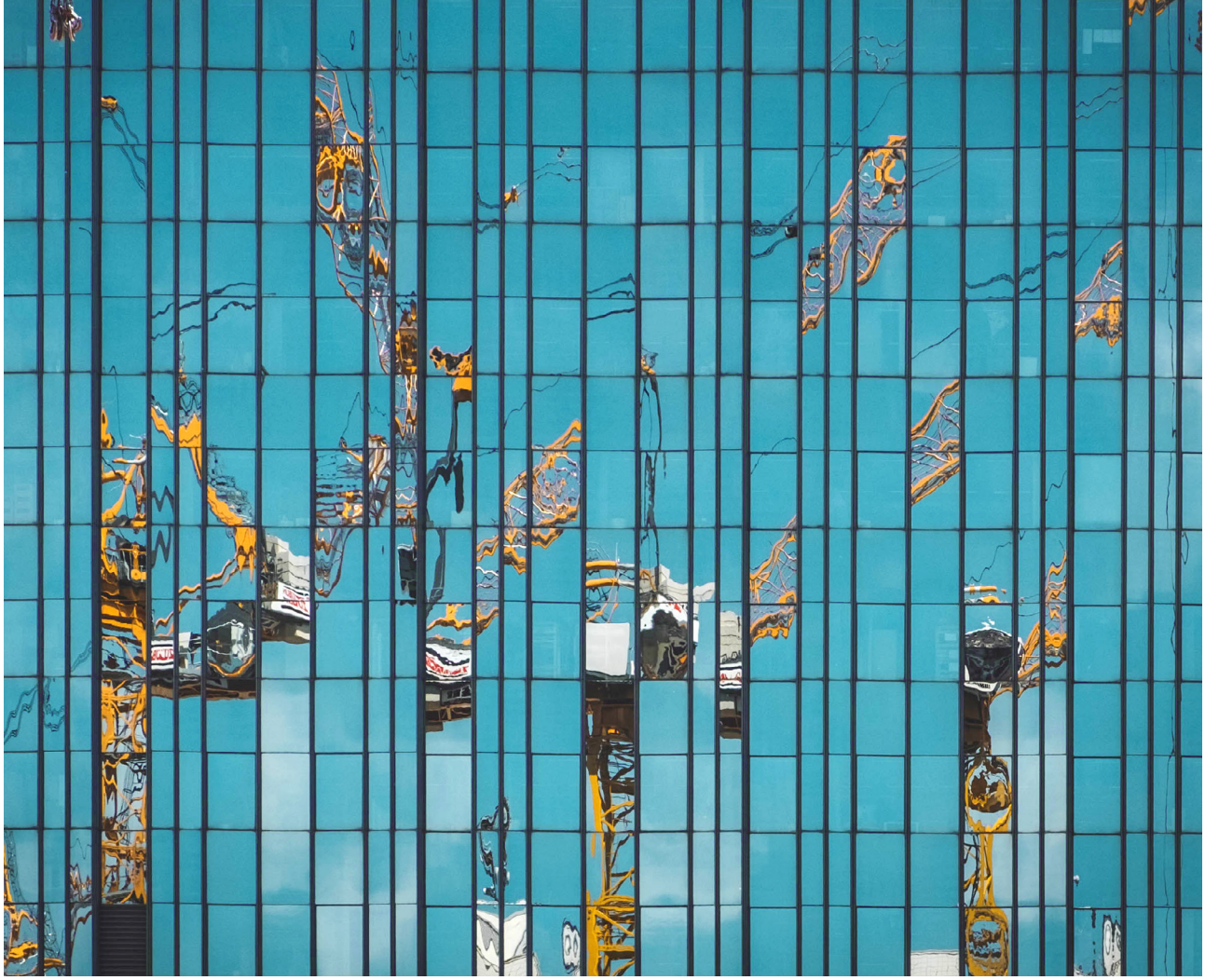


Money unbundled

The implications of stablecoins and the evolution of monetary sovereignty

OLIVER WYMAN
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REINVENTING BRETTON WOODS COMMITTEE

To its users, money seems so simple: a common measure of value, means of payment and store of wealth. But behind that apparent simplicity sits a complex institutional architecture: a sovereign currency, public and private issuers, reserve assets, payment and settlement infrastructure, regulation, and a central bank able to influence monetary conditions and provide liquidity in a crisis.

Governments spent centuries bringing these elements into a coherent whole. They did so to gain monetary sovereignty — that is, the capacity to govern money. This hinges on more than issuing a currency: states wanted to govern the institutions and infrastructure through which that currency is created, transferred and trusted.

Stablecoins unbundle that architecture. A stablecoin can be denominated in the currency of one country, issued by a company in another, backed by assets held in a third, and circulated over infrastructure governed across several more. The currency, issuer, reserve assets, payment rail, customer relationship, and transaction data need no longer all sit within the same monetary framework or regulatory perimeter.

Stablecoins do far more than digitize money. They unbundle the monetary system.

This unbundling delivers both benefits and risks. Stablecoins combine the familiarity of sovereign currencies with the speed, reach, and programmability of digital networks. They can reduce the cost of cross-border payments, support the settlement of tokenized assets, and provide households and businesses with easier access to stable stores of value. Yet they can also move savings, payments, and settlement beyond the institutions that domestic authorities oversee — and do so at lightning speed. This creates new dependencies and vulnerabilities.

The reach and significance of these effects also differ across jurisdictions. Stablecoins denominated in major reserve currencies may extend the international reach of those currencies while accelerating currency substitution in emerging economies. Stablecoins denominated in domestic currency may preserve the national unit of account while nevertheless shifting issuance, infrastructure, and customer relationships towards new private providers.

The task for central banks is broader than regulating a new class of issuer. It is to understand which monetary functions are becoming separated from the institutions through which they have traditionally been governed, which connections to public money and oversight remain essential, and which new capabilities they will need as adoption grows.

Monetary authorities have several broad strategic choices. They can seek to ban stablecoins. They can compete by developing public or regulated domestic alternatives. Or they can adapt by integrating stablecoins within an appropriate regulatory framework.

Stablecoins unbundle the monetary architecture by allowing the currency, issuer, reserve assets, payment rail, customer relationship, and transaction data to be part of different monetary frameworks.

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But authorities also must ask how to translate those broad strategies into a practical policy framework as the architecture of money becomes increasingly modular. That starts with defining what kind of market they want to create: whether to prohibit stablecoins, recognize those issued elsewhere, or set up a domestic issuer regime. They also must decide which currencies, users, and activities to permit. Then there are the questions of who may issue the digital currency, how private digital money remains anchored in public money, how the supporting infrastructure and data are governed, and whether the system can still be stabilized under stress.

Policy design is not the only challenge. Stablecoins cut across monetary policy, payments, supervision, market operations, technology, and crisis management. Central banks also must internally connect their own internal functions as deliberately as they reconnect the monetary architecture.

Governing stablecoins goes beyond the challenge of regulating new technology. At its heart, it is about designing the next architecture of money.

Stablecoin policy is ultimately about designing the next architecture of money and ensuring central banks are organized to govern it.

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1 | What does unbundling mean for monetary sovereignty?

Monetary sovereignty is not a single quality that a country either possesses or loses. It comprises several related functions. States care about the currency in which prices, wages, taxes and contracts are expressed; the instruments and networks through which payments are made; the form and currency in which savings are held; their ability to influence monetary conditions and provide liquidity during stress; and the infrastructure through which money is issued, held and transferred. Modern monetary systems progressively brought these functions together through a common institutional architecture: sovereign currency, regulated private money, payment systems anchored in central-bank money, and public arrangements for oversight and crisis support.

Stablecoins do not necessarily displace these sovereign functions; rather, they unbundle the architecture through which they are delivered. A sovereign currency can remain the unit of account even as issuance moves to a private non-bank, reserves are held by another institution, payments occur over a global blockchain, and customers interact through independently operated wallets. What historically sat within a relatively coherent national monetary framework can increasingly be provided by different institutions across different jurisdictions.

The implications for monetary sovereignty are consequently uneven. The unit of account is generally the most resilient: Most stablecoins reference an existing sovereign currency and may reinforce its use. But foreign currency stablecoins can make currency substitution easier where confidence in domestic money is already weak. Change can be more immediate in payments and savings. Stablecoins allow payments to move outside conventional banking and domestic payment rails, while foreign currency stablecoins make it easier to hold claims on another currency without physical cash or a foreign bank account. Domestic currency stablecoins create a different issue: savings may migrate from bank deposits towards non-bank issuers, with implications for bank funding and potentially credit provision.

The consequences for monetary stabilization and financial infrastructure become more important as adoption grows. If significant savings and payments migrate outside the banking system, monetary-policy transmission may become less direct and runs or redemptions can create new channels through which stress reaches conventional finance. At the same time, issuers, custodians, blockchains, wallets, and technology providers may operate across multiple jurisdictions, creating new dependencies and potentially reducing authorities' visibility over critical monetary infrastructure.

Monetary sovereignty does not require every element of the monetary architecture to remain bundled or domestically owned. The more important question is whether authorities retain the capacity to choose: which elements can be opened to competition, which can be privately or internationally provided but require effective public oversight, and which must remain connected directly to public money, settlement or crisis capacity. That shifts the policy question from whether stablecoins should simply be permitted or prohibited to how an increasingly modular monetary architecture should be designed.

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A five-stage policy framework for governing the unbundled monetary system

If monetary sovereignty does not require every element of the monetary architecture to remain bundled, the policy challenge is to determine which elements may safely separate — and which connections must be preserved.

In our previous article, we identified three broad strategies for governing stablecoins. Authorities can prohibit them and seek to keep them outside the domestic monetary system; compete by developing public or regulated domestic alternatives; or adapt by integrating stablecoins under appropriate safeguards.

Those strategies remain relevant, but they are only the starting point. They can be applied differently across currencies, users, and activities. A country might restrict foreign currency stablecoins used for retail saving, compete by developing domestic alternatives for everyday payments and adapt by permitting regulated stablecoins for wholesale or cross-border settlement.

Policy needs to move from broad strategic posture to detailed architectural design. Authorities must decide, sequentially, what market to permit, who may issue and stand behind monetary claims, how those claims remain anchored in public money, how supporting infrastructure is governed, and whether the system can continue to function under stress.

Together, these decisions form a five-stage policy framework. Consequently, there is no single stablecoin policy model: Authorities that broadly permit private stablecoins differ materially in who may issue them, how they are anchored in public money, how infrastructure is governed, and what crisis arrangements sit behind them. The five-stage framework provides a way to compare monetary architectures, rather than simply classify jurisdictions as permissive or restrictive.

> Monetary sovereignty does not require keeping the system bundled, but it does mean knowing which connections cannot be allowed to break.

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Exhibit 1: Five policy decisions for an unbundled monetary system

	Stage	Core decision	Key dimensions	What must be preserved
1	**Define the market**	What role should stablecoins play?	• Which currencies should be permitted? • Who should be able to use stablecoins for what purpose(s)? • Should foreign-issued stablecoins be permitted?	Deliberate control over the market that develops
2	**Design the issuer regime**	Who may issue and stand behind a stablecoin?	• Which institutions should be allowed to issue? • Must issuers be domestic or can foreign issuers participate? • What safeguards should apply? • How should requirements increase with a stablecoin's scale?	Accountability for every monetary claim
3	**Preserve the public monetary anchor**	How do stablecoins remain interchangeable with sovereign money?	• What assets should back stablecoins? • How should reserves be protected? • What redemption rights should holders have? • How should stablecoins exchange with other forms of money? • In what asset should obligations be settled?	Singleness and interchangeability of money
4	**Govern the wider infrastructure**	Can authorities govern the systems and data on which stablecoins depend?	• Which infrastructure and providers require oversight? • What resilience standards should apply? • What information must authorities be able to access? • How should concentration and critical-provider dependencies be managed?	Governability and operational continuity
5	**Build crisis capacity**	Can the system continue to function under stress?	• What risks and flows need to be monitored? • When, if ever, should central bank liquidity be available? • How should failed stablecoins be resolved? • Who leads and coordinates across borders?	Capacity to stabilize the system under stress

Source: Oliver Wyman

STAGE 1

Define the market

What role should stablecoins play in the monetary system?

The first decision is not who should be permitted to issue a stablecoin. It is whether authorities want to create a domestic stablecoin market at all — and, if so, what form that market should take.

Authorities may choose to:

- Prohibit or restrict stablecoin issuance and use
- Permit the use of stablecoins issued under recognized foreign regimes
- Establish a domestic licensing regime for private issuers
- Promote public or regulated domestic alternatives, such as faster payment systems, tokenized deposits, domestic currency stablecoins or central bank digital currency

These choices need not be uniform. Authorities can distinguish between domestic and foreign currency instruments; retail and wholesale use; payments, settlement, and saving; domestic and cross-border activity; and locally issued and foreign-recognized instruments. A foreign currency stablecoin used by financial institutions for cross-border settlement, for example, raises quite different sovereignty questions from the same instrument held by households as a substitute for domestic-currency savings.

The prohibit, compete, and adapt strategies can be combined across the market. Authorities might restrict foreign currency instruments for retail saving, improve domestic alternatives for everyday payments, and permit regulated stablecoins for wholesale settlement.

Jurisdictions are already combining these approaches. Mainland China restricts privately issued virtual currencies while developing the e-CNY. The European Union regulates private stablecoins, while also developing the digital euro. Hong Kong permits licensed private issuance, while encouraging instruments linked to the domestic currency.

The objective is not necessarily to prevent every use of foreign digital money. It is to make a deliberate choice about the stablecoin market authorities wish to create, rather than allowing its structure to develop organically.

> The first policy choice is not who may issue a stablecoin, but whether authorities want to allow a domestic stablecoin market to develop at all.

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STAGE 2

Design the issuer regime

Who may issue, and who stands behind the monetary claim?

Once authorities have determined that stablecoins may play a role, they must decide whether — and how — to establish a regulatory regime for their issuance. The policy question is one of accountability: Every stablecoin claim needs an identifiable institution responsible for redemption and an authority capable of supervising it.

Stablecoins allow claims denominated in a sovereign currency to be issued outside of banks (the institutions traditionally authorized to create money in that currency). The identity of the issuer determines who is responsible for redemption, which authority can supervise the arrangement, and what happens when confidence deteriorates.

Restricting issuance to banks keeps stablecoins within established prudential, settlement and crisis-management frameworks. It may also preserve a more direct connection to central-bank money. But it can limit competition and produce instruments that differ little in substance from tokenized deposits.

Permitting regulated non-bank issuers may encourage new technologies, distribution models, and forms of competition. If non-bank stablecoins are required to back their issuance fully with central bank reserves, they can provide payment services without using customer funds to extend credit or invest in longer-term assets. Payment provision is separated from credit creation and maturity transformation.

But the protections otherwise provided through banking regulation and public safety nets must then be recreated through stablecoin-specific requirements covering reserves, custody, redemption, governance, operational resilience, and insolvency. Under the European Union's Markets in Crypto-Assets Regulation, stablecoins referencing a single official currency are issued by credit institutions or authorized electronic-money institutions. The United States' GENIUS Act permits issuance by subsidiaries of insured depository institutions, federally qualified non-bank issuers, and qualifying state-regulated issuers, subject to common reserve, redemption, and supervisory requirements.

Every stablecoin claim needs an identifiable institution responsible for redemption and an authority capable of supervising it.

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The regulatory regime for stablecoin issuers may also need to become more demanding as stablecoins grow. Authorization, reserve protection, and redemption rights should apply from the outset. Enhanced requirements for liquidity, resilience, recovery, and resolution become more important when a stablecoin is widely used or systemically significant. The proposed UK framework reflects this distinction, with non-systemic issuers supervised by the Financial Conduct Authority and systemic arrangements subject to additional Bank of England requirements.

Foreign issuers create a further design choice. Authorities may require local incorporation and authorization, recognize issuers supervised under comparable foreign regimes, regulate the domestic exchanges, wallets, or payment providers through which users gain access, or permit only institutional or narrowly defined uses. Hong Kong, for example, requires an issuer outside Hong Kong to obtain a Hong Kong Monetary Authority license if it issues a stablecoin pegged to the Hong Kong dollar.

Whatever the regulatory model, every monetary claim should be traceable to an accountable institution, backed by a credible redemption promise, and subject to an authority capable of enforcing that promise or managing failure if it cannot be met.

Every monetary claim should be traceable to an accountable institution, backed by a credible redemption promise, and subject to a regulatory authority capable of enforcing that promise.

STAGE 3

Preserve the public monetary anchor

How should private digital money remain interchangeable with sovereign money?

Commercial bank deposits are private money, but they remain connected to public money through convertibility, central-bank settlement, regulation, and access to liquidity. These connections support the expectation that a unit of currency held at one bank is worth the same as a unit held at another.

Stablecoins reference the same sovereign currency but may sit outside that framework. They can be backed by assets held outside the central bank, transferred over separate infrastructure and issued by institutions without access to public liquidity. The connection to public money must be designed deliberately.

This requires authorities to consider three related elements: the assets backing the stablecoin, the terms on which it can be redeemed, and the arrangements through which it exchanges and settles with other forms of money.

- **The reserve assets backing the stablecoin.** These should match the stablecoin's reference currency, remain sufficiently safe and liquid to meet redemptions, and be legally protected from claims against the issuer. Different backing models create different trade-offs. Central bank deposits provide immediately available public money but may be unavailable to non-bank issuers or unremunerated. Short-term government securities may support a commercially viable business model but must be sold or financed when holders redeem.

  The Bank of England's proposed framework for systemic stablecoins illustrates a hybrid approach. It would require at least 30% of backing assets to be held as central bank deposits, with up to 70% held in short-term government securities.

- **Redemption rights.** Holders need a clear and enforceable right to exchange stablecoins at par, within a defined period and without unreasonable conditions.

  The European Union grants holders of e-money tokens a claim against the issuer and a right to redeem at any time and at par. The Bank of England's proposed rules would require systemic issuers to complete redemption as soon as practical and within 24 hours.

- **Interoperability and settlement.** Even a fully backed stablecoin can fragment money if it circulates within a closed network or cannot be exchanged efficiently with deposits and other instruments. Common standards, interoperability requirements, and links to established payment systems can help ensure that different forms of private money remain interchangeable and that obligations settle in a common public asset. Hong Kong's Project Ensemble illustrates this principle. Tokenized deposits and digital assets are connected across platforms while interbank obligations initially settle through the existing real-time gross settlement system, with a longer-term ambition to use tokenized central bank money.

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Reserve assets backing stablecoins should match the stablecoin's reference currency, remain sufficiently safe and liquid to meet redemptions, and be legally protected from claims against the issuer.

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STAGE 4

Govern the wider infrastructure

Who controls the systems and data through which stablecoins circulate?

The architecture of a stablecoin extends beyond the issuer. It may include reserve custodians, blockchains, validators, exchanges, wallets, bridges, cloud providers, and data services distributed across several jurisdictions.

Regulating the issuer alone is insufficient. An issuer may remain legally responsible for redemption while having limited control over network congestion, cyber incidents or governance changes affecting the infrastructure on which the stablecoin circulates.

Authorities must determine which participants require authorization or oversight and which outcomes the architecture must deliver.

These may include

- Reliable transaction finality
- Transparent governance and accountability
- Cybersecurity and incident reporting
- Operational resilience and recovery
- Interoperability
- Protection of customer assets and data
- The ability to migrate activity if a critical provider fails

Apparently decentralized systems can also conceal concentrated dependencies. Multiple stablecoins and service providers may rely on the same blockchain, custodian, cloud provider, or wallet technology. Authorities need visibility over common exposures, resilience testing, and credible plans for replacing critical providers.

Data create a related challenge. Public blockchains may provide transparent records of transfers, but wallet addresses do not necessarily identify the users, locations, or economic purposes behind those transactions. Authorities need access to usable information, rather than necessarily requiring every system or dataset to be located domestically. Domestic intermediaries can be required to retain records, report standardized information and preserve regulatory access where parts of the infrastructure operate abroad.

Monetary sovereignty does not require every blockchain, server, or wallet to be domestically owned. It requires governability and optionality: the ability to understand how money is moving, enforce public rules, maintain critical services, and change providers when dependence becomes excessive.

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STAGE 5

Build crisis capacity

Can the system continue to function under stress?

Crisis management is the ultimate test of an unbundled monetary architecture. In normal conditions, separating issuance, reserves, settlement, and customer access may support competition and efficiency. During stress, those same separations can obscure responsibility, accelerate flows, and make it harder to determine where liquidity or intervention is required.

Stablecoins can transmit stress in several directions. Foreign currency stablecoins may become a destination for funds leaving domestic banks or currencies. Stablecoins themselves may experience runs if holders lose confidence in the issuer, reserve assets, custodian, or redemption arrangements. Operational failure at a blockchain, wallet or exchange may disrupt payments precisely when users are attempting to transfer or redeem.

Flight into foreign currency stablecoins could accelerate digital dollarization, reduce domestic bank funding, and weaken monetary policy transmission. Unlike conventional currency substitution, it does not require physical notes or a foreign bank account. Funds can move across currencies and borders continuously. IMF research suggests that foreign digital money could amplify currency substitution and reduce bank intermediation in smaller economies.

Runs out of stablecoins can also transmit stress into conventional finance. Large redemptions may require issuers to withdraw bank deposits or sell government securities. The disruption to USDC following the failure of Silicon Valley Bank in 2023 illustrated this channel: concern over US$3.3 billion of temporarily unavailable reserves caused the stablecoin to trade below par and transmitted stress from a reserve custodian into crypto-asset markets.

Authorities need visibility across the whole architecture, including issuance and redemptions, reserve assets and custodians, banking-system exposures, infrastructure dependencies, and flows into foreign currency stablecoins.

On-chain information can support near-real-time monitoring, but it must be combined with information from regulated institutions to identify users, jurisdictions and connections to conventional finance.

Issuers should remain responsible for their own liquidity. Reserves should be monetizable in the necessary volume and timeframe. Central bank assistance, if available, should be limited to solvent and viable arrangements performing systemically essential functions, provided against appropriate collateral and after private options have been exhausted.

Recovery and resolution arrangements must determine how holders regain access to their assets and how critical services continue if an issuer fails. Segregated reserves, statutory trusts, creditor priority, wind-down resources, and operational-continuity plans can reconnect stablecoins to a credible failure framework. Systemic arrangements may also need to meet standards comparable to those applied to financial market infrastructure.

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Because the architecture is cross-border, crisis arrangements must be cross-border too. A stablecoin may be issued in one jurisdiction, denominated in the currency of another, backed by assets held elsewhere and used globally. Authorities need clarity on who coordinates the response, how information is shared and how users and creditors are treated.

No broad strategy removes the need for preparation. A prohibited stablecoin may still be held through offshore wallets. A domestic alternative may attract sudden inflows that affect bank funding. A recognized foreign stablecoin may transmit stress from its issuer, custodian, or reserves into the domestic economy.

Crisis capacity is the stress test of the entire policy framework. Market rules determine where funds can move. The issuer regime allocates responsibility. Reserve and settlement rules determine whether redemption can be met. Infrastructure requirements determine whether critical services continue. The ability to observe the system, allocate losses, supply liquidity, and maintain payments cannot be assumed; it must be designed in advance.

Crisis capacity cannot be assumed. It must be designed into the stablecoin framework from the outset.

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2 | Preserving the connections that matter

The five stages are cumulative. Market design determines which currencies and uses enter the system. The issuer regime establishes accountability. Reserve, redemption and settlement arrangements preserve the singleness of money. Infrastructure rules maintain governability and continuity. Crisis arrangements determine whether the architecture remains coherent when confidence deteriorates.

Taken together, they allow authorities to distinguish between three types of connection within the monetary architecture:

- Those that can safely be opened to competition
- Those that can be provided privately or across borders but must remain subject to effective public oversight; and
- Those that must remain anchored directly in public money, public settlement, or public crisis capacity.

Where that boundary lies will differ across jurisdictions and use cases. But it should be the result of deliberate policy choice rather than technological or market evolution by default.

Stablecoins may unbundle the monetary system. The policy design value chain determines whether what replaces it is more open, efficient, and resilient — or more fragmented, dependent, and difficult to stabilize.

While stablecoins may unbundle the monetary system, policy will determine how it is put back together.

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3 | Building the capabilities to govern the new architecture

The five stages describe the policy framework authorities need to build. But stablecoins also create a capability challenge. Central banks and other public authorities are typically structured around distinct mandates: monetary policy, payments, prudential supervision, market operations, financial stability, conduct, financial integrity, and resolution. Stablecoins cut across those boundaries.

The same stablecoin may simultaneously affect household demand for domestic currency, bank deposit funding, payment-system activity, reserve asset markets, operational resilience, and cross-border capital flows. Responsibility for the issuer may sit with one authority, oversight of the payment arrangement with another, and management of the macroeconomic consequences with the central bank. Even within a central bank, the relevant information, expertise and policy tools may be distributed across several departments.

This creates a risk of fragmented oversight. An issuer may appear prudentially sound when assessed in isolation, while its growth is contributing to deposit outflows or currency substitution. A payment arrangement may appear operationally resilient, while relying on a reserve custodian or blockchain that creates concentrated systemic dependencies. Monetary-policy teams may observe changes in bank funding or money demand without having timely information on wallet activity, redemptions, or cross-border stablecoin flows.

The challenge is not only to design each layer of the policy framework, but to build the capabilities required to govern the resulting architecture. These capabilities will differ according to the choices authorities make. A jurisdiction that recognizes foreign stablecoins may prioritize monitoring and cross-border cooperation; one that licenses domestic issuers will require deeper supervisory capabilities; and one that anchors stablecoins directly in central-bank money or public settlement infrastructure may also need new operational and technology capabilities.

This does not mean centralizing every stablecoin-related activity in a single unit. Specialist teams should continue to apply their own expertise and statutory mandates. But authorities need clear ownership of the overall strategy, an integrated view of risk and the capabilities to supervise, monitor, operate and stabilize the parts of the monetary architecture for which they are responsible.

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Exhibit 2: Six capabilities central banks need to govern an unbundled monetary architecture

	Stage	What must be preserved
1	**Establish clear senior ownership and governance**	Assign executive accountability for stablecoin strategy; define decision rights across monetary policy, payments, supervision, markets, and financial stability; establish cross-authority governance where mandates are split.
2	**Build an integrated risk and policy framework**	Maintain an institution-wide view connecting issuer, reserve, infrastructure and use-case risks to bank funding, currency substitution, payments, monetary transmission, and financial stability; periodically reassess policy as the market evolves.
3	**Develop specialist supervisory capabilities**	Build the people, skills and tools to authorize and supervise issuers and relevant infrastructure, assess reserves and redemption arrangements, understand on-chain activity and technology dependencies, and intervene or enforce where requirements are breached.
4	**Create shared data, monitoring, and escalation**	Integrate supervisory, banking, market, and on-chain information; establish common dashboards and indicators; define thresholds that escalate developments from routine supervision to monetary-policy or financial-stability consideration.
5	**Determine the central bank's operational role**	Decide which capabilities should remain privately provided and which the central bank itself needs to operate or provide — potentially including reserve accounts, settlement access, tokenized central-bank money, interoperability infrastructure, or other public rails — and build the technology and operational capabilities required.
6	**Develop joint crisis and resolution capabilities**	Establish playbooks for runs, depegging, issuer failure and infrastructure outages; define liquidity responsibilities, resolution arrangements, and operational continuity; test domestic and cross-border coordination.

Source: Oliver Wyman

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Six capabilities are particularly important

Establish clear senior ownership and governance

A senior committee or designated executive should own the overall stablecoin strategy and resolve issues that fall between existing mandates. Individual departments may remain responsible for supervision, payments, monetary policy, or market operations, but there should be a clear point of accountability for the coherence of the entire framework. Where responsibilities span multiple authorities, governance arrangements should also establish clear decision rights, accountability, and mechanisms for coordination between them.

Build an integrated risk and policy framework

Authorities should maintain an institution-wide assessment covering currencies and uses, issuers and reserve assets, wallets and distribution channels, banking-system exposures, infrastructure dependencies, and cross-border flows. This should connect micro-level risks at individual firms or networks with their potential effects on payments, monetary transmission, and financial stability.

That assessment should also inform continuing policy choices. As stablecoin adoption, use cases and systemic importance evolve, authorities need mechanisms to reassess market boundaries, regulatory requirements and the treatment of instruments that become systemically important.

Develop specialist supervisory capabilities

Where authorities permit regulated stablecoins, they need the capabilities to authorize and supervise the institutions and infrastructure within their perimeter. This may require expertise beyond traditional financial supervision: assessing reserve and redemption arrangements, understanding on-chain activity and blockchain governance, evaluating technology and third-party dependencies, and identifying risks that cut across issuers, custodians, wallets, and networks.

Authorities must also determine how these capabilities are distributed where mandates are shared across central banks, prudential supervisors, conduct authorities and other regulators, and ensure that information and supervisory action can move effectively between them.

Create shared data, monitoring, and escalation

Different teams need access to a common set of indicators, including stablecoin adoption, flows from bank deposits, foreign currency holdings, reserve composition, redemption activity, deviations from par and concentration in critical service providers. This may require combining supervisory and banking data with market and on-chain information that traditional monitoring systems were not designed to capture.

Agreed thresholds should determine when an issue moves from routine supervision to broader monetary-policy or financial-stability consideration. A common information base allows developments observed in one part of the organization to trigger action elsewhere before risks become systemic.

Determine the central bank's operational role

Authorities must also decide whether the public sector should itself provide parts of the infrastructure needed to anchor stablecoins in the wider monetary system. Depending on the architecture chosen, this could include access to central bank reserve accounts or settlement systems, tokenized central bank money, interoperability infrastructure or other public payment and settlement rails.

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Where the central bank chooses to provide such infrastructure, the implications go beyond policy and supervision. It may require new technology, operational-resilience, cyber, vendor-management and service-management capabilities, as well as clear decisions about access, service levels, and the boundary between public and private provision.

Develop joint crisis and resolution capabilities

Authorities should determine in advance who leads during a run, depegging, operational outage or failure of a critical provider; how issuer, reserve, banking and market information will be combined; whether public liquidity could be available and under what conditions; and how domestic and foreign authorities will coordinate.

These arrangements should be operationalized through recovery and resolution planning, defined decision rights, and simulation exercises rather than remaining solely on paper. Crisis management should connect all five stages of the policy framework rather than sit solely within the final one.

The operating-model implication is broader than simply coordinating existing functions. The monetary architecture authorities choose will determine the capabilities they need to build. The architecture may be modular, but its governance cannot be siloed: authorities need to preserve specialization while connecting strategy, supervision, data, operations, and crisis management across the stablecoin system.

The monetary architecture may be modular, but its governance cannot be siloed.

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Conclusion

Stablecoins do not simply introduce a new form of money. They make it possible for the different elements of the monetary system — currency, issuance, backing assets, payments, infrastructure, and customer relationships — to be provided by different institutions across different jurisdictions. For central banks, the challenge is broader than deciding whether stablecoins should be permitted or how their issuers should be regulated.

Nor is the objective to preserve the traditional monetary architecture unchanged. Private innovation, competition, and cross-border infrastructure can improve the way money works. The task is to identify which parts of the architecture can safely be opened to competition, which can be privately or internationally provided but require effective public oversight, and which connections must remain anchored in public money, settlement, or crisis capacity.

The five-stage policy framework provides a way to make those choices deliberately: define the market, establish accountability for issuance, preserve the public monetary anchor, govern the wider infrastructure, and ensure that the system can still be stabilized under stress. But those choices also need to be reflected inside central banks themselves. Stablecoins connect questions that have traditionally sat across separate functions — monetary policy, payments, supervision, market operations, technology, and financial stability — and require common information, clear ownership, and credible crisis arrangements.

Central banks need to prepare before stablecoins become systemic. The architecture of money may increasingly unbundle. Monetary sovereignty will depend on ensuring that the connections that matter do not.

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