

A strategy for Euro stablecoins: Enabling onchain capital markets

Executive Summary

The success of European economic integration has depended on the continuous evolution of the financial system in response to the changing needs of consumers and businesses. Today, those needs are changing again, and fast.

European businesses operate across global supply chains and serve increasingly international customer bases. Consumers transact more frequently across borders. While ongoing efforts aim to improve existing payment and settlement systems, the implementation of reforms takes time, and fragmentation and inefficiencies remain. Cross-border transfers continue to be expensive and securities settlement still takes days. These delays reflect a system originally built along national silos, driving complexity and slowing capital flows. Distributed ledger infrastructure, combined with stablecoins as a shared settlement asset, offers a clear path forward. This would enable assets and cash to move on global, interoperable networks and reduce reliance on legacy systems.

Financial institutions around the world are moving assets and services onto blockchain infrastructure to benefit from faster settlement, continuous market operation, and programmability. Citizens and businesses increasingly demand financial infrastructure that is open, low-cost, high-speed, and interoperable across borders. Stablecoins are uniquely positioned to meet these needs. They provide a digital form of fiat money that is native to blockchain networks and capable of supporting tokenised markets at scale.

This technology is increasingly recognised in other major jurisdictions, including the United States and innovation hubs in Asia and the Gulf, which are enabling tokenised markets with stablecoins as a key settlement asset. If the EU wants to remain competitive in global capital markets

and preserve the international relevance of the euro, it must act with similar ambition. Without the widespread availability of competitive euro-denominated stablecoins, market participants will increasingly rely on dollar-based alternatives.

Recent debate among policymakers and central banks has often framed stablecoins primarily through the lens of financial stability, monetary sovereignty, or competition with public money. This approach has contributed to a more cautious stance toward privately issued digital money and, in discussions of institutional use, a preference for central bank digital currencies. But this framing is incomplete. Stablecoins are not simply a new payments product. They are increasingly becoming strategic infrastructure for digital financial markets.

A more proportionate assessment shows that stablecoins pose no systemic threat to Europe. Properly regulated, they are a strategic opportunity. Euro stablecoins can complement other forms of money, improve the functioning of capital markets, reduce cross-border friction, and strengthen the EU's ability to shape the future of global finance. They can facilitate the growth of tokenised markets, and help unlock the agentic commerce of the near future.

An effective EU stablecoin strategy should therefore aim to ensure that stablecoins support continued investment in the European economy through demand for high-quality euro-denominated backing assets, strengthen the role of the euro in global tokenised markets by enabling meaningful wholesale use cases, compete on a level playing field with other forms of money including the digital euro, and operate on scalable, interoperable public blockchains rather than being confined to isolated or closed infrastructure.

Stablecoins enhance monetary sovereignty rather than pose systemic risks

To realise the opportunities stablecoins offer, a renewed EU strategy should start from a clearer recognition that fears of systemic disruption have been overstated and risk holding Europe back both domestically and internationally. The euro stablecoin market is projected to experience strong growth over the coming years, with a mid-range estimate of €570 billion by 2030. However, this would only amount to roughly 2.2% of total euro area bank deposits. That is a meaningful market, but not one that suggests an existential threat to the European banking system.

Research from the Federal Reserve¹ in the United States suggests that stablecoin growth does not inherently translate into a corresponding decline in commercial bank deposits.² In some cases, overseas demand for stablecoins may even *increase* bank deposit levels through a corresponding increase in domestically-held reserves. Even if the European dynamic were somewhat different, a gradual reallocation of 2.2% of deposits over several years would not amount to a destabilising shock to banks or to the availability of credit in the wider economy.

This point is particularly important in the context of the euro area, where banks operate in an environment of structural liquidity surplus. As of March 2026, more than €2.38 trillion is held by banks in excess reserves at the ECB. In 2023, banks generated around €145 billion in interest on these reserves. There is therefore considerable headroom in the system. A limited migration of retail or corporate balances into stablecoins would be unlikely to have a damaging effect on bank funding or credit availability, and may instead incentivise more competitive offerings among traditional financial products in response, to the benefit of consumers and businesses.

Indeed, the integration of stablecoins into the financial system could support resilience rather than weaken it. A more market-based financial system, with diversified channels of capital allocation, can be more resilient

during periods of economic stress than one that relies predominantly on bank intermediation. This is also a core objective of the EU's Savings and Investment Union. If stablecoins help move a portion of savings in deposits into capital markets, they can strengthen the overall financial system rather than undermine it.

This does not mean banks become irrelevant. On the contrary, banks will continue to play a central role in a modernised financial system. Many consumers and businesses will continue to rely on them for credit, payments integration, custody, and broader financial services. Commercial banks are also well placed to participate directly in stablecoin ecosystems through reserve management, issuance partnerships, distribution, and tokenised investment services. The planned launch of a euro stablecoin by the Qivalis consortium in the second half of 2026, backed by a group of major European banks with a combined client base of over 150 million, illustrates that banks can engage constructively in this transition rather than be displaced by it.

Monetary sovereignty concerns are similarly often misunderstood. The absence of competitive euro stablecoins increases the risk that rising demand for the utility and interoperability of stablecoins would be met by dollar-denominated assets instead. In a world where tokenised markets and onchain finance are growing rapidly, enabling euro stablecoins is a way to preserve and extend monetary sovereignty, rather than threaten it.

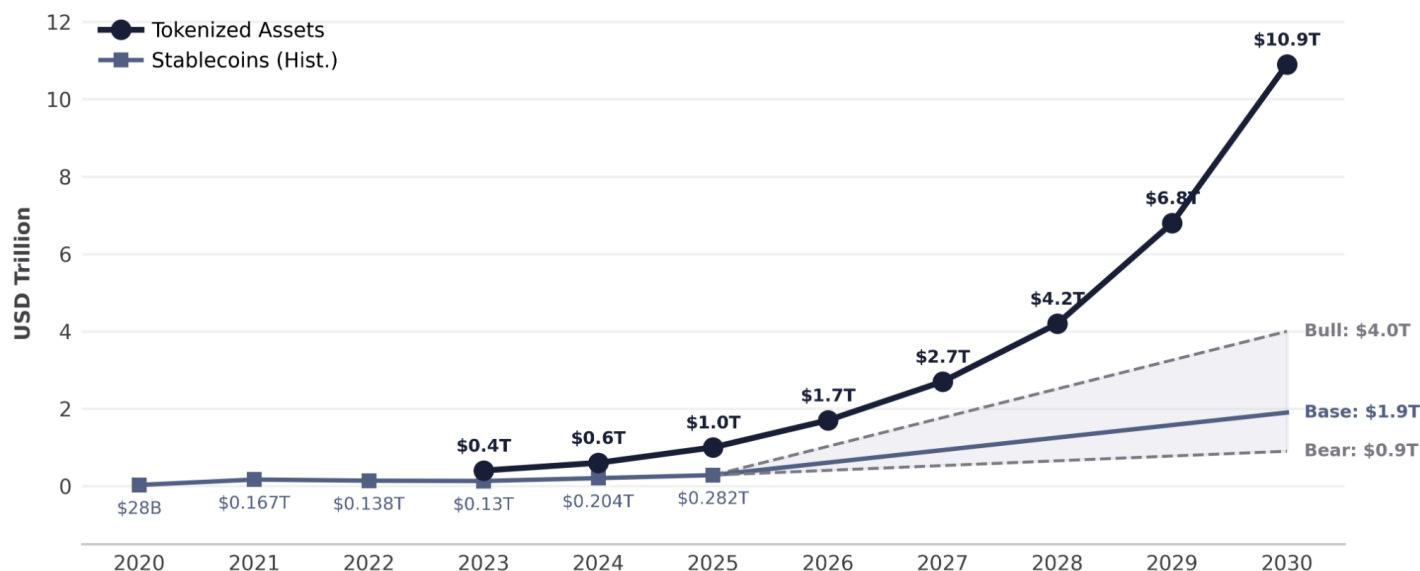
The euro stablecoin market is projected to experience strong growth over the coming years, with a mid-range estimate of €570 billion by 2030. However, this would amount to roughly 2.2% of total euro area bank deposits³

¹ Jessie Jiaxu Wang, [Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation](#), FEDS Notes, December 17, 2025.

² Coinbase Institute, [Stablecoins and Bank Deposit: Overstating Risk Overlooking Opportunity](#), October 29, 2025.

³ S&P Global Ratings, [European Banks Are Embracing Stablecoins With An Eye On The Future](#), February 3, 2026.

Global Tokenised Asset & Stablecoin Market Projections (2020-2030)



Sources: Citi Institute, and Roland Berger.

Stablecoins are the foundational infrastructure for tokenised financial markets

Once it is recognised that regulated stablecoins do not pose an outsized systemic threat, the policy focus should shift to where they can solve real problems in Europe's financial system.

Traditional financial infrastructure continues to impose high costs on businesses and investors. Cross-border transactions remain slow and expensive. Securities settlement often takes multiple days. Large amounts of capital remain trapped in the system to cover counterparty risk, collateral requirements, and operational frictions. These inefficiencies matter not only for wholesale finance, but also for the competitiveness of Europe's wider economy.

Stablecoins help address these limitations because they provide a natively digital settlement asset for blockchain-based markets. They can settle transactions onchain with speed and certainty, support atomic settlement for tokenised securities, and provide liquidity and collateral across digital trading venues. In practice, this makes them the natural settlement layer for tokenised finance.

The tokenisation of illiquid assets is projected to become a multi-trillion dollar market by 2030. If tokenised markets are to scale, they will require deep, usable, and

interoperable onchain liquidity. Stablecoins already provide this in a way that alternative forms of onchain money do not.

Unlike CBDCs or tokenised deposits, stablecoins have built liquidity across multiple public blockchains over more than a decade and now operate across a wide range of market environments and jurisdictions.

Institutional capital is moving in the same direction. Corporate treasury allocations to stablecoin instruments are expected to grow significantly over the coming years. Work undertaken through Singapore's Project Guardian suggests that the broader adoption of tokenised settlement infrastructure could materially reduce the cost of cross-border transactions, generating substantial savings for businesses globally. These benefits are especially relevant to Europe, where fragmentation continues to make cross-border activity more costly and complex than it should be.

⁴ Sources for the Graph:
Citi Global Perspectives & Solutions. [Stablecoins 2030: Web3 to Wall Street](#), September 25, 2025;
Roland Berger, [Tokenization of Real-World Assets: Unlocking a New Era of Ownership, Trading, and Investment](#), October 13, 2023.

Unlike CBDCs or tokenised deposits, stablecoins have built liquidity across multiple public blockchains over more than a decade and now operate across a wide range of market environments and jurisdictions

Stablecoins are also highly relevant beyond wholesale use cases. Increasingly sophisticated consumers are looking for better returns, more flexible savings products, and easier access to investment opportunities. Stablecoins can support this by enabling access to tokens representing fractional investments, which lower barriers to entry and make a wider range of financial products more accessible.

Looking ahead, the rise of AI agents and automated commerce will further increase demand for programmable digital money on open, accessible and interoperable systems. Agents will increasingly be used to search, compare, decide, and transact on behalf of users. That kind of continuous, machine-driven economic activity requires settlement assets that are digital, programmable, and always available. Traditional fiat rails are not designed for this environment. Stablecoins are. An AI agent cannot open a bank account in the conventional sense, but it can interact with a public blockchain network and transact transparently using stablecoins without manual intervention at every stage.

Across both wholesale and retail use cases, the direction of travel is increasingly clear. Businesses and consumers are likely to adopt these forms of infrastructure where they improve speed, access, and efficiency. If the EU does not ensure that competitive euro stablecoins are available, there is a real risk that this activity shifts toward non-euro alternatives by default.

Stablecoins and a wholesale digital euro are complementary

The European Central Bank's wholesale CBDC could provide an additional settlement asset for certain institutional use cases, and Pontes, a near-term solution, may enter a pilot phase as early as the end of 2026 to support initial functionalities. However, a fully DLT-native wholesale CBDC capable of operating seamlessly across

tokenised markets and public blockchain infrastructure will require significantly more time, given the technical, legal, and institutional coordination involved. The need for the euro to function effectively in digital, global markets is immediate.

Historically, financial systems have evolved through a coexistence of public and private forms of money. Regulated, fiat-referenced stablecoins represent a modern extension of this model: private, programmable forms of money that remain fully fungible and interoperable with sovereign currencies, enabling innovation while preserving monetary anchoring.

This complementarity is particularly important in global capital markets. Financial markets are inherently cross-border, requiring infrastructure that can operate seamlessly across jurisdictions and time zones. An EU-based investment fund can purchase U.S. equities, and a Swiss bank can trade with a French asset manager. These interactions occur across global financial networks. Stablecoins, operating on public blockchain networks, provide continuous, borderless interoperability and settlement across these global networks; capabilities that central bank instruments are not typically designed to deliver at a global, cross-jurisdictional scale.

Public blockchain infrastructure is already widely adopted as the foundation for emerging digital capital markets. Stablecoins offer deep, usable liquidity on these networks without requiring the creation of entirely new systems.

Moreover, many of the concerns sometimes raised about stablecoins, such as instability or a lack of resilience, are already significantly mitigated by robust regulation.

Under the Markets in Crypto-Assets Regulation (MiCA), authorised stablecoins will be backed, redeemable at par, and subject to robust prudential requirements. Further safeguards, including the potential for central bank liquidity access in defined scenarios, could strengthen resilience without limiting scalability. Private sector innovation adds to this resilience through real-world stress testing and continuous improvements. This includes increasingly robust custody solutions, smart contracts with redundancy built in, and the reduction of single points of failure present in centralised systems.

Waiting for entirely new CBDCs to emerge, while global markets drive innovation with stablecoins, would leave Europe behind. Delaying action risks creating a credibility gap and ceding influence over the next generation of financial infrastructure to jurisdictions already enabling stablecoin-based markets.

A more realistic and effective strategy would recognise that stablecoins and the digital euro can coexist. Even as wholesale CBDC initiatives progress, they should be viewed as complementary components of a broader digital money ecosystem.

Under the Markets in Crypto-Assets Regulation (MiCA), authorised stablecoins will be backed, redeemable at par, and subject to robust prudential requirements. Further safeguards, including the potential for central bank liquidity access in defined scenarios, could strengthen resilience without limiting scalability

A 'unified ledger' approach falls short

Alongside digital euro and wholesale CBDC discussions, some policymakers have promoted the idea of so-called unified ledgers: permissioned distributed ledgers bringing together wholesale central bank money, tokenised commercial bank deposits, and other financial instruments.

To an extent, this reflects a legitimate concern about fragmentation. The EU has more than 30 central securities depositories, compared with two in the United States, and as the financial system becomes increasingly diversified, Europe needs to ensure interoperability between different forms of digital money and assets. But unified ledgers are not the best way to achieve interoperability. Transactions across asset types and between different public permissionless blockchains are possible thanks to innovation over a number of years, and industry-led efforts to continuously improve these systems prevent a reliance on state-led solutions with inevitable resource constraints.

Whether a single unified ledger, or a group of centralised systems, new government-backed infrastructure would require a substantial multi-year technical and political effort. It would also risk reproducing many of the limitations of legacy infrastructure in digital form. This includes the creation of operational concentration risk that decentralised ledgers aim to distribute to reduce single points of failure. If designed separately from existing blockchains, unified ledgers would also limit Europe's integration with wider global markets that are already developing on public blockchains.

Public, permissionless blockchains provide the benefits of decentralisation and interoperability while still enabling custom rules, and private overlays where necessary. This means policymakers do not need to choose between openness and control. Different arrangements can be built on top of common infrastructure without sacrificing interoperability or requiring new isolated systems.

Examples of this model are already emerging. Permissioned applications and environments can be created on public blockchain infrastructure for trusted institutions, while still benefiting from access to underlying public settlement layers and liquidity pools. Layered architectures can reduce costs, improve scalability, and maintain compatibility with the wider ecosystem. These models demonstrate that customised and compliant systems can be built without isolating Europe from the global onchain economy.

Programmability further strengthens this case. Regulatory requirements such as sanctions screening, KYC, transfer restrictions, and settlement conditions can be embedded directly into smart contract logic or mediated through regulated intermediaries. A unified ledger is not required to deliver compliance by design. Public blockchains can provide transparency, auditability, and automation while avoiding the unnecessary centralisation of data and operational control.

Policymakers should consider whether a new self-contained digital infrastructure would be strategically wise when public blockchain networks already offer liquidity, scalability, interoperability, and global reach. If Europe develops unified ledgers separately from this broader ecosystem, it risks creating an isolated domestic system while the rest of the world builds elsewhere.

Regulations should support competitive euro stablecoins

If stablecoins and public blockchain infrastructure are to serve as the foundations of modernised financial markets, regulation must not only respond to risk but also enable competitiveness and usability at scale.

MiCA represents an important milestone and offers the EU the opportunity to become a global leader through a clear regulatory framework for stablecoins. Under MiCA, only authorised EU entities may issue stablecoins, subject to strict requirements on reserve backing, transparency, and redemption rights. These safeguards significantly reduce systemic risk and demonstrate that stablecoins can be safely integrated into the financial system while delivering efficiency gains.

However, certain aspects of the current framework risk limiting the development of a robust euro-denominated stablecoin market. In particular, the composition of reserve requirements and the broad prohibition on remuneration may constrain both resilience and adoption. Under the current approach, significant stablecoins may be required to hold a large share of reserves in commercial bank deposits. While prudent in intent, this creates unnecessary concentration risk and exposes stablecoin reserves to bank liquidity and solvency risks. A more resilient model would focus on the quality and liquidity of reserves rather than their location. Allowing a greater proportion of reserves to be held in high-quality liquid assets, including short-term euro-denominated sovereign instruments, would improve diversification and reduce systemic vulnerability. This would also create a strategic benefit by supporting demand for European sovereign debt, mirroring the role stablecoin issuers already play in U.S. Treasury markets.

At the same time, access to central bank liquidity facilities in clearly defined circumstances could provide an additional safeguard. Given that stablecoins are conservative in their backing requirements, they do not introduce solvency risk; the primary concern is short-term liquidity pressure during periods of large-scale redemptions. A central bank backstop would therefore enhance resilience without undermining the integrity of the model.

A second constraint lies in the treatment of remuneration. MiCA currently prohibits issuers and service providers from offering any form of benefit linked to holding stablecoins. This prohibition is broader than approaches in other jurisdictions, which tend to focus specifically on preventing the pass-through of reserve-generated income. As currently framed, it risks capturing not only interest, but also common features such as loyalty incentives, usage-based rewards, or fee reductions which are commonplace on other money and money-like products.

This matters because prohibiting remuneration does not materially enhance safety. MiCA-compliant stablecoins are backed, segregated, and redeemable at par, providing a high level of consumer protection. Preventing any form of reward simply reduces the attractiveness and competitiveness of euro stablecoins, particularly relative to offshore or decentralised alternatives. This is relevant not only for retail users, but also for institutional actors and corporate treasurers, who are typically required to optimise returns on idle balances.

A more proportionate approach would clarify that non-interest rewards are permissible and reconsider the blanket restriction on interest, provided that core prudential safeguards remain in place. Allowing stablecoins to compete on a level playing field with other forms of money would support adoption while maintaining

Reserve Concentration Risk Mandating reserves in commercial bank deposits exposes stablecoins to bank insolvency; high quality sovereign debt would offer better diversification	Liquidity Vulnerability A lack of access to central bank liquidity facilities leaves issuers exposed during large-scale adoption and drives users toward offshore alternatives	Remuneration Ban Prohibiting all benefits—including loyalty rewards and fee reductions—stifles adoption and drives users toward offshore alternatives
--	--	---

regulatory integrity, and could provide a key competitive advantage for euro stablecoins on the international stage.

Overall, the MiCA framework provides a strong foundation for the safe development of stablecoins in Europe. The next step is to ensure that it also enables them to scale. Adjusting reserve composition rules, introducing proportionate liquidity backstops, and allowing greater flexibility on remuneration would strengthen both resilience and competitiveness. This would help ensure that euro-denominated stablecoins can play a meaningful role in global digital markets, rather than being structurally disadvantaged from the outset.

Stablecoins require global interoperability and mutual recognition

Stablecoins derive much of their value from their ability to move seamlessly across borders. Capital markets are global, and digital financial infrastructure becomes less useful when fragmented by incompatible jurisdictional barriers.

For that reason, cross-market mutual recognition should become a strategic priority for the EU. Without it, the utility of EU-regulated stablecoins in global markets will remain constrained, liquidity will remain fragmented, and global issuers will face duplicative and costly compliance burdens that discourage meaningful participation in Europe. More broadly, restricting access to global stablecoin networks risks weakening the competitiveness of EU firms in cross-border payments, treasury management, and tokenised markets.

MiCA currently takes a restrictive approach to third-country access. Unlike several traditional financial services frameworks, it does not provide a dedicated equivalence regime for stablecoins, as no comparable regimes existed at the time. Non-EU issuers must establish a legal presence within the Union and issue through a locally authorised entity. This effectively results in a multi-issuance model, where global stablecoins are circulated within the EU perimeter with locally held reserves and supervision. While this approach ensures that oversight remains within the European financial system, it also fragments global liquidity and raises barriers to entry.

This model can be strengthened through targeted safeguards that preserve supervisory control while improving interoperability and scalability. Greater alignment between issuance entities, including clear local redemption rights, coordinated reserve management, and consistent risk management standards, would help maintain fungibility across jurisdictions. Reserve rebalancing arrangements, territorial redemption mechanisms, stress testing of cross-border flows, and stronger supervisory cooperation could further reduce prudential risks without undermining the economic benefits of global stablecoins. This international coordination could also secure improved interoperability between EU and non-EU issuance structures through common regulatory standards, helping to reduce fragmentation while keeping activity within the EU regulatory perimeter.

Over time, the EU should also pursue outcomes-based mutual recognition arrangements. Where a third-country framework delivers comparable prudential outcomes, such as strict 1:1 backing, bankruptcy remoteness, transparent supervision, and guaranteed par redemption, targeted access should be possible. This would allow the EU to maintain regulatory oversight while avoiding unnecessary fragmentation of liquidity and enabling euro-denominated stablecoins to scale globally.

This is increasingly reflected elsewhere. The U.S. GENIUS Act, for example, incorporates a substituted compliance model under which foreign payment stablecoin issuers may operate if they are subject to a comparable regulatory regime. A similar approach in Europe would help build reciprocal access, strengthen global liquidity for euro-denominated instruments, and better align European markets with the realities of digital finance.

Such a framework could be designed carefully. Domestic retail payment rails or other strategically sensitive use cases may still justify a preference for locally regulated assets. But for cross-border capital markets, wholesale settlement, FX corridors, and remittance use cases, Europe has a strong interest in reducing friction rather than adding to it.

Conclusion

The transition toward tokenised finance is already underway. Stablecoins are emerging as a core part of the infrastructure that will support this new financial architecture. For Europe, the strategic question is whether the EU will create the conditions for euro-denominated stablecoins to matter at scale.

Stablecoins can reduce friction in cross-border transactions, support the settlement of tokenised securities, improve capital efficiency, and extend the euro into global digital markets. They are not a substitute for the digital euro, nor do they need to be. A well-designed digital euro may serve certain domestic retail purposes, while stablecoins provide the interoperable, and globally scalable settlement asset needed for modern onchain markets. Waiting for a wholesale CBDC or a unified ledger to emerge as the sole answer to digital finance could leave Europe dependent on infrastructure developed elsewhere. Stablecoins have the ability to scale and are available today. If the EU fails to support their growth, it risks ceding influence over the future of capital markets to other jurisdictions and other currencies.

A successful EU stablecoin strategy should therefore aim to enable competitive euro-denominated stablecoins, revise reserve requirements to allow a greater share of high-quality liquid assets, permit interest and non-interest rewards where appropriate, and develop cross-border mutual recognition frameworks that reduce fragmentation and support global liquidity. If realised, this strategy would help to secure Europe's monetary ambitions in the next era of finance.

This material is for informational purposes only, and is not (i) an offer, or solicitation of an offer, to invest in, or to buy or sell, any interests or shares, or to participate in any investment or trading strategy, (ii) intended to provide accounting, legal, or tax advice, or investment recommendations or (iii) an official statement of Coinbase. Coinbase may have financial interests in, or relationships with, some of the entities discussed or referenced in the materials.