

## Concept note: Stablecoins and the singleness of money

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The notion of singleness of money has been used increasingly to qualify payment instruments as money.<sup>1</sup> Stablecoins have been labelled as “failing the test of singleness.”<sup>2</sup> The notion of singleness has its historical foundation as singleness of currency in the establishment of monetary unions and fungibility under decentralised currency issuance. The concept needs to be revisited to ensure it can guide public policies effectively and does not lead to an unwarranted bias against certain monies.

The singleness of money argument has been mobilised as a proxy for the par convertibility of different monetary claims. It rests on the principle that possible deviations from par undermine the “no-questions-asked principle to function as money.”<sup>3</sup> Stablecoins may be transferred without settlement in central bank money and therefore “the singleness cannot be guaranteed.”<sup>4</sup> This argument risks conflating fungibility with par convertibility.

The relevant distinction is between singleness of the currency and the par convertibility of monetary claims. Currency can be single; monetary claims are multiple. In a monetary system, the institutional conditions must be set to allow different monies to preserve par convertibility within a single currency.

In any modern monetary system there are multiple monies representing claims on the issuing institutions with important differences in the qualities of the claim. Central bank reserves are claims on the central bank and are normally deemed free of credit risk. Deposits are claims on commercial banks whose creditworthiness varies widely. Stablecoins are claims on the stablecoin issuer. The claims are not legally or institutionally fungible and subject to different risks, liquidity, legal and operational arrangements.

Domestic payments, though not cross-border payments, typically rely on interbank payments to clear in central bank money. However, this is not an inherent feature of money but is conditional upon the payer bank having sufficient reserves at the central bank. Money functions in payments due to its acceptance and conversion at par.

### Stablecoins

Stablecoins are pre-paid payment instruments redeemable at par that can be transferred peer-to-peer. They can be issued by banks and non-banks while funding and clearing of stablecoins occur usually against bank balances. Par convertibility is normally assured through backing by a reserve of high-quality financial claims. Their character akin to bearer instruments implies that

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<sup>1</sup> See e.g. BIS Annual Report 2026, chapter III.

<sup>2</sup> BIS Annual Report 2025, pp. 82-85.

<sup>3</sup> Idem.

<sup>4</sup> Idem.

they can be transferred without being cleared in central bank money similar to a transaction in e-money or negotiating cheques.<sup>5</sup>

### **Singleness of currency**

Currency can be single. The notion of singleness in a monetary context can be traced back to the origin of economic and monetary union in the EU amid concerns that a euro issued in Greece may not be perceived as the same as a euro issued in Germany. Perfect substitutability was seen as a necessary condition for effective monetary union.<sup>6</sup>

Singleness was also associated with the unit of account. The use of a common unit of account was considered critical to ensure efficient monetary transactions. The use of central bank money to settle interbank payments was considered critical to ensuring the currency was deemed single:

*"In order to maintain the singleness of the currency, a central bank needs to ensure that the main issuers of money, largely commercial banks, regularly convert their liabilities into central bank money. [...] And the use of central bank money in payment systems puts the value of commercial banks' liabilities to the test every day by checking their convertibility into the defined unit of value.*

*But central and commercial bank money are also complements because a single payment will often settle, at different stages, both in commercial and in central bank money. Let us take the example of a cheque. When the holder of a cheque asks his bank to credit it to his account, settlement is conducted across the accounts of this commercial bank, that is, in commercial bank money. When the issuer bank and the receiver bank clear this cheque, settlement is often conducted across the accounts they hold in the central bank, that is, in central bank money. [...] We can say that there is a payment chain with multiple grids, since, in the course of the settlement cycle, multiple issuers of money will settle the payment across their books."<sup>7</sup>*

The use of central bank money underpins the convertibility of par of different monies. However, convertibility does not require monetary claims to be settled immediately in central bank money but the assumption is that it should be done such that par convertibility can always be assumed.

### **Singleness of money**

The notion of singleness of money has been associated with concerns that payments can be conducted without settlement in central bank money and as such par singleness is at risk. This conflates par convertibility with singleness of currency.

*"As stablecoins can break away from their peg during times of stress, they do not confer the unconditional finality that central bank money does. At stake is the singleness of*

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<sup>5</sup> See e.g., ECB, Issues arising from the emergence of electronic money, ECB Monthly Bulletin, November 2000.

<sup>6</sup> See e.g. Karl Otto Pöhl, The further development of the European Monetary System, 1989 (part of the "Delors Report" Report on economic and monetary union in the European Community, 17 April 1989).

<sup>7</sup> Tommaso Padoa-Schioppa, Shaping the payment system: a central bank's role, speech, Bank of Korea's Conference on Payment Systems, Seoul, 13 May 2004.

*money, the principle that a unit of currency has the same value regardless of who issues it. A settlement layer built on private stablecoins risks weakening that principle.”<sup>8</sup>*

Money convertibility is a function of institutional arrangements, including reserve availability, settlement finality, liquidity support, supervision and legal enforceability. Singleness is not a property of a monetary claim itself. It is the condition under which different issuer liabilities can be accepted, exchanged or settled at par in a common unit of account:

*“As long as the sender’s bank has sufficient reserves at the Bank of Japan, the central bank’s settlement function ensures that the bank deposit works as a medium of exchange with complete singleness.”<sup>9</sup>*

### **E-money, cheques and Scottish banknotes**

E-money transfers and the negotiation of cheques show that the transfer of a payment instrument or monetary claim need not coincide with immediate settlement in central bank money. Scottish banknotes are exchanged peer-to-peer without clearing in central bank money. These instruments have co-existed with bank-intermediated deposits.

E-money is very close to stablecoins. E-money has been perceived as posing undue credit risk amid the possibility that e-money instruments may trade at variable exchange rates. However, this was thought to be addressed through an obligatory redeemability requirement on e-money issuers whereby e-money had to be redeemed at par to preserve a link between e-money and the unit of account.<sup>10</sup> It has been recognised that a distinguishing feature of e-money transactions is that they do not necessarily involve a bank account.

Cheques are treated similarly when transferred peer-to-peer. A cheque historically separated the transfer of an instrument from final settlement. The absence of central bank money settlement at each transfer step is not, by itself, decisive. The critical issue is the enforceability and quality of the claim and the credibility of the redemption, clearing or settlement arrangement.

Scottish banknotes are pre-paid instruments denominated in sterling representing claims against commercial banks in Scotland that circulate as payment instruments. The payee accepts the note because it is a recognised sterling-denominated private banknote, protected by a statutory backing-asset regime. The central bank money sits in the background as backing and as an ultimate protection mechanism, not as the settlement asset for every retail transfer.<sup>11</sup>

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<sup>8</sup> Christine Lagarde, Stablecoins and the future of money: separating functions from instruments, speech, Banco de España LatAm Economic Forum, Roda de Bará, 8 May 2026.

<sup>9</sup> Ryozi Himino, Singleness of money and the role of central banks, speech, 2026 Spring Annual Meeting of the Japan Society of Monetary Economics, 16 May 2026.

<sup>10</sup> See e.g., ECB, Issues arising from the emergence of electronic money, ECB Monthly Bulletin, November 2000.

<sup>11</sup> Three banks in Scotland are authorised to issue banknotes. Three Northern Irish banks are subject to the same regime. The banknotes are not legal tender. Bank of England notes are legal tender only in England and Wales.

## **Conclusion**

Confidence in money does not depend on whether each transfer settles in central bank money, but whether the privately issued claim is credibly backed, accepted and redeemable at par. The notion of singleness of money unduly portrays money as a homogenous instrument. Modern monetary systems do not consist of a single money, but of multiple monetary claims denominated in a single currency.

The possibility of monies to deviate from their par value is always present. Safeguards must be in place to ensure monetary claims are enforceable at par. Deviations from par do not show that a category of monetary instrument is inherently inconsistent with the singleness of currency. They show that the instrument's legal, prudential or settlement arrangements may be insufficient to sustain par convertibility.

Stablecoins should therefore be judged not by whether they are the same money as bank deposits or central bank money, but by whether their legal claim, reserve backing, redemption rights, governance and settlement arrangements allow them to preserve par convertibility within the currency. Money is not single. The currency is.