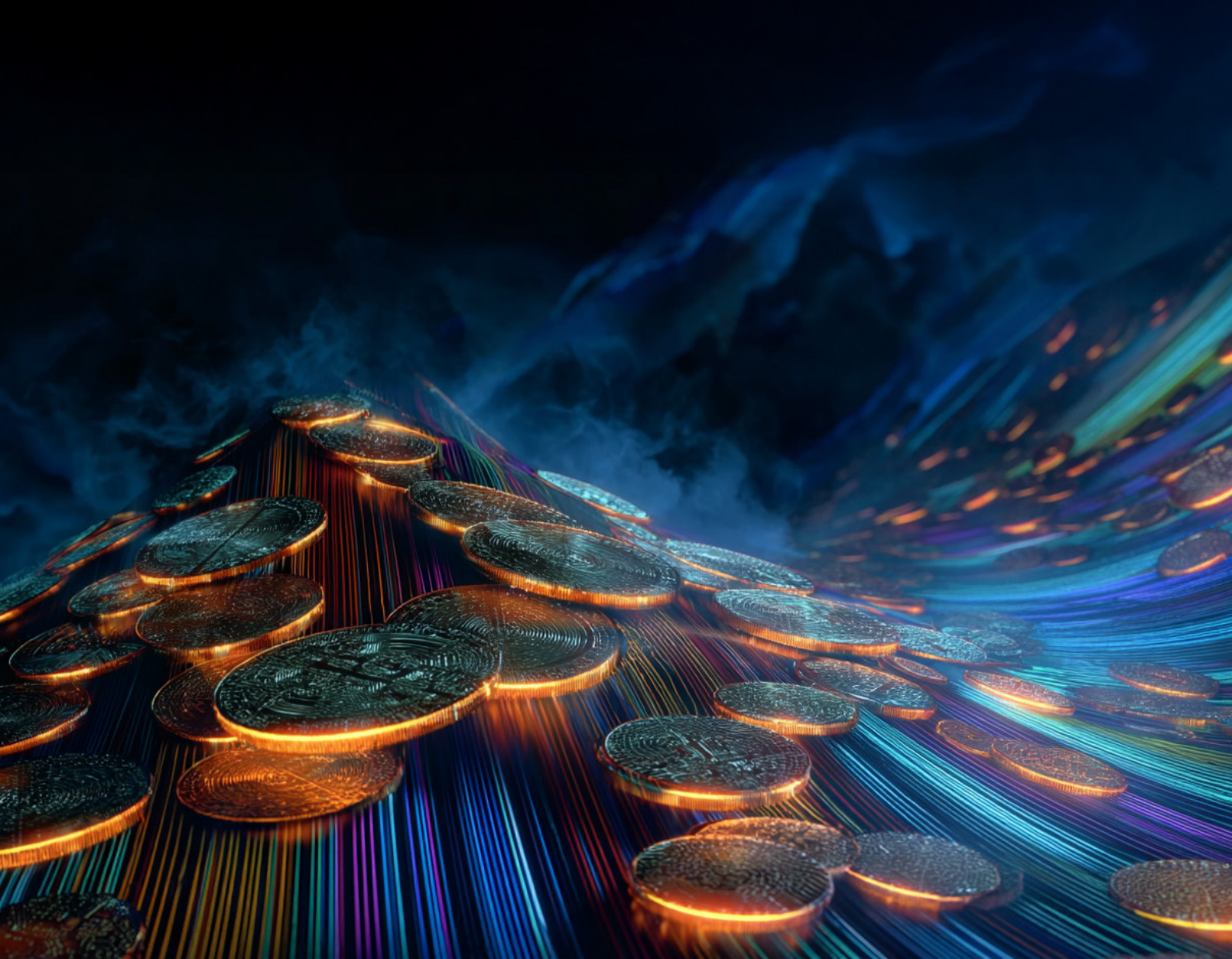


The Fungibility of Stablecoins:

# Unlocking cross-border payments or fragmenting the global financial system?

July 2025



# About

Global Digital Finance (GDF) is the leading global non-profit association of member firms offering an open innovation platform for advocating and accelerating the adoption of best practices for digital assets. GDF's mission is to promote and underpin the greater adoption of market standards for the use of crypto and digital assets, through the development of best practices and governance standards in a shared engagement forum with industry, policymakers and regulators.



Ripple is the leading provider of digital asset infrastructure for financial institutions—delivering simple, compliant, reliable software that unlocks efficiencies, reduces friction, and enhances innovation in global finance. Ripple's solutions leverage the XRP Ledger and its native digital asset, XRP, which was purpose-built to enable fast, low-cost, highly scalable transactions across developer and financial use cases. With a proven track record working with regulators and policymakers around the world, Ripple's payments, custody and stablecoin solutions are pioneering the digital asset economy—building credibility and trust in enterprise blockchain. Together with customers, partners and the developer community, we are transforming the way the world tokenizes, stores, exchanges, and moves value.



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The Global Finance & Technology Network (GFTN) is a Singapore-headquartered organisation that leverages technology and innovation to create more efficient, resilient, and inclusive financial systems through global collaboration. GFTN hosts a worldwide network of forums (including its flagship event, the Singapore FinTech Festival); advises governments and companies on policies and the development of digital ecosystems and innovation within the financial sector; offers digital infrastructure solutions; and plans to invest in financial technology startups through its upcoming venture fund, with a focus on inclusion and sustainability.



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# Fungibility of Stablecoins: Actionable Outcomes

The GFTN roundtable on the “Fungibility of Stablecoins: Unlocking cross-border payments or fragmenting the global financial system?” held in collaboration with the Ripple Policy Summit during Point Zero Forum, brought together public and private sector leaders across markets to discuss whether stablecoins can unlock the promise of seamless cross-border payments or risk fragmenting the global financial system. The conversation was timely, insightful, and underscored the importance of interoperability, standards, and cooperative regulation. Below are the five key takeaways and associated actionable outcomes identified during the session, which can drive forward meaningful stablecoin adoption and global harmonisation of regulatory requirements.

# Contents

1. Stablecoins Are Moving Beyond Crypto & Real-World Use Cases Are Already Here	05
2. Interoperability Must Be a First Principle	05
3. Regulatory Harmonisation is the Biggest Barrier but also the Greatest Opportunity	06
4. Stablecoins Should Be Boring – That’s a Feature, Not a Flaw	07
5. Standards and Definitions Will Make or Break Global Usability	08
6. Conclusion	08
7. Authors Contributor Production	09

1

# Stablecoins Are Moving Beyond Crypto & Real-World Use Cases Are Already Here

Stablecoins have decoupled from crypto price cycles and are increasingly used in the real economy. Roundtable participants emphasised that across emerging and frontier markets, stablecoins provide meaningful access where banking penetration is low and intra-regional trade is constrained by legacy correspondent banking systems.

One roundtable participant provided an example of persistent barriers in the intra-African trade<sup>1</sup>, where payments between different countries in the region often traverse major financial hubs such as London, New York, or Paris. This undoubtedly adds significant cost and friction due to legacy correspondent banking links.

Additionally, several practical use cases where stablecoins add clear value were raised during the roundtable discussion:

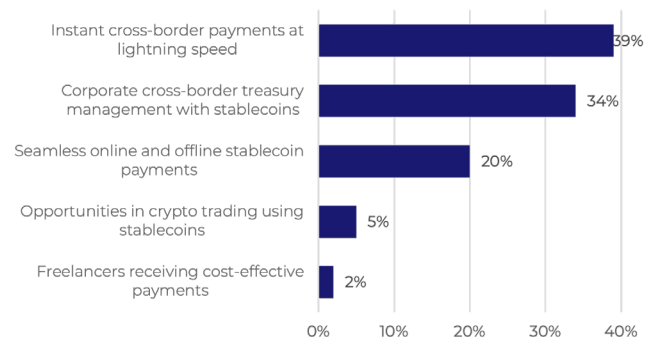
- Cross-border Business to Business (B2B) payments, where global availability, liquidity, and interoperability make stablecoins well-suited to facilitate low-cost, near-instant transactions, particularly in emerging markets;
- Payouts, payroll, and treasury management, especially for digital-native businesses such as content creators and start-ups, benefit from stablecoins' ability to operate independently of traditional fiat rails. These users can reap the benefits of faster settlement, broader reach, and lower transaction costs, which may not have been easily achievable through conventional payment systems;
- Settlements in tokenised capital markets, where stablecoins function as the fiat for programmable securities settlement, enabling more efficient financial infrastructure workflows.

## Actionable Outcome:

Stakeholders should prioritise regulatory frameworks that accommodate diverse, real-world use cases of stablecoins,

especially in underbanked regions. Regulatory clarity must support and not constrain the growing ecosystem of digital money applications across both domestic and cross-border contexts.

### What stablecoin use-case excites you the most?



2

## Interoperability Must Be a First Principle

There was consensus that the interoperability of stablecoins across networks, issuers, and jurisdictions is central to unlocking their value. Current localisation requirements (such as reserve backing within national borders) being considered or implemented across different jurisdictions in stablecoin regulations could undermine fungibility and create artificial barriers to adoption. Roundtable participants stressed the need for seamless, low-friction experiences across all forms of digital money, including fiat, stablecoins, tokenised deposits, and Central Bank Digital Currencies (CBDCs).

One emerging challenge is the localisation requirements, such as national reserve backing rules, which may inhibit the free flow of liquidity across providers. These requirements are often grounded in legitimate policy objectives to provide an avenue for redemption certainty and safeguard domestic financial stability. By requiring stablecoin issuers to hold reserves locally, regulators aim to maintain visibility and

<sup>1</sup> See <https://www.imf.org/en/Publications/fandd/issues/2022/09/Digital-Journeys-Africa-freeing-foreign-exchange-wellsiz>, Finance & Development Magazine: Freeing Foreign Exchange in Africa. "As of 2017, only about 12 percent of intra-African payments were cleared within the continent, according to the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The rest are routed through overseas banks, mostly in Europe and North America. As a result, an African currency must first be exchanged for dollars, pounds, or euros and then swapped a second time for a different African currency. That adds an estimated \$5 billion a year to the cost of intra-African currency transactions."

control over offshore liquidity, reduce external dependencies, and strengthen consumer safeguards. However, this approach can bring about unintended consequences. By tethering stablecoins to specific jurisdictions or banking systems, localisation may erode their global fungibility and introduce operational silos.

As one roundtable participant noted, this unintended consequence could lead to a new generation of fragmented systems that replicate the inefficiencies of the legacy banking model. As ecosystem stakeholders growing the adoption of stablecoin usage, we should be building for the future and not replicating the inefficiencies of today.

Lastly, the public and private sector actors also agreed that the “singleness of money”, which refers to ensuring all forms of digital money are interchangeable at par, is foundational to trust and adoption. However, perfect singleness should not be the immediate goal, instead regulators should focus on ensuring the underlying stability, from which singleness will follow over time.

#### **Actionable Outcome:**

Market-led technical interoperability standards should be co-developed with public sector guidance to ensure that they are robust, scalable, and future-proof. Initiatives such as industry-adopted best practices, codes of conduct, IVMS 101<sup>2</sup>, and ISO 20022<sup>3</sup> should be leveraged to drive convergence across networks and jurisdictions.

Roundtable participants also emphasised that interoperability must be treated as a first principle, and regulators should embed interoperability into the initial designs of both public and private initiatives, rather than retrofitting this principle reactively after the fragmented system has already taken place. While the singleness of money can take time to achieve, enabling a functional convergence, where different forms of digital money move seamlessly across systems, was viewed as an urgent and realistic priority. Regulators can play a critical role by fostering supervisory cooperation mechanisms, such as regulatory sandboxes and cross-border colleges.

3

## **Regulatory Harmonisation is the Biggest Barrier but also the Greatest Opportunity**

An overwhelming 65% of roundtable participants identified regulatory harmonisation as the primary hurdle to stablecoin adoption. While different jurisdictions are increasingly exploring frameworks for digital assets, there remain significant differences in how stablecoins are defined, classified, and licensed. These include varying definitions of what constitutes a stablecoin, and what makes one a payment instrument vs. a financial product or security.

The roundtable participants have also expressed concerns that this lack of alignment is already leading to the formation of “walled gardens,” where stablecoins function only within specific networks, platforms, or jurisdictions. This undermines their core value proposition as a borderless, interoperable payment instrument. Even stablecoins pegged to the same currency, such as the US dollar, may be subject to different treatment depending on the jurisdiction, issuer model, or reserve structure.

The discussion also highlighted the growing emergence of non-USD stablecoins, such as Euro-backed stablecoin (EURC), and regional stablecoins in emerging markets. These developments reflect efforts to diversify the digital currency landscape and address local currency needs, particularly for trade and treasury management. However, the roundtable participants noted that this trend could further introduce complexity around regulatory coordination. Supporting non-USD corridors will require not just technological solutions, but clear policy alignment to address concerns about reserve jurisdiction, redemption rights, and currency sovereignty.

Regulatory fragmentation also impacts fungibility. Some jurisdictions have yet to fully implement global standards on Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT). As a result, even identical stablecoins can be treated differently depending on wallet history or risk classification.

<sup>2</sup> See <https://www.intervasp.org/>, interVASP Messaging Standard 101 (IVMS 101). “Initially released in 2020 by the Joint Working Group (JWG) on interVASP Messaging Standards, IVMS 101 is the universal common language for communication of required originator and beneficiary information between VASPs used by all leading Travel Rule solution providers.”

<sup>3</sup> See <https://www.iso20022.org/>, ISO 20022 Universal financial industry message scheme. “ISO 20022 is a multi part International Standard prepared by ISO Technical Committee TC68 Financial Services. It describes a common platform for the development of messages.”

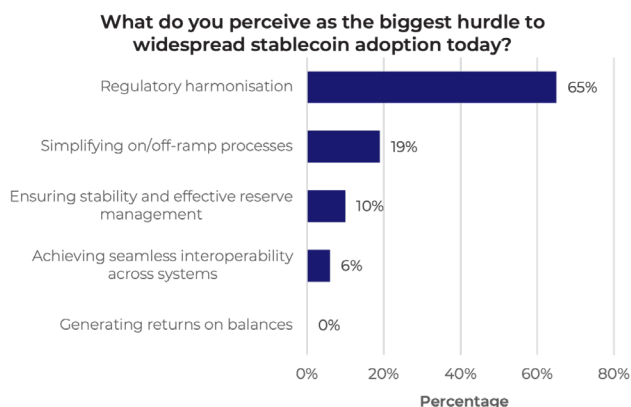


Lastly, roundtable participants also emphasised that regulatory harmonisation must extend beyond legal definitions. It requires cooperation on supervisory practices, licensing frameworks, and compliance expectations. As tokenised cash becomes more deeply integrated with tokenised assets, stablecoins will need to operate across both public and private networks, and across regulatory regimes with different interpretations of financial instruments. Users, however, do not differentiate between these distinctions. They simply want to move value from point A to point B, reliably and efficiently.

#### Actionable Outcome:

Multilateral and bilateral regulatory dialogue and cooperation is essential. Regulators should adopt “same risk, same rules” approaches across digital money forms and where applicable, align on licensing, disclosure, and reserve requirements. Legal definitions must be clarified and adapted to reflect the new technological realities

(e.g., direct transfers without intermediaries and smart contract-based operations). Regulators were encouraged to develop reciprocal agreements as soon as possible, and to think about how to build functional equivalence into new frameworks at the outset.



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## Stablecoins Should Be Boring – That’s a Feature, Not a Flaw

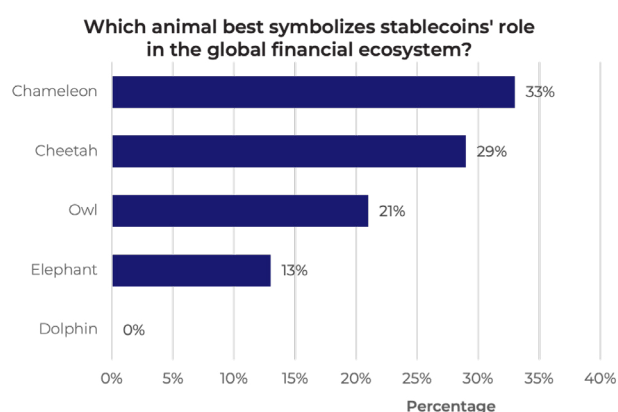
Participants aligned on the view that stablecoins, as foundational financial infrastructure, should not be speculative or yield-seeking instruments in their core use. Their strength lies in reliability, neutrality, and predictability. As one roundtable participant aptly noted, stablecoins should be like owls: “boring but wise.” The goal is to enable payments that do not add cost or friction to economic activity whether between individuals, businesses, or across borders.

This sentiment was further reinforced by a shared view that stablecoins should be treated as a transactor of value. Participants emphasised that industry players should prioritise functionality and avoid over-engineering features that detract from the core purpose of enabling simple, efficient value transfer. In developing markets in particular, one roundtable participant noted that money movement remains far from seamless when compared to mature

financial systems. In this context, stablecoins were seen not as disruptive by design, but as a complementary financial infrastructure that can extend access and improve efficiency, especially where existing rails are insufficient.

#### Actionable Outcome:

Regulatory frameworks should preserve the stability and neutrality of payment-focused stablecoins while distinguishing them from more complex financial instruments such as yield-bearing tokens. Industry participants must also resist the temptation to over-complicate stablecoins and instead focus on building robust, scalable infrastructure.



# Standards and Definitions Will Make or Break Global Usability

The definitional ambiguity around stablecoins—particularly when features such as yield, multi-currency backing, or composability are added—can turn a simple payment token into a complex financial product. Participants urged convergence around shared definitions and noted that different interpretations (e.g., under the European Union (EU)’s Markets in Crypto-Assets Regulation (MiCA), in Japan, or the United States (US)) create major usability constraints, particularly when stablecoins are meant to operate globally.

The roundtable participants discussed how MiCA, although designed for global-scale stablecoins, creates practical challenges for international use. One example raised was that the EURC reserves must be held in EU banks, which complicates redemptions outside of the EU. Others have highlighted that the underlying problem may not be in MiCA itself, but rather in underlying payments legislation, which continues to treat stablecoins under frameworks originally designed for traditional instruments such as credit transfers. For instance, stablecoins are not legally recognised as bearer instruments in some jurisdictions, even though they may function as such in practice, which

raises questions about how programmable money fits within existing legal categories.

## Actionable Outcome:

Support global standard-setting efforts that clarify stablecoin classification (e.g., e-money vs. security), and promote legal and technical standards that underpin cross-border use. Workstreams such as IVMS101, ISO 20022, and other cross-border public/private sector initiatives are critical to enabling this consistency. The industry should also take initiative in developing a shared taxonomy and compliance best practices to ensure that new stablecoin designs remain interoperable across jurisdictions and sectors.

# Conclusion

The roundtable underscored that stablecoins have a genuine opportunity to serve as the “killer app” for blockchain and become a foundational layer of the next generation of financial infrastructure, but only if the public and private sector align on design, standards, interoperability, and supervision. Convergence, rather than harmonisation, may be the more practical goal in the short term. With thoughtful coordination, stablecoins can help reinvent rather than rebuild the global payment system making it more accessible, efficient, and inclusive.





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