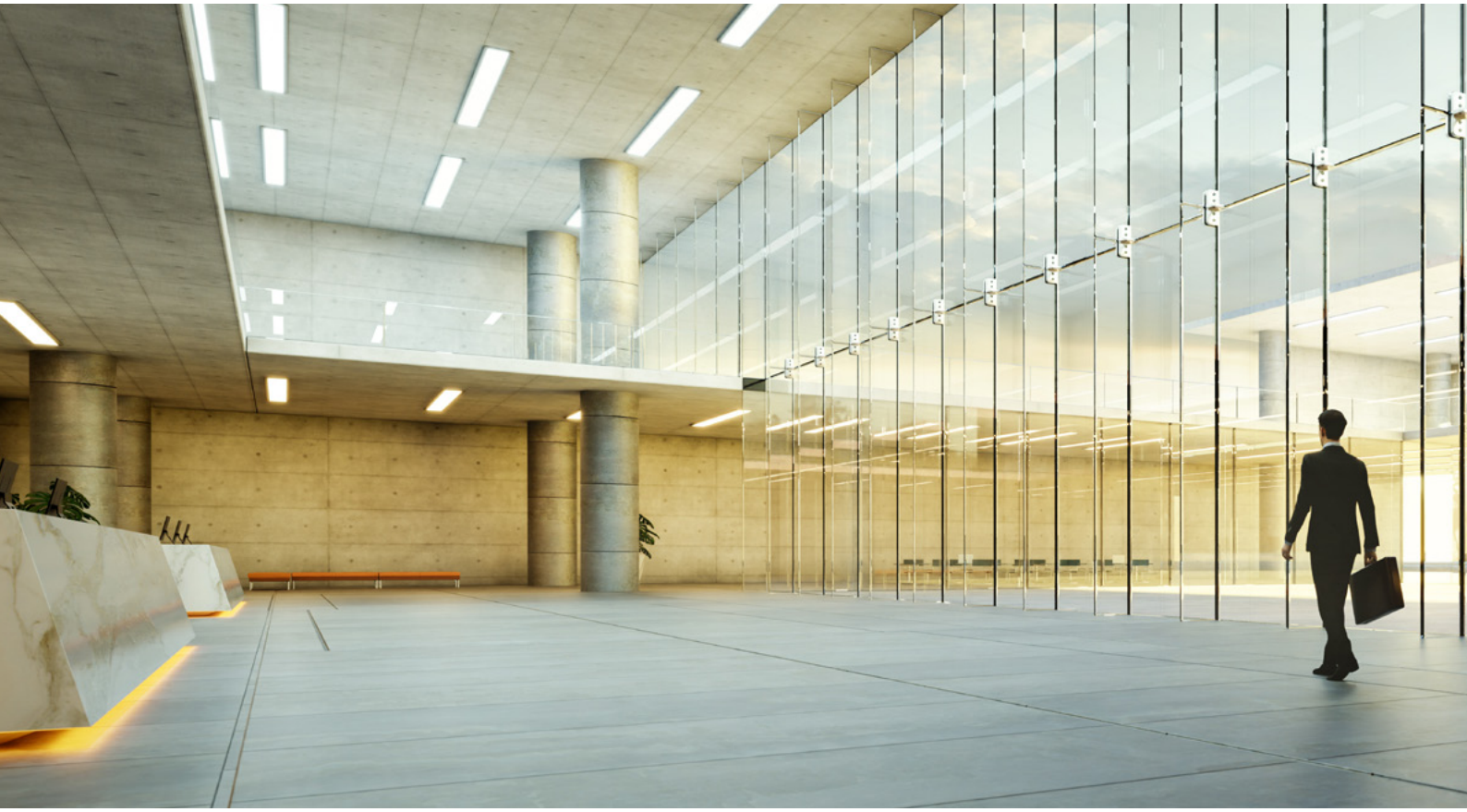
Customer adoption is the key to the Digital Euro's success. Enhancing public awareness regarding the Digital Euro and its capabilities can contribute significantly to managing consumer expectations and encouraging adoption. To further drive adoption, the Digital Euro must deliver tangible advantages over existing solutions, such as enhanced convenience, speed and inclusivity. Stakeholders need to collaborate in designing features that offer unique value, reaping the benefits of technological innovations.

Stablecoins: new wave of innovation in the European payment landscape

As discussed in the previous chapters, Europe's digital money landscape is evolving rapidly. This transformation is driven by the push for a Digital Euro, the innovation of stablecoins, and the strategic repositioning of industry solutions to create pan-European systems. The growing prevalence of dollar-backed stablecoins within Europe has sparked important discussions about their broader implications for European monetary policy and sovereignty. As stablecoins gain traction, concerns arise that reliance on non-euro digital currencies could undermine the effectiveness of European monetary sovereignty and financial stability. Understanding how these instruments could interact—whether competitively or complementarily—is therefore essential. This knowledge is crucial for sizing the opportunities and shaping a coherent, resilient payment strategy.

Recent publications suggest that, to date, it is unlikely stablecoins could represent the future monetary system or significantly impact European strategic autonomy and sovereignty. The Bank for International Settlements (BIS), in its Annual Economic Report 2025, remains sceptical about the suitability of stablecoins as the foundation for a modern monetary system. They highlighted the risks from stablecoins to the "singleness of money," the "integrity" of the system (i.e. the use of stablecoins for illicit transactions) and the "elasticity" needed for large cross-border payments.

Specifically, the BIS highlights that stablecoins have fragmented structures and are vulnerable to regulatory arbitrage. Their reliance on underlying fiat or asset reserves makes them less resilient and trustworthy than traditional sovereign currencies.



The proliferation of many different types of stablecoins in a single currency could also lead to fragmentation and inefficiencies in liquidity management. This is similar to the issues faced during the US “Free Banking Era” (1837–1863), when private issuers of dollars had varying levels of trust and different exchange rates.

Additionally, the Economic Governance and EMU Scrutiny Unit (EGOV), in a publication commissioned by the Committee on Economic and Monetary Affairs (ECON), notes that it is unlikely USD-backed stablecoins will have a significant effect on monetary policy transmission channels in Europe. This is primarily because substantial institutional and regulatory obstacles limit the broader adoption of foreign stablecoins within the euro area.

In fact, the European Union’s Markets in Crypto-Assets Regulation (MiCAR) marked a turning point in the governance of digital money, particularly for stablecoins. Fully in force since late 2024, MiCAR establishes strict rules for issuers of asset-referenced tokens (ARTs) and e-money tokens (EMTs), requiring full reserve backing, immediate redemption at par, and robust capital and liquidity safeguards. It applies equally to EU and non-EU issuers seeking access to the European market, aiming to protect consumers, preserve financial stability, and prevent regulatory arbitrage. The framework also introduces daily transaction and issuance thresholds, with heightened oversight for large-scale stablecoins exceeding €200 million in daily volume.

Stablecoins are entering an ecosystem already primed for efficiency. Over recent decades, significant investment has gone into developing networks that allow individuals and businesses to transfer funds seamlessly, both within and across borders. These networks, backed by a robust regulatory environment, have set high standards for security and interoperability. The introduction of the Digital Euro and of other initiatives such as PONTES and APPIA signals that Europe is committed to further strengthening its payment infrastructure and adapting to new technological frontiers. Within this dynamic setting, stablecoins stand out by offering distinct benefits that complement existing systems rather than simply replicate them.

Speed and cost efficiency

Stablecoins represent a significant leap forward for payment systems by drastically reducing both the time and expense associated with traditional transactions. Unlike conventional bank transfers, stablecoins facilitate instant transfers around the clock, 365 days a year in line with instant payments. This efficiency empowers individuals and businesses to send and receive money without delays, making financial exchanges more accessible and responsive to the demands of modern commerce. Moreover, the reduction in transactional costs benefits not only large corporations but also small businesses and individual users, allowing for the frictionless movement of value at scale.

Transparency and provability

Transactions conducted using stablecoins are recorded on public blockchains, providing a transparent and immutable ledger of activity. This means that anyone can verify the origin, destination, and history of each transaction, fostering greater trust and accountability. The ability to trace funds in real-time enhances security and helps to prevent fraud, money laundering, and other illicit activities. For enterprises and regulators alike, this transparency streamlines audits and compliance efforts, simplifying the process of verifying transactions. For users, the open nature of blockchain technology ensures peace of mind, knowing that their financial activity is both secure and easily traceable.

Programmability

Stablecoins are inherently programmable, meaning that their behaviour can be defined and automated using smart contracts. These digital agreements execute specified actions automatically when predetermined conditions are met, enabling complex financial interactions without manual intervention. For example, payments can be scheduled, conditional transfers can be made, or escrow arrangements can be managed seamlessly. Programmability opens the door to entirely new forms of digital commerce. This capability not only streamlines operations but also fosters innovation, allowing for the creation of bespoke financial products that are tailored to specific business needs or individual preferences.

The innovative characteristics make stablecoins attractive for innovative use cases offering tangible advantages especially in certain domains:

- Firstly, stablecoins act as a catalyst for digital assets and Web 3 activities. They enable seamless interactions within decentralized ecosystems and support programmable money applications such as Decentralized Finance.
- Secondly, stablecoins dramatically enhance both global and domestic payments. They allow for instant, low-cost transfers, especially across borders.
- Thirdly, their utility in private intra- and intercompany transactions streamlines corporate finance operations. Stablecoins introduce real-time settlement and provide transparent, automated financial workflows.
- Finally, stablecoins offer efficient solutions for currency exchange. They facilitate stable value transfer and minimize exposure to volatility. This is especially advantageous for entities operating in multiple jurisdictions.

WEB 3 activities enabler

The functional scope of smart contracts remains inherently limited when they operate exclusively with cryptocurrencies. The stability offered by stablecoins enables the development of more efficient decentralized applications, fostering broader adoption of decentralized finance protocols and serving as a critical link between the traditional financial system and native Web3 ecosystems.

Global payments

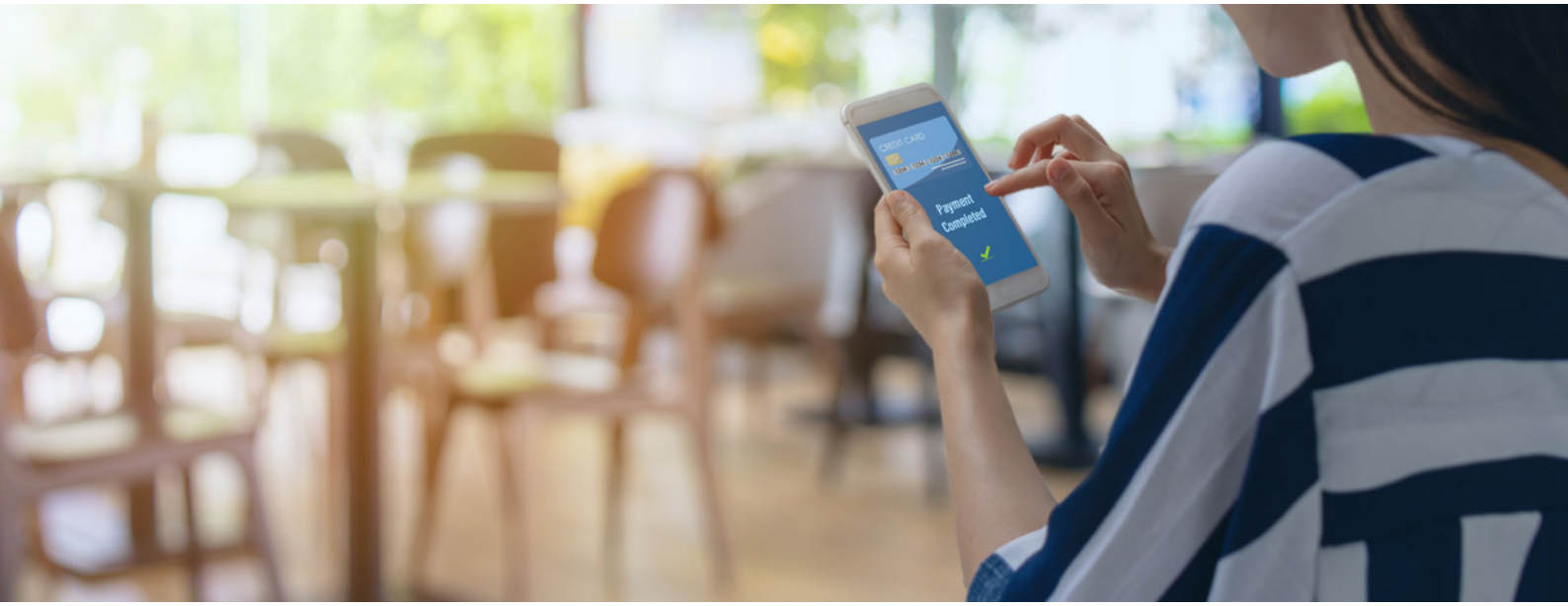
Stablecoins enhance global payments by enabling rapid, low-cost value transfers while overcoming the inefficiencies of traditional banking systems. Stablecoins eliminate many of the barriers associated with time zones, settlement delays, and the high fees typical of cross-border transactions. As a result, they provide a payment infrastructure that is accessible, transparent, and inclusive, fostering interoperability across markets and expanding financial access on a global scale.

Private Intra- and inter-company transactions

Private intra- and inter-company transactions can benefit from the immediacy, security, and programmability of stablecoins, reducing reliance on traditional financial intermediaries and the associated management costs. Owing to their price stability, they can be employed as a reliable instrument for recurring payments, treasury management, and exchanges between subsidiaries or commercial partners across different jurisdictions.

Currency exchange

The traditional challenges of currency markets can be mitigated through stablecoins, which offer rapid, secure, and low-cost transaction capabilities. Operating independently of market hours, they facilitate immediate conversions while minimizing volatility-related risks. Furthermore, their use on blockchain infrastructures promotes liquidity and cross-market interoperability, enhancing the efficiency of currency exchange across diverse market contexts.



As stablecoins continue to evolve, they are poised to introduce additional levels of flexibility and technological advancement to the financial system. In essence, stablecoins could complement and enhance existing payment infrastructures, helping bridge the gap between legacy finance and emerging digital economies, ultimately laying the groundwork for a more connected, efficient, and accessible financial ecosystem.

Recent advancements represent a tangible risk of disintermediation for commercial banks, as they enable peer-to-peer transactions that circumvent conventional intermediaries. Currently, Fintech companies such as Tether and Circle are the primary issuers of stablecoins (as shown in Figure 2). In addition, non-financial corporations, particularly those within the technology sector, are increasingly interested in introducing their own digital liabilities. Notable firms including Meta, Apple, X (formerly Twitter), and Airbnb have been identified as potential future stablecoin issuers. These entrants increasingly blur the lines between traditional banking and digital asset services, challenging banks to reconsider their competitive positioning, particularly those that have yet to adapt to technological innovation.

The primary concern for financial institutions is the potential outflow of deposits, as customers and businesses may reduce their reliance on traditional bank deposits in favour of alternative digital money and payment solutions. A similar risk applies to banks accustomed to managing other categories of financial and non-financial assets. If stablecoins go mainstream, this could result in decentralised finance emerging as the primary financial channel. In such a scenario, intermediaries would likely continue to operate, albeit in a redefined role that integrates both decentralized and centralized technologies, offering enhanced security and customised services.

However, this disruption also presents a substantial opportunity: by embracing digital assets, financial institutions can enhance the efficiency of their systems, improve customer services, unlock new revenue streams, enter emerging markets, and strategically reposition themselves in the evolving financial landscape. Inaction risks marginalization, but proactive innovation allows financial institutions to maintain and even strengthen their central role in financial ecosystems by redefining how they attract, retain, and serve their customers.

Recognising these advantages, several major banks are already taking decisive steps to innovate and lead within this space. A recent example highlights this shift: in September 2025, nine leading European

banks (in December 2025 an additional EU bank joined the consortium) announced their collaboration to launch a euro-denominated stablecoin.
The initiative aims to deliver near-instant, low-cost payments and settlements, enabling continuous, efficient cross-border transactions, programmable payments, and advancements in supply chain management and digital asset settlements. By offering a credible European alternative to the predominantly US-controlled stablecoin market, the project supports Europe's goal of achieving strategic autonomy in payments. In 2024, Société Générale was the first to issue a MiCAR-compliant stablecoin with EUR CoinVertible (EURCV), launched by its blockchain subsidiary SG-Forge. Authorized as an electronic money institution under EU rules, EURCV marked a milestone in regulated digital money and positioned the bank as Europe's first mover in this space.

In October 2025, Italian payments firm Bancomat revealed plans for an Italian and potentially pan-European stablecoin, EUR-bank. Bancomat aims to provide the technology infrastructure for the stablecoin, as an enabler, not an issuer. The currency will be distributed by banks and made interoperable by Bancomat. While such projects mark significant progress, financial institutions might initially favour tokenized deposits over stablecoins, as fractional reserve regulations permit higher margins on deposits compared to the stricter reserve and compliance rules applicable to regulated stablecoins (e.g., MiCAR's e-money tokens). Tokenized deposits are a digital representation of traditional bank liabilities that follow the fractional reserve banking model, meaning they carry the credit and liquidity risks associated with the issuing bank's balance sheet and solvency. Although new blockchain technology enables 24/7 processing and potential interoperability, usage is still limited by the issuing bank's ecosystem. Critically, the risk profile of a tokenized deposit remains identical to a traditional bank balance, and new "always on" rails could theoretically make a "run on the bank" easier.

The shift from legacy systems to digital finance demands more than intention; it requires decisive action. As financial infrastructures and regulatory norms accelerate toward modernization, institutions must embrace transformation or risk falling behind. The window for passive observation has closed: the future is being built now.

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