DIGITAL EURO ASSOCIATION

DEA Explainer: Making Sense of Digital Money in Europe and Beyond

May 2025

Executive Summary

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This document provides a high-level overview of the evolving digital money landscape, clarifying key terms and disentangling commonly conflated concepts.

The future of money is not just a technological challenge, but a geopolitical one. Around the world, jurisdictions are redefining what money is, who controls it, and what infrastructures it runs on. In this global transition, digital money has become a powerful lever of sovereignty, competitiveness, and regulatory autonomy.

As the US embraces stablecoins and market-led models, Europe is responding with a distinctive, public-first approach. But to understand what is truly at stake, we need to clarify the terms:

"**Digital euro**", "**stablecoin**", "**deposit token**", and "**crypto-assets**" are not interchangeable – they serve different purposes and imply different political and economic consequences.

Clarifying the differences and interactions between these instruments should support a better understanding of their roles, implications, and regulatory footing as Europe shapes its digital financial future.

MAY 2025

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What Are We Talking About?

Digital Euro (CBDC)

- **Retail CBDC:** Issued by the ECB, the retail digital euro is designed to function as public digital cash, i.e. a direct claim on the central bank, available for everyday payments by citizens and businesses. It aims to preserve monetary sovereignty, provide universal access to public money, and ensure resilience in payments – and doing so in a digital-first economy. Its greatest potential lies in reinforcing the role of central bank money in everyday transactions, especially if cash usage continues to decline.

- **Wholesale CBDC:** Also issued by the ECB, the wholesale digital euro is intended for use by financial institutions to settle tokenised assets and high-value transactions. It is being developed as a DLT-based solution and forms part of both an interim strategy (supporting experimentation and limited-scale deployments) and a long-term integration plan to embed central bank money into the future of tokenised finance. It is critical for ensuring that financial market infrastructures remain anchored in public money – even as assets, rails, and processes become increasingly digitised.

Stablecoins

Stablecoins are privately issued digital tokens, typically pegged to fiat currencies like the euro or U.S. dollar. They are most commonly used in digital trading environments, cross-border payments, and increasingly in DeFi and tokenised settlement. In the EU, stablecoins are regulated under MiCAR, which sets rules on reserve backing, redemption rights, and usage limitations — particularly for non-euro-denominated tokens. Their greatest potential lies in institutional and cross-border use cases, where they can provide near-instant liquidity, especially in a globalised digital asset ecosystem.

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What Are We Talking About?

Deposit Tokens

Deposit tokens are issued by commercial banks and represent tokenised claims on existing bank deposits, typically on DLT platforms. They are designed to function within regulated finance, offering programmability, speed, and interoperability for corporate payments, settlement of tokenised assets, or on-chain treasury functions. Their potential lies in becoming a trusted, bank-native alternative to stablecoins, especially in institutional settings, combining regulatory clarity with modern infrastructure.

Crypto-assets

Crypto-assets such as Bitcoin or Ethereum are decentralised, non-state-issued digital tokens. They are primarily used for speculation, alternative finance, or as a hedge against institutional systems. Their greatest potential lies in offering parallel financial infrastructure, supporting innovation in decentralised applications, but they also raise concerns around volatility, regulation, and systemic integration.

Instrument	Issuer	Primary Use Case	Competes With
Retail CBDC	Central bank	Public payments, cash replacement	Complements stablecoins & bank money
Wholesale CBDC	Central bank	Financial market settlement	Competes with stablecoins & deposit tokens
Stablecoins	Private sector	Trading, DeFi, cross-border liquidity	Compete with wCBDC / deposit tokens
Deposit Tokens	Commercial banks	On-chain programmable bank money	Compete with stablecoins / wCBDC
Crypto-Assets	Decentralised	Speculation, parallel financial rails	Competes with public trust, not CBDC

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The US Strategy: Stablecoins as Dollar Diplomacy

The US has taken a clear turn toward private-sector digital money, sidelining public issuance in favour of stablecoins and crypto-native assets. With the digital dollar shelved, the focus has shifted to enabling private infrastructure through regulated and unregulated means – reinforcing dollar dominance via market-led rails. This approach is not just economic, it is also political.

The rise of the Trump Coin, a Solana-based memecoin launched in January 2025 with the backing of Donald Trump himself, illustrates the growing fusion of crypto and political branding. Top buyers of the token were offered exclusive access to the US President, including private dinners, with trading generating over $300 million in fees. While technically decentralised, $TRUMP functioned as a political fundraising and influence tool, with ethical concerns raised over transparency, pay-to-play dynamics, and regulatory loopholes.

In this model, private digital money is not just a tool of innovation, it becomes a vehicle for political capital. Combined with large-scale stablecoin activity and deep fintech integration, the US strategy aims to expand the dollar's global reach without needing a central bank-issued solution.

This underscores a broader ideological preference: private over public, and profit over protocol. Notwithstanding, this model allows US tech and fintech giants to shape not only financial flows, but the standards, interfaces, and rules that govern them, often beyond the reach of European oversight.

In 2025, the US advanced two key legislative efforts to regulate stablecoins, positioning them as a key instrument of digital monetary influence. The GENIUS Act, a bipartisan Senate bill, aims to establish clear rules for stablecoin issuers, requiring full reserve backing with safe assets like US Treasuries, strong AML compliance, and protections for coinholders in insolvency.

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The US Strategy: Stablecoins as Dollar Diplomacy

Although the GENIUS Act initially garnered momentum, it faced a setback in early May when it failed to clear the first Senate vote – partially due to political controversy linked to President Trump's crypto affiliations.

Meanwhile, the STABLE Act continues to progress in the House of Representatives. It similarly mandates full reserve backing with safe, liquid assets, prohibits misrepresentation of federal guarantees, and calls for a Treasury-led study on stablecoins' global impact.

Together, these initiatives reflect a coordinated US strategy to regulate the stablecoin market, underscoring Washington's intent to lead in crypto adoption while cementing the dollar's role in digital financial infrastructure.

Europe's Sovereign Response

Sovereignty and strategic autonomy are no longer abstract ideals; they are the political core of Europe's digital money agenda. But asserting sovereignty means more than digitalising central bank money. It requires controlling the infrastructure, setting the rules, and ensuring that European financial actors don't become dependent on foreign digital rails.

The retail digital euro, often positioned by the Eurosystem as a tool for reinforcing sovereignty, will not solve this. It is not designed to counter US stablecoin dominance, and it will not displace dollar-denominated digital assets in institutional or cross-border finance.

Where Europe does act strategically is with MiCAR – a regulatory framework that: caps the circulation of foreign-denominated stablecoins; Imposes reserve and redemption requirements; and begins to draw a sovereign line around digital money in the EU.

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Europe's Sovereign Response

But sovereignty requires more than defensive regulation. Without a credible, scalable DLT-based settlement layer, backed by wholesale CBDC and interoperable public-private infrastructure, Europe risks regulating dependence – not replacing it.

The Competitive Landscape

Public discourse often assumes that all these instruments compete with one another. In reality, they often serve distinct functions, and some forms of digital money are more complementary than competitive.

For instance, it is unlikely that stablecoins will replace the retail digital euro at the point of sale. Stablecoins are more commonly used in crypto markets or institutional liquidity use cases – areas where they may more directly compete with wholesale CBDCs or deposit tokens.

Thus, it is not accurate to view retail CBDC vs. stablecoin as the primary policy tension. The more meaningful competitive space lies in settlement infrastructure and the institutional layer of finance. In other words, the real contest is between stablecoins, wholesale CBDCs, and deposit tokens – all vying to become the default settlement instrument in tokenised finance. Crypto sits outside this system entirely, offering an alternative logic, not just an alternative payment option.

This is where Europe must hold ground: not just with sovereign issuance, but with infrastructure, interoperability, and institutional adoption.

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Conclusion

The digital money landscape is complex — but clarity is possible. At the DEA, we believe that a shared understanding of terms, roles, and risks is critical for building a resilient and competitive European financial system.

The DEA is committed to helping policymakers, innovators, and the public understand and shape the future of digital money – with nuance, clarity, and purpose. The future of digital money will not be defined by one instrument, but by how effectively public and private forms of money can coexist, complement, and evolve.

Read More

- ECB: Progress on wholesale CBDC
- MiCAR explained
- DEA Position Statement on the Digital Euro, Stablecoins & Deposit Tokens

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Thank you!

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