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# What role for stablecoins in the future of digital finance?

## Executive summary

The global stablecoin market has experienced rapid growth in recent years exceeding US dollar (USD) 280 billion by the end of 2025. Despite this expansion, the market remains predominantly USD-centric: USD-denominated stablecoins account for 99% of global issuance. Two issuers, Tether and Circle, dominate the landscape, with market share of USD 184 billion (63%) and USD 75 billion (26%), respectively. By contrast, euro-denominated stablecoins are marginal, amounting to only € 395 million. <sup>1</sup>

Recent European industry initiatives aim to bridge this innovation gap and ensure Europe's participation in this rapidly growing market by promoting the establishment of euro-denominated stablecoins. These efforts seek to harness the opportunities offered by distributed ledger technology (DLT) in financial markets, whilst ensuring full compliance with the Market in Crypto-Assets (MiCA) Regulation. <sup>2</sup>

EU and global developments have prompted a broader policy debate on how the EU's existing crypto-assets framework interacts with the global stablecoin market and how it balances opportunities with risks related to concentration and USD dominance. As policymakers address these questions, they must recognise that the stablecoin market is inherently global and offers real opportunities for both consumers and businesses, alongside well-diagnosed risks. To promote innovation, the EU regulatory framework should allow European actors to maintain a presence in this market, lest these opportunities be captured by others, whilst appropriately mitigating risks.

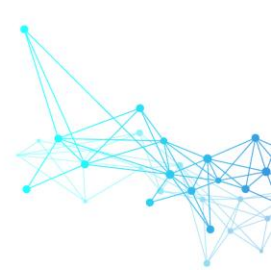
To support the development of a competitive stablecoin industry in Europe, DIGITALEUROPE calls on policymakers to consider the following recommendations:

- ▶▶ The European Commission should assess the equivalence of third-country regimes with MiCA to enable third-country operators to offer stablecoins in the EU, whilst preserving existing consumer and investor protection, guaranteeing financial stability and implementing consistent regulatory safeguards
- ▶▶ International standards should establish proportionate prudential requirements on banks' exposure to crypto-assets
- ▶▶ Legislation should facilitate authorised crypto-asset service providers (CASPs) under MiCA to provide e-money tokens within the EU payments framework

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<sup>1</sup> European Central Bank, *Stablecoins on the rise: still small in the euro area, but spillover risks loom*, available at [https://www.ecb.europa.eu/press/financial-stability-publications/fsr/focus/2025/html/ecb.fsrbox202511\\_05~63636227b4.en.html?utm](https://www.ecb.europa.eu/press/financial-stability-publications/fsr/focus/2025/html/ecb.fsrbox202511_05~63636227b4.en.html?utm)

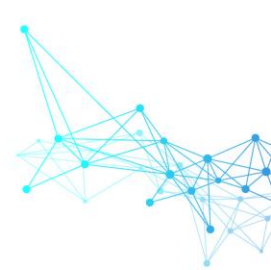
<sup>2</sup> Regulation (EU) 2023/1114





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## The tokenisation of financial markets, stablecoins and future use cases

The tokenisation of financial assets represents a key opportunity to enhance the efficiency, transparency, and accessibility of financial markets across the entire trade lifecycle. Initiatives in this space already span a broad range of asset classes and market segments and are set to play a central role in the future development of Europe's capital markets. The EU should actively support this transition to ensure it remains competitive in a rapidly evolving global landscape.

From a market infrastructure perspective, tokenisation should not be understood as a replacement of existing financial market structures, but as their technological evolution. The integration of DLT into regulated market infrastructures has the potential to unlock greater automation, improve data flows, and streamline post-trade processes. However, these benefits will only materialise if such developments are firmly anchored in robust governance, legal certainty, and effective supervisory oversight.

In this context, stablecoins can serve as important settlement and liquidity instruments in specific tokenised market use cases and should be recognised as such within the EU regulatory framework. Where deployed, they should function as complementary tools within the financial system, interoperating with regulated infrastructures and subject to stringent safeguards. These must include strong governance arrangements, guaranteed redemption at par, and comprehensive supervisory oversight to ensure financial stability and market integrity.

Stablecoins could also play an important role in the evolution of the payment landscape, offering a wide range of use cases, alongside other forms of tokenised money such as tokenised deposits. They could improve outcomes for consumers, businesses, and SMEs in particular by enabling faster settlement, greater transparency, programmable payments, and new models of credit and trade finance, especially when embedded in modern commerce ecosystems.

The EU has an opportunity to lead globally by establishing a balanced regulatory framework that protects consumers and financial stability whilst enabling innovation. A forward-looking framework should accommodate both current commercial applications and emerging retail scenarios. Keeping the stablecoin framework open to diverse use cases is essential to ensuring European competitiveness and fostering the development of payment solutions that effectively serve European consumers and businesses.

## Policy approaches in the EU and US


The EU and the US are pursuing different policy approaches that are shaping the development and market implementation of digital finance solutions, including stablecoins and central bank digital currencies (CBDCs).<sup>3</sup>

### Stablecoins and CBDCs in Europe

Policymaking on stablecoins in Europe has largely been shaped by the need to regulate the emerging crypto-asset landscape, with the aim of providing legal clarity for providers and users. In this context, the

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<sup>3</sup> MiCA does not use the general term stablecoins but instead distinguishes them into asset-referenced tokens and e-tokens. E-money tokens are crypto-assets that aim to maintain a stable value by referencing to an official currency. By contrast, asset-referenced tokens are those crypto-assets that are not e-money tokens and seek to maintain a stable value by referencing one or more currencies or commodities or a combination of thereof.



EU has positioned itself as one of the first jurisdictions to establish a comprehensive regulatory framework in this field through MiCA. Entered into force in June 2023 and applicable since December 2024, MiCA establishes a regulatory framework for crypto-assets that are not regulated as financial instruments, notably governing their issuance and trading.

To further enhance transparency and prevent the misuse of crypto-assets for money laundering or terrorist financing, the EU also revised the transfer of funds regulation (TFR).<sup>4</sup> This extends existing rules on the information on payers and payees accompanying transfer of funds to include originators and beneficiaries of crypto-asset transactions.

At the time of writing, EU institutions are advancing work to promote tokenisation of financial services, along with other digital finance solutions. In our view, stablecoins, tokenised deposits and European wholesale and retail CBDCs are complementary solutions, that have the potential of strengthening Europe's strategic autonomy and enhancing the international role of the euro.

The European Central Bank (ECB) is exploring the use of a wholesale CBDC through initiatives such as Projects Pontes and Appia.<sup>5</sup> It is also working on the technical deployment of the digital euro, a retail CBDC, whilst EU co-legislators are progressing negotiations on the digital euro regulation.<sup>6</sup>

A wholesale CBDC and stablecoins are both expected to leverage DLT. Whilst the former are primarily aimed at interbank settlement, the latter are designed for a broad range of users, including businesses and individuals. We welcome the Eurosystem's comprehensive payment strategy, which recognises the potential of public initiatives, such as Pontes and Appia, to enhance the effectiveness of private settlement assets, including stablecoins. By enabling their integration into a broader ecosystem, this approach can play a key role in fostering greater interoperability, efficiency, and innovation across the European payments landscape.<sup>7</sup> In this context, the digital euro would support retail payment use cases, including in-store and e-commerce, and is unlikely to be based on DLT.<sup>8</sup>

## Stablecoins and CBDCs in the United States

The current US administration has made the promotion of digital assets one its key digital finance priorities, shifting from an enforcement-driven model to a licensing framework designed to scale.

With the Executive Order adopted on 23 January 2025, the US government aimed to reduce regulatory requirements applied to digital assets to facilitate their uptake by citizens and businesses, whilst supporting the broader objective of preserving the international dominance of the USD. The same Executive Order

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<sup>4</sup> Regulation (EU) 2023/1113

<sup>5</sup> Through Project Pontes, the Eurosystem will explore the use DLT to connect market DLT platforms and TARGET services, enabling the settlement of transactions in central bank money. The pilot phase is expected to begin in the third quarter of 2026. In parallel, through Project Appia, the Eurosystem is assessing how central bank money and collateral services could be provided via DLT networks. The project is expected to deliver a blueprint by 2028, outlining key findings, recommendations and principles for an innovative and integrated tokenised financial ecosystem in Europe.

<sup>6</sup> COM (2023) 369 final

<sup>7</sup> European Central Bank, *The Eurosystem's comprehensive payments strategy*, available at <https://www.ecb.europa.eu/press/pubbydate/2026/html/ecb.eurosystemcomprehensivepaymentsstrat egy202603.en.html>

<sup>8</sup> See DIGITALEUROPE, *Integrating the Digital Euro into Europe's existing payment landscape*, available at [https://cdn.digitaleurope.org/uploads/2026/03/DIGITALEUROPE\\_Integrating-the-Digital-Euro-into-Europes-existing-payment-landscape.pdf](https://cdn.digitaleurope.org/uploads/2026/03/DIGITALEUROPE_Integrating-the-Digital-Euro-into-Europes-existing-payment-landscape.pdf)



also prohibits the Federal Reserve Bank from issuing a retail CDBC, on the ground that a digital dollar could pose risks to financial stability, individual privacy and the sovereignty of the US.<sup>9</sup>

In July 2025, the US Guiding and Establishing National Innovation for U.S. Stablecoin (Genius Act) was signed into law, following its approval by the U.S. Senate and the House.<sup>10</sup>

The Genius Act establishes a legal framework aimed at fostering payment stablecoins. It requires 100% reserve backing with liquid assets (e.g. USD or short-term Treasuries), sets out marketing rules to protect consumers and safeguards stablecoin holders' claims over creditors in case of insolvency of the stablecoin issuer.

At present, rulemaking is ongoing, with clear expectations that the market value of reserve assets must exceed the value of issued stablecoins, accompanied by reporting frequency requirements. Risk management and disclosure requirements broadly mirror those applicable to banks.

As the US federal regulatory framework continues to develop, issuers still commonly operate under state money transmission and trust laws. Leading states, such as New York, impose stringent requirements on reserves, segregation, and timely redemption, alongside ongoing attestation and governance obligations.

## Technical aspects

The global nature of the stablecoins market, together with the differing policy developments on both sides of the Atlantic, highlight that the development of this market in Europe depends on a range of technical elements requiring careful consideration.

### Multi-issuance

Under the multi-issuance model, EU and third-country entities could jointly issue a stablecoin. In such a framework, stablecoins would be treated as fungible tokens and their holders would be allowed to redeem them from either the EU or the third-country issuer. Currently, USD-denominated and US-issued stablecoins dominate global markets. It is therefore important that the EU regulatory framework continues to allow consumers to access these solutions, whilst the European industry continues to work to deploy euro-denominated stablecoins and make them available to European users.

We acknowledge the ECB's concerns that multi-issuance could weaken the EU's prudential regime for e-money tokens, reduce safeguards for stablecoins holders and potentially pose risks to financial stability.<sup>11</sup>

To address these concerns in the long-term whilst still enabling third-country operators to offer stablecoins in the EU, we welcome the European System Risk Board's (ESRB) recommendation calling on the European Commission to assess the equivalence of third country regulatory frameworks with MiCA.<sup>12</sup>

An equivalence-based approach would enable European CASPs to offer stablecoins issued in a third country which implements a regulatory framework comparable to the EU crypto-assets rulebook, thereby ensuring a level playing field and consistent safeguards. The advantages stemming from equivalence


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<sup>9</sup> Exec. Order No. 14178

<sup>10</sup> S.1582

<sup>11</sup> WK4742/2025 COR 1

<sup>12</sup> ESRB/2025/9



regimes include strengthening consumer protection, avoiding regulatory arbitrage, ensuring legal clarity and the expansion of the overall market size.

An immediate prohibition of multi-issuance arrangements may, in practice, drive activity to offshore markets, an outcome that would be counterproductive from both a competitiveness and supervisory perspective. Transitional arrangements such as a provisional grandfathering for existing multi-issuers could be allowed while international coordination mechanisms are being developed.

We also welcome the ESRB's recommendation that the European Commission establish international cooperation agreements to ensure adequate oversight of global stablecoins schemes and monitor cross-border activities. In this context, and where appropriate, we see merit in promoting alignment between MiCA and the GENIUS Act with regard to reserve composition, liquidity requirements, remuneration, staking limitations, and pre-contractual disclosure obligations.

Attention should also be given to the similarity of outcomes, despite certain underlying differences in the regulatory frameworks. For example, MiCA's provisions on the concentration of custodians and reserve assets, as well as requirements such as those governing deposits with credit institutions, may be well suited to the EU market structure. However, this should not preclude discussions on equivalence between the EU and US regimes, as the latter's high-quality liquid assets framework delivers comparable outcomes.

## Prudential requirements

The Bank for International Settlements (BIS), through its Basel Committee on Banking Supervision (BCBS), is currently reviewing its standards on banks' exposure to crypto-assets.<sup>13</sup> Under the current framework, certain crypto-asset exposures are subject to a risk weight of up to 1250%, requiring banks to hold capital at least equal to the full value of those exposure, depending on the specific characteristics of the crypto-asset in question.

Whilst intended to ensure prudential safeguards, such a restrictive approach discourages the responsible adoption and deployment of blockchain-based technologies within the financial sector.

Furthermore, the framework treats identical crypto or tokenised assets differently, by imposing an infrastructure add-on for assets issued on permissionless chains. In our view, risk assessments should be based on the characteristics and risk profile of the asset, rather than the underlying technology on which it is issued or traded. In this context, assets should not be subject to higher risk weights solely due to their use of blockchain infrastructure.


Finally, the implementation of the Basel standard remains partial and fragmented across jurisdictions. In the EU, a temporary regime has been introduced; however, it remains incomplete pending the adoption of the European Banking Authority's Regulatory Technical Standards on the prudential treatment of crypto-asset exposures under the Capital Requirements Regulation (CRR).<sup>14</sup>

More broadly, prudential requirements for crypto-assets should be principle-based rather than overly prescriptive and should adhere to the principle of technological neutrality. In particular, they should avoid blanket add-ons for permissionless chains and instead reflect the actual risks and mitigating measures in place. Greater efforts should also be made to ensure global consistency of standards applicable to credit institutions issuing or interacting with stablecoins and tokenised money, including to ensure a level playing

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<sup>13</sup> Basel Committee on Banking Supervision, *SCO60 - Cryptoasset exposures*, available at [https://www.bis.org/basel\\_framework/chapter/SCO/60.htm](https://www.bis.org/basel_framework/chapter/SCO/60.htm)

<sup>14</sup> Regulation (EU) 2024/1623



field with non-supervised issuers. In this context, we would support aligning European prudential requirements with those applicable in the United States.

## Regulatory alignment

The development of tokenised markets underlines the importance of policy coherence across the EU digital finance framework. Alignment between MiCA, the DLT Pilot Regime, and broader capital markets initiatives is essential to ensure that innovation in tokenised finance can scale in a safe, consistent, and stability-oriented manner, whilst preserving investor protection, financial stability, and market integrity.<sup>15</sup>

Therefore, we call on the EU institutions to leverage the ongoing negotiations regarding the Master regulation in the Market Integration and Supervision Package to promote the tokenisation of financial assets, support DLT uptake in the sector and foster innovation.<sup>16</sup>

The EU should also leverage the opportunity stemming from the DLT Pilot Regime to promote euro-denominated stablecoins as native settlement assets within DLT Trading and Settlement Systems.

In parallel, MiCA and the Payment Services Directive 2 (PSD2) classify e-money tokens (EMTs) as both crypto-assets and e-money.<sup>17</sup> Consequently, CASPs are required to obtain a payment institution licence in addition to their CASP authorisation to offer stablecoin payments to their clients, thereby creating additional administrative burden.

We welcome the approach proposed by the upcoming Payment Service Directive 3 (PSD3), which aims to simplify authorisation procedures for CASPs already licensed under MiCA that wish to apply for the authorisation to provide payment services under PSD3.<sup>18</sup> However, any simplification of these procedures should not materially reduce payment-related obligations and should ensure a level playing field with credit institutions fully subject to requirements of the existing and future payment legal framework.

Finally, to facilitate industry compliance across the Member States, avoid fragmentation and promote interoperability, supervisory approaches to the requirements imposed on the industry for the information accompanying crypto-asset transactions under the TFR should be consistent with those set out in MiCA.

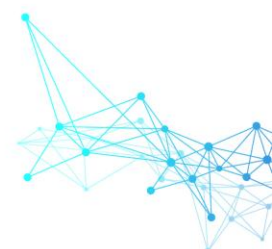
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<sup>15</sup> Regulation (EU) 2022/858

<sup>16</sup> COM(2025)942

<sup>17</sup> Directive (EU) 2366/2015

<sup>18</sup> COM(2023) 366 final





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## About DIGITALEUROPE

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