SPEECH

Governor Signe Krogstrup's speech at the Centre for European Policy Studies (CEPS) about Stablecoins and Money

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Thank you very much for the invitation. It is a pleasure to see so many familiar faces online today.

Today's topic is "Stablecoins and Money". Stablecoins have captured significant attention in discussions about the future of money. This reflects not only technological progress and innovation, but also, to a considerable extent, politics.

In my remarks today, I will speak from a monetary and financial standpoint. I will not engage in the technological details, as this is clearly not my area of expertise.

I will outline several key issues currently debated across the central banking community. My focus will be on monetary sovereignty, financial stability, and the evolving balance between public and private money. However, before I turn to these issues, let me begin with some introductory observations.

What is a stablecoin?

A stablecoin is a digital token designed to maintain a fixed value against underlying assets, most often a fiat currency, and is typically backed by cash or short-term government securities. It is basically a backed crypto asset, but without the price swings of unbacked assets such as Bitcoin.

In financial terms, stablecoins resemble long-standing instruments such as money-market fund shares or deposits in a narrow bank. Accordingly, many of the associated risks are familiar.

What is new is the technological foundation: stablecoins operate on distributed ledger technology, or DLT. This allows the token to function as a transferable digital bearer instrument – akin to cash – without requiring a bank account or registration with the issuer. It also enables new functionalities and the execution of transactions within DLT-based environments.

DLT offers several advantages. It is operational around the clock, is programmable, and enables the integration of multiple features and transactions within a single automated workflow. Bitcoin is often cited as the first widely adopted crypto asset based on DLT. It was introduced in the aftermath of the financial crisis, inspired by a desire to create an alternative to banks and central banks. A decentralised ecosystem, where trust in institutions would be replaced by trust in code.

Almost 20 years later, it is broadly acknowledged that these ambitions were not fulfilled. Bitcoin has proven too volatile and too slow to function effectively as money, that is, as a means of payment, store of value or a unit of account. It has instead become a speculative asset.

Nevertheless, elements of the technology, particularly those related to settlement efficiency, transparency, and programmability, are gradually gaining traction.

Stablecoins have emerged as a compromise: they combine the technological advantages of DLT with the stability provided by fiat-based backing and trust based on existing institutions.

Stablecoins are generally discussed in relation to three interconnected uses:

1. **Payment and settlement** for crypto assets and, potentially, tokenised financial assets on DLT platforms.

2. **Retail payments**, particularly cross-border remittances and transactions.

3. **Store-of-value access** to the underlying fiat currency – for example, US dollars.

Despite these potential use cases, adoption remains limited. Most activity takes place within the crypto ecosystem, primarily for settling transactions with other crypto assets. The global market

capitalisation of stablecoins is modest, reaching about USD 300 billion in 2025 with some fluctuation, equivalent to roughly half a per cent of the US equity market. Retail use and store-of-value functions are also minimal, albeit slowly increasing.

Why has adoption been so slow, given that the underlying technology has existed for nearly two decades?

Views differ. Some argue that industry and stakeholder influence have hindered regulatory clarity, especially in the US, or led to regulation that limits usability.

Others suggest that DLT's advantages have simply been overstated. And that demand has primarily been driven by regulatory arbitrage. By comparison, AI – another frontier technology – expanded rapidly following the first wave of chatbots in 2023, despite limited political or regulatory support. Of course, AI is a general-purpose technology, while stablecoins and DLT rely on network effects, so the comparison may be imperfect. In any event, I note that the debate is evolving.

Why the heightened focus now? Two reasons.

First, political dynamics are changing.

The US administration has become increasingly supportive of crypto and stablecoins. Dollar-denominated stablecoins dominate global issuance and are seen as potentially reinforcing the international role of the dollar, sustaining demand for US Treasury bills and supporting funding of the US budget and current account deficits.

Meanwhile, the EU and other jurisdictions have expressed strategic concerns about the pervasive role of US payment giants and USD-based payment systems. These concerns are tied to discussions on strategic autonomy, resilience, and financial stability. Stablecoins could deepen this reliance.

Second, related to changing political dynamics is a change in the regulatory environment. Markets in Crypto Assets Regulation or MiCAR is one of the first comprehensive frameworks that regulate the issuance, trading, and custody of crypto-assets, including stablecoins.

In the US, regulatory frameworks are developing, including the GENIUS Act and the proposed Clarity Act. These are seen to bring more clarity on reserve composition and remuneration. These initiatives have reduced regulatory uncertainty and may also have lowered barriers for institutional participation.

Will stablecoins take off with current tailwinds?

Possibly. But it remains uncertain.

Market capitalisation reportedly grew by about 50 per cent in 2025.[1] Financial institutions are increasingly exploring stablecoins, whether for wholesale settlement or crypto-related services.[2]

But the potential scaling up of use will ultimately depend on use cases. Here, the evidence is mixed.

Cross-border payments and remittances are use cases that many point to. However, the extent to which stablecoins are currently used systematically for remittances and other cross-border transactions is unclear.[3]

Another use case is access to USD stores of value, especially in countries with weaker financial systems. Argentina is often mentioned as an example. But in jurisdictions with efficient domestic payments and stable inflation, such as the EU, demand for these use cases is expected to remain low.

There is also interest in using stablecoins as wholesale settlement assets for DLT-based trading platforms. But this hinges on whether DLT achieves large-scale relevance in financial infrastructure.

If DLT scales, stablecoins may prove to be a convenient and efficient means of payment and settlement. It could, however, also face strong competition from tokenised bank deposits, tokenised money-market funds, and potentially wholesale or retail CBDC. Or, indeed, a combination of all these.

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[1] See Bloomberg.
[2] See Nine major European banks join forces to issue stablecoin, Press Release, *Danske Bank*, 25 September 2025.
[3] See Decrypting Crypto: How to Estimate International Stablecoin Flows, IMF Working Papers, Vol. 2025, Issue 141, *International Monetary Fund*, July 2025.

In short, while there is considerable uncertainty, I am careful not to rule out the possibility that stablecoins become more widely adopted. The jury is still out.

Should we welcome stablecoins, or be concerned?

It depends. When assessing potential benefits and drawbacks from stablecoins, central banks typically consider three main areas: the impact on financial stability, monetary sovereignty, and the roles of public vis-à-vis private money.

1. Financial stability

Stablecoins carry well-known risks familiar from money-market funds and narrow banks.

First, the risk of credit and liquidity mismatches and vulnerability to runs.

The largest stablecoin issuers are now major holders of short-term US Treasuries. They also hold significant bank deposits in reserve. A disorderly redemption or run could force rapid asset sales, transmitting stress into sovereign debt markets or banking systems. Such stress could become systemic, although currently, the modest market size limits risks.

Cross-border spillovers are also possible. The ECB has highlighted potential risks from USD stablecoins issued in Europe under multi-issuance models, should they one day become systemic.[4] The ESRB has called for urgent regulatory attention and coordinated action at both EU and international levels on this matter.[5]

Second, as for narrow banks, retail adoption could also shift deposits away from banks, thereby affecting funding stability and potentially constraining credit supply, though not necessarily. MiCAR mitigates this by requiring EU-issued stablecoins to hold significant reserves in bank deposits.

For now, financial stability risks appear modest in the EU. But indirect channels – via money markets, collateral chains, or

[4] See Stablecoins on the rise: still small in the euro area, but spillover risks loom, ECB Financial Stability Review, *European Central Bank*, November 2025.
[5] See Crypto-assets and decentralised finance, *European Systemic Risk Board*, October 2025.

cross-border linkages – warrant monitoring. In third countries, where stablecoin use is expanding, risks may materialise earlier.

On the upside, stablecoins may spur innovation in traditional retail payments, an area that has been slow to advance, particularly in the US. In the EU, regulatory initiatives such as the Instant Payments Regulation already support efficient payment solutions, thereby reducing the potential competition from retail stablecoins.

2. Monetary sovereignty

This brings me to how we look at monetary sovereignty and stablecoins. Foreign-currency stablecoins could contribute to currency substitution, driven by accessibility and network effects. Unlike traditional dollarisation, stablecoins do not require cash or a foreign bank account – only a smartphone and internet access.

Growing use of USD stablecoins could strengthen the global dominance of the US dollar and reduce host countries' ability to steer domestic financial and monetary conditions.

In the EU, such risks are currently modest, thanks to strong payment systems and credible monetary policy.[6] Yet this could change if adoption rises elsewhere, creating spillover pressures. In countries with weaker financial systems or less stable inflation, and where trust in money is lacking, adoption is more likely.

Additionally, stablecoins may pose risks to financial integrity, not least with respect to mitigation of AML/CFT risks.[7] Increasing private USD-stablecoin use in geopolitically sensitive regions could complicate sanctions enforcement due to reduced financial transparency.[8]

3. Public versus private money

Two additional considerations have influenced policy discussions on the pros and cons of stablecoins: who earns so-called

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[6] Also, the EU's MiCAR regulation sets monetary safeguards. Regulators, following an opinion of the ECB, can halt issuance of foreign-currency denominated stablecoins if they present a threat to the smooth operation of payments systems, monetary policy transmission or monetary sovereignty, see Article 24(3) of MiCAR.

[7] See Understanding Stablecoins, IMF Departmental Paper No. 25/09, *International Monetary Fund,* December 2025.

[8] See III. The next-generation monetary and financial system, BIS Annual Economic Report, *Bank for International Settlements*, 2025.

seignorage, and who owns the payments data generated by the use of payment instruments. These questions relate to the roles of publicly versus privately issued money.

Stablecoins are privately issued money. In this sense, they resemble bank deposits and differ from central bank money, such as cash, reserves or CBDC. If stablecoins substitute some demand for cash, part of the seigniorage generated by cash issuance may shift to private issuers. However, stablecoins may be more likely to replace bank deposits. In that case, seigniorage would shift from banks to stablecoin issuers. In both cases, the cost of maintaining the value of money – notably achieved through central bank stability mandates, bank regulation, oversight and access to central bank facilities – remains public and to some extent held by banks. In this light, it would be important to consider whether stablecoin regulation sufficiently contributes to stability on par with regulatory frameworks faced by banks, as discussed earlier.

Policy discussions around data and privacy policy are equally important. If stablecoins are used for wholesale settlement instead of central bank settlement balances, transaction data could move from central banks to stablecoin issuers or private DLT-operators. In retail settings, data ownership would shift from banks to stablecoin issuers. By contrast, retail CBDC would make the central bank the holder of data.

It is therefore important to consider which data ownership structure best serves the public interest. Public trust in public versus private institutions plays a central role in shaping opinions on this issue. Regulation can establish guardrails for data and privacy.

Some policy considerations

The many issues raised by stablecoins also have broader policy implications. I will outline some of these now.

In my view, as central banks, we will never be technology leaders in money and payments, nor should we attempt to pick winners. Our role is to remain technology-neutral and to ensure that new forms of digital money can compete safely and on equal footing.

Where possible, regulation should focus on the function of new products rather than the underlying technology. If regulation allows stablecoins to compete due to real technological advantages,

rather than regulatory arbitrage, the framework is working. Regulatory foundations have been laid. But in the coming years, international alignment, and alignment with rules for similar products, will be essential.

We must also safeguard the resilience of the monetary ecosystem during periods of rapid innovation. Resilience requires several independent payment options, each stable and secure. No single stablecoin should become the dominant medium of exchange in a potential future tokenised system. But neither should a proliferation of poorly harmonised stablecoins create uncertainty about the value and security of money.

Issuing tokenised central bank money can help foster resilience. This resilience is one of the key motivations of our joint work with the ECB on developing the infrastructure for wholesale CBDC. The purpose is to ensure access to a central bank-issued or -linked settlement asset for systemically important transactions, and enable lender-of-last-resort functions in a potential tokenised financial system. This work may also support the use of tokenised bank deposits as a complementary element in the future payments system.

The ECB's work on a retail CBDC, the digital euro, is also seen as important for the future ecosystem of payments and resilience. While we do not, at this point, see a need for a retail CBDC in Denmark, we follow the ECB's work closely.

Looking ahead

Stablecoins may grow, or they may not. It remains too early to say whether they will become a significant component of global money and payments.

In any case, for central banks, the key question is how to ensure that stablecoins develop on a level playing field, allowing society to benefit from innovation while safeguarding trust, resilience, and monetary sovereignty.