

# How Stablecoins Are Quietly Rewiring the \$2 Trillion-a-Day Payments System

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*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Explanation (Ages 14–18)

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*Sending money from Mexico to the Philippines still takes a full day and passes through up to six banks – a startup thinks it can collapse that journey to minutes using digital dollars.*

### What's Going On?

UBS, one of the world's largest investment banks, hosted a deep-dive on OpenFX, a startup founded in 2024 that uses stablecoin infrastructure to speed up cross-border payments. OpenFX grew from \$4 billion in annualized payment volume to \$45 billion in a single year, now serves over 100 institutional clients, and just raised \$94 million in Series A funding from major venture firms including Accel, Pantera, and Lightspeed.

The core problem OpenFX targets is the correspondent banking system – the decades-old plumbing that moves money between countries. A typical international corporate payment bounces through multiple banks, each running its own compliance checks, operating on different schedules, and settling in batches. Even though actual processing takes about two hours, end-to-end delivery often takes a full day. Stablecoins – digital tokens pegged 1:1 to the US dollar – let OpenFX bypass much of that chain by combining the messaging and value-transfer steps into one near-instant transaction.

### How To Think About It

The best way to understand what's happening is through two parallels that make the inefficiency click.

- Think of the sneaker resale market before platforms like StockX. Buyers and sellers existed, but every transaction required trust, manual verification, and slow shipping through middlemen. StockX collapsed those steps into one authenticated platform. Stablecoins do something similar for international payments: they replace a chain of intermediary banks with a single programmable rail that settles in real time.
- Or consider how Venmo changed splitting a dinner bill. Before, you'd write a check or hit an ATM – multiple steps, multiple delays. Venmo made it instant between friends. Now imagine that same leap, but applied to a corporation paying a supplier in the Philippines from Mexico, where the old system involved routing through two US banks, converting currencies twice, and waiting overnight. That's the scale of friction stablecoins aim to eliminate.

### Key Things To Know

- Global capital sitting idle in 'nostro accounts' (banks' foreign-currency holding accounts) totals roughly \$4 trillion, while daily spot FX volume is about \$2 trillion – meaning that capital turns over less than once per day, a massive balance-sheet drain.
- The key mechanism: stablecoins collapse the 'messaging layer' and the 'value transfer layer' into one step. Traditional SWIFT payments separate these – one message tells the bank to move money, then a separate settlement process actually moves it. Stablecoins do both simultaneously.
- Most cross-border fintech innovation over the past decade improved the front-end experience (nicer apps, faster initiation) but left the back-end settlement layer – correspondent banking – largely untouched. Companies like Wise and Currencycloud still route payments through traditional

bank FX desks.

- OpenFX achieves roughly 2.5x daily capital turnover on \$80 million in working capital (processing ~\$200 million per day), hitting 5x on peak days. Their ambition is 10x — meaning \$80 million could support \$800 million in daily volume. Traditional banks rarely exceed 0.5x.
- What most people get wrong: stablecoins don't eliminate the need for local banking partners or regulatory compliance. You still need someone on the ground in the Philippines who can convert digital dollars into pesos. The paradox is that even a decentralized technology requires very centralized, real-world relationships to function.

## **Why It Matters**

If you're thinking about careers in finance, tech, or international business, this is a space where the rules are being rewritten right now. Cross-border payments is a multi-trillion-dollar market still running on infrastructure designed decades ago. Companies like Visa, Mastercard, Western Union, and major banks are all watching — and competing. Understanding how stablecoins work isn't just crypto trivia; it's becoming core knowledge for anyone entering finance or fintech. And if your family sends remittances abroad, the fees and delays you experience are exactly the friction this technology aims to eliminate.

## **The Bigger Picture**

Historically, payment infrastructure shifts happen in slow waves — from gold to paper currency, from checks to wire transfers, from cash to cards. Each transition took decades and faced fierce resistance from incumbents. Stablecoins represent the next potential wave, and the race is on between startups like OpenFX, legacy players like Visa (which acquired Currencycloud), and traditional banks defending their FX desk revenue. The second-order effects to watch: if stablecoin rails become standard, the \$4 trillion locked in nostro accounts could be dramatically reduced, freeing capital across the global financial system. But regulators worldwide are still deciding how to classify and oversee stablecoins — and those decisions could accelerate or stall this entire transformation.

## 2. Key Terms Glossary

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### **Stablecoin**

A cryptocurrency designed to maintain a stable value by being pegged 1:1 to a traditional currency (usually the US dollar). Unlike Bitcoin, it doesn't fluctuate wildly in price, making it useful for payments.

### **Correspondent Banking**

A system where banks hold accounts at other banks in foreign countries to facilitate international payments. Think of it as a relay race where each bank hands off the payment to the next.

### **Nostro Account**

An account that a bank holds in a foreign currency at another bank abroad. The word comes from Latin for 'ours.' These accounts pre-fund international transactions but tie up enormous amounts of capital globally.

### **SWIFT**

The Society for Worldwide Interbank Financial Telecommunication — a global messaging network that banks use to send payment instructions to each other. It carries the message, not the money itself.

### **Settlement**

The actual transfer and finalization of funds between parties in a transaction. A payment isn't truly complete until settlement occurs, which in cross-border banking can take hours or days.

### **Payments Velocity**

How many times a pool of capital can be recycled through transactions in a given period. Higher velocity means the same dollar does more work — a critical efficiency metric in payments businesses.

### **AML/KYC**

Anti-Money Laundering and Know Your Customer — regulatory requirements that force financial institutions to verify client identities and screen transactions for illegal activity. Each bank in a payment chain performs its own checks, adding delays.

### **FX Desk**

A division within a bank that handles foreign exchange (currency conversion) transactions. In traditional cross-border payments, an FX desk sets the conversion rate — often with pricing discretion that reduces transparency for the end user.

### **Series A**

A startup's first major round of venture capital funding after seed-stage investment. It typically signals that the company has proven its concept and is ready to scale.

### **Vehicle Currency**

A currency used as an intermediary in foreign exchange transactions. The US dollar serves as the vehicle currency for most global trade — even a Mexico-to-Philippines payment typically converts through USD.

### 3. Reading Comprehension Quiz

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Circle the best answer for each question.

**Q1.** What is the primary problem that OpenFX is attempting to solve?

- A) The high cost of cryptocurrency trading for retail investors
- B) The structural slowness and complexity of cross-border payment settlement through correspondent banking
- C) The lack of mobile banking apps in developing countries
- D) The volatility of stablecoins compared to traditional currencies

**Q2.** According to the report, what was OpenFX's approximate growth in annualized payment volume from 2024 to the end of 2025?

- A) From \$45 billion to \$94 billion
- B) From \$80 million to \$200 million
- C) From \$4 billion to \$45 billion
- D) From \$2 trillion to \$4 trillion

**Q3.** Which of the following best describes the structure of the report's argument?

- A) It presents a problem with the current system, explains why previous solutions fell short, and then describes a new technological approach
- B) It compares multiple stablecoin companies and ranks them by market share
- C) It argues that traditional banks should be replaced entirely by cryptocurrency firms
- D) It provides a historical timeline of banking from the 1800s to the present

**Q4.** In the context of the report, what does the phrase 'collapse the payments stack' most likely mean?

- A) Cause the payments industry to fail financially
- B) Combine multiple separate steps in the payment process into fewer, faster ones
- C) Stack multiple payments on top of each other to process them in a single batch
- D) Reduce the number of currencies used in global trade to just one

**Q5.** Why does the report describe the relationship between stablecoins and local banking partners as a 'paradox'?

- A) Because stablecoins are supposed to be decentralized, yet they still require centralized local bank relationships to convert into local currencies
- B) Because stablecoins are more expensive than correspondent banking but still faster
- C) Because local banks refuse to work with stablecoin companies due to regulatory concerns
- D) Because stablecoins eliminate the need for banks but banks are the ones issuing them

**Q6.** Based on the report, what is the most likely reason that cross-border fintech startups have 'struggled to scale meaningfully beyond select consumer corridors'?

- A) Consumers prefer to use cash for international transfers
- B) Regulatory agencies have banned most cross-border fintech companies
- C) They improved the front-end experience but remained dependent on traditional bank settlement infrastructure
- D) Stablecoin technology was not invented until 2024

- Q7.** The overall tone of the UBS report toward stablecoin-based payments infrastructure can best be described as:
- A)** Dismissive and skeptical, warning investors to avoid the space
  - B)** Analytically optimistic, presenting the technology as promising while noting structural constraints
  - C)** Neutral and detached, offering no opinion on the viability of stablecoins
  - D)** Enthusiastically promotional, urging immediate investment in OpenFX
- Q8.** Why does the report include specific examples like Currencycloud and Barclays?
- A)** To advertise those companies' services to readers
  - B)** To illustrate how even well-known fintech acquisitions still rely on the traditional settlement model the report critiques
  - C)** To argue that Visa made a poor investment decision
  - D)** To show that Barclays is the best bank for cross-border payments
- Q9.** If OpenFX achieves its goal of 10x daily capital turnover, what broader implication does the report suggest this would have for the payments industry?
- A)** Banks would need to increase their nostro account balances to compete
  - B)** A relatively small amount of working capital could support enormous transaction volumes, potentially disrupting the capital-intensive model of traditional banks
  - C)** Stablecoins would completely replace all fiat currencies within five years
  - D)** Regulators would immediately shut down stablecoin-based payment systems

**My Score:** \_\_\_\_\_ / 10

## 4. Answer Key with Explanations

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**Q1.** What is the primary problem that OpenFX is attempting to solve?

**Answer: B**

The entire report focuses on how correspondent banking creates delays, opacity, and capital inefficiency in cross-border payments, and how OpenFX uses stablecoins to address these issues. Option A is wrong because OpenFX targets institutional payments, not retail crypto trading.

**Q2.** According to the report, what was OpenFX's approximate growth in annualized payment volume from 2024 to the end of 2025?

**Answer: C**

The report explicitly states OpenFX closed 2025 at \$45 billion in annualized volume, up from \$4 billion one year prior. Option D refers to global nostro account balances and daily FX volume, which are industry-wide figures, not OpenFX-specific.

**Q3.** Which of the following best describes the structure of the report's argument?

**Answer: A**

The report first details the frictions in correspondent banking, then explains that past fintech innovation only improved the initiation layer (not settlement), and finally shows how stablecoin infrastructure addresses the deeper problem. Option C is too extreme – the report acknowledges that local banking partners remain essential.

**Q4.** In the context of the report, what does the phrase 'collapse the payments stack' most likely mean?

**Answer: B**

In context, 'collapse' refers to compressing the messaging and value-transfer layers into a single step, eliminating intermediaries and reducing settlement time. Option A misreads 'collapse' as financial failure, but the report uses it to mean simplification and consolidation of processes.

**Q5.** Why does the report describe the relationship between stablecoins and local banking partners as a 'paradox'?

**Answer: A**

The report explicitly states that even though stablecoins can unlock higher velocity, 'liquidity and local banking partners are still a pre-requisite.' The paradox is that a technology designed to bypass intermediaries still depends on traditional intermediaries at the last mile. Option C is not supported by the text.

**Q6.** Based on the report, what is the most likely reason that cross-border fintech startups have 'struggled to scale meaningfully beyond select consumer corridors'?

**Answer: C**

The report states that past innovation occurred at the initiation layer, not the settlement layer, meaning startups still relied on bank FX desks and correspondent networks. This dependency limited their control over timing, pricing, and scalability. Option D is factually incorrect – stablecoins existed well before 2024.

**Q7.** The overall tone of the UBS report toward stablecoin-based payments infrastructure can best be described as:

**Answer: B**

*The report presents stablecoins as a meaningful innovation that addresses real inefficiencies, while also noting the paradox of needing local banking partners and the challenges of replicating bank-scale liquidity. This balanced but forward-leaning tone is analytically optimistic. Option D overstates – UBS frames this as research, not a sales pitch.*

**Q8.** Why does the report include specific examples like Currencycloud and Barclays?

**Answer: B**

*The Currencycloud-Barclays example demonstrates that even after Visa acquired Currencycloud, the company still aggregates payments and sends them to a traditional bank FX desk – exactly the model the report argues stablecoins can improve upon. The purpose is illustrative, not promotional.*

**Q9.** If OpenFX achieves its goal of 10x daily capital turnover, what broader implication does the report suggest this would have for the payments industry?

**Answer: B**

*The report's central insight about velocity is that higher turnover means less capital is needed to process the same volume. At 10x, \$80 million could theoretically support \$800 million in daily volume – a direct challenge to banks that rely on massive balance sheets. Option A contradicts the logic; the whole point is that stablecoins reduce the need for pre-funded accounts.*