

Geopolitical Risk Project

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Consulting Group 5

The Digital Euro for a Stronger Europe

Geopolitics of Financial Decoupling

*The Digital Euro and CBDCs as instruments of monetary
sovereignty and strategic autonomy*

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Introduction

Following Russia's invasion of Ukraine, the United States, the United Kingdom, and the European Union imposed extensive financial sanctions targeting the Russian government, corporations, and individuals. These measures involved removing major Russian banks from the SWIFT network, the global messaging system that facilitates cross-border payments, restricting financial institutions from conducting most forms of business with Russian entities, and freezing a significant portion of the Russian Central Bank's foreign-held assets. The breadth and effectiveness of these sanctions have prompted other countries to reassess their own vulnerability to similar measures. In response, many have begun exploring ways to reduce their dependence on Western-dominated financial infrastructure. This has led to growing interest in developing alternative systems for cross-border interbank communication, establishing relationships with non-Western financial counterparties and payment platforms, and identifying currencies other than the U.S. dollar for pricing and settling international transactions.

1. Europe's dependence in a multipolar world dominated by a hegemonic currency and foreign financial systems

1.1 A dollar hegemonic dysfunctional and unsustainable International Monetary System

1.1.1 Historical Dollar Hegemony in Global Economy and Global Trade

In July 1944, at Bretton Woods, the United States embraced its hegemonic role by endorsing White's plan, which paved the way for the global dominance of the U.S. dollar. The 44 countries participating in the Bretton Woods system agreed to fix their currencies to the U.S. dollar and were required to maintain those pegs.

Even after the Nixon shock in 1971, which ended the dollar's convertibility into gold and marked the collapse of the Bretton Woods system, the dollar remained the dominant global currency. Although the formal system of fixed exchange rates disappeared, many countries continued to peg their currencies to the U.S. dollar, particularly in regions such as the Caribbean and Central America, thereby preserving its central role in the international monetary system.

The petrodollar system (pricing global oil in U.S. dollars) also played a great role in the dominance of the dollar by keeping demand for the currency and Treasury securities high.

A third dimension of dollar dominance is its role as the world's main reserve currency. As shown in **Figure 1**, central banks still hold most reserves in dollars, sustaining demand beyond trade. Although its share has fallen from about 71% in 1999 to 56.9% in 2025, due to the euro, emerging currencies, and geopolitical shocks, the dollar remains dominant. No single currency has replaced it, indicating gradual diversification rather than a shift in monetary leadership.

Today, the global dominance of the U.S. dollar is evident across several interrelated dimensions: the real economy, financial markets and policy. Looking at the real economy, firms commonly invoice and settle transactions in dollars. Funding is largely dollar-denominated through banks and other financial institutions. In trade finance, the euro and the renminbi (both at around 6%) remain far behind the dollar (82%). As a global payment currency, SWIFT data show that the euro ranks second (22%), compared to the dollar (50%) **Figure 2**. More broadly, world trade is driven by the inertia and the advantage that everyone is using the U.S. dollar, reinforcing its own dominance.

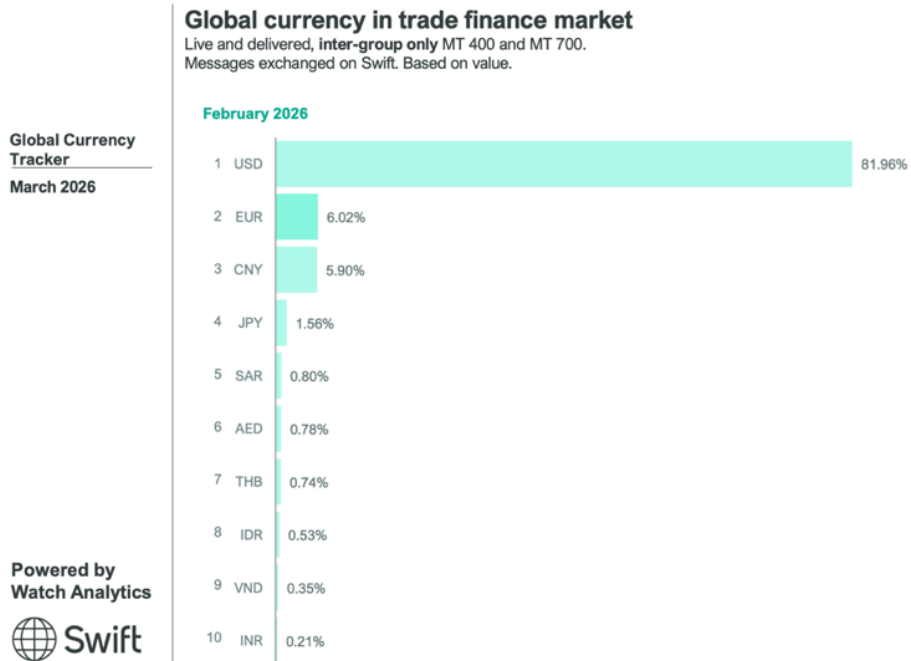
US Dollar Share of World Currency Reserves



Chart: Investopedia/Peter Gratton • Source: International Monetary Fund



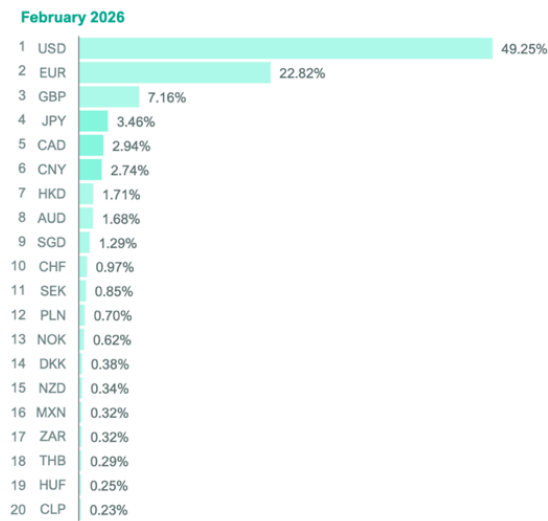
Figure 1, US Dollar Share of World Currency Reserves, IMF data, 2026



Global payments currency & International payments currency

Live and delivered, MT 103, MT 202 (Customer initiated and institutional payments), and ISO equivalent, Messages exchanged on Swift. Based on value.

Global payments currency



International payments currency - Excluding payments within Eurozone

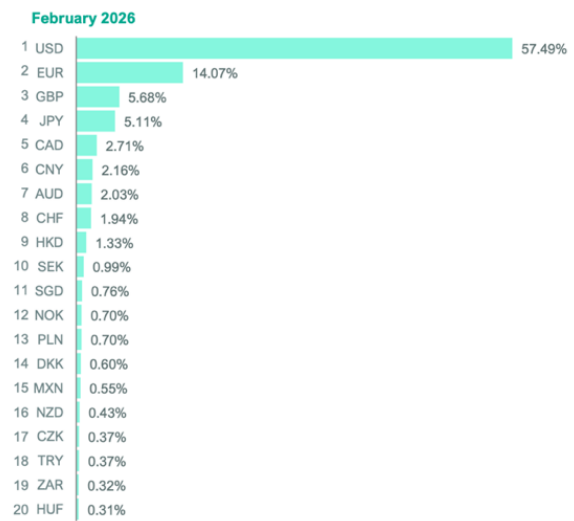


Figure 2, SWIFT data, 2026

This dollar dominance confers significant economic power on the United States as B. Eichengreen argues in *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* (2011). Indeed, issuing the dominant global currency, that provides liquidity to the International Monetary System, effectively allows the United States to borrow without its borrowing costs increasing. As a result, foreign countries' demand for dollars is undirectedly financing the United States's deficits and economy as global demand for U.S. dollars remains constantly high. This "exorbitant privilege," denounced by Charles De Gaulle in the 1960s, remains relevant today to illustrate how issuing and controlling the dominant global currency translates into structural economic advantages.

More than economic power, money can translate into political and geopolitical power as argued by Aglietta & Orléan in *La Monnaie Souveraine* (1998) "A Sovereign Currency". They explain that at a national level, money is not just a market mechanism but also a social and political institution based on collective trust and legitimacy. At the international level they emphasize that currencies are not equal; there exists a hierarchy between currencies underlying power relations between states. They develop the idea that when a currency becomes dominant internationally, it enables the issuing state to project its influence beyond its national territory by shaping the conditions under which global transactions and trade are conducted. Other economies, being dependent on this currency for trade, finance, and reserves may therefore become structurally constrained. In this sense, controlling the dominant global currency thus translates into a powerful geopolitical leverage, rather than a neutral form of exchange.

1.1.2 From Unipolarity to Monetary Multipolarity: Rethinking the International Monetary System

The international monetary system is being challenged by the uncoherent growing disconnection between U.S. monetary and financial supremacy and its shifting position in the structure of the global economy.

According to the French economists Michel Aglietta & Natacha Valla, in *Le Future de la Monnaie*, (2021), “*Money’s Future*”, the International Monetary System is becoming dysfunctional and unbearable due to the growing contradiction between the dollar’s status as key currency and the U.S. unwillingness to support free trade, combined with the adoption of conflicting protectionist policies.

Moreover, the dollar’s dominance is becoming increasingly incoherent in a multipolar world. In a famous speech in March 2009, Dr Zhou Xiaochuan, Governor of the People’s Bank of China, argued that the international monetary system requires reform as it is becoming no longer sustainable for a single currency to dominate it so heavily, while the world is becoming increasingly polycentric.

This unsustainable unipolar international monetary system in a multipolar world paves the way for a process of deglobalization through the formation of rival regional blocs, each based on a strong currency, as the American economist B. Eichengreen argues in *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*, (2011). The final result is an equilibrium with several reserve currencies sharing global status. The recent increase of both gold and non-traditional reserve currencies (such as the Australian dollar, the Canadian dollar, and the South Korean won) in reserve portfolios around the world adds to this perception. Geopolitical factors, such as shifting trade and security alliances, will likely have a great role as well.

1.2 Europe’s dependence on foreign digital payment systems

1.2.1 Current landscape of European payment system mechanisms

The European payments system operates at two distinct functional levels. The first is the retail level, covering payments made by households and businesses. It encompasses card payments, digital wallets and credit transfers. Card payments are processed primarily through the international schemes of Visa and Mastercard, which control the authorization and clearing of transactions. This is where Europe's principal dependency lies: these infrastructures are owned and operated by non-EU entities and fall under external legal jurisdictions. Credit transfers, despite being retail-level instruments, rely on European schemes such as SEPA and the TIPS instant payment platform, which provide a high degree of autonomy.

The second level is the wholesale layer, which handles settlement between banks. Final settlement occurs through the TARGET2 system, where banks transfer funds in central bank money across Eurosystem accounts. This layer represents the sovereign core of European monetary infrastructure and carries no structural dependency on foreign operators.

The following analysis focuses on retail card payments, the segment where European dependence on foreign companies is most acute and most consequential.

1.2.2 Europe's structural dependence on foreign card networks

Europe's reliance on American card networks is both substantial and well documented. As illustrated in **Figure 3**, Visa and Mastercard together account for 82% of card payment transactions in Europe, 50% and 32% respectively, while domestic EU schemes cover just 15% of the market. This concentration reflects a steady expansion over the past decade: by 2025, these two networks processed 47% of the total value of card payments in the eurozone, and in a majority of member states, 13 out of 21, transactions still run exclusively through international card schemes. In the international segment specifically, US card brands hold an even more dominant position.

Several member states, including France, Germany, Italy and Spain, maintain domestic card schemes such as Cartes Bancaires and Bancomat. However, these national systems are not interoperable with one another. As a result, cross-border payments within the Single Market continue to depend on American infrastructure. This is not a matter of consumer preference but of structural necessity.

The concentration of market power in the hands of two non-European operators has driven merchant fees upward, imposing a direct cost on the real economy and leading European banks to lose fees, data and deposits to international card schemes and digital platforms such as Apple Pay or PayPal.

The consequences extend beyond commercial costs. The ECB has warned that reliance on foreign payment systems creates exposure to political pressure and operational disruption. ECB President Christine Lagarde has described this situation as a strategic weakness.

This political dimension of payment infrastructure became impossible to ignore in March 2022, when Visa and Mastercard suspended operations in Russia following the invasion of Ukraine. The episode demonstrated that control over payment networks can function as a geopolitical tool and that Europe is not immune to this vulnerability.

Former ECB President Mario Draghi has articulated the broader risk plainly: deep integration with external actors creates dependencies that can be exploited when geopolitical alignments shift. What was once understood as mutual interdependence has become a potential instrument of leverage for the U.S. as perfectly illustrated by the case of Francesca Albanese.

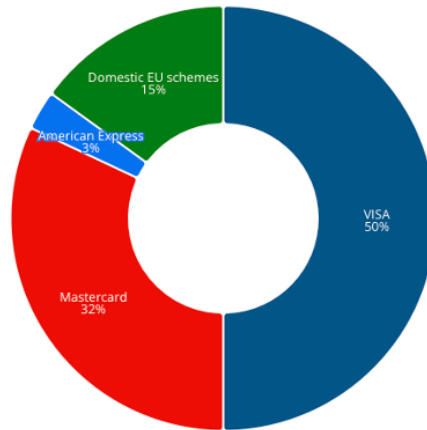


Figure 3, Global Card Network Market Share, Euronews, 2026

1.3 Case 1: Francesca Albanese

The case of Francesca Albanese serves as an illustrative example of how the United States strategically leverages its structural position within the global financial system to pursue and reinforce its foreign policy objectives. By exercising control over critical financial infrastructures, Washington is able to exert considerable pressure on individuals and entities whose conduct is deemed contrary to U.S. interests or those of its strategic allies.

This analytical framework provides a useful basis for examining the case of China, whose sustained efforts to achieve greater financial sovereignty and to develop alternative payment architectures represent a deliberate attempt to reduce systemic dependence on U.S. dominated infrastructures. Such initiatives carry substantial strategic and geopolitical implications, as they may progressively alter the existing balance of power within the international financial order.

1.3.1 Background and Role of Francesca Albanese

Francesca Albanese is an Italian international lawyer who has served as the United Nations Special Rapporteur on the situation of human rights in the Palestinian territories occupied since 1967. In this capacity, her mandate involves monitoring, documenting and reporting alleged violations of international law, and presenting her findings to the UN Human Rights Council.

In recent years, Albanese has become a highly visible and controversial figure in international debates. She is known for her strongly critical stance toward Israeli policies in Gaza and the occupied territories. Her public statements have included characterizations of the situation as “genocide” and calls for the adoption of international sanctions, positions that have generated significant political and diplomatic reactions.

1.3.2 U.S Sanctions Framework and Measures Against Francesca Albanese

In July 2025, the Trump administration imposed personal sanctions on Francesca Albanese. The decision was formally announced by Secretary of State Marco Rubio, who accused her of conducting a “campaign of political and economic warfare against the United States and Israel.”

The measures included a travel ban to the United States, the freezing of any assets under U.S. jurisdiction, and a prohibition on U.S. individuals and entities engaging in financial or commercial transactions with her.

According to U.S. authorities, the sanctions were primarily linked to Albanese's official UN reports, in which she alleged the involvement of Western, including American, companies in supporting the Israeli occupation and called for international legal action against Israel. From a legal perspective, these sanctions are grounded in the broad foreign policy and economic powers vested in the U.S. President. The process typically begins with the declaration of a "national emergency," as provided under the National Emergencies Act. While this declaration does not itself impose sanctions, it enables the President to activate a range of statutory authorities.

Among these, the most significant is the International Emergency Economic Powers Act (IEEPA) of 1977. This legislation grants the President the authority to regulate, restrict or block economic transactions involving individuals or entities deemed to pose a threat to U.S. national security or foreign policy interests. In practice, the President issues an Executive Order outlining the nature of the threat and establishing the legal framework for sanctions. Implementation is then delegated to the Department of the Treasury, specifically the Office of Foreign Assets Control (OFAC), which is responsible for identifying designated individuals and enforcing the measures.

1.3.3 Political Rationale and Diplomatic Tensions with the United States

The imposition of sanctions against Francesca Albanese must be understood within the context of a broader political and diplomatic confrontation. In her capacity as UN Special Rapporteur, Albanese has accused Israel of serious violations of international law and has called for the intervention of the International Criminal Court against both public officials and private entities allegedly involved.

The United States, a longstanding ally of Israel, has interpreted these actions as an overreach of her UN mandate and as a direct challenge to its foreign policy interests. From the U.S. perspective, Albanese's reports (particularly those highlighting the alleged complicity of Western corporations, including American ones, in sustaining the Israeli occupation) were seen as politically motivated and potentially harmful to both U.S. strategic interests and its alliance with Israel. Albanese, for her part, has strongly rejected these accusations, characterizing the sanctions as "mafia-style intimidation" and framing them as a form of retaliation for her human rights advocacy.

In this context, the Trump administration concluded that Albanese's activities constituted a threat to U.S. foreign policy objectives. On this basis, she was designated under the relevant sanctions regime. As a result, under U.S. law, all U.S. persons and entities are prohibited from engaging in financial or commercial transactions with her, and any assets subject to U.S. jurisdiction are required to be frozen.

1.3.4 Personal and Financial Implications of the Sanctions

The sanctions imposed on Francesca Albanese have had significant and tangible effects on her daily life, particularly in relation to financial access. Her inclusion on a U.S. sanctions list has

reportedly complicated her ability to obtain basic banking services, not only in the United States but also in Europe. According to journalistic accounts, several European banks, including Banca Etica, have been reluctant or unable to open a bank account in her name due to concerns about potential violations of U.S. sanctions regulations. This has sparked broader political debate in Italy and across Europe concerning the extraterritorial reach of U.S. sanctions and their influence on the international financial system.

A key issue lies in the fact that U.S. sanctions often extend beyond national borders in practice, even when not formally binding on non-U.S. actors. The global financial system is deeply interconnected with the United States, due both to the central role of the U.S. dollar and the dominance of American financial infrastructure and institutions. As a result, non-U.S. entities, including European banks, frequently choose to comply with U.S. sanctions regimes. This behavior is typically driven not by direct legal obligation, but by the risk of severe consequences, such as losing access to U.S. markets or facing secondary sanctions.

In Albanese's case, this dynamic has translated into immediate practical constraints. Some European financial institutions have reportedly avoided establishing or maintaining banking relationships with her in order to mitigate legal and financial exposure. Consequently, a measure adopted by U.S. authorities has produced direct effects on her financial operability within Europe.

An additional critical component of this mechanism involves global payment networks such as Visa and Mastercard. As entities subject to U.S. jurisdiction, they are required to comply with sanctions administered by the Office of Foreign Assets Control (OFAC). When an individual is designated under a sanctions regime, these networks are prohibited from processing transactions in their favor. As a result, any payment cards linked to that individual may cease to function or become severely restricted.

This helps explain the profound impact of such sanctions on everyday life, extending beyond the freezing of assets within U.S. jurisdiction to affect access to essential financial tools such as payment cards and banking services. Even in cases where a European bank might theoretically provide an account, the lack of access to major payment networks such as Visa or Mastercard would significantly limit its practical usability.

1.3.5 International Reactions and Legal Criticism

The sanctions imposed on Francesca Albanese have generated significant criticism from NGOs, legal scholars and international institutions. Amnesty International, for instance, has characterized the measures as an attack on international justice. Several experts in international law have argued that targeting a UN Special Rapporteur may violate the functional immunities afforded to United Nations officials. According to this perspective, such sanctions risk setting a dangerous precedent that could undermine the independence of UN mandate holders.

More broadly, Albanese's activities, including her reports, public statements, and recommendations, fall within her official mandate concerning human rights in the occupied Palestinian territories. Under international law, UN experts are generally entitled to functional immunity, which protects them from legal or political repercussions arising from actions

performed in their official capacity. Critics argue that the U.S. sanctions directly challenge this principle, as they target conduct intrinsically linked to her institutional role.

The United States, however, has framed the issue differently, presenting the sanctions as a response to individual conduct deemed politically hostile, rather than as a measure directed against the United Nations itself. This divergence in legal interpretation lies at the core of the ongoing debate.

1.3.6 Legal Actions Against the United States

In 2026, the dispute escalated further when members of Albanese's family initiated legal proceedings against U.S. officials, challenging the legitimacy of the sanctions. The claims argue that the measures have violated fundamental rights and caused both personal and economic harm, extending their impact beyond the designated individual to her immediate family.

1.3.7 Media and Political Debate

The case has also become highly divisive in the media and political spheres. Some commentators and opinion writers have defended the sanctions as a legitimate response to what they perceive as the politicization of Albanese's role. Others, by contrast, have described them as a serious infringement on freedom of expression and on the institutional independence of the United Nations.

Media coverage has further emphasized the extent to which Albanese has become a polarizing public figure, highly visible and influential, yet increasingly isolated. Reports have highlighted the practical consequences of the sanctions on her daily life, particularly in relation to financial access and routine transactions.

1.3.8 Conclusion: Structural Power, Financial Infrastructure, and the Geopolitical Significance of the Albanese Case

The case of Francesca Albanese extends beyond a personal or diplomatic dispute. As a UN Special Rapporteur, her work shifted the focus from political denunciation to the economic and legal accountability of companies, linking violations of international law to concrete financial consequences. This reframing moves the issue into a domain where private actors and markets can be directly affected.

The U.S. response can be understood in this context. Albanese's positions introduce potential legal and economic risks for corporations, investors, and global supply chains, including exposure to litigation, reputational damage, and regulatory pressure within the Western system.

Sanctioning her should therefore be seen as an exercise of structural power rooted in U.S. control over global financial infrastructure. Given the central role of the dollar and U.S.-linked institutions, sanctions often produce systemic isolation: global actors avoid engagement through "self-compliance," amplifying the effect without constant enforcement.

In this case, the impact is both operational and deterrent. It limits Albanese's ability to act and signals broader risks to others working on issues that connect human rights with economic accountability, especially where U.S. strategic interests are involved.

More broadly, the case illustrates how financial infrastructure has become a key tool of foreign policy. U.S. power is structural, deriving from its central position in global financial networks. While this approach protects strategic interests, it may weaken the legitimacy of multilateral institutions and, over time, encourage efforts, so far limited, to move away from the dollar-centered system.

2. Leading to a growing trend of financial decoupling

This dependence on both foreign currency and foreign digital payments is increasingly perceived as a threat by all countries. Russia had in fact begun building resilience after 2014, when Western sanctions first prompted Visa and Mastercard to cut off several Russian banks. The government responded by establishing the Mir card network and enacting legislation that required all domestic card transactions to be processed through a state-controlled national switch, regardless of which card brand was used. By the end of 2021, over 113 million Mir cards were in circulation. When the 2022 suspension came, its domestic impact was therefore limited: Russian cardholders could still transact within the country. The disruption was concentrated at the borders: Russian-issued cards stopped working internationally, and foreign cards stopped working in Russia.

Russia is not alone in pursuing greater independence from foreign financial infrastructures, a trend of financial decoupling will be further explored through the case of the digital yuan.

2.1 Overview of Digital Yuan

The digital yuan (e-CNY) is China's central bank digital currency, introduced to modernize the country's payment system and strengthen the role of public money in an increasingly digital economy. Officially, it has been designed mainly as a digital form of cash, issued by the People's Bank of China (PBOC) and granted the same legal status as physical renminbi. The PBOC's 2021 white paper presents it as a tool to improve payment efficiency, promote financial inclusion and reinforce monetary sovereignty in the digital era.

However, the importance of the e-CNY goes way beyond being a domestic payment innovation, as its real significance emerges when it is examined in a broader geopolitical context. The project is part of China's long-term effort to build a payment infrastructure that remains under state control, reduces dependence on private platforms and, over time, may support cross-border payment channels that are less exposed to the dominance of the US dollar.

For this reason, the e-CNY is best understood on two levels. First, it can be seen as a domestic monetary experiment whose successes and limitations help reveal the practical strengths and weaknesses of central bank digital currencies. Second, it is a geopolitical instrument that reflects China's attempts to increase monetary autonomy, expand the international role of

renminbi and participate in the wider search, shared in part by the BRICS countries, for alternatives to a dollar-centered financial order.

This dual perspective is especially useful when considering the possible future of a digital euro. The Chinese case does not provide a model that Europe could simply copy, but it gives important lessons by showing which features of a CBDC may generate value, which obstacles can limit adoption and why digital money is increasingly linked not only to efficiency but also to strategic power dynamics.

2.2 e-CNY history and general framework

The e-CNY is the result of a long institutional process. Research began back in 2014, and in 2016 the PBOC established the Digital Currency Research Institute. Then, after several years of preparation, China officially expanded pilot programs from 2019 onwards, before publishing the main policy framework in the 2021 white paper.

The currency was designed mainly as a substitute for M0, meaning the cash in circulation, rather than for bank deposits. This is why it was initially conceived as a non-interest-bearing instrument. As a matter of fact, if it paid interest like a bank deposit, it could attract funds away from commercial banks and destabilize the banking system. At the same time, the e-CNY was presented as a retail CBDC capable of operating both online and offline, and of supporting different types of wallets with different levels of identification and transaction limits.

This architecture reveals an important point from the beginning: the e-CNY was not introduced simply to digitize payments, as China already had an advanced payment ecosystem dominated by Alipay and WeChat Pay. The real issue was whether the state should leave the digitalization of money entirely to private platforms, or whether it should preserve a sovereign public layer within the payment system. Hence, the e-CNY was as much a political project as it was a technological one.

2.3 Assessing the PBOC's stated objectives

A useful way to evaluate the e-CNY is to compare the PBOC's stated goals with the results actually achieved so far, making a distinction between the project's technical potential and its actual adoption.

2.3.1 Meeting public demand for digital cash

According to the PBOC, one of the primary goals of the e-CNY was to meet public demand for digital cash. In practice, this objective has only been partially achieved. China's population was already used to fast and convenient digital payments through private apps, which meant that the e-CNY entered a market in which digital payments were already widespread. As a result, many users had little reason to switch to a new instrument that, in everyday life, often looked just like the tools they were already using.

This helps explain the central contradiction of the whole project: the e-CNY solves a policy problem more clearly than it solves a user problem. From the perspective of the Chinese state,

it creates a sovereign digital payments rail while, from the perspective of many customers, it doesn't offer a sufficiently compelling advantage over the platforms they are used to. Domestic adoption has remained mixed, even as the scale of the e-CNY pilot has expanded rapidly. Transaction value rose from RMB 1.79 trillion in June 2023 to RMB 14.2 trillion by September 2025, indicating strong growth over time (**Figure 4**). However, despite this expansion, everyday retail dominance remains limited. Compared with other CBDCs, such as the Bahamas' SandDollar or Nigeria's eNaira, the e-CNY operates on a vastly larger scale, highlighting its unique strategic importance.

CBDCs in circulation

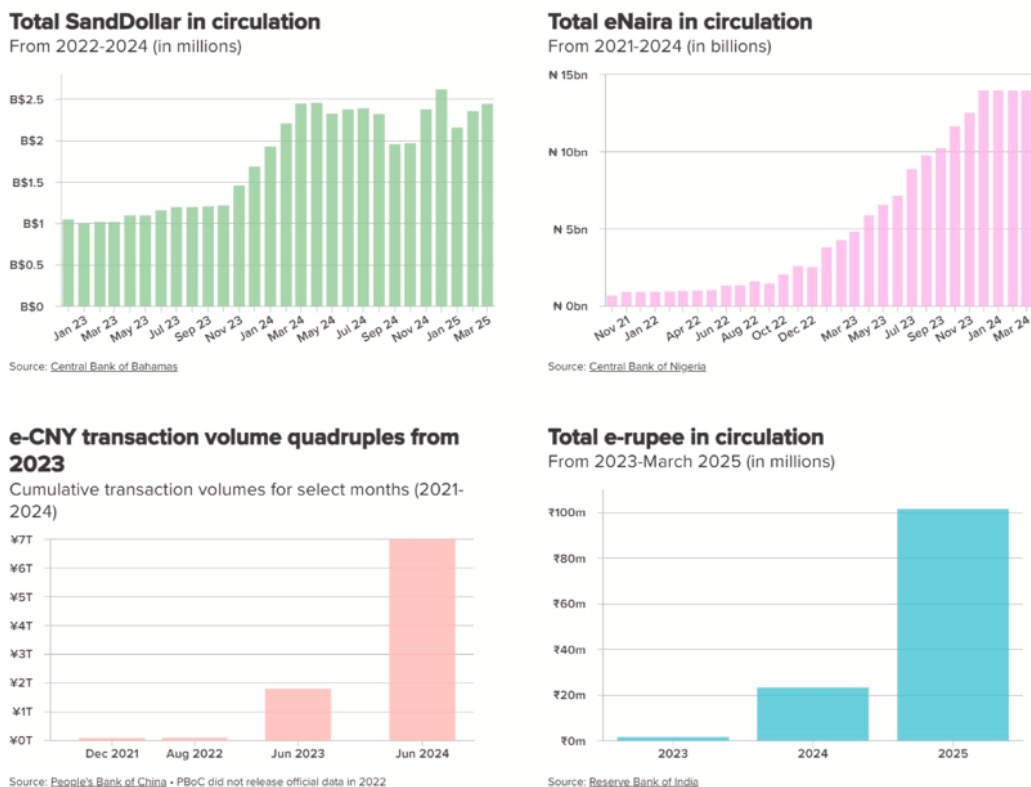


Fig. 5. CBDCs in circulation: Comparative data for the Bahamas (SandDollar), Nigeria (eNaira), China (e-CNY), and India (e-rupee). Sources: Central Bank of the Bahamas, Central Bank of Nigeria, People's Bank of China, Reserve Bank of India.

Figure 4, CBDCs in circulation: comparative data, Zeng & Lau, 2025

2.3.2 Financial inclusion

A second major objective was financial inclusion. The e-CNY was designed to make digital payments accessible to individuals in remote or underbanked areas, especially through offline payment functionality and hardware solutions such as IC cards for users without smartphones. It also reduces costs because transactions can take place without the usual financial services fees.

In principle, this is one of the strongest arguments in favor of CBDCs, as a public digital currency is able to provide basic payment access even in the lack of solid banking infrastructures. It may also facilitate targeted fiscal transfers, such as public subsidies or welfare payments, by allowing the state to transfer money directly and more efficiently.

At the same time, the Chinese case shows that financial inclusion is not guaranteed simply because a digital public instrument exists. In practice, barriers such as technological illiteracy, weak digital skills and the fact that large parts of the rural population were already connected to digital finance, have limited the transformative impact of the e-CNY.

2.3.3 Improving the payment system

The e-CNY was also meant to make the payment system safer, more efficient and less costly and, on this point, the project shows some of its most interesting strengths.

Because settlement is immediate, the e-CNY can improve cash flow for both users and businesses, reduce transaction costs for merchants and consumers and, most importantly, it introduces functionalities that traditional cash does not have, including forms of programmability and smart-contract-based execution.

This means that payments can potentially include conditions, automated triggers, or guaranteed transfers in ways that conventional payment systems do not support. The offline-to-offline functionality is also significant, as it suggests that digital currency can preserve one of the cash core advantages: usability even when connectivity is weak. Nevertheless, results remain uneven, as many of these advantages only become meaningful when usage becomes widespread, highlighting how adoption here is the real battlefield.

2.3.4 Maintaining monetary sovereignty against the rise of cryptocurrencies

Another objective was to preserve monetary sovereignty against cryptocurrencies and private digital money. Chinese authorities have always viewed privately issued and weakly controlled forms of money as a threat to their financial stability and to the state's control over the monetary system. In this sense, the e-CNY can be seen as a response to the possibility that non-sovereign digital assets could weaken the central bank's authority.

The logic is clear: if society moves toward digital transactions, the state wants that transition to occur through a public instrument rather than through decentralized or foreign-controlled monetary substitutes. The e-CNY therefore represents China's attempt to give users some of the speed and convenience associated with digital assets while keeping issuance, oversight, and legal authority under state control.

Consequently, cryptocurrencies were restricted in China, but the e-CNY has not simply replaced them as a preferred alternative for citizens. Its success lies more in reinforcing the institutional position of the central bank than in defeating crypto.

2.3.5 Substituting cash in circulation

The e-CNY was mainly designed to replace cash in circulation rather than deposits, and this shapes the entire logic of the project. As a digital version of M0, the e-CNY preserves several

cash-like features, such as wallet-based use, legal tender status, immediate settlement, and offline capability. At the same time, it adds new functionalities that physical cash does not possess, and this hybrid nature is one of the most innovative aspects of the digital yuan. It is not simply “cash on a phone,” as it is not just another bank deposit.

2.3.6 Fighting financial crime

The e-CNY was also presented as a tool to combat illicit finance, including money laundering, illegal gambling, and tax evasion. The key principle here is what Chinese authorities describe as managed or controllable anonymity: small-value transactions can preserve a certain degree of privacy, while larger transactions remain traceable and subject to regulatory oversight.

This structure is reflected in the multi-tier wallet system: lower-level wallets require less identification but impose stricter transaction limits, while higher-level wallets allow larger transactions but require stronger KYC procedures. From a regulatory perspective, this is a powerful design because it tries to balance privacy and usability and it's also one of the most politically significant features of the e-CNY. It does not only “move” money: it produces information about money flows, making it also a valuable information infrastructure. Control over payment data can strengthen the state's monitoring capacity and regulatory reach, which is both one of the system's strengths and, at the same time, one of the reasons why it raises concerns about surveillance and control.

2.4 e-CNY as a tool of geopolitical power

The most important geopolitical point is that the e-CNY matters because it helps China build a monetary infrastructure directed by the state. To appreciate why this matters, it is useful to revisit the concept of monetary hierarchy. As Zeng and Lau (2025) frame it, drawing on international political economy theory, the international currency system is a stratified order with the US dollar at its apex. Positional advantages in this hierarchy stem from network effects, liquidity depth and institutional trust, and crucially, from control over the infrastructure through which cross-border payments flow. States that control fewer critical channels are more vulnerable to sanctions, exclusion and external coercion.

This is not an abstract concern. The exclusion of several Russian banks from SWIFT following the invasion of Ukraine in 2022 demonstrated concretely how access to financial messaging infrastructure can become a strategic weapon. For China, which has the largest cross-border trade volumes in the world, maintaining uninterrupted settlement channels is a matter of systemic importance. The e-CNY, integrated with alternative infrastructures such as CIPS (the Cross-Border Interbank Payment System), offers a path to reduce reliance on SWIFT for RMB transactions. CIPS reported an annual business volume of RMB 180 trillion in 2025, with 194 direct and 1,597 indirect participants as of April 2026, figures that do not mean China has replaced Western-led infrastructure, but confirm it is building the institutional capacity to settle a growing volume of payments through channels more aligned with its own regulatory interests.

At the international level, it is important to avoid exaggeration. The renminbi remains a secondary currency: SWIFT data showed the RMB accounting for 3.17% of global payments by value in September 2025, ranking fifth worldwide, though note a slightly higher figure of approximately

3.6% for June 2025, reflecting an upward trend. This is meaningful growth, but still far from dollar dominance.

To illustrate the potential trajectory of de-dollarization under different adoption scenarios, **Figure 5** presents a simulation of the USD Reliance Index over a ten-year period across three scenarios: low, moderate and high e-CNY adoption.

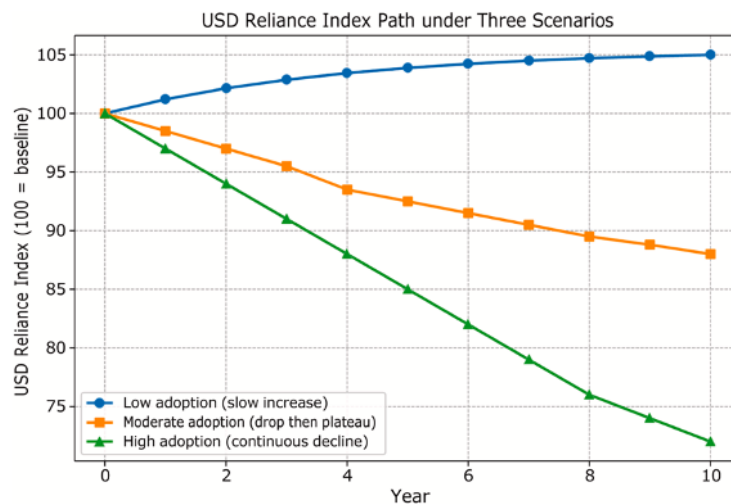


Fig. 7. USD reliance index R_t over a ten-year period under different e-CNY adoption scenarios.

Figure 5, USD Reliance Index trajectory under three e-CNY adoption scenarios, Zeng & Lau 2025

The model reveals an important non-linearity: marginal increases in adoption yield limited de-dollarization effects as long as cross-border interoperability remains below a critical threshold. Once that threshold is crossed, however, network externalities accelerate and the decline in dollar reliance steepens significantly. In the high-adoption scenario, the USD Reliance Index declines to the range of 70–75 over ten years, not a collapse of dollar hegemony, but a meaningful structural shift. In the low-adoption scenario, dollar reliance is essentially unchanged or even increases slightly, reflecting the negative feedback between limited scale and insufficient infrastructure investment.

Figure 6 further decomposes where the de-dollarization effect comes from in the high-adoption case: reserve diversification accounts for approximately 47% of the total decline in dollar reliance, while trade invoicing and payment infrastructure substitution contribute 33% and 20% respectively. This tells us that the most powerful lever is not the e-CNY itself, but the broader shift in how central banks around the world hold their reserves, a process the e-CNY can support but cannot determine alone.

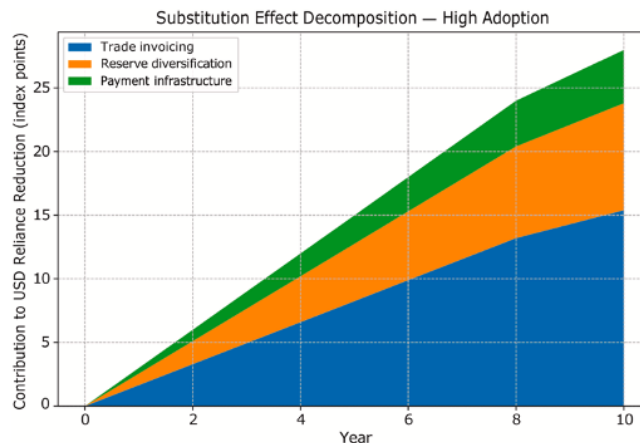


Figure 6, Decomposition of USD Reliance decline in the high-adoption scenario, Zeng & Lau 2025

Still, China is investing concretely in platforms that may gradually increase RMB use in specific corridors and sectors. The most prominent example is Project mBridge, a multi-CBDC initiative involving the PBOC's Digital Currency Institute, the Hong Kong Monetary Authority, the Bank of Thailand and the Central Bank of the UAE. In June 2024, the BIS announced that mBridge had reached the minimum viable product stage, meaning the project had moved beyond experimentation and was ready for real transactions among participants. The project aims to enable atomic settlement between CBDC wallets of counterparties, reducing the need for foreign exchange conversion and bypassing traditional correspondent banking chains. Its multilateral governance structure also enhances resilience by reducing vulnerability to unilateral policy changes.

This is not a new global monetary order. But it does show that China is helping build the technological foundations for cross-border systems that may, over time, reduce dependence on traditional banking chains dominated by the dollar.

2.5 BRICS, de-dollarization and the strategic role of the e-CNY

China's digital currency is not the whole BRICS strategy, but it fits into a broader effort among BRICS countries to diversify away from excessive reliance on the US dollar and to expand the use of local currencies in trade and finance. Official BRICS documents now make this direction explicit: the 2024 Joint Statement of BRICS Finance Ministers and Central Bank Governors welcomed the use of local currencies in international trade and financial transactions and encouraged stronger settlement mechanisms in local currencies, including work linked to the BRICS Cross-Border Payments Initiative (BCBPI).

Several data points help clarify why this agenda matters and what its current limits are:

The US dollar's share of allocated global foreign-exchange reserves fell to 56.32% in Q2 2025, down from 57.79% in Q1 2025. This does not mean the dollar is collapsing, it still dominates, but it confirms a gradual diversification trend. The expanded BRICS grouping, drawing on IMF projections, accounts for approximately 40% of world GDP and roughly 24% of global trade, giving the bloc sufficient weight to push for incremental changes in invoicing and settlement practices even without creating a common currency. At the same time, the renminbi's global role

remains limited, with 3.17% of global SWIFT payments by value in September 2025, a significant number in relative terms, but one that accurately reflects the distance still to travel.

Zeng and Lau characterize this process with appropriate nuance through their sensitivity analysis (**Figure 7**), which shows that the single parameter with the greatest influence on the USD Reliance Index over a ten-year horizon is interoperability, not adoption per se. This means that the political and technical work of building compatible cross-border infrastructure is more important than simply expanding the number of e-CNY wallets domestically. Trade RMB pricing elasticity follows closely, suggesting that targeted incentives for exporters and importers to invoice in renminbi, such as transaction fee reductions and streamlined settlement procedures, could generate disproportionately large effects on dollar reliance.

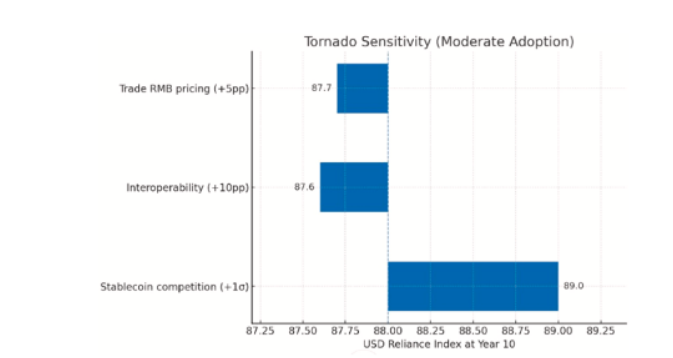


Figure 7, Tornado diagram: sensitivity of USD Reliance Index to key parameters, Zeng & Lau 2025

The e-CNY alone cannot dethrone the dollar. But seen as part of a broader ecosystem, including CIPS, bilateral local-currency swap arrangements and BRICS discussions on alternative payment mechanisms, it can strengthen China's position within a more plural monetary environment. The BRICS de-dollarization agenda is therefore best understood not as a sudden attempt to replace the dollar with a single new currency, but as a strategy of fragmenting dependence: increasing settlements in local currencies, building alternative payment channels and reducing the ability of any single external power to control access to financial infrastructure.

2.6 What the Chinese Case suggests for the Digital Euro

The Chinese case is valuable not because Europe should imitate it, but because it gives valuable insights about what determines whether a CBDC becomes useful or marginal.

The first lesson is that a digital currency cannot succeed if it offers no meaningful advantage over already existing payment tools, and this problem was clear in China, where Alipay and WeChat Pay were already fully integrated into everyday life. In Europe, the challenge may be even greater as the market is more open and competitive, and users are already served by a wide range of private banks, fintech firms and card networks. Therefore, a digital euro would need to solve concrete user problems rather than simply replicate services that already exist.

The second lesson concerns incentives, as the e-CNY has a non-interest-bearing design which makes sense from the perspective of financial stability but, on the other hand, it reduces its attractiveness compared with ordinary bank deposits.

A third lesson is that some of the e-CNY's innovations may be more relevant in Europe than in China, as smart contracts, conditional payments, and automated transfers could be especially useful in sectors such as e-commerce, subscription services, public transfers, or cross-border settlement within the EU. Hence, it would not be correct to think that the adoption rate would be similar, as in a fragmented market like Europe, where cross-border payment frictions still matter, efficiency gains could be more politically and economically significant than in a highly centralized system like China.

Finally, the Chinese wallet structure offers an interesting institutional insight. As already said, it is a tiered model that protects small-value privacy while allowing traceability for larger transactions. This may resonate in Europe, where privacy concerns are politically central.

To conclude, the Chinese experience suggests that the success of a digital euro would depend less on copying China's model and more on adapting the useful parts of CBDC design to European market conditions and political values.

3. The Digital Future of European Payments with Digital Euro: Europe's path to sovereignty and innovation.

In a speech at the France Payments Forum event "*Digital euro and the future of payments in Europe*" in 2025, Piero Cipollone, Member of the Executive Board of the ECB argues that the European situation leaves the continent "*dependent on the kindness of strangers*" in a context of heightened geopolitical tensions, exposing it to external shocks and political leverage. Piero Cipollone asserts that the introduction of the digital euro is the path to sovereignty and innovation for Europe.

3.1 The evolution of the Digital Euro Project

In October 2020, the ECB published its first *Report on a digital euro*, marking the start of the central bank digital currency issuance project. The actual launch of the project came about nine months later, with the European Parliament's kickstart of the investigation phase, intended to last from October 2021 to October 2023. The investigation phase lasted 24 months and aimed to address the key issues related to the design and distribution of the digital euro. During this period, the Euro system focused on a possible functional design based on users' needs, involving focus groups, prototyping activities, and conceptual work.

On 1 November 2023, the ECB Governing Council authorized the preparatory phase of the project, aimed at defining the regulatory, infrastructural and market aspects of the digital euro.

On 29 October 2025, the ECB approved the transition to a new preparation phase for the digital euro, after successfully concluding the two-year investigation. The objective is to make the system ready for a possible issuance in 2029, with pilot tests already planned from mid-2027.

The final decision on the actual issuance will be taken by the ECB Governing Council only after the adoption of the dedicated European regulation.

3.2 The transition of the digital euro from strategic vision to operational implementation

While the 2020 report mainly defined the objectives and the necessary characteristics (the “why” and the “what”), the 2025 report illustrates in detail how those needs are taking practical shape (the “how”).

In order to understand the architecture of the digital euro as currently defined, it is necessary to analyze the project according to a **three-level logic**. This methodological approach makes it possible to observe how the Euro system translates **policy problems** (the **rationale**) into **functional requirements** (the **requirement**) and, finally, into specific **technical and organizational features**.

3.2.1 Preserving the role of public money in the digital age with a cash like solution

Rationale: The analytical premise of the European Central Bank lies in the need to guarantee the persistence of public money in a context characterized by the progressive contraction in the use of paper cash in favor of dematerialized payment instruments, such as debit cards, mobile applications, and instant transfers. While cash represents a direct liability of the central bank — and therefore a form of money free from issuer default risk — the transition towards digital payments shifts the center of gravity of the economy towards private money leading to a marginalization of central bank money in the economic life of citizens.

The digital euro is conceived as the digital counterpart of cash: an instrument which, while not slavishly replicating every physical aspect, preserves its legal nature as secure public money, issued directly by the monetary authority and universally accessible (granting financial inclusion).

Requirement: For the digital euro to be effectively central bank money, ownership of the instrument must translate into a direct claim on the Euro system and not on a private intermediary. Models in which private entities retain custody of the asset while leaving the user with a claim on the intermediary are therefore excluded. Consistently with this principle, control over the supporting technological infrastructure (back-end) must remain a prerogative of the central bank, ensuring the integrity of the system even in partially decentralized models. Finally from the need to prevent social exclusion derives the functional requirement of an infrastructure that is accessible and understandable for a plurality of user profiles.

Technical and Operational Features:

- **Euro system central infrastructure:** In order to ensure that the digital euro remains a liability of the central bank, the system must rest on a centralized platform entrusted with the recording of balances and the validation of transactions under the direct supervision of the Euro system.

- **Intermediated model for services:** The architecture provides for a separation between the nature of money and the provision of services. Payment Service Providers (PSPs) manage the operational stages — such as identification, onboarding, and anti-money laundering procedures — while the user maintains his or her claim exclusively against the central bank.
- **Rulebook and pan-European standardization:** The projection of public money on a continental scale requires a uniform regulatory and procedural framework. Such standardization is indispensable in order to coordinate the interaction between users, intermediaries, and the central platform within a single integrated pan-European payment infrastructure.
- **technology-neutral multi-device access:** accessible interface design, diversified onboarding models, human support.

A concrete illustration of how this institutional logic translates into practice is provided by the digital euro's compensation model, presented by Piero Cipollone at the European Banking Federation Executive Committee Meeting in March 2026. As shown in **Figure 8**, the model rests on three key elements: issuing and acquiring banks do not pay scheme and processing fees to the Euro system, a direct contrast with the current system, in which PSPs pay significant fees to international card networks such as Visa and Mastercard; the merchant service charge is capped; and the inter-PSP fee is capped. The consumer pays nothing for basic services, while the merchant continues to pay a transaction fee to its PSP, which in turn compensates the consumer's PSP through the inter-PSP fee.

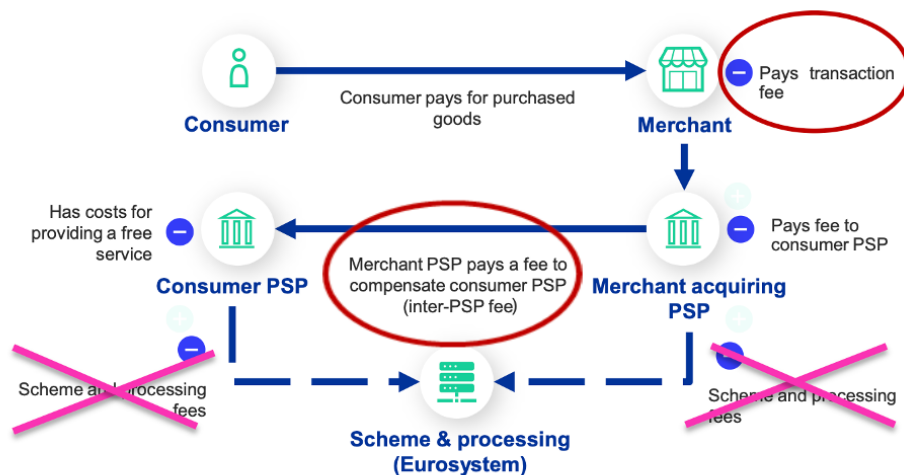


Figure 8, Digital euro compensation model, European Central Bank, 2026

3.2.3 Resilience of payments in the event of crises or disruptions

Rationale: Due to the progressive digitalization of payments the effectiveness of monetary exchanges depends to an increasing extent on the proper functioning of networks, technical infrastructures, and financial intermediaries. This interdependence implies that critical

exogenous events — such as power blackouts, cyberattacks, systemic failures, or natural disasters — may compromise not only individual operators, but the entire payments ecosystem.

In this context, the digital euro is conceived as a public back-up infrastructure

Requirement: In analytical terms, resilience is articulated across four fundamental dimensions:

- **Functional resilience:** guarantee of operability in the absence of network connectivity.
- **Infrastructural resilience:** capacity of the system to maintain operational integrity even in the event of the failure of segments of the network.
- **Organizational resilience:** possibility for the user to regain possession of his or her funds despite serious operational difficulties affecting the intermediary of reference.
- **Cyber resilience:** proactive defense against digital threats and management of post-event recovery.

Technical Features:

- **Offline functionality (Functional Resilience):** In order to emulate the circulation of physical cash, an offline device-to-device payment mode is implemented.
- **Multi-region central ledger (Infrastructural Resilience):** The system rests on an infrastructure distributed in multi-region mode, with automatic rerouting mechanisms.
- **Inter-PSP recovery mechanisms (Organizational Resilience):** In order to protect the user from the operational risk of a single intermediary, the design provides for fund recovery protocols through third parties. In the event of operational insolvency or data loss on the part of a PSP, the citizen may regain access to his or her digital assets through another intermediary.
- **Cybersecurity controls (Cyber Resilience):** The architecture integrates secure development practices, cryptographic agility, and reduction of the attack surface.

3.2.4 Risk of disintermediation and systemic stability

Rationale: The digital euro, as a direct liability of the central bank, makes it an asset intrinsically free from default risk. This perception of superior safety could induce households and firms to transfer significant shares of liquidity from commercial bank deposits to digital money.

A reduction in the deposit base would force banks to resort to more costly forms of funding, such as refinancing from the central bank (subject to the availability of eligible collateral) or recourse to capital markets. The increase in funding costs would inevitably translate into a tightening of lending conditions, with a consequent reduction in the supply of credit to the real economy.

Moreover, the erosion of the traditional business model could push banks towards investment strategies with a higher risk profile or impair their capacity to assess creditworthiness because of the loss of customer information flows.

Requirements: Moderating the attractiveness of the digital euro as a store of value, while at the same time guaranteeing maximum efficiency as a means of payment.

Technical Features:

- **Non-remunerated individual holding limit:** The application of a maximum holding cap for each user is envisaged, together with the absence of remuneration. This measure is aimed at containing the use of the digital euro as a safe asset or investment instrument.
- **Interoperability mechanisms with commercial accounts:** In order to prevent holding limits from hindering everyday transactions, the digital wallet may be linked to a pre-existing bank account through two automated functionalities:
 - **Reverse waterfall:** Where the balance of the digital wallet is insufficient to complete a payment, the system automatically draws the necessary liquidity from the linked bank account.
 - **Waterfall:** In the event of receipt of funds that would cause the wallet to exceed the permitted holding limit, the excess is transferred instantly to the user's commercial account.

3.2.5 Safeguarding Privacy without Compromising Legality and Compliance

Rationale: The social value of cash largely derives from the high degree of confidentiality it ensures transactions; if its digital equivalent were not to preserve this dimension, it would risk a crisis of legitimacy and low adoption by citizens. However, a structural tension arises, defined by the need to comply with existing regulatory frameworks concerning anti-money laundering (AML), counter-terrorist financing (CTF), and fraud prevention.

Requirement: The system does not pursue total anonymity, but rather a configuration aimed at exposing the minimum possible amount of personal data, clearly distinguishing between the identification of the subject and the visibility of their transactions.

Technical Features:

- **Intermediated identification** (Onboarding via PSPs): Identity verification (KYC/AML) takes place exclusively at the level of the PSP.
- **Pseudonymization of transactions:** Operations transmitted to the central platform use pseudonymous identifiers
- **Segregation of processing and offline architecture:** The entire ecosystem is designed so that no single actor possesses a complete view of the data.
- **Risk monitoring on pseudonymized data:** System security and fraud prevention are entrusted to dedicated components operating through artificial intelligence models applied exclusively to pseudonymized transactional data.

3.2.7 Enabling innovation and programmability

Rationale: Ensuring that the digital euro is efficient, interoperable and capable of supporting advanced functionalities requires the introduction of programmability features, without this translating into control over how money is used by the ECB.

The adopted solution is a clear separation between money and conditional logic: the former remains a public settlement asset, while the conditions governing payments are implemented on a separate layer by market participants. In this way, advanced functionalities are built on top of the infrastructure without altering the nature of money or moving settlement finality outside the public domain.

Requirement: Programmability and advanced functionalities without compromising security, privacy and the role of the central bank.

Technical Features:

- Two-layer architecture:
 - a settlement layer provided by the Eurosystem
 - a conditionality layer developed by market participants.
- Enabled functionalities
 - Reservation of funds which allows an amount to be temporarily set aside and transferred only if a condition is met
 - “waterfall” payment schemes
 - Conditional flows such as confirmed delivery of goods, best fare in public transport, mobility services and e-commerce

3.3 Final remarks on the Digital Euro Project

The introduction of the digital euro is presented by the ECB as a fundamental pillar for the monetary sovereignty and strategic autonomy of the European Union. However, this project has been subject to substantial criticism, often being described as a “solution in search of a problem” (Eichengreen, 2022; Waller, 2021). Indeed, while the ECB argues that a CBDC would protect Europe from the influence of foreign technology giants and from the digital currencies of other powers, some critics point out that efficient European private solutions already exist, such as Bizum or MBWay, which ensure sovereignty insofar as they are regulated within the EU. In reality, such solutions, although efficient and subject to European regulation, remain private initiatives largely confined to individual national markets and are therefore distant from the vocation of the digital euro, which is conceived as a form of public digital money and as a common pan-European infrastructure, interoperable with existing systems but functional to strengthening monetary sovereignty, generalized acceptance, and the strategic autonomy of the euro area. The Chinese experience does not resolve the debate but clarifies its terms: while it shows that a CBDC is not sufficient to shift user preferences in the presence of efficient private solutions, it also confirms that public authorities still consider it necessary to establish an autonomous digital monetary infrastructure.

3.3.1 Geopolitical and Sovereignty Critiques

From a geopolitical perspective, other critics have highlighted a crucial limitation of the ECB's project: by aiming to reduce dependence on U.S. payment circuits, the digital euro overlooks the real threat to European monetary sovereignty, namely the growing diffusion of dollar-denominated stablecoins, which represent the actual instrument of external financial hegemony. Indeed, the main stablecoins currently in circulation, such as USDT and USDC (add note to explain the acronym), are denominated in U.S. dollars and already constitute an alternative global payment infrastructure, increasingly used in crypto markets and in cross-border payments, thereby reinforcing the international role of the dollar outside traditional financial circuits.

This development is problematic for European monetary sovereignty, as it fosters phenomena of "digital dollarization": households and firms may prefer dollar-denominated instruments for payments and savings, reducing the demand for euros and weakening the ECB's ability to influence financial conditions within the euro area. In concrete terms, monetary policy operates by influencing the cost and quantity of money in euros (for example through interest rates). However, if an increasing share of transactions and savings takes place in dollars, ECB decisions become less effective, as they affect only part of the economy. This results in a weakening of the transmission of monetary policy and, consequently, of the capacity to control inflation and financial stability.

In this sense, a public CBDC would risk competing with the domestic private sector rather than addressing actual global threats.

3.3.2 Risks Related to Remuneration

The issue of remuneration does not assume a merely technical character, but lies at the core of the debate on the role of public digital currencies and their implications for the effectiveness of monetary policy instruments.

One of the main systemic criticalities associated with the digital euro project lies in the risk of disintermediation of the banking sector. In light of this potential negative effect, the European Commission, in its 2023 legislative proposal, has outlined the digital euro as a non-remunerated payment instrument. However, in this regard, a significant institutional divergence emerges with the ECB, which has formally expressed reservations about an absolute and permanent prohibition of remuneration. According to the ECB's position, maintaining discretionary control over the remuneration of all its liabilities is essential to ensure the effectiveness of monetary policy transmission and price stability. The possibility of modulating interest rates on the digital euro is considered a strategic functional requirement, useful both for overcoming the limits of the "zero lower bound" in deflationary scenarios and for managing liquidity flows within the system.

It is precisely the issue of the zero lower bound that raises skepticism among some observers. In the current system, cash allows households and firms to partially avoid negative interest rates, thereby attenuating the transmission of central bank decisions and limiting their effectiveness. The introduction of a central bank digital currency could alter this balance. If an increasing share

of liquidity were held in digital form and the use of cash declined, the possibility of evading negative interest rates would progressively become unfeasible.

Among the most critical experts regarding the ECB's project is Eswar Prasad, Professor of Trade Policy and Economics at Cornell University. He emphasizes how the introduction of a retail CBDC such as the digital euro could lead to an unprecedented expansion of central banks' intervention powers, allowing them to act directly on the monetary balances held by citizens, potentially extending to the application of the extreme instrument of "helicopter money", that is, a type of unconventional monetary policy involving the direct transfer of liquidity to households and firms without the intermediation of the commercial banking system. According to Prasad, such a mechanism confers an explicitly distributive nature upon monetary policy, overlapping its objectives with those typically associated with fiscal policy.

The resulting risk is twofold and concerns the very legitimacy of the monetary institution: first, the central bank would cease to be perceived as a technical authority acting indirectly on macroeconomic conditions, and would instead be seen as an actor that affects individual wealth in a discretionary manner, deciding who should benefit from transfers or who should bear the costs of restrictive policies. Moreover, the immediacy of redistributive effects would expose the central bank to intense political and social conflict, making it difficult to maintain the image of technical neutrality that underpins its institutional independence. In conclusion, this shift towards a "direct" monetary policy could, according to Prasad, undermine public trust and central bank independence, transforming it into a mere fiscal agent of the government.

3.3.3 The Privacy Issue

While many of the technical aspects connected to the introduction of a central bank digital currency are difficult to access in public debate due to their complexity, the issue of privacy emerges as an immediately perceptible and politically sensitive dimension. The digital nature of such an instrument implies a higher degree of transaction traceability compared to cash, raising concerns about the protection of individuals' economic privacy.

This issue becomes particularly relevant in contexts characterized by a greater prevalence of the shadow economy, where anonymous payments play a significant role in everyday practices. In such cases, increased traceability may generate resistance to adoption, making privacy a key factor in determining the acceptance of a digital currency.

The Chinese experience provides a useful point of comparison. The e-CNY is based on a model of "controllable anonymity," whereby small-value transactions benefit from a degree of privacy, while larger ones remain traceable and subject to regulatory oversight. This demonstrates the technical feasibility of graduated privacy solutions, while also reflecting a different balance between privacy and state control.

For the European Union, where data protection constitutes a fundamental right, the acceptability of the digital euro will depend on its ability to ensure a level of confidentiality closer to cash than to existing digital payment instruments.

4. Conclusion

The transformations analyzed throughout this paper suggest that money can no longer be understood merely as a neutral medium of exchange or a technical instrument of economic policy. Rather, it emerges as a space where deeper geopolitical tensions - between interdependence and autonomy, openness and control - are constantly negotiated. What appears, at first glance, as a set of infrastructures designed to facilitate transactions reveals itself, upon closer examination, as a system through which power is exercised, hierarchies are maintained, and the scope of action for states and individuals is ultimately defined .

This becomes particularly evident when considering Europe's position within a global financial system still largely structured around the dominance of the U.S. dollar and foreign-controlled payment infrastructures. The persistence of dollar hegemony, combined with Europe's reliance on non-European card networks and digital payment systems, highlights a structural dependency that extends beyond economics into the geopolitical realm. What is often framed as efficiency or market integration carries, in reality, an embedded asymmetry: the ability of external actors to influence, and potentially constrain, European financial autonomy.

The case of Francesca Albanese makes this dynamic tangible. Through the imposition of U.S. sanctions, the abstract notion of financial dependence becomes a lived reality. The difficulty she faced in accessing banking services and payment systems illustrates how control over financial infrastructure can translate into concrete forms of exclusion, even outside the formal jurisdiction of the sanctioning state. In this sense, financial networks do not merely connect actors - they also define who can participate and under what conditions. The Albanese case thus exemplifies how monetary power can operate as a geopolitical instrument, extending influence through the very architecture of the global financial system .

Faced with these dynamics, it is not surprising that a growing number of countries have begun to reassess their exposure to external financial control. The emergence of strategies of financial decoupling reflects a broader shift in how states perceive monetary sovereignty. The case of China's digital yuan is particularly illustrative in this regard. While presented as a tool to enhance domestic payment efficiency and financial inclusion, the e-CNY also reflects a longer-term geopolitical ambition: to build a monetary infrastructure that is less dependent on Western systems and more closely aligned with national strategic interests. Its integration with alternative payment channels and its potential role in cross-border transactions signal an effort to gradually reshape the existing monetary order - not through abrupt disruption, but through incremental institutional innovation .

In this evolving landscape, Europe finds itself navigating between dependence and aspiration. The digital euro project emerges as a response to this tension, not as a radical departure from the current system, but as an attempt to rebalance it. It reflects the recognition that maintaining monetary sovereignty in the digital age requires more than regulatory oversight; it requires control over the underlying infrastructures of payment and settlement. At the same time, the European approach remains distinct: it seeks to combine autonomy with openness, embedding concerns for privacy, financial stability, and inclusiveness within its design. This makes the digital euro not

only a technological project, but also a political and institutional one, whose success will depend on its ability to reconcile strategic objectives with the practical needs and trust of its users.

Looking ahead, the trajectory of the international monetary system appears neither linear nor definitive. The dominance of the dollar, while still significant, is increasingly accompanied by efforts to diversify currencies, infrastructures, and governance models. The likely outcome is not a complete fragmentation, nor a return to a unified system, but the emergence of a more complex and layered order—one in which multiple centers of monetary influence coexist, interact, and sometimes compete. In such a context, the question is no longer simply who controls money, but how that control is structured, exercised, and contested across different levels of the global system.

Ultimately, what this paper highlights is that the geopolitics of finance is no longer confined to states and institutions alone. It increasingly shapes the conditions of everyday economic life, influencing access to payments, financial services, and economic participation. It is within this intersection between global structures and individual experience that the true significance of these transformations lies. The future of money will depend not only on technological innovation or institutional design, but on the capacity of different systems to sustain trust, ensure inclusion, and balance power in a world that is at once deeply interconnected and increasingly divided.

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