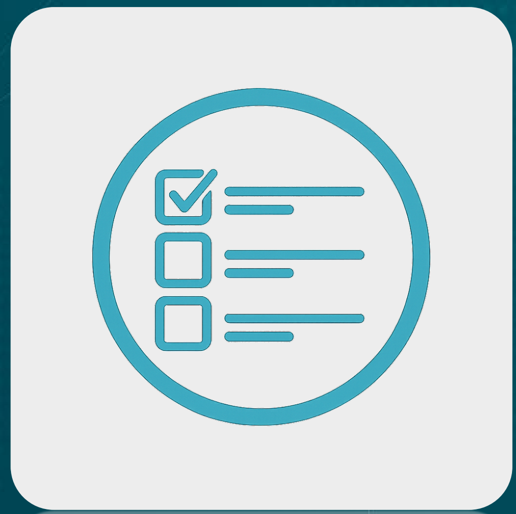
- Executive Briefing -

Stablecoins vs UNITE Global FMI

Clear systemic and operational advantages of FMI-based real-time liquidity.



Increasing concern

The **introduction and scaling of stablecoins** is drawing *increasing concern* from central banks, regulators, and FMIs globally. While stablecoins were initially seen as an innovative bridge between traditional finance and digital assets, recent developments have exposed **fundamental weaknesses** that could pose **systemic, prudential, and monetary risks** if left unaddressed.

Here’s a structured overview of the current **worries and weakest points** being highlighted by policymakers and institutions like the **BIS, ECB, FSB, and IMF**:

1. Questionable Stability and Asset Backing

The central premise of a “stable” coin — that one unit always equals a fixed fiat value — remains fragile.

- **Backing Quality:** Many stablecoins are backed by non-transparent, mixed-quality reserves (e.g., short-term corporate debt, commercial paper, or related-party assets).
- **Liquidity Risk:** Redemption surges can force issuers to liquidate assets in stressed markets, amplifying volatility.
- **Opacity:** Limited, unaudited disclosure of reserve composition increases the risk of under-collateralisation.

→ **Core weakness:** *Asset opacity and poor redemption resilience.*

⚖️ 2. Absence of Central Bank Settlement Finality

Stablecoin transactions are settled on private or consortium-led ledgers — not in central bank money.

- This means they **lack finality**, which is the legal and systemic foundation of secure payments.
- The resulting chain of credit exposures makes stablecoins unsuitable for **systemically important payment systems (SIPS)**.
- They cannot match the reliability, governance, or prudential oversight of FMI-grade infrastructures.

→ **Core weakness:** *No settlement in central bank money; legal and operational uncertainty.*

🌍 3. Fragmentation Across Jurisdictions

Stablecoin networks operate across borders with **inconsistent regulation**:

- Some are regulated as **e-money**, others as **payment tokens**, and some remain unregulated entirely.
- This leads to regulatory arbitrage and **systemic blind spots**, particularly for cross-border use.
- Without harmonised supervision, central banks face challenges in tracking capital flows and enforcing AML/CFT rules.

→ **Core weakness:** *Regulatory inconsistency and supervisory gaps.*

💱 4. Monetary Sovereignty and Policy Risks

If stablecoins become widely used for payments or deposits:

- They could **disintermediate banks**, reducing the effectiveness of monetary policy transmission.
- Private stablecoin issuers could begin to act as *de facto* money creators, weakening the role of the central bank as the ultimate anchor of value.
- Cross-border stablecoin adoption could bypass capital controls and monetary instruments.

→ **Core weakness:** *Potential erosion of monetary control and deposit base fragmentation.*

5. Operational and Cyber Risks

- Many stablecoin platforms rely on **permissionless blockchains** with uncertain scalability and governance.
- **Smart contract vulnerabilities**, validator collusion, and **single points of failure in oracles** introduce operational risks not present in regulated FMIs.
- Cyber incidents could cause rapid contagion in global markets due to 24/7 liquidity and programmability features.

→ **Core weakness:** *Technology governance and resilience vulnerabilities.*

6. Limited Transparency and Weak Consumer Protection

- Users often don’t know *who* stands behind the coin or *how* to redeem it in stress.
- Many issuers are domiciled in offshore jurisdictions with weak legal recourse.
- In a failure event, **redemption rights are often not legally enforceable** under most jurisdictions.

→ **Core weakness:** *Weak consumer and legal protection frameworks.*

7. Regulatory Response Trend

The regulatory direction is increasingly converging toward:

- **Tokenised deposits** (bank-issued and fully backed by central bank money) rather than unregulated stablecoins.
- **FMI-like frameworks** for any system settling large-value or cross-border stablecoin transactions.
- Integration into **public/private hybrid models** (e.g., "regulated liability networks" or tokenised CBDC systems).

Summary Insight

Stablecoins attempt to simulate a payment and settlement asset — but without the **infrastructure, legal certainty, and prudential foundation** of an FMI or central bank system.

The **greatest shortcomings** lie in:

- Non-transparent and illiquid reserves,
- Lack of settlement finality,
- Fragmented supervision, and
- Systemic contagion potential from unregulated, global-scale use.

In contrast, infrastructures like **UNITE Global**, which operate under regulated FMI principles and enable **real-time multi-currency settlement in central bank money**, represent the **trusted alternative** — achieving speed and access without compromising systemic safety.

Stablecoins vs. UNITE Global FMI (RT-SCL)

A comparison of systemic soundness, transparency, and global efficiency

Dimension	Stablecoins	UNITE Global FMI (RT-SCL)
Nature & Design	Privately issued digital tokens pegged to fiat assets; operate outside central bank frameworks.	Regulated Financial Market Infrastructure (FMI) directly linked to central bank ecosystems; operates within prudential frameworks.
Settlement Finality	No legal or operational settlement finality — transactions rest on private ledger validation, not central bank money.	Settlement occurs in **central bank money** through the UNITE FMI structure, ensuring finality, irrevocability, and legal certainty.
Reserve Backing	Often opaque, inconsistently audited, and partially backed by non-cash assets; redemption risk under stress.	100% backing through **real assets and central bank-linked liquidity**; no redemption uncertainty.
Transparency	Limited public disclosure of reserves, governance, and counterparties.	Full **operational and liquidity transparency** for all participants in real time; auditable and regulator-accessible.
Regulatory Status	Fragmented oversight; varies by jurisdiction (e-money, token, or unregulated).	Fully aligned with **FMI regulatory frameworks**, supervisory standards, and G20 payment objectives.
Systemic Risk	Potential contagion through unstable reserve assets and redemption runs.	Systemically sound architecture with segregated liquidity pools and continuous monitoring.
FX and Cross-Currency Functionality	Requires off-ledger conversion and exposure to volatile pricing; FX spreads wide.	Integrated **FX-as-a-Service facility** — 12+ global institutions compete on spread compression; instant, risk-free FX settlement.

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Dimension	Stablecoins	UNITE Global FMI (RT-SCL)
Speed & Accessibility	High transaction speed but without liquidity assurance; access limited to network users or wallet holders.	**Real-time multi-currency access** for all member banks; single integration provides global reach.
Cost Efficiency	Retail-facing costs can appear low, but institutional-level frictions and conversion fees remain high.	**~90% lower cross-border transaction cost** compared to the current correspondent model; domestic parity maintained; zero intermediation fees.
Monetary & Policy Impact	Can fragment monetary sovereignty and bypass capital controls.	Reinforces monetary stability by keeping all liquidity flows within regulated FMI and central bank visibility.
Resilience & Governance	Reliant on private platforms with uncertain governance and cybersecurity maturity.	Built to **FMI resilience standards** — redundancy, real-time monitoring, and neutral governance under regulatory oversight.
Financial Inclusion & Access	Access skewed toward fintechs and non-bank users; limited institutional integration.	Democratizes access for **banks of all sizes** through a USD 10,000 annual membership; equal participation and interoperability.
Scalability & Interoperability	Fragmented, often incompatible with RTGS systems and central banks.	Designed as a **global connector layer** linking RTGS and payment systems into a unified, real-time liquidity network.
Revenue & Business Model	Volatile, speculative ecosystems; issuer profits from float and token issuance.	**Sustainable revenue for banks** via higher volumes, retained payment margins, and transparent FX earnings.

Conclusion

Stablecoins represent innovation at the *edge* of the financial system — fast but structurally fragile.

UNITE Global FMI, through **Real-Time Super-Centralised Liquidity (RT-SCL)**, brings **the same speed and access** into the *core* of the regulated financial system — achieving efficiency, safety, and transparency without systemic compromise.

By combining **instant settlement in central bank money**, **FX competition**, and **universal access** within a regulated framework, UNITE Global offers the **only live, FMI-grade alternative** to unregulated stablecoin models — bridging innovation and stability in a single global infrastructure.