



MONETARY AND CAPITAL MARKETS

Discussion:

“Competing Rails for Cross-Border Payments: Banks, Fintechs, and Stablecoins”

by Du, Huang, and Scharfstein

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Disclaimer: views are my own and not necessarily those of the IMF, its Management, or its Executive Board.

Why This Paper Matters

- **Cross-border payments are slow, expensive, and a G20 priority**
the global average remittance cost is stuck at ~6.5%, well above the <3% target (FSB 2025)
- **Costs have barely moved, even as speed has improved**
can traditional rails alone close the gap?
- **Stablecoins are growing and are increasingly used for cross-border payments**
but data is lacking
- **This paper offers a harmonized comparison of three rails on a common cost basis**
directly informing the policy debate

What the Paper Does + Key Takeaways

What the paper does:

- Collects costs of cross-border transfers through traditional (banks), innovative (Fintechs), and very innovative rails (Stablecoins)
- Stablecoin “sandwich”: fiat → USD stablecoin → fiat ; crypto exchanges handle the FX leg
- Common yardstick: All-in Cost = FX Markup + Explicit Fees
- Data: World Bank Remittance Prices Worldwide (RPW) + intraday scraping of money transfer operators + crypto-exchange prices + gas fees ; U.S.-outbound, ~35 currencies

Key takeaways (for \$200 transfers):

- Bank wires: ~200–400 bps in FX markup alone (paper notes lower bound)
- Fintechs: ~200 bps for majors, ~300 bps for less-traded currencies
- Stablecoins: FX component near benchmark for majors, but trading fees and withdrawal fees add up — paper’s Coinbase-Kraken example: ~150 bps total
- Stablecoins in capital-controlled emerging market corridors: FX component is often negative

Four Main Comments

- 1) Comparison across rails
- 2) For stablecoins, other costs than just FX matter (learnings from a similar exercise ongoing by IMF Staff)
- 3) Spillovers of stablecoins FX to other markets (leveraging work by BIS-IMF staff)
- 4) Where next?

Comment 1: Comparison Across Rails

The yardstick is the right framework, but the comparison isn't yet fully harmonized

- **The harmonized cost measure (FX Markup + Explicit Fees) is conceptual but in practice; each rail uses a different cost concept:**
 - Banks: FX markup only (wire fees excluded — paper's own lower bound)
 - Fintechs: full all-in cost
 - Stablecoins: components decomposed across tables, but never aggregated
- **Sample alignment also varies** — corridors, time periods, and transfer sizes differ across tables (e.g., Table 6 compares stablecoin FX only vs RPW all-in cost)
- **Suggestion: a comparable analysis — same cost concept, matched corridors, same period — would unlock the paper's full policy contribution**

Comment 2: Systematic analysis of fees key to understand source of costs users face

Learnings from a similar exercise ongoing at the IMF

Reslow et al. (2026): Focus on (single-layer) stablecoin transaction

- **Decomposition of a sandwich transaction into ten fee and cost components** — analysis of costs at a granular level
- **Manually collect publicly available data on 270 corridors across 18 countries, 29 exchanges, multiple coins and chains** — broad views of costs across corridors

Key Results:

- **\$200 stablecoin cost averages ~2.2% over 270 corridors**
 - But large heterogeneity across corridors and rails (-2% to 8%)
 - Fiat rails (0.67%) and trading fees (0.85%) main drivers — blockchain (0.48%)
 - FX costs (“crypto premium”) main driver of heterogeneity across corridors — direction matters
- **Stablecoin on average cheaper than traditional rails**
 - Comparison on matched RPW corridors: ~1% stablecoin vs. ~5.8% RPW
 - Cheapest traditional rail still beats cheapest stablecoin in ~1/3 of corridors

Source: Reslow et al., Deconstructing the Stablecoin Sandwich: The Cost of Cross-Border Stablecoin Transfers, IMF Working Paper, forthcoming

Comment 3: Spillovers of stablecoins FX to other markets

Extending analysis towards financial stability implications of new FX markets

Aldasoro et al. (2026) focus on how FX in stablecoins generate parity deviations and how these markets are interlinked with traditional FX and funding markets

- 5 years of daily data across 64 centralized exchanges; prices and volumes between 4 USD stablecoins and 25 fiat currencies
- Exploit cross-currency reallocation of stablecoin demand to isolate exogenous inflow shocks

Key results: A 1% increase in stablecoin net inflows raises parity deviations by 40 bps, depreciates the local currency by 5 bps, and widens CIP deviations by 5 bps

- Transmission channel: balance-sheet-constrained intermediaries connect stablecoin and FX swap books — expanding stablecoin positions crowds out synthetic dollar provision
- Parsimonious estimated structural model allows to analyze counterfactuals in policy levers like capital flow management measures, with direct macro-financial stability relevance for EMDEs

Source: Aldasoro et al., Stablecoin flows and spillovers to FX markets, BIS/IMF Working Paper, March 2026

Comment 4: Where Next?

Open questions and pathway forward to more efficient cross-border payments

- **What drives the cost gaps across rails?** IMF work points to the premium as the main driver — but what drives the premium itself is still open — market structure, regulatory arbitrage, or something else?
- **Is the stablecoin emerging market advantage structural or transitional?** Table 5 shows premia already compressing — will the advantage persist as liquidity deepens?
- **Inefficiencies across cost, speed, access, and transparency** — traditional rails have improved mainly on speed; this paper and IMF work advances the analysis mainly on cost.
→ A systematic analysis across all dimensions is needed
- **Improving cross-border payments requires work on both traditional and innovative rails** — IMF is actively helping countries implementing G20 Roadmap recommendations (Southern African Development Community, Pacific Island Countries) → Granular analysis is needed to understand where inefficiencies lie and how to tackle them
- **Pathway forward for G20 Roadmap:** deepen implementation-focused capacity development (e.g., governance and rulebook design, settlement and legal foundations, private-sector engagement, and safeguards against emerging fraud and scam risks)