The ECoinB: A Central Bank Stablecoin as Europe's Answer to the Dollar Stablecoin

Design, monetary consequences and a roadmap for the ECB

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Abstract

This paper proposes the ECoinB, a name coined by the author for a euro token issued by the Eurosystem on public blockchains that reproduces the properties crypto markets value in the dollar stablecoin while removing the two weaknesses no private issuer can remove. As a central bank liability it is one euro by identity, not by promise, and its supply is unlimited in any stress. The analysis rests on a broad base: the assessments of the Bank for International Settlements (2025, 2026), the IMF (Adrian et al. 2025; Li et al. 2026), the OECD (Roulet 2026) and the ECB (Lagarde 2026; Schnabel 2026a, 2026b; Born et al. 2026), the legal frameworks of MiCAR and the GENIUS Act, the monetary theory of Dubey and Geanakoplos (2026) and Summer (2026), the stability and empirical literature, the author's earlier papers and market data to October 2026.

Three results follow. First, a token that is central bank money moves no term of payment capacity and cannot migrate into the settlement layer, because it is already public money. Second, an ECoinB held by the crypto scene replaces a dollar claim with a euro claim: it imports no American price level, keeps the ECB's instruments intact for the tokenised economy and attracts foreign capital. EUR 100 billion would save the Eurosystem about EUR 2.5 billion of interest a year; with one third shared, gateway banks gain more than the lost deposits cost them. Third, the ECoinB is the on-chain counterpart of the digital euro, not a substitute.

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The paper sets out issuance through banks and licensed crypto-asset service providers, seigniorage sharing, access tiers against deposit flight and a phased introduction from 2027 to 2029 with limits on foreign stablecoins, together with a safety net that locks the settlement layer before the instrument arrives and ties its adoption to milestones; eleven recommendations conclude.

Keywords: ECoinB · Stablecoins · Central bank money · Settlement layer · MiCAR · GENIUS Act · Digital euro.

JEL codes: E42, E51, E52, E58, G21, G23, G28, K22.

Non-Technical Summary

A stablecoin is a digital token on a blockchain that is meant to be worth exactly one unit of an official currency—almost always one US dollar. Roughly USD 300 billion of such tokens are in circulation in October 2026, and 99 percent of them are tied to the dollar. The crypto scene uses them as its cash: sale proceeds are parked in them and reinvested from there. Four out of five crypto trades are settled against a stablecoin, not a bank balance.[2]

The dollar stablecoin has two flaws that no private issuer can repair. Its value of one dollar is a promise, kept only as long as the reserve behind it is sound and can be sold quickly; in March 2023 the second-largest coin fell to 88 cents because part of its reserve sat in a failing bank. And its quantity can grow only as fast as the issuer collects dollars and buys Treasury bills. For Europe a third problem comes on top: a dollar token in euro-area payments imports American prices and weakens the ECB. BIS, IMF, OECD and ECB agree: the private coin fails the tests of sound money, is prone to runs and can destabilise bank funding (Bank for International Settlements 2025; Adrian et al. 2025; Roulet 2026; Schnabel 2026a).

The paper proposes that the European Central Bank issue its own token, the ECoinB, with the properties the crypto scene wants but without the two flaws. One ECoinB is one euro, not because a reserve says so, but because the ECoinB is euro central bank money in a new form, like a banknote. The ECB can create as many as the market demands and redeem all of them at any time, in any crisis.

Why should a central bank do this? Because the alternative is worse. Research at the Oesterreichische Nationalbank (Summer 2026) shows that stablecoins backed by government debt push up the price level, and that the real danger begins when private tokens are accepted in the final settlement of taxes and bank debts: then the currency loses its anchor—a danger that central banks and the IMF have warned of since the Libra project of 2019 (G7 Working Group on Stablecoins 2019; European Central Bank 2020; Carstens 2021). An ECoinB cannot cause either problem, because it is already the money in which everything is finally settled. It gives the ECB an instrument in the crypto market and banks a new business: issuing and redeeming the token for a fee and accepting it at par for loans.[3]

The ECoinB does not replace the digital euro, with which the ECB intends to preserve cash in digital form, safeguard the monetary sovereignty of the euro area and make European payments less dependent on non-European providers (European Central Bank 2026a); it is its on-chain counterpart for crypto and tokenised markets. The paper shows how it can be issued, how deposits are protected and how it could be introduced from 2027 to 2029. A safety net secures

[2] Market data: RWA Foundation and Token Terminal (2026); DefiLlama (2026). Trading shares: Kaiko via Bitcoin.com (2026), 83 percent of dollar spot volume; Schnabel (2026a), about 85 percent of platform turnover.

[3] Summer (2026) is OeNB Working Paper 280; the ECoinB proposal is the author's and should not be read as a position of the Oesterreichische Nationalbank.

both: from 2027 taxes, bank debts and finality are discharged in euro alone, and the ECoinB's adoption is tied to milestones with predetermined responses.[4]

[4] The digital euro pilot is planned for the second half of 2027 and a first issuance for 2029, provided the regulation is adopted (European Central Bank 2026a).

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1 Introduction

Almost fifteen months after the United States gave private dollar tokens a federal statute, the European debate on stablecoins has settled into a defensive posture. MiCAR caps the use of foreign-currency tokens as a means of exchange, the Eurosystem has launched Pontes for wholesale settlement in central bank money, and the digital euro is scheduled for 2029 (European Central Bank 2026a, 2026e). What Europe does not have is a euro instrument that the crypto scene actually uses. Euro-denominated stablecoins stood at roughly EUR 450 million in January 2026 against some USD 300 billion of dollar coins (Born et al. 2026); by the end of September 2026 they had passed USD 900 million according to Token Terminal (2026), still less than one third of one percent of the market. The euro is absent from the place where digital money is traded, parked and reinvested every hour of every day.[5]

This paper argues that the gap should be filled not by another private coin but by the central bank itself. The ECoinB—a name the author introduces in this paper—is a token issued by the Eurosystem on the public blockchains on which crypto markets operate, designed to do what the dollar stablecoin does—serve as the parking and reinvestment asset of the crypto scene—with two properties no private issuer can offer: a one-to-one relation to the euro that holds by identity rather than by promise, and an elastic supply that the issuer can expand without limit in any stress. The name places the word *coin* inside the abbreviation of its issuer, the ECB, and denotes a form of central bank money issued on public blockchains, not a product of any firm.[6]

The proposal rests on four bodies of work, and the breadth is deliberate: a proposal that asks a central bank to enter a market it has so far only regulated must show that it follows from what the official sector and the academic literature have already established. The first body is the stability literature on stablecoins. Gorton and Zhang (2023) read the coin as a return of the private banknote of the nineteenth century and count a sovereign digital competitor among the government's options; Catalini, de Gortari and Shah (2022) set out the key design choices, from reserve composition to the holder's legal claim; Lyons and Viswanath-Natraj (2023) show how open minting and redemption hold the peg; Aldasoro, Mehrling and Neilson (2023) describe the stablecoin as a return of the eurodollar whose parity depends on liquidity; Anadu et al. (2024) document the parallel to money market funds; Ma, Zeng and Zhang (2025) show that efficient arbitrage stabilises the secondary-market price but amplifies run risk, and that issuers concentrate redemption in

[5] MiCAR is Regulation (EU) 2023/1114, applicable to e-money tokens since 30 June 2024; the GENIUS Act is Public Law 119-27 of 18 July 2025, effective on the earlier of 18 January 2027 or 120 days after the final implementing rules (Board of Governors 2026a).

[6] The name ECoinB differs from the word Eurocoin, which has earlier uses—the Banca d'Italia/CEPR business-cycle indicator €-coin (Altissimo et al. 2001), Circle's Euro Coin (EUROC, 2022–2023, now EURC) and a 2019 press label for a European public digital currency (Cointelegraph 2019).

a few firms; Aronoff et al. (2026) trace the plumbing on which par depends; Van Buggenum, Gersbach and Zelzner (2024) and Gersbach, van Buggenum and Zelzner (2026) derive a policy agenda for stablecoins as private money; and Li et al. (2026), at the IMF, show that run risk vanishes when coins are backed by safe assets such as central bank reserves and those reserves are remunerated. Garratt and Shin (2023) explain why tokenised deposits, unlike stablecoins, preserve the singleness of money.

The second body is the monetary literature. Dubey and Geanakoplos (2026) supply the payment-capacity framework in which bonds made spendable raise the price level; Summer (2026) traces stablecoins through it and locates the decisive boundary between the payment layer and the settlement layer; Benigno (2026) asks whether central bank liabilities or private stablecoins should supply liquidity if the central bank is to keep control of the price level; Hofmann, Kaldorf and Rottner (2026) embed stablecoins in a calibrated banking model; Borio, Disyatat and Tarashev (2026) ask when an issuer gains the privilege of money creation. The classic results on competing monies—Hayek (1976) and Klein (1974) for the case in favour, Hellwig (1985) and Kareken and Wallace (1981) for the indeterminacy that defeats it, Fama (1980) on the need for an outside-money anchor—frame the question, and Brunnermeier and Niepelt (2019) and Niepelt (2026) supply the equivalence results that govern what a central bank liability in public hands does and does not change. Fernández-Villaverde and Sanches (2019) and Benigno, Schilling and Uhlig (2022) carry the question of currency competition into the world of private digital currencies and find that it delivers price stability only in special cases and ties the monetary policies of the countries concerned to one another. The distinction between the two layers itself predates the stablecoin debate: the economics of payments has long described why final settlement takes place in central bank money and why private means of payment rest on public settlement money (Bank for International Settlements 2003; Kahn and Roberds 2009; Mehrling 2013), and the warning that a private digital token could become the unit of account and hollow out monetary sovereignty has accompanied the debate since the Libra project (Brunnermeier, James and Landau 2019; G7 Working Group on Stablecoins 2019; European Central Bank 2020; International Monetary Fund 2020, 2023; Carstens 2021). The empirical strand measures the footprint: Ahmed and Aldasoro (2025) on bill yields, Aldasoro, Beltrán and Grinberg (2026) on exchange rates, Azzimonti and Quadrini (2025), Ferrari Minesso and Siena (2026) and Barthelemy, Pedrono and Schmidt (2025) on the international monetary system, and Hofmann, Mehrotra and Paulick (2026) on dollarisation in emerging markets.[7]

The third body is the work of the official sector in 2025 and 2026, which has moved from description to position. The Bank for International Settlements (2025) tests

[7] Older strands bear on the design as well: the state theory of money of Knapp (1905), Lerner (1947) and Goodhart (1998) on what the state accepts in discharge, and Gurley and Shaw (1960) and Tobin (1963) on near-monies and bank money creation.

stablecoins against singleness, elasticity and integrity and finds them wanting on all three, and its 2026 report looks for innovation beyond them (Bank for International Settlements 2026); Hernández de Cos (2026) frames the debate for the BIS and names integrity the major concern. The International Monetary Fund has produced the reference description (Adrian et al. 2025), the synthetic-CBDC concept (Adrian and Mancini-Griffoli 2019), the analysis of run risk (Li et al. 2026) and an assessment of tokenisation in payments (Adrian, Mancini-Griffoli and Cabedo 2026). The OECD documents the financial-stability risks of redemption pressure, fire sales of collateral and an unstable deposit base and calls for closer international cooperation in regulation and supervision (Roulet 2026; OECD 2025, 2026). The Federal Reserve has reviewed how banks adapted to earlier innovations (Board of Governors 2026b), proposed its GENIUS Act rules (Board of Governors 2026a) and, through Governor Waller, floated a limited "payment account" for payment firms (Waller 2025), while the Treasury, the OCC and the FDIC have issued their own implementing proposals (US Department of the Treasury 2026; OCC 2026; FDIC 2026). The Bank of England has set out a regime in which systemic sterling coins hold 30 percent of their backing in unremunerated central bank deposits (Bank of England 2026). The ECB and the ESCB have taken positions in speeches by Lagarde (2026), Schnabel (2026a, 2026b) and Cipollone (2026), in the Macroprudential Bulletin (Born et al. 2026), in the ECB blog (Schaaf 2025), in the Financial Stability Review (European Central Bank 2025a, 2025b), in the ESRB's recommendation on third-country multi-issuer schemes (European Systemic Risk Board 2025), in the EBA's report on tokenised deposits (European Banking Authority 2024) and in the ESCB's response to the MiCAR review (European System of Central Banks 2026). Angeloni (2026) and Eichengreen (2025) add the sceptical reading of the American policy; Bindseil and Voloder (2026) the industry-side proposal for reforming MiCAR.

The fourth body is the law. MiCAR's redemption right, interest prohibition, reserve quotas, means-of-exchange caps and monetary-policy veto (Articles 23, 24, 39, 40, 49, 50, 54 and 58), the transfer-of-funds rules for crypto-assets (Regulation (EU) 2023/1113), the Settlement Finality Directive, the digital euro regulation under negotiation (European Parliament 2026), the Commission's MiCAR review (European Commission 2026) and, on the other side of the Atlantic, the GENIUS Act and Executive Order 14178 define the space in which an ECoinB would have to be built. Rupprechter (2026b) read these instruments through the two-layer distinction; the present paper takes them as the constraints of the design.[8]

The paper also continues the author's two earlier stablecoin studies, both available on SSRN. Rupprechter (2026a) describes the design and the economics of the dollar stablecoin

[8] MiCAR Article 23 restricts tokens used widely as a means of exchange, Article 24 governs withdrawal and limits, Articles 39 and 49 grant the redemption right, Articles 40 and 50 prohibit interest, Article 54 governs the investment of funds received, and Article 58 adds obligations for significant e-money tokens.

and its uses for investors; Rupprechter (2026b) analyses the danger to the European Economic Area should the stablecoin slide from the payment layer into the settlement layer, and proposes nine measures, chief among them a Union rule that taxes, bank liabilities and finality be discharged in euro alone. Those measures were defensive. The present paper adds the constructive half: an instrument that makes the defence self-enforcing, because it offers the market a euro token superior to the dollar token on exactly the dimensions—safety and elasticity—on which the private product is weakest.[9]

The contribution is fourfold. First, the paper spells out why the one-to-one link of a private stablecoin cannot be guaranteed and why that of a central bank token can, with the arithmetic of the March 2023 episode as the test case. Second, it shows, within the accounting of Summer (2026), that an ECoinB moves no term of the euro area's payment capacity and therefore neither raises the price level nor opens the escalation path to a competing money. Third, it designs the instrument: issuance through banks and licensed crypto-asset service providers, a fee and seigniorage-sharing scheme that makes banks beneficiaries rather than victims, access tiers against deposit flight, and a demarcation from the digital euro, together with a safety net that locks the settlement layer independently of the instrument's success and ties its adoption to milestones. Fourth, it quantifies the demand from within the euro area as well as the balance sheet, the seigniorage and the foreign-capital effects for token stocks between EUR 25 billion and EUR 250 billion, using the Eurosystem balance sheet of 9 October 2026.[10]

The paper is structured as follows. Section 1 (the present section) serves as the introduction, frames the research question and surveys the prior literature. Section 2 describes how the stablecoin is built, how it works, how large the market is, why the link to the dollar is a promise rather than a property, and what the crypto scene uses the token for. Section 3 summarises the settlement-hierarchy analysis of Summer (2026) and explains why the answer to the migration problem should be an instrument rather than a model or a campaign. Section 4 defines and designs the ECoinB. Section 5 derives its consequences for the monetary order. Section 6 sets out the roadmap: legal basis, phases, the way into the crypto market, the role of banks and merchants, the safeguards against cannibalisation, the limits on foreign coins and the safety net for the case that one of the proposal's two assumptions does not hold. Section 7 provides the quantitative sketch, Section 8 discusses challenges and objections, and Section 9 presents the recommendations and concluding remarks.

[9] The nine recommendations of Rupprechter (2026b) concern the settlement layer, lending and the payment layer; the first of them, discharge in euro alone, is taken up again in Section 6.7 of the present paper.

[10] All calculations use the consolidated financial statement of the Eurosystem as at 9 October 2026 (European Central Bank 2026c) and the euro-area aggregates of July 2026 from Rupprechter (2026b, Table 7).

2 The Stablecoin: Design, Operation and Size

2.1 Issuance, Redemption and the Issuer's Business Model

A fiat-backed stablecoin is a unit of value recorded on a blockchain whose issuer promises to exchange it at any time for one unit of a reference currency. The operation is simple. A client wires dollars to the issuer; the issuer credits the same number of tokens to the client's blockchain address ("minting") and places the dollars in a reserve of bank balances and short-dated government securities. A client who returns tokens receives dollars at par and the tokens are destroyed ("burning"). Between these two events the tokens change hands freely: on exchanges, between wallets, across borders, at any hour. If the market price deviates from one dollar, arbitrage closes the gap—traders buy below par and redeem at par, or mint at par and sell above it—and the mechanism works the better, the more open the access to minting and redemption is (Lyons and Viswanath-Natraj 2023).[11]

The business model follows from the balance sheet. The issuer's liabilities—the tokens—bear no interest; both the GENIUS Act and MiCAR prohibit remuneration of holders. Its assets earn the money-market rate. Tether reported a net operating profit of USD 1.5 billion for the second quarter of 2026 on a token supply of USD 184.6 billion, an annualised return of about 3.3 percent on the liabilities it owes, with a reserve surplus of USD 4.1 billion (Tether 2026a). The margin is seigniorage, and the word is exact: the issuer earns what a central bank earns on banknotes, without the obligations of one. For the holder the arithmetic is the mirror image. Whoever keeps USD 100,000 in a stablecoin for a year at a bill yield of 4 percent forgoes USD 4,000 of interest; that is the price of around-the-clock transferability.

Two features of this construction matter for everything that follows. First, the issuer operates "money first": it can issue a token only after it has received money for it. It therefore creates no purchasing power; it changes the form of existing purchasing power and moves the counterpart into the government bond market. Second, the token is a claim—on a private company, governed by its terms of service, enforceable in its courts—and not money. Both features are consequences of the redemption obligation, and both disappear the moment that obligation lapses (Section 3).

2.2 The Market in October 2026

Table 1 and Figure 1 summarise the market. Three facts stand out. The market has stopped growing for the moment: total supply stood at USD 300.9 billion on 1 October 2026 (RWA Foundation and Token Terminal 2026), and the DefiLlama series, which peaked at about

[11] At the market leader, direct redemption is reserved to verified clients from USD 100,000; retail holders trade through exchanges (Rupprechter 2026a). Ma, Zeng and Zhang (2025) find that Tether lets only about six firms a month redeem and that such concentrated arbitrage lowers run risk at the cost of price stability.

USD 317 billion on 17 May 2026, stood at USD 309 billion on 5 October (DefiLlama 2026); and Tether's supply fell slightly in the third quarter while Circle's rose. Concentration remains extreme: two issuers hold 86 percent of the market, and 99 percent of the supply is tied to the dollar. And the euro is marginal: all euro tokens together passed USD 900 million at the end of September 2026 by Token Terminal's count (DefiLlama: about USD 800 million), and in early September Circle's EURC held 63 percent of them and Société Générale's EURCV 20 percent (Token Terminal 2026). The bank consortium Qivalis, thirty-seven institutions from fifteen countries, received its e-money licence from De Nederlandsche Bank on 14 October 2026 and has not yet issued a token.[12]

Table 1: The stablecoin market in October 2026

Item	Value	As of
Total supply of all stablecoins	USD 300.9 bn	1 Oct. 2026
Peak of total supply (DefiLlama)	about USD 317 bn	17 May 2026
of which USDT (Tether)	USD 184 bn (61 %)	5 Oct. 2026
of which USDC (Circle)	USD 74 bn (25 %)	5 Oct. 2026
Share of dollar-denominated tokens	about 99 %	Oct. 2026
Euro-denominated tokens, total	USD 0.8–0.9 bn	end Sept. 2026
Share of EURC (Circle) in euro tokens	63 %	7 Sept. 2026
Euro tokens according to the ECB	about EUR 0.45 bn	Jan. 2026
Gross on-chain transfer volume 2025	USD 28 tn	2025
Adjusted transaction volume 2025 (Visa data)	about USD 390 bn	2025
Share of stablecoin pairs in dollar spot trading	83 %	March 2026
Tether, net operating profit	USD 1.5 bn (Q2 2026)	30 June 2026

Sources: RWA Foundation and Token Terminal (2026); Token Terminal (2026); DefiLlama (2026); Born et al. (2026); Bank for International Settlements (2026); Bitcoin.com (2026), citing Kaiko; Tether (2026a); own compilation.

Notes: Totals differ by tracker (DefiLlama: USD 309 bn on 5 Oct. 2026); shares of USDT and USDC relative to the total of 1 Oct. 2026. Euro tokens converted at the reporting date.

[12] Qivalis B.V. was authorised as an electronic money institution on 14 October 2026; issuance is planned "within the next months", subject to the MiCAR requirements and the publication of a white paper (Qivalis 2026).

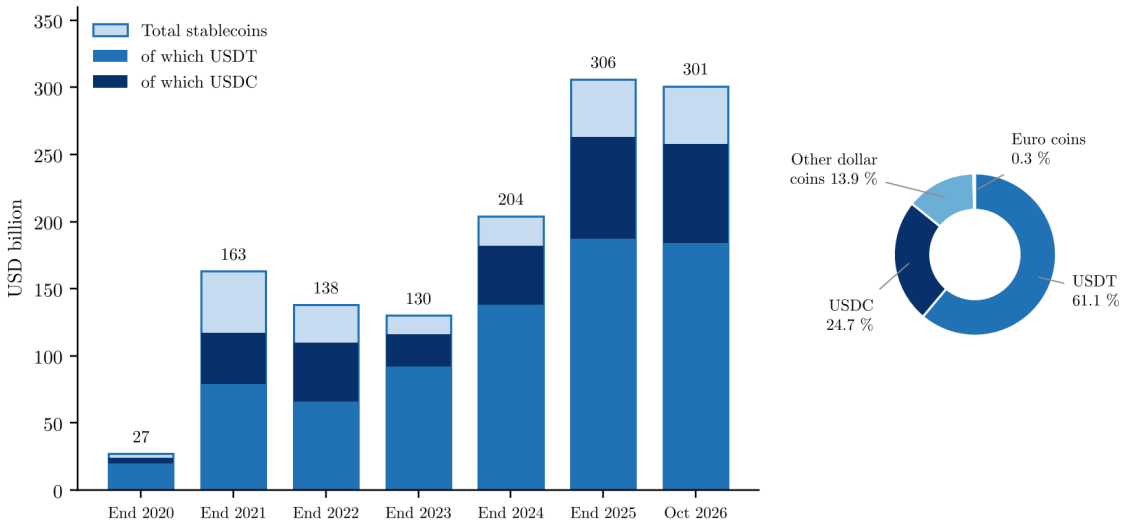


Figure 1: Total supply of stablecoins at year-ends 2020 to 2025 and in October 2026, USD billion, with the shares of USDT and USDC (left), and the composition of the market in October 2026 (right). Sources: DefiLlama (2026) for year-ends; RWA Foundation and Token Terminal (2026) for October 2026; own presentation.

The turnover figures put the stock in perspective. Blockchains carried stablecoin transfers of roughly USD 28 trillion in 2025, but net of transfers between wallets of the same owner the values are far lower, and an adjusted estimate based on Visa data puts them at about USD 390 billion (Bank for International Settlements 2026). Lagarde (2026) adds that cross-border business payments make up some 60 percent of stablecoin payment volume but only 0.01 percent of global business-to-business flows. The stablecoin is, in other words, an enormous settlement machine for the crypto economy and a tiny one for everything else—a fact that Section 2.4 turns into the design brief for the ECoinB.[13]

2.3 Why the 1:1 Link to the Dollar Is a Promise, Not a Property

The sentence "one token equals one dollar" is a statement about the issuer, not about the token. Table 2 lists the episodes that tested it. The pattern is instructive. Backed coins deviate when the reserve or the redemption comes into doubt and return to par when the doubt is removed; unbacked coins vanish. The arithmetic of the USDC episode of March 2023 shows how little it takes. Circle held about USD 40 billion of reserves, of which USD 3.3 billion, or 8 percent, sat as deposits at Silicon Valley Bank when the bank was closed on 10 March. Had those deposits been lost entirely, the fundamental value of the token would have been USD 0.9175. The market price fell to USD 0.877 (Lagarde 2026): four cents below the worst fundamental case. The difference is the run premium—the price of not knowing who else is selling. Anadu et al. (2024) estimate a discrete "break-the-buck"

[13] The gross figure is based on Chainalysis, the adjusted one on Visa data (Bank for International Settlements 2026, endnote 29); Hernández de Cos (2026) gives USD 35 trillion gross for 2025 and about USD 390 billion of payment-related flows.

threshold of USD 1, below which stablecoin redemptions accelerate—the same flight-to-safety dynamics as in money market funds. Par returned within days, not because Circle did anything, but because the American authorities guaranteed all deposits at the failed bank on 12 March.[14]

Table 2: Selected deviations of stablecoins from par and their causes

Event	Date	Trough	Cause and outcome
USDT under redemption pressure	Oct. 2018	USD 0.85–0.93, by venue	Doubts about the reserve; recovery within days, question of backing remained
TerraUSD (algorithmic)	May 2022	below USD 0.10	No reserve; loss of confidence; roughly USD 40 bn destroyed within a week
USDT in the Terra environment	May 2022	about USD 0.95	Contagion; redemptions above USD 10 bn honoured; rapid recovery
USDC after the failure of Silicon Valley Bank	March 2023	USD 0.877	USD 3.3 bn of USD 40 bn reserve frozen at the bank; par restored after the public deposit guarantee

Sources: Rupprechter (2026a); Lagarde (2026); market data providers; own compilation.
Notes: Troughs differ by trading venue; rounded.

Why can no private issuer close this gap? Five reasons, in ascending order of depth. First, reserve risk: the reserve is a portfolio, and portfolios can lose value or liquidity—bank deposits in a bank failure, bills in a market seizure. The OECD warns that falling values of backing assets can prompt redemptions "with ensuing risks of liquidity shortages and fire sales of collateral" (Roulet 2026). MiCAR requires 30 percent of an e-money token's reserve to be held as bank deposits, 60 percent for significant tokens, so that the very asset that broke USDC is mandated in Europe; the ESCB has asked that these quotas be replaced by liquidity rules (European System of Central Banks 2026). Second, redemption friction: redemption runs through the issuer's banking hours, its verification, its minimum amounts and, under the GENIUS Act, redemption limits that supervisors may impose in stress—the OCC proposes extending the two-day deadline to seven calendar days once requests exceed 10 percent of issuance within 24 hours (OCC 2026); Aronoff et al. (2026) show that in a large run Treasury securities must be sold through broker-dealers whose balance-sheet capacity is tightly constrained. Third, the two-tier structure: only large clients redeem directly, retail holders sell on the secondary market, and the secondary market prices the fear (Ma, Zeng and Zhang 2025). Fourth, no lender of last resort: the issuer has no account at the central bank and no access to its liquidity, and the backstop that saved USDC was an ad-hoc guarantee of someone else's deposits. Fifth, and deepest: the issuer cannot create the asset in which it has promised to pay. It promises dollars and holds claims on dollars. Only the institution that issues dollars can keep such a promise

[14] Reserve figures from Circle's disclosure of 10 March 2023 (Circle 2023); the deposit guarantee was announced by the Treasury, the Federal Reserve and the FDIC in a joint statement on 12 March 2023 (US Department of the Treasury et al. 2023).

unconditionally. Aldasoro, Mehrling and Neilson (2023) put the point in one sentence: "Liquidity, not solvency, is the issue confronted by par settlement." The IMF reaches the same conclusion: "Existing stablecoins are vulnerable to run risks during stress periods", and regulation can mitigate these risks, but "certain macrofinancial risks will remain" (Adrian et al. 2025).[15]

Schnabel (2026b) states the second requirement a settlement asset must meet beyond safety: elasticity. A stablecoin issuer, she notes, "has no independent capacity" to supply liquidity elastically; it can issue only against money already collected. The Bank for International Settlements (2025) makes the same point with its three tests of singleness, elasticity and integrity, all of which current stablecoins fail; on singleness it notes that "they behave like financial assets", and Garratt and Shin (2023) show why bearer tokens can trade away from par while tokenised deposits that settle in central bank money preserve singleness. A private token can be made safer—by full backing in central bank money, as Li et al. (2026) and Summer (2026, Section 6.1) show—but it cannot be made elastic, and it cannot be made public. The ECoinB begins where this impossibility ends.

2.4 What the Crypto Scene Uses Stablecoins For: Parking and Reinvesting

The stablecoin was invented in 2014 for a practical need of crypto trading: whoever sold bitcoin wanted to park the proceeds without the detour through a bank account, and to buy again from the same place (Rupprechter 2026a). That remains its core use. Kaiko counts 83 percent of dollar-denominated spot trading volume on centralised exchanges in stablecoin pairs, 17 percent in fiat pairs (Bitcoin.com 2026); Schnabel (2026a) puts the share of platform turnover that involves a stablecoin at about 85 percent; the ECB puts the share of trades on crypto platforms that use a stablecoin at around 80 percent, up from 45 percent five years earlier, a figure the OECD adopts (European Central Bank 2025a; Roulet 2026). The stablecoin is the cash of the crypto economy: the asset in which gains are realised, losses are absorbed, margin is posted, and the next position is funded.[16]

For a euro-based investor this cash is denominated in the wrong currency. Table 3 follows an investor who sells bitcoin worth EUR 1,000,000 and wants to wait ninety days before buying again. The dollar stablecoin costs a conversion spread on the way in and out, exposes the investor to a currency he never chose—the euro–dollar rate moved by about 3.6 percent over the past twelve months, and ninety-day swings of three percent are ordinary—and leaves him a creditor of a company in El Salvador or Delaware. The euro

[15] Article 54 MiCAR requires at least 30 percent of the funds received to be held as deposits with credit institutions, the technical standards 60 percent for significant tokens; the ESCB proposes instead minimum shares of assets maturing within one and five working days (European System of Central Banks 2026).

[16] Hernández de Cos (2026) reports stablecoin transaction volume of about USD 35 trillion for 2025 against payment-related flows of about USD 390 billion—roughly one percent—and considers it conceivable that under current designs stablecoins "remain a ‘niche’ instrument".

bank account removes the currency risk but takes the investor off-chain: the exchange pays out in one to two business days, the bank's compliance may hold the transfer, and re-entry costs another fee and another day. The ECoinB keeps him on-chain, in euro, as a creditor of the central bank, for a conversion fee of a few basis points. The comparison is the demand case for the instrument.[17]

Table 3: Three ways to park EUR 1,000,000 of realised crypto gains for ninety days

Criterion	Dollar stablecoin	Euro bank account	ECoinB
Stays on-chain	yes	no	yes
Currency risk	EUR/USD: ± 3 % in 90 days (± EUR 30,000)	none	none
Conversion cost (round trip)	FX spread 0.2–0.5 % (EUR 2,000–5,000)	off- and on-ramp fees 0.2–1.0 %	gateway fee 2 × 5 bp (EUR 1,000)
Time to re-enter a position	seconds	1–2 business days	seconds
Counterparty	private issuer	bank (insured to EUR 100,000)	Eurosystem
Interest	none	0–2 %	none
Risk of deviation from par	yes (Table 2)	none	none by construction

Sources: Own presentation; fee ranges from Rupprechter (2026a) and exchange fee schedules.
Notes: The ECoinB gateway fee of 5 basis points per conversion is the design assumption of Section 6.4.

One further use deserves mention because it is the one the official sector worries about most: the stablecoin as an offshore dollar store of value in emerging markets, where inflows already track the drivers of classic deposit dollarisation while slipping past capital controls (Hofmann, Mehrotra and Paulick 2026). The IMF warns that stablecoins "may contribute to currency substitution" and raise capital flow volatility, above all where confidence in the domestic monetary framework is weak (Adrian et al. 2025), and Aldasoro, Beltrán and Grinberg (2026) find that stablecoin flows widen deviations from covered interest parity. An ECoinB would not serve that purpose, and it is not meant to. Its purpose is narrower and more defensible: to be the euro in the place where the euro is currently absent.

3 The Settlement Hierarchy and the Migration Problem

This section summarises the analysis of Summer (2026) as far as the ECoinB rests on it. Where the text reproduces its results it says so and names the section of that paper; the ECoinB itself is not part of that analysis, and the use made of the framework is the author's responsibility. The distinction between the payment layer and the settlement layer on which the analysis rests is common ground in the economics of payments: the BIS

[17] The ECB reference rate for EUR/USD stood at 1.1208 on 15 October 2026, about 3.6 percent below its level of 1.1622 a year earlier (European Central Bank 2026f); the three-month figure is an illustrative range, not a forecast.

Committee on Payment and Settlement Systems recorded as early as 2003 that central bank money is the settlement asset free of credit and liquidity risk and that the convertibility of commercial bank money into central bank money at par underpins the singleness of the currency (Bank for International Settlements 2003); Mehrling (2013) and Aldasoro, Mehrling and Neilson (2023) describe the same hierarchy from the side of monetary theory, Kahn and Roberds (2009) from the side of payments economics. The contribution of Summer (2026) is to place this hierarchy in an equilibrium model of the price level and to formalise the danger of the crossing from one layer to the other.[18]

3.1 Payment Capacity, Stock Effect and Flow Effect

In the monetary general-equilibrium model of Dubey and Geanakoplos (2026), the price level moves with the economy's payment capacity, which Summer (2026, Section 3) writes as $M + qD + \vartheta B$: the stock of outside money M, bank credit D valued at the price q of future money, and the spendable share ϑ of the government bond stock B. A stablecoin backed by Treasury bills is, in this accounting, the financial engineering that makes bonds spendable: the bills in the reserve stay where they are, but the tokens written on them pay at the checkout. Summer calls the resulting rise in the price level the stock channel and shows that it is the two-date translation of Theorem 4 of the Klein Lecture, "When Bonds Become Money, Prices Rise" (Summer 2026, Section 3.1, Proposition 1; Dubey and Geanakoplos 2026). His Proposition 2 makes the spendable share ϑ a function of the issuer's scale S and reserve composition ρ (Summer 2026, Section 3.2), and his Corollary 2 adds the flow channel: once such a sector exists, newly issued government debt arrives partly spendable, so each bond issued is more potent (Summer 2026, Section 3.3).

Two qualifications in his paper matter here. The channels operate only to the extent that coins are accepted in payment for ordinary goods; at today's adoption, confined to crypto markets, the effective spendable share is near zero and the channel is "in place; its cap is at zero" (Summer 2026, Section 3.4). And the central bank can offset the effect with its rate instrument, but only at a real cost: it tightens against payment capacity it did not create, and the burden falls on bank-financed trade; in his running example, restoring the price level after the entire bond stock has become spendable costs both households utility (Summer 2026, Section 5, Table 5). Independent evidence finds the footprint the stock channel presupposes: stablecoin inflows lower short-term Treasury bill yields (Ahmed and Aldasoro 2025), reserve demand works through a "global safe asset channel" that compresses US yields (Ferrari Minesso and Siena 2026; Azzimonti and Quadrini 2025), and in a calibrated macro-banking model stablecoins raise deposit rates and reduce loan supply (Hofmann, Kaldorf and Rottner 2026). Rupprechter (2026b, Chapter 8) obtained figures

[18] Summer (2026) is OeNB Working Paper 280, dated 1 September 2026, to the author's knowledge the first paper to formalise the boundary between the payment layer and the settlement layer in an equilibrium model of the price level; the density of the references in this section follows from that.

of the same sign for the euro area with a simple quantity model: a euro coin of EUR 500 billion raises payment capacity by up to 2.8 percent while the redemption obligation holds.[19]

3.2 The Escalation Ladder and the Loss of the Anchor

The second finding "concerns a risk of a different category" (Summer 2026, Non-Technical Summary): the anchor itself. The paper describes three stages (Summer 2026, Section 4, Figure 5). In Stage 1—the present regime—the coin is a wrapped claim: dollars in, bills held, redemption at par; it lives in the payment constraint and every obligation still discharges in outside money. In Stage 2 holding replaces redemption and debts are written in the token; the circuit becomes self-sustaining while economy-wide settlement still resolves in public money. In Stage 3 the token is accepted in final settlement—for taxes and bank obligations—and circulates as a second outside money. The anchoring dichotomy (Summer 2026, Section 4.1) shows that there is no resting point between the stages: a coin whose redemption link is severed either becomes worthless or crosses into settlement. And Proposition 3 (Section 4.2) shows what the end state means: with two circulating outside monies the exchange rate between them, and with it the sovereign price level, is indeterminate. "The model turns 'losing the nominal anchor' from a metaphor into a theorem" (Summer 2026, Section 1). The result stands in a long line: Kareken and Wallace (1981) showed the indeterminacy of the exchange rate between two unbacked monies, Fernández-Villaverde and Sanches (2019) find that competition among private currencies delivers price stability only in special cases, Benigno, Schilling and Uhlig (2022) derive that a globally used cryptocurrency ties the monetary policies of the countries concerned to one another and removes their room for manoeuvre, and the dollarisation literature has described the loss of the anchor through currency substitution for decades (Calvo and Végh 1992; Hofmann, Mehrotra and Paulick 2026).

For Europe Summer (2026, Section 6.2) adds a twist that Rupprechter (2026b) made the centre of its analysis: a dollar coin at a euro-area checkout moves no term of the euro's payment capacity, because its backing is American, but it erodes the domain of trades the euro mediates, and it enters the escalation ladder "pre-anchored"—it need not survive the loss of a redemption anchor because it imports one another sovereign maintains (Summer 2026, Section 6.2). The dollar token is therefore the more dangerous competitor for the euro area, and the MiCAR caps on foreign-currency tokens are, read through this model, the one provision in either legal framework that guards the settlement side of the line (Summer 2026, Section 6.1). The danger has been known since the Libra project: the G7 Working Group on Stablecoins (2019) recorded that a global stablecoin which substitutes

[19] Summer's Table 5: with the entire bond stock spendable, restoring the price level requires an interest rate of 99 percent against 67 in the baseline and costs the two households 2.1 and 1.3 percent of utility (Summer 2026, Section 5).

for a national currency in times of stress may undermine monetary sovereignty, and the International Monetary Fund (2020, 2023) describes the same danger as currency substitution through digital money and advises against granting crypto assets official currency status.[20]

3.3 The Neutrality of Central Bank Backing

The result on which the ECoinB rests is the first policy example in Summer (2026, Section 6.1, "First example: reserve backing"). A coin fully backed by central bank reserves is a pass-through claim on M: no term of $M + qD + \vartheta B$ moves, the stock channel is switched off, and no marginal demand reaches the bill market, so the flow channel is switched off with it. The paper calls this the neutrality valve $\varrho = 1$, notes that it is institutionally a narrow bank, and observes that "it sits one step away from a central bank digital currency". The financial-stability literature reaches the same design from the opposite direction: full backing by remunerated central bank reserves drives run risk to zero (Li et al. 2026). The BIS drew the conclusion as early as 2021: private stablecoins cannot serve as the basis for a sound monetary system, and if digital currencies are needed, central banks should be the ones to issue them (Carstens 2021). Gorton and Zhang (2023) list the same pair among the government's options: backing "one-for-one by short-term Treasuries or reserves at the central bank", or "a sovereign digital-money competitor in the form of a central bank digital currency"; and Borio, Disyatat and Tarashev (2026) read issuers with today's backing assets as narrow banks rather than as creators of money. In the paper's Table 6, which classifies instruments by issuer and anchor, such a coin sits on the boundary of the sovereign cell—the configuration the literature calls a synthetic central bank digital currency (Adrian and Mancini-Griffoli 2019)—"separated from the public instrument by legal form, not by monetary substance" (Summer 2026, Section 6.3).[21]

The step that remains is the one the paper leaves open on purpose. Backing in central bank money, it says, "is a statement about the composition of the issuer's assets ... not about who holds an account at the central bank", and whether issuers receive direct access to the central bank's balance sheet "is a separate access-policy decision on which the model is silent" (Summer 2026, Section 6.1). Schnabel (2026b) answers that question from the side of the central bank: she notes that in the omnibus model, in which a private intermediary issues tokens backed by reserves, the token is "a private law liability"—a model she does not rule out as a complement—and argues that central banks "should embrace DLT and go on-chain themselves". The ECoinB takes the last step: it removes

[20] The caps are Article 23(1) MiCAR, applied to foreign-currency e-money tokens by Article 58(3): one million transactions and EUR 200 million per day as a quarterly average; Article 24(3) requires an outright cap once the central bank finds a threat to monetary sovereignty.

[21] Li et al. (2026) suggest remunerating the reserves issuers hold at the central bank so that issuance stays viable; the ECoinB needs no such detour, because it dispenses with the issuer.

the intermediary from the claim. The token is not backed by central bank money; it is central bank money. In that table it moves from the boundary into the public–public cell, next to banknotes, reserves and the digital euro.

3.4 From Diagnosis to Instrument

The policy stance that Summer (2026, Section 6.3) formulates has three clauses: regulate conduct in the payment layer, protect the settlement layer, and do not amplify demand for bond-backed coins. The digital euro and the Eurosystem's wholesale initiatives the paper reads as insurance, "keeping a public instrument present in the payment layer", and it closes with the observation that "a monetary order is not found, it is chosen" (Summer 2026, Sections 6.3 and 7). Rupprechter (2026b) proposed nine measures on the same lines, headed by a Union rule of discharge in euro alone. The International Monetary Fund (2023) places at the head of its principles the safeguarding of monetary sovereignty and the advice not to grant crypto assets official currency or legal tender status. All of these are rules and infrastructures. None of them offers the crypto scene a euro it would hold.[22]

That omission is the gap this paper fills, and the reason it argues for an instrument rather than for a model or an information campaign. A rule that forbids the token in settlement works only if someone enforces it; a campaign that explains the danger works only if the audience listens; and the digital euro arrives in 2029 as a digital form of cash, is not built on a blockchain, and is designed for the checkout, not for the exchange (European Central Bank 2026a). Meanwhile the crypto scene will hold whatever token is safest and most liquid, and today that is a dollar claim on a private issuer. The ECoinB converts the prohibition into a preference. If the safest, most elastic, most liquid token on the market is euro central bank money, the migration problem is not policed but dissolved: there is nothing left to migrate, because the token that circulates in the payment layer is already the money of the settlement layer. The official sector points the same way. The BIS sees a key step in "tokenised central bank reserves, tokenised commercial bank money and tokenised government bonds, all residing on a unified ledger" (Bank for International Settlements 2025) and holds that central bank money "needs to be available as a settlement asset wherever this is desirable for the public interest and practical" (Bank for International Settlements 2026); the IMF notes that it "remains the only settlement asset free of private credit risk" (Adrian, Mancini-Griffoli and Cabedo 2026). Figure 2 places the instrument in the hierarchy.[23]

[22] Summer (2026, Section 6.3) reads the comparison of a nimble private coin with a sluggish public project as a category error, because what matters monetarily is the carrier of the claim, not the technology stack.

[23] Hernández de Cos (2026) notes that "well constructed regulatory frameworks have not, on their own, led to greater stablecoin use"—a caution against the belief that rules alone shape what the market holds.

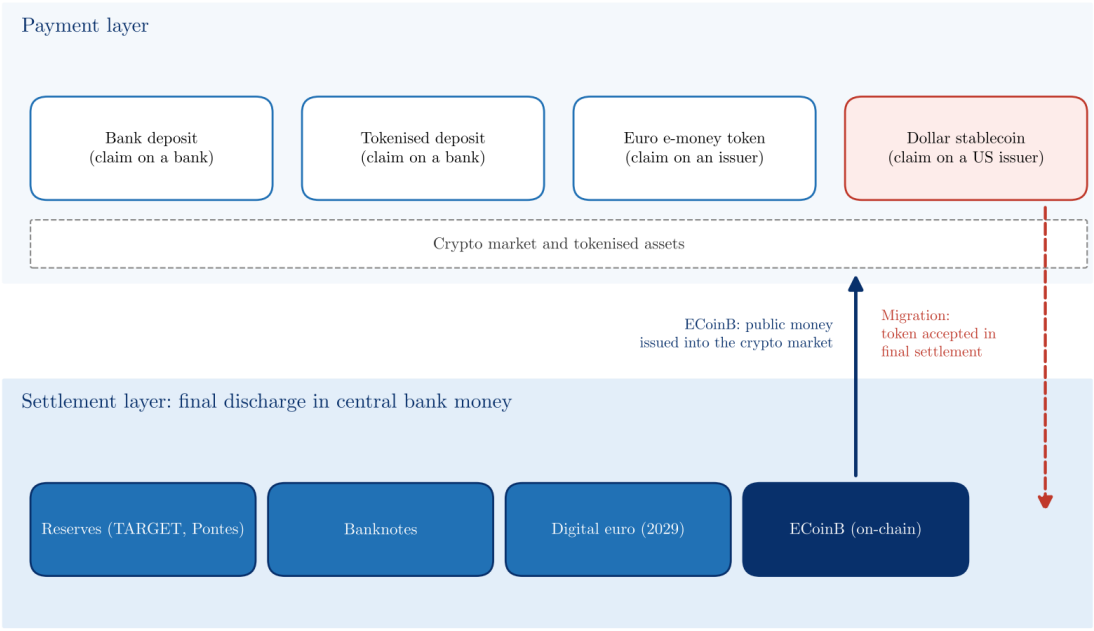


Figure 2: The payment layer and the settlement layer of the euro area, with the ECoinB as public money issued from the settlement layer into the crypto market (blue arrow) and the migration of a private dollar token into final settlement as the danger case (red dashed arrow). Source: own presentation, following the two-layer scheme of Rupprechter (2026b) and the constraint system of Summer (2026).

4 The ECoinB: Definition and Design

4.1 What the ECoinB Is

The ECoinB is a direct, non-interest-bearing liability of the Eurosystem, denominated in euro, recorded as a freely transferable token on one or more public blockchains, created and destroyed only by the Eurosystem, and convertible at par and at any time into a balance on a Eurosystem account through licensed gateways. It is to the TARGET balance what the banknote is to the deposit: the same money in a different form, carried on a different rail. It is not legal tender, no one is obliged to accept it, and it is not a claim on anyone's reserve, because it is itself the reserve asset of the system. Table 4 compares it with the instruments it competes with and complements.[24]

[24] Legal tender status is not needed for a settlement asset: reserve balances at the Eurosystem are not legal tender either, yet they are the asset in which TARGET settles with finality. The ECoinB inherits that position, not the status of the banknote.

Table 4: The ECoinB compared with the dollar stablecoin, the euro e-money token and the digital euro

Property	Dollar stablecoin	Euro e-money token	Digital euro	ECoinB
Issuer	private firm (US law)	private firm or bank (MiCAR)	Eurosystem	Eurosystem
Legal nature	claim on issuer	claim on issuer	central bank money, legal tender	central bank money, not legal tender
Value anchor	reserve of bills and deposits; promise	reserve, 30–60 % deposits; promise	identity	identity
Elasticity of supply	money first	money first	unlimited (holding limits)	unlimited
Interest	prohibited	prohibited	none	none (option of the ECB)
Rail	public blockchains	public blockchains	centralised platform, offline	public blockchains
Primary use	crypto trading, offshore dollar	crypto trading, B2B settlement	retail payments	crypto and tokenised markets
Access	anyone	anyone	euro-area residents, via PSPs	via gateways; tiers (Section 6.6)
Lender of last resort	none	none	Eurosystem	Eurosystem

Sources: Regulation (EU) 2023/1114; GENIUS Act; European Central Bank (2026a); own presentation.

Three design choices define the instrument. The ECoinB is issued on the public chains the market uses, not on a Eurosystem ledger alone, because the purpose is to be where the crypto scene is; the Eurosystem's own DLT platform under Pontes serves wholesale settlement and can host the ECoinB as well, but it does not replace the public deployment. The ECoinB pays no interest, so that it competes with the stablecoin and not with the bank deposit. And it is issued through gateways, not directly to the public, so that identification, sanctions screening and the protection of bank funding remain where they are today: with supervised intermediaries. The design follows the BIS view that, within a two-tier architecture, "central banks can offer tokenised central bank reserves, providing the anchor for tokenised deposits and other – well designed and regulated – tokenised monies" (Bank for International Settlements 2026); the ECoinB carries that anchor from permissioned platforms onto the public chains.[25]

4.2 Issuance and Redemption Through Gateways

Gateways are of two kinds. The first are credit institutions with an account in TARGET. A client who wants ECoinBs instructs her bank; the bank debits the client's deposit and its own reserve account, and the Eurosystem mints the tokens to the blockchain address

[25] The Bank of England's regime for systemic sterling coins points the same way: 30 percent of backing in unremunerated central bank deposits, no interest to holders, redemption by end of day (Bank of England 2026). The ECoinB takes the public share to 100 percent.

the bank has registered for the client. Redemption reverses the sequence: the client sends tokens to the gateway's burn address, the Eurosystem destroys them and credits the bank's reserve account, and the bank credits the client. The second kind are crypto-asset service providers licensed under MiCAR—exchanges and custodians—that receive a limited Eurosystem account for this single purpose: no interest, no overdraft, no access to credit, balance capped at the day's conversion needs. The model is the "payment account" that Governor Waller has asked Federal Reserve staff to explore for payment firms (Waller 2025), and the Eurosystem's access policy for non-bank payment service providers of July 2024 offers the template (European Central Bank 2024).[26]

Minting and burning run around the clock, as TIPS does for instant payments, and settle on-chain within seconds. Legal finality is assigned by designating the ECoinB arrangement as a system under the Settlement Finality Directive, so that a minted token is final in the same sense as a TARGET transfer (Directive 98/26/EC). The on-chain record is the register of ownership; the Eurosystem keeps no account of individual holders beyond the gateway that minted, just as it keeps no register of who holds which banknote. Identification happens at the gateway under the usual anti-money-laundering rules and the transfer-of-funds regulation, exactly as it does today when a client buys a stablecoin on a licensed exchange.

4.3 Technology: Public Chains, Freezing and Privacy

The token is deployed as a standard fungible contract on the main public chains—Ethereum and its rollups, Solana, and whichever others carry euro-relevant liquidity—with the Eurosystem as the only party able to mint and burn, and with a compliance module that allows addresses to be frozen on the order of a competent authority. The second feature is not new: Tether has frozen USD 5.7 billion across almost ten thousand addresses, USD 344 million of it in a single action on 23 April 2026 in coordination with US authorities (BlockSec 2026). The difference is who decides. Under the ECoinB the freezing power is exercised under Union law, on the request of a court or a financial intelligence unit, with judicial review—not at the discretion of a company that answers to another government. For European users this is itself a safety gain: Rupprechter (2026b, Section 7.4) described the dollar token in settlement as a means of structural coercion; the ECoinB removes that lever.[27]

Privacy follows the banknote model as far as the technology allows. Transfers between addresses are pseudonymous and visible on-chain; the link between an address and a person exists at the gateway, not at the central bank. The Eurosystem sees aggregates—supply,

[26] Waller (2025) describes a prototype "skinny" master account for institutions legally eligible for a Fed account: no interest, possible balance caps, no daylight overdraft, no discount window.

[27] The compliance functions—freeze, destroy, unfreeze—are public on-chain events; BlockSec (2026) documents 9,597 frozen USDT addresses on Ethereum and Tron as of 26 July 2026.

velocity, the share held at exchanges, the share in lending protocols—which is more than it sees of banknotes and less than it sees of TARGET. The Bank for International Settlements (2025) lists integrity, the enforcement of anti-money-laundering rules on permissionless chains, as the structural weakness of stablecoins; the ECoinB inherits the weakness of the rail and answers it with the freeze function and with the fact that every ECoinB enters and leaves the chain through a supervised door. Section 8.2 returns to the objection.

4.4 Why the Guarantee Is Not a Promise but an Identity

The one-to-one relation of a private stablecoin is a promise to deliver an asset the issuer does not create. The one-to-one relation of the ECoinB is an identity: an ECoinB is a euro liability of the Eurosystem, and converting it into a reserve balance is a transfer between two lines of the same balance sheet. Figure 3 shows the operation for a stock of EUR 100 billion. On 9 October 2026 the Eurosystem owed EUR 1,633 billion in banknotes, EUR 332 billion on current accounts and EUR 1,955 billion in the deposit facility, with total liabilities of EUR 5,944 billion (European Central Bank 2026c). If euro-area clients convert EUR 100 billion of deposits into ECoinBs, the deposit facility falls by EUR 100 billion and a new liability of EUR 100 billion appears. No asset is sold. No bond is bought. The size of the balance sheet is unchanged, as it is unchanged when a bank withdraws banknotes against its reserves.[28]

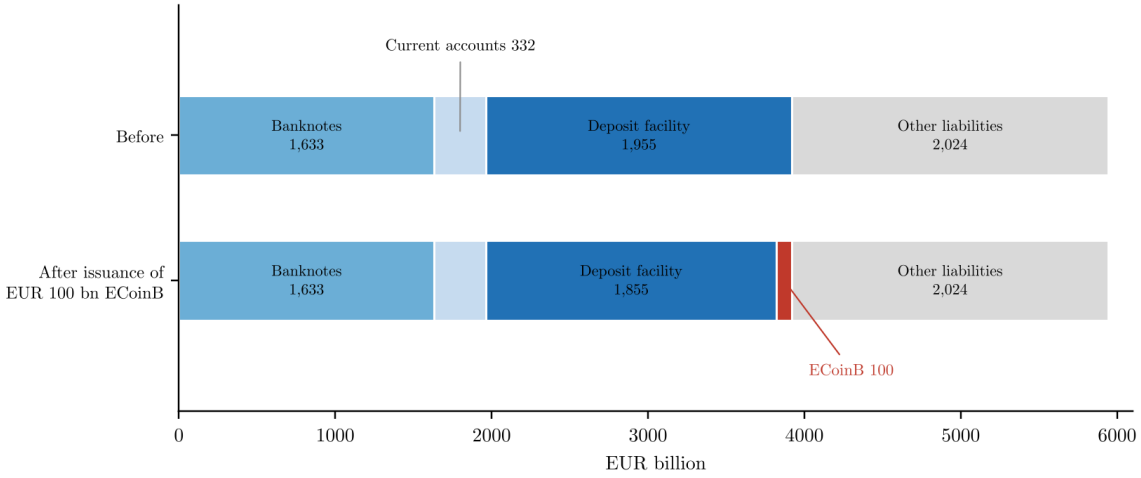


Figure 3: Liabilities of the Eurosystem on 9 October 2026 and after the issuance of EUR 100 billion of ECoinBs against reserves held in the deposit facility, EUR billion. Sources: European Central Bank (2026c); own calculation.

[28] Consolidated financial statement of the Eurosystem as at 9 October 2026: total assets EUR 5,943.9 billion; securities held for monetary policy purposes EUR 3,316.3 billion; lending to credit institutions EUR 34.3 billion.

The redemption side is where the difference to the private coin becomes decisive. Suppose a crypto crash leads holders to redeem 30 percent of a token's supply within a day. A private issuer with USD 184 billion outstanding must find USD 55 billion in a day: it sells bills into a falling market through dealers whose balance sheets are already full, and the first holders to redeem are paid in full while the last face the discount of the secondary market (Aronoff et al. 2026; Ma, Zeng and Zhang 2025). The Eurosystem facing a redemption of EUR 30 billion of a EUR 100 billion ECoinB stock burns EUR 30 billion of tokens and credits EUR 30 billion to reserve accounts. It sells nothing, because it holds nothing against the token that it would need to sell; the token was never backed, it was issued. The reverse case is just as simple: if the crash drives holders out of dollar coins and into the ECoinB, the Eurosystem mints whatever quantity gateways demand against the reserves they deliver, and in a systemic stress it can supply ECoinBs to banks against collateral as it supplies banknotes today. Elasticity, the property Schnabel (2026b) names as the one a private issuer cannot have, is the ordinary condition of a central bank.

Credit quality follows from the same fact. The ECoinB carries the credit standing of the Eurosystem, which is the standing of the euro itself. There is no reserve to attest, no auditor to question, no custodian bank to fail. Of the five reasons in Section 2.3 why a private issuer cannot guarantee par, the ECoinB removes all five by construction: no reserve risk, no redemption friction at the central bank, no two-tier access to the issuer, the lender of last resort is the issuer, and the issuer creates the asset in which it pays.[29]

4.5 Interest, Seigniorage and Fees

The ECoinB pays no interest. The choice aligns it with the banknote, with the digital euro and with the interest prohibitions of MiCAR and the GENIUS Act, and it is what keeps the instrument in its lane: an unremunerated token competes with the unremunerated stablecoin, not with the remunerated bank deposit. Summer (2026, Section 6.1, "Second example") reads the interest ban on private coins as a cap on the inflation channel, because an interest-bearing bill-backed coin "is simply a government bond that circulates". For the ECoinB the channel does not exist, so the ban is not needed on monetary grounds; it is needed on banking grounds, and the Governing Council keeps the option to change it as a policy instrument (Section 5.5).

Seigniorage arises from the swap on the liability side. Reserves in the deposit facility are remunerated at 2.50 percent since 16 September 2026; the ECoinB is not. Every EUR 100 billion converted from the deposit facility into ECoinBs therefore saves the Eurosystem EUR 2.5 billion of interest per year. Tether, for comparison, reported a net operating profit of USD 1.5 billion for the second quarter of 2026 alone, about USD 6 billion at an annual

[29] Tether's reserve reports are quarterly attestations; a first full audit, of its 2025 financial statements, was announced only in August 2026 (Tether 2026b). Circle's monthly reserve reports are examinations under attestation standards (Rupprechter 2026a). A central bank liability needs neither.

rate, on tokens of USD 184.6 billion (Tether 2026a), and the US Treasury obtained a captive buyer for its bills. The ECoinB brings the equivalent income to the Eurosystem and, through its profit distribution, to the Member States, and it does so without any purchase of government debt.[30]

Fees are the other side of the design. The Eurosystem charges gateways nothing for minting and burning, as it charges nothing for banknotes, and shares one third of the interest it saves with the gateways as a distribution fee—for a stock of EUR 100 billion, about EUR 830 million a year. Gateways in turn charge their clients a conversion fee of around five basis points per mint or burn and the usual custody and wallet fees. Section 6.4 shows that this makes the ECoinB profitable for banks even after the deposits they lose to it, and Section 7.2 gives the arithmetic.

5 What the ECoinB Changes in the Monetary Order

5.1 No Stock Effect, No Flow Effect

In the accounting of Summer (2026), a central bank liability held by households is outside money M held directly, and its introduction "changes the form of M, not its size"; no term of $M + qD + \vartheta B$ moves (Summer 2026, Section 6.3; on the equivalence, Brunnermeier and Niepelt 2019). The same holds for the ECoinB, and the reason is visible in Figure 3: the token is issued against reserves, not against bonds. When a client converts a deposit into ECoinBs, her payment capacity is unchanged—she could spend EUR 1 million before and can spend EUR 1 million after—and the bank's inside money falls by exactly the amount by which outside money in the hands of the public rises. No bond becomes spendable, because no bond enters the transaction; no new debt arrives spendable, because the ECoinB creates no demand for debt. The stock channel and the flow channel of Sections 3.1 and 3.3 of Summer (2026) are not throttled, as MiCAR's deposit quota throttles them, and not switched off by a reserve rule, as the $\varrho = 1$ configuration switches them off; they are absent by the nature of the instrument.[31]

The quantitative contrast with Rupprechter (2026b) is instructive. There, a privately issued euro coin of EUR 500 billion raised payment capacity, and with it the price level, by between 0.85 and 2.84 percent under MiCAR rules and by up to 11.4 percent if the token were accepted in settlement and the issuer could lend against a 20 percent reserve. An ECoinB of EUR 500 billion raises it by zero in both cases, because there is no issuer who could lend against it and no reserve that could be levered. The European variant of the flow channel—the concentration of coin demand on the scarcest national debt, which

[30] Deposit facility rate 2.50 percent after the increases of 11 June and 10 September 2026 (European Central Bank 2026d). The saving is smaller if the converted reserves were held in minimum reserves, which are unremunerated.

[31] Summer (2026, Section 6.3) calls the introduction of a central bank digital currency "not a monetary event but a hierarchy event: a public option entering the payment layer". The ECoinB is such an event on the public chains.

Summer (2026, Section 6.2) identifies as a problem the United States does not have, and whose run-time counterpart, forced sales concentrated in a few sovereign bond markets, Born et al. (2026) describe—disappears with it: the ECoinB selects no national debt, because it holds none.

5.2 No Escalation and No Imported Anchor

The escalation ladder of Summer (2026, Section 4) has no rung for the ECoinB. Stage 2 requires holders who keep the coin instead of redeeming it and debts written in the token: both will happen with the ECoinB, and both are harmless, because a debt written in ECoinB is a debt written in euro central bank money, and a holder who keeps it holds outside money. Stage 3 requires the token to cross into the settlement constraint: the ECoinB starts there. The anchoring dichotomy (Summer 2026, Section 4.1)—an instrument that neither delivers outside money at settlement nor is accepted in discharge of settlement obligations is worthless—is satisfied trivially, because the ECoinB is outside money and is accepted at par by the Eurosystem for every obligation towards it. The indeterminacy of Proposition 3 (Summer 2026, Section 4.2; Kareken and Wallace 1981) needs two outside monies with a floating rate between them; the ECoinB and the reserve balance are one money with a rate of one, fixed not by intervention but by identity.[32]

For the euro area the more important absence is the imported anchor. A dollar token in European settlement would make the tokenised part of the economy follow American prices and the exchange rate, the digital dollarisation that Brunnermeier, James and Landau (2019) describe; Rupprechter (2026b, Section 7.2) computed that a dollar price level measured in euro would have risen by 21 percent in 2022 alone against 8.4 percent for the HICP. An ECoinB in the same place follows the euro price level, because it is the euro. The interest-rate instrument of the ECB reaches it: the rate that gateways earn on reserves and the fees they charge for conversion move with the policy rate, and the Governing Council can remunerate the token if it ever chooses to. The lender of last resort reaches it: the Eurosystem can supply ECoinBs to a stressed bank or, through a bank, to a stressed exchange, which no one can do for a dollar token in Europe. None of the three impossible choices that a dollar token in settlement forces on the ECB—follow the Fed, overcorrect the euro part, or abandon the tokenised part—arises (Rupprechter 2026b, Section 7.2).

[32] Debts written in the token already exist: lending protocols denominate their loans in stablecoins, and outstanding DeFi loans stood at about USD 26 billion in August 2026 (Rupprechter 2026b, Table 1). In ECoinB such debts would be euro debts.

5.3 Stress and Crisis: Where the Run Goes

Three stresses are distinct. The first is a crypto crash. Holders flee from volatile assets into the safest token available; today that is a dollar stablecoin, a claim on a private issuer. With an ECoinB on the market, part of that flight goes into euro central bank money, and the Eurosystem accommodates it by minting against the reserves gateways deliver. The ECoinB is the safe haven of the crypto world, and a safe haven that is also the euro strengthens rather than threatens the currency. The second is a run on a private stablecoin, the scenario of Anadu et al. (2024), who document net flows from riskier to safer stablecoins on days of crypto-market stress, and of March 2023. Holders who can reach an ECoinB gateway do not need to join the queue at the issuer; the run is absorbed by an instrument that cannot run. The third is a banking crisis, in which depositors flee from banks into the central bank's own liability. This is the classic objection to any retail central bank money (Andolfatto 2021; Fernández-Villaverde et al. 2021; Keister and Sanches 2023), and the ECoinB's design answers it with access tiers, conversion limits for natural persons, and the Eurosystem's full-allotment lending to banks; Sections 6.6 and 7.5 give the mechanism and the numbers.[33]

5.4 Pushing the Dollar Coin Out of the European Payment Layer

MiCAR already caps the use of foreign-currency tokens as a means of exchange and allows authorities to cap issuance outright where monetary sovereignty is at stake (Articles 23, 24 and 58). Rupprechter (2026b) argued that these caps are the settlement-side guard of the euro and recommended that they be enforced on-chain rather than through issuer reports. The weakness of a cap is that it removes an instrument without offering one; it asks the market to accept a loss of convenience in the name of a danger the market does not price. The ECoinB removes the loss. A European exchange that today quotes its euro pairs against a dollar coin, because that is where the liquidity is, can quote them against a token that is safer and settles in the home currency; a European treasurer who holds working balances in USDC can hold them in central bank money. Section 6.7 proposes that banks and firms in the Union be limited in the use of foreign-currency stablecoins for payment and settlement, with the ECoinB as the offered substitute. The limit becomes costless, and therefore enforceable.[34]

This is also the point at which the proposal respects the third clause of the stance of Section 3.4, "do not amplify". Amplification, in that reading, is legislation or official

[33] In the model of Diamond and Dybvig (1983) the run is a coordination failure among depositors; a risk-free outside option makes it more likely unless the outside option is rationed or the bank's liquidity is backstopped, which is why the design combines both.

[34] Licensed platforms in the EEA delisted USDT by early 2025 under ESMA guidance, yet self-custody and wallet transfers remained untouched (Rupprechter 2026b, Section 5.1); a superior euro token reaches the wallets that a delisting cannot.

endorsement that boosts demand for the bond-backed configuration in which new public debt arrives partly spendable (Summer 2026, Section 6.3). The ECoinB does the opposite: it displaces the bond-backed configuration with a reserve-backed one and removes the demand for bills that the dollar coin generates. In the vocabulary of the three postures—suppress, accommodate, amplify—it is a fourth: substitute.

5.5 A New Instrument for the ECB

Beyond the defensive purpose, the ECoinB gives the Eurosystem something it has never had: a presence in the crypto market and a set of instruments that reach it. Table 5 lists six. The first is observation: on-chain data on the ECoinB's supply, velocity, concentration at exchanges and use as collateral arrive in real time and complete the statistics that today end at the exchange's bank account. The second is the remuneration option: a token that pays nothing can be made to pay, or to cost, by decision of the Governing Council—a tiered rate on balances above a threshold would be the on-chain counterpart of the two-tier system for reserves. The third is the conversion fee and issuance ceiling as a macroprudential brake on crypto leverage. The fourth is the ECoinB as settlement asset and collateral on Pontes and in tokenised securities markets, where Lagarde (2026) notes that dollar-denominated stablecoins have become "the default settlement asset in tokenised finance". The fifth is the lender-of-last-resort function for the tokenised euro economy. The sixth is an on-chain exchange-rate observation point: a liquid ECoinB–USDC pair is a euro–dollar market that trades around the clock. Benigno (2026) finds that an intermediate regime with a small central bank balance sheet and "an elastic backstop" stabilises liquidity premia and inflation; for the on-chain economy the ECoinB would be such a backstop.[35]

Table 5: Six instruments the ECoinB gives the Eurosystem

Instrument	What it does	Counterpart today
On-chain observation	supply, velocity, concentration and collateral use of the euro in crypto markets in real time	none; statistics end at the bank account
Remuneration option	tiered positive or negative rate on ECoinB balances by decision of the Governing Council	two-tier remuneration of reserves
Conversion fee, issuance ceiling	macroprudential brake on inflows, leverage and deposit flight	holding limits of the digital euro
Settlement asset on Pontes	cash leg for tokenised securities in central bank money	Pontes cash token (wholesale only)
Lender of last resort	ECoinB liquidity to banks against collateral; via banks to exchanges	ELA and full allotment in reserves
Exchange-rate observation	around-the-clock euro–dollar market in ECoinB–USDC pairs	interbank FX market

Sources: Own presentation.

[35] Schnabel (2026b) argues that on a programmable ledger the central bank could change rates, collateral requirements and access conditions "with immediate effect"; the ECoinB extends that capacity to the public chains.

5.6 The International Dimension: Foreign Capital and the Euro

Lagarde (2026) is sceptical that euro stablecoins can strengthen the international role of the euro: "If we want to strengthen the international appeal of the euro, stablecoins are not an efficient way of doing so", because the foundations are deep capital markets and a safe asset base: "Stablecoins cannot build those foundations for us". For private coins the argument is right, and the ECoinB does not pretend to build those foundations. Its claim is narrower. The crypto scene holds some USD 300 billion of parking balances, almost all in dollars, and it holds them not because it prefers the dollar but because the dollar token is the most liquid and, among private tokens, the safest. A euro token that is safer than any dollar token offers that scene a reason to hold euro it never had. Every billion that moves from a dollar coin into the ECoinB is a billion of euro bought in the foreign-exchange market and held as a claim on the Eurosystem rather than on a company that finances the American Treasury.

The magnitudes are modest beside the euro's role in reserves and trade, and Section 7.4 quantifies them: a share of 10 percent of the global stablecoin market would be about EUR 27 billion of foreign euro demand at the exchange rate of October 2026. But the direction is right, the demand is new, and it comes from the part of the financial system that will grow fastest. Hofmann, Mehrotra and Paulick (2026) find that stablecoin flows into emerging markets share the drivers of deposit dollarisation and are largely unaffected by capital flow restrictions; an ECoinB is the only instrument with which the euro can compete for the same savings on the same rail. And where the demand comes from abroad, the seigniorage of Section 4.5 is paid by foreigners—the exorbitant privilege in miniature.[36]

6 Introducing the ECoinB

6.1 Legal Basis and Mandate

Whether the Eurosystem may issue an ECoinB is a legal question this paper can frame but not settle. MiCAR does not stand in the way: it does not apply to "the ECB, central banks of the Member States when acting in their capacity as monetary authorities" (Article 2(2)(c)), so an ECoinB issued in that capacity would fall outside the Regulation. Three routes exist. The first is a Union legislative act on the model of the proposed digital euro regulation, which would establish the digital euro as legal tender and set its holding limits and compensation model (European Parliament 2026). The second is a decision of the Governing Council under the Statute of the ESCB: Article 17 allows the ECB and the national central banks to open accounts for credit institutions and other market

[36] Azzimonti and Quadrini (2025) and Ferrari Minesso and Siena (2026) analyse how stablecoin reserve demand feeds the appetite for US safe assets; the ECoinB redirects part of that demand to the euro without creating demand for any particular government's debt.

participants, Article 20 allows other methods of monetary control by a two-thirds majority, and Article 22 allows the ECB to provide facilities and make regulations to ensure efficient and sound clearing and payment systems. The Eurosystem's DLT settlement under Pontes, which according to Schnabel (2026b) brings native tokenisation and programmability onto the Eurosystem's own platform, can rest on this second route. The third route is a combination: a Governing Council decision for the instrument, and a Union act for the access of non-bank gateways and for the limits on foreign tokens of Section 6.7.[37]

Two constraints hold on every route. The prohibition of monetary financing in Article 123 TFEU is untouched, because the ECoinB is issued against reserves and never against government debt; indeed it reduces the private demand for bills that the dollar coin creates. And the independence of the ECB is untouched, because the quantity of ECoinBs is demand-determined at a fixed price, as the quantity of banknotes is, and the Governing Council retains every instrument it has today.

6.2 Phases and Timeline

Table 6 and Figure 4 set out a sequence that reaches the market before the digital euro does and uses the infrastructure the Eurosystem is building anyway. In 2027 the legal act is prepared and the Governing Council decides; the MiCAR review report, due by 30 June 2027, is the natural vehicle for the changes to Union law. The same act locks the settlement layer—taxes, bank liabilities and finality in euro alone—before the token exists (Section 6.8). From the second half of 2027 the token is built and piloted with a group of banks and licensed crypto-asset service providers on two or three public chains, in parallel with the digital euro pilot that starts in the same half-year. In early 2029 the ECoinB is launched for all gateways, listed on European exchanges and connected to Pontes. From 2029 the limits on foreign-currency stablecoins at banks and firms take effect, phased over eighteen months. In 2030 the Governing Council reviews access tiers and the remuneration option in the light of the first year of data and checks the first milestone of the safety net.[38]

[37] TFEU Article 128(1) gives the ECB the exclusive right to authorise the issue of euro banknotes; whether a token is a banknote in a new form or a new instrument under the Statute is a question for the Union courts, not for this paper.

[38] The MiCAR review follows Article 140 of the Regulation; the Commission's targeted consultation ran from 20 May to 30 September 2026 and asks whether an equivalence regime for global stablecoins should be introduced (European Commission 2026, Question 40).

Table 6: Phases of the introduction of the ECoinB, 2027 to 2031

Period	Step	Responsible
H1 2027	Legal analysis; Union act or Governing Council decision; access policy for non-bank gateways; coordination with the MiCAR review report; lock on the settlement layer (Section 6.8)	ECB, Commission, Parliament, Council
H2 2027–Q1 2029	Technical build on two or three public chains; pilot with 10–15 banks and licensed CASPs; compliance module; designation under the Settlement Finality Directive	Eurosystem, EBA, ESMA
H2 2027–2029	Digital euro pilot (from H2 2027) and issuance (2029) on a separate track	Eurosystem, PSPs
Q1 2029	Launch for all gateways; exchange listing; euro pairs quoted in ECoinB; connection to Pontes	Eurosystem, CASPs, banks
2029–mid-2030	Limits on foreign-currency stablecoins at banks and firms, phased over eighteen months	Commission, national authorities
2030–2031	Review of access tiers, conversion limits and the remuneration option; milestones of the safety net	ECB

Sources: Own presentation; digital euro dates from European Central Bank (2026a).

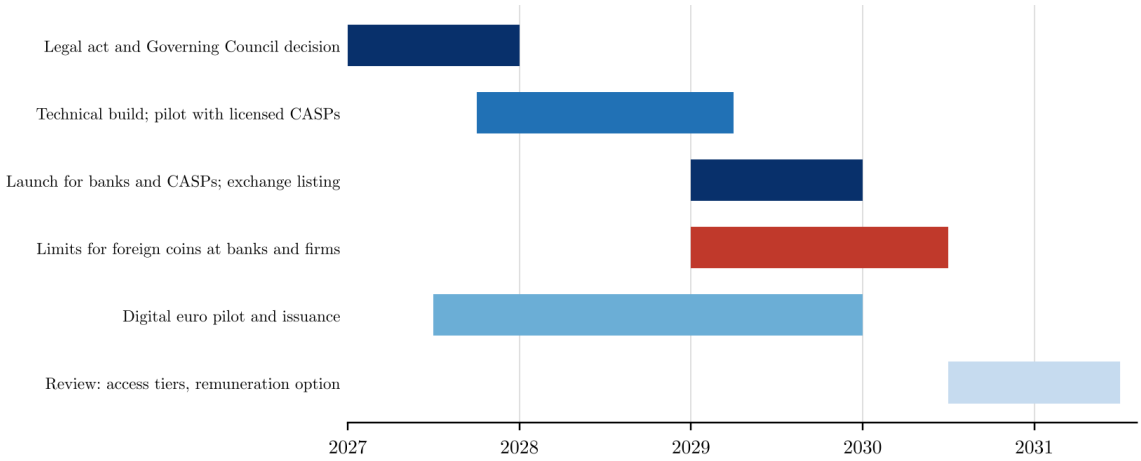


Figure 4: Timeline of the introduction of the ECoinB and the parallel track of the digital euro, 2027 to 2031. Source: own presentation.

6.3 Channelling the ECoinB Into the Crypto Market

A token nobody trades is not money, and the dollar coin's strongest asset is its liquidity. Five measures build liquidity for the ECoinB from the first day. First, listing: licensed European exchanges quote their euro pairs against the ECoinB, and MiCAR's authorisation framework can require that a licensed platform offering euro trading offer ECoinB settlement. Second, market making: the gateway banks and the large exchanges commit to two-sided quotes in the ECoinB–USDC and ECoinB–USDT pairs, funded for the first two years by the distribution fee of Section 4.5.[39] Third, a zero-fee period: the

[39] Lyons and Viswanath-Natraj (2023) find that wider investor access to arbitrage with the issuer halved the absolute size of peg deviations; open gateway access serves the same purpose for the ECoinB.

Eurosystem waives nothing, because it charges nothing, but gateways waive conversion fees for the first twelve months to move balances. Fourth, programmability: the token supports the standards that lending protocols and tokenised-asset platforms use, so that the ECoinB can serve as collateral and as the cash leg of on-chain securities. Fifth, cross-chain interoperability through a canonical bridge operated by the Eurosystem, so that the same ECoinB circulates on every supported chain without wrapped copies.[40]

The economics of adoption favour the public token once it exists. For an exchange, settling in ECoinB removes the counterparty risk of the issuer, the reserve attestation it has to monitor, and the regulatory uncertainty around foreign tokens under MiCAR. For a market maker, a token that cannot deviate from par removes the basis risk between the coin and the currency. For a euro-based client, Table 3 showed the saving. And the OECD (2025) sees the absence of forms of tokenised money as one reason why tokenised markets have not developed; the ECoinB supplies that money in its safest form. Hernández de Cos (2026) observed that regulation alone has not produced use; the ECoinB produces use through superiority, not through obligation, and the obligation of Section 6.7 only closes the door behind the market once it has walked through.

6.4 Banks: Gateways, Fees and Acceptance in Discharge

Banks are the gateways of the system, and the design must make the role worth having. Table 7 lists their sources of income. The distribution fee from the Eurosystem is one third of the interest saved, about 83 basis points per year on the stock a bank has minted. Conversion fees of five basis points per mint or burn earn, at an annual conversion turnover of four times the stock, 20 basis points. Custody, wallet, reporting and compliance services for corporate and retail clients earn a further 25 to 30 basis points on the custodied share. Against these stand the deposits the bank loses: if half of a bank's ECoinB stock replaces its own deposits—the other half replaces dollar coins and foreign balances—and the bank earned a margin of two percentage points between the deposit facility rate and its deposit rate, the loss is 100 basis points of the stock. The sum is positive: about 116 to 118 basis points of income against 100 basis points of lost margin, before the new business the token brings. Figure 5 shows the result per EUR 100 billion: EUR 2.5 billion saved by the Eurosystem, EUR 0.83 billion passed to the gateways, EUR 0.35 billion of user fees, EUR 1.0 billion of lost margin, and a net gain for banks of about EUR 0.18 billion.[41]

[40] Wrapped copies—tokens issued by a third party and backed by the original—would reintroduce exactly the private claim structure the ECoinB is meant to remove; the canonical bridge keeps every unit a direct liability of the Eurosystem.

[41] The two-percentage-point margin is the difference between the deposit facility rate of 2.50 percent and an average overnight deposit rate of about 0.5 percent; it is an assumption about the current rate cycle and falls with the policy rate.

Table 7: Income and cost of a gateway bank per EUR 100 of ECoinB stock, per year

Item	Assumption	Basis points
Distribution fee from the Eurosystem	one third of the interest saved at a deposit facility rate of 2.50 %	+83
Conversion fees	5 bp per mint or burn; annual turnover four times the stock	+20
Custody, wallet and compliance services	25–30 bp on the custodied share; half of the stock	+13 to +15
Deposit margin lost	half of the stock replaces own deposits; margin 200 bp	−100
Net		+16 to +18

Sources: Own calculation.

Notes: Figure 5 uses the upper end of the custody range (15 bp) and shows a net of 18 bp per EUR 100 of stock, i.e. EUR 0.18 billion per EUR 100 billion.

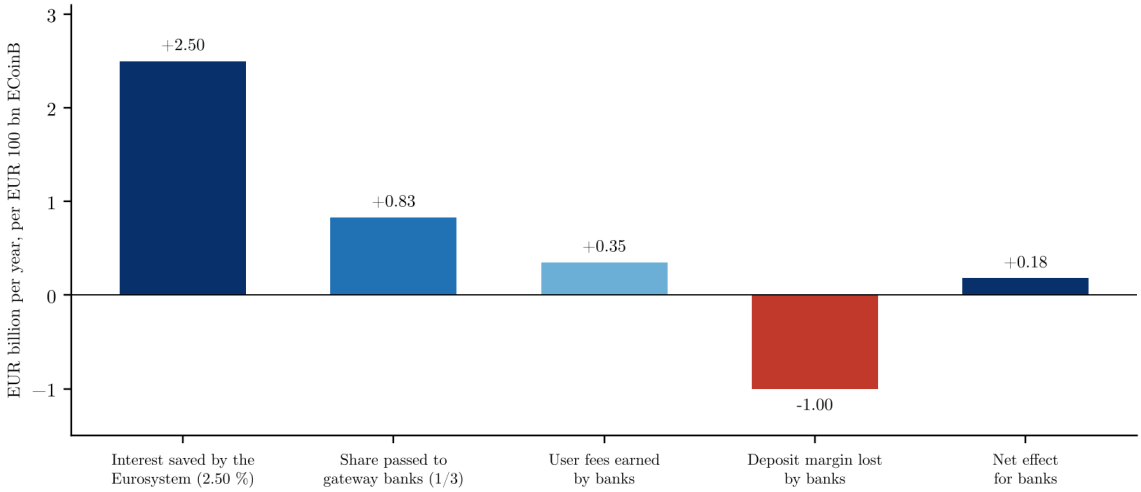


Figure 5: Who earns what per EUR 100 billion of ECoinB stock, EUR billion per year: interest saved by the Eurosystem at a deposit facility rate of 2.50 percent, the share passed to gateway banks, user fees, the deposit margin banks lose and the net effect for banks. Source: own calculation.

Acceptance in discharge follows from the gateway role. A bank that can convert an ECoinB into a reserve balance at par within seconds bears no risk in accepting it at par in repayment of a loan, as margin, or as collateral. A crypto firm that owes a bank EUR 10 million can repay in ECoinB; the bank burns the tokens, its reserve account is credited, and the loan is extinguished.[42] The same holds for the Eurosystem itself, which accepts the ECoinB at par for every obligation towards it. The circle is complete: the token is accepted in the settlement layer not because a regulation permits it but because it is the settlement asset. Banks that offer the full cycle—mint, custody, accept, burn—become the home of the euro crypto economy that today banks in Delaware and El Salvador. Tokenised deposits can stand beside it: the European Banking Authority (2024) finds that tokenising a deposit

[42] Tether International is domiciled in El Salvador, Circle Internet Group in Delaware; the loan example assumes the bank's own gateway, so that burn and credit happen on its own books within seconds.

"does not per se alter the fundamental nature of the claim", so a gateway bank can offer commercial bank money and central bank money on the same rail.

6.5 Merchants, Corporates and Other Participants

The ECoinB is not designed for the checkout, and merchants need not accept it; the digital euro and the bank deposit serve retail payments. Three groups beyond banks and exchanges will use it. Corporate treasuries that today hold working balances in dollar coins for on-chain operations hold them in ECoinB and settle supplier payments on-chain in euro; Rupprechter (2026a) gave the example of a Viennese firm paying a supplier in Buenos Aires in seconds, and that firm now pays in its own currency. Issuers and platforms of tokenised securities use the ECoinB as the cash leg, settling delivery against payment in central bank money on public chains, complementing the Eurosystem's own platform under Pontes. And non-European users—the emerging-market saver, the Asian exchange, the Latin American fintech—reach the token through licensed gateways under the usual identification, and thereby bring the foreign demand of Section 5.6.[43]

6.6 Avoiding Cannibalisation: Deposits, Digital Euro, Cash

Three boundaries must hold. The first runs between the ECoinB and the bank deposit. The protection is layered: no interest, so that the token is a cash balance and not a savings vehicle; conversion fees and custody costs, so that holding the token outside its purpose is dearer than holding a deposit; access tiers, so that licensed intermediaries convert without limit, corporates within their documented payment and settlement needs, and natural persons through a gateway up to a daily and a holding threshold enforced at identification, on the model of the digital euro's holding limits; and the circuit breakers of Table 5, so that in a systemic stress the Governing Council can raise the conversion fee or cap issuance within hours. Section 7.5 shows that even without the breakers a deposit flight into the ECoinB is absorbed by full-allotment lending and costs the affected bank the spread between the deposit rate and the main refinancing rate, not its solvency.[44]

Confining corporates to their documented needs closes a gap that concerns the largest deposits. Deposit insurance covers EUR 100,000 per depositor and bank (Directive 2014/49/EU). On average across the guarantee schemes, 57.4 percent of eligible deposits are covered, 78.9 percent for natural persons and 20.9 percent for legal persons, and the 4 percent of depositors who are not fully covered are mostly companies (European Banking Authority 2023). Beside covered deposits of EUR 8.6 trillion (European Banking Authority 2025) there is thus an uncovered stock of the order of EUR 6 trillion, for which central

[43] Lagarde (2026) counts about 60 percent of stablecoin payment volume as cross-border business-to-business; it is in this segment, not at the checkout, that the ECoinB replaces the dollar coin first.

[44] Per-address limits are not enforceable on a public chain, because an address can be split; the thresholds are therefore applied to the identified person at the gateway, where the digital euro applies them too.

bank money that is available without limit and transferable at any time would be a new escape route: without the needs test, a wealthy investor who holds assets through a holding company could bypass the threshold for natural persons and keep amounts in the millions as ECoinB. In calm times the incentive is small, because the unremunerated token offers the same safety as short-term government paper but not its yield; on EUR 5 million at 2.50 percent the holder forgoes about EUR 125,000 a year. Circumventing deposit insurance is therefore not a stock problem but a flight problem: in a crisis of confidence a few days without interest count for nothing against the risk of losing an uninsured deposit, and the runs of March 2023 were driven by a few large institutional depositors and played out over two business days (Cipriani, Eisenbach and Kovner 2024). For the banks this would strike at the most sensitive point of their funding. The net of Table 7 is positive only because half of the stock there replaces the bank's own deposits: every deposit that flees into the token beyond that costs the bank 200 basis points of margin against at most 118 basis points of income from the gateway role, and if three quarters of the token replace own deposits, the net turns negative (Section 7.6).[45]

The lever must therefore be applied where identity and the euro meet: at the gateway, that is, at the bank or the licensed crypto-asset service provider that identifies the client. Besides the needs test for corporates, three rules close the gap. First, the thresholds apply per beneficial owner and across all gateways, as the digital euro's holding limit applies per user; a holding company thus shares the threshold of its owner, and the gateway has to collect the relevant information under the anti-money-laundering regulation anyway (Regulation (EU) 2024/1624). Second, balances above the threshold that a gateway holds in custody are returned to the holder's linked bank account at the end of the day, as the digital euro provides with its reverse waterfall (Demertzis and Mejino-López 2024). Third, price remains the instrument for stress: a conversion fee on amounts above the threshold, which the Governing Council can raise within hours in a crisis, follows the logic of the two-tier remuneration with which Bindseil (2020) would keep central bank digital currency attractive as a means of payment and unattractive as a store of value, and tighten it in a crisis against deposit flight. Because every ECoinB enters the chain through a gateway, the euro that pays for it comes from a bank account and balances above the threshold flow back to it, the bank is not bypassed: the switch of large amounts into central bank money remains tied to its books.[46]

The second boundary runs between the ECoinB and the digital euro, and it is a boundary of purpose, not of competition. The ECB's official rationale for the digital euro is that it is to be a digital form of cash that gives citizens access to central bank money in

[45] Covered deposits of EUR 8.6 trillion at end-2024 divided by the unweighted average coverage ratio of 57.4 percent at end-2022 give eligible deposits of about EUR 15 trillion; the figure is an approximation, because the average weights large and small schemes equally.

[46] The check across all gateways requires no Eurosystem view of individual holdings; a pseudonymised reconciliation of the net amounts minted per beneficial owner between the gateways suffices.

digital form, is accepted as legal tender throughout the euro area, is free for basic use, works offline, offers a high level of security and privacy, and preserves the monetary sovereignty of the euro area, strengthens Europe's strategic autonomy and increases the resilience of payments to cyberattacks and technical disruptions (European Central Bank 2026a); in an economy in which central bank money is confined to physical cash in retail transactions, the ECB must ensure that public money meets the evolving needs of Europeans in the digital age (Cipollone 2026). Behind these aims stands a dependence that the ECB itself quantifies: almost two-thirds of card-based transactions in the euro area are carried out by non-European companies, and a digital euro built on European infrastructure is meant to allow Europe to regain ownership of the rails on which its payment system runs (Cipollone 2026). The digital euro runs on a centralised Eurosystem platform rather than a public blockchain, is distributed by payment service providers with a compensation model, carries holding limits, and is designed for the point of sale. The ECoinB is none of these: it is a bearer token on public chains for the crypto and tokenised markets, held by intermediaries and professional users, with no claim to legal tender. Table 8 draws the line. Both are forms of M; the public simply gets the form that fits the rail it uses, as it has cash for the street and the deposit for the standing order.

Table 8: Demarcation of the ECoinB from the digital euro, the bank deposit and cash

Criterion	ECoinB	Digital euro	Bank deposit	Cash
Purpose	crypto and tokenised markets	retail payments	payments, savings, credit	retail payments
Legal tender	no	yes	no	yes
Interest	none (option)	none	yes	none
Holding limit	tiers; thresholds per beneficial owner	yes (up to EUR 3,000 being tested)	none	none
Rail	public blockchains	centralised platform, offline	bank systems	physical
Distribution	banks and licensed CASPs	payment service providers	banks	banks, ATMs
Counterparty	Eurosystem	Eurosystem	bank (insured)	Eurosystem

Sources: European Central Bank (2026a); own presentation.

The third boundary, between the ECoinB and cash or reserves, needs no protection, because it does not exist in substance: all three are M. Converting reserves into ECoinBs changes the Eurosystem's interest bill (Section 4.5) but not the quantity of central bank money, and a bank that holds ECoinBs instead of reserves holds the same asset in a form that does not count towards minimum reserves and earns nothing, which is why banks will hold only the inventory they need for their gateway business.[47]

[47] Minimum reserves are held on current accounts with the national central banks (EUR 331.6 billion on 9 October 2026) and have been unremunerated since September 2023; ECoinBs held by a bank would not count towards them.

6.7 Limiting Foreign Stablecoins at Banks and Firms

The ECoinB works best paired with the rule that Rupprechter (2026b) placed first among its recommendations: taxes, bank liabilities and settlement finality in the Union are discharged in euro alone, and the euro in its token form is the ECoinB. To that settlement-side rule the present paper adds a payment-side one: credit institutions and non-financial firms established in the Union may hold and use foreign-currency stablecoins for payment and settlement only within de minimis limits, phased in over eighteen months from the ECoinB's launch. The rule converts MiCAR's means-of-exchange caps, which today bind the issuer and are measured from issuer reports, into an obligation of the user that supervisors can verify in the user's books. Individuals are not affected; the crypto trader who wishes to hold USDT may do so. The point of the rule is not to banish the dollar token from Europe but to keep it out of the settlement of European banks and the treasuries of European firms—the two places from which, on the escalation ladder of Section 3.2, Stage 2 would be built. The proposal fits a review already under way: the ESRB has recommended that the Commission not consider third-country multi-issuer stablecoin schemes "as being permitted within the current MiCAR framework" (European Systemic Risk Board 2025), the ESCB asks for liquidity rules in place of deposit quotas (European System of Central Banks 2026), and the Commission asks whether an equivalence regime for global stablecoins is needed (European Commission 2026).[48]

Without the ECoinB such a rule would be a cost: it would take from European firms a settlement asset that works around the clock and give them nothing in its place. With the ECoinB it is a switch between two tokens of which the second is safer, cheaper and denominated in the firm's own currency. The order therefore matters, and it differs between the two rules: the settlement-side rule costs nothing as long as nobody settles there in a foreign-currency token, and can precede the instrument; the payment-side limit needs the instrument as a substitute. First the lock, then the instrument, then the limit—Section 6.8 sets out this sequence and its protection.

6.8 The Safety Net: Two Assumptions and Their Protection

The proposal rests on two assumptions that this paper substantiates but cannot prove. The first is that merchants, retail customers and banks in the Union will not accept the dollar coin in final settlement as long as a better euro token is available to them. The second is that the crypto scene will accept the ECoinB because it is safer and more elastic than any private token. Both assumptions are plausible; neither is certain, and for the second Section 8.5 says so explicitly. And the sequence of Section 6.7—first the instrument, then the limit—would leave the settlement layer without the rule meant to protect it until

[48] The limit should be set as a share of the firm's payment volume rather than an absolute amount, so that it neither hinders a small importer nor exempts a large platform; a figure of 5 percent is offered for discussion.

the ECoinB's launch in 2029 and until the end of the transition period in mid-2030. A proposal that asks a central bank to enter a market must say what holds if its assumptions do not. That is the purpose of the safety net that this section designs and Table 9 summarises. It follows one principle: the net must not hang on the instrument it is meant to secure. Each of its safeguards costs nothing as long as the assumption it protects holds, and binds only once that assumption fails.[49]

The first side of the net secures the settlement layer, and it does so before the instrument and independently of it. A dollar coin can migrate only if someone in the Union accepts it in final settlement: the state for taxes, banks for their claims, payment systems for finality, and merchants and households as the unit of account in which prices and debts are written. These are the four doors through which the escalation ladder of Section 3.2 leads to Stage 2 and Stage 3, and the net places a lock on each of them. The first concerns the state. In the state theory of money, money is what the state accepts in discharge of taxes (Knapp 1905; Lerner 1947; Goodhart 1998), and the top rung of the ladder is precisely that acceptance. The Union rule proposed in Rupprechter (2026b), that taxes are discharged in euro alone, is national practice today and should become Union law, so that no single member state can open the door for the whole currency area: a token that is fungible across borders would, once accepted by one tax office, be a settlement asset in every member state of the euro area. The rule costs nothing, because nobody pays taxes in a dollar coin today, and it therefore belongs in the legal act of 2027 rather than in the transition period after the launch.

The second lock concerns the banks, and it is the mirror image of acceptance in discharge in Section 6.4. A credit institution accepts the ECoinB at par because it can convert it into a reserve balance within seconds; a foreign-currency stablecoin it accepts for conversion only, never in discharge. Three rules capture this. A credit institution established in the Union writes no deposit and no loan in a foreign-currency stablecoin. A token delivered by a client is converted into euro at the market rate through a gateway or a licensed crypto-asset service provider before any claim is booked as discharged; discharge takes place in euro, and the bank remains a bureau de change rather than becoming a point of acceptance. And holdings beyond the de minimis limit of Section 6.7 are not permitted, while in any case they do not count as liquid assets in the liquidity coverage ratio (Delegated Regulation (EU) 2015/61). The example of Section 6.4 shows that this lock draws the debtor to the side of the ECoinB of its own accord: a client who owes a bank EUR 10 million and pays in ECoinB discharges at par; one who pays in a dollar coin bears the exchange spread of 0.2 to 0.5 percent from Table 3, EUR 20,000 to 50,000, and the exchange-rate risk until the credit is booked. The lock forbids banks nothing they do

[49] This asymmetry distinguishes the net from the limits of Section 6.7: a limit costs the market something from the first day; a lock on the settlement layer costs nothing as long as nobody settles there in a foreign-currency token, which, according to Summer (2026, Section 3.4), is the case today: "its cap is at zero".

today; it establishes that Stage 2—debts written in the token—cannot begin in the books of the banks.

The third lock concerns finality. The Union designates under the Settlement Finality Directive only systems that settle in euro—TARGET, Pontes and the ECoinB arrangement of Section 4.2—and the transfer of a dollar coin may be technically irreversible; legal finality in the Union it does not have (Directive 98/26/EC). The consequence is not a penalty but an allocation of risk: whoever accepts a dollar coin in payment carries it until conversion as a claim on a company in Delaware or El Salvador, and no central counterparty and no central securities depository in the Union settles in it. Rupprechter (2026b) placed this rule first among its recommendations; the net gives it a date, 2027, and a rank, ahead of the instrument.

The fourth lock concerns merchants and retail customers, and it is deliberately not a prohibition. MiCAR allows a merchant to accept a foreign-currency token, a ban would be unenforceable at the checkout, and the crypto trader who wishes to hold USDT may continue to do so. The lock lies in the unit of account. As long as prices, invoices, books and taxes are kept in euro—and Union and national law already require all four—a dollar coin at the checkout is a foreign means of payment that the merchant's payment service provider converts into euro at the day's rate, like a foreign card, and not a unit of account in which a debt arises. Stage 2 requires debts to be written in the token; an invoice in euro settled with a dollar coin writes none. To this comes the means-of-exchange cap of Article 23 MiCAR, measured on-chain rather than from issuer reports, as Rupprechter (2026b) proposed, with the ceiling under Article 24 MiCAR as the consequence once the central bank finds a threat to monetary sovereignty. An example shows how much room this cap leaves. It permits, per token, payments of EUR 200 million a day, about EUR 73 billion a year. If a stock used at the checkout turns over once a week, a stock of EUR 1.4 billion carries that volume; if it turns over once a month, a stock of EUR 6.1 billion. Against overnight deposits of EUR 9,680 billion that is 0.01 to 0.06 percent, and twice that for the two large dollar coins together. Even at the legal cap, then, the dollar coin remains a marginal phenomenon in euro-area payments, far below the smallest ECoinB scenario of Section 7, and the cap that Summer (2026, Section 3.4) describes stays where it is today: at zero.[50]

The second side of the net concerns the acceptance of the ECoinB by the crypto scene. Hernández de Cos (2026) observed that well-constructed regulatory frameworks have not, on their own, produced use, and the same holds for a well-constructed instrument: the five measures of Section 6.3 build liquidity, but they do not say how the Governing Council will know that they are working, or what it will do if they are not. The net adds both. Two milestones, tied to the scenarios of Sections 7.1 and 7.4, are put forward for discussion.

[50] The cap applies per token (Article 58(3) in conjunction with Article 23(1) MiCAR); the turnover rates are assumptions for illustration. What matters is not the amount but that price and debt remain written in euro.

Twelve months after the launch—in early 2030, and thus at the review that Table 6 provides for in any case—the ECoinB stock should have reached EUR 5 billion, about six times all euro tokens today and less than the computed cash position of euro-area households (Section 7.3), and at least half of euro spot trading on licensed EEA platforms should settle in ECoinB. Twenty-four months after the launch, in early 2031, the stock should have reached EUR 25 billion, the smallest scenario of Table 10, and ECoinBs held by foreign users should amount to 5 percent of the global stablecoin market, the smallest scenario of Table 12. On-chain observation from Table 5 delivers the stocks in real time; the trading shares come from the platforms' reports to their supervisors.

If the milestones are missed, the Governing Council responds in two stages, which it pays for out of the instrument itself. The first stage concerns liquidity: the gateways' fee holiday is extended by twelve months, committed market making by one year, and the share of saved interest that flows to the gateways rises from one third to two fifths. Section 7.2 shows that this doubles the banks' net; the Eurosystem keeps EUR 1.5 billion instead of EUR 1.67 billion of seigniorage per EUR 100 billion of stock. The second stage concerns access and price: exchanges and custodians outside Europe under a supervisor recognised as equivalent obtain the limited Eurosystem account of Section 4.2, and the Governing Council exercises the remuneration option of Table 5 for the balances of licensed intermediaries—not for natural persons, so that the boundary to the bank deposit of Section 6.6 holds. A rate of one percent on intermediaries' balances, about EUR 30 billion of a EUR 100 billion stock, costs EUR 0.3 billion a year and leaves the Eurosystem EUR 1.2 billion; a private issuer cannot match it, because MiCAR and the GENIUS Act forbid it to pay interest (Articles 40 and 50 MiCAR). This is the strongest safeguard on the second side, and it lies ready without being exercised as long as the market holds the token of its own accord.[51]

The two sides of the net are connected in such a way that neither ever depends on the other. The locks of the first side are unconditional: they apply from 2027 whether the ECoinB comes or not and whether it is accepted or not. The payment-side limits of Section 6.7, by contrast, are conditional, because without a euro token that the market actually holds they would take something from firms without giving them anything. The net therefore gives them a deferral clause: if the first milestone is missed twelve months after the launch, the Commission may defer the entry into force of the de minimis limits by up to twelve months, to mid-2031 at the latest, so that the two stages of the response can take effect before the limit binds. And the net names the fallback position. If the ECoinB remains a niche instrument, the Union keeps a lock on the settlement layer that it does not have today, a public euro token on Pontes and in tokenised euro securities that it does

[51] Remuneration would be confined to balances that licensed intermediaries hold for conversion and settlement; it would be a price for acceptance and not a source of income for savers, and the Governing Council could set it back to zero once the milestones are reached.

not have today, and, on whatever stock comes about, a seigniorage of 2.5 percent at today's deposit facility rate. The dollar coin then remains what it is today: an instrument of the payment layer whose cap is at zero. Compared with a Europe without the proposal, the Union is better off if the instrument succeeds and no worse off if it fails. That asymmetry is the real argument for the net, and it refines the sequence of Section 6.7 into three steps: first the lock on the settlement layer, which costs nothing; then the instrument; then the payment-side limit, which without the instrument would cost something.

Table 9: The safety net: locks on the settlement layer, adoption milestones and responses

Safeguard	Content	Condition and timing	Responsible
Lock: taxes	Discharge in euro alone as a Union rule; no member state accepts foreign-currency tokens	unconditional; legal act 2027	Parliament, Council, Commission
Lock: banks	Acceptance for conversion only, never in discharge; no deposits or loans in the token; holdings only up to the de minimis limit	unconditional; 2027	EBA, national supervisors
Lock: finality	Designation under the Settlement Finality Directive only for systems that settle in euro	unconditional; 2027	Member states, ECB
Lock: unit of account	Prices, invoices, books and taxes in euro; means-of-exchange cap measured on-chain; ceiling under Article 24 MiCAR	unconditional; from 2027	EBA, ESMA, national authorities
Milestone 1	Stock EUR 5 billion; half of euro spot trading on licensed platforms settled in ECoinB	twelve months after launch (early 2030)	Governing Council
Response, stage 1	Fee holiday and market making extended by one year; gateway share two fifths	if milestone 1 is missed	Governing Council, gateways
Milestone 2	Stock EUR 25 billion; ECoinBs held by foreign users 5 percent of the global market	twenty-four months after launch (early 2031)	Governing Council
Response, stage 2	Eurosystem account for non-European intermediaries; remuneration of intermediaries' balances	if milestone 2 is missed	Governing Council
Deferral clause	Entry into force of the de minimis limits up to twelve months later	if milestone 1 is missed; mid-2031 at the latest	Commission
Fallback position	Lock on the settlement layer remains; ECoinB as settlement asset on Pontes and in tokenised euro securities	no condition	Eurosystem

Sources: Own presentation.
Notes: Milestones put forward for discussion; stocks from on-chain observation (Table 5), trading shares from the platforms' reports to the competent authorities.

7 A Quantitative Sketch

This section puts numbers on the design for three stocks of ECoinBs: EUR 25 billion, a niche of about thirty times all euro tokens today; EUR 100 billion, about one and a half times USDC; and EUR 250 billion, about one and a half times the largest dollar coin and close to the size of today's entire stablecoin market. The calculations are linear and

transparent, they use the Eurosystem balance sheet of 9 October 2026 and the euro-area aggregates of July 2026, and they are a sketch, not a forecast.[52]

7.1 Balance Sheet of the Eurosystem

Table 10 shows the first row of effects. An ECoinB stock of EUR 100 billion issued against reserves converts 5.1 percent of the deposit facility into unremunerated central bank money; even EUR 250 billion leaves the deposit facility above EUR 1,700 billion and banks' excess liquidity intact. Against the money stock the figures are small: EUR 100 billion is 0.6 percent of M3 and 1.0 percent of overnight deposits—and only the part that replaces euro-area deposits, rather than dollar coins and foreign balances, reduces M3 at all. Beside the banknote stock of EUR 1,633 billion, an ECoinB of EUR 100 billion is about one sixteenth of it.

Table 10: Effects of three ECoinB stocks on the Eurosystem, the money stock and income, per year

Item	EUR 25 bn	EUR 100 bn	EUR 250 bn
Share of the deposit facility (EUR 1,954.7 bn)	1.3 %	5.1 %	12.8 %
Share of banknotes in circulation (EUR 1,633.4 bn)	1.5 %	6.1 %	15.3 %
Share of M3 (EUR 17,614 bn)	0.1 %	0.6 %	1.4 %
Share of overnight deposits (EUR 9,680 bn)	0.3 %	1.0 %	2.6 %
Interest saved by the Eurosystem at 2.50 %, EUR bn	0.63	2.50	6.25
Distribution fee to gateways (one third), EUR bn	0.21	0.83	2.08
Net seigniorage of the Eurosystem, EUR bn	0.42	1.67	4.17
User fees of banks (35 bp), EUR bn	0.09	0.35	0.88
Deposit margin lost by banks (100 bp), EUR bn	0.25	1.00	2.50
Net effect for banks, EUR bn	0.05	0.18	0.46
Price-level effect (stock and flow channel)	0	0	0

Sources: European Central Bank (2026c, 2026d); Rupprechter (2026b, Table 7); own calculation.
Notes: Assumptions as in Table 7; half of the stock replaces euro-area deposits.

7.2 Seigniorage and the Economics of the Banks

The income column deserves a second look, because it is where the design either holds or fails. The Eurosystem saves interest equal to the deposit facility rate on the converted reserves; at 2.50 percent and EUR 100 billion, EUR 2.5 billion a year. It passes one third to the gateways and keeps EUR 1.67 billion, distributed to the national central banks and through them to the Member States. The banks earn EUR 0.83 billion from the Eurosystem and EUR 0.35 billion from their clients, and lose EUR 1.0 billion of margin on the deposits

[52] Euro-area aggregates from Rupprechter (2026b, Table 7): M3 EUR 17,614 billion, overnight deposits EUR 9,680 billion, loans to households EUR 7,241 billion and to non-financial corporations EUR 5,490 billion, all July 2026, from ECB monetary statistics.

that migrate. Their net gain of EUR 0.18 billion is modest but positive, and it excludes the business the token brings: custody mandates from exchanges, settlement services for tokenised securities, and the return of a euro crypto economy that today banks abroad.

The result is robust to the rate cycle, because both the distribution fee and the lost margin move with the policy rate. At a deposit facility rate of 2.0 percent and a deposit margin of 160 basis points the banks' net is 22 basis points; at 3.0 percent and 240 basis points it is 15. The share passed to the gateways is the decisive parameter: at one quarter instead of one third the banks' net turns slightly negative at the current rate, at two fifths it doubles. The Governing Council sets that share, and it can set it to make the gateway role attractive without making it a subsidy.[53]

7.3 Euro Demand From Within the Euro Area

The stocks of Section 7.1 are assumptions; how large the demand from within the euro area itself can be is shown by the data on the crypto holdings of European investors, summarised in Table 11. According to the ECB's consumer survey, 9.7 percent of households surveyed held crypto-assets in November 2024; euro-area households hold at least EUR 75 billion, about 0.23 percent of their financial assets and about 3 percent of the market capitalisation of all crypto-assets, and 54 percent of holders own less than EUR 1,000 (European Central Bank 2025a). Measured by turnover, the weight is larger. Spot trading in euro reached EUR 362 billion in 2025, 31 percent more than a year earlier, and the euro's share of trading between fiat currencies and crypto-assets rose from 7.5 percent in 2024 to 9.0 percent in the first quarter of 2026, behind the US dollar and the Korean won (Kaiko 2026); for 2020 to 2023 ESMA found about 10 percent (European Securities and Markets Authority 2024). This turnover contains both directions, the switch from the euro into crypto-assets and back, and it is settled almost entirely against euro balances in bank money: euro stablecoins accounted for only 7.5 percent of euro trading (Kaiko 2026). Some EUR 335 billion a year, just under EUR 1 billion every day, is thus traded against balances that sit as bank money at the exchanges and find their way back to the investor's account only by the slow route of Table 3; it is these balances that the ECoinB would bring on-chain.[54]

[53] At 2.0 percent: $67 + 35 - 80 = +22$ basis points; at 3.0 percent: $100 + 35 - 120 = +15$; at a share of one quarter and 2.50 percent: $63 + 35 - 100 = -2$; at two fifths: $100 + 35 - 100 = +35$.

[54] Kaiko (2026) was commissioned by the exchange Bitvavo and, according to Kaiko, written independently. Every purchase against the euro is at the same time a sale against the euro; the turnover contains both directions and shows no net flows.

Table 11: The euro in the crypto market: holdings, turnover and the cash position of European investors

Item	Value	As of
Euro-area households holding crypto-assets	9.7% of respondents	Nov. 2024
Crypto holdings of euro-area households	at least EUR 75 bn	Nov. 2024
Share of the market capitalisation of all crypto-assets	about 3%	Nov. 2024
Share of central, northern and western Europe in on-chain value received worldwide	about 20%	2021–2023
Spot trading in euro, both directions	EUR 362 bn (+31%)	2025
Euro share of trading between fiat currencies and crypto-assets	7.5% and 9.0%	2024 and Q1 2026
Share of euro stablecoins in euro trading	7.5%	May 2026
Share of stablecoins in the market capitalisation of all crypto-assets	about 10% (USD 300.9 bn of 2,960 bn)	30 Sept. 2026
Computed cash position of euro-area households	about EUR 7.6 bn	Oct. 2026

Sources: European Central Bank (2025a); Kaiko (2026); European Securities and Markets Authority (2024) after Chainalysis; CoinGecko (2026); RWA Foundation and Token Terminal (2026); own calculation.
Notes: Cash position equals households' crypto holdings times the share of stablecoins in market capitalisation; lower bound excluding firms, exchanges and market makers.

A first order of magnitude for the cash position follows. Stablecoins made up about 10 percent of the market capitalisation of all crypto-assets of USD 2.96 trillion at the end of September 2026 (CoinGecko 2026; Table 1). If euro-area households hold their cash position in the same proportion, that is about EUR 7.6 billion, probably parked today in dollar coins or as euro balances at exchanges. The figure rests on the assumption that households hold their cash position in the same proportion as the market as a whole, and it is a lower bound in that it leaves out firms, exchanges and market makers. It already exceeds the safety net's first milestone of EUR 5 billion (Section 6.8): the cash holdings of European retail investors alone can reach that milestone, while the ECoinB reaches the second, of EUR 25 billion, only with firms, tokenised securities and the foreign demand of Section 7.4.

A thought experiment separates the robust from the contestable part of this potential. If the Federal Reserve, the People's Bank of China and the Bank of Japan also issued their own tokens on public blockchains, the ECoinB would lose its lead in safety and elasticity, because each of these tokens would also be money by identity in its own currency. It would not lose its lead in currency: for a euro-based investor every foreign central bank token would remain a foreign-currency position with an exchange-rate risk that for the dollar is about 3 percent in ninety days (Table 3) and that no interest compensates. At equal safety and an equal return of zero, the cash position in the home currency is the dominant choice

in the mean-variance sense.[55] Demand from within the euro area is thus the core for which the ECoinB need compete with no other public token, while the foreign demand of Section 7.4 is the contestable part. For active trading the dominance does not hold to the same degree, because there the liquidity of the dollar pairs counts; this is why the design provides for committed market making in the ECoinB–USDC and ECoinB–USDT pairs (Section 6.3).

7.4 Euro Demand From Abroad

Table 12 estimates the foreign demand for euro if the ECoinB captures a share of the global stablecoin stock of about USD 300 billion. A share of 5 percent—the ECoinB as the second settlement asset of European and some Asian exchanges—is USD 15 billion, or EUR 13 billion at the exchange rate of October 2026. A share of 10 percent is EUR 27 billion; a share of 20 percent, which would make the ECoinB the third-largest stablecoin, EUR 54 billion. Each euro of that demand is bought in the foreign-exchange market, held as a claim on the Eurosystem and—because the token pays no interest—yields seigniorage to the euro area that foreigners pay. For comparison: the largest dollar issuer alone held roughly USD 135 billion of US Treasury securities in October 2025, more than Germany (Rupprechter 2026a). A BIS working paper finds that inflows into stablecoins measurably lower short-term US bill yields (Ahmed and Aldasoro 2025), and the OECD notes that issuers "are now major holders of US Treasury bills" (Roulet 2026). The stablecoin market is today a financing instrument of the American state; the ECoinB would make a slice of it a financing instrument of nobody's debt and an income of the euro area.[56]

Table 12: Foreign euro demand and seigniorage for three market shares of the ECoinB in the global stablecoin market

Share of the global market	5 %	10 %	20 %
ECoinB stock held by foreign users, USD bn	15	30	60
in euro at 1.12, EUR bn	13.4	26.8	53.6
Seigniorage paid by foreign holders at 2.50 %, EUR bn per year	0.33	0.67	1.34
Share of US Treasury holdings of the largest dollar issuer (USD 135 bn)	11 %	22 %	44 %

Sources: RWA Foundation and Token Terminal (2026); Rupprechter (2026a); own calculation.

[55] With a return of zero on both tokens and an exchange rate with no expected change, an empirically good approximation over short horizons (Meese and Rogoff 1983), the expected result is the same; the variance in euro is zero for the euro token and equal to the exchange-rate variance for the foreign token.

[56] EUR/USD 1.12 on 15 October 2026. The market shares are illustrative; the Bank of England's guardrail of GBP 40 billion per systemic sterling coin (Bank of England 2026) indicates the scale a public authority there considers plausible for a single coin.

7.5 A Crypto Crash and a Banking Crisis

Two stress cases close the sketch. In the first, a crypto crash leads holders to redeem 30 percent of a EUR 100 billion ECoinB stock within a day. The Eurosystem burns EUR 30 billion of tokens and credits EUR 30 billion to the gateways' reserve accounts; the deposit facility rises by the same amount; no security is sold, no price moves, and the holders who redeem last are paid exactly as those who redeem first. A private issuer of the same size would have to liquidate EUR 30 billion of bills in a day. The second case is a deposit flight: a bank loses EUR 10 billion of deposits to the ECoinB within a day in a confidence crisis. Its reserves fall by EUR 10 billion with its deposits. It replaces the funding at the main refinancing operations, at full allotment against collateral, at 2.65 percent instead of the 0.5 percent it paid on the deposits: a cost of EUR 215 million a year on the amount that fled, not a solvency event. Its liquidity coverage ratio falls slightly, because the lost reserves count fully as liquid assets while the lost deposits reduce net outflows by only a fraction; a bank with a ratio of 150 percent ends at about 141 percent. And the Governing Council retains the circuit breakers of Table 5 for the case in which the flight is systemic rather than idiosyncratic.[57]

7.6 Sensitivity

Three parameters drive the numbers. The deposit facility rate scales the seigniorage one for one and leaves the banks' net roughly unchanged, as Section 7.2 showed. The share of the stock that replaces euro-area deposits rather than foreign balances decides the banks' lost margin: at one quarter instead of one half the banks' net rises from 18 to 68 basis points, at three quarters it falls to −32; the gateway share can be adjusted accordingly. And the conversion turnover decides the user fees: at twice the stock per year the conversion income is 10 basis points, at eight times 40. None of these parameters changes the sign of the price-level effect, which is zero under every assumption, or the elasticity of the instrument, which is unlimited under every assumption. That is the difference between a design and a promise.[58]

[57] LCR example: liquid assets 150, net outflows 100; after the flight 140 and 99.5 (stable retail deposits carry a 5 percent outflow rate under Delegated Regulation (EU) 2015/61), hence 140.7 percent. MRO rate 2.65 percent since 16 September 2026.

[58] Banks' net in basis points = 83 + 5t + 15 − 200s, with t the annual conversion turnover relative to the stock and s the share of the stock that replaces euro deposits; t = 4 and s = 0.5 give the 18 basis points of Table 7.

8 Challenges and Objections

8.1 Disintermediation of Banks

The oldest objection to central bank money in the hands of the public is that it drains deposits from banks and so shrinks credit (Andolfatto 2021; Fernández-Villaverde et al. 2021; Keister and Sanches 2023). Four answers apply. The scale is small: EUR 100 billion is one percent of overnight deposits, and the part that migrates from euro-area deposits is smaller still, because the token's first market is balances that today sit in dollar coins and abroad. The design is targeted: no interest, access tiers, conversion thresholds for natural persons and conversion fees make the ECoinB a poor savings vehicle and a good settlement asset. The central bank can pass funds back: Brunnermeier and Niepelt (2019) show that the equivalence of private and public money holds when the central bank lends the proceeds of its new liability back to the banks, which full allotment does mechanically. For private coins the effect has been quantified: in the macro-banking model of Hofmann, Kaldorf and Rottner (2026) stablecoins raise deposit rates and reduce loan supply; where the ECoinB replaces a dollar coin it adds nothing to that effect, and where it replaces euro deposits the access tiers of Section 6.6 cap it.[59] And the banks gain a business: the Federal Reserve's own historical review finds that banks adapted to the money market fund, the last comparable innovation, partly by offering their own—bank-affiliated funds now hold over 40 percent of US money market fund assets (Board of Governors 2026b); the gateway model is that adaptation by design.

One objection in this family deserves a direct answer because it points the other way. MiCAR requires private euro tokens to hold 30 to 60 percent of their reserves as bank deposits; the ECB warned in 2025 that these deposits may be withdrawn suddenly in a run on the token, leaving bank funding more vulnerable (European Central Bank 2025b), and the ESCB has asked that the quota be replaced (European System of Central Banks 2026; Rupprechter 2026b, Section 5.2). The ECoinB has no reserve and therefore no reserve deposits. A run on it is impossible, and a run into it lands on the Eurosystem's balance sheet, where runs belong.

8.2 Integrity: AML, Sanctions and Freezing on Public Chains

Hernández de Cos (2026) calls financial integrity the major concern: stablecoins "now account for most illicit transactions within the crypto ecosystem", and unhosted wallets and public blockchains limit the reach of anti-money-laundering controls. The Bank for International Settlements (2025) lists integrity as the third test current stablecoins fail. An

[59] Schnabel (2026a) warns that replacing retail deposits with stablecoin-linked wholesale funding makes bank funding more concentrated and volatile; that concern applies to the reserve deposits of private coins under Article 54 MiCAR, which the ECoinB does not have.

ECoinB on public chains inherits the rail and must answer the objection. Four elements do. Every ECoinB enters and leaves the chain through a supervised gateway that identifies its client; the transfer-of-funds regulation applies to every gateway transaction; the compliance module freezes addresses on the order of competent authorities, with the speed Tether has shown and the legal protection Tether lacks; and the on-chain record is permanent and public, which makes the ECoinB more traceable than the banknote, the most anonymous instrument the Eurosystem issues. The central bank should not become the investigator: freezing is executed by the Eurosystem on request and decided elsewhere. That division keeps the instrument neutral and the authorities accountable.[60]

8.3 Operational and Technological Risk

A central bank liability on infrastructure the central bank does not control is a new kind of exposure. Public chains can halt, fork or congest; smart contracts can contain errors; bridges have been the site of the largest thefts in crypto history; and Summer (2026, Sections 6.1 and 6.3) adds the systemic caution that a payment system woven into permissionless global infrastructure cannot fall back on itself if international connectivity breaks apart. Schnabel (2026b) asks the governance questions directly: who is liable if a smart contract fails, who admits participants, who decides upgrades. The design answers with redundancy and with law. Redundancy: deployment on several chains, a canonical bridge operated by the Eurosystem, a pause function, formal verification of the contracts, and the Eurosystem's own DLT platform under Pontes as the fallback on which every ECoinB can be re-issued if a public chain fails. Law: the finality of an ECoinB is legal, not technical—a token on a halted chain remains a liability of the Eurosystem, convertible at any gateway once the record is reconstructed, exactly as a banknote in a burnt safe remains a liability of the Eurosystem. The operational risk is real and bounded; the risk of leaving the field to private tokens on the same chains is real and unbounded.[61]

8.4 Reputation and Mandate

Should a central bank put its name on an instrument whose first users are crypto traders? The objection has weight, and three considerations answer it. The Eurosystem already issues the instrument of choice of every illicit market, the banknote, without endorsing any of its uses; a settlement asset is not an endorsement. The Eurosystem is already on-chain: Pontes has settled tokenised assets in central bank money since 21 September 2026 (European Central Bank 2026e), and the ECB has launched preparatory work to invest a small part of its own funds in tokenised securities (European Central Bank 2026b). And

[60] Regulation (EU) 2023/1113 extends the transfer-of-funds rules to crypto-asset transfers from 30 December 2024; the Eurosystem discontinued the issuance of the EUR 500 banknote in 2019 for integrity concerns of the same kind.
[61] The largest bridge thefts: Ronin (March 2022, about USD 625 million) and Poly Network (August 2021, about USD 610 million); a canonical bridge operated by the Eurosystem with a pause function is the design's answer.

the alternative is not a Europe without crypto money but a European crypto economy settled in the liability of a foreign company under the GENIUS Act—the configuration Rupprechter (2026b, Section 7.4) described as a lever of structural coercion. Between a public euro and a private dollar in the same market, the reputational risk lies with the second. Angeloni (2026) frames the matter the same way: it is "fundamentally about who controls those instruments". The mandate question is that of Section 6.1; the political question is whether the Governing Council and the legislators would rather explain an ECoinB to the public or a dollar settlement layer to posterity.[62]

8.5 Will the Crypto Scene Take It?

The honest answer is that nobody knows, and that the cost of finding out is low. The dollar coin's advantage is liquidity and habit: USDT accounts for 61 percent of the stablecoin supply (Table 1), dominates the Tron network and the Asian over-the-counter market, and a new token starts at zero. Against that stand four facts. The ECoinB wins its first market without competing for the dollar's: European exchanges, euro pairs, European corporates and tokenised euro securities need a euro settlement asset and today use a dollar one because none exists. The ECoinB is the safest token on any chain, and safety is what crypto markets flee to in every crash. Public issuers can succeed on public rails: the State of Wyoming issues its stable token FRNT on seven public chains, open to public purchase since January 2026, and the National Bank of Kazakhstan signed an exploratory memorandum with Tether in October 2026 on a tenge-backed stablecoin pilot (State of Wyoming 2026; CoinDesk 2026). And the cost of a failure is small: the Eurosystem builds on the Pontes infrastructure it operates anyway, and an ECoinB that stays a niche instrument still gives European markets a public settlement asset and the ECB a window into the crypto economy. Lagarde (2026) observes that the technology is "doing two distinct things at once – reshaping monetary demand and transforming settlement infrastructure"; the ECoinB takes up the second and supplies the new infrastructure with the one claim that cannot fail. What holds if adoption fails is laid down by the safety net of Section 6.8: two milestones, a two-stage response and a fallback position that leaves the Union in no case worse off than today.[63]

8.6 The Lesson of the Wisselbank

A public ledger money in the settlement layer is not a new idea. Quinn and Roberds (2023) show that the Bank of Amsterdam, founded in 1609, became from 1683 the issuer of a

[62] The digital euro debate has shown the political cost of retail central bank money; the ECoinB avoids the retail-privacy front, because its holders are intermediaries and professional users identified at the gateway.

[63] FRNT is issued by the Wyoming Stable Token Commission under the Wyoming Stable Token Act of 2023, which requires reserves of at least 100 percent held in trust (W.S. 40-31-106(b)); public purchase opened on 7 January 2026 (State of Wyoming 2026).

bank money that was no longer a redeemable claim on coin but itself the asset in which the merchants of Europe finally settled—pure ledger money, owned by the city, carried by the bank's balance sheet and the discipline of its managers. It functioned for a century at nearly stable prices. What broke it was not the crossing into the settlement layer but what the crossing made possible: credit creation by the issuer without a redemption constraint, in the form of loans to the Dutch East India Company during the Fourth Anglo-Dutch War. The episode is the historical case of the escalation that Summer (2026, Section 4) describes in the abstract, and it carries the lesson the ECoinB design must respect. A public token in the settlement layer is viable for generations; what destroys it is the issuer's own lending without discipline. The Eurosystem has that discipline in a form the Wisselbank lacked: the prohibition of monetary financing in Article 123 TFEU, independence under the Treaty, a mandate for price stability, and the fact that the ECoinB is issued against reserves in a swap of liabilities and never as credit. In the terms of Hellwig (1985) and Summer (2026, Section 4.3), the central bank's governance is the commitment device that makes an outside money hold its value, and the Wisselbank is the case that shows what happens when the commitment erodes.[64]

8.7 The American Reaction

The GENIUS Act is, in its own strategic reading, an instrument of dollar dominance: it steers private dollar demand worldwide into Treasury bills, and a presentation to the Treasury's Borrowing Advisory Committee projects a market of about USD 2 trillion by 2028 (Treasury Borrowing Advisory Committee 2025; Rupprechter 2026a). An ECoinB that takes a share of that demand will not be welcomed in Washington, and the equivalence decisions for American issuers in the MiCAR review are the lever through which the friction will be felt. Two facts favour Europe. The United States has barred itself from the public token: Executive Order 14178 prohibits federal agencies from establishing, issuing or promoting a central bank digital currency,[65] so the American answer to an ECoinB cannot be a Fedcoin but only more private coins, with all the weaknesses of Section 2.3. And the argument of Governor Waller (2021) that a CBDC is "a solution in search of a problem" has been overtaken by the problem: Summer (2026, Section 1) reads the comparison of private rails and public projects as a category error, because what matters monetarily is who carries the claim that travels on the rails. The ECoinB accepts the rails and changes the carrier. That is a competitive position the dollar cannot copy without reversing its own policy. And even a reversal would leave the core of the demand untouched, because at

[64] The reference to Quinn and Roberds (2023) is owed to Martin Summer (personal communication, 13 October 2026). The bank's receipt system of 1683 made the bank guilder a fiat money in all but name; the loans to the VOC fall in the years 1780 to 1784.

[65] Section 5(a) of the order reads: "Except to the extent required by law, agencies are hereby prohibited from undertaking any action to establish, issue, or promote CBDCs within the jurisdiction of the United States or abroad."

equal safety the European investor holds the cash position in the home currency (Section 7.3). Eichengreen (2025), writing against the GENIUS Act, put the long view in one sentence: "The arrow of history points away from the private provision of multiple kinds of money."

9 Conclusion and Recommendations

The stablecoin is the cash of the crypto economy, and that cash is American. It is a promise by a private company to pay a dollar it does not create, kept as long as its reserve is sound and its redemption desk is open, and broken—briefly or finally—whenever either fails. For the euro area it carries three dangers that the research of 2026 has made precise: a push on the price level while the coin is backed by bonds, the loss of the nominal anchor if the coin is ever accepted in final settlement, and, because the coin is a dollar coin, the import of a foreign price level into the tokenised part of the economy (Summer 2026; Rupprechter 2026b; on monetary sovereignty also G7 Working Group on Stablecoins 2019 and International Monetary Fund 2023, on digital dollarisation Brunnermeier, James and Landau 2019). The diagnosis is broadly shared: the BIS finds that stablecoins fail the tests of singleness, elasticity and integrity (Bank for International Settlements 2025), the IMF that they are vulnerable to runs and may contribute to currency substitution (Adrian et al. 2025), the OECD that redemptions can force fire sales of collateral (Roulet 2026), and the ECB that they are no efficient way to strengthen the euro and can make bank funding more volatile (Lagarde 2026; Schnabel 2026a). Europe has answered with rules and with infrastructure. It has not answered with a euro the crypto scene would hold.

The ECoinB is that answer. As a direct liability of the Eurosystem on public blockchains it is one euro by identity, not by promise; it can be issued without limit and redeemed without a sale; it moves no term of the economy's payment capacity, cannot escalate into a competing money, imports no anchor, and keeps the ECB's instruments and its lender-of-last-resort function intact for the on-chain euro economy. It captures the cash position of European crypto investors, which would hold even against public tokens of other central banks, attracts foreign capital into the euro, yields seigniorage to the Eurosystem, and—if one third of that seigniorage is shared with the gateways—leaves banks better off than the deposits they lose. It is not a rival of the digital euro, which is meant to preserve cash in digital form, but its counterpart on the rail the digital euro does not use. It turns the limits on foreign stablecoins that Europe needs from a cost into a switch, and it rests on no hope: a safety net locks the settlement layer before the instrument arrives and ties its adoption to milestones with predetermined responses.[66]

Eleven recommendations follow; Table 13 summarises them by addressee and timing.

[66] Summer (2026, Section 7) closes with the sentence that "a monetary order is not found, it is chosen"; the ECoinB is a choice of the same kind, made with an instrument rather than a rule.

1. Decide the instrument. The Governing Council should commission the legal and technical design of a Eurosystem euro token on public blockchains in 2027, with the MiCAR review report of June 2027 as the vehicle for the changes to Union law.

2. Issue through gateways. Banks with TARGET access and licensed crypto-asset service providers with a limited, unremunerated Eurosystem account mint and burn the token for identified clients; the Eurosystem never faces the public directly.

3. Pay no interest and share the seigniorage. The token is unremunerated; one third of the interest the Eurosystem saves is paid to gateways as a distribution fee, and the share is reviewed annually so that the gateway role remains profitable without becoming a subsidy.

4. Build the compliance module under Union law. Freezing on the order of competent authorities with judicial review, the transfer-of-funds rules at every gateway, and public on-chain records; the Eurosystem executes, the authorities decide.

5. Protect bank funding by design. No interest, conversion fees, access tiers with thresholds per beneficial owner across all gateways, conversion for corporates within their documented needs, the return of custodied balances above the threshold to the bank account, and circuit breakers—conversion fee and issuance ceiling—that the Governing Council can activate within hours.[67]

6. Demarcate from the digital euro. The digital euro remains the digital form of cash and the legal-tender retail instrument on its own platform; the ECoinB is the on-chain settlement asset for crypto and tokenised markets; the two are forms of one money and are communicated as such.

7. Build liquidity from day one. Mandatory ECoinB settlement for euro pairs on licensed platforms, committed market making in ECoinB–dollar-coin pairs, a twelve-month fee holiday at the gateways, and a canonical Eurosystem bridge across chains.

8. Connect to Pontes. The ECoinB serves as the cash leg of tokenised securities on public chains and is accepted at par by the Eurosystem for every obligation towards it, so that acceptance in discharge follows from the instrument and not from a regulation.[68]

9. Limit foreign-currency stablecoins at banks and firms. Discharge of taxes, bank liabilities and finality in euro alone, as recommended in Rupprechter (2026b), as a Union rule from 2027; plus de minimis limits on the use of foreign-currency tokens

[67] The Bank of England replaced its proposed per-person holding limits with an issuance guardrail of GBP 40 billion per systemic coin (Bank of England 2026); an issuance ceiling is the simplest circuit breaker because it needs no identification on-chain.

[68] Pontes was launched on 21 September 2026 with legal finality of the cash leg anchored in TARGET (European Central Bank 2026e); Schnabel (2026b) expects finality to move onto the Eurosystem's DLT platform and smart contracts and 24/7 operation to follow.

for payment and settlement by Union credit institutions and firms, phased in over eighteen months after the launch.

10. Span the safety net. The lock on the settlement layer—taxes, banks, finality, unit of account—applies unconditionally and ahead of the instrument; the ECoinB's adoption is tied to two milestones twelve and twenty-four months after the launch, with a two-stage response of gateway share, access and remuneration option, a deferral clause for the payment-side limits and a named fallback position.

11. Speak with one voice. The Eurosystem and the Union should present the ECoinB not as a concession to crypto but as the protection of the settlement layer by occupation, which is what it is.

Table 13: The eleven recommendations by addressee and timing

No.	Recommendation	Addressee	Timing
1	Decide the instrument; legal and technical design	Governing Council, Commission	2027
2	Two-tier issuance through banks and licensed CASPs	Eurosystem, EBA	2027–2028
3	No interest; one third of saved interest to gateways	Governing Council	from launch
4	Compliance module under Union law	Eurosystem, Commission, FIUs	2028
5	Tiers, thresholds per beneficial owner, circuit breakers	Governing Council	from launch
6	Demarcation from the digital euro	Eurosystem	ongoing
7	Liquidity: listing, market making, fee holiday, bridge	ESMA, CASPs, gateways	2029
8	Cash leg on Pontes; acceptance at par by the Eurosystem	Eurosystem	2029
9	Discharge in euro alone; limits on foreign tokens	Parliament, Council, Commission	2027; 2029–mid-2030
10	Safety net: lock on the settlement layer, milestones, staged response, deferral clause	Governing Council, Commission, Parliament, Council	2027; 2030–2031
11	One European voice	Eurosystem, Commission	ongoing

Sources: Own presentation.

The limits of the analysis should be stated as plainly as its claims. The legal basis is framed, not settled. The quantitative sketch is linear and ignores the response of velocity, of bank pricing and of the exchange rate.[69] The adoption of the token is uncertain, and its first years may be small. And the operational risk of public chains is bounded by design but not removed. Further research should model the optimal gateway share and the access tiers formally, estimate the demand for a public euro token beyond the order of magnitude of Section 7.3 from the order books of European exchanges, and examine how an ECoinB

[69] Market data in this paper are as of 1 to 15 October 2026; the Eurosystem balance sheet is that of 9 October 2026; all calculations can be reproduced from Tables 7, 10, 11 and 12 with the stated assumptions.

would interact with the digital euro's holding limits in a banking crisis. What the paper claims is narrower and, the author believes, robust: of all the tokens a crypto investor can hold at the end of a trading day, an ECoinB would be the only one that is not a promise. That is the property the market will price, and it is the property only a central bank can supply.

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