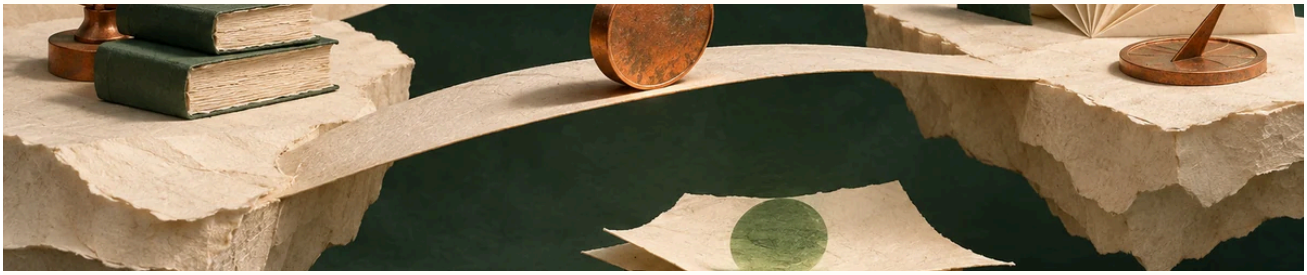
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OPINION AND ANALYSIS

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A Currency Can Travel —but Can It Be Money?

When a Digital Dollar Fell to Eighty-Six Cents

In March 2023, one **USDC** stablecoin was supposed to equal one US dollar: its economic name, issuer promise, and reason for holding it. Yet at the lowest point Federal Reserve researchers observed in secondary markets, the digital dollar found buyers only near **$0.86**. The database did not become a new monetary order and the token lost no decimal places. Buyers changed their question: can this claim now become a dollar usable outside its own world?1

Circle, USDC's issuer, had disclosed **$3.3 billion** of reserves at Silicon Valley Bank as it entered resolution—about **8%** of the reserve then. US authorities announced protection for the bank's depositors on March 12, the market price returned toward one dollar, and redemptions resumed. Reassurance came from a decision about ordinary bank deposits, not blockchain speed.12 A network engineer can prove a payment message arrived but cannot, from that proof, release a trapped deposit at a failing bank.

A subtler event concerned Dai's **Peg Stability Module**, which exchanged USDC for Dai one-for-one under programmed rules. As USDC lost market value, traders rushed into the mechanism and rapidly reached its daily cap of 950 million units. An instrument intended to strengthen stability transmitted stress from one coin to another. The arithmetic worked exactly as coded; the condition could not create bank dollars equal to contractual promises.1 Smart contracts cannot be smarter than the obligation they are given.

Turning this into a sermon against digital assets would be a cheap reading of an expensive event. It revealed a structural difference between **transferability of a claim** and **fitness of that claim to perform as money**. The first concerns ledgers, networks, cryptographic keys, and consensus. The second concerns law, credit, liquidity, reserves, and institutions that make different claims behave like one economic unit. Calling both “payment” postponed the important questions until a real test arrived.

From the Bank of Amsterdam to Singleness of Money

Amsterdam in 1609 faced European coins of differing weight, purity, and value. The city created the Bank of Amsterdam to provide merchants with a more regular unit of account and book transfers instead of boxes of metal. BIS research compares its early structure with a stablecoin: accounting deposits based on silver and gold, expanding and contracting through deposit and withdrawal. The bank later extended credit, increasing balance-sheet elasticity. Lending expansion in the 1780s without sufficient public financial backing eroded trust and contributed to collapse.[3]

The point is not that blockchain existed four centuries ago. Changing how ownership is recorded does not answer what is recorded, whether the debtor can perform, where liquidity comes from during simultaneous claims, or who bears loss if issuer obligations exceed collectible assets. These questions predate electricity and now speak programming language.

Before the US Civil War, state banks issued dollar notes that merchants elsewhere might discount or reject. Federal Reserve history describes the 1863 and 1864 reforms as a search for more uniform currency, not merely faster paper movement.[4] Today a holder of one dollar-pegged issuer's coin may need to pay someone accepting another issuer's coin. Both say “dollar,” yet markets may price exchange between the promises. Removing metal's weight did not remove the issuer's name.

Money is commonly described as medium of exchange, unit of account, and store of value. Institutional engineering adds: what lets buyer and seller avoid revaluing the medium each time? A bakery does not analyze a customer's bank because the monetary system tries to make commercial-bank deposits exchange at par within one currency, despite legal limits and residual risk. The BIS calls this **singleness of money**, connecting it to final settlement in central-bank money, supervision, and networks exchanging different bank claims at the same value.[5]

“Dollar” is not merely a label on every asset near one. It names obligations and participates in an arrangement making usual payment instruments exchange at par. A thousand tokens called “units” resemble a thousand numbered rulers; if every maker's centimeter differs, measurement becomes speculation.

A cash-asset-backed stablecoin is not worthless because it is a private claim—commercial-bank money is also a claim. The difference is its protection, acceptance, and redemption network. Full reserves can reduce risks, but balance-sheet value differs from cash available to a given holder at a given moment. Treasury bills may be creditworthy and still require sale or financing under mass redemption. June 2026 research studies how marketable-bond reserves facing immediate redemption can produce pressured sales affecting prices and token holders.6

Three Kinds of One

I distinguish three “ones.” The **accounting one** means a token was issued against a reserve dollar under a defined coverage measure. The **contractual one** asks who can claim a dollar, from whom, when, and with what insolvency treatment. The **market one** asks whether an ordinary holder can actually convert at par when needed. They converge in calm periods and may separate under stress. This is an analytical classification, not an enacted legal definition.

Circle says USDC is fully backed and redeemable one-for-one, while stating that direct **Circle Mint** redemption serves eligible institutions and is unavailable to individuals and small businesses. Those users generally rely on exchanges, wallets, and intermediaries.7 This does not decide every legal right or intermediary reliability. It distinguishes public promise, right holder, and practical channel. An institutional window supports arbitrage without letting every user knock directly.

In suitable conditions, an eligible trader buys below a dollar and redeems at one, stabilizing price through profit. The route depends on intermediary liquidity, custody, eligibility, rules, hedging, and movement of reserve value into payments. Break one condition and nominal value can diverge from market price although code still counts one token as one.15

Imagine a small merchant receiving 10,000 dollar-named tokens, with an available market at $0.995 and an exit fee of 0.3%. The merchant receives **$9,920.15**, absent other costs. The missing $79.85 is invisible on the sender's “10,000 sent” screen. This is **a hypothetical arithmetic example**, not observed average pricing. Local-currency conversion can add exchange spreads, local fees, identity requirements, and limits. The question is not only how fast the token moved, but how many spendable units reached the last person.

Cross-Border Transfer and the Price of Exit

An IMF study published in June 2026 reports that Nigerian households and small businesses use dollar-linked coins for some remittances, cross-border payments, and foreign-exchange access. It cites World Bank data putting the average cost of sending $200 to sub-Saharan Africa

near **9%**.[8] When alternatives are slow and expensive, a token route can deliver real value despite nonzero exit cost. Denying that gain in defense of an idealized conventional system pays no one's bill.

Transfer utility does not prove monetary independence. A Nigerian using a dollar token as store of value and trade medium shifts the **unit of account** toward a foreign currency. BIS research calls this stablecoin dollarisation. In more than 130 economies, researchers found drivers resembling conventional deposit dollarisation and possible persistence after initial causes fade, while warning that token-flow data are weaker than foreign-deposit data.[9] An individual savings choice can collectively alter demand for domestic currency and monetary transmission.

BIS researchers studied four dollar stablecoins against 27 fiat currencies on 64 platforms from 2021–2025. They found gaps between dollar access through tokens and conventional FX, related to intermediary balance-sheet constraints. In their model, a specified 1% external increase in net stablecoin flows was associated with roughly **40 basis points** more pricing gap.[10] This sample-specific estimate is not a universal law, but refutes the claim that a dollar token necessarily gives the dollar at identical cost.

The BIS estimated stablecoin market capitalization near **$320 billion** at end-May 2026, with **99.4%** of fiat-backed stablecoin value linked to the dollar. It cited about **$28 trillion** in 2025 stablecoin transactions, while warning net value after removing self-wallet transfers is far lower.[5] Network movement is not necessarily commerce, wages, or purchases; summing repeated movements misstates the payment economy.

Monetary Elasticity Is Not Just the Reserve

Monetary elasticity is not permission to print without discipline. It is the system's ability to supply liquidity and credit appropriately as payment demand changes. Banks create deposits through regulated credit; central banks support settlement through conditional facilities. A fully reserved token usually expands as matching assets arrive and cannot alone perform sovereign lending or emergency-liquidity functions of a two-tier monetary system. Reserve rigidity reduces some risk but does not supply every public-credit function.[5][6]

Outside lenders can create credit against a token or use it as collateral for leveraged positions. That does not make the issuer a central bank; it layers obligations on a supposedly simple instrument. 2026 macroeconomic research distinguishes two channels: savings leaving bank deposits can raise bank funding cost and affect lending; issuer purchases of Treasury bills can reduce some government borrowing cost and create fiscal room. Net effects depend on regulation, reserves, and external demand, not “tokens destroy banks” or “tokens liberate economies.”[11]

A person may obtain a digital dollar without a direct bank account while its value depends ultimately on bank deposits, money-market funds, and Treasury bills. Apparent removal of intermediaries at entry can rearrange them and hide their names. In 2023 an open-network token shook because reserve money was unavailable at a conventional bank.[12]

Financial Integrity and the Denominator

Financial integrity is lost between two weak claims: public blockchains make crime impossible, or unnamed wallets make tracing impossible. Public ledgers enable varying analysis but do not always identify beneficial owners or enforce compliance across self-hosted wallets and chains. A March 2026 **FATF** report discussed stablecoin misuse through direct unhosted-wallet transfers and proportionate verification, analysis, and freezing tools where law and technology permit.[12]

The report cites an estimate that stablecoins represented 84% of **illicit virtual-asset transaction volume** in 2025. This does not mean 84% of stablecoin transactions were illicit. The denominator differs. Confusing them manufactures fear from a correct figure. The useful question connects ledger analysis, identity proof, and cross-border procedure without denying legitimate access.[12]

“Free money” does not mean authority-free. Some issuers can freeze tokens at addresses under lawful orders; governance models vary. Redemption itself imposes an obligation on someone. Higher mobility alongside clear reserve-custodian duties is not contradictory, but the product must say whether the user holds an unstoppable asset or a transferable claim subject at some points to institutional rules.

When Redemption Becomes a Legal Right

The EU's **MiCA** gives holders of a single-official-currency e-money token redemption at par from its issuer under the regime. The US **GENIUS Act** was enacted July 18, 2025 with reserve, disclosure, and holder-right provisions. The OCC issued a final rule October 21, 2026, stating that the rule and law would take effect **January 18, 2027**.[1314] It would be wrong to describe all US protections as fully effective in November 2026 or to assume EU and US issuer eligibility, holder rights, and cross-border enforcement match.

The Financial Stability Board recommends not only attractive reserve reporting but strong user claims, timely redemption, recovery and resolution plans, and information about issuer, custody, mechanism, and governance.[15] Law is part of product definition: a claim requires an identifiable debtor, and insolvency priority is a value property, not a terms-of-use footnote.

It would also be wrong to convert the BIS's systemic perspective into a verdict against every private digital-money form. A workshop buying parts abroad asks whether payment is cheaper and faster. Open rails, programmable exchange, and competition can create real gains where conventional channels fail.[8][16] An instrument need not anchor the entire monetary system to be useful in a corridor; corridor utility does not make it equivalent to every dollar form.

The strongest defense of stablecoins begins with their admitted limitation: they are not an independent unit of account but borrow the dollar's accumulated trust. The issuer need not persuade the world to reprice every good. But borrowing a measure does not confer every institutional property that makes it trusted.

An August 2026 BIS speech compared stablecoins with **tokenised deposits**. Both can use programmable ledgers. A privately issued bearer token moving between users need not equal a bank claim settled between banks in a central-bank asset. Tokenised deposits are not automatically interoperable either; they require operating, legal, and connection rules. The distinction is between architectures assigning who owes what and which asset finally extinguishes obligations, not old and new technology.[17]

The Monetary Return Test

I propose an **untested research framework**, the **Monetary Return Test**. Begin with the last recipient and walk backward to the issuer. What share can different holder classes redeem at par after all costs? How long does it take, using a distribution rather than a flattering average? What are local entry–exit spreads? Does redemption survive intermediary or banking-channel failure? Who owns the legal claim in insolvency? How does reserve financing or liquidation affect others? Across chains, does each transfer preserve a clear final right to the same asset or introduce bridge and custodian risk?

These questions should not collapse into one score. Publish a multidimensional map: **price parity, redemption access, reserve safety, legal finality, acceptance breadth, exit cost, and scalable liquidity**. Segment by holder, country, currency, time, and size. Small authorized transactions, quoted and executed prices, reserve stress tests, and legal analysis could falsify or improve the framework; this article presents no field results validating it.

Saudi and Gulf institutions studying cross-border stablecoin use can identify the real corridor, currencies, parties, lawful channel, and recipient's final conversion value, then compare alternatives. This assumes neither general Saudi authorization for a specific stablecoin nor a recommendation to use one. It is more useful than asking how many chains an application supports.

Reserves cannot solve everything. Full audited assets and a licensed issuer may coexist with expensive local cash-out because of poor competition, liquidity, or FX spreads. Cheap internal transfer can yield an expensive end-to-end journey, or outperform fee-heavy conventional corridors. Analysis should accept either result rather than choose technology or banks in advance.

Three inventions are conflated: **an instrument carrying value**, **infrastructure proving transfer**, and **a social and institutional system making it money**. Amsterdam used a ledger against coin disorder; US merchants discounted notes with similar numbers; USDC moved in March 2023 while markets questioned redemption. Faster transfer does not eliminate the conditions making what moves broadly acceptable.

Stablecoins may become an important payment bridge, or some functions may migrate to tokenised deposits or other unsettled forms. No commercial label escapes one test: a token may arrive in a fraction of a second, but money may need generations of institutions to be accepted without its holder paying for doubt in the name. **The question is not whether the dollar moved. It is which dollar arrived, and with whom its promise remained.**

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