Currency Composition - Reviewing the Currency Power and USD Dominance in FX Reserves

18 September, 2026


INTERREGNUM
A pause between eras,
when the old order fades
and the new one takes shape.

US SHARE OF GLOBAL NOMINAL GDP

Economic weight has fallen. Dollar power has endured

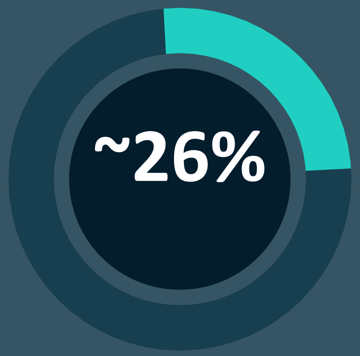
1960

of global nominal GDP

US GDP $0.54tn

World GDP $1.37tn

2026



of global nominal GDP

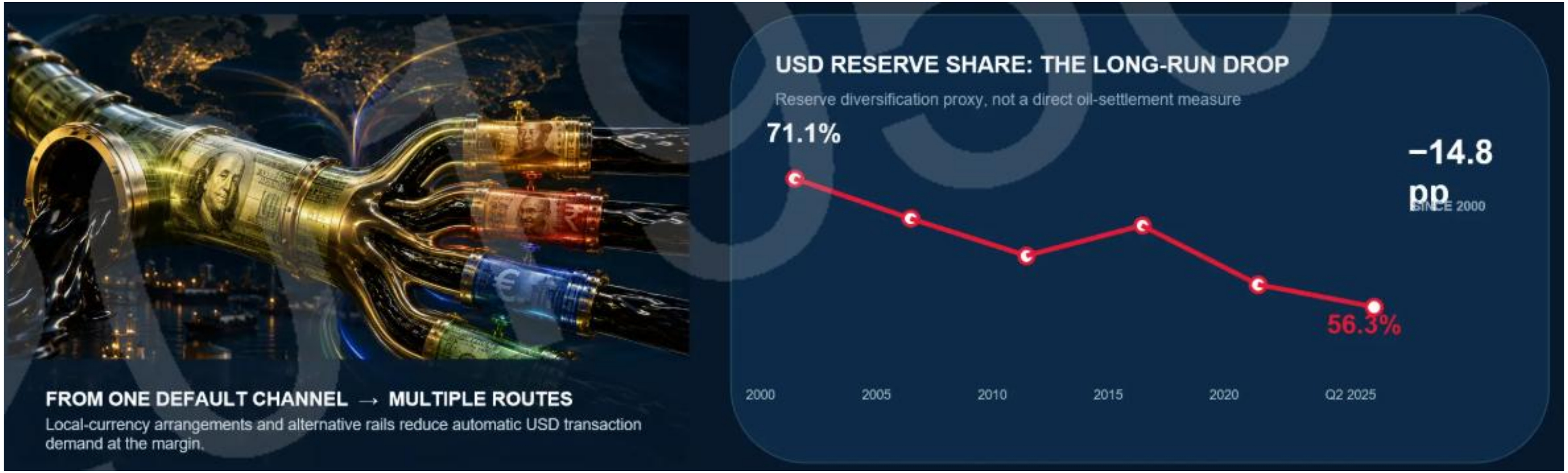
US GDP $32.38tn

World GDP $126.30tn

≈14 percentage-point decline in US share of world GDP

PETRODOLLAR FRAGMENTATION

One oil market. Multiple settlement currencies.



01 **Oil settlement is diversifying**

Bilateral and local-currency arrangements are creating alternatives to exclusive USD settlement.

02 **Financial plumbing is fragmenting**

Alternative payment channels reduce the need to route every transaction through the same system.

INR COMMERCIALISATION

Russia–India oil trade: a proof of concept, not yet a template.

The rupee settlement architecture works. The harder task is giving exporters enough useful ways to spend or invest the rupees they receive.

LESSON A currency internationalises when recipients can both earn it and redeploy it.

SUCCESS

A working payment rail

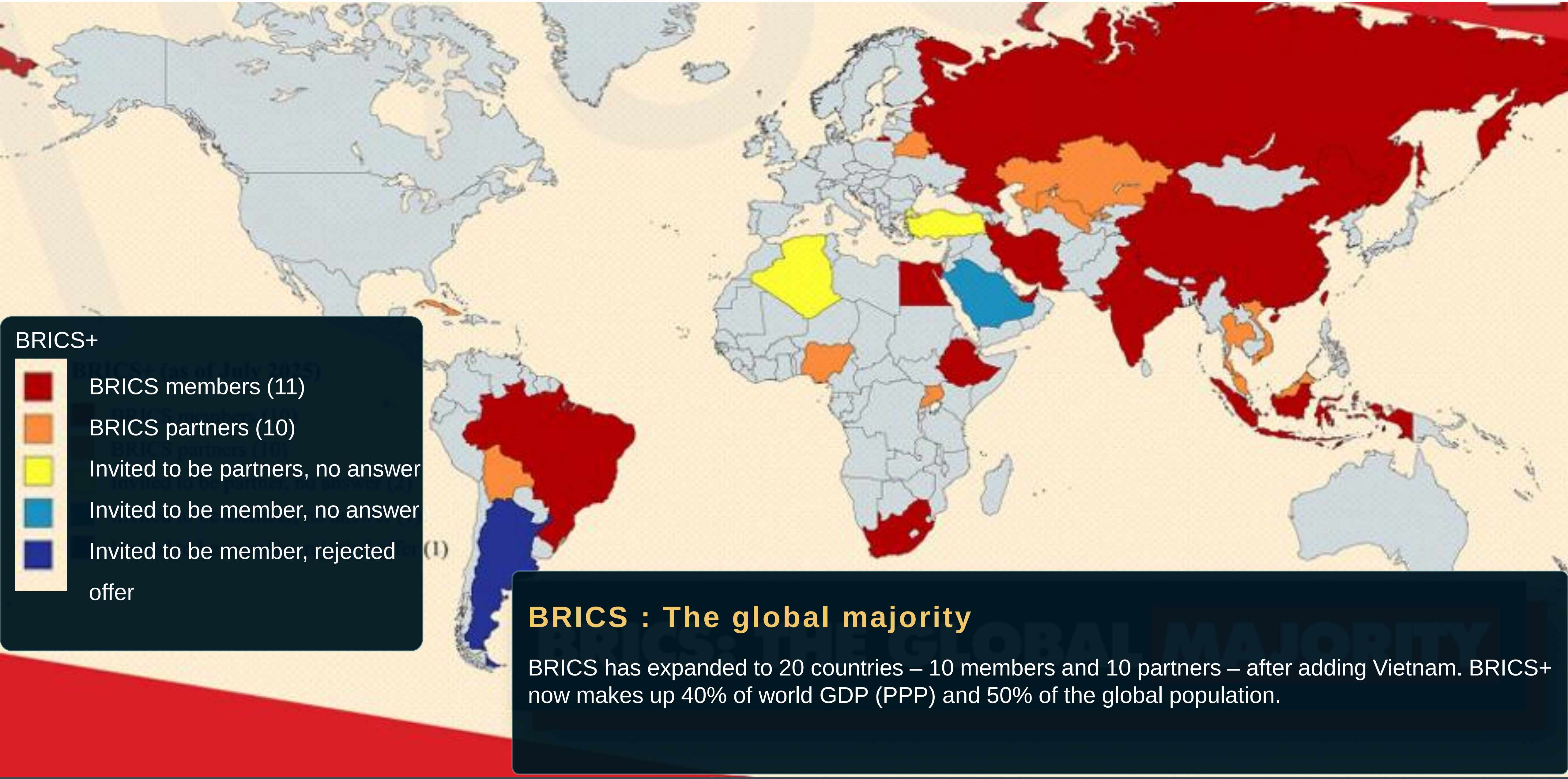
- RBI framework permits INR invoicing and settlement through Special Rupee Vostro Accounts.
- Indian importers can pay in INR, reducing dependence on a third currency.
- Russia became a major source of India's crude oil.

FRICTION

The imbalance problem

- India imports far more from Russia than it exports.
- Rupees can accumulate with Russian sellers.
- Partial convertibility, sanctions and bank risk appetite constrain reuse and conversion.

Can BRICS be a solution ?



BRICS : The global majority

BRICS has expanded to 20 countries – 10 members and 10 partners – after adding Vietnam. BRICS+ now makes up 40% of world GDP (PPP) and 50% of the global population.

THE BRICS STORY

Building alternatives, not a single currency

BRICS is creating more ways to trade and settle outside USD. The strategy is practical and bilateral rather than a unified replacement currency.

01 **Local-currency trade**

Members are expanding settlement in national currencies.

02 **No common currency**

The bloc has no consensus on one BRICS currency.

03 **Options, not displacement**

The system is becoming more multipolar around a still-central USD.

WHAT IT MEANS FOR USD

BRICS chips away at dollar exclusivity, not yet dollar primacy.

BRICS IS BUILDING A NETWORK OF CURRENCY OPTIONS AROUND A STILL-CENTRAL USD.

RMB COMMERCIALISATION

Strong in trade. Still constrained as a reserve asset.

SUCCESSES

~30% **of China's goods trade settled in RMB**

CIPS participation and processed payments have risen. Offshore deposits and RMB bond markets have expanded.

GLOBAL REACH

4th **in global payments at end-2024**

The RMB ranked third in global trade finance. Usage is strongest where China has deep trade and investment links.

THE CEILING

~2% **of global allocated FX reserves**

Partial convertibility, capital controls and shallower safe-asset markets limit reserve-manager demand.

OUTLOOK | RMB can become a stronger regional settlement currency before it becomes a major global reserve currency.

CIPS | CHINA'S RMB PAYMENT RAIL

From payment utility to strategic infrastructure.

CIPS clears and settles cross-border RMB payments. Its rapid growth strengthens RMB commercialization but does not by itself create a reserve currency.

2015	**Launch**	19 direct participants. Single hub for cross-border RMB clearing and settlement.
2016	**Interoperability**	CIPS and SWIFT cooperate on connectivity and ISO 20022-compatible messaging.
2024	**Scale**	RMB 175tn processed, up 43% year on year.
JUN 2026	**Global network**	210 direct and 1,619 indirect participants.

WHAT CIPS CHANGES

It reduces friction in RMB settlement and creates an alternative rail. It does not remove the need for convertibility, deep safe assets or trust.

THE EURO'S POTENTIAL

The credible challenger, but not yet a full substitute.

Europe has scale, institutional credibility and high-grade assets. The constraint is fragmentation, not relevance.

01 **A real reserve base**

The EUR is already the second-largest reserve currency and has broad trade and financial use.

02 **More top-rated debt is coming**

Germany is the largest sovereign issuer of top-rated debt; fiscal plans could add substantial supply.

03 **The missing ingredient is unity**

National bond markets have different fiscal profiles and ratings. Common borrowing would reduce fragmentation.

04 **Likely path: gradual expansion**

Standard Chartered expects diversification into EUR to be incremental, not a rapid replacement of USD.

THE TIPPING POINT

A deeper pool of common EU safe assets could turn economic scale into greater reserve power.

WHEN DID GBP ACTUALLY LOSE DOMINANCE?

Britain's relative economic lead faded before sterling's monetary leadership. The currency transition followed with a long lag.

1914
Decline begins

£

World War I weakens Britain's external balance sheet.

1920s
Dollar catches up

$

New York challenges London; the US becomes the major creditor.

1944–45
System anchor shifts

$

Bretton Woods formalises a dollar-centred monetary order.

1950s
Dollar Dominance

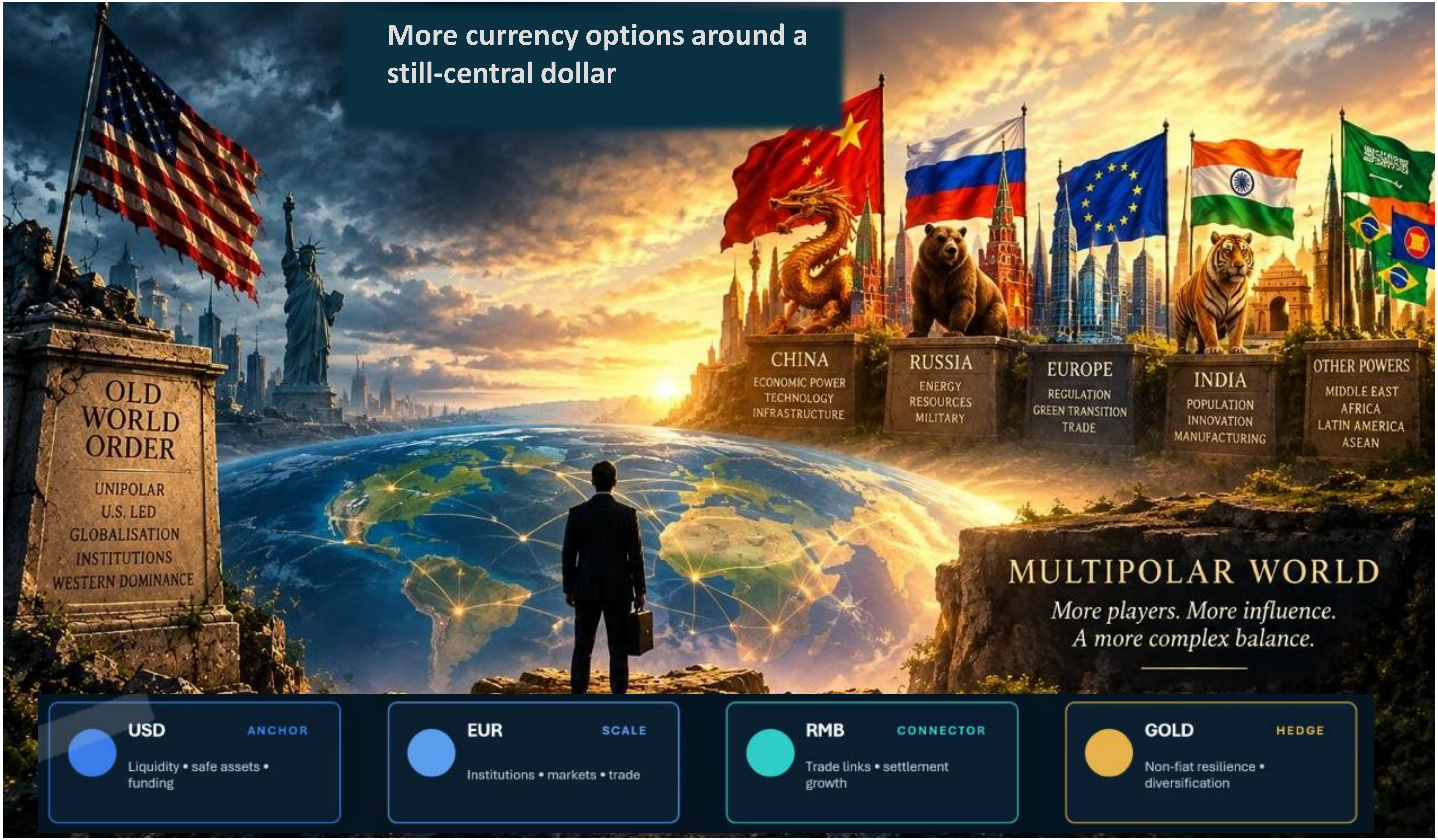
✓

The dollar is clearly dominant; sterling remains secondary.

BEFORE — **Economic reach + trade finance + London markets reinforced sterling use.**

AFTER — **The USD combined economic scale, liquid assets and postwar institutional power.**

MOVING INTO A MULTIPOLAR WORLD



USD PERFORMANCE

Eroding at the edges.
Still commanding the centre.

Diversification is real, but the dollar remains the operating system of global finance.

Since Q2 2015

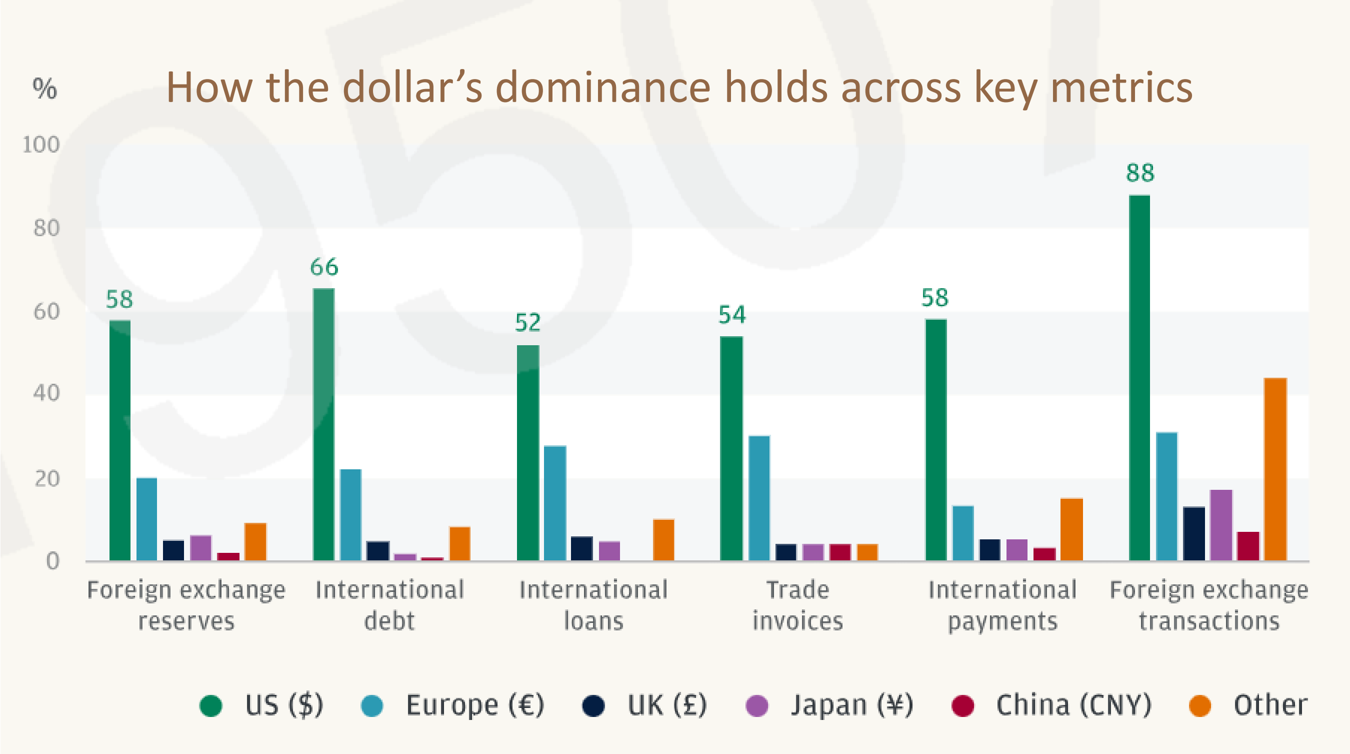
Reserve managers

diversifying

35%

USD strengthened

2014–2022



BOTTOM LINE | THE WORLD IS DIVERSIFYING AROUND THE DOLLAR, NOT YET AWAY FROM THE DOLLAR.

THE RESERVE-MANAGEMENT RESPONSE

Diversify the hedge. Keep the anchor.

01 Protect the USD core

Intervention liquidity
Trade and debt service
Deep, executable markets

02 Diversify by risk

Gold for non-fiat resilience
EUR where liabilities align
RMB where trade links justify

03 Govern the transition

Functional allocation targets
Liquidity and access stress tests
Gradual, disciplined rebalancing

THE END-STATE: MULTIPOLAR RESERVES, NOT A POST-DOLLAR WORLD