

## Impact of stablecoins on monetary policy

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### Introduction

The emergence of stablecoins has raised concerns about their potential impact on the transmission of monetary policy and financial stability. At first sight, there is no compelling evidence suggesting that stablecoins similar to other prepaid instruments may impair monetary policy. The impact will likely depend largely on possible shifts in preference for holding transaction balances, a recomposition of bank liabilities and risks of increasing dollarisation but will be highly dependent on initial local conditions.

Stablecoins are typically non-interest-bearing prepaid par instruments comparable to e.g. electronic money, Scottish banknotes and travellers' cheques. Holdings will in large part be determined by transaction needs and the interest rate cycle.

Stablecoins outstanding are about US\$270 billion compared with about the equivalent of US\$20,000 billion of broad money in the Euro Area alone and international banks' cross-border liabilities denominated in dollars of US\$18,300 billion and cross-border liabilities denominated in dollars to emerging markets and developing countries of US\$2,600 billion.<sup>1</sup> The significance of stablecoins will be a function of relative amounts in circulation.

The potential impact of stablecoins on monetary policy will to a large extent depend on whether the issuer is a bank or a non-bank financial institution and whether the stablecoin is hosted in a financial or non-financial environment. Stablecoins issued by banks, as may be the preferred model under EU regulation, merely represent another bank liability and remain subject to bank-relevant rules. Non-bank stablecoin issuers will similarly be subject to licensed activities but under different prudential requirements. Self-hosted stablecoin holdings may operate outside any financial perimeter and will not be subject to financial and prudential controls.

The impact of stablecoins on money and payments will also rest to an important extent on whether they are used in retail or interbank transactions. The former is overall relatively small by value compared to the latter and any proliferation of stablecoins as retail instruments is unlikely to influence payments overall. The adoption of stablecoins by banks to settle interbank claims may be the determining factor for any material impact.

The monetary-policy effects can be grouped into three categories. The first concerns the primary channels of the monetary transmission mechanism. The second concerns financial-stability risks

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<sup>1</sup> Stablecoins outstanding from Visa Online Analytics Dashboard June 2026; Euro Area data from ECB for April 2026 and international bank data from BIS locational statistics for June 2025.

that may impair transmission indirectly. The third concerns more structural effects on monetary policy through dollarisation, seigniorage losses and money velocity.

Stablecoins do not threaten monetary policy simply because they are digital tokens. They matter if they change significantly the demand for transaction balances, the composition of bank funding, the pricing of safe assets and/or use of foreign currency in domestic payments. Their monetary-policy relevance will naturally be conditional on scale, denomination, issuer type and the regulatory perimeter.

### **Primary channels**

The primary channels are likely to remain intact despite an increasing use of stablecoins. The interest rate channel may be affected as par instruments by nature cannot transmit any interest rate changes directly. However, stablecoin users will respond to changes in the opportunity cost of holding non-interest-bearing instruments. Given that stablecoin issuers hold interest-rate sensitive assets, the relative incentives for issuing stablecoins will be correlated to the level of interest rates.

The credit channel should broadly remain unaffected to the extent that stablecoins may change the composition of bank deposits to fund credits but not overall bank funding. This will depend on the importance of the funding structure for credit creation. The asset price channel could be reinforced given the interest-bearing assets of a typical stablecoin reserve portfolio.

The exchange rate channel could be impacted where local currency stablecoins increase the relative attractiveness of holding local currency. If local-currency stablecoins lead to currency substitution, that is an increase in the share of the local currency in international portfolios it may lead an appreciation of the local currency.

### **Financial stability**

The financial stability risks will be state-dependent and are expected to rest to a large extent on supervisory leakages and disorderly substitution of bank deposits. The possibility of an undue concentration of high-grade instruments in stablecoin reserves may at the margin produce collateral scarcity.

The proliferation of stablecoins may lead to a decline of the role of banks where stablecoins are issued by non-banks. It may reduce the supervisory strength of the system where non-banks are subject to weaker regulation and supervision than banks.

The risk of bank disintermediation may affect retail deposits and payments where stablecoins are issued by non-banks. However, a decline in bank deposits due to the adoption of stablecoins by non-bank issuers is normally only given where stablecoin proceeds are transferred abroad but may weaken the link between banks and the non-financial public. Where a non-bank is the issuer, stablecoins may cause a change in the funding profile of banks amid a conversion of retail into wholesale deposits as stablecoins replace bank retail deposits resulting in a recomposition of bank liabilities only.

Stablecoins may represent a cyclical source of financial stability risk in particular for non-bank issuers. The typical stablecoin business model rests on the positive carry between the reserve and the non-interest-bearing token. In a high interest-rate-environment, this model can be highly profitable. In a low or zero-interest-rate environment, the model may not be sustainable net of other possible sources of income for the stablecoin issuer. Sudden changes in the interest-rate environment can therefore produce significant changes in the financial strength of the institution.

Stablecoins similar to other par instruments are subject to run risks. Sudden changes in confidence in stablecoins can lead to convertibility pressure. As stablecoin issuers may need to sell the assets of the reserve, it may give rise to fire sales threatening price formation in the asset market and ability to convert at par. The risk is relevant for non-banks that do not have access to the central bank as lender of last resort.

Stablecoin reserves can be invested in fixed income high-grade typically government securities and may affect collateral markets. Depending on whether the assets in the reserve can be lent out, stablecoins could reduce the pool of available government securities typically short-dated government securities. The effect will largely depend on whether stablecoin reserves create additional net demand for government securities or whether allocations will largely substitute existing securities holdings. If there is a net additional demand for government securities, it could lead to a decline in interest rates and/or steepening of the yield curve if investments are disproportionately in short-dated instruments. The substitution of banknotes for stablecoins could lead to a decline in the demand for government securities as banks would be credited for the banknotes with central bank reserves.

The possibility of contagion risk may heighten where stablecoins become important cross-border payment instruments. It may accelerate portfolio and currency adjustments in the event of asymmetric shocks. The effect may be exacerbated where stablecoins can be transferred outside safeguards observed by banks including exchange controls.

### **Structural risks**

More structural risk may include an increase in prudential leakages, dollarisation, weakening seigniorage and impact on money velocity.

The possibility to transfer stablecoins outside existing regulatory boundaries (person-to-person) can give rise to concern about money laundering and other illicit transactions. It may create undue incentives to migrate financial transactions outside existing prudential perimeters. This is a common problem with banknotes and if stablecoins are used at scale represents an important leakage of the regulated system.

The risk of increased dollarisation through stablecoins is unclear. Where stablecoins greatly facilitate access to foreign currency and if and only if the propensity to hold foreign currency increases, dollarisation may deepen. Stablecoins outstanding continue to be dwarfed against dollar cross-border liabilities of international banks. Dollarisation is expected to remain largely a function of home currency instability.

The risk to monetary sovereignty is a concern about dollarisation and rests on the unit of account. Public policy should be largely indifferent to the monetary instrument as long as it is regulated and denominated in the home currency.

Possible seigniorage effects will depend on the substitution of banknotes and central bank reserves. Where stablecoins replace banknotes as transaction medium, the central bank loses seigniorage revenue similar to the substitution of banknotes with bank deposits. The substitution of stablecoins for central bank reserves appears remote amid the special role of reserves in large-value transactions.

The impact of money velocity could be among the most pronounced effects but is a general effect with the migration to ever more instant transactions. Stablecoins can perform instant transactions and may afford to conduct a large volume of transaction with a relatively small stock. Recent observations with rising transaction volumes amid a stable stock of stablecoins seem consistent with rising velocity. Monetary policy may have to adjust to accommodate an increasing level of velocity.

### **Effects probably not large enough**

Stablecoins are an outcome of existing payments capabilities. The possibility of large-scale adoption of stablecoins appears highly uncertain. This holds in particular where domestic payments work reasonably well. The impact will likely be greater in cross-border payments. However, instant stablecoin transactions may lead to high stablecoin velocity that itself may cap the stock of stablecoins outstanding.

The effect of stablecoins on the financial system will depend to a large extent on the issuer and currency denomination. Banks as issuers of stablecoins in local currency are unlikely to have much impact on monetary policy transmission and financial stability. Non-bank issuers may affect the prudential fabric of the financial system.

The remuneration of stablecoins should be considered to strengthen orderly holding patterns. It may also reinforce the interest rate channel. The harmonisation of the conditions for different monetary instruments may support a symmetric effect of monetary impulses and reduce risks of regulatory fragmentation and arbitrage. Where non-bank stablecoin issuers become systemic, they should be required to acquire a banking licence to solve for recourse to a lender of last resort and contain the possibility of a significant parallel monetary and payment system outside the prudential and monetary perimeter. Banks will need to consider the perimeter of their stablecoins where bank stablecoins can be held by parties not on-boarded by the issuing institution.

The aim of the U.S. administration to use stablecoins to reinforce use of the U.S. dollar in international transactions has increased the relevance of stablecoins. It has increased pressure to seek issuance of similar instruments to potentially share or co-exist on payments ecosystems dominated by stablecoins. The adoption of stablecoins remains uncertain but the risk of non-participation may be too great.

The impact of stablecoins on monetary policy is multi-dimensional. However, few effects will likely be large enough to impair conduct of monetary policy or financial stability. The impact of stablecoins will naturally depend on the substitution of existing monetary aggregates and changes in the channels through which money, credit and liquidity are supplied. While stablecoins may serve different use cases, it seems likely that their use will be confined to a narrow set where alternatives are not readily available and/or conventional transactions are

unduly complicated. The proliferation of stablecoins is expected to be disproportionately large in countries with a lower level of financial development and financial inclusion.