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Welcoming Remarks on the International Role of the U.S. Dollar

Remarks by

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at the

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Board of Governors of the Federal Reserve System

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Thank you, Beth Anne, and I would like to welcome everyone to the fifth installment of this Conference on the International Roles of the U.S. Dollar.¹ Over the years, this gathering has aimed to bring together different perspectives to better understand the forces shaping the dollar's central role in the global financial system. Last year's conference, for instance, focused on global investor allocation to U.S. safe assets and their liquidity in a time of geopolitical and technological change. This year, we are here to discuss the implications of financial innovations, especially digital assets such as stablecoins, for the international roles of the U.S. dollar. One striking feature of these discussions has been how rapidly the underlying questions have evolved since the first conference in the series.

While the traditional drivers of the central role of the U.S. dollar in the global monetary system—from the size, strength, and depth of the U.S. economy and financial markets to trust in U.S. institutions and rule of law—remain critically important today, the environment around these drivers is changing rapidly. Technological innovation is increasingly altering how households and businesses interact with dollars, whether it is through holding new types of assets or through changes to the payment rails by which dollar-denominated assets are transferred, intermediated, and settled. Distributed ledger technologies and tokenized assets, such as stablecoins, are creating new channels for global dollar intermediation that operate alongside, or sometimes in conjunction with, traditional banking and payment systems.

As a result, the dollar's international role is also evolving. The private sector is moving rapidly to expand access to dollar-denominated assets, innovate in new financial

¹ The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

services, and explore potential business opportunities that perhaps did not make sense with legacy technologies. In doing so, there will be complements to the traditional financial sector, but there will also be areas of competition. As an economist, I believe that is a good thing—more competition generally leads to better outcomes for both consumers and society as a whole.

The papers presented at this year's conference collectively highlight how broad and multidimensional the integration of new technologies into the global financial architecture has become. Let me briefly outline the key research themes you will encounter over the next two days.

A set of papers examines the transformation of payment systems and foreign exchange markets through stablecoins and blockchain-based financial infrastructure, documenting the rapid growth of stablecoin-based transactions, decentralized foreign exchange trading, and alternative cross-border payment rails.

Other papers study spillovers from stablecoin adoption into broader financial markets. These papers test whether stablecoin flows can affect exchange rates, dollar funding conditions, covered interest parity deviations, and cross-border capital movements.

A major theme of the conference concerns the relationship between stablecoins and U.S. safe assets. Some papers explore how dollar-backed stablecoins may create a new channel linking global liquidity demand directly to U.S. Treasury markets.

Finally, a couple of papers revisit classic international finance questions through the lens of digital innovation, asking whether stablecoins may reinforce the dollar's global role by extending access to dollar-denominated instruments worldwide or whether

they may introduce new tensions into the international monetary system by changing the nature of financial intermediation, safe asset demand, and cross-border capital flows.

We are very fortunate to have an outstanding set of papers and participants helping us think through these issues over the next two days. I would like to thank all the participants for contributing to this conference and to this broader research agenda.

Thank you all again for joining us, and I hope you enjoy the conference.