Digital finance for a stronger and more autonomous Europe

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Digital innovation offers finance a chance to become both more efficient and resilient. Yet, this transformation is unfolding amid geopolitical fragmentation. Economic ties are used as instruments of power, while competition over technology and financial infrastructure is growing. Therefore, strategic autonomy has become urgent for Europe.

Once seen mainly to improve efficiency and financial inclusion, digital finance has become a strategic asset in global competition. Financial infrastructure affects Europe’s ability to finance its economy, preserve stability, and act autonomously.

Europe should seize this moment. The goal is a financial system that supports growth, underpins stability, and strengthens the international role of the euro.

Three priorities stand out.

First, Europe must realise the promise of digital finance.

Technology and digitised assets will make transactions faster, reduce intermediaries, and connect markets more efficiently. More importantly, they will help channel Europe’s savings into investments.

EU households and non-financial companies hold more than €15 trillion in bank deposits. This is a major source of financial strength. Europe must mobilise it to support defence, innovation, and the green transition. Public budgets alone cannot meet these investment needs. Putting Europe’s savings to better use is the aim of the Savings and Investments Union.

The prize goes beyond faster payments: a stronger capacity to finance Europe’s future.

Second, Europe must choose the right path: the digital euro and tokenised deposits.

The digital euro is key to this agenda. In everyday payments, it would give citizens a European means of payment backed by the European Central Bank. In financial markets, central bank money will ensure transactions settle safely and irreversibly. Together, these uses of central bank money will reduce Europe’s dependence on non-European financial infrastructure and strengthen its financial sovereignty.

Central bank money provides the public foundation. But private money will continue to circulate alongside it. The question is which form private digital money will take.

Stablecoins, mainly used in crypto markets, have flourished most in the US and have been hailed as the ideal way to digitalise finance. At end-May 2026, market capitalisation stood at around USD 320 billion, but the impressive growth registered last year seems to be levelling off. Europe should choose another path.

Tokenised deposits build on the strength of Europe’s regulated banking system. Like traditional deposits, they benefit from comprehensive supervision, strong liquidity requirements, and deposit protection. They earn interest, support bank lending, and enable monetary policy transmission.

The significance of tokenisation lies in new functions it enables. Conditions can be built into payments, so funds move only when agreed terms are met. Value can move faster between parties, and tokenised deposits can be used alongside assets held in the same digital form. Finally, each transaction settles as a single event: both sides complete together, or neither does, so no party is left having paid without receiving.

By linking Europe’s vast deposit base more directly with investment opportunities and capital markets, tokenised deposits will help direct savings where needed most.

Third, Europe must turn innovation into scale.

Europe must avoid replacing today’s fragmentation with new digital barriers. Central bank money, tokenised deposits, and the platforms on which assets are traded must work together.

Europe still depends heavily on non-European payment providers and financial infrastructure. Today, non-European companies handle nearly two-thirds of card transactions in the euro area. Building trusted European capabilities will reduce critical dependencies, reinforce the Single Market, and allow Europe to shape finance rather than adapt to decisions made elsewhere.

Scale will require clear European rules, common standards, and sound governance. Public-private cooperation is needed, with private innovation building on public foundations, above all central bank money. This is why the ESM supports the ECB’s work to ensure transactions can continue to be settled safely as financial markets become tokenised.

The benefits extend beyond Europe. A trusted and widely used European digital financial system will also strengthen the international role of the euro. Making the right choices in digitalising the financial system and building a robust financial technology will be crucial to sustain global confidence and stability in Europe.

Europe has the institutions, banking system, savings, and innovative capacity to lead. It can modernise finance without sacrificing stability. By combining central bank money, tokenised deposits, and a system that works across Europe, it can mobilise savings and deepen capital markets. Innovation and stability can, and must, advance together.

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