DO NOT FALL BEHIND

USD Demand and the Use of Intermediary Currencies

1. ***How much demand for USD today comes from its role as the “intermediary” (vehicle) currency?***

2. ***How much of that demand would fall if banks can settle directly in any currency with instant finality (RT-SCL)?***

3. ***What would that mean for demand for U.S. government debt?***

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1. How much demand for USD is “intermediary demand”?

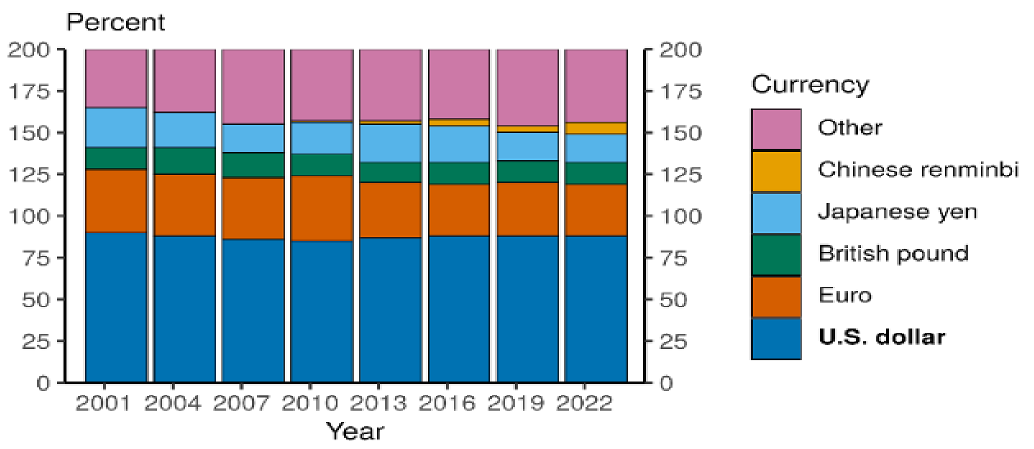
When two non-dollar currencies trade or settle (say NOK to MXN), global practice today is: convert NOK→USD, then USD→MXN. The USD is used as a “vehicle” currency. This creates very large structural demand for dollars because:

- Banks need USD intraday/liquidity buffers to intermediate these flows.
- Central banks and treasuries hold USD reserves to defend their currencies, smooth FX markets, and make USD-settled payments.

Two key datapoints tell us how dominant that role is:

1. The U.S. dollar is on one side of about **88% of all global FX transactions**. That share has been remarkably stable for two decades. *(* Federal Reserve)*

Figure 11. Share of over-the-counter foreign exchange transactions



Note: On a net-net basis. Percentages sum to 200 percent because every FX transaction includes two currencies. Legend entries appear in graph order from top to bottom. Chinese renminbi is 0 until 2007.
Source: BIS Triennial Central Bank Survey of FX and OTC Derivatives Markets.
Accessible version

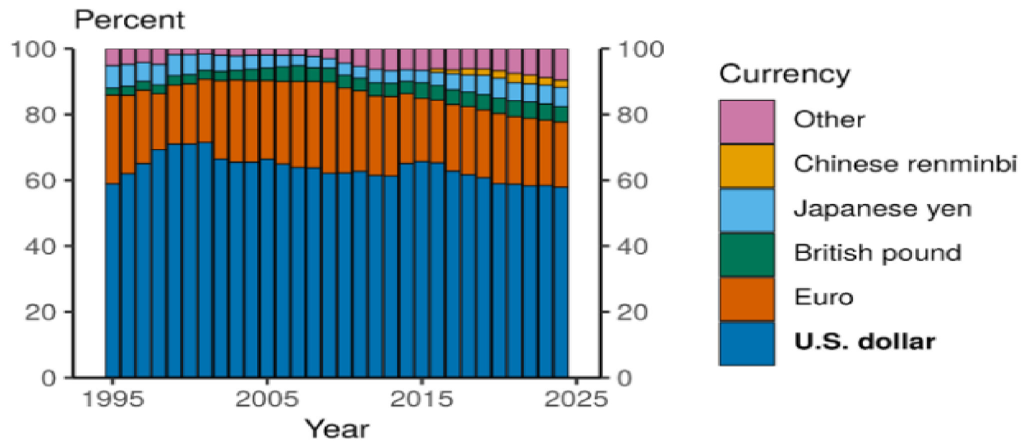
The many sources of demand for U.S. dollars are also reflected in the high dollar share of foreign exchange (FX) transactions. The 2022 Triennial Central Bank Survey from the Bank for International Settlements indicated that the U.S. dollar was bought or sold in about 88 percent of global FX transactions in April 2022. This share has remained stable over the past 20 years. In contrast, the euro was bought or sold in 31 percent of FX transactions, a decline from its peak of 39 percent in 2010. *(Graphics: FED)*

- Note: in FX statistics, each trade has two currencies, so if markets were “balanced,” you’d expect ~50% share for the main global currency. 88% means almost every meaningful FX trade touches USD somewhere.

2. Central banks collectively hold roughly **$7 trillion in U.S. dollar assets**, which is ~58% of all disclosed global FX reserves. *(** Federal Reserve)*

   - Many of these reserves are in U.S. Treasuries or T-bills because they are liquid, deep, and can be mobilized quickly when dollars are needed.

Figure 2. Foreign exchange reserves



Note: Share of globally disclosed foreign exchange reserves. Data are annual and extend from 1995 through 2024. Legend entries appear in graph order from top to bottom. Chinese renminbi is 0 until 2015-Q2.
Source: IMF COFER.
Accessible version

The dollar share has declined from its peak of 72 percent of reserves in 2001, as foreign reserve managers have added to their portfolios a wide range of smaller currencies, including the Australian and Canadian dollars (IMF COFER). Even with this decline, the dollar remains by far the dominant reserve currency and only returned to about the share it had in 1995. Notably, it is basically unchanged since 2022, when it accounted for 58 percent of reserves, suggesting that U.S. sanctions on Russia following the invasion of Ukraine have not led to fears of dollar "weaponization" causing a notable reallocation of reserves out of dollars. *(Graphics: FED)*

Not all of that USD demand is “we like America.” A significant slice is purely functional: you must hold dollars because global settlement pipes force you to route via dollars.

There’s no universally agreed public number for what fraction of USD demand is strictly “vehicle currency / settlement plumbing,” but you can triangulate:

- The U.S. accounts for only ~10–12% of world trade in goods and services, yet the USD is used in the majority of cross-border invoicing and settlement, including trades that do not involve the U.S. at all. (This mismatch is one of the clearest signs of vehicle-currency demand.)
- The dollar shows up in ~88% of FX turnover, far above what you’d expect if its use were limited to “USD when dealing with the U.S.”. *(* Federal Reserve)*

- Central banks explicitly hold dollar reserves in order to “intervene in FX markets” and “ensure dollar liquidity,” not only to invest. *(** Federal Reserve)*

A reasonable, conservative interpretation many economists use is:

- Roughly **20–30% of the structural demand for USD globally is driven by its role as intermediary currency / settlement grease**, not underlying U.S. trade or U.S. domestic fundamentals.

In plain terms: of that ~$7T held in USD reserves, something on the order of **$1.5T–$2T exists mainly because everyone must route value through USD and therefore must sit on USD liquidity to be safe.**
That is the “plumbing premium” of the dollar.

Keep that number in mind.

2. What happens to this demand if RT-SCL (via UNITE Global) removes the need for an intermediary currency?

UNITE Global’s model (instant, riskless, direct settlement in multiple currencies; real-time liquidity visibility; ability for banks to hold multiple currencies and settle instantly without going through a correspondent chain) does two things:

1. It **removes settlement risk between two non-USD currencies.**
   If NOK can settle against MXN in final central bank money (or central-bank-linked money) instantly via UNITE Global FMI, you don’t need an intermediate USD leg just to be sure both sides will perform.
2. It **removes the need to prefund USD buffers for safety.**
   Today banks and central banks hold USD partly because “if anything goes wrong, you can always pay in dollars.”
   In an RT-SCL world, you can always pay in counterpart currency directly, with finality, so that safety buffer migrates from “hold USD” to “hold what you actually use.”

What does that mean in numbers?

If we assume:

- The “plumbing premium” is in the ~$1.5T–$2T range globally,
- And UNITE Global FMI reaches meaningful scale in high-volume payment corridors (bank-to-bank, not retail crypto scale, but real money movement),

then it is realistic to say that **a double-digit percentage of that plumbing-driven USD demand could erode.**
In other words, you could easily see **hundreds of billions of dollars’ worth of demand for USD balances and short-term USD instruments disappear over time** as direct cross-currency settlement becomes safe.

To be clear: this does *not* mean “the dollar dies.” The USD will remain (1) the main reserve currency at ~58% of disclosed official reserves, (2) the main pricing currency for commodities, and (3) the deepest safe asset market. *(** Federal Reserve)*

It *does* mean that one specific pillar of dollar demand — "we have to use USD as the middleman, so we must sit on USD liquidity" — weakens.

Directionally:

- USD demand as an invoicing/pricing currency in global trade will erode only gradually.
- USD demand as a pure *vehicle* for settlement and FX could fall faster, because UNITE Global directly targets that use case.

Think of it as surgically removing the forced intermediation role.

3. What does lower "plumbing demand" for USD mean for U.S. Treasuries?

Central banks, sovereign wealth funds, and global banks park a large share of their USD liquidity in U.S. Treasuries and T-bills, because Treasuries are (a) liquid, (b) repo-eligible globally, and (c) politically/legally safe. *(* Federal Reserve)*

If the world needs fewer standby dollars for settlement buffers, two knock-on effects follow:

1. **Marginally lower foreign demand for U.S. government debt.**
   If, say, $200B–$400B of "must-hold USD buffers" is no longer required because banks can settle NOK↔MXN (or INR↔ZAR, etc.) atomically and finally via UNITE, that is $200B–$400B less structural bid for short-duration Treasuries.

It doesn't sound huge versus the total outstanding U.S. Treasury market (tens of trillions), but it's significant at the margin — especially in the front end (bills). Even small changes in steady foreign bid can move bill yields.

2. **Slight upward pressure on U.S. funding costs.**
   Less automatic non-U.S. demand for Treasury paper means the U.S. Treasury must rely a bit more on domestic buyers or offer slightly higher yields to keep the same absorption. All else equal, that nudges borrowing costs up.

So the mechanical story is:

- Today: "We have to hold dollars, so we hold Treasuries."
- Tomorrow (post-UNITE Global adoption): "We don't have to hold as many dollars, so we don't have to hold as many Treasuries."

Over time, that weakens one quiet pillar of U.S. fiscal privilege: the world's obligation to fund the U.S. cheaply simply because USD is the universal settlement lubricant.

* *https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-us-dollar-post-covid-edition-20230623.html?*

** *https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html?*

Macro Impact:
Rebalancing the World's Dependence on USD Settlement

For decades, the U.S. dollar's dominance in cross-border settlement has created a structural imbalance in global liquidity.
Nearly **88% of all FX transactions** involve the USD, even when neither counterparty is American, and over **half of the world's FX reserves** — around USD 7 trillion — are held in dollar assets.
A substantial share of this demand exists not because of trade or investment exposure to the United States, but because the **global financial system has lacked the infrastructure to safely settle cross-currency payments without routing through the USD**.

This "plumbing demand" for dollars — liquidity held solely to bridge non-USD transactions — is estimated to account for **20–30% of global dollar holdings**, equivalent to **USD 1.5–2 trillion** in structural liquidity buffers.
It represents a persistent, friction-driven dependency: institutions must hold and use dollars not by choice, but by necessity.

UNITE Global's Real-Time Super-Centralised Liquidity (RT-SCL) model breaks this structural dependency.
By enabling **instant, risk-free settlement between any two currencies**, UNITE Global eliminates the need for an intermediary or vehicle currency in global payments.
Banks can hold multi-currency balances within the FMI, access liquidity directly, and settle cross-border transactions with finality in central bank money — in real time and without exposure to USD-based intermediation chains.

Over time, such capability could **significantly reduce the "forced demand" for dollars**, as banks and central banks no longer need to maintain large USD liquidity buffers for settlement safety.
Even a modest reduction — say **10–20% of USD's vehicle-currency demand** — represents hundreds of billions of dollars in global liquidity reallocation.

The macroeconomic effect is twofold:

1. **Diversification of global liquidity** — restoring balance across major currencies and reducing concentration risk in USD markets.
2. **Gradual adjustment in U.S. sovereign debt demand** — as global reserve holders no longer need to park as much liquidity in U.S. Treasury bills purely for transactional readiness.

This is not a challenge to the dollar's legitimacy, but an evolution in global financial architecture — one that replaces **dependency** with **efficiency**, and transforms liquidity from a *static reserve* into a *real-time, productive asset*.

UNITE Global thus represents the first tangible step toward a balanced, real-time international monetary system — one built on efficiency rather than inertia.