EUROPEAN CENTRAL BANK

EUROSYSTEM

Stablecoins and monetary sovereignty

Euro50 Group Meeting

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Developing a European market for digital assets

Developing a **European market for digital assets** is key to:

- **Preserving European sovereignty**
- **Fostering innovation**
- **Advancing** the **savings and investments union**

Key ingredients

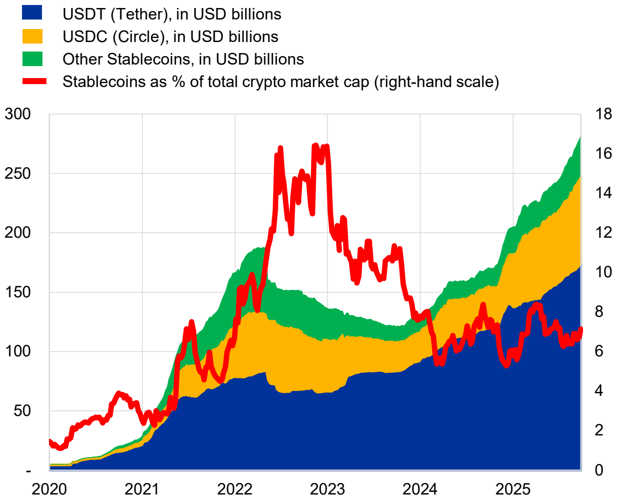
Based on **EU infrastructure** and **euro-denominated settlement assets**; **leverage innovations** to raise efficiency and strengthen financial ecosystem

Central bank money as the risk-free **settlement anchor** alongside private settlement assets – **reduce risk**, **enable scale and avoid fragmentation**

Global stablecoin markets continue to scale up

- Stablecoins are used **mostly in the crypto-asset ecosystem;** other use cases include **cross-border payments**

Size of USD-denominated stablecoins in the crypto-asset ecosystem

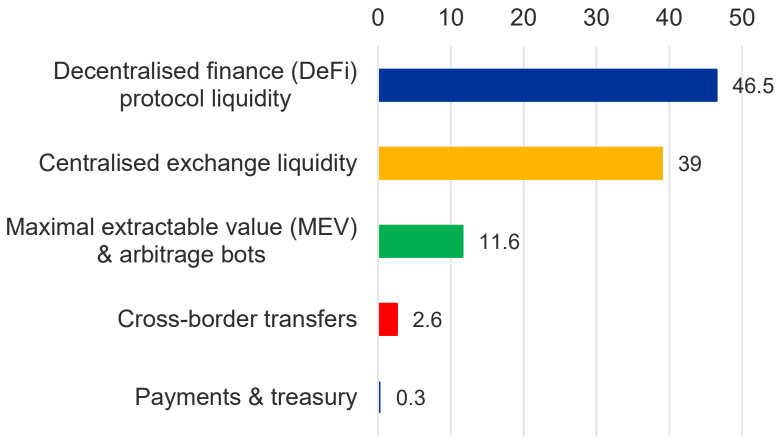


Sources: CoinDesk, IntoTheBlock, CoinMarketCap and ECB staff calculations.

Note: Circulating supply used for stablecoin market capitalisation.

Stablecoin use cases: share by functional activity

Harmonised snapshot combining 2024/25 datasets, percentage



Sources: Artemis, BCG, McKinsey, Visa Onchain and ECB staff calculations.

Implications for the financial sector and monetary policy transmission

Risks for financial stability if:

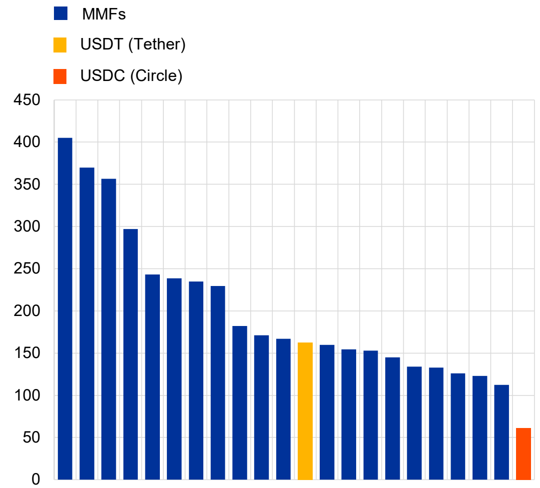
- possible deviation from parity; exposure to runs; instability in reserve markets in the event of fire sales; spillovers to banks that host reserve funds
- regulatory arbitrage across EU and non-EU jurisdictions

Risks for transmission of monetary policy if:

- more volatile funding structure of banks, e.g. through loss in deposits in favour of stablecoins
- deposit outflows to stablecoins denominated in foreign currencies
- a growing footprint of stablecoins could fragment liquidity and limit flexibility

Stablecoin issuers hold significant amounts of traditional financial assets comparable to the world's largest money market funds

(second quarter 2025, in USD billions)



Sources: LSEG Lipper, Tether attestations, Circle attestations and ECB calculations.
Notes: Net assets for money market funds (MMFs) and reserve assets for USDT and USDC as at June 2025. Reserve assets for USDT and USDC consist predominantly of US Treasuries, reverse repos, shares in MMFs, cash and bank deposits.

Role of central bank money

To ensure central bank money remains an anchor for stability and trust in a digital economy, the ECB is working on:

- **A digital euro** for digital retail payments
- **Central bank money to settle wholesale transactions in distributed ledger technology (DLT) platforms:**
  - Short-term track (**Pontes**) to link DLT platforms and TARGET services by the end of the third quarter of 2026
  - Long-term track (**Appia**) to shape future-ready, innovative and integrated financial ecosystems

Enabling growth and interoperability of tokenised assets

Tokenised central bank money will support smoother integration and growth of private tokenised settlement assets

Will enable expansion of digital asset markets

Private tokenised settlement assets also stand to benefit from this expansion

Acts as a bridge across siloed networks

Tokenised central bank money as a common settlement asset enables interoperability

May play a role in cross-border transactions

Could explore how central bank money and private tokenised settlement assets may be used in cross-border settlements

Strategic outlook: future of settlement assets

Digital euro will **reduce Europe's dependence** on **external providers** and support **innovative**, **pan-European payment solutions** for consumers and merchants for domestic retail payments

Stablecoins may play a role in domestic business-to-business settlements. However, in the euro area, **banks can already** provide **cheap**, **24/7 instant payments** with **full reachability** and settlement in **central bank money**. These instant payments can be combined with **value-added services**

Stablecoins have **cross-border potential**, but ensuring **legal** and **regulatory** compliance remains a hurdle; interlinking fast payments system may hold more potential in combination with tokenised settlement assets – both public and private

The **financial ecosystem of tomorrow** is likely to host **multiple forms of money, both public and private.** But **the stability and integration** of that ecosystem **will continue to rely on central bank money remaining the trusted anchor for settlement.**