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Breaking Free:

Europe's Path to Greater Financial Autonomy

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Summary

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The Trump administration's aggressive use of financial sanctions and threats has laid bare a critical vulnerability: Europe's economic security is at the mercy of US structural power. This continued exploitation highlights a staggering analytical failure in Europe, where banking and finance are rarely seen as geopolitical domains. In March new US Secretary of the Treasury, Scott Bessent, acknowledged that 40%–50% of his role is national security. By contrast, how many of us can recall the last time a European finance minister discussed the centrality of money in our national security decision-making? Europe's dependence on US-controlled financial systems demands urgent attention.

In the eurozone, 'banks' accept demand deposits, offer credit and process payments, unlike credit institutions (credit-only) or payment providers (transaction-only). Large 'direct participant' banks access T2[1] for real-time settlements, while smaller 'indirect participants' rely on them, creating access dependencies. These regulated financial activities, deposit-taking being the most stringent of all, shape a system where most institutions outsource banking to cut costs, amplifying reliance on a few gatekeepers with direct access. This structure exacerbates vulnerability to dominance, a leverage the US has wielded for decades in pursuit of political ends.

This policy brief analyses how US control over financial choke points undermines Europe's strategic autonomy. It examines and reveals the frailty of assuming unfettered financial access will always be there. It explores how the US's reach, coupled with banks' risk-averse behaviour, restricts Europe's policy options, threatening economic and national security ambitions. Without robust, indigenous financial alternatives, the continent risks being forced to bend to Trump. Finance continues to be a huge blind spot for economic security, receiving almost no attention from government officials more

[1] The real-time gross settlement system owned and operated by the Eurosystem.

focused on which goods we buy and sell, but not *how* we pay for them. Europe must re-examine the status quo to understand the interplay between banks and non-banks.

To counter this vulnerability, Europe must pursue *strategic financial autonomy*, defined as the condition whereby European actors can operate free from foreign coercion and sovereign entities can reliably implement policy through financial channels without external interference, a goal this brief advances through targeted recommendations. These include building a more resilient financial ecosystem, promoting euro-denominated liquidity and mitigating extraterritorial legal risks to ensure Europe's policies are not subject to external vetoes or negation.

Keywords Finance – Banks – United States – Economic security – Strategic autonomy

Dependencies and asymmetries emerge

Direct access needs by non-banks often create a one-sided dependency on banks. Moreover, as there is also no automatic right to be banked or have your payments processed, institutions must maintain good relations to access and move funds. Consequently, this creates an imbalanced relationship, with indirect participants critically reliant on direct participants for continuity of operations. With independent central banks and no staterun lenders, European governments must also rely on commercial banks to move their money. Since 9/11, the US has leveraged the Society for Worldwide Interbank Financial Telecommunication and bank data access to monitor global transactions, strong-arming all banks into compliance under the threat of exclusion from US dollar markets, which in commercial terms would amount to a death sentence.

At the systemwide level, this direct/indirect access dynamic means there are a limited number of 'true gatekeepers of the financial system' controlling where, when and how money can move.[2] Over the past quarter of a century, the US has captured these key choke points where funds are released, moved and accepted. Additionally, while correspondent banks may have different risk appetites, indirect participants are always at the mercy of their bank's preferences. To date, European states have had a poor understanding of the simplicity of their dependency on

[2] H. Paulson, 'A Conversation With Secretary Henry M. Paulson', *Council on Foreign Relations*, 14 June 2007.

banks and have not taken steps to address it. This dependency leaves Europe's economic security critically exposed, as explored below.

No security without financial security

It may seem self-evident that to pay for goods and services one needs access to money and somewhere to put that money. Money is the oxygen of the economy and prolonged deprivation kills. It is presumed that when the time is right, organic solutions will emerge from the market to match requirements. However, this is not the case according to Marieke de Goede, a prominent Dutch academic, who has detailed extensively how financial infrastructures, platforms and technologies have all been securitised and imbued with political agendas, to enable or disable certain actors. De Goede refers to this combination of private-sector enablers and US policy preferences as a 'finance/security assemblage'[3]—a bricolage that was initially constructed to fight non-state actors such as al Qaeda but is poised for action against any actor that the US wishes to block. Indeed, just one week into his new term, President Trump threatened Colombia with simultaneous tariffs and sanctions if it did not capitulate to his demands.[4]

Experiences increasingly show that the European presumption of unlimited financial access is flawed—the US has a long track record of weaponising dependencies against friend and foe alike. US sanctions on Iran have twice forced European banks to pull back, cutting off trade and investment routes. The second time this forced pull-back occurred (after 2018), the combined efforts of the three largest economies in Europe (Germany, France and Britain) were insufficient to protect their economic actors, stem the financial blood loss and provide a sovereign shield.[5] Under relentless pressure, European banks still pulled back, thereby helping the first Trump administration to implement its Maximum Pressure policy to break the Iranian economy and bring it back to the negotiating

3 M. de Goede, 'Banks in the Frontline Assembling Space/Time in Financial Warfare', in B. Christophers et al., *Money and Finance After the Crisis: Critical Thinking for Uncertain Times* (Hoboken, NJ: Wiley, 2017), 122.

4 *World ECR*, 'United States and Colombia Reach Deal on Migrant Returns After Trump Threatens Sanctions', 29 January 2025.

5 E. Batmanghelidj, 'Iran Trade Mechanism INSTEX Is Shutting Down', *Bourse & Bazaar*, 2 February 2023.

table, having already exited a non-proliferation agreement that other parts of the US government had confirmed was working.[6]

The relevance to Europe was that it was unable to preserve a signature foreign policy agreement[7] that would prevent the emergence of a nuclear-armed state, or a preventative war, in its near-abroad.[8] This is a policy which has now failed on both accounts. Europe needed to prevserve a vital non-proliferation agreement (JCPoA) with Iran via economic means, hinging on the ability to move and access money to keep Iran 'in'. Europe's complete inability to reciprocate its side of the deal has, in part, led us to where we are in 2025 with the US and Israel bombing Iran, and Iran bombing Israel. The failure to deliver economic statecraft objectives stems from a flawed assumption about financial access.

A faulty presumption

The future of Europe's economic security hinges on one key assumption: that Europe will always have unfettered access to money, whenever and wherever it is needed. But how sure are we really that we will always have a reliable and ample supply of finance for our projects and policies? Any flaw in this assumption poses a risk, because money *is* what makes the economic world go round. Supply chains, friend-shoring and on-shoring of the production and trade of critical goods matter; however, if European economic operators cannot also access vital funds when they need them, then economic security will stall because of financial insecurity. Reliable, large-scale banking is essential to deliver Europe's economic, national and foreign policy goals. Impediments to this goal must be removed, while reliance on demonstrably exploitable weak points in our financial architecture must be reduced in favour of robust, indigenous alternatives.

This private-sector issue escapes public visibility and democratic oversight. Moreover, the European inability to move market actors in a desired direction is embarrassing, and who likes being reminded of their own limitations? Instead, the continent-wide policy to date appears to have been one of avoidance: do not acknowledge the problem and do not address this shortcoming, just accept the occasional inconvenience. This policy has worked most of the time as divergence

6 C. Cimino-Isaacs, K. Katzman and D. Mix, *Iran: Efforts to Preserve Economic Benefits of the Nuclear Deal*, Congressional Research Service (26 February 2019).

7 European Council, 'Iran's Nuclear Agreement' (17 November 2023).

8 K. Robinson, 'What Is the Iran Nuclear Deal?', *Council on Foreign Relations*, 27 October 2023.

from the US has been rare, but if the frequency and severity of disagreements increases further in the age of Trump 2.0, what then? What if the US weaponises this generally benign vulnerability against us, removing independent choice, and attempts to cajole us by targeting our economic actors in a bid to bend our will to Washington's, as has already happened with tariffs? To counter this risk, we must understand Europe's financial vulnerabilities.

Financial insecurity

First, we must map Europe's financial vulnerabilities and how they are manifested today. As the US is currently the only financial superpower engaging in coercive practices, the focus is on assessing the level of insecurity such measures pose to Europe and how this is manifested. Perhaps in the future we will need to consider other actors—China, or a configuration from Brazil, Russia, India, China and South Africa (BRICS)—but for now, the US is the undisputed financial hegemon and the only actor restricting Europe financially.

Principally, this US financial power projection occurs in two spheres: first among private-sector economic actors and then among other sovereign states. In both cases, this power is a denial capability—in other words, it is preventative. In the first space, among market actors, it distorts cost–benefit analyses, prompting de-risking and de-coupling. European private-sector actors are increasingly barred from engaging in sectors and geographies that banks, under pressure from US financial influence, deem undesirable, leaving them with limited recourse.

This de-risking, often termed 'over-compliance', emerges when financial institutions, particularly banks, adopt excessively cautious risk-management practices to avoid compliance risks, a phenomenon driven by a cognitive bias known as *probability neglect*. By overreacting to low-probability, high-consequence threats, banks create unintended collateral damage, barring European private-sector actors from vital sectors such as renewable energy and defence. This excessive risk aversion is eroding Europe's strategic autonomy, as governments are struggling to counter the private sector's reluctance to engage in strategically important but perceived risky activities. This private-sector pullback amplifies US financial influence, as detailed next.

Tone-setting

Since at least 2018, European politicians have been aware of the de facto veto banks have over European government policy, noting 'large European banks [have] become the agents of US government's voluntary public service according to the rules of compliance, compliance to ensure that everyone respects American rules'.[9] The US has adeptly harnessed private-sector actors, chiefly banks and financial institutions, to enforce its national security agenda internationally, transforming them into enforcers of American policy.

This tone-setting has occurred at the expense of these private-sector actors' own commercial interests or regional priorities through a mix of legal pressure, reputational risk and market dynamics. Eurozone banks such as BNP Paribas, which have been stung by fines of billions of euros, are now de-risking, shunning permissible trade to safeguard US interests. Indeed, this self-policing extends US reach without direct intervention, as banks have internalised American norms via compliance departments staffed with risk-averse lawyers and compliance officers. These professionals, commonly cycling between the US public sector and the private sectors, embed US-friendly standards on anti-money laundering or sanctions into bank operations, aligning them with Washington's agenda.

Other forms of pressure—tariffs, the withdrawal of military aid, the denial of intelligence sharing—have already been threatened and used to steer European policy. So why would we assume banks will not be mobilised too to indirectly coerce European policymakers? Banks act as proxies, reshaping global financial behaviour by stigmatising non-compliance and diffusing US priorities through correspondent networks. For two decades now, from Hank Paulson to Scott Bessent, we have seen the most senior US finance officials repeating the importance of the national security function of banks, and marshalling bankers to align with the US view of 'compliance', which is simply a euphemism for 'policy implementation'. Consider these excerpts from two different speeches, given to systemically important banks by two different secretaries, 18 years apart (emphasis added):

> Your participation today underscores our critical goal of protecting our national security while continuing to strengthen our economy. *Economic security and*

[9] P. Bonnecarrère, *Rapport d'information fait au nom de la commission des affaires européennes sur l'extraterritorialité des sanctions américaines*, French Senate Session, no. r18-017 (Paris, 4 October 2018), 50. Author's translation.

> *national security go hand-in-hand*. Public–private partnerships like today's event are vital to safeguarding our financial system against threats.[10]

And

> Treasury is now a key pillar of the president's national security and foreign policy strategy. . . . Once some in the private sector decide to cut off those we have targeted, it becomes an even greater reputational risk for others not to follow, and so they often do. Such voluntary implementation by the private sector in turn makes it even more palatable for governments to impose similar measures, thus creating a mutually reinforcing cycle of public and private action. . . . Treasury can effectively use these tools largely because the US is the key hub of the global financial system. *We are the banker to the world*.[11]

The message is clear and consistent throughout, despite the years between them: access to money is national security. It is essential, and anyone who gets in our way will be deprived of such access if we mobilise banks against them. Why in the Age of Trump, when all previous rules have been abandoned and 80 years of cooperation sacrificed for marginal gains, does Europe still think the US would not be prepared to use the banks against it? Oddly, while there are no Europeans ready to deny this force's existence when it is working alongside them on Russia sanctions, there are those who still refuse to concede that this force, this form of leverage, could also be directed against them in the future, and so they refuse to act.

Asserting jurisdiction

For two decades, the US has positioned itself as *the* global financial enforcer, asserting jurisdictional claims over banks and all US dollar transactions by claiming a 'US nexus', spreading its authority worldwide and across all borders. Broadly speaking, this nexus applies to interactions with the US dollar, US financial infrastructure and US persons. This approach exploits the dollar's dominance and the interconnected nature of modern international banking to compel compliance from foreign institutions, even in the eurozone, aligning them with US national security objectives. The result is a coercive framework that transcends traditional territorial limits, reshaping global financial behaviour through asymmetric power

[10] S. Bessent, 'Treasury Secretary Scott Bessent Remarks at FinCEN Iran Maximum Pressure and Counter Terrorism (IMPACT) Exchange Series', US Department of the Treasury (2 April 2025). This is another example of the public–private sector dialogue discussed earlier.

[11] Paulson, 'A Conversation with Secretary Henry M. Paulson'.

dynamics. This nexus has become a legal and reputational tripwire: a single dollar transaction to the wrong party can expose a foreign bank to US penalties. The threat of sanctions or fines results in self-policing by banks—both of their customers and of the other banks they interact with—thereby amplifying US influence.

Extraterritorially, secondary sanctions escalate this control, targeting non-US entities for dealings with sanctioned parties such as Iran, even if no US nexus has been created. These measures punish foreign banks by threatening exclusion from the US dollar system—effectively a commercial death sentence given the dollar's primacy. For example, European banks faced hefty fines for Iran-related transactions in the late 2000s and early 2010s, driving de-risking trends in which they later abandoned legally permissible trade. Secondary tariffs, announced at the end of March 2025, though new and less tested, mirror this same logic, imposing costs on firms and countries engaging with US adversaries even when no US nexus (US person/US dollar/US institution) is present. This financial power hinges on the dollar's chokehold over global trade and finance, where no viable alternative currency or system yet rivals it. It amounts to the highly coercive exploitation of an asymmetry.

The US wields this disproportionate control over financial networks, while foreign banks, having spent 40–50 years becoming dependent on US dollar access and usage,[12] lack reciprocal leverage and the compulsion or bravery to choose alternatives. This dynamic transforms banks into desperate proxies for US policy, willing to do whatever it takes to maintain access, even if that means playing the role of marketplace enforcer on behalf of Washington. Experience shows that eurozone banks, such as BNP Paribas and Deutsche Bank, lacking protection from home, will inevitably bend to this coercion.

By way of a direct US nexus or audacious extraterritorial assertions, economic interdependence with the US is weaponised against Europe time and time again to gain advantage. The most recent tariff episode is simply the latest iteration of this same story: the US has mastered the leverage of asymmetries, networks and punitive tools, compelling foreign economic actors to serve its strategic ends irrespective of their home jurisdictions or domestic governments' agendas. In the world of banking this has long since coalesced into a sole global financial unipole, based in New York, from where the US dictates terms and demands obeisance. This US dominance has profound implications for Europe's sovereignty, as explored below.

[12] E.g. in the case of Eurodollars. These are US-dollar denominated funds held in banks outside the US—originally this practice started in Europe, hence 'Euro'.

Someone else's statecraft

The practical result of de-risking in the first sphere cascades into the second sphere, that of governments, where this pullback by private-sector actors thwarts and inhibits them from operationalising their state- or bloc-level policy preferences. This severely restricts their range of autonomous motion. Simply put, it is hard to get much done when your banker will not help you or move your money. Lacking their own policy enablers, European states are therefore blocked from implementation because they lack the practical means to deliver policy.

Just as the famous Henry Ford maxim goes, you can have any policy you want so long as it is an American policy. So, yes, while strictly speaking states can do whatever they want, good luck to them if they are trying to enact a policy that needs access to money and of which the US does not approve. The US has, therefore, a de facto veto on policies that require implementation through the financial system, even when all the economic actors are European, and often conducts its economic statecraft through private-sector dialogue. This dialogue with foreign firms can shift from cooperation to coercion when powerful states pressure foreign firms to align with national objectives: by exploiting asymmetries such as market access or regulatory control, governments stoke risk aversion through implied threats such as fines or restrictions. The US has used this form of dialogue to compel European banks to enforce sanctions on Iran, Cuba and Russia, bypassing their governments to directly influence firms, while China similarly pressures companies to localise operations.

What does strategic financial autonomy look like?

In this dire context, how can Europe regain greater control over its financial situation? And what would greater financial autonomy look like? It may be useful to describe what a better situation would look like and to then take steps towards this goal. The following working definition of greater European financial autonomy is proffered:

Strategic financial autonomy is the condition whereby European actors can operate free from foreign coercion, and European sovereign actors can reliably *implement policy through financial channels without interference or obstruction from external parties.*

Such a state would allow our economy to have consistent access to finance and deposit facilities to engage in trade, investment and insurance activities compliant with European law, without prejudice or fear of coercion by third parties. Perfection is not possible, but improvements to the status quo absolutely are.

As a feature of the ongoing integration of the EU's common market, financial security has so far been viewed overwhelmingly as an internal matter related to the completion of the Banking Union. Its external dimension has come into the spotlight only where third countries, first and foremost the US, have been able to dictate the terms under which EU-based economic actors operate abroad and at home.

European countries operate within a structurally unfavourable environment, which severely constrains their range of policy motion. Unless structural change occurs, European counter-measures will keep failing whenever they diverge from US policy and depend on private-sector delivery. So, until circumstances are altered, and whenever these two conditions are present, Europe will most likely struggle to maintain or achieve its foreign and national security interests.

Recommendations

To achieve *strategic financial autonomy*—enabling European actors to operate free from external coercion and ensuring sovereign policy implementation through financial systems—the following recommendations address critical vulnerabilities in Europe's financial architecture. Europe's journey towards greater financial autonomy hinges on reducing its systemic over-reliance on financial structures dominated by the US. The current European financial system has multiple *single points of failure*—critical components whose individual breakdown would each cause systemic disruption or even denial of operation. Identifying and mitigating these single points of failure is essential to ensuring overall resilience.

Three recommendations follow for strengthening the European financial system: building native alternatives, resisting external coercion and enhancing overall resilience to attack. These recommendations offer practical steps to secure better financial independence, balancing deterrence with cooperation in this era of heightened geopolitical tension where the control of money effects security.

Build a more resilient financial ecosystem

Europe's reliance on US-dominated finance exposes it to coercion and prioritises short-term gains over strategic autonomy. To counter this, Europe must develop a more resilient, but also a more attractive, alternative financial ecosystem under its own control. This ecosystem must be as integrated as possible, offering complementary infrastructural nodes and links for payments, banking and insurance.[13] In this new space, economic actors will be able to borrow, move, pay and receive funds, confident in their ability to deposit the proceeds of trade and investment with less risk of loss or denial of access. This requires a move away from reliance on the granting of permission by existing, risk-averse institutions that are trying to please external regulators in the US.

Within this new financial ecosystem there should be a combination of new and existing institutions willing to lend to projects and initiatives to which Europe has no political objection (e.g. those in Cuba, or Iran under the Joint Comprehensive Plan of Action) or actively promotes as part of its own strategic interests (e.g. ReArm Europe/Readiness 2030). A fully state-backed depository institution with direct market access is proposed in the first instance. Unlike the limited Instrument in Support of Trade Exchanges (INSTEX) concept of 2019–23, this entity must function as a complete bank, providing trade finance, letters of credit, deposit taking, investment and possibly insurance services. The scale of its activity would need to reach the tens, if not hundreds, of billions of euros.

Moreover, it should be politically endorsed from its conception, with strong and continuous political advocacy. It also requires solid funding from all member states to ensure its resilience and market credibility, avoiding the pitfalls of past initiatives such as INSTEX, which was immediately shunned and marginalised and was without robust defence from the European capitals.[14] At a minimum, every central bank in the EU and other sovereign-owned entities, such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development, would be allies, plus ideally the Bank of England and the Swiss Central Bank.[15] It would conduct its business using the euro and other significant European currencies, operating without any US dollar nexus to avoid its ensnarement in aggressive US jurisdictional capture and to assure its ability to provide funding for projects aligned with European interests.

[13] Insurance and reinsurance fall outside the scope of this work but are another area where complementarity and alignment should be offered.

[14] The author saw this first-hand for four years.

[15] Other G7 states may also be open to connections.

Currency promotion

A wider and deeper offering of liquidity denominated in the euro must also be promoted as a strategic imperative. Greater use of the euro would create a virtuous circle, allowing it to be lent out at a competitive price to the market and increasing its overall usage. This would wean European lenders and borrowers off cheap Eurodollars, which come with US-centric baggage. In time, this would enable the transition of European economic actors away from the currency dependency dilemma whereby US dollar borrowing is just too cheap to say 'no' to. To achieve such a step will need to begin with efforts to grow and promote a larger and more profound (and therefore cheaper) pool of euro credit.

This pool would be backed by stable securities, such as Eurobonds, which would be fully mutualised and synergistically pooled debt. Given the markets' unprecedented distrust and increasing shift away from US dollar assets in the past month,[16] the time could not be better to promote increased use of the euro, especially among our own institutions and within Europe. The inertia of custom and convention will of course continue to carry the US dollar far as the world's currency, just as it carried the pound sterling for several decades after London lost its hold on global finance after the First World War. This is fine, because Europe has no intention of knocking 'king dollar' off his throne, but merely needs to reduce its own febrile dependency which, according to the US vice-president, has made Europe a US 'vassal'.[17]

It is precisely because macro-trends take time to gain traction that Brussels should start now, at this most opportune moment, in order to reap the rewards as soon as possible. The timing could not be better or more urgent to reduce the dollar-denominated share of borrowing and debt in Europe. Between the funding of European defence initiatives and responding to aggressive trade policies, Europe's future and strength lies in teamwork. Given the stakes, ideas which were formerly out of consideration or hopelessly aspirational should at least be reconsidered for viability in this changed reality.[18]

In this vein, the European Central Bank (ECB), presumably the primary issuer of future debt instruments, should consider a programme to incentivise reduced

[16] *Economist*, 'A Flight From the Dollar Could Wreck America's Finances', 13 April 2025.

[17] S. Starcevic and L. Kayali, 'JD Vance: Europe Is a "Permanent Security Vassal" of the United States', *Politico*, 15 April 2025.

[18] *Eurofi*, 'Strengthening the International Role of the Euro: How?' (September 2019).

usage of debt denominated in non-European currencies.[19] European financial actors have developed a severe path dependency for the borrowing and storing of value in external currencies—they need a more attractive local alternative. Providing European buyers of US and Chinese bonds with a small premium or tax break to swap or sell their holdings for more pro-European alternatives could be considered an option to dry out the European market's appetite for US debt. However, this swap or sell process should be carefully managed and performed gradually in tranches to avoid appearing hostile,[20] performed over the medium term (three to five years), and aim to avoid undesirable market behaviour such as swings or 'hot money' flows.

Given the capricious behaviour of the Trump administration in recent months in every single domain, it is likely that many European financial institutions would welcome safer harbours. Scanning the limited number of options worldwide, there is no finer alternative than the euro to diversify risk and protect asset value. [21]

Risk in the résumé

A persistent blind spot in Europe's financial infrastructure is the legal ensnarement of key decision-makers through the weaponisation of their US personhood. When these people introduce external legal obligations in foreign laws—such as the Foreign Account Tax Compliance Act, the Foreign Corrupt Practices Act or primary sanctions—they may be exposed to pressures, pressures which shape the decision-making of European institutions, at times in ways that do not support Europe's security.

This staffing vulnerability is not theoretical. Over the past two decades, the US has developed and refined a model of extraterritorial enforcement built not only on infrastructure and currency, but around individuals, literally making this a 'human' issue. The extension of jurisdiction through US personhood—defined broadly to include US citizens, green card holders and tax residents—has become a tool of influence. US laws apply reporting obligations, sometimes codified in criminal law, to these individuals wherever they operate in the world, and institutions have increasingly adapted by elevating their risk aversion into standard practice.

[19] British pounds and Swiss francs, as major European currencies, should also be welcomed.

[20] This will be a balancing act—Europe does not want to be perceived as trying to crash US or Chinese bonds; however, the negative leveragability their possession brings about should not continue. Particularly for the US, there is a contradiction: it cannot simultaneously weaponise its system, currency and instruments and then complain when others do not want to keep being coerced through them.

[21] T. Rooks, 'Mar-a-Lago Accord: Is Donald Trump Deliberately Trying to Weaken the US Dollar?', *Deutsche Welle*, 20 March 2025.

What began as legal prudence has, in many cases, become insidious alignment whereby decision-makers bring their personal 'need' to comply with legally dubious[22] extraterritorial laws to their place of work, applying their need to conform to the institution and being unable to discern the difference. This approach to weaponising citizens abroad is also increasingly used by China to silence dissidents.[23]

To address this, the existing 'fit and proper' test applied to individuals in positions of responsibility in regulated financial institutions should be amended to include clearer definitions and assessment processes for external legal conflicts of interest.[24] This would cover those with US personhood or tax obligations, fiduciary duties to non-European jurisdictions or ongoing legal exposure under foreign enforcement actions. Where material conflicts exist, individuals should either be recused from decision-making in sensitive areas or on specific projects, or, where the conflict cannot be managed, be reassigned or removed. Potential conflicts must be clearly reported for review. This revised standard must apply retrospectively as well as prospectively to regulated institutions.

All current board members, executives and senior compliance/legal/risk staff in system-critical financial institutions should be subject to review under the new criteria. Where these roles involve access to sensitive data or strategic decision-making, unresolved conflicts must be addressed. For future appointments, conflict screening should be treated with the same seriousness as foreign direct investment in strategic sectors. Personnel with extraterritorial legal obligations, even potential ones, should be flagged in the same way as foreign entities seeking control over critical infrastructure. This is not about exclusion but transparency—ensuring that European financial infrastructure is managed with full awareness of any competing legal risks. Failure to identify risks in this area is no longer appropriate given the centrality of finance in modern national security and foreign policy.

[22] See, for example, US Office of Foreign Asset Control, 'Who Must Comply With US Sanctions' (21 August 2024).

[23] See Operation Fox Hunt: US Department of Justice, 'Leader of Multi-Year Operation Fox Hunt Repatriation Campaign Directed by the People's Republic of China', Press release, 19 March 2025. See also China's use of Overseas Chinese Service Centres and the United Front Work Department as examples of this.

[24] For example, by amending section 3.3. on managing conflicts of interest in European Central Bank, *Guide to Fit and Proper Assessments* (2021).

Conclusion

The financial vulnerability of Europe has been laid bare by the US's increasingly aggressive use of finance to advance its national security aims. At the heart of this vulnerability lies a dangerous assumption: that access to financial services will always be available when needed. European firms and governments remain worryingly dependent on a handful of unsecured choke points—including payment, settlement and correspondent-banking networks, leaving the continent exposed to coercion, policy sabotage and de facto vetoes on sovereign action. Financial infrastructures and decision-making can be shaped by external legal and reputational pressures.

To redress this, Europe must pursue three interlocking measures.

1. *Europe must build a European financial ecosystem*. Europe needs a resilient, indigenous financial ecosystem comprising new payment and settlement routes, exchange platforms, trade-finance and insurance vehicles, and (above all) a state-backed depository institution to guarantee uninterrupted service free from external interference. European financial institutions must stop applying foreign legal regimes, such as US sanctions or anti-money-laundering rules, and treating themselves as US persons when they are not. These practices introduce foreign national security priorities into European operations and undermine strategic autonomy. Supervisors should issue even clearer guidance discouraging, even forbidding, the voluntary adoption of extraterritorial compliance standards unaligned to European goals, and acceptance of the excuse that they are in place 'for commercial reasons' must not be allowed to continue.

   The proposed new European bank must be empowered to successfully process transactions that are legal under EU law, regardless of whether all commercial banks are initially willing to accept its mandate. A monitoring mechanism should track service refusals by market actors, triggering policy responses ranging from private engagement by government officials to public accountability for unfriendly interactions. Over time, an accreditation system should be developed to recognise financial institutions that consistently align with European priorities and cooperate with pro-European infrastructure. Normalising this behaviour would help reset expectations across the market. The days of European security aims being coldly received by European commercial actors must end.

2. *Europe must deepen and diversify euro-denominated liquidity, providing a more plentiful supply of euro debt to the market for it to buy*. By incentivising more extensive use of the euro in trade and investment Europe can wean its banks away from cheap US dollar borrowing, which comes with the strings of US national security attached. This should be achieved through a phased approach, requiring all sovereign-owned financial institutions to raise capital and issue debt exclusively in euros by a fixed date, such as 2030. Member states should pool debt to avail themselves of synergies[25] and both the ECB and EIB should begin selling debt to fund projects of value to the entire Union in infrastructure, technology, society and defence. This timeline would encourage forward planning and send a strong market signal that Europe is serious about currency sovereignty. A similar requirement should apply to all EU-funded initiatives and infrastructure projects, mandating that budgets, tenders and disbursements, whether domestic or involving external partners, be exclusively denominated and executed in euros.

   In parallel, *EU institutions should coordinate a long-term reserve-adjustment strategy to gradually reduce dollar-denominated holdings across European central banks*. This effort must be accompanied by the issuance of stable, liquid euro-denominated securities—such as fully mutualised Eurobonds—to provide a credible alternative. To accelerate the market transition, European financial actors holding significant US dollar or Chinese yuan assets could be offered a structured incentive to rebalance into euro-based instruments. For example, tax incentives or capital relief could be extended to institutions that swap or divest significantly from non-European assets in favour of pro-European equivalents. These measures should be implemented gradually, in tranches, to avoid market disruption or accusations of hostile intent. This euro-alignment push must begin at the EU institutional level but should extend deep into the commercial sector, where capital reallocation decisions will increasingly favour geopolitical safety and monetary reliability. With ‘slow money’ already beginning to question long-term US dollar exposure, Europe should position itself as the natural destination for risk-aware capital.

3. *Europe should enhance fit-and-proper standards—identifying and managing conflicts of interest among senior financial officials*. This will secure Europe’s strategic autonomy and reinforce its policy credibility. The ECB’s existing fit-and-proper rules ensure that the people running Europe’s biggest banks

[25] A larger pool of debt is greater than the sum of all its parts and gains synergistic qualities. Here 1+1 ≠ 2 but more accurately 1+1 > 2; this grows with new additions so 1+1+1 is even more than 3.

are trustworthy, sufficiently skilled and can make decisions without outside pressure—these could be readily adapted. These rules already filter for criminal records, past misconduct, lack of experience or poor time commitment—anything that could make it harder for someone to manage risks or meet high standards in the job. In the context of European financial autonomy, this means ensuring that individuals with key decision-making authority in critical financial institutions are not subject to or leverageable by external legal obligations, particularly US ones. This exposure could distort their judgement or cause them to feel undue pressure to enforce non-European rules and preferences.[26]

Immediate priority should be given to mapping how many senior figures in European financial institutions are currently dual nationals, green card holders, have significant US investments or may otherwise be classified as US persons by the US government. This is important in order to see how Washington may view these people as dormant leverage. This baseline audit would allow regulators to assess the scale of the risk and decide whether targeted safeguards, recusal procedures or personnel adjustments are required. Implementation would not be technically difficult—but it would demand political agreement that conflicts of interest, even when informal or personal, can have strategic consequences. The EU already vets foreign direct investment into sensitive sectors for security reasons; extending this logic to human capital within systemically important financial institutions is a practical and easy next step.

By defining *strategic financial autonomy* as both freedom from foreign coercion and reliable policy execution, this brief has provided a clear objective, aided by recommendations that would build resilient financial systems, promote euro liquidity and mitigate extraterritorial risks to secure Europe's economic sovereignty. The current finance/security assemblage, blending private-sector proxies with US policy agendas, systematically undermines Europe's autonomy. In particular, larger banks, coerced by US jurisdictional reach, frequently restrict vital sectors, exposing Europe to external control. Addressing this requires robust, independent financial systems to counter such sophisticated coercion.

Yet implementing these recommendations will not be easy. Financial autonomy is not just a technical challenge—above all, it is a political one. Achieving it will require confronting entrenched interests and establishing new ways of doing things

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26 In the same way, the EIB felt pressure not to support Europe's non-proliferation policies with Iran which required financing in 2018. This was despite being given an adequate mandate by the Commission to engage on Euro-Iranian financing. Why?

in Brussels and beyond. Many of the obstacles are internal: inertia, diverging national preferences and deeply embedded relationships with US institutions that shape decision-making. Europe has now twice paid the price for failing to prepare for Trump. What is needed now is political will, that is, a figure with the mandate and authority to lead this charge—a dedicated European financial autonomy champion. This champion could be nestled within the EU's economic security team and would be tasked with coordinating cross-institutional reform and setting measurable goals for improving strategic financial independence.

At its core, this is not only a policy question but an ontological one. Europe must overcome the mental block that sees finance as a neutral, apolitical domain rather than a central pillar of power. European officials must recognise that geopolitical stability can no longer be assumed and that economic tools will be used to coerce us again and again until we strengthen ourselves. Strategic financial autonomy will take time to build, but delay is not neutrality—it is surrender by default. Europe must choose to act, while it still has room to shape its own future.

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