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# Global Currency Dominance

*Structure, Drivers, and the Outlook for the International Monetary System*

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## **Strategic Research Report**

This report examines the structure and evolution of global currency dominance through the interconnected lenses of monetary policy, geopolitics, financial market depth, and emerging payment technologies. The analysis is designed from the perspective of long-duration capital stewardship, reserve management, and disciplined strategic positioning within an increasingly fragmented and multipolar global environment.

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## Editorial Note

This white paper has been substantially revised from an earlier draft. Four material factual errors have been corrected: (1) all BIS foreign exchange market data now reflect the 2025 BIS Triennial Survey published September 2025, superseding the prior 2022 figures; (2) U.S. Treasury marketable debt outstanding is updated to approximately USD 29.9 trillion; (3) foreign holdings of U.S. Treasuries are updated to USD 9.2 trillion, representing 31 percent of publicly held federal debt; and (4) the renminbi's significant rise to 8.5 percent of global FX turnover is now accurately reflected. Three material omissions have also been remedied: the November 2025 universal adoption of ISO 20022, the January 2024 BRICS expansion, and the correct treatment of gold as an asset class distinct from currency denomination in COFER.

## Abstract

The U.S. dollar remains unambiguously dominant in the international monetary system. As of the third quarter of 2025, it constitutes 56.9 percent of global official foreign exchange reserves, is present on one side of 89.2 percent of all foreign exchange trades by value, and accounts for roughly half of cross-border payment value routed through SWIFT. The euro holds a distant but stable second position at approximately 20 percent of reserves, while the Chinese renminbi, though growing in FX market activity, remains constrained by capital controls and limited market access at under 2 percent of reserves.

This paper reviews the current structure of global currency usage across five dimensions, reserves, foreign exchange markets, cross-border payments, international debt, and trade invoicing, assesses the structural drivers of dollar primacy, examines geopolitical pressures including sanctions regimes and BRICS expansion, and evaluates prospects for change over short, medium, and long horizons. It concludes that no near-term challenger to dollar primacy is credible, while identifying the policy conditions under which a gradual, multi-decade diversification could materially alter the system's architecture.

## 1. Historical Context

The concept of a dominant reserve currency is not a modern invention. In the seventeenth and eighteenth centuries, the Spanish dollar, French franc, and Dutch guilder each fulfilled international monetary roles. The nineteenth century saw sterling ascend to clear leadership, anchored by Britain's industrial dominance, the gold standard, and the City of London's role as the centre of global trade finance. The Bretton Woods conference of 1944 codified the dollar's preeminence by pegging all other major currencies to it at fixed rates, with the dollar itself convertible to gold at USD 35 per troy ounce.

When that arrangement collapsed in August 1971, the dollar's gold anchor was severed, yet its international role did not diminish. Petrodollar recycling, the depth of U.S. capital markets, and institutional inertia sustained dollar primacy through the subsequent five decades. The euro's introduction in 1999, and China's subsequent renminbi internationalisation campaign, have incrementally diversified the landscape without fundamentally altering the hierarchy.

History offers only one clear example of a hegemonic reserve currency transition in the modern era: the shift from sterling to the dollar that unfolded across the two World Wars. That transition took roughly four decades from initial erosion to completion, and it coincided with two catastrophic conflicts, the collapse of the gold standard, and the near-bankruptcy of the incumbent issuer. The implication is important: reserve currency status is exceptionally durable, and the conditions for rapid displacement are correspondingly extreme.

## 2. Current Data: Reserves, Trade, and Markets

### 2.1 Official Foreign Exchange Reserves (IMF COFER)

The IMF's Currency Composition of Official Foreign Exchange Reserves database provides the most authoritative measure of central bank reserve allocation. The latest release, covering Q3 2025, shows total global foreign exchange reserves of USD 13.0 trillion, a modest increase from USD 12.94 trillion in Q2 2025. The methodology was strengthened in Q3 2025: the IMF eliminated the historical 'unallocated' category and now imputes currency composition for all 149 reporting economies, producing a complete 100-percent-allocated dataset for the first time.

Currency	Share (%) Q3 2025	Share (%) Q4 2024
U.S. Dollar (USD)	56.92	57.80
Euro (EUR)	20.33	19.83
Chinese Renminbi (RMB)	1.93	2.18
Japanese Yen (JPY)	~5.8	~5.7
Pound Sterling (GBP)	~4.8	~4.7
Other (AUD, CAD, CHF, etc.)	~10.3	~9.8

Table 1: IMF COFER Global FX Reserve Composition. Source: IMF Data Brief, December 2025.

The dollar's share has declined modestly from its post-2022 peak of approximately 58 percent but remains far above any single competitor. Critically, exchange-rate movements explain much of the quarter-to-quarter variation: the Q2 2025 decline in the dollar's nominal share was driven almost entirely by dollar depreciation rather than active portfolio rebalancing by reserve managers.

Gold, while an important reserve asset in absolute terms, is excluded from currency-denomination analysis in COFER and must not be conflated with currency diversification trends.

## 2.2 Foreign Exchange Market Turnover (BIS 2025 Triennial Survey)

The BIS Triennial Central Bank Survey is the definitive measure of global FX market structure. The 2025 Survey, covering April 2025 activity across 52 jurisdictions and more than 1,100 reporting dealers, reveals a market that has grown substantially and in which dollar dominance has in fact deepened since 2022. Total OTC FX turnover reached USD 9.6 trillion per day in April 2025, up 28 percent from USD 7.5 trillion in April 2022.

Currency	Share Apr 2025 (%)	Share Apr 2022 (%)	Change (pp)
U.S. Dollar (USD)	89.2	88.4	+0.8
Euro (EUR)	28.9	30.6	-1.7
Japanese Yen (JPY)	16.8	16.7	+0.1
Pound Sterling (GBP)	10.2	12.9	-2.7
Chinese Renminbi (RMB)	8.5	~7.0	+1.5
Swiss Franc (CHF)	6.4	~5.2	+1.2

*Table 2: Currency shares in global OTC FX turnover, April 2025 vs April 2022. Shares sum to 200% as each trade involves two currencies. Source: BIS Triennial Central Bank Survey, September 2025.*

The dollar's share rose to 89.2 percent, reversing any narrative of FX-market de-dollarisation. The euro and sterling both lost ground, with sterling's decline the most pronounced at 2.7 percentage points. The renminbi recorded meaningful growth, reaching 8.5 percent, a figure that reflects growing use in Asia-Pacific bilateral trade corridors, though it remains far behind the major reserve currencies. The prior version of this paper relied exclusively on 2022 BIS data and therefore missed these significant directional shifts entirely.

## 2.3 Cross-Border Payments (SWIFT)

SWIFT messaging data provide a real-time indicator of international payment currency preferences. As of late 2025, the U.S. dollar accounts for roughly 47 to 50 percent of all SWIFT cross-border payment value on an inclusive basis; excluding intra-eurozone flows, the dollar's share rises to approximately 57 to 60 percent. The euro holds approximately 22 to 23 percent. The renminbi's SWIFT share has grown to approximately 3 to 4 percent, reflecting China's bilateral payment corridor expansion, while sterling holds around 6 to 7 percent and the yen 4 to 5 percent.

A significant infrastructure milestone occurred in November 2025: SWIFT completed the universal transition to the ISO 20022 messaging standard, with over 97 percent of messages now transmitted in that format. This structural upgrade enables richer payment data and greater end-to-end automation in cross-border settlement. It is expected to reduce friction for all currencies and may facilitate future CBDC or tokenised settlement, but does not in itself alter underlying currency preferences.

## 2.4 U.S. Treasury Market and Foreign Holdings

The depth and liquidity of the U.S. Treasury market underpin dollar dominance in ways that no other government bond market can yet replicate. As of September 2025, nearly USD 30 trillion in marketable Treasury securities was outstanding, the largest single sovereign bond market in the world by a considerable margin. For reference, combined euro-area general government debt approximates USD 12 trillion, and Japan's public debt market is of comparable scale but primarily domestically held.

Foreign holdings of U.S. Treasury securities reached approximately USD 9.2 trillion as of December 2025, representing 31 percent of total publicly held federal debt of USD 30.1 trillion. The three largest foreign holders are Japan (approximately USD 1.2 trillion), the United Kingdom (USD 0.9 trillion), and China (USD 0.7 trillion). China's holdings have declined in both nominal terms and as a share of total foreign holdings since their 2013 peak. Importantly, the concentration of foreign holdings among U.S. treaty allies, estimated at approximately 75 percent of the total, reinforces the observation that sanction risk affects only a small fraction of the holder base.

### **3. Drivers of Currency Dominance**

#### **3.1 Network Effects and Path Dependence**

The most powerful force sustaining dollar dominance is the self-reinforcing network effect inherent in the structure of international finance. Exporters who price in dollars accumulate dollar receivables; their banking counterparties hold dollar liquidity; commodity markets in oil, metals, and agricultural products are predominantly dollar-denominated; and financial contracts reference dollar interest rates. Each link in this chain creates demand for the next, making dollar use the path of least resistance for any new market participant. Departing from this equilibrium requires coordinated action by a critical mass of participants simultaneously, a collective action problem historically solved only by major geopolitical discontinuities.

#### **3.2 Economic Scale and Financial Depth**

Reserve status requires an issuing economy large enough to supply the volume of safe liquid assets that global demand requires, what economists term the 'safe asset supply' condition. The United States satisfies this condition uniquely: with approximately USD 30 trillion in marketable government debt, a fully convertible currency, and the world's deepest equity and credit markets, it can absorb global reserve demand without distortive effects. The eurozone's government bond market is fragmented across twenty national issuers with varying credit quality, which limits its capacity to function as a unified safe asset pool, though joint issuance through the EU's recovery programmes is a partial, incremental remedy.

#### **3.3 Institutional Credibility and Rule of Law**

Credible monetary and fiscal institutions are prerequisites for reserve currency status. Central bank independence, transparent monetary policy frameworks, robust legal systems for contract enforcement, and a track record of low inflation collectively assure foreign holders that dollar-denominated assets will maintain their real value. The renminbi faces persistent questions about the independence of the People's Bank of China and the completeness of capital account liberalisation, factors that directly constrain its international appeal regardless of China's economic size.

#### **3.4 The Federal Reserve's Global Backstop Role**

The Federal Reserve's bilateral currency swap line network, standing facilities with the European Central Bank, Bank of Japan, Bank of England, Bank of Canada, and Swiss National Bank, made permanent in 2013, provides a critical backstop for global dollar liquidity in times of stress. These arrangements allow foreign central banks to supply dollar funding to their domestic financial institutions without depleting their own reserves. The existence of these facilities makes dollar assets more attractive to hold by reducing the tail risk of dollar funding crises. No other currency issuer has established a comparable global backstop infrastructure.

## 4. Geopolitical Pressures and De-Dollarisation

### 4.1 Sanctions and the Russia Effect

The sweeping Western financial sanctions imposed on Russia following its February 2022 invasion of Ukraine, including the freezing of approximately USD 300 billion in Russian central bank reserves held in Western jurisdictions, prompted widespread commentary about the viability of dollar-denominated reserves. In practice, the IMF COFER data show no statistically significant structural shift in dollar reserve shares attributable to sanction-motivated rebalancing. The 2022–2025 decline in the dollar's allocated share from approximately 58.4 percent to 56.9 percent is of a magnitude consistent with exchange-rate valuation effects rather than active diversification. Crucially, approximately 75 percent of U.S. safe asset holdings are held by countries that joined or supported the Russia sanctions, meaning the political exposure is concentrated in a relatively small share of the holder base.

### 4.2 BRICS Expansion and Regional Payment Systems

The BRICS grouping expanded significantly in January 2024 with the accession of Saudi Arabia, the United Arab Emirates, Egypt, Ethiopia, and Iran. This expansion elevated the group's share of global GDP and trade substantially, and rekindled discussion of a common BRICS payment unit or reserve currency. As of mid-2026, no such instrument has been institutionalised: there is no common central bank, no jointly issued liability, and no agreed settlement mechanism. China's Cross-Border Interbank Payment System (CIPS) has grown in reach but handles a fraction of the value processed by SWIFT. The renminbi's 1.93 percent share of global reserves accurately reflects the current state of de-dollarisation in practice, real but extremely modest.

### 4.3 Digital Finance: Stablecoins and CBDCs

Contrary to early predictions, digital currencies have largely amplified rather than challenged dollar dominance. Dollar-pegged stablecoins dominate the crypto ecosystem, effectively extending dollar reach into decentralised finance and cross-border remittances in jurisdictions with weak banking infrastructure. Central bank digital currency projects are advancing, the digital yuan is in domestic pilot phase, the digital euro is under design, and several emerging market central banks have launched live CBDCs, but cross-border CBDC interoperability remains at an experimental stage. BIS-coordinated multi-CBDC platforms such as mBridge have produced promising proofs-of-concept but are not yet operational at commercial scale.

## 5. Scenarios for Future Evolution

### 5.1 Short Term (2026–2028): Continued Stability

Over the next two to three years, the international monetary system is unlikely to change materially. COFER shares are stable at the margin, the BIS 2025 data confirm that dollar FX-market dominance has strengthened rather than weakened, and no viable institutional alternative to the dollar has emerged. The most plausible near-term risk is a U.S. fiscal or political shock that raises questions about Treasury market functioning, an episode such as the April 2025 tariff-related Treasury volatility is instructive, but market liquidity recovered rapidly. Absent a structural loss of faith in U.S. institutions, the baseline is a dollar share in the high-50s percent range, euro in the low-20s, and renminbi below 3 percent of reserves.

## 5.2 Medium Term (2029–2035): Gradual Diversification

The most plausible medium-term trajectory involves incremental rather than disruptive change. If the European Union proceeds with deeper fiscal integration, expanding joint debt issuance beyond the current recovery instrument to cover defence or a permanent fiscal capacity, a unified euro-area yield curve could emerge. This would address the safe-asset fragmentation that limits the euro's reserve appeal and could push the euro's share modestly higher, perhaps into the mid-to-high 20s.

The renminbi could reach 3 to 4 percent of reserves if China undertakes meaningful capital account liberalisation, though the political economy of that reform remains uncertain. The dollar might decline to the low-to-mid 50s under this scenario, meaningful but not a displacement.

## 5.3 Long Term (2035 and Beyond): Structural Uncertainty

Long-term projections in this domain carry wide confidence intervals. The only historical precedent for reserve currency transition suggests that hegemonic shifts require roughly a generation and typically coincide with profound geopolitical realignment. Potential drivers of more fundamental restructuring include: a genuinely unified European fiscal state; a fully liberalised Chinese economy with an internationalised renminbi; or a multilateral digital settlement infrastructure that reduces the cost advantage of dollar-based correspondent banking. A multipolar reserve system, in which the dollar, euro, and renminbi each hold roughly 30 to 40 percent of reserves, represents one long-run endpoint, but it would require decades of convergent policy choices by multiple sovereigns.

# 6. Navigating a Multipolar Monetary System

## 6.1 Preserving Monetary Leadership

Dollar confidence ultimately rests on institutional independence, fiscal sustainability, and Treasury market liquidity. Preserving these foundations remains essential to maintaining reserve currency leadership. The April 2025 Treasury market volatility, which coincided with tariff-related policy uncertainty, is a reminder that confidence in U.S. economic governance is not unconditional. Greater fiscal integration and deeper joint issuance would likely strengthen the euro's attractiveness as a reserve asset by expanding the supply of highly liquid pan-European safe assets.

## 6.2 Reserve Management in an Era of Fragmentation

Diversification across major reserve currencies remains a prudent risk-management approach for reserve managers seeking to balance liquidity, safety, and geopolitical considerations. The Russia precedent indicates that sanction risk is real for countries with adversarial relationships with Western financial centres; For countries facing elevated geopolitical risk, reserve diversification through gold holdings, regional swap arrangements, and bilateral settlement mechanisms may provide an additional layer of resilience against external financial disruptions. For the large majority of reserve managers with cooperative relationships with the United States and Europe, the dollar and euro continue to offer the optimal combination of liquidity, depth, and safety.

## 6.3 The Future of Payment Infrastructure

The G20 cross-border payments roadmap, coordinated through the Financial Stability Board and CPMI, should continue to prioritise reducing friction and cost in cross-border transactions. The November 2025 ISO 20022 adoption provides a solid foundation. Regulatory coordination on stablecoin oversight, particularly dollar-pegged stablecoins that function as de facto dollar extensions in jurisdictions without banking access, is important to ensure these instruments are safe and do not generate systemic risk. Multi-CBDC interoperability projects should be advanced through the BIS Innovation Hub, with careful attention to governance arrangements that prevent first-mover currency advantage in new digital payment rails.

## 6.4 For Data and Transparency

The IMF's methodological improvement to COFER, eliminating the 'unallocated' category effective Q3 2025, is a welcome enhancement to analytical precision. Further progress is needed in trade invoicing statistics: mandatory reporting of invoice currency in balance-of-payments data would significantly improve measurement beyond current bespoke surveys.

SWIFT data on payment currency share should be published more granularly and more frequently. Central banks that have not yet disclosed their currency allocation should consider doing so, in line with IMF Special Data Dissemination Standards.

## 7. Data Limitations and Methodological Notes

Several caveats accompany the data presented in this paper. COFER participation is voluntary and, although 149 economies now report, the imputation methodology introduced in Q3 2025 introduces estimation uncertainty for non-reporting jurisdictions. Trade invoicing data rely on bespoke surveys rather than mandatory customs reporting; the USD share of global export invoicing is estimated rather than directly observed. SWIFT messaging data capture only payment instructions processed through the SWIFT network and exclude cash transactions, fintech-mediated flows, and domestic payment systems. BIS FX survey data represent a snapshot of April activity in three-year intervals and may not reflect annual averages. Renminbi internationalisation data from Chinese sources require cross-validation, as reporting standards differ from IMF and BIS methodologies.

## Conclusion

The evidence from the most current available data is consistent and clear: the U.S. dollar remains the dominant currency of the international monetary system by every major metric. Its 56.9 percent share of official reserves, 89.2 percent presence in FX market turnover, and commanding role in trade invoicing and cross-border payments reflect deep structural advantages that compound and reinforce one another. The euro holds a stable second position; the renminbi, despite meaningful growth in FX market activity, remains constrained to marginal reserve and trade roles by the architecture of China's financial system.

Geopolitical pressures, the Russia sanctions episode, BRICS expansion, and bilateral currency arrangements, have generated significant commentary but, as yet, only modest measurable impact on dollar usage. Digital finance, contrary to early predictions, has largely amplified rather than challenged dollar dominance through the proliferation of dollar-pegged stablecoins.

Change is more likely to be gradual than abrupt. The medium-term scenario that carries the most analytical weight envisions a slow erosion of the dollar's share, perhaps from the current high-50s to the low-to-mid 50s by 2035, driven by deeper EU fiscal integration and incremental renminbi internationalisation, rather than by any single disruptive event. A return to the kind of sterling-to-dollar transition that reshaped the system in the mid-twentieth century would require a convergence of geopolitical, economic, and institutional conditions that no current evidence suggests is imminent.

## Key Data Sources and References

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