DEA Position Statement

DIGITAL EURO ASSOCIATION

The DEA's Position on Digital Money

PREPARED BY

Digital Euro Association

The Digital Euro Association (DEA) is committed to advancing digital money while upholding fundamental civil rights such as high privacy guarantees and financial autonomy, and promoting the public good. Stablecoins play a pivotal role in this digital money landscape. They act as a bridge between fiat currencies and the digital assets space, offering the stability of traditional money while integrating the efficiency and programmability of blockchain technology.

This position paper outlines the DEA's perspective on the evolving landscape of digital forms of the euro, focusing specifically on four core categories: stablecoins, the retail digital euro, the wholesale digital euro, and deposit tokens.

As each of these instruments plays a distinct role in the emerging financial ecosystem, the DEA advocates for a coherent and future-proof framework that fosters innovation while ensuring regulatory clarity. We support a balanced approach that enables public and private sector collaboration and encourages the development of a competitive, secure, and interoperable environment in which different forms of digital money can coexist.

Our position recognises that diversity in digital money types – when properly integrated and governed – can strengthen European monetary and financial sovereignty, enhance efficiency, and broaden user choice across use cases.

MAY 2025

Stablecoins

Stablecoins have rapidly emerged as a prominent form of digital money, offering the prospect of fast, borderless, and programmable payments. They present compelling use cases – particularly in cross-border settlement and decentralized finance; yet, they also raise significant questions around legal clarity, systemic risk, monetary sovereignty, and consumer protection.

This section outlines the DEA's position on how the European Union (EU) can enable the responsible development of euro-denominated stablecoins under its Markets in Crypto-Assets Regulation (MiCAR), ensuring that they contribute to a resilient financial ecosystem while preserving European sovereignty and trust in the monetary system.

1. Supporting Innovation within the MiCAR Framework

The DEA views euro-denominated stablecoins as a legitimate instrument to increase usage of the euro in the digital economy, ultimately strengthening the global role of the euro. On this basis, the DEA advocates for regulation that safeguards financial stability and protects users while fostering an environment that supports technological advancements and the development of innovative business models.

The introduction of MiCAR provides a comprehensive regulatory framework, facilitating the issuance and operation of stablecoins across Europe. This is a crucial step towards harmonizing the regulatory landscape across the EU.

- **Proportionate Regulation:** MiCAR's provisions should be applied proportionally to ensure that compliance burdens do not disproportionately affect smaller actors or early-stage innovators.

- **Flexibility for Innovation:** MiCAR must remain adaptable to rapid technological advancements, and potential future iterations (e.g. MiCAR 2.0) need to reflect evolving market realities and emerging use cases.

- **Stakeholder Involvement:** Engaging with industry participants and seeking regular stakeholder input will be vital for a continuous regulatory process. This should ensure that the MiCAR framework remains inclusive, grounded in market realities, and evolves alongside innovation.

- **Educational Programs for Regulators:** Establish training programs to build regulator expertise in digital currencies and support well-informed, consistent policy-making.

- **Guidance & Communication:** Ongoing dialogue between regulators and industry participants is vital. Transparent communication of guidance and expectations, especially from the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA), will foster trust and efficient implementation of MiCAR across jurisdictions.

2. Regulatory Certainty for Issuers

The DEA welcomes the regulatory clarity provided by MiCAR as this presents a strong foundation for market stability, investor protection, and responsible innovation in the digital asset space.

- **Market Stability:** Uniform application of MiCAR across EU Member States reduces regulatory arbitrage and supports a level playing field.

- **Investor Confidence:** A harmonised framework reduces uncertainty, enhances investor confidence, and enables long-term business planning and sustainable growth.

- **Responsible Innovation:** Clearly defined guidelines on governance, reserve backing, and redemption obligations help identify and manage financial and operational risks.

While MiCAR presents a significant step forward, further clarity is needed around its implementation. The DEA calls on policymakers and supervisors to strike a careful balance between regulatory certainty and proportional flexibility. Clear and harmonised rules are essential for market confidence and legal predictability, yet overly rigid application could stifle innovation and limit the effectiveness of the regulation in the dynamic, fast-moving digital assets market. Transparency and adaptability in supervisory practices across jurisdictions will therefore be key to ensuring that MiCAR can provide stability and foster innovation at the same time.

- **Consistency across Member States:** MiCAR needs to be interpreted and applied uniformly by European NCAs to prevent fragmentation, and regulatory arbitrage, and avoid reintroducing uncertainty.

- **Overlaps with Existing Regulation:** The relationship between MiCAR and the EU's payment framework (e.g. PSD2) needs to be clarified, especially where crypto-asset services intersect with payment activities.

- **Reserve Asset Requirements:** The current reserve backing obligations for EMTs and ARTs should be continuously reassessed to ensure that they uphold financial stability while remaining proportionate, risk-sensitive and compatible with evolving market conditions.

3. Interoperability with Other Payment Instruments & Infrastructure

The DEA supports the integration of stablecoins with existing payment systems to ensure seamless interoperability without disrupting current financial infrastructures. Technical harmonization and strategic public-private partnerships will be crucial for maximizing efficiency and adoption.

- **Technical Standards:** The adoption of common technical and security standards should facilitate the integration of and communication between payment systems.

- **Cross-Platform Compatibility:** Stablecoins should be able to function across different wallets, payment service providers, and blockchain and non-blockchain settlement systems, while supporting both self-custody and custodial solutions.

- **Collaborative Frameworks:** It will be vital to encourage partnerships between stablecoin issuers and traditional financial entities in view of supporting seamless integration into SEPA, T2, and future blockchain-based systems. The aim is to foster a cohesive payment ecosystem.

4. User Protection: Recovery & Resolution Planning

The DEA emphasizes the implementation of robust recovery and resolution plans to safeguard stablecoin users and maintain trust in the financial system. MiCAR outlines core requirements for this, but their operationalization must also address systemic risk.

- **Recovery Plans:** MiCAR requires issuers of significant stablecoins to have risk management frameworks and contingency procedures in place. Clear guidance and enforcement will be crucial to ensuring operational readiness during crisis episodes.

- **Resolution Plans:** While MiCAR contains obligations around orderly redemption and the safeguarding of users' rights, it does not yet establish a full regime on issuer resolution. Additional rules to manage insolvency scenarios in a structured way would help minimize systemic risk.

- **Transparency Measures:** MiCAR mandates the disclosure of whitepapers, reserve assets, and redemption terms, but improved accessibility and clarity of this information would enhance user understanding.

5. Governance, Oversight & Accountability

The DEA advocates for robust governance and oversight mechanisms to ensure the stability, transparency, and accountability of stablecoin operations. This is fundamental to market integrity and trust in the stablecoin ecosystem. MiCAR includes strong provisions in this regard, which should be complemented by best industry practices.

- **Oversight Mechanisms:** MiCAR mandates external audits of reserve assets and issuer compliance. These audits should be enforced rigorously and complemented by voluntary industry best practices. Comprehensive oversight structures should ensure effective compliance monitoring and support the integrity of stablecoin operations.

- **Accountability Mechanisms:** MiCAR introduces clear issuer obligations and ensures regulatory oversight, but there is room for additional supervisory tools and clearer guidance on accountability for complex or systemic issuers.

- **Cross-Border and Inter-Agency Coordination:** Robust cross-border and inter-agency coordination should be established and maintained, both within the EU and with international counterparts, to ensure effective supervision, information sharing, and consistent application of regulatory standards for stablecoin operations, thereby mitigating risks arising from global and cross-jurisdictional activities.

Conclusion

The DEA supports a stablecoin ecosystem grounded in principles of regulatory certainty, interoperability, user protection, effective governance and innovation. MiCAR offers a vital starting point, but its success will depend on proportional implementation, consistent interpretation, and continuous stakeholder engagement.

By allowing for flexibility within a harmonised structure and supporting the dialogue between policy-makers and the market, MiCAR can adapt to reflect practical realities without compromising the integrity of market practices and regulatory standards.

The DEA remains committed to engaging with policymakers, regulators, and market actors to ensure that stablecoin regulation in Europe enables both innovation and trust in the financial system.

Wholesale Digital Euro

The wholesale digital euro has the potential to modernise the infrastructure underlying interbank settlement and financial markets. Through DLT-based experimentation and coordinated trials, central banks are exploring how programmable and tokenised settlement mechanisms can enhance efficiency and interoperability in the wholesale space.

This section sets out the DEA's perspective on the development of a wholesale digital euro, emphasizing its potential to enhance the efficiency, security, and resilience of Europe's financial markets.

The DEA supports a future-oriented approach, full interoperability across infrastructures, and strong public-private collaboration. With effective governance and a clear regulatory framework, the wholesale digital euro has the potential to position Europe as a global leader in the next generation of financial market infrastructure.

Key Principles for Wholesale Digital Euro Development

1. Efficiency Gains Through Technological Innovation

The deployment of Distributed Ledger Technology (DLT) for the wholesale digital euro, announced by the ECB in early 2025, marks a significant step in enhancing Europe's technological infrastructure and positions Europe at the forefront of financial innovation. DLT can reduce trade-to-settlement delays, integrate trade and post-trade activities, and eliminate reconciliation complexities. The wholesale digital euro can thereby support next-generation wholesale financial markets.

- **Programmability:** The DEA supports the integration of smart contracts and automated functionalities into the DLT-based wholesale system, recognising the potential to enhance efficiency, reduce operational frictions, and enable innovative use cases. Programmability should be utilized to streamline post-trade processes, enable conditional payments, and facilitate more complex financial transactions in a secure and transparent manner.

- **Transparency:** DLT provides real-time visibility and auditability, increasing transparency in wholesale financial transactions. The DEA believes that leveraging these characteristics can allow regulatory authorities to directly monitor, audit and analyze wholesale transactions in real-time, ensuring traceability and accountability, thereby increasing confidence among all stakeholders.

- **Blockchain Infrastructure:** The DEA emphasizes the importance of blockchain infrastructure in the design of the wholesale digital euro. The choice between permissioned and permissionless blockchain will significantly shape the future potential and scalability of the system. The current use of Hyperledger Fabric – a permissioned blockchain – in trials is a pragmatic and understandable decision at this stage as it ensures a controlled environment aligned with current regulatory and institutional requirements. However, the DEA encourages consideration of permissionless architectures in future development phases. Such infrastructures could foster openness, interoperability and support for innovative applications in the evolving financial ecosystem.

2. Interoperability Across Systems & Jurisdictions

Interoperability is essential for a future-proof wholesale digital euro. The DEA emphasizes the importance of ensuring compatibility not only across jurisdictions, but also with domestic financial market infrastructures.

- **Global Coherence:** A wholesale digital euro should align with global standards to facilitate seamless integration with legacy systems and other CBDCs.

- **Cross-Border Wholesale Transactions:** Participation in multi-wholesale CBDC arrangements could reduce reliance on traditional correspondent banking and support more efficient cross-border transactions.

- **Domestic Integration:** A wholesale digital euro should be compatible with domestic wholesale settlement infrastructures such as T2 and T2S.

3. Collaborative Development & Governance

Close cooperation between central banks, financial institutions, and private stakeholders is critical for designing an inclusive and scalable wholesale digital euro framework.

- **ECB Engagement:** The DEA welcomes the ECB's commitment to engaging the financial industry through its wholesale digital euro trials. Designing an inclusive and scalable wholesale CBDC framework requires ongoing collaboration between central banks, financial institutions, and private-sector actors.

- **Learning-by-Doing:** Continued experimentation is essential for refining operational models and regulatory frameworks and will be key to building a wholesale digital euro that is efficient, scalable, and aligned with market needs.

4. Robust Legal & Regulatory Framework

Clarifying the legal status of the wholesale digital euro is crucial for fostering market trust and ensuring compliance with international regulatory standards.

- **Legal Certainty:** The legal foundation for the wholesale digital euro must focus on its recognition as public money, reflecting its unique back-end function in this regard. The Eurosystem needs to clarify whether the wholesale digital euro should be grounded in existing European statutes or regulations, or whether the introduction of novel technologies necessitates an extension of existing frameworks or the creation of a dedicated legal instrument to ensure clarity and enforceability.

- **AML/CFT Compliance:** Regulatory frameworks should address challenges around anti-money laundering (AML), and countering the financing of terrorism (CFT), without undermining efficiency.

5. Focus on the Wholesale Digital Euro as a Global Model

With the wholesale digital euro, the Eurosystem has the opportunity to set a global reference point in wholesale CBDC development - anchored in European values of sovereignty, interoperability, and openness.

- **Benchmarking & Leadership:** The Eurosystem can build on the most advanced global research, pilot projects, and international dialogues in shaping the design for the wholesale digital euro. It can thereby become a model for shaping international wholesale CBDC design.

- **Global Integration:** The wholesale digital euro should ensure interoperability within Europe's own financial ecosystem, including legacy infrastructure and - where appropriate - the retail digital euro. On this basis, the wholesale digital euro could become a tool to strengthen the role of the euro globally. However, it is crucial not to neglect global interoperability with other CBDCs to support efficient cross-border financial flows and international trade.

Conclusion

The DEA supports the development of a wholesale digital euro that is efficient, secure, and globally interoperable. By adhering to the outlined principles, the digital euro can play a pivotal role in modernizing Europe's financial markets while contributing to global advancements in digital finance. The DEA remains committed to fostering innovation and collaboration, ensuring that the wholesale digital euro serves as a transformative tool for the public good.

Retail Digital Euro

The retail digital euro represents a public sector response to the digitalisation of everyday payments. It aims to ensure that central bank money remains accessible in a digital economy increasingly shaped by private solutions, including foreign actors.

As the Eurosystem advances the design and legislative groundwork for the digital euro, the DEA highlights the importance of user-centricity, technological openness, privacy, and public-private collaboration.

This section lays out the DEA's stance on the retail digital euro, highlighting key principles and features that should guide its development to enhance Europe's financial ecosystem, ensuring privacy, security, usability, and inclusivity.

Key Principles for Retail Digital Euro Development

1. Public Good & Strategic Sovereignty

The DEA reaffirms its commitment to prioritizing the successful development and implementation of the retail digital euro as a cornerstone of Europe's digital financial ecosystem. At the same time, the digital euro should align with international developments to contribute to global CBDC interoperability and serve as a model of responsible innovation.

- **Public Good:** The digital euro must be universally accessible, free for basic use, secure, and designed to benefit society as a whole across the Eurozone.

- **Strategic Sovereignty:** The digital euro should serve as a tool to reduce structural dependencies on non-European payment providers and enhance the Eurosystem's autonomy in digital payments, and secure monetary policy implementation in a digital-first financial system.

- **Interoperability with Existing Systems:** The digital euro must integrate seamlessly with existing financial infrastructures, such as instant payment schemes, card networks, and banking interfaces, to avoid fragmentation and support broad usability from launch.

- **Global Engagement:** While primarily tailored to European needs, the DEA advocates for the digital euro's alignment with international CBDC discussions and for cross-border interoperability, aiming to reinforce the euro's role in global trade and the digital financial system.

2. Strong Value Proposition & Tangible Benefits

The DEA supports a digital euro that guarantees public access to central bank money in the digital sphere, delivering clear and quantifiable benefits to consumers, businesses and other stakeholders across the Eurozone. It should complement, not displace, private solutions, serving as a public platform for public-interest innovation in areas like privacy, resilience, and interoperability. As such, the digital euro can achieve widespread adoption and long-term relevance, while fostering a more competitive and sovereign European payments ecosystem.

- **Value-Add for Users:** The digital euro needs to provide tangible benefits to consumers, such as through high privacy protections and providing offline functionality.

- **User-Centric Design:** the DEA believes that the success of the digital euro hinges on a design with the user at its core. It must offer a seamless user experience across different devices and channels and accommodate diverse user needs. Access to and use of the digital euro must also be straightforward and inclusive.

- **Merchant Incentives:** It needs to ensure that merchant acceptance involves low costs to reduce payment friction and enhance merchant adoption.

- **Market Relevance:** The digital euro needs to address specific use cases and pain points in the current financial system, such as high fees, limited cross-border usability, and foreign provider dominance.

- **No Holding Limits:** The DEA firmly opposes restrictive holding limits that would undermine the digital euro's utility. Limits reduce competitiveness and hinder the instrument's versatility in daily retail use.

3. Privacy as a Fundamental Right

Privacy in the context of the retail digital euro refers to the right of individuals to control their personal financial information, ensuring that their data is protected from misuse, unauthorized access, or excessive exposure. It is rooted in the autonomy and dignity of users and requires a careful balance between safeguarding confidentiality, complying with regulatory requirements, and addressing societal preferences and cultural norms regarding trust in public institutions.

- **Privacy by Design:** The Eurosystem needs to implement best-in-class privacy measures to ensure security without compromising on efficiency and user experience. Anonymity should be supported for low-value, offline transactions. The DEA supports technically guaranteed and legally protected privacy as a core feature of the digital euro.

- **Clear Data Governance:** The digital euro rulebook should provide transparent rules on what data is collected, which entities have access to it, and how it is stored. The DEA believes that this information should be clearly communicated to users.

- **Regulatory Balance:** Privacy measures need to be designed to comply with AML/CFT regulations. However, where possible, data should only be visible in aggregate forms to avoid exposing users to unnecessary surveillance.

- **Trust & Autonomy:** The DEA recognizes that privacy builds public trust and protects individual autonomy – core values that the digital euro must also uphold.

4. The Do-No-Harm Principle

The digital euro must reinforce financial stability, user rights, and systemic resilience without displacing or distorting the existing ecosystem.

- **Avoid Negative Interest:** The DEA opposes the use of negative interest rates on retail digital euro holdings, which could harm savers and discourage use.

- **Programmable Payments, Not Programmable Money:** While the DEA believes in the benefits of programmability, this must not enable third parties or public actors to restrict how, when, or where the digital euro can be used. This should preserve freedom of choice, allowing users to use the digital euro for any lawful purpose without interference or coercion.

- **Monetary Neutrality:** The design of the digital euro should avoid disrupting monetary transmission or creating financial disintermediation risks.

5. Collaborative Development & Governance

The DEA supports the involvement of multiple stakeholders in the development and governance of the digital euro, ensuring transparent, inclusive, and accountable decision-making throughout the digital euro lifecycle.

- **Stakeholder Participation:** The development of the digital euro should acknowledge public opinion, industry needs, and technical requirements at every stage of development.

- **Institutional Clarity:** The digital euro's governance framework should clearly define roles and responsibilities among the central banks, commercial banks and other ecosystem participants.

- **Ongoing Consultation:** The Eurosystem should foster continuous feedback loops to ensure user needs and market realities are reflected in the evolution of the digital euro.

- **Transparency:** The DEA supports that the chosen governance structures, processes, and decision-making criteria should be publicly documented and communicated to strengthen the digital euro's legitimacy.

6. Interoperability with Existing Systems

For the digital euro to be successful, it needs to be widely adopted. To this end, the DEA supports the full interoperability of the digital euro with existing financial infrastructures.

- **Technical and Regulatory Integration:** The digital euro must seamlessly integrate with SEPA, instant payment systems, and retail banking interfaces. The DEA also believes that it will be crucial to offer a bridge between traditional account-based systems and emerging digital wallets and token-based models to ease user transition.

- **Payment Continuity:** The Eurosystem needs to avoid introducing friction or fragmentation into current payment flows or merchant acceptance infrastructures with the introduction of the digital euro.

7. Legal Clarity

The DEA calls for a clear and robust legal foundation for the digital euro to ensure legal certainty, user trust, and smooth integration into the financial system.

- **Legal Tender status:** The digital euro must be explicitly recognized as legal tender to guarantee its acceptance across the Eurozone and uphold the singleness of currency. The DEA urges the EU to clarify whether this will be based on an existing mandate of the ECB or whether the addition of a digital element requires the creation of new provisions to formally anchor the digital euro in the European legal landscape.

- **Issuance & Redemption**: The digital euro framework must define who may issue, distribute, and redeem the digital euro, and under what terms, to avoid legal fragmentation and regulatory uncertainty.

- **Cross-border Utility**: Legislators need to provide clarity on how the digital euro interacts with other jurisdictions, particularly for cross-border and offline use cases.

- **Monetary Sovereignty**: Legal clarity is key to preserving the ECB's monetary authority in the digital age and countering the proliferation of foreign-controlled digital payment instruments – aiming to strengthen Europe's monetary sovereignty and strategic autonomy.

8. Technological Infrastructure & Open Source Principles

The DEA supports a modular, future-proof, and open-source-compatible technology stack that enables public trust and private sector innovation.

- **Appropriate Technology Choices:** The digital euro design should leverage distributed ledger technologies (DLT) where fit-for-purpose, while retaining flexibility for centralized components.

- **Modular Architecture:** The DEA advocates for the development of a technology stack that enables layered innovation and easy integration of new features over time.

- **Open Source Ethos:** Where appropriate, the DEA supports the use of open-source standards and practices to foster transparency, security, and ecosystem participation.

9. Security & Resilience

The digital euro must uphold the highest standards of operational resilience and security to maintain trust and reliability.

- **Cybersecurity Standards:** The digital euro design needs to ensure robust security protocols to defend against operational threats and fraud.

- **Offline Capability:** The DEA supports the digital euro's offline functionality to support resilience and ensure continuity in disrupted environments.

- **Risk Management:** The Eurosystem needs to develop contingency plans and resilience testing protocols across the digital euro infrastructure.

Conclusion

The DEA supports the development of a retail digital euro that serves as a public good – designed to enhance sovereignty, promote innovation, safeguard privacy, and foster inclusivity. By adhering to the principles of openness, resilience, flexibility and user-centricity, the digital euro can reinforce Europe's monetary sovereignty and become a global benchmark for CBDC development.

Deposit Tokens

Deposit tokens represent a promising innovation by regulated financial institutions to offer tokenised commercial bank money on distributed ledger systems. As a privately issued, on-balance sheet form of digital money, they can facilitate secure and scalable settlement in emerging digital ecosystems – while leveraging the trust and infrastructure of existing banking institutions.

In this section, the DEA discusses the potential of deposit tokens to complement public money instruments like CBDC, and calls for regulatory clarity and interoperability to ensure they can thrive as part of a broader, well-functioning digital euro area.

1. Balancing Innovation and Financial Stability: Deposit tokens could bridge traditional banking with digital ecosystems, streamlining settlement and fostering innovation without compromising systemic stability.

2. Interoperability: Deposit tokens should integrate seamlessly with CBDCs, stablecoins, and existing financial structures to enhance utility and efficiency.

3. Regulatory Clarity: The integration of deposit tokens into both traditional banking systems and emerging digital financial infrastructures requires a regulatory framework that is not only consistent with existing deposit and banking regulations, but also tailored to tokenized deposits. This framework should align with broader regulatory objectives, such as AML/CFT compliance, financial stability, and consumer protection, while providing clear, specific rules for tokenized deposits to ensure legal certainty, operational resilience, market confidence, and innovation.

4. Consumer Protection: To ensure consumer protection and build trust in deposit tokens, strong oversight and clear, transparent redemption processes are essential. Given that deposit tokens can be accessed and redeemed instantly at any time, they may pose specific risks in times of stress. Regulators should account for this by applying cautious standards that reflect their high liquidity and potential for rapid outflows, safeguarding financial stability as adoption grows.

5. Deposit Insurance and Financial Stability: The DEA calls for clear legal clarification regarding the applicability of deposit insurance schemes to deposit tokens to ensure users have full transparency concerning asset protection. At the same time, deposit tokens should be designed with strong reserve structures and high operational resilience, minimizing reliance on government guarantees and reinforcing trust in the digital financial system.

6. Collaboration: Encouraging partnerships between banks, fintechs, and regulators to explore the potential deposit tokens in modernising financial services will be vital.

Conclusion

The DEA supports the coexistence of tokenized deposits, CBDCs and stablecoins, viewing them as complementary elements of a modern financial ecosystem. Each serves a distinct purpose while collectively enhancing efficiency, innovation, and resilience.

Tokenized deposits offer a bridge between traditional banking and digital platforms without conflicting with the role of CBDCs as state-backed money or the utility of stablecoins in niche applications.

By fostering interoperability and aligning regulatory frameworks, these different forms of digital money can coexist, ensuring a cohesive and inclusive financial system.

DIGITAL EURO ASSOCIATION

Digital Euro Association e.V.
Thurn-und-Taxis-Platz 6
60313 Frankfurt am Main

https://www.digital-euro-association.de/

anne-sophie.gogl@digital-euro-association.de
anne-sophie.kappel@digital-euro-association.de

@DigiEuro

Digital Euro Association