



Stablecoins as a Cross-Border Payment Method

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Executive Summary

In 2025, the passage of the GENIUS Act ignited enthusiasm for stablecoins as a payment method, building on the signal that cryptocurrencies are more acceptable as financial instruments to the current administration and regulatory agencies. In this report, the U.S. Faster Payments Council (FPC) focuses on a particular use case for GENIUS Act-compliant stablecoins, that of cross-border payments, and compares two alternative approaches.

Alternative one: Direct exchange, where both parties are aware they are using stablecoins and assume responsibility for complying with applicable regulations.

Alternative two: Indirect exchange, where financial institutions (FIs) or partnered fintechs use stablecoins as an underlying settlement mechanism, with or without the parties knowing they are using stablecoins.

This report will show that the indirect model has several important advantages, foremost of which are clarity on compliance, operational simplicity, and reuse of existing rails.

To keep the discussion focused on near-term benefits to U.S. companies, this report only focuses on cross-border applications. It does not address tokenized assets or consumer use cases.

This report is intended for CFOs, payment strategy executives, cross-border payments executives, and other relevant decision makers.

Introduction & Context

Stablecoins were a hot topic in 2025, with the passage of the GENIUS Act¹ in the United States. That Act provides a framework for implementing plans that have been in existence for years, although applicable regulations remain to be written by January 2027. Further changes are expected from the pending CLARITY Act², making its way through Congress.

Multiple international pilots have been conducted and are continuing, establishing the feasibility of stablecoins for complex payment flows. For example, Project mBridge³ was a project run by the BIS Innovation Hub and four central banks in Asia. More recently, Swift has announced ongoing pilots with numerous international banks.

This report focuses on a particular use case, i.e., two businesses exchanging value in U.S. dollar-denominated stablecoins across national borders. It does not consider consumer use cases or the use of stablecoins as an alternative to card-based payments, which are already global and equally fast, although settlement is not real-time.

This report assumes a certain familiarity with the concept of stablecoins, which are a form of cryptocurrency that is backed by an equal value of fiat cash and cash equivalents.⁴ It recognizes that central bank digital currencies (CBDC) are a form of stablecoin, but since the U.S. has decided not to pursue a CBDC currently, it does not specifically include CBDC in this analysis.

There are several questions about the use and operation of stablecoins in cross-border payments, namely:

1. When compared to Correspondent Banking, how does the liquidity structure change? Do stablecoins free up trapped liquidity from pre-funding? How large is this effect?
2. How does trust and risk exposure work? Is the reserve-based trust model at par with the distribution trust model? Are stablecoins on balance sheet assets?
3. Settlement finality - What exactly is finality here? Who bears the settlement risk in case of stablecoins? What if the issuer faces stress? How are disputes and reversals handled? What is an apples-to-apples comparison of best- case and worst-case settlement times?
4. How do compliance controls and regulatory accountability differ between the two models? How do stablecoins change operations processes? What do the staff have to be trained in (e.g., custody / key management / blockchains)? Or do stablecoins help reduce operational costs?
5. What is the end-to-end economic model, including fees, foreign exchange, and settlement?

To address these questions, this report is structured into four major sections:

- Identifying core process flows for both the current state and the future state.
- A description of two alternative scenarios for handling stablecoins at each end of the transaction.
- A comparison of the stablecoin flow v. the cash-based process, with a list of challenges and opportunities.

Core Process Flows

All payment systems share a common structure, as shown in Figure 1.

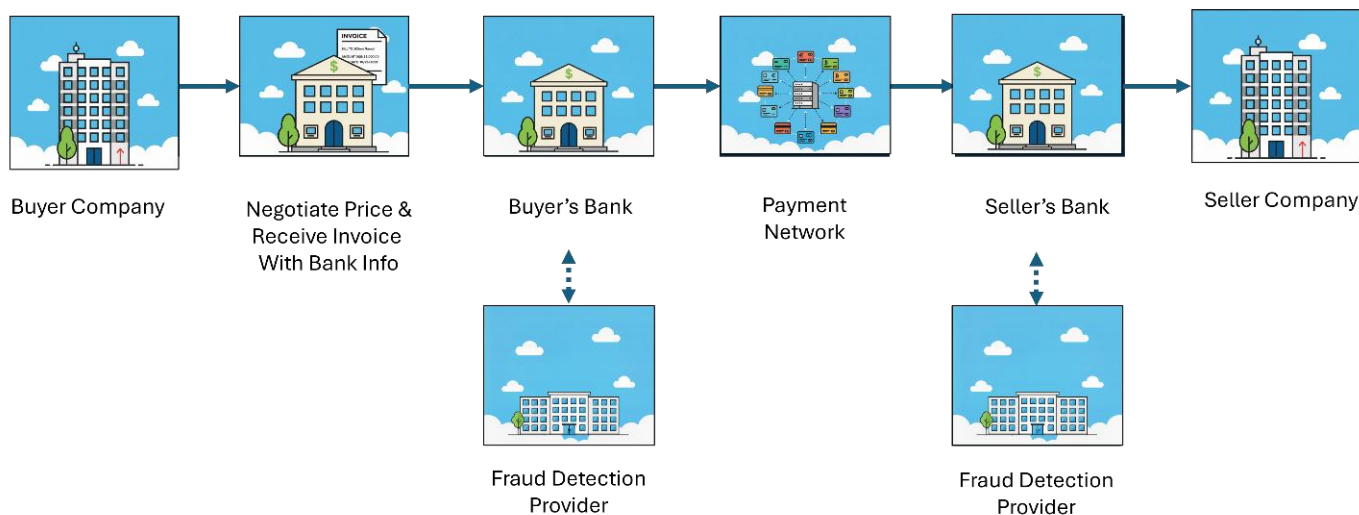


Figure 1. Common Structure of a Payment System.

From left to right, there is the buyer, the buyer's FI, the network, the seller's FI, and the seller. The roles have different names depending on the payment type. More than one company may serve in a particular role; for example, it is common for the buyer's and seller's FIs to make fraud checks before agreeing to ship goods, and this may be done by calling a third-party fraud model provider. There are other services that are provided in a cross-border context, such as sanctions compliance, and these will have to be accommodated.

In the case of cross-border payments, there are often additional buyer banks and seller banks, which are called correspondent banks. This is necessary because a particular FI may lack account relationships with FIs in other countries. A correspondent bank holds a foreign currency account for an FI in another country. For example, if a U.S. FI wishes to trade in pesos, it will establish an account in pesos with a Mexican FI and give the Mexican FI instructions through the network to pay specific people or companies out of that account.

The next section turns to the specific case of stablecoins.

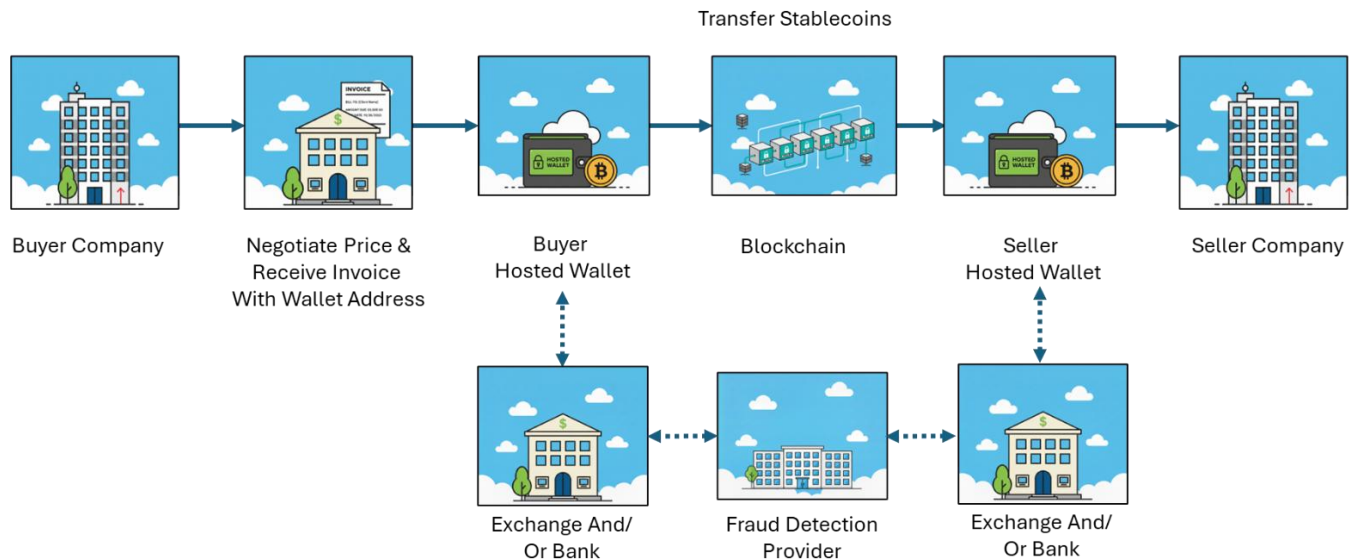


Figure 2. Stablecoin Payment Structure.

Again, following Figure 2 left to right, the generic flow is replaced as follows:

1. Buyer contacts the seller to negotiate prices and receive an invoice, along with the seller's wallet address.
2. Buyers use their hosted wallet to transfer the appropriate value in stablecoins to the seller's wallet. The wallet in this case is hosted by an exchange, which connects to the blockchain.
3. Alternatively, the wallets are held in trust by FIs, which carry out the transfer at the buyer's direction.
4. The seller reconciles the stablecoins received with the amount of the invoice.
5. The seller optionally converts the stablecoins to fiat through an exchange or bank.

Figure 2 assumes a single blockchain. However, if the buyer and seller are using different blockchains, there needs to be a service like Circle's Cross-Chain Transfer Protocol.

Note: how the buyer got the stablecoins, what the seller does with them once they have been received, and compliance issues are covered in the discussion of scenarios below.

Scenarios

The two scenarios described below represent distinct approaches to integrating stablecoin settlement into payment flows. While they differ in architecture and participant visibility, both rely on the same foundational mechanics of stablecoin issuance, transfer, and redemption — as well as a common set of regulatory and operational considerations that apply across both models.

Shared Operational Context

Stablecoins are created — or "minted" — by an issuer that holds an equivalent amount of reserve assets, typically cash deposits, money market funds, and/or short-term U.S. Treasury securities. Stablecoins can be redeemed — or "burned" — when converted back into fiat currency, either at the point of redemption or when liquidated from an institution's internal wallet. Alternatively, the stablecoins can be held and reused.

Several operational considerations apply regardless of which scenario is implemented:

- Some issuers, such as Circle, permit partner institutions to mint stablecoins on demand rather than purchasing pre-issued coins through the open market.
- If an FI receives stablecoins in settlement and retains them in an internal wallet, the treatment depends on whether the FI is holding them for its own account or on behalf of a customer. Assets held on a customer's behalf may implicate custody/safekeeping rules, while assets held as principal raise different accounting and prudential questions. The precise treatment remains subject to evolving accounting and bank regulatory guidance.
- FIs may also sell stablecoins directly to customers without minting the coins through an issuer first. On the other end FIs can opt to hold stablecoins that they receive on behalf of their customers, and then only burn them when and if they convert them to fiat with the issuer.
- FIs do not earn interest on stablecoins held in custody. The issuer captures the spread by investing reserve assets, while the custodial FI earns only servicing fees. This structure is being codified at the federal level: under the proposed GENIUS Act framework, permitted payment stablecoin issuers may not pay holders any form of interest or yield in connection with holding, using, or retaining a payment stablecoin — effectively classifying stablecoins as cash-like instruments rather than deposit or investment products. The OCC further presumes that affiliate or white-label reward arrangements violate this prohibition unless the issuer can affirmatively demonstrate otherwise in writing. This a focus of debate under the pending CLARITY Act.

- Because stablecoins cannot be lent against in the same way as cash deposits, FIs that hold stablecoins rather than fiat forfeit lending capacity unless they adopt decentralized finance (DeFi) lending or staking mechanisms.
- The volume of stablecoins an FI holds at any given time reflects customer demand. High demand may warrant retaining a working inventory; in the absence of demand, coins received in settlement will typically be burned.
- When end customers retain stablecoins in their own wallets, the redemption decision rests with the customer, not the FI — though FIs may elect to offer custodial wallet services.

Scenario 1 — Direct Purchase and Payment

In this model, the buyer acquires stablecoins directly from an issuer, typically through a cryptocurrency exchange such as Coinbase, by transferring an equivalent amount of fiat value. The stablecoins are delivered to the buyer's wallet address, from which they are transferred directly to the seller. If the buyer requires stablecoins denominated in a currency other than their own, the exchange facilitates the foreign currency conversion.

Upon receiving payment, the seller may hold, reuse, or redeem stablecoins for fiat by selling them back to the issuer or through an exchange, which then transfers fiat cash and draws on the issuer's liquid reserves.

This scenario does not inherently require a banking intermediary or a centralized exchange — non-custodial wallets such as MetaMask allow users to maintain their own private keys. In practice, however, most participants will prefer custodial or exchange-based solutions to avoid the operational complexity and security risk of self-custody. It is important to emphasize that the direct transfer of stablecoins carries meaningful compliance exposure: the same risks of money laundering, sanctions evasion, and terrorism financing that apply to cash, gift cards, and cashier's checks apply here, and regulators in most jurisdictions have or are developing corresponding rules.

Scenario 2 — Back-Office and Embedded Infrastructure

In this model, stablecoins are not visible to end participants. To the buyer and seller, the transaction appears to move through a conventional domestic payment system — a credit card network, an international wire, or a similar channel. Behind the scenes, however, the payment service providers on each side of the transaction settle with one another using stablecoins.

This settlement typically occurs on a net basis, meaning that inflows and outflows across a given settlement window are aggregated, and only the net position is transferred. A key efficiency advantage of stablecoin-based settlement is that net final settlement can occur any day or time versus just during banking hours. The settlement can also be direct between sending and receiving institutions without intermediaries.

This approach suits cross-border and high-frequency payment environments where speed, finality, and reduced counterparty exposure are priorities, while maintaining a familiar experience for end users.

Comparative Analysis

This section turns to a comparison of the stablecoin flows with the cash-based process.

The cash-based process begins with the submission of a wire request to a bank, which in turn submits it to their correspondent bank for execution. Depending on the corridor (that is, the combination of originating and receiving country), this may involve more than one correspondent bank. For frequent trading partners, there are more likely to be direct relationships between FIs in each country, because it is economical to establish such partnerships.

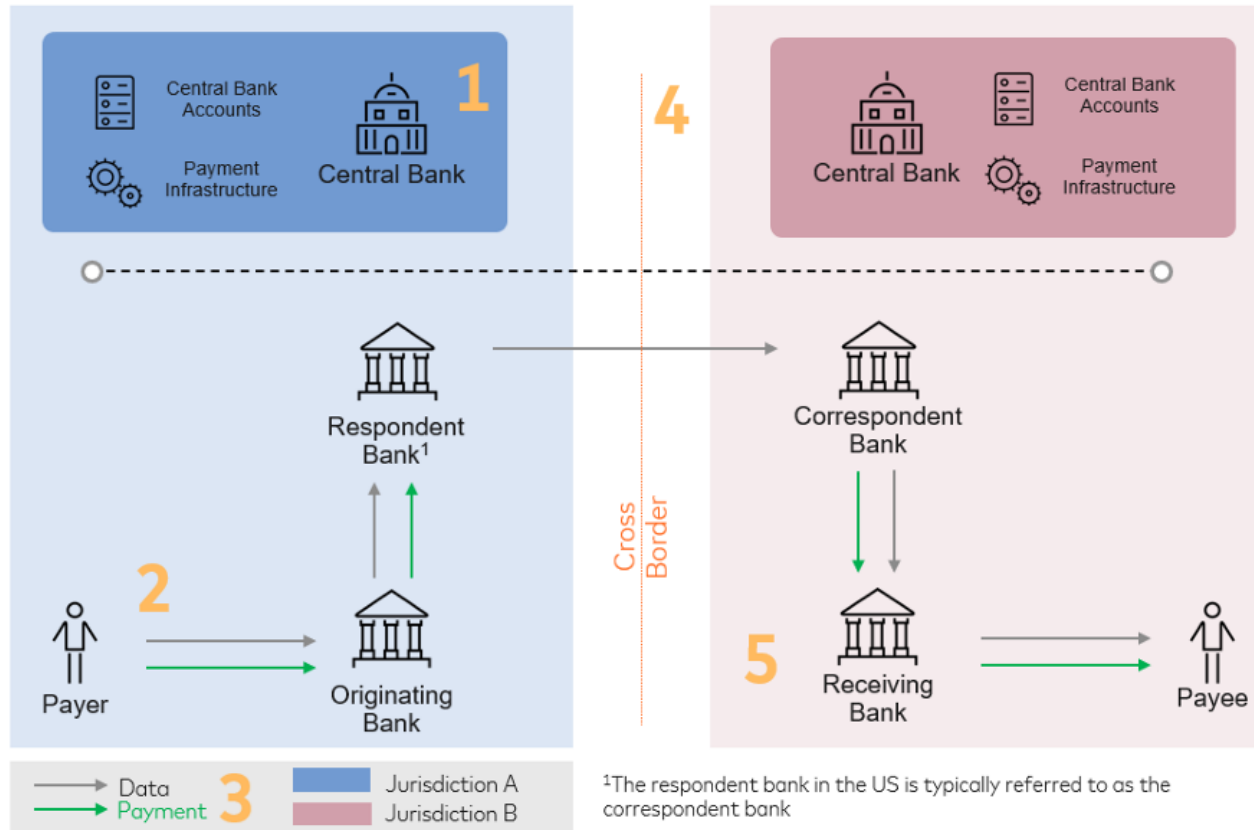


Figure 3. Correspondent Banking Flow.

Correspondent banking enables international wire transfers by routing payment instructions via Swift through banks with established relationships and reciprocal accounts. While this system provides reliability, it introduces operational friction: multiple intermediaries increase costs and extend settlement times, often reaching several business days for cross-border transactions. Transparency presents another challenge—the absence of standardized status messaging leaves parties uncertain about payment progress. SwiftGO has begun addressing this gap through enhanced tracking capabilities, though user experience improvements remain in development.

Stablecoin settlement offers a different approach. Blockchain-based transactions create an immutable, traceable record of each transfer, providing inherent transparency into payment status and finality. Further, blockchain enables traceability beyond what can be done today, because the full chain of transactions before and after the payment can be visualized.

However, transparency at the protocol layer does not automatically translate to usability. To realize their full potential, stablecoin payment systems require robust notification frameworks and user interfaces that clearly communicate settlement status, exception handling, and finality confirmation to all transaction participants. Without this application layer, the technical transparency advantage remains underutilized in practical payment workflows.

Stablecoin payment flows replace the complicated flow shown in Figure 3 above in favor of a unified international funds transfer network riding on top of a global blockchain. Rather than going through intermediaries, two FIs in different countries can transfer stablecoins to each other directly. As shown in Figure 2. Stablecoin Payment Structure.

Table 1. Comparison of International Cash and Stablecoin Payments

Dimension	Current Cash-Based System	Stablecoin-Based System
User Experience	Payment requests go through a succession of correspondent banks, each of which adds cost and time to the settlement. The progress of the payment is often invisible to the user.	Payment is direct between two FIs utilizing stablecoin wallets. Direct transfer - which reduces costs, minimizes additional settlement steps, and improves transparency.
Compliance Burden	Transaction monitoring: • Know Your Customer (KYC) • Anti-Money Laundering (AML) • Suspicious Activity Reports (SAR) • Fraud Management	Same or greater; there are issues in getting all the required data on chain and maintaining confidentiality. This can be addressed through linking off-chain details which may add cost, time, and other overhead.

Settlement Speed	1-10 days	Same day: there is no separate settlement step because good funds are transferred immediately and irrevocably. ⁵
Foreign Exchange (FX) & Liquidity Management	Nostro and vostro accounts manage liquidity in the multiple currencies involved	If stablecoins are accepted in the original currency and reused, then FX is not required. Otherwise, FX can be done up front by using a foreign currency-denominated stablecoin or afterwards during conversion to fiat.
International Acceptance	Universal based on correspondent bank relationships	Stablecoins are not supported in all countries. This presents challenges in converting them into fiat currency.
Cost Savings/ Benefits	International wire fees can be up to \$50, depending on the relationship the business has with their FI.	Fees are set by sending and receiving FIs, as well as the blockchain network, but will be much lower, since there are fewer FIs involved.
Reserve Accounts	Separate reserve accounts need to be held in each country where there is payment activity.	A single custody account needs to be held for stablecoins, reducing the amount of trapped liquidity.

It is clear from the above table that the main advantage of stablecoins is their speed and simplicity. The same compliance burdens apply, and the cash-based system is still needed when stablecoins are purchased (on-ramp) and converted (burnt off-ramp) into fiat currency. As discussed above, there are economic reasons why FIs will wish to retain stablecoins rather than convert them into fiat currency, especially if the balance of trade is even.

Challenges

The potential challenges with respect to stablecoin transfers are numerous.

1. Regulatory/Legal

These relate to laws, regulatory uncertainty, compliance obligations, and enforcement.

- a. Regulations in the U.S. under the GENIUS Act are not due to be finalized until 2027 and could affect the viability or profitability of stablecoin transfers. In addition, there are likely to be laws passed in the future such as the CLARITY Act that go beyond the GENIUS Act.

- b. Compliance requirements are the same for stablecoins as for cash-based payments and could be far greater. Various authorities are still coming to agreement on regulations, and the rules are currently evolving. Further, different authorities may develop different standards, requiring harmonization.
- c. Know Your Customer (KYC) is possible at issuance, but banks must ensure that stablecoins are not traded to unknown entities.
- d. Self-custody wallets that are not exchange-based bypass sanctions and other restrictions.
- e. Compliance challenges may require private blockchains to address, so that entities accessing the system can be controlled and vetted.
- f. Stablecoins are not legally supported in all countries, presenting challenges for local FIs in converting them to fiat currency. Exchanges must provide that service instead.
- g. Reputational hangover from the 2022–2023 crypto crash.

2. Economic/Balance Sheet

This category affects capital efficiency, liquidity, interest, FX exposure, and overall economics as noted above. To review, stablecoins require 100 percent backing by low-risk assets such as cash and treasuries and cannot be loaned out. Also, counterparties may prefer to receive payments in non-U.S. dollar stablecoins, affecting FX.

3. Operational

These relate to processes, systems, reconciliation, and implementation complexity.

- a. Reconciliation with trade documents – this is simpler with programmable smart contracts but still needs to be done.
- b. Still must be able to integrate with legacy systems.
- c. Multiple stablecoins may not be interchangeable without some sort of global clearinghouse or set of domestic clearinghouses, such as Metallicus⁶ or Ubyx⁷.
- d. Stablecoins do not carry information about the trade, so there will need to be an overlay, using ISO 20022. This information could be carried by an existing network, like Swift or one of the global card networks, or through linked off-chain servers which also interface with existing legacy systems.

Opportunities

On the other hand, there are several attractive opportunities that are currently driving interest in stablecoins for cross-border:

- No need to integrate existing payment networks – stablecoins are already global.
- Stablecoins can be associated with smart contracts that automate trade finance processes.
- Medium-size FIs no longer must work through correspondent banks to get access to global trading partners, so they can hang on to their customers longer.
- Stablecoins can be less expensive than legacy payment methods.
- Stablecoins can be faster than legacy payment methods.

The current volume of stablecoin holdings was estimated by the Bank for International Settlements at \$255 billion globally in July 2025. It is therefore likely that current holdings exceed \$300 billion.⁸

Recommendations and Conclusions

Recommendations and Conclusions

In summary, stablecoins offer a set of practical advantages based on their always-on, near-instant settlement and a shared, programmable record of balance transfer. By moving funds on a 24/7 basis with minimal delay, stablecoins can reduce settlement risk and improve liquidity, which in turn supports better working capital management.

They also have the potential to lower the cost and complexity of cross-border payments by reducing the number of intermediaries involved, cutting operational overhead, and avoiding foreign exchange when pricing and settlement can occur in the same currency. This reduces the need for local accounts across multiple countries.

Because transactions can be recorded on a common ledger, stablecoins can also simplify reconciliation and reduce exceptions, while providing greater transparency.

Based on these benefits and the need for compliance with existing laws and regulations, financial institutions should coordinate with each other through a consortium or other third-party, particularly for fraud controls, identity and compliance requirements, and the exchange and off-ramp mechanisms that convert between stablecoins and fiat currency.

If institutions attempt to solve these issues in isolation, each participant will be forced to validate and re-validate the controls of every other participant, creating inconsistent standards, higher onboarding burdens, and avoidable operational risk.

In the near term, utilizing stablecoins for cross-border payments represent the clearest pain point and the most compelling opportunity to demonstrate measurable value. As operational processes mature and common standards take hold, additional use cases, such as domestic payments, are likely to emerge and become economically attractive.

Appendix A: Full Definition of Selected Terms

Correspondent Banking: Correspondent banking is a system in which one FI (the correspondent) provides services on behalf of another FI (the respondent), typically across international borders. This arrangement allows FIs to access financial services in authorities where they do not have a physical presence, enabling the movement of funds, settlement of transactions, and facilitation of international trade. A key feature of correspondent banking is the use of special accounts to record and settle transactions between the two banks: the nostro and vostro accounts.

A nostro account (“our account with you”) is an account that an FI holds in a foreign currency at another FI, usually in the country where the currency is issued. From the perspective of the FI accountholder, it is referred to as a nostro account. Conversely, a vostro account (“your account with us”) is the same account from the perspective of the bank holding the funds; it is the respondent bank’s record of the correspondent bank’s money held on its books. These accounts are essential for managing liquidity and ensuring the smooth execution of cross-border payments, as they track the balances and movements of funds between banking partners.

For example, a U.S.-based FI that wants to enable payments to entities in France will have a Euro-denominated account with a French FI and will send a Swift message to that FI instructing them to take money out of the payor’s account and transfer it to the beneficiary or recipient. No money moves across the border; rather, the message moves across the border, and money moves within the destination country.

GENIUS Act-Compliant Stablecoins: The GENIUS Act establishes a clear and conservative standard for compliant stablecoins: no yield to holders, and reserves limited exclusively to high-quality liquid assets. Permissible backing includes U.S. cash and Federal Reserve notes, demand deposits at federally insured or appropriately regulated depository institutions, short-term U.S. Treasury securities, overnight Treasury-backed repurchase agreements, and shares of regulated government money market funds invested solely in government securities and cash equivalents.

The Act draws a firm line against riskier instruments — commercial paper and algorithmic mechanisms are expressly prohibited as reserve assets. Reserves must be fully segregated, bankruptcy-remote, and subject to monthly public disclosure and independent attestation. Taken together, these provisions establish a payment stablecoin framework grounded in capital safety, operational transparency, and systemic discipline — a foundation the Council views as essential to any credible path toward responsible digital dollar integration.

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About the Faster Payments Council and its Cross-Border Payments and Digital Assets Work Groups

The Faster Payments Council (FPC) is an industry-led membership organization whose vision is a world-class payment system where Americans can safely and securely pay anyone, anywhere, at any time and with near-immediate funds availability. To further this vision, the Faster Payments Council established the Cross-Border Payments Work Group to cover global industry initiatives, gathering information on various models and use cases for real-time payments across borders, with the long-term goal of cross-border interoperability. It also established the Digital Assets Work Group to examine the use of digital assets in financial services, focusing on payments made with digital funds—including central bank digital currencies (CBDCs), regulated liabilities, and stablecoins—and to identify potential benefits, implementation models, and use cases for faster payments.

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