

# **Burkhard Balz: European finance at the fault lines of transatlantic relations**

Keynote speech by Mr Burkhard Balz, Member of the Executive Board of the Deutsche Bundesbank, at the London Regional Chapter of the Atlantik-Brücke e.V., London, 25 February 2026.

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## **1 Introduction**

Ladies and gentlemen,

It is both an honour and a pleasure to have been invited to join you here today at the London Regional Chapter of the Atlantik-Brücke. I am very grateful to have been given the opportunity to address such a distinguished audience at a time when the relationship between Europe and its transatlantic partners is being tested by new geopolitical realities, technological disruption, and shifting patterns of global interdependence.

London, with its deep historical ties to both Europe and the wider world, is an ideal setting for reflecting on the future of European finance. The choices we make now will shape Europe's resilience, competitiveness, and sovereignty for years to come.

Allow me to begin with a simple observation: Europe's financial system currently stands at a crossroads. On the one side, we see the promise of digital innovation and, with it, new technologies that can make payments faster, markets more efficient, and financial services more accessible. On the other, we face the risks of fragmentation, dependency, and strategic vulnerability, especially as global tensions rise and the rules of financial engagement are being rewritten.

The challenge we face is therefore clear: How do we make Europe's financial system future-proof so as to foster innovation, safeguard stability, and strengthen sovereignty, while remaining open and connected to our transatlantic partners? Today, I would like to share with you the Bundesbank's perspective on this challenge.

## **2 The digital euro: European public payment in the digital age**

Allow me to begin with the digital euro, which is central to Europe's aim of modernising its financial system and reinforcing its strategic autonomy. At its core, the digital euro is about preserving access to central bank money in an increasingly digital economy. Cash will remain available and essential. Yet as payment habits shift, the foundation of trust and confidence in our currency cannot be confined to banknotes and coins.

The digital euro means European public payment in the digital age. It serves as a complement to cash, supports integration, and strengthens resilience and sovereignty, while leaving space for private innovation and competition.

The Bundesbank is committed to playing a pivotal role in this transformative journey, contributing significantly to developing and providing the core components of the digital euro infrastructure. Germany will also be taking on an instrumental role as one of the future operating sites for the digital euro platform, further emphasising our commitment to this key strategic project for Europe.

From our perspective as a central bank, it is essential that we reduce the current high level of fragmentation in our payment landscape along national borders. 25 years after the launch of the euro, Europe still lacks a truly European digital means of payment which works not only in a domestically but also across borders.

With the digital euro, some 350 million European citizens will be able to make digital payments –whether in stores, restaurants, to friends and family, online or to public authorities. This embodies the hallmark of "European digital cash": the ease and convenience of paying anywhere and anytime with a single, unified European means of payment.

As society becomes more digital, it is essential that our payment landscape evolves accordingly. Consumers expect convenience. They expect interoperability. And above all, they expect security and the ability to trust in the payment systems they use. The digital euro is intended to deliver precisely these qualities, ensuring that the euro remains fit for purpose in the digital age.

That said, to make the digital euro a reality, it is essential to first establish a solid legal framework. Our foremost priority is therefore to actively support policymakers in Berlin and Brussels as they strive to finalise the legislative proceedings. Encouragingly, the digital euro has moved far beyond being a technical concept –it is now a political project for more sovereignty with tangible progress. The Eurosystem has completed the preparation phase and is moving towards ensuring technical readiness.

The World Economic Forum in Davos and recent geopolitical developments have made it abundantly clear: the days when Europe could outsource its sovereignty are over. European legislators need to focus on what is at stake and take action. If EU legislation is adopted in 2026 and implementation stays on track, the Eurosystem aims to be ready for first issuance in 2029. In other words, people could start paying with the digital euro from that point on.

### **3 Wholesale CBDC: Pontes and Appia –the upcoming backbone of our capital markets**

However, if we are to truly modernise our financial ecosystem, we cannot focus on retail payments alone. Wholesale financial market transactions –the backbone of our capital markets –must also evolve in tandem. The digitalisation of capital markets, driven by distributed ledger technology (DLT) and tokenisation, is reshaping how financial instruments are issued, traded, and settled. This evolution brings both tremendous opportunities and significant challenges.

Tokenisation promises to streamline the entire value chain of financial markets. Processes that once took days can now be completed in minutes. Smart contracts can

automate complex functions, thereby reducing operational risks and cost inefficiencies. Settlement can become faster, more transparent, and more secure. From a central bank perspective, our objective is clear: to ensure that innovation enhances –rather than undermines –the stability, safety, and resilience of the financial system.

Wholesale CBDC offers a secure, programmable, and around-the-clock settlement asset anchored in central bank money. It is the foundation upon which tokenised financial markets can develop, ensuring that central bank money remains at the core of the settlement process.

In the Eurosystem, we are pursuing our aim through two initiatives: Pontes and Appia. First, Pontes. This is our short-term, practical solution. Pontes –Latin for "bridges" –is designed to connect DLT platforms used by market participants to the Eurosystem's existing settlement infrastructure, including systems such as TARGET Services. The goal is to enable tokenised assets, such as securities or derivatives, to be settled safely and efficiently in central bank money. A pilot phase for market testing and feedback is set to launch in the second half of this year.

Our second initiative is Appia. While Pontes addresses immediate market needs, Appia is our long-term strategic vision. Named after the historic "Via Appia" or "Appian Way", this initiative looks beyond building bridges towards the future of integrated financial market infrastructures. Appia aims to explore how tokenised assets and central bank money can coexist seamlessly on shared or unified platforms –sometimes called "unified ledgers". This is a gradual, learning-based process. To achieve this, we are engaging closely with market participants, regulators, and technology providers to develop a robust framework for the future.

The Eurosystem's gameplan for wholesale CBDC is both ambitious and realistic. We are delivering short-term solutions to meet immediate market needs, whilst also laying the groundwork for a fully integrated, digital financial ecosystem in the future. Ultimately, maintaining wholesale settlement in central bank money is not only about efficiency and innovation –it is essential for Europe's strategic autonomy and financial sovereignty.

#### **4 Digital assets and stablecoins: Strategic implications and the path forward**

Yet public money alone will not define the future of digital finance. Alongside the digital euro and wholesale CBDC, private forms of digital money and tokenised assets are already reshaping the financial landscape. We must address this head-on.

Tokenisation is moving from proof-of-concept to production. Securities, funds and even money market instruments are beginning to live on programmable platforms. In this environment, the settlement asset becomes decisive. When assets move at machine speed around the clock, it is the quality of the settlement asset that determines not only efficiency, but also trust, resilience –and ultimately, monetary sovereignty.

Stablecoins sit at the centre of this shift. Properly designed, they can provide always-on settlement and programmable payments, reducing frictions in digital markets and cross-border transfers. But "stable" is an aspiration, not a guarantee. Design and governance

are what matter: In 24/7 markets, liquidity mismatches can trigger rapid outflows and runs. The more stablecoins become embedded in payment ecosystems, the greater the potential for spillovers into the real economy.

There is also a strategic angle. Today's stablecoin market is overwhelmingly dollar-denominated; euro-denominated tokens remain marginal. If this continues, Europe risks importing a new form of dollar-dependence into digital finance. In this context, a swift and coordinated implementation of the digital euro and a robust solution for wholesale CBDC are essential in order to maintain the euro's relevance and protect Europe's strategic interests.

CBDCs are crucial, but will not cover every use case. There is room for well-regulated, euro-denominated private money –tokenised deposits and high-quality stablecoins –to complement public money and foster an innovative, competitive European digital financial ecosystem.

## **5 Conclusion and outlook**

Ladies and gentlemen,

Europe's financial system is at an inflection point. The task before us is to harness innovation without compromising stability, to increase integration without closing ourselves off, and to strengthen sovereignty while remaining open to our transatlantic partners. That is the common thread that runs through the digital euro, wholesale CBDC, and our approach to digital assets.

There is no doubt that the challenges we face are profound: an evolving geopolitical environment, rapid technological disruption, and a global economy marked by uncertainty. Yet these challenges also present an extraordinary opportunity –the opportunity to shape the next era of finance.

At the Bundesbank, we are committed to this vision. Our efforts are guided by a single objective: to ensure that Europe's financial system remains strong, resilient, and, above all, future-proof. And what could be a more ideal place than London, with its global reach and European ties, to reaffirm our commitment to this ambition.

Thank you for your attention.