How banks can help bridge the Euro fiat-stablecoin divide

Introduction

While USD stablecoins have surged to a $200 billion market cap, their Euro counterparts languish at just $250 million – a fraction of their potential.

This disparity can be viewed as a strategic vulnerability in Europe's financial framework when compared with the dramatic pivot by the Trump administration in favour of robust digital asset adoption across the pond.

White House Crypto Czar David Sacks confirmed that stablecoin legislation is his top priority for 2025, and this will undoubtedly speed up financial market reform globally.

BANKING CIRCLE

The United States is now fast-tracking stablecoin regulation.

Europe is emphatically ahead of the US with stablecoin regulation.

Enter the **Markets in Crypto Assets (MiCA) legislation** that came into effect on 30 December 2024.

Unlike most global jurisdictions where regulations are still being developed or in the consultation / sandbox stage,

MiCA provides regulatory clarity for digital assets.

This provides crucial certainty to financial institutions to participate in this still nascent space, and in particular with a Euro stablecoin.

Europe's traditional banks, long viewed as conservative players in digital finance, now hold the keys to

bridging this divide between traditional finance and the emerging digital landscape.

It also makes them the natural architects of a more integrated European payment system buoyed by Euro-denominated stablecoin adoption.

THE SCALE OF EUROPE'S STABLECOIN OPPORTUNITY

The digital asset landscape has matured significantly, with Coinbase research reporting:

$10.8 trillion

Transaction volume for 2023

$2.3 trillion

Organic activities such as payments and cross-border remittances

Source: Coinbase

A stark disparity exists between USD and EUR stablecoins, with the latter accounting for a mere 0.13% of the USD-pegged stablecoin market.

This disparity becomes more striking when compared to traditional fiat currency usage, where the US dollar represents approximately 50% of global payments and the Euro 20%.

This suggests significant growth potential for Euro stablecoins as digital payments evolve to mirror traditional currency distributions.

Source: ECB

Customers for a myriad of reasons seek the ability to transact in their native currency.

While the cryptocurrency sector is heavily USD-dominant, it can be expected that with further market maturation and general usage, **the need for Euro-pegged stablecoins will increase based on convenience and regulatory compliance.**

THE CASE FOR EURO STABLECOIN ADOPTION

The business case for bank-issued Euro stablecoins extends beyond crypto markets to practical payment solutions.

Traditional Europe-Asia payment flows often require days for settlement.

Stablecoins can dramatically reduce this timeframe while maintaining the security and compliance standards expected in international banking.

As digital payments evolve,
the natural progression for European businesses and consumers is to utilise

Euro-denominated stablecoins for everyday transactions, mirroring their current use of fiat euros.

The advent of

programmable money enables automated treasury functions and real-time settlement systems

that could revolutionise interbank lending markets and corporate financial operations.

The regulatory landscape further strengthens the case for Euro stablecoins. Operating under MiCA and EU consumer protection laws, these digital assets provide users with clear legal safeguards and recourse.

EUROPEAN USERS

EUR stablecoins offer a natural alignment with their financial lives.

With income and expenses primarily in Euros, **transacting in Euro stablecoins eliminates the mental friction of currency conversion and protects against EUR/USD exchange rate fluctuations** and it means businesses and individuals can plan, budget, and operate without the hidden costs and complexity of constant currency conversions.

BUSINESSES

Simpler compliance, more efficient accounting, and seamless integration with existing European payment systems. When combined with lower transaction costs for Euro-denominated trades and cross-border payments, Euro stablecoins emerge as the logical choice for European digital transactions.

WHY THE DELAY IN WIDESPREAD ADOPTION?

Europe presents a much more nuanced regulatory landscape, with unique challenges that only its renowned banking sector will be able to solve.

HOW MiCA CHANGES THE REGULATORY LANDSCAPE

The European regulatory environment actively supports the development of Euro-denominated stablecoins.

MiCA's framework includes provisions that favor European stablecoin development while placing certain restrictions on large-scale usage of non-EU currency stablecoins. This regulatory support, combined with banks' existing compliance infrastructure, creates a strong foundation for growth.

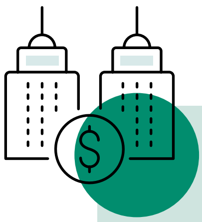
EUROPEAN BANKING'S STABLECOIN EDGE

Unlike non-bank stablecoin issuers who must partner with banks for fiat on-ramping and off-ramping, banks can provide seamless conversion between traditional and digital currencies through their existing infrastructure.

This direct access eliminates intermediary friction & reduces costs.

Banks' established compliance frameworks and experience with financial regulations position them to navigate the emerging stablecoin regulatory landscape effectively.

MiCA regulation provides European banks with **a clear framework for stablecoin operations while ensuring robust consumer protection.**



Traditional banks' experience in managing multiple fiat currencies provides a strong foundation for integrating stablecoin operations.

This expertise becomes particularly valuable as the market moves beyond crypto trading to impactful real-world payment applications.

BANK-ISSUED EURO STABLECOIN EURITE FILLS FIAT-STABLECOIN DIVIDE

Encouragingly,
Banking Circle's pioneering EURITE (EURI)
could potentially tackle this divide.

EURITE offers a compellingly unique use case
in European digital finance as it is
the only Euro stablecoin issued by a bank.

Banking Circle and its well-established TradFi credentials
fills the fiat-stablecoin gap in unique ways,
such as offering institutional clients the
ability to compliantly settle stablecoins
24/7 with traditional fiat currency.

EURITE

IMPLEMENTATION FRAMEWORK

Successfully bridging the fiat-stablecoin divide requires a comprehensive approach.

Banks must integrate their existing payment rails with new blockchain infrastructure while maintaining real-time monitoring systems and robust security measures.

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Risk management remains paramount

Requires full collateralisation with high-quality euro-denominated assets and comprehensive external audit programs.

THE PATH FORWARD

The convergence of traditional banking and digital assets is inevitable. European institutions that develop Euro stablecoin capabilities and support now will be well-positioned to capture the growing demand for digital payment solutions.

While the investment required can be significant, the cost of inaction may be far greater.

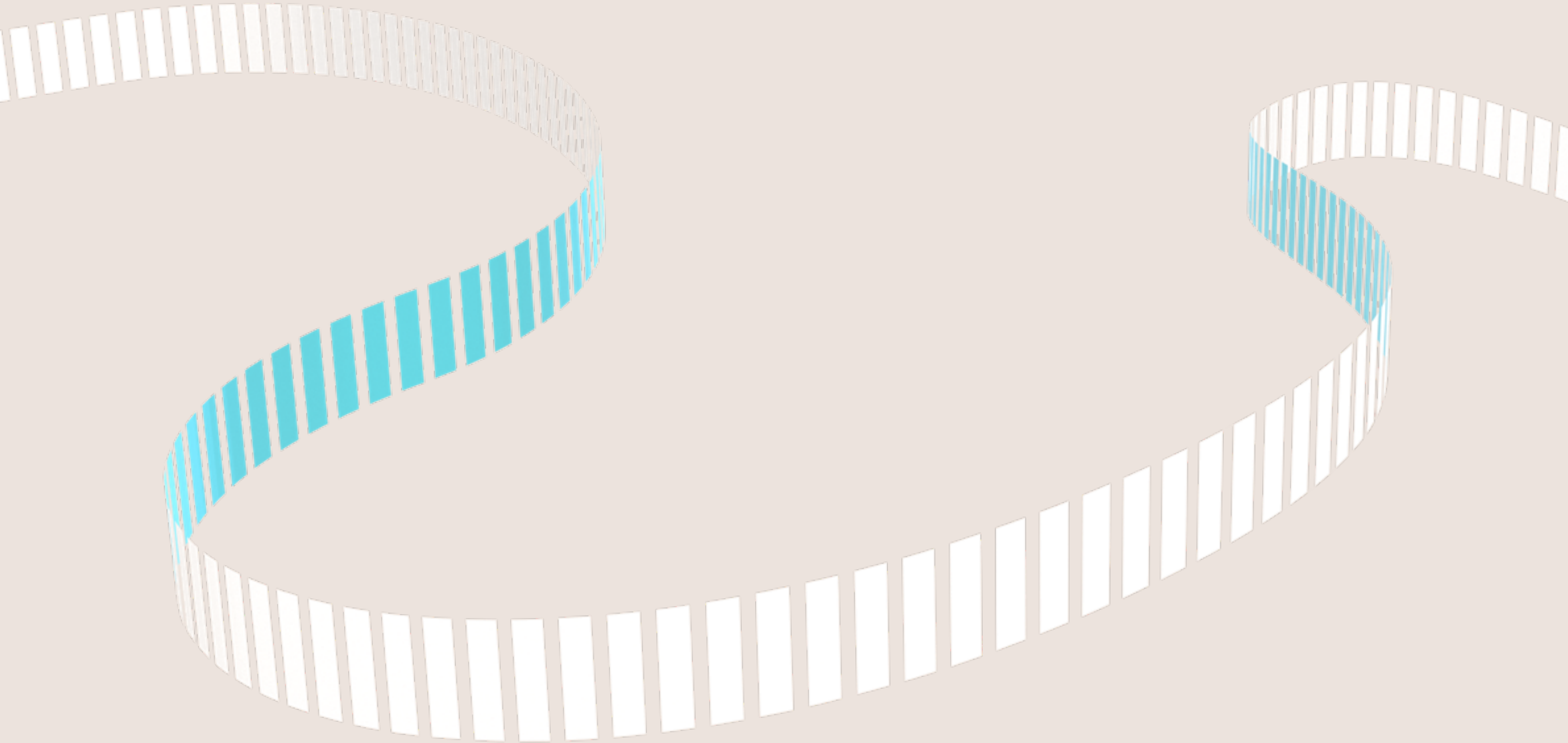
> The question is no longer whether to integrate stablecoin capabilities, but how quickly and effectively we can implement them while maintaining the high standards of security and stability that define European banking.

THE TIME FOR CAREFUL OBSERVATION HAS PASSED

Now is the moment for strategic action to ensure European financial institutions remain at the forefront of global banking innovation.

- The technology exists.
- The regulatory framework is in place.
- The market opportunity is clear.

Banking Circle has already bridged the fiat–stablecoin divide and we therefore encourage PSPs to connect with us and together take the lead within this new digital finance paradigm.



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