



Beyond the Dollar: The Future of Money and Reserves

Reflections from the February 26, 2026 Institutional Investor Webinar

The February 26, 2026 Institutional Investor webinar, “*Beyond the Dollar: The Future of Money and Reserves*,” brought together global asset managers, reserve experts, and institutional allocators to examine one of the defining questions of this decade: Is the global monetary system entering a structural transition and, if so, how should investors respond? Moderated by Cynthia Steer of *Institutional Investor*, three panelists discussed trends and recommendations: E. Shepard Farrar, *Board Director* and formerly of the *Inter-American Development Bank*, Alex Roevers of the *CFA Institute*, and Denise Simon of *Lazard Asset Management*.

Board directors of asset management firms serving institutional and retail clients can use this discussion as an element of their fiduciary oversight. As currency regimes shape capital flows, risk premia, liquidity conditions, and portfolio construction assumptions, shifts in regimes require monitoring, mitigation and management. This article summarizes the webinar’s key insights, structured around:

- The role of the U.S. dollar and other currencies
- Central bank digital currencies (CBDCs) and digital assets
- Governance and portfolio actions for institutional investors

Introduction: A System Rebalancing, Not Collapsing

The *CFA Institute / Institutional Investor* joint webinar, “Beyond the Dollar: The Future of Money and Reserves”, addressed key questions faced by asset management firms and allocators: Is the global monetary system entering a structural transition and, if so, how should investors respond? Will central bank digital currencies (CBDCs) and other digital assets be widely adopted? And what governance and portfolio actions should be taken?

The panel’s consensus was that the global monetary system is not about to collapse, nor is it shifting to fully digital currencies. The allocation of reserves, transactions and debt issuance is diversifying - migrating from a significant emphasis on the U.S. dollar towards a more multipolar one, and expanding digital exposure across CBDCs and other assets. As the U.S. dollar’s dominance shifts and digital assets increase in use, asset managers have opportunities to enhance returns, resilience and risk management.

The Role of the U.S. Dollar and Other Currencies

The Data: Dominance with Gradual Diversification: The dollar’s position remains formidable: 56–58% of global foreign exchange (FX) reserves, 54% of export invoicing, 89% of global FX transactions, ~50% of global payments via SWIFT, 61% of foreign currency debt issuance and 67% of foreign currency use. This is more than double the Euro’s use (21% of FX reserves, 30% of export invoicing, 29% FX transactions, 22% of SWIFT and 25% of foreign debt issuance and use), 5-10x the use of the U.K. pound and Japanese yen, and 20-30x the use of the Chinese renminbi. Yet, the share has declined from roughly 70%+ levels at the turn of the century. The panel characterized this not as “de-dollarization,” but as diversificationⁱ.

Why the Dollar Endures: The reasons for a currency’s dominance are varied and, in each, the U.S. dollar’s characteristics exceed those of possible alternative currenciesⁱⁱ:

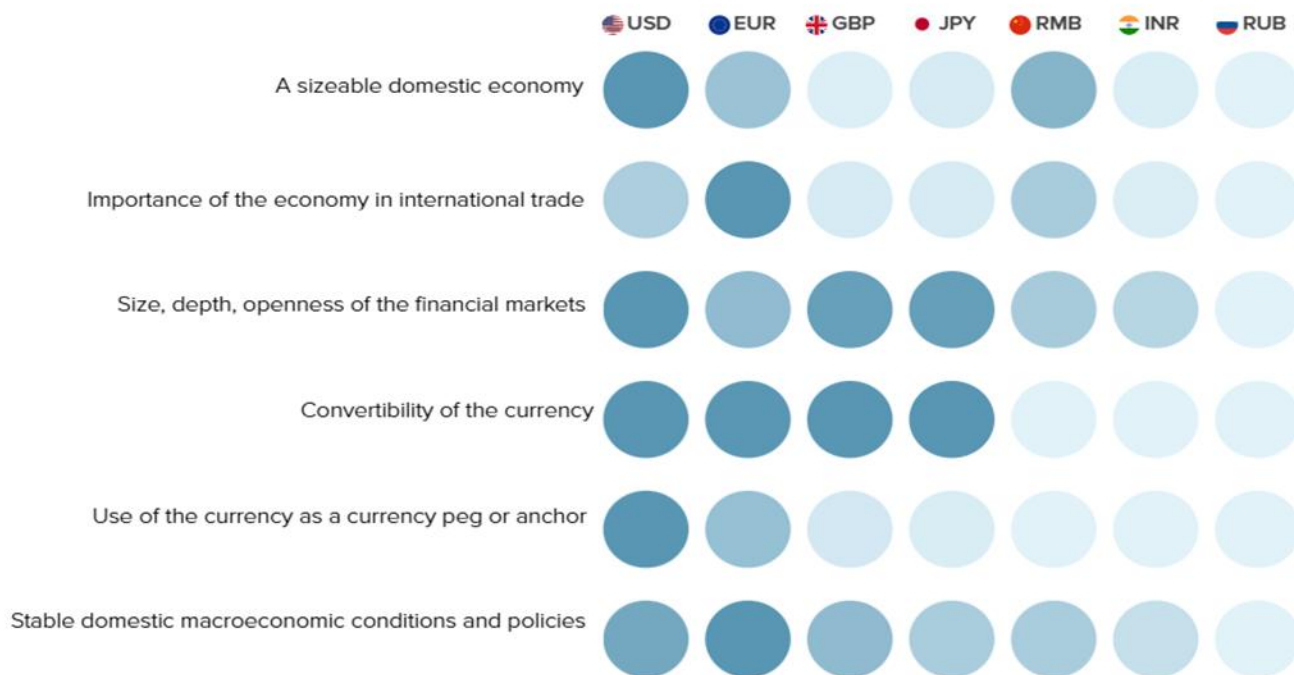
- Share of global GDP (U.S. 26%, China 17%, EU 15%))
- Importance of economy in international trade (U.S. and China 11%, EU 9%)
- Deep, open capital markets (IMF Financial Markets Index)
- Currency convertibility/liquidity (CHINN-ITO Index U.S.-Euro-UK-Japan 2x China-India-Russia)
- Peg and anchor usage in commodities (gold, oil) and other economies (U.S. 46%, EU 18%, UK-J 3%)
- Stable domestic macroeconomic conditions (S&P ratings: EU AAA, US-UK AA, Japan-China A, India BBB)
- Safe-haven status (95% flight-to-USD during GFC; 90% during COVID)

The Brookings Institution’s work on dollar durability and CFR analysis of “exorbitant privilege” reinforces this structural advantageⁱⁱⁱ.

Structural Pressures on Fiat: That said, the panel did not dismiss risks^{iv}:

- U.S. fiscal deficits (~\$36T national debt)
- Geopolitical fragmentation
- Expansion of alternative payment systems (e.g., BRICS initiatives; CIPS)
- Central bank gold accumulation (Federal Reserve research and gold studies)

The panel's framing: no wholesale "sell America," but a rebalancing toward longer-term norms.



CBDCs and Other Digital Assets

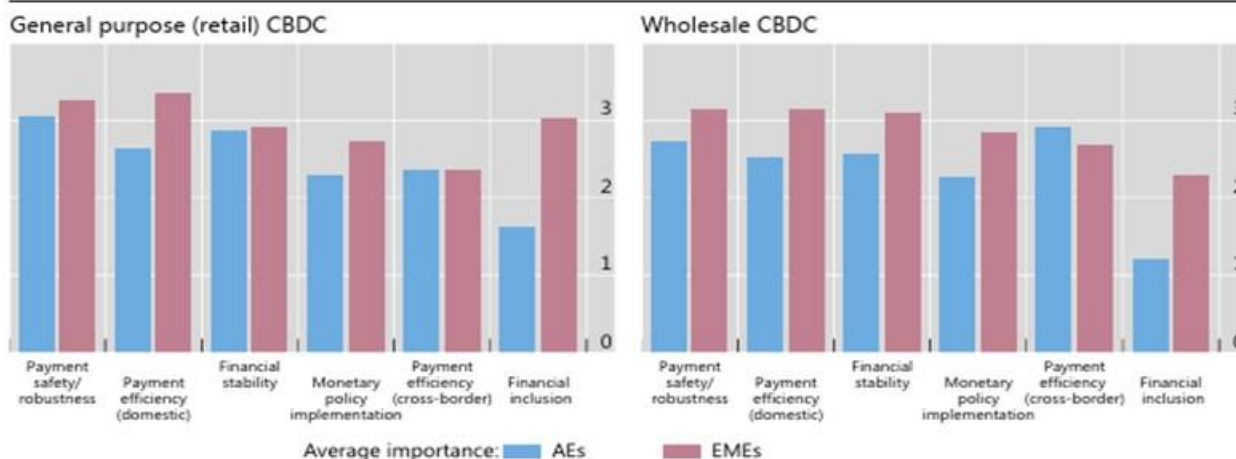
The second part of the webinar addressed technological disruption through digital currencies. First a brief description: CBDCs are digital liabilities of central banks, available either wholesale or retail, structured as direct, hybrid, or intermediated models^v. CBDCs: are denominated in national units, can be account- or token-based, may use distributed ledger technology (DLT) and typically preserve the two-tier banking system. The IMF's 2024 study on CBDCs and financial stability highlights balance sheet and stability implications^{vi}.

Motives Behind/ Benefits of CBDCs: Central banks cite several main reasons for / potential benefits of CBDCs: Payment system resilience, monetary policy innovation, competition with stablecoins and cryptocurrencies, efficiency and speed, auditable information, and financial inclusion especially in emerging markets economies, EMEs). As of early 2026, ~86% of central banks are researching CBDCs (130 countries), ~60 have public initiatives, and three have launched CBDCs (China, Honduras, Sweden) and three others were planning to launch pilots (Bahamas, Jamaica, Nigeria)^{vii}.

Motivations for issuing a CBDC

Average importance

Graph 5



1 = not so important; 2 = somewhat important; 3 = important; and 4 = very important.

Sources: CPMI survey of central banks; Boar et al (2020).

CBDC Risks and Design Tradeoffs: While the advantages of CBDCs exist, many advanced economies (AEs) indicate concerns over implementation and systemic risks, including: Bank disintermediation, liquidity stress in crises, cybersecurity vulnerabilities, data privacy concerns, operational errors and frictions, AI vulnerabilities. In addition, there is public community concern about central banks' additional individual participant and transaction oversight and control with CBDCs. In the U.S., significant Congressional and institutional opposition has arisen, confirming IMF and academic studies that note that design matters profoundly^{viii}.

Stablecoins and Digital Assets: Stablecoins, 99% USD-linked may reinforce dollar dominance rather than erode it. State Street's analysis suggests institutional infrastructure is evolving^{ix}. Cryptocurrencies, however, remain speculative, volatile, and energy-intensive (Bitcoin's electricity use comparable to the Netherlands). The consensus: CBDCs are unlikely to accelerate de-dollarization in the near term, but they will reshape payments and financial architecture and must be implemented with care to mitigate unintended financial stability and economic structures.

Portfolio Actions for Institutional Investors

With U.S. dollar and CBDC trends identified, the webinar shifted to fiduciary action. First, board directors must entertain a range of regime shifts, and consider a more dynamic, tactical asset allocation posture.

Shift from Static to Dynamic Regime Awareness: Define 3–4 reserve regimes: USD-dominant / low inflation and USD-dominant / high inflation, multipolar currencies + gold, and digital-hybrid monetary system.

Stress test: Currency shocks, sanctions and capital controls and digital asset liquidity freezes. Ensure clear understanding of, and preparations for, liquidity needs over several days, weeks, months and years. Pre-approve rebalancing triggers.

Build a Reserve-Resilient Mindset: This includes several components:

- Continue core exposure to domestic (e.g. USD) denominated assets, but incorporate non-domestic currency assets (e.g., gold, non-USD sovereign debt), real assets, inflation-protected instruments.
- Develop a framework for monitoring political/geopolitical risk, currency risk, and liquidity risk — including “black-swan” scenarios around digital-money adoption or regulatory shocks.
- Engage proactively with emerging digital-money infrastructure (e.g., stablecoins, tokenized assets) — not necessarily to allocate capital yet, but to understand how institutional flows might evolve.

Build a Reserve-Resilient Portfolio: Assuming approximately 60% in risk-seeking assets, and 40% in diversifying or hedging assets, the process begins with building a Core Diversified (yet simple to implement) Portfolio, a Multipolar Fixed Income Sleeve, Digital Money Readiness portfolio and a Real Asset and Commodities Anchor.

- **Core Diversified Portfolio (simple to implement):** Domestic Equities and Debt, plus Cash: 45–55%, non-Domestic Equities and Debt: 10–15%; Value-preservation Gold: 3–5%; and Domestic Inflation-Linked Bonds: 5–10%. This allocation reduces single-regime risk without abandoning dollar strength.
- **Diversify: Construct a Multipolar Fixed-Income Sleeve (within the 40% diversifying / hedging assets):** Domestic (i.e. USD) Sovereign 55–65% of fixed income, Non-Domestic Sovereign: 15–20%, EM Local Debt: 5–10% (selective), Gold-Linked: 3–5% and Liquidity Buffer: 5–10%.
- **Digital Money Readiness (within both risk-seeking and hedging assets):** Within risk-seeking, 0.25–0.5% innovation sleeve and optional small BTC/ETH exposure 0.25–0.5%; and within hedging, tokenized T-bills / regulated stablecoins. These small allocations build institutional literacy.
- **Real Asset & Commodity Anchor (within 60% return-seeking allocation):** Consider allocating (5–20%) across: Infrastructure, real estate, gold and other commodities, and natural resource equities. This builds currency-agnostic resilience.

Conclusion: Think Beyond (Not Against) the U.S. Dollar

The message from “*Beyond the Dollar*” was nuanced:

- The dollar remains structurally dominant.
- Diversification across other currencies is emerging, gradually.
- CBDCs are under consideration and if/when implemented, will be evolutionary, not revolutionary, for now – but longer-term, digital infrastructure will reshape payments and liquidity.
- Institutional investors must adapt governance frameworks and portfolios to withstand shifting currency and digital trends, before capital markets force adaptation.

The global monetary system is not fragmenting overnight, but is evolving. As fiduciaries overseeing pension funds, endowments, sovereign mandates, or retail mutual funds, we must build portfolio resilience to withstand a range of regimes. Beyond the dollar does not mean without it but, rather, it means thinking structurally, acting deliberately, and building resilience before volatility demands it

ⁱ Atlantic Council's *Dollar Dominance Monitor* (<https://www.atlanticcouncil.org/programs/geoeconomics-center/dollar-dominance-monitor/>), Federal Reserve's *International Role of the U.S. Dollar* report (<https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-07-18.html>), global reserve currency tracking by BestBrokers (<https://www.bestbrokers.com/forex-brokers/global-reserve-currency-landscape-2025-u-s-dollar-shifts-from-dominant-force-to-record-low-share/>).

ⁱⁱ <https://www.atlanticcouncil.org/programs/geoeconomics-center/dollar-dominance-monitor/>

ⁱⁱⁱ <https://www.brookings.edu/articles/the-changing-role-of-the-us-dollar/> and <https://www.cfr.org/background/dollar-worlds-reserve-currency>

^{iv} <https://www.federalreserve.gov/econres/ifdp/files/ifdp1420.pdf>; <https://jrotbart.com/the-global-shift-from-dollars-to-gold-why-de-dollarization-is-accelerating/>

^v BIS Working Paper No. 976 (<https://www.bis.org/publ/work976.pdf>)

^{vi} <https://www.imf.org/-/media/files/publications/wp/2024/english/wpia2024226-print-pdf>

^{vii} BIS Working Paper No. 976 (<https://www.bis.org/publ/work976.pdf>)

^{viii} <https://www.statestreet.com/us/en/insights/stablecoin-moment> and <https://jgbc.scholasticahq.com/article/142902-understanding-the-impact-of-digital-currencies-from-private-companies-to-central-banks>, <https://www.bis.org/publ/work976.pdf>, <https://www.imf.org/-/media/files/publications/wp/2024/english/wpia2024226-print-pdf>, <https://www.imf.org/-/media/files/publications/wp/2024/english/wpia2024226-print-pdf>, <https://pureadmin.qub.ac.uk/ws/portalfiles/portal/634806467/Stablecoins.pdf>, <https://www.sciencedirect.com/science/article/pii/S1057521923005471>; <https://pureadmin.qub.ac.uk/ws/portalfiles/portal/634806467/Stablecoins.pdf>

^{ix} <https://www.statestreet.com/us/en/insights/stablecoin-moment>