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Strengthening the International Role of the Euro

Note to the Eurogroup

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Executive Summary

Over its twenty-six-year history, the euro has become a symbol of Europe's strength and unity. Used daily by more than 350 million citizens, the euro is an important driver of European integration and economic growth. Euro area membership has increased from 11 EU Member States in 1999 to 21 in 2026 with Bulgaria's euro adoption, and the euro area now accounts for 84% of EU GDP. The benefits of the euro - price stability, lower transaction costs, and deeper economic integration - have reinforced the EU as the world's most integrated economic area. The euro is the world's second most used currency, behind the US dollar, which remains the dominant global currency.

The EU is operating in an increasingly complex geopolitical environment. Strategic competition, regional conflicts, trade tensions, and diverging political preferences have weakened multilateral cooperation and reshaped global economic relations. These shifts are also reflected in the international monetary and financial system. Long dominated by the US dollar and supported by open global trade and finance, it is being reshaped by fragmentation along geopolitical lines, doubts about the dollar as a safe haven currency, and rapid innovation in payment technologies.

Faced with the risk of increasing volatility of the international monetary and financial system, the EU needs to act to strengthen its economic and financial security and the capacity to promote its own interests. Strengthening the international role of the euro has been a long-standing policy priority, as underscored in the 2018 and 2021 Commission communications.¹ Yet, ongoing trends show that an updated strategy is needed. Today, a stronger international role of the euro – reflected in a wider foreign use as well as in a greater resilience and autonomy of the EU financial system - should be seen as a cornerstone of a broader de-risking strategy, in line with the recent Communication on 'Strengthening EU economic security'.² A stronger standing of the euro worldwide would also contribute to global financial stability and to consolidating and expanding the EU's trade and financial relations. It would also enhance the EU's capacity to promote its values, implement its sanctions policy effectively and safeguard its economy from external pressure. At the same time, a greater international use of the euro as a currency for trade invoicing, investment, and reserves holds important benefits for the EU economy, such as lower financing costs and less exposure to currency risks for businesses.

In this context, in June 2025 EU leaders tasked the Council, the Commission and the European Central Bank, with the involvement of the Eurogroup as appropriate, to advance the work on the international role of the euro. This work should consider the uniqueness of the institutional framework of the Economic and Monetary Union (EMU), which centralises monetary policy while leaving other relevant policy domains at Member State level - thereby requiring strong policy coordination.

¹ Commission 2018 Communication '[Towards a stronger international role of the euro](#)'; Commission 2021 Communication '[The European economic and financial system: fostering openness, strength and resilience](#)'.

² Joint Commission and High Representative of the Union for Foreign Affairs and Security Policy 2025 Communication '[Strengthening EU economic security](#)'.

Against this background, this note sets out potential elements of a comprehensive strategy to strengthen the international role of the euro, linking economic, financial and external policies. It is organised around three interlinked pillars:

A. Stronger economy and institutions.

A large and competitive economy supported by a robust institutional framework is the basis for a lasting international role of a currency. While the EU is the world's second-largest economic block, its relative importance in the world economy is declining and potential growth is slowing. At the same time, the robust EU institutional architecture - together with a strong and credible fiscal governance - is a key asset for the EU.

The EU should thus make further progress on the EU competitiveness agenda, underpinned by the Competitiveness Compass, including the 28th regime, and further deepen the Single Market and the Economic and Monetary Union.

Potential additional actions include:

- Reflect on possibilities to reduce the fragmentation of the EU regional financial safety net, where currently the European Stability Mechanism (ESM) provides financial assistance to euro area countries, while non-euro area Member States have access to the Balance of Payments (BoP) facility. A renewed push to integrate the ESM into the EU legal framework could support the international role of the euro. Further, bringing bond issuance under a single entity would allow to reduce market fragmentation and costs associated with issuing separate debt instruments under different legal frameworks.

B. More efficient EU financial markets and payment systems.

Deep and integrated capital markets - offering attractive returns - together with secure, cheap, and fast payment systems are another prerequisite for a truly international currency. This calls for addressing fragmentation and remaining inefficiencies in EU financial markets. It also reinforces the call to foster a retail investment culture in the EU so that a greater share of the EUR 10tn of European savings can be channelled towards investments in capital markets.

The EU should thus adopt and swiftly implement the Savings and Investments Union (SIU) strategy deliverables without lowering their level of ambition, and finalise the negotiations on the Single Currency package, including the digital euro proposal, in 2026.

While EU bonds have been established over the past years as a liquid and safe asset and as an opportunity to invest in the euro, with clear interest from international investors, further developing that market is crucial. At the same time, technological developments have the potential to transform the financial markets and payment systems.

Potential additional actions include:

- Conduct in the short term a thorough assessment of the policy options to enhance euro-denominated digital assets using distributed ledger technology (DLT) such as Markets in Crypto Assets Regulation (MiCAR)-compliant stablecoins, tokenized deposits and central

bank digital currencies (CBDC), and address the risks related to foreign currency-backed stablecoins.

- Conduct an assessment of the EU financial sector to map the EU dependencies relative to third countries.
- Speed up work for making EU payment systems more autonomous.
- Continue EU issuance to jointly finance common projects with a clear EU value added.

C. Strengthening the EU's external dimension.

The geopolitical position of the EU and the international role of its currency are deeply intertwined. A competitive European industry, strong EU defence capability, European leadership in key technologies, a diversified network of trade partnerships, and resilient supply chains that guarantee seamless access to critical inputs are all aspects that can bolster the EU strategic autonomy and, in turn, its economic security.

Therefore, the EU should reinforce the Union's defence capabilities, reduce strategic dependencies, support the EU's position in critical technology areas, broaden the EU's trade network to diversify access to critical inputs, and increase incentives for euro invoicing.

Potential additional actions include:

- Engage with key sectors (such as transport, energy, raw materials, and defence) to strengthen the role of the euro in procurement, invoicing, pricing and payments.
- Support the euro when granting EU funding in the context of the EU's initiatives in third countries.
- Bring forward the EU capacity to promote EU export competitiveness and support national export credit agencies.
- Envisage further outreach to third countries and companies to foster the issuance of euro-denominated debt by sovereign and corporate issuers and obtain a better understanding of the obstacles for the euro's wider use, while fully respecting national choices regarding monetary arrangements.
- The ECB could reflect on the monetary policy implications of a wider network of bilateral liquidity arrangements.

Ministers are invited to discuss the trends and areas for further work set out in the note, focussing on the following questions:

- *Do you agree with the analysis of key trends set out in the note?*
- *How do you assess the elements for a new strategy for the international role of the euro presented in the note? Which policy areas do you consider most relevant and which actions could be realised in the short-term versus those needing a longer-term approach?*
- *Are there any other policy areas that you consider important for promoting the international role of the euro?*

1. Introduction

Strengthening the international role of the euro is a long-standing policy priority. The Commission set out a policy approach in the 2018 Communication ‘Towards a stronger international role of the euro’ and as part of a wider strategy on open strategic autonomy in the 2021 Communication ‘The European economic and financial system: fostering openness, strength and resilience’ (see **Annex 1**).³

The recent evolution in the international monetary and financial landscape necessitates a comprehensive reassessment of the euro’s global positioning strategy. The euro occupies a solid second place in the global financial architecture.⁴ Yet, the geopolitical environment has changed markedly in recent years: Russia has unjustifiably engaged in a war of aggression against Ukraine; China has become more assertive on the global stage; and the US stance vis-à-vis multilateralism has shifted. Key emanations of these developments are clearly visible:

- **International trade and capital flows are increasingly fragmented along geopolitical lines.** At the same time, trade barriers and financial sanctions are increasingly used as geopolitical tools.
- **Recent events have triggered highly unusual cross-asset correlations. The US dollar declined alongside rising Treasury yields - an atypical pattern for safe-haven currency in periods of high uncertainty.**⁵ Large countries and regions - such as China, India and the Mercosur - are starting to look for alternatives to reduce their exposure to the US dollar.
- **There are technological advances in the area of payments.** Notable developments outside Europe include: in the US, the rise of crypto assets and stablecoins⁶, supported by the US GENIUS Act and the proposed CLARITY ACT; and in emerging market economies, China’s development of a Central Bank Digital Currency (CBDC) and of the Cross-border Interbank Payment System (CIPS)⁷, as well as the mBridge⁸ and BRICSPay projects.

The EU needs to act to increase its resilience against the potential volatility of the international monetary and financial system. Strengthening the international role of the euro is a cornerstone of a broader de-risking strategy, reinforcing economic security and protecting against the potential volatility of monetary and financial system. It would also contribute to global financial stability and to consolidating and expanding trade and financial

³ Commission 2018 Communication ‘[Towards a stronger international role of the euro](#)’; Commission 2021 Communication ‘[The European economic and financial system: fostering openness, strength and resilience](#)’.

⁴ European Central Bank (2025), ‘[The international role of the euro](#)’. For an historical perspective of the international role of the euro, see also Terzi, A. (2024), ‘[The euro: charting the next decade ahead](#)’, Quarterly Report on the Euro Area, Vol 23(2).

⁵ Such concerns showed up in an atypical decline in the dollar value following the 2 April spike in global risk linked to the US tariff announcement, together with a notable (but short-lived) rise in yields on US Treasuries. Obstfeld, M. (2025), ‘[The international monetary and financial system: a fork in the road](#)’, Andrew Crockett Memorial Lecture in Basel on 29 June 2025, Geneva.

⁶ A crypto asset is a digital representation of a value or a right that can be transferred and stored electronically, using a distributed ledger or other similar technology. Please find [here](#) more information on crypto assets as well as stablecoins.

⁷ The Cross-border Interbank Payment System (CIPS) is a Chinese payment system offering clearing and settlement services in cross-border renminbi payments and trade. CIPS is backed by the People’s Bank of China and was launched in 2015 as part of a policy effort to internationalize the use of China’s currency.

⁸ Project mBridge is a multi-CBDC platform shared among participating central banks and commercial banks, built on distributed ledger technology (DLT) to enable instant cross-border payments and settlement, involving Thailand, the United Arab Emirates, China, the Hong Kong Monetary Authority and Saudi Arabia.

relations, in line with the recent Communication on ‘Strengthening EU economic security’.⁹ At the same time, a greater international use of the euro as a currency for trade invoicing, investment and reserves would hold important benefits for the EU economy, as outlined below.

Against this backdrop, this paper aims to support the policy debate on the future international role of the euro.

2. International role of the euro: drivers and implications

The international role of the euro is the result of sound economic fundamentals, policy decisions, and powerful network effects. The international role of a currency is traditionally defined by its external use as a store of value, medium of exchange and unit of account.¹⁰ Core economic fundamentals - such as the size and competitiveness edge of the issuing economy,¹¹ its role in global trade, its pool of safe assets, and the size, depth, liquidity and safety of its financial markets more in general - provide the material basis for a currency’s international status. Stable institutions and sound macroeconomic policies reinforce the confidence in a currency, while a country’s military or geopolitical reach further supports the currency use.¹² These factors reinforce one another: widespread use in trade, finance and reserves deepens markets, lowers costs and risks, and makes shifts in global currency dominance rare and gradual.¹³

The benefits of expanding the euro’s international role are larger than in the past, while the cost of inaction may be considerable. First, a broader global use of the euro could boost the EU’s competitiveness, by lowering borrowing costs for sovereigns, companies and households, thereby supporting investment.¹⁴ Second, an increased share of trade invoiced in euros would shield EU importers and exporters from exchange rate fluctuations, reducing uncertainty. Equally, EU trade partners would benefit from lower transaction costs when bypassing currency triangulations that often rely on the US dollar and from reduced dependency on US payments clearing. Third, if supported by an autonomous, resilient and integrated euro area capital markets and retail payment networks, it would also shield the EU economy from foreign weaponization of the international monetary and financial system as

⁹ Joint Commission and High Representative of the Union for Foreign Affairs and Security Policy 2025 Communication [‘Strengthening EU economic security’](#).

¹⁰ Rey, H. (2019), [‘International monetary systems and global financial cycles’](#), Banca d’Italia Paolo Baffi Lecture.

¹¹ De Grauwe P. and Ji Y. (2025), [‘Towards a multipolar system: strengthening the euro as a major international currency’](#), in-depth analysis requested by the ECON Committee of the European Parliament.

¹² Eichengreen, B., Mehl, A. J., & L. Chițu (2019), [‘Mars or Mercury? The geopolitics of international currency choice’](#), *Economic Policy*, 34(98), 315–363.

¹³ This was evident for example in the prolonged transition from the British pound to the US dollar during the first half of the 20th century. See e.g. Eichengreen, B. (2011), *‘Exorbitant privilege: the rise and fall of the dollar and the future of the international monetary system’* Oxford University Press.

¹⁴ The observation that issuers of an international reserve currency enjoy lower borrowing costs is commonly referred to as ‘exorbitant privilege’. The expression was coined in the 1960s by French Finance Minister Valéry Giscard d’Estaing to describe the United States’ advantage under the Bretton Woods system, whereby the dollar’s dominant role allowed the United States to obtain cheaper external financing because its debt served as a safe-haven for official foreign investors against volatile capital flows and exchange-rate risk.

well as enhance the EU's capacity to promote its values, including by implementing its sanctions policy more effectively.¹⁵

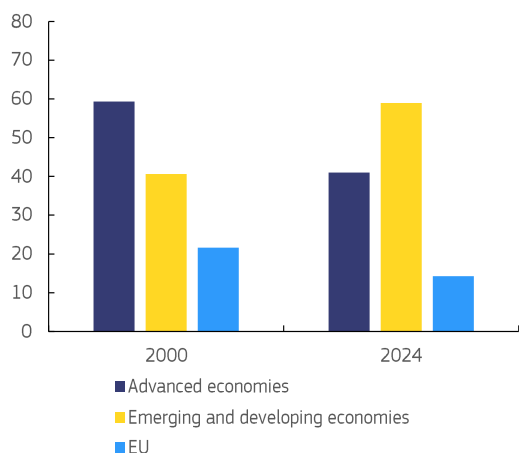
On the side of the potential costs, risks of upward pressure on the euro exchange rate, which could weigh on competitiveness, appear contained. International currencies tend to appreciate in crisis times.¹⁶ Yet there is no systematic evidence of a long-term relationship between a currency's international status and its exchange rate, provided there is a large, deep and liquid capital market in place to absorb the liquidity coming from abroad to avoid a continuous large impact on its exchange rate from external demand.¹⁷

3. Key trends shaping the international role of the euro for trade invoicing, reserve assets, investments and payments

This section takes stock of key trends in relation to (i) international trade and capital flows; (ii) the composition of reserve assets and investments; and (iii) payments and financial innovation. These recent changes are unprecedented in the euro's history and entail significant risks for the EU as one of the world's most open and multilateral economies. Yet, they also present a unique window of opportunity for the EU to strengthen the international role of the euro, contributing to the EU strategic autonomy. While these three areas are examined separately, they are deeply interconnected.

3.1 Geopolitical fragmentation impacting on trade flows and foreign direct investment

Graph 1: Global GDP shares of advanced and emerging market economies



Notes: Purchasing parity (PPP) international dollar.

Source: IMF.

Global trade is undergoing profound transformations. Since 2000, the weight of emerging and developing economies in the world economy has increased from 40.6% to 58.9% (**Graph 1**), reshaping the trade map that was once dominated by the US and the EU. Between 2000 and 2024, the EU's share in the world economy has declined from 21.6% to 14.2%, while the share of the US decreased from 20.4% to 14.8%; China's share increased from 6.6% to 19.3%. These trends are expected to continue. As shown in **Graph 2**, the trade network in goods has become more tripolar over time, with China becoming an important trade bloc. It also appears that

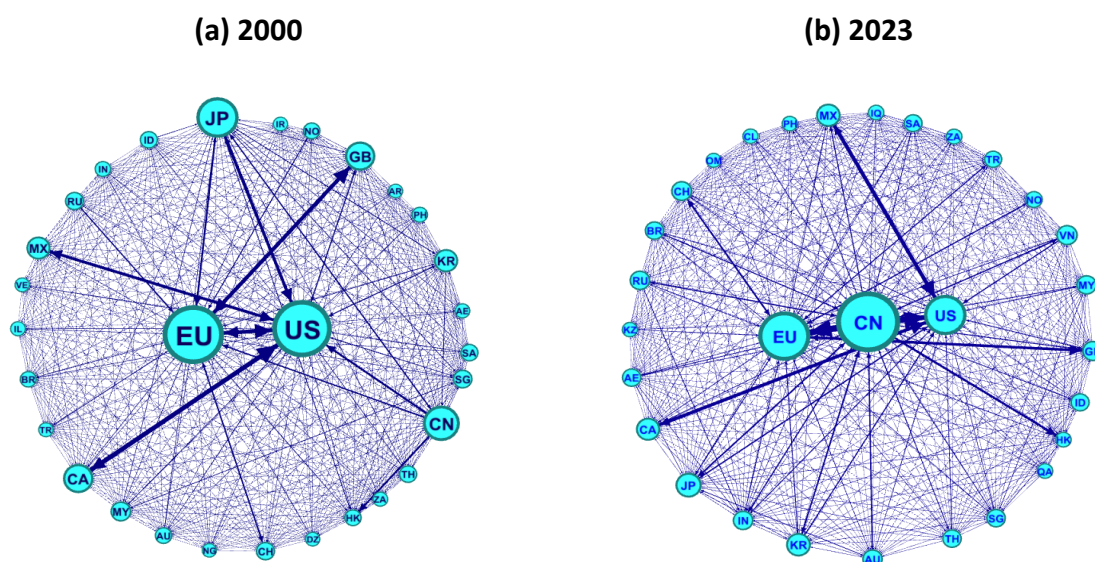
¹⁵ Indeed, a stronger international role of the euro would help alleviating the difficulties faced by EU companies making payments to jurisdictions under sanctions imposed by other jurisdictions. For example, CHIPS, the US clearing house, clears most of high-value dollar payments (96%). Henceforth, it acts as a cornerstone for global trade and gives power to the US to enforce international sanctions. European banks can be persecuted for violating US sanctions and excluded from clearing. See, e.g., the [episode](#) of the exceptionally large fine on BNP Paribas for the violation of US sanctions against Iran.

¹⁶ Gourinchas, P. and Rey H. (2022), '[Exorbitant Privilege and Exorbitant Duty](#)', CEPR Discussion Paper No. 16944.

¹⁷ '...since the end of Bretton Woods, the [US] dollar has been through long periods of both weakness and strength while remaining the dominant reserve currency the dollar's real effective exchange rate have shown little correlation with changes in its share of global foreign exchange reserves.' Speech by Lagarde C., '[Turning openness into strength: the moment of the euro](#)', 7 October 2025.

trade flows have started fragmenting along distinct blocs centred around the EU, the US and China, with third countries balancing in between. At the same time, intra-bloc trade has grown faster compared to exchanges between geopolitically distant partners. As one of the world’s most open economies, the EU is specifically affected by such increased fragmentation in global trade¹⁸ and is therefore working on reinforcing existing trade agreements and building new ones.

Graph 2: International trade network for goods exports



Notes: The graph displays the top 30 exports. The size of the nodes represents the shares of export of the region or country in total world exports (measured in USD). The width of an edge between nodes A and B depends on the total trade between A and B. The size of an arrow from node A to node B depends on the total exports from A to B. For comparability, the EU aggregate includes the current 27 Member States both in Graph (a) and Graph (b).

Source: European Commission calculations based on CEPII BACI data.

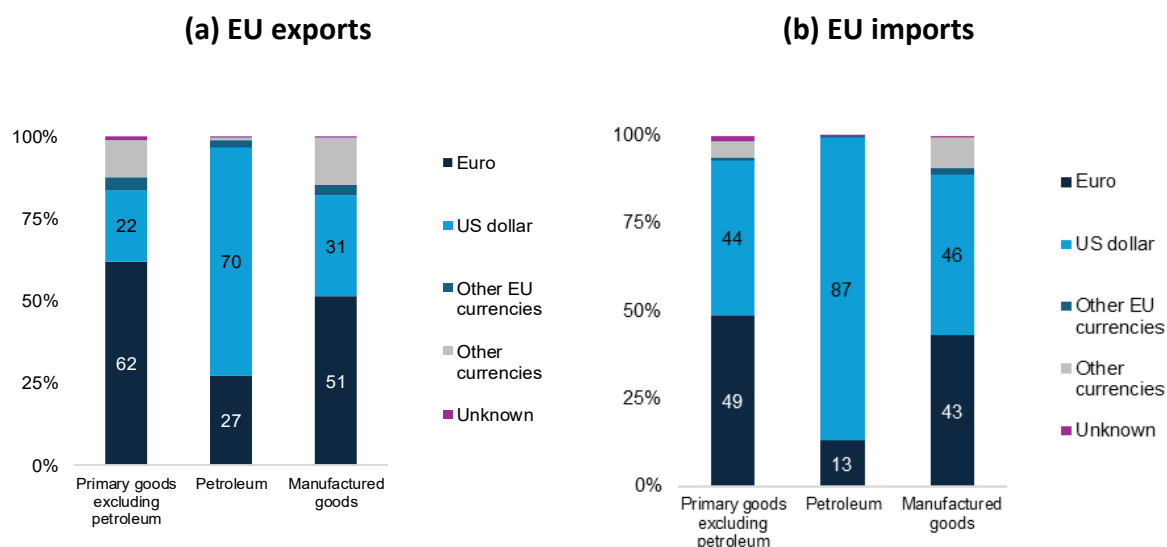
Trade invoicing patterns have remained stable over time. Global invoicing remains dominated by the US dollar. In 2023, the US dollar accounted for about 60% of goods exports, while the share of the euro was about 25%.¹⁹ The euro’s share broadly reflects the euro area’s weight in global trade, while the US dollar’s dominance also stems from the fact that the US dollar is widely used for international trade and financial transactions even between countries that do not issue the US dollar (‘global vehicle currency’). The overall predominance of the US dollar reflects partly commodity pricing in US dollars (and the importance of oil and gas in some of these economies), but also in some cases outright currency pegs to the US dollar (**Graph 3**). Renminbi use has grown steadily and expanded beyond Asia, but its global share

¹⁸ Over the years, the EU has built the largest network of trade agreements in the world, boasting agreements with 76 countries and enjoying 46% of its trade under preferential terms.

¹⁹ The figures are based on calculations where both the US and euro area countries are excluded, as this methodology seems more appropriate to assess the international use of the euro. If the United States are excluded but euro-area countries are retained - following Gopinath (2015) - the invoicing shares of the US dollar and the euro each amounted to roughly 40 % in 2023. For further details, see Boz E. et al. (2025), ‘[Patterns of invoicing currency in global trade in a fragmented world economy](#)’, IMF Working Paper WP/25/178.

remains very small. The largest declines in the use of the US dollar and the euro at global scale have been observed in countries distancing themselves geopolitically from the West.

Graph 3: Currency composition of EU import and exports by product group



Source: Eurostat.

The euro has a large role in EU non-euro area countries and in the Western Balkans, reflecting close economic ties and geographical proximity, but less so in the Eastern and Southern EU neighbourhood. Well over 40% of Western Balkan countries’ trade is with the euro area, and more than half of the countries’ FDI stock originates from the euro area. More than 80% of Western Balkan’s exports are invoiced in euros, with the euro being the dominant currency in trade not only with the EU, but also among Western Balkan countries and in some cases also with third countries. Conversely, in the Eastern neighbourhood, the US dollar has traditionally been the predominant currency, largely reflecting the historical legacy of dollarisation after the collapse of the Soviet Union. The US dollar comes first also for trade invoicing even though trade and investment ties between Eastern Partnership countries and the EU are strong. The use of the euro in trade invoicing in these countries, with the exception of Moldova, are in line with global averages and largely correspond to the share of trade with the EU. Finally, in the Southern neighbourhood, around one third of international trade is invoiced in euro, again with wide variations. The euro is the dominant currency for trade invoicing in Morocco and Tunisia as well as some countries in Middle East. The predominance of the US dollar in the Southern neighbourhood reflects their commodity pricing and related currency pegs. Still, considering the fact that the EU is the biggest trade partner, investor and source of remittances for the region, the euro seems to be punching below its weight in all dimensions.

Geopolitical considerations have started to affect the geography of foreign direct investment (FDI) patterns.²⁰ The corporate sector, especially multinational corporations,

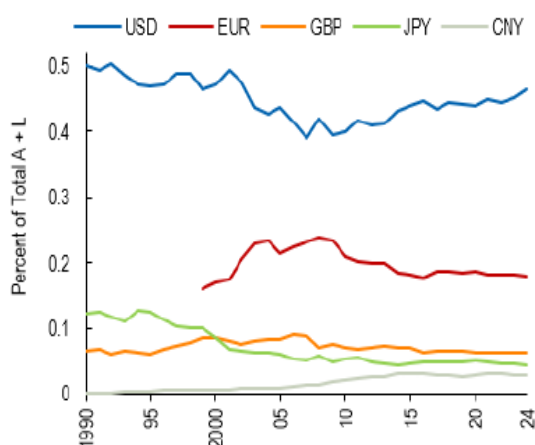
²⁰ See IMF World Economic outlook Spring 2023. In their companion paper Gopinath et al. found that ‘Gravity model estimates point to significant declines in trade and FDI flows between countries in geopolitically distant blocs since the onset

have shown increased interest in re-shoring, friendshoring and other similar strategies. Early evidence suggests that FDI greenfield investment has been fragmenting along geopolitical lines. This was particularly pronounced in the strategic industries: computer manufacturing, information and communications, transport, and professional, scientific and technical services.

3.2 Shifting currency composition of reserve and international financial assets

Over the last decades, the international monetary system has been centred on the US dollar. The US is the country with the largest financial linkages - as measured by the sum of total external assets and liabilities of each country.²¹ This is paralleled by the fact that around half of global external assets and liabilities are estimated to be denominated in US dollars according to IMF calculations (**Graph 4**). The euro comes second, with about around 20% of global external assets and liabilities denominated in euro.

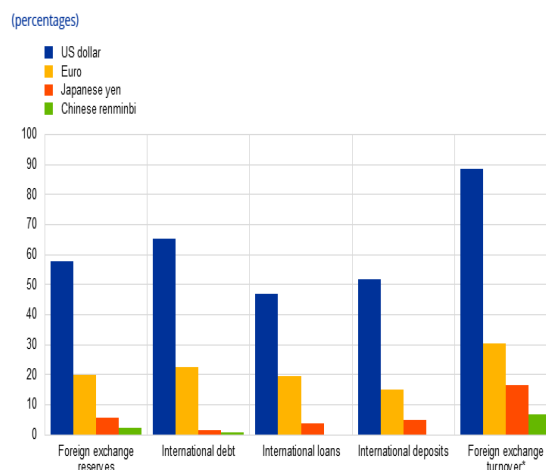
Graph 4: Weight of major currencies in foreign assets and liabilities



Notes: Total foreign assets and liabilities for each currency as a % of total foreign assets and liabilities.

Source: IMF (2025), 'International Monetary System: Currencies in a Changing World', annex to chapter 2 of External Sector Report July, based on Allen C. and L. Juvenal (2025), 'The Role of Currencies in External Balance Sheets', Journal of International Economics 157 and Milesi-Ferretti G. (2025), 'The external wealth of nations database', Brookings Institution

Graph 5: A snapshot of the international monetary system



Notes: The latest data on foreign exchange reserves, international debt, international loans and international deposits are for the fourth quarter of 2024. Foreign exchange turnover data are as of April 2022. *Since transactions in foreign exchange markets always involve two currencies, foreign exchange turnover shares add up to 200%.

Source: ECB staff calculations based on BIS, IMF, CLS Bank International and Ilzetzi, Reinhart and Rogoff (2019).

Since its inception, the euro has been an international currency used for official reserve holdings and financial transactions second only to the US dollar across most markets. Official reserves in US dollar keep the largest share (around 60% of non-metal reserves), even if its share has been decreasing in favour of non-traditional reserve currencies. Euro assets

of the war in Ukraine, relative to flows between countries in the same bloc, roughly 12% and 20%, respectively'. G. Gopinath, P.O. Gourinchas, A. Presbitero, and P. Topalova (2025), 'Changing Global Linkages: A New Cold War?' *Journal of International Economics*, Vol.153.

²¹ If one only focusses on external debt, the US is the world largest debtor and Asian advanced economies and Europe are the main debt holders.

constitute broadly 20% of the stock of official non-metal reserves, broadly stable over time. Considering total official foreign reserves, however, the share of gold in reserves surpassed the share of euro in 2024 due both to high gold prices and record demand by central banks.²² In international financial markets, notably for funding and hedging purposes, the euro is second to the dollar under many metrics, as can be seen in **Graph 5**.²³ Among non-US banks, banks headquartered in the euro area hold the majority of offshore US dollar-denominated liabilities, as they supply non-US non-financial corporations with dollar liquidity to finance their international trade and investments activities invoiced in US dollars.

While the US dollar remains the predominant world currency, the euro plays an important role in non-euro area European countries. US dollar-denominated offshore outstanding bonds and notes constitute more than 60% of the total offshore outstanding bonds around the world, but only 8% in Denmark and Sweden, 24% in other EU non-euro area Member States and 51% in other European countries such as Iceland, Norway, Switzerland, United Kingdom and small-sized European countries. Conversely, the share of euro-denominated bonds is 81% in Denmark and Sweden, 70% in other EU non-euro area Member States and around 40% in neighbouring advanced economies. Compared to the bond market, issuers of internationally euro-denominated loans were mostly from countries neighbouring the euro area (**Graph 6**).

China's relevance in the global monetary and financial system remains relatively small. The renminbi use remains relatively limited beyond countries that have geographical or geopolitical ties with China but has shown very fast growth rates in trade-related uses. The existence of capital account restrictions and the absence of a large and liquid domestic financial market constitute serious obstacles to the development of renminbi as a full international currency.

Yet, like trade, the geography of international currencies may also change. Tentative signs that the global role of the US dollar may be coming under pressure have emerged.²⁴ Opportunities may open for the euro, provided that the euro is seen as a credible alternative to the US dollar.

The possible transition towards a new geography of the international monetary system calls for the preservation of strong international institutions and fora for international coordination. At the heart of international coordination lies the global financial safety net, a multilayered system of reserves, bilateral liquidity arrangements, regional mechanisms, with the IMF at its core, that provides insurance against crises and rapid financing when shocks hit. The experience of the COVID-19 pandemic highlighted the value of a well-functioning international safety net: swap line drawdowns stabilized markets the IMF and regional funds stepped in where needed. As the world's monetary system becomes more fragmented, the

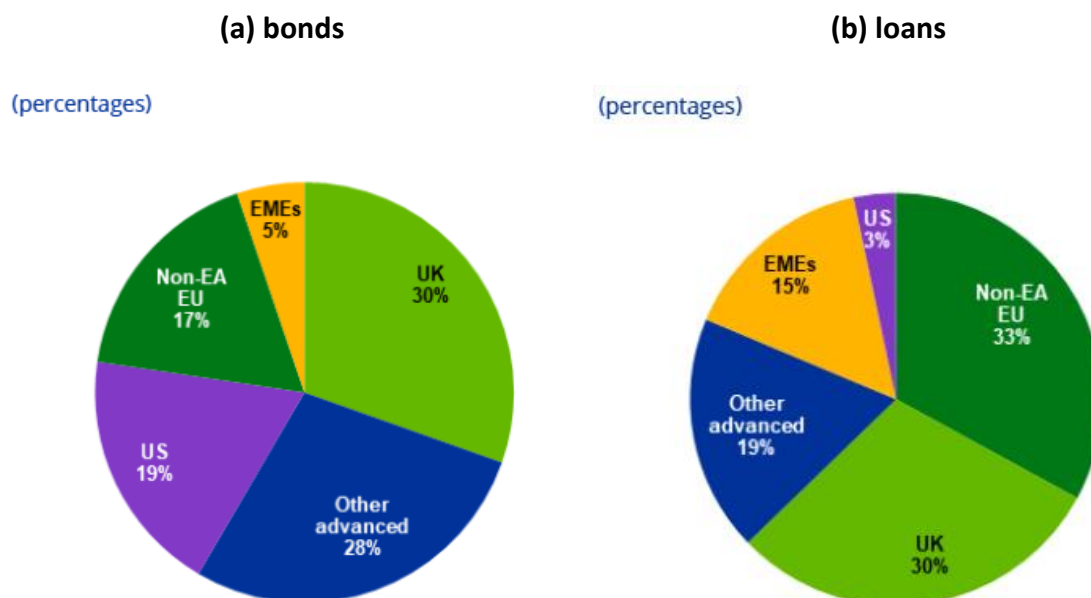
²² The share of gold reached 20% of total reserves. See European Central Bank (2025), Op. Cit.

²³ In value terms, the scale of offshore funding flows is large, in particular for the US dollar, with non-US banks collectively holding more than USD 12 tNin dollar-denominated liabilities. See BIS international banking statistics and global liquidity indicators at end-September 2024.

²⁴ In the April 2025, there have been episodes of US dollar depreciation in reaction to the US announcement of an unexpectedly high increase in import tariff rates, together with a sharp (albeit temporary) increase in spread between US and euro area bonds. These markets movements have revealed growing sensitivity of the dollar to policy uncertainty. While in this context euro-denominated borrowing has risen, this was most likely related to current lower funding costs in euro.

international safety nets become more indispensable. In particular, in order for the euro to remain a core international currency in the EU neighbourhood and beyond it is necessary that the safety net in euro continues functioning well.²⁵

Graph 6: Geographical breakdown of issuers of euro-denominated international bonds and loans



Notes: The charts include bonds and loans issued in 2024. ‘Other advanced’ includes all advanced economies as classified by the IMF, excluding the United States, the United Kingdom and European Union countries. ‘EMEs’ refer to emerging market economies. In panel b), loans include syndicated cross-border loans issued in euro to borrowers outside the euro area.

Sources: ECB staff calculations based on Dealogic (European Central Bank (2025), Op. Cit.).

3.3 Payments and financial innovation

The international payments landscape is undergoing significant transformation. Its main drivers are rapid technological advancement and the growing risk of weaponisation of the payments system. Countries with high dependencies on foreign-controlled intermediaries are more exposed to a risk of sudden disruptions.

Across the world, cross-border payments based on the traditional correspondent-banking model have shrunk dramatically over the past decade. The traditional correspondent-banking model - in which banks hold accounts for one another and route instructions through messaging systems such as SWIFT - have witnessed a decline of the number of active correspondent relationships of about 20-30 % in the past decade, leaving roughly 90,000 correspondents across 9,000 corridors in 2022. Banks cite dwindling profitability in cross-border payments, mounting compliance costs and reputational risk - pressures that

²⁵ The global financial safety net is a multilayered system including national foreign exchange reserves, which provide self-insurance to countries, topped by the IMF, regional arrangements, and central bank swap lines. See A. Chari, N. Converse, A. Mehl, G.M. Milesi-Ferretti and I. Vansteenkiste (2025), ‘[Geopolitical tensions and international financial fragmentation](#)’ Geneva Reports on the World Economy 28, CEPR.

intensified after the 2014 sanctions on Russia — as the main drivers of this retrenchment.²⁶ The result is a growing number of underserved corridors, which pushes firms and sovereigns to look for alternatives. In parallel, a BRICS-led network is emerging, although its prospects are uncertain. In addition, the use of local currencies for settlement is expanding and crypto-assets are increasingly employed to settle parts of Russia's oil exports and to enable renminbi-rouble and rupee-rouble swaps.

Several initiatives are ongoing worldwide on interlinking fast payment systems. In Asia, Nexus Global Payments is developing a multilateral scheme linking the instant payment systems of India, Malaysia, the Philippines, Singapore, and Thailand. At the same time, the G20 agenda to improve cross-border payments is gradually delivering, in particular on the extension of the Real Time Gross Settlement RTGS opening hours, the streamlining of the "portability rule", on interlinking fast payment systems, and on accelerating the adoption of the ISO 20022 standards. In Europe, the ECB is also working on several initiatives in this realm, which are discussed more detail in the next Section (Pillar B).

Europe's retail-payment ecosystem is steered by actors that are not subject to EU policy levers. International card networks, dominated by VISA and Mastercard are all headquartered outside Europe. This concentration creates a strategic dependency, limiting the EU's ability to control data governance, cross-border payment flows and putting at risk the continuity of service.

Recent advances in instant payments, facilitated by the Instant Payments Regulation and adoption of European standard for QR codes for payment initiation, are contributing to the growth of native solutions in a number of Member States. The advances in the EU are taking place in the private sector at national and regional levels, via services provided by payment solutions such as EPI (Wero), EuroPA (Bizum, MB Way, Vipps MobilePay) and others. But at present, there is still no complete home-grown EU-wide payment network for non-cash payments in shops. More efforts are needed to ensure a pan-European offering and interoperability of instant payment solutions to enable an electronic payment system across the entire EU, in line with recent calls to enhance payment autonomy. This could be aided by ensuring effective enforcement of the relevant legislation such as Instant Payments Regulation and the recently agreed PSD3/PSR as well as by greater public sector involvement in areas such as deployment of pan-EU infrastructure in shops to facilitate acceptance of those alternative payment solutions, and promoting greater awareness and adoption of those solutions by citizens.

At the wholesale level, experiments with distributed ledger technology (DLT)²⁷ and central bank digital currencies (CBDCs) are reshaping the payment landscape. In addition to the work on the digital euro (retail level, see Pillar B in section 4), in 2024 the Eurosystem engaged with market participants across different sectors and countries on an exploratory initiative to

²⁶ According to the ECB [IROE 2025 Report](#), all regions were affected, with Central and South America experiencing the steepest decline (nearly 50%), followed by Asia, Europe and Oceania (between 30% and 40%), while the impact in North America was less (around 20%). These developments have left many countries and corridors underserved.

²⁷ Distributed Ledger Technology (DLT) is a decentralized database that is spread across multiple nodes, institutions, or countries, allowing multiple participants to access, share, and synchronize transactions in their respective electronic ledgers. In contrast to a centralized database, a distributed ledger does not require a central administrator, and consequently does not have a single (central) point-of-failure.

study how DLT could be used for settling wholesale transactions in central bank money.²⁸ This project - which was followed by Appia and Pontes²⁹ - pointed to 'atomic' settlement, where all steps of a financial transaction (delivery of securities, payment, or foreign-exchange conversion) are executed simultaneously. This reduces settlement risk and lowers the liquidity buffers required by intermediaries. These systems also enable programmability, allowing payments or asset transfers to occur automatically once predefined conditions are met, reducing operational complexity and fostering more integrated financial workflows.

Stablecoins are another innovation which have the potential to become a globally accessible digital settlement asset and could over time be increasingly used for cross-border payments. Their appeal lies in their programmability, low transaction costs, constant availability, and liquidity on digital platforms.³⁰ US dollar-denominated stablecoins currently dominate both the global and European market, and have gained substantial scale, with two US players representing over 84% of the total stablecoin market capitalisation worldwide as of 2 September 2025. Today, the use of stablecoins for payments is extremely limited due to the high costs of moving on and off chains to fiat. According to the Markets in Crypto Assets (MiCA) regulation, stablecoin issuers must be authorised in the EU and become subject to detailed requirements related to notably reserve requirements and prudential soundness. The US GENIUS Act would appear to favour private solutions over central-bank digital currencies. Preliminary evidence shows that US dollar denominated stablecoin increases demand for US treasury bonds.³¹ Looking ahead, the US CLARITY Act, while still under debate, could allow yield bearing stablecoins. If enacted, this law enhances the attractiveness of stablecoins relative to traditional bank deposits and hence may increase bank funding cost.

4. A new strategy for an enhanced international role of the euro

Building on the risks and opportunities identified above, a reflection is needed on an updated strategy to strengthen the international role of the euro. Such a strategy could be organised around the following three pillars.

- A. Stronger economy and institutions** - A robust, competitive EU economy anchored in sound macroeconomic policies and a trustworthy institutional framework.
- B. More efficient EU financial markets and payment systems** - Deep, liquid, and integrated EU capital markets that offer attractive returns and broad access to finance, together with secure, cheap and fast payment and market infrastructures, which leverage on technological advancements.
- C. Strengthening the EU's external dimension** - Strong EU defence capabilities, a diversified network of trade partnerships, a strong role of the euro in invoicing

²⁸ The Eurosystem report is available [here](#).

²⁹ The Eurosystem has recently launched, under a single work programme, two tracks: [Pontes](#) and [Appia](#).

³⁰ In terms of costs, stablecoins benefit from 'regulatory arbitrage', they do not perform the same AML/CFT checks as banks do, which reduces costs significantly. In terms of costs, they are cheaper than bank transfers, but TIPS still deliver much cheaper payments (0.2 euro cent per transaction).

³¹ See, e.g., Davidovic S., Ghani T., and M. Moszoro (2025), '[The rise of stablecoins and implication for treasury markets](#)', Centre for Sustainable Development of Brookings, Working Paper 195. Aldasoro I. et al. (2025), '[Stablecoins, money market fund and monetary policy](#)', Economic Letters Vol. 247. Minesso M. and D. Siena (2026), '[Private money and public debt. US stablecoins and the global safe asset channel](#)', ECB Working Paper No. 3174.

practices in key sectors and interlinking payment systems, complemented by a large, deep and efficient market for euro liquidity.

Several of the actions outlined below are interlinked and complementary. Policy developments in several of these areas are driven by broader EU-level policy objectives. They often follow their own (partially legislative) path and are not euro area specific. However, the potential benefit of a stronger international role of the euro should be factored in and become a motivation to accelerate work.

Pillar A: Stronger economy and institutions

What is needed and where the EU currently stands

A large and competitive economy supported by a robust institutional framework is the basis of any currency that seeks a lasting international role. As mentioned above, the rise and decline of major currencies have been tightly coupled to the size and dynamism of the underlying economies and a credible institutional framework.

Yet, while the EU is the world's second-largest economic bloc, its relative importance in the world economy is declining. Factors behind the declining importance of the EU in the global economy include sluggish productivity growth, unfavourable demographic dynamics, and intensified and sometimes unfair competition from emerging market economies - especially China. Higher energy prices and growing difficulty in securing critical inputs further strain European firms.

The EU's institutional architecture, robust and founded on strong democratic principles and the rule of law, is a key asset for the EU. The EU is built on strong democratic foundations, and its institutional framework safeguards the independence of the European Central Bank. The institutional architecture of the Economic and Monetary Union (EMU), with centralised and independent monetary policy and economic and fiscal policy in the hands of its Member States, requires close policy coordination. The EMU architecture has been strengthened over time to address shortcomings in the original set-up. Euro area membership has also almost doubled since its creation, reaching 21 members in 2026 following Bulgaria's adoption of the euro. Consequently, excluding Denmark, 5 EU Member States currently do not use the euro but remain subject to a Treaty obligation to adopt it. While work on EMU deepening is not completed, the euro rests on much more robust footings today and the EU and the euro area have demonstrated the capacity to react quickly and decisively when needed.

Effective fiscal governance projects trust in the EU. The consistent implementation of the common fiscal framework fosters sound fiscal policies and public debt sustainability. This underpins the attractiveness of the euro and sets the basis for an increase in the supply of high-quality euro-denominated sovereign debt.

Areas where progress is ongoing

Launched in January 2025, the Competitiveness Compass is the EU roadmap to restore Europe's dynamism and accelerate economic growth.³² Implementation of the actions

³² European Commission Communication on ['a Competitiveness Compass for the EU'](#).

identified in the Compass is ongoing, with a positive impact on the Union's attractiveness to foreign investors. Key actions will boost competitiveness and innovation, bring down the cost of energy, improve the EU's regulatory environment, deepen the Single Market – including the upcoming proposal on the 28th regime for company law -, and further develop capital markets (see Pillar B below). Overall, these initiatives will help creating opportunities for the EU citizens to channel part of their substantial EUR 10 tn of savings to productive use. Alongside the Compass, the Union's economic security strategy aims at preventing disruptions in supply chains and production lines and at ensuring access to critical technologies. Competitiveness is also at the centre of the Commission's proposal for the 2028–2034 Multiannual Financial Framework (MFF), which allocates a significantly larger envelope than in the past –amounting to EUR 451 bn—to this end.

Further deepening the Economic and Monetary Union will support the international role of the euro. While the EU has made substantial progress in improving its institutional set up over the past years, the full potential of further integration remains unexploited. Important missing pieces are, for example, the creation of a European Deposit Insurance Scheme and developing instruments for the provision of liquidity in resolution, in addition to work on the Savings and Investments Union (SIU, see Pillar B).

New elements

An area for further reflection is how the architecture of the EU-wide financial safety net could be made more efficient. While proposals have been made in the past on reforming the European Stability Mechanism (ESM), the EU regional safety system remains fragmented and only partly anchored in EU institutions. Euro area Member States rely on the ESM – an inter-governmental permanent crisis-management body with a EUR 500 bn lending capacity. However, the ESM has not been used since 2018, including in its precautionary function during the COVID-19 pandemic, while the revised ESM Treaty remains unratified, which prevents a deeper modernisation of its toolkit and the entry into force of a backstop to the Single Resolution Fund (SRF). In turn, non-euro area Member States can draw on the Union's balance of payments (BoP) facility, with a ceiling of EUR 50 bn. Looking at possibilities to tackle such fragmentation, in particular by integrating the ESM into the EU legal framework and thus streamlining financial assistance operations, could support a stronger role of the euro and optimise the use of budgetary resources. This could be further supported by bringing bond issuance under a single entity (see also below).

Pillar B: More efficient EU financial markets and payment systems

What is needed and where the EU currently stands

Deep and integrated capital markets - offering attractive returns - together with cheap, fast, and secure payment systems are a prerequisite for a truly international currency. Importantly, deep capital markets can absorb capital inflows without triggering continuous exchange-rate appreciations, thus enabling an economy to fully reap the benefits of the international role of its currency.

EU financial markets remain fragmented and inefficient. Capital markets are split along national lines, with different regulatory and supervisory regimes, settlement systems and market-infrastructure standards. The absence of a single EU capital market also means that

EU citizens tend to hold larger bank deposits and invest much less in capital markets than households in other jurisdictions. The deposits are then transferred abroad mostly via the banking system. Estimates suggest that, once indirect effects are accounted for, a significant percentage of household financial savings are channelled into foreign assets.³³ This can be changed by providing an appropriate financial regulation and infrastructure (as put forward in Commissions proposals linked to the SIU) and better investment opportunities (Competitiveness Agenda).

Payment systems are undergoing significant changes. On the one hand, changes in the international payment system, traditionally dominated by the system of correspondent banks centred in the US, are being facilitated by technological innovation. On the other hand, China and other BRICS nations are trialling alternative infrastructures that bypass traditional Western-centric networks. Moreover, the global payments landscape remains in the hands of US-based card schemes. While fast-growing mobile payments solutions are emerging also in Europe, many are controlled by private providers outside the EU.

Areas where progress is ongoing

Over the past few years, the Commission has put forward a series of financial-sector initiatives that support the international role of the euro - both directly and indirectly. First, it has launched the SIU strategy in Spring 2025, which aims to foster a more robust, liquid and unified EU financial market, which would strengthen the euro's global position. That includes exploring options to stimulate retail investors participate in financing strategic investments alongside public entities and ambitious legislative proposals to facilitate market integration and streamlined supervision. Second, the European Commission is working with the ECB, the European Parliament and the Council to adopt a Regulation on the digital euro in 2026, paving the way to the first issuance in 2029. Beyond providing a digital monetary anchor, the digital euro would reinforce EU strategic autonomy by underpinning a sovereign pan-European payment system. In addition, building on the successful implementation of the Instant Payments Regulation in the euro area and the acceptance network at the merchants level created by the digital euro standards, the interoperability efforts of national and regional EU instant payment solutions should be accelerated or alternatives should be considered in order to obtain an autonomous EU payment system. Thirdly, the EU's MiCA Regulation is already stimulating innovation in distributed-ledger technology while establishing a solid framework to mitigate the risks of crypto assets, including stablecoins.

Making rapid progress in these areas would further strengthen the international role of the euro. It becomes therefore urgent that an agreement is reached on the proposals underpinning the SIU strategy. By deepening and integrating EU capital markets, the SIU expands the pool of euro-denominated assets that are both abundant and liquid. This larger, more liquid, supply of euro assets is a key prerequisite for attracting global investors and reserve managers, thereby raising the euro's visibility and credibility on the world stage. A stronger international role for the euro, in turn, feeds back into the SIU's objectives. When the euro is perceived as a more reliable store of value and a widely used transaction currency, funding costs for euro-area issuers fall, external financing sources become more diversified,

³³ European Commission (2026), [2026 European Macroeconomic Report](#).

and capital inflows increase. These benefits amplify the SIU's capacity to mobilise private savings because of more productive investment opportunities across the EU.

The EU itself has over the last years increased the availability of safe and liquid assets denominated in euro.²⁶ Landmark policy programmes currently funded by EU bonds include NextGenerationEU, financial support programmes to Ukraine and other neighbourhood countries, the EU's new Security Action for Europe (SAFE) instrument and, more recently the decision to lend EUR 90 bn to Ukraine. Since January 2023, all EU issuances for the different programmes are consolidated under a single EU-Bond umbrella, the EU's unified funding approach. The establishment of the unified funding approach was a major step in the development of the EU as an issuer of large and liquid safe assets. Since 2020, the EU became the 3rd largest issuer in AAA-rated public debt on the globe.

The combination of new and existing mandates, for which issuance will continue in the next MFF, is expected to sustain a strong, regular EU presence in the capital markets. The 2028-2034 MFF proposal includes several programmes that would rely on new debt issuance to fund loans to both EU Member States and partner countries: (i) up to EUR 150 bn euro of policy loans under the National and Regional Partnership Programmes to finance additional reforms and investments; (ii) the loan component of the up to EUR 100 bn euro support (in the form of loans and grants) to Ukraine; and (iii) macro-financial assistance as part of Global Europe. In addition, a new extraordinary and temporary mechanism is proposed to respond to the consequences of severe crises, severe hardship or serious threats thereof affecting the Union or its Member States. This extraordinary crisis tool, in case activated, will provide loans to Member States backed by EU borrowing solely for the period of the upcoming long-term budget should a severe crisis occur.

New elements

Establishing a single issuer amongst EU supranational institutions and bodies would bring deeper more liquid issuances, being beneficial for the international role of the euro. In addition to the EU's safe and liquid bonds, both the European Stability Mechanism and the European Financial Stability Facility issue bonds on capital markets. The Single Resolution Fund also has the ability to borrow, although has not done so as of yet. Bringing the ESM into the Union legal framework and establishing a single issuer for supranational bonds would, inter alia, reduce administrative costs and help bolster the international role of the euro by providing deeper and more liquid securities. Such an approach may facilitate the inclusion of issuances on the main sovereign indices, which serve as benchmarks for large institutional investors, and thereby increase the structural demand for those bonds.³⁴ More generally, continuing EU issuance to jointly finance common projects with a clear EU value added would be economically efficient and further strengthen the international role of euro.

The digital euro can contribute to the euro's international role. The digital euro, to be issued and backed by the ECB, is based on European technology. It will enable secure and efficient payments in euro and across the euro area, but also in EU non-euro area Members States, and also with third countries in case agreements are concluded as foreseen in the current draft EU Regulation. Moreover, the digital euro's design includes multi-currency enabling features, similar to those of TIPS. In practice, this means that non-euro area countries could

³⁴ See G. Bonfanti (2025), [A European safe asset will require bolder steps | CEPR](#)

use the digital euro infrastructure to offer their own digital currencies, thus facilitating transactions across these currencies and reducing the need to go through long and costly triangulations. The digital euro could therefore provide a solution for offering and transferring central bank digital currencies internationally and serve as a platform for innovation in cross-border payments. On this basis, the digital euro could facilitate cross-border payments and remittances, making them more efficient and cost-effective. This could support strategic autonomy for Europe, paving the way for an EU sovereign payment system with global reach and attractiveness, in a world where other major currencies such as China and India - but with the notable exception of the US - are moving ahead with their own CBDCs. While the Commission proposal on the digital euro focuses on establishing a retail digital euro, the ECB is also working on a programme - consisting of two tracks, Pontes (the short-term solution) and Appia - that will enable settling DLT transactions using central bank money. Appia focuses on a long-term approach for an innovative and integrated ecosystem in Europe that also facilitates safe and efficient operations at the global level. This initiative is designed to co-exist with private initiatives and to enhance efficiency in the EU payment systems.

A thorough assessment is needed of the policy options to enhance euro-denominated stablecoins and the impact on the international role of the euro, while balancing the risks.

Such an analysis could also assess the potential of alternatives, such as tokenised deposits. More euro-denominated stable coins could facilitate cross border payments in euro as well as settlement of euro transactions. Currently stablecoins are largely US dollar denominated and represent a small part of the financial system. A wider adoption of foreign currency-backed stablecoins could have consequences on weakening the international role of the euro. For the EU it is essential to foster the uptake of euro-denominated stablecoins (e-money tokens/EMTs), enabling EU companies to position themselves in a growing market as well as broadening access to the euro in innovative applications such as the trading and settlement of tokenised securities. Last year, a consortium of European banks has launched a joint initiative to issue a MiCAR compliant euro-denominated stablecoin with the aim to provide a European alternative to dollar denominated stablecoins.

Exploiting the potential of DLT is an important step. The DLT pilot regime, which allows the testing of issuing traditional securities such as shares and bonds using the DLT technology, is also under review. It is planned to expand its scope to more financial assets and service providers enabling the development of this innovative technology in trading and post trading of traditional securities. Solutions like euro-denominated stablecoins and a digital euro would allow for the settlement of these tokenised assets which can also support the international role of the euro

As a short-term deliverable, an assessment of the EU financial sector is warranted to map our dependencies relative to third countries. The EU financial sector is exposed to risks related to the possibly increased volatility of the international monetary system and of the payment landscape as well as to foreign digital dependencies. Cybersecurity risks are also on the rise. A more precise mapping of those risks and of the consequences of their realization is therefore necessary to adopt a de-risking strategy, also building on the impact assessment conducted in the context of the legislative process on the digital euro.³⁵

³⁵ See the [impact assessment](#) conducted in the context of the work on the digital euro package.

Pillar C: Strengthening the EU's external dimension

What is needed and where the EU currently stands

Further strengthening the EU's external dimension could support the international role of the euro. A strong EU defence capability, European ownership of critical technologies and inputs, a diversified network of trade partnerships, and resilient supply chains are all aspects that can bolster the EU strategic autonomy. Taken together, these elements could reinforce the international role of the euro.

In recent years, the EU has launched several externally-focused initiatives that can - directly or indirectly - reinforce the international role of the euro. After concluding a new wave of free trade agreements with India, Mercosur, Mexico, and Indonesia, the EU is broadening its trade network through negotiations with Malaysia, Thailand, Australia, the United Arab Emirates and the Philippines. This move - together with championing multilateralism and rules-based trade - may boost the euro's use in cross-border transactions, as currency use is related to trade.³⁶ At the same time, the Commission is working to minimise the potential for short-term disruption by reducing strategic dependencies in the Single Market while supporting the EU's position in critical technology areas and thereby the EU long-term resilience. More recently, as mentioned above, the European Commission and the High Representative presented a joint Communication on strengthening economic security. It outlines concrete steps to reinforce the EU's strength and resilience in the face of growing external economic security threats, while retaining the EU's openness and commitment to international trade and investment. Finally, the Commission has placed reinforcing the Union's defence capabilities at the top of its agenda.

Areas where progress is ongoing

Against the backdrop of heightened geopolitical tensions and emerging security threats, Europe is taking concrete steps to strengthen its defence capabilities through coordinated defence expenditure and investment. Decisive action has been proposed under the ReArm Europe/ Readiness 2030 initiative to support the rebuilding of Europe's defence capacity, combining fiscal and financial instruments with measures to mobilise private capital and leverage contributions from the European Investment Bank. Among the most notable initiatives to date are the use of flexibility under the EU fiscal framework for defence expenditure and the establishment of a new financial instrument, Security Action for Europe (SAFE) initiative. SAFE is making up to EUR 150 bn in low-cost, long-maturity loans available to Member States to rapidly scale up defence investment through joint procurement from the European defence industry. Leveraging these financial means to unlock higher defence investment will have a positive and lasting impact on Europe's security and have a positive economic impact, in particular via the innovation and technological spillovers from the defence sector to civilian activities.

The Single Euro Payments Area (SEPA) plays a crucial role in promoting the euro's international status. By standardising euro transactions, SEPA schemes have streamlined business processes and created a seamless payment environment for hundreds of millions of

³⁶ See Amiti M., O. Itskhoki and J. Konings (2022), "[Dominant Currencies: How Firms Choose Currency Invoicing and Why it Matters](#)," *The Quarterly Journal of Economics*, vol. 137(3), pages 1435-1493.

users. This makes Europe a more attractive place for business and investment, strengthening the euro's credibility and utility. The geographical scope of the SEPA schemes extends beyond the EU, covering 41 countries and territories, with the most recent participants being those in the Western Balkans. Several other countries are in the process of preparing applications to become part of the geographical scope of the SEPA schemes.

Both Europe's partners and the EU would benefit from the interoperability of their payment systems. Increasing interconnectivity could reduce reliance on intermediate currencies and on payment infrastructures controlled by non-EU actors, complementing the EU trade diversification strategy. In this context, the Eurosystem has strengthened its payment infrastructure within Europe interlinking it with Switzerland, onboarding the Scandinavian countries to the TARGET Instant Payment Settlement, and developing payment systems in the western Balkans. It is also assessing a possible connection between its TIPS system and Nexus and is also exploring bilateral links with the Instant Payment Systems (IPSs) of India.³⁷ Interlinking the European Instant Payment Settlement (IPS) with other major IPSs would expand the use of euro instant payments and could boost euro-based trade especially with countries that desire to avoid triangulating their transactions via the US dollar. Moreover, this could reinforce EU economic security, as current payment structures are largely controlled by non-EU entities.

The role of the euro could be supported in the EU's external actions, for instance, when providing support to third countries in the context of the EU's external action and development partnerships initiatives. The proposed Global Europe Regulation, published on 17 July 2025,³⁸ fosters among many other objectives the use of the euro for trade, financial services and investment.

New elements

The EU effort to diversify and expand its trade network represents an opportunity to further expand the international role of the euro and create benefits for euro invoicing by trade partners. Export financing could leverage the use of the euro in international trade and make it more attractive to invoice trade in euros. Exporters need protection against foreign-buyer non-payment and working-capital support, which can be supplied through export (or working capital) loans or guarantees. While EU export-credit agencies play an important role in supporting EU exporters, a financing gap exists where EU action could significantly enhance the success of EU companies and contribute to EU export competitiveness. The Commission is currently engaged in a joint effort to explore the creation of an EU tool to cover this gap and promote EU export competitiveness and international partnerships, including support to the Global Gateway. Technical details (including the financing currency) are still to be defined, but the euro could play an important role.³⁹

³⁷ Further information on the Eurosystem work to connect TIPS with India's Unified Payments Interface and with Nexus Global Payments is available [here](#).

³⁸ See the [Commission's proposal for the 2028-2034 EU budget](#).

³⁹ Commission services are involved in this effort, following different studies by external consultants that recognize the need for an EU tool to further support ECA activity (see feasibility study on an EU strategy on export credits or Implementing EU development and trade finance enhanced coordination under the Global Gateway strategy – ECDFM). A recent [working paper by Bruegel](#) also argues for an EU-level strategic framework for export credit finance, grounded in transparency, regulatory recognition, capital-market innovation, and risk-sharing.

Economic actors operating in partner countries must be confident to have reliable access to euro liquidity, which is typically provided by deep and liquid capital markets. Foreign operators will have an even stronger incentive to use the euro in their international operations if they are confident that euro-denominated liquidity is available. As such, developing further the SIU is an important complement to the EU trade strategy. In addition, the ECB could reflect on the monetary policy implications of a wider network of bilateral liquidity arrangements.⁴⁰ Finally, third countries that are economically and geographically close to the EU can also benefit from EU Macro-financial Assistance (MFA), as part of the EU's regional safety net.⁴¹

As the EU expands its trade network, it must keep championing multilateralism and step up its economic diplomacy. Well-functioning institutions - such as the WTO, the IMF, the World Bank, the G7 and the G20 - and the respect for the rule of international law are the foundations of global prosperity. Stepping up the coordination among EU Member States – allowing the EU to speak with one voice - will help the EU to counterbalance growing unilateral tendencies. The Commission is already heavily invested in increasing coordination ahead of important meetings, proposing common language on the most sensitive topics. Strategic exchanges on specific aspects of relevance for the euro area and the EU at the level of the Eurogroup and Ecofin may further help.

The benefits of using the euro in international transactions and issuances could be reassessed and supported. It would be useful to reopen a dialogue with key industry players—such as the energy, critical raw materials, air transport and defence sectors—to reassess invoicing practices, price quoting practices, public procurement practices and payment preferences towards using the euro. In particular, as regards energy invoicing, efforts to promote the international role of the euro vis-à-vis non-EU energy suppliers should target countries that represent the bulk of EU's energy imports when promoting its model clause. Similarly, further outreach to third countries and companies could be useful to foster the issuance of euro-denominated debt by sovereign and corporate issuers (e.g. reverse yankee bonds). Building on the previous analysis, the Commission can also engage with countries in the EU neighbourhood to foster a better understanding of the obstacles for the euro's wider use, while fully respecting national choices regarding monetary arrangements.

⁴⁰ ECB bilateral liquidity arrangements are tools through which the ECB can provide euro liquidity to non-euro-area central banks during periods of stress, either by exchanging currencies (swap line) or against collateral (repo). They help avoid disruptions in euro funding and payment flows in times of crisis, if warranted from a monetary policy perspective.

⁴¹ Since 2014, the EU has approved broadly two MFA operations per year, with a peak of 11 in 2020 and of 5 in 2022. At the end of 2025, 13 countries had still outstanding amounts to be repaid to the EU, with Ukraine accounting for more than 80% of total outstanding amounts (around 47 bn), followed by Egypt (5 bn), Jordan (1.85 bn) and Tunisia (1.4 bn).

Annex I – Stocktaking on the follow-up to the 2018 and 2021 Communications on the international role of the euro

I. Action points

a. Recurring action points related to EMU integration

Both the 2018 and 2021 Communications emphasized the importance of EMU integration, including the completion of the Banking Union and Capital Markets Union, as well as the issuance of common EU safe assets, as a means to strengthen the international role of the euro. Important actions were implemented, including adopting the Banking package and Non-Performing Loans Package (NPL), but a number of critical points are stalled, such as the backstop to the Single Resolution Fund or ongoing such as the European Deposit Insurance Scheme. The Commission successfully delivered on all 16 actions of the 2020 Capital Markets Union Action Plan, with all corresponding legislative proposals adopted by co-legislators by July 2025. The issuance of NextGenerationEU bonds can be noted as an important development regarding the issuance of a common EU safe asset, demonstrating the investor appetite for such a financial product.

b. Market and infrastructure-related action points

Several action points from 2018 and 2021 relating to financial markets and infrastructure and aiming to widen the use of euro-denominated instruments were completed, including the reform of the European Market Infrastructure Regulation and the review of the Benchmark Regulation. The Emissions Trading System (ETS) directive was revised in 2023 to support further ETS trading activity in the EU, while the trilogues on the Payment Services Directive (PSD3) were concluded at political level in November 2025 and progress has also been made on the legislation underpinning the digital euro. The objective to encourage European institution - such as the EIB - to issue a larger share of their debt in euros was constrained by the fact that these issuers tailor their borrowing to match their own currency-funding needs, with no formal recommendation being made to the EIB on this matter. The European Green Bond Standard became available to issuers on 21 December 2024, while certain provisions and implementing measures will phase in from the first half of 2026.

c. Stakeholder engagement

The 2018 Communication involved engaging with stakeholders to promote the international role of the euro. The Commission consulted financial market actors to identify obstacles and incentives for using the euro in foreign exchange markets and transactions, for instance in the international energy market. Regarding the latter, the decoupling from Russian fossil fuel imports and the liquefied natural gas (LNG) gas-intensive diversification, including imports from third countries such as the U.S., has marked a fundamental change in the setup of the European gas market, rendering the prospects of a switch to euro-denominated transactions more distant. Dialogues, workshops, and surveys were also launched to better understand the demand for and obstacles to the use of the euro by global partner countries, where strong regional differences were exposed. It should be noted that, although these action points can be considered as completed, the empirical impact in terms of greater use of the euro and its increased attractiveness cannot be established.

II. Conclusion

Overall, several of the actions from both communications were completed, while a number of more significant reforms relating to the EMU stalled or were abandoned or are still ongoing. However, it is not possible to determine whether the progress achieved actually impacted the international role of the euro, or which actions were most effective. This is partly due to the relationship between actions and attractiveness of the use of the euro for third country actors is often inevitably indirect and partly for such reason no KPIs or monitoring mechanism were indicated in the communications. Moreover, the ECB's international role of the euro reports (2018, 2020, 2022, 2024) confirm broad stability in the headline measures of the international role of the euro since the date of the first communication. It is possible that the actions taken helped maintain that level in the face of growing geopolitical instability.

Action points from 2018 and 2021 IRoE communications⁴²

Action point	Objective	Progress	Comment
2018 Communication			
Completing EMU as a foundation for a strong IRoE			
Complete the Economic and Monetary Union, Banking Union and Capital Markets Union	Sustained growth and provide for enhanced resilience to adverse shocks	In progress	The Crisis Management and Deposit Insurance framework (CMDI) reform is being concluded
<ul style="list-style-type: none"> Finalise backstop to Single Resolution Fund 	Improve overall resilience to banking crisis and related liquidity constraints	Stalled	Ratification by Italy of the revised European Stability Mechanism (ESM) Treaty still pending
<ul style="list-style-type: none"> Establish European Deposit Insurance Scheme 	Provide uniform deposit insurance across EA	In progress	Identification of a way forward on the European Deposit Insurance Scheme (EDIS) needed
<ul style="list-style-type: none"> Adopt COM Banking package and Non-Performing Loans package 	Reduce banking sector risks	Completed	
<ul style="list-style-type: none"> Create European Monetary Fund 	Integrate European Stability Mechanism (ESM) in EU	Abandoned	Proposal withdrawn in July 2025
<ul style="list-style-type: none"> European Investment Stabilisation Function 	Counter asymmetric shocks to MS with EU budget	Abandoned	
<ul style="list-style-type: none"> Reform Support Programme 	Improve implementation of structural reforms	Completed	
<ul style="list-style-type: none"> Create European Minister for Economy & Finance 	Improve external representation	Abandoned	
Additional measures to foster a deep European financial sector			
Strengthen the liquidity and resilience of European market infrastructures	Widen the use of the euro	In progress	
<ul style="list-style-type: none"> Extend scope of the derivative contracts covered by clearing obligation 	Promote liquid and efficient central clearing solutions	Completed	European Market Infrastructure Regulation (EMIR) technical standard amendments, plus benchmark regulation reform, implemented

⁴² This section evaluates the key action points from the 2018 and 2021 communications on the IRoE *Towards a stronger international role of the euro - 5 December 2018* and *The European economic and financial system: fostering openness, strength, resilience – 19 January 2021*. Only sections from the 2021 communication which relate to the international role of the euro have been considered.

<ul style="list-style-type: none"> Consider extending the use of clearing services to a wider range of counterparties 			EMIR 3 adopted with deadline 25 June 2026 for MS transposition, with necessary further work on technical standards
Ensure a reliable framework for the production of a full range of trustworthy interest rate benchmarks	Improve the efficiency of euro area financial markets	Completed	
<ul style="list-style-type: none"> Fully implement EU Benchmark Regulation (BMR) by further coordinating and cooperating across market segments, benchmark administrators, banks, National Competent Authorities, and European Central Bank (ECB) 	Increase the attractiveness of trading and pricing euro-denominated instruments	Completed	Updated Benchmark Regulation (BMR) entered into force on 1 January 2026
Fully integrated instant payment system in the EU	Reduce the risks and the vulnerabilities in retail payment systems and increase the autonomy of existing payment solutions	In progress	
<ul style="list-style-type: none"> Explore measures in order to facilitate cross-border use of payment solutions across MS 		In progress	See digital euro regulation (DER) proposal (plus private solutions developed by the market)
<ul style="list-style-type: none"> support work in Euro Retail Payments Board (ERPB) 	Ensure wide availability of instant payment services	Completed	Instant Payments Regulation (IPR) applied from October 2025
<ul style="list-style-type: none"> take stock of the progress achieved in its review of the Payment Account Directive (PAD), which is due in 2019 		Completed	Completed but initial delay led to May 2023 publication
Launch targeted consultation with financial market actors to identify potential obstacles and incentives for euro in FX markets	Develop further role of euro in foreign exchange markets	Completed	<p>Payment Services Directive 3 (PSD3) and Payment Services Regulation (PSR) work in progress.</p> <p>Consultation results suggested to:</p> <ul style="list-style-type: none"> - complete the Banking Union (BU), the Capital Markets Union (CMU) and and further develop the EU safe assets - boost the role of the euro as an international invoicing currency - investigate episodes of volatility, reduced market liquidity, increasing 'electronification' and rise of new players, and role of regulation.

- understand triangulation occurs, for which currency pairs, and impact on smaller companies

Initiatives linked to the international financial sector

Encourage European bodies and mechanisms to increase share of debt denominated in euro	Expand pool of euro-denominated instruments and start with 'internal' promotion	Completed	European Investment Bank (EIB) and others issue in line with their currency needs – no formal recommendation made
Engage with global partners for increased use of the euro	COM together with MS to use high-level commercial missions – encourage euro in e.g. diversification strategies in terms of foreign currency- denominated debt exposure	Completed	Outreach to non-EU G20 Countries' NCA and central banks showed limited overall interest in actively promoting euro role (2018-2020), suggesting that a stronger euro depends on further EU integration and deepening of euro-denominated financial markets
Improve access of developing countries to euro payment system e.g. to comply with Anti-Money Laundering (AML) legislation and facilitate trade linkages	Make use of External Investment plan	N/A	

Further steps to increase the use of the euro in key strategic sectors: energy, commodities and transport sector

Recommendation to Member States on the international role of the euro in the field of energy	Achieve a wider use of the euro in the energy sector	Completed	Recommendation was made by the Commission
Consultation on broader use of euro-denominated transactions in energy		Completed	<p>Consultation results suggested to:</p> <p><i>In the oil sector:</i></p> <ul style="list-style-type: none"> - expand ongoing discussions with downstream market - contact transport and shipping companies - engage further with Price Reporting Agencies (PRAs) to establish euro-denominated price benchmarks for refined petroleum products <p><i>In the natural gas sector:</i></p> <ul style="list-style-type: none"> - engage with PRAs on euro-denominated global reference - reflect on options for role of the euro in the emerging hydrogen market <p><i>Regarding the EU Emissions Trading System (ETS):</i></p> <ul style="list-style-type: none"> - promote emissions trading schemes <p><i>Regarding the financing of energy projects in euro:</i></p>

- discuss with European Investment Bank (EIB), European Banking for Reconstruction and Development (EBRD) to take into account the objective of IROE in energy transactions
- assess whether insufficient euro-denominated settlements in contracts relating to projects and financial transactions in the field of energy is a determining deterrent for a wider use of the euro

Regarding the financial markets:

- assess impact of Markets in Financial Instruments Directive II (MiFID) and Markets in Financial Instruments Regulation (MiFIR) pre-trade transparency rules on new and emerging contracts linked to energy commodities.
- analyse whether reporting requirements could be mainstreamed without weakening them.

Vis-à-vis non-EU energy suppliers:

- target countries that represent the bulk of EU's energy imports when promoting its model clause

Consultation to identify ways of increasing trading in euro, especially for transactions at exchanges in Europe and direct transactions between European companies (*metals & minerals*)

Completed

Consultation results suggested to:

- establish daily price reference in euro
- establish EU Metal Exchange

Consultation to identify ways of increasing trading in euro, especially for transactions at exchanges in Europe and direct transactions between European companies (*agriculture and food*)

Completed

Consultation results suggested to:

- promote IRoE with economic diplomacy
- engage with financial institutions to
- encourage euro settlement in agri-food transactions
- quote prices in euro and favour emergence of benchmarks in euro
- in Common Agricultural Policy reform, enhance risk management for farmers and other operators

Consultation to promote use of euro by transport sector manufacturers

Aircraft, maritime, railways

Completed

Consultation results suggested to:

- improve availability of financial products (including upstream)

2021 Communication

The foundation for a stronger EU

Key action 1: Completing the Banking Union and making further significant

In progress

The Crisis Management and Deposit Insurance framework (CMDI) reform is being concluded

progress on the Capital Markets Union as a means of supporting the resilience of the EU and deepening the Economic and Monetary Union.

The Commission delivered on all 16 actions of its 2020 CMU action plan. By July 2025, co-legislators adopted all corresponding legislative proposals, except for those on corporate insolvency and the retail investment strategy. Political agreements between co-legislators were found on both these texts in November and December 2025 respectively. They should be formally adopted in the course of 2026.

Strengthening the international role of the euro

Key action 2: Support development of euro-denominated commodity derivatives for energy and raw materials – facilitate the emergence of euro-denominated benchmark indices and trading venues covering core sectors, including nascent energy markets such as hydrogen

Completed

The Title Transfer Facility (TTF) in the Netherlands has emerged as a global gas benchmark

The review of the Benchmark Regulation entered into application on 1 January 2026.

Key action 3: The Commission will launch outreach to promote euro denominated investments, facilitate the use of the euro as an invoicing and denomination currency and foster a better understanding of the obstacles for its wider use. This outreach will take the form of dialogues, workshops and surveys with the public and private sector, financial regulatory agencies, and institutional investors in regional and some global partner countries of the EU.

Takes the form of dialogues, workshops, surveys with public and private sector, financial regulatory agencies, institutional investors in regional and some global partner countries of the EU

Completed

Outreach with Eastern and Southern Neighbourhood and EU candidate countries showed the biggest traction in terms of euro use, while non-EU G20 countries displayed more limited interest.

As part of its regular regulatory dialogues and other international outreach, in particular with the US, the Commission investigated the impediments, including in the regulatory framework, to third countries' deeper exposure to euro-denominated assets

The Commission maintains regular contacts with investors and financial market practitioners to ensure the best funding conditions for the sizable issuance of about EUR 150 bn per year of EU bonds

The Commission has explored the specific areas to cover in the Access2markets portal, so that the use of the euro in trade with third countries can be facilitated.

<p>Key action 4: The Commission will promote the use of green bonds as tools for the financing of investments and projects necessary to achieve the objectives of the European Green Deal. The Commission aims to issue 30% of the total bonds under Next Generation EU in the form of green bonds.</p>	<p>Commission aims to issue 30% of total bonds under NGEU in form of green bonds</p>	<p>Completed</p>	<p>The European Green Bond standard became available to issuers on 21 December 2024. Various implementing measures will come into force in the first half of 2026</p> <p>The European Securities and Markets Authority (ESMA) is preparing for its role as direct supervisor of the companies that review the disclosures that issuers of European Green Bonds have to make</p>
<p>Key action 5: The Commission will look for possibilities to expand the role of the EU Emission Trading Scheme (ETS) to maximize its environmental outcome and will support further ETS trading activity in the EU.</p>	<p>Maximise environmental outcome</p>	<p>Completed</p>	<p>The ETS Directive was revised in 2023; ETS2 has been introduced to cover emissions from buildings and road transport as of 2027</p> <p>A Social Climate Fund was introduced to alleviate the social and economic impacts arising from the ETS2</p>
<p>Key action 6: The Commission and the ECB will jointly review a broad range of policy, legal and technical questions emerging from a possible introduction of a digital euro.</p>	<p>Prepare for digital euro issuance</p>	<p>In progress</p>	<p>Adoption of the digital euro package regulation expected in 2026, paving the way for issuance in 2029</p>