

Dollar decentring, de-dollarisation, and the UK's trade and investment policy

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Published 1 April 2026

CITP Briefing Paper 30

Key points

- The dollar has done well on all three functions of money (medium of exchange, store of value, unit of account). It has been the principal anchor of the international monetary system and commerce at least since the Bretton Woods Conference.
- The dollar's dominance is eroding gradually and unevenly. Its share of global reserves has fallen from 72 per cent in 2001 to 57 per cent in Q3 2025, yet the dollar still accounts for around half of global trade invoicing in 2025, 89 per cent of global exchange rate turnover, 60 per cent of foreign-currency debt issuance, 87 per cent of EU fuel imports, and roughly 80 per cent of trade finance.
- De-dollarisation is proceeding through cumulative institutional change, not a single rupture. New token-based deposit and payment infrastructure (mBridge, Central Bank Digital Currencies (CBDCs)), bilateral swap lines, and alternative settlement corridors are being built in parallel across multiple jurisdictions.
- US policy choices have coincided with and likely contributed to accelerating diversification. Financial sanctions, tariff escalation, and questions over Federal Reserve independence have increased the risk of dollar dependence for both allies and adversaries of the US.
- Financial entrenchment constrains the pace of transition. Dollar-denominated savings, trade finance, and capital market depth create powerful inertia that technological change and institutional alternatives may not overcome in the short to medium term.
- The UK faces both opportunity and threat. Post-Brexit, UK exports have become more dollar dependent. However, London's position as the world's largest foreign exchange market and a leading offshore Chinese renminbi hub offers a diversification opportunity away from the dollar.
- Policy action is needed now, not after the transition away from the dollar. Specific instruments are available: UK Export Finance product adaptation, regulatory equivalence agreements with emerging financial centres, Bank of England participation in CBDC interoperability projects, and currency transition stress testing.

Introduction: Why the centrality of the dollar matters for UK trade and investment policy

Money has three core functions: medium of exchange, unit of account, and store of value. The medium of exchange and unit of account functions of money enable societies to avoid barter and the use of multiple currency denominators for ascertaining the relative worth of goods, services and assets. The store of value function enables individuals and societies to preserve purchasing power. The dollar performs all three functions of money at a global scale since the Second World War.

However, the dollar's central role in international trade and commerce is shifting and potentially eroding. The questions are how fast and through what mechanisms. This paper brings together three analytical perspectives, legal-institutional, macroeconomic-historical, and monetary-financial, to assess the direction of travel and draw out the implications for the UK, which is deeply embedded in the dollar-based monetary system, focusing on its trade and investment policy.

The UK has a particular stake in this question. Since the Brexit referendum, the share of UK non-EU exports invoiced in US dollars has risen from around a third to over 55 per cent.¹ Bank of England research finds that UK exports are now twice as sensitive to dollar exchange rate movements as before the referendum.² While many countries debate de-dollarisation – that is, active efforts to reduce dependencies on the US dollar and use alternative currencies and systems – post-Brexit Britain, either by choice or by design, appears to be moving in the opposite direction.

This UK paradox frames this paper. If the international system of money and commerce is evolving toward something more multipolar, the UK's increased dollar dependence is either a vulnerability that needs managing or a rational response to the world as it is. Understanding which requires looking beneath the headline reserve figures to the legal architecture, the historical dynamics, and the financial realities of how currencies actually function in trade.

The analysis draws on the authors' research and on a panel discussion at the UK Trade Policy Forum in February 2026, where the authors of this paper explored these questions from the standpoint of our respective disciplines.³ The paper does not attempt to establish whether the dollar will lose its dominant status, but seeks instead to understand the changing landscape and its implications for UK policymaking contingent on a range of potential outcomes. In assessing this landscape, the paper focuses on efforts by emerging economies, which have led the most ambitious initiatives to develop alternative monetary arrangements.

The dollar is dominant but declining: the empirical baseline

By any standard metric, the US dollar remains the world's dominant currency. It accounts for approximately 58 per cent of global foreign exchange reserves, more than double the share of the euro and more than 25 times that of the Chinese renminbi.⁴ It is used in invoicing for over 54 per cent of global exports and in handling just

¹ Bank of England, Working Paper No. 1,074, 'Dominant currency pricing transition,' May 2024. Available at:

<https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2024/dominant-currency-pricing-transition.pdf>

² Corsetti, G., Crowley, M. and Han, L., 'Selling England (no longer) by the pound: currency mismatches and the dollarisation of UK exports,' Bank Underground, 23 May 2024. Available at: <https://bankunderground.co.uk/2024/05/23/selling-england-no-longer-by-the-pound-currency-mismatches-and-the-dollarisation-of-uk-exports/>. See also VoxEU, August 2019, at: <https://cepr.org/voxeu/columns/selling-england-no-longer-pound-currency-mismatches-and-dollarisation-uk-exports>

³ UK Trade Policy Forum, 'Are we moving toward de-dollarisation — and if so, what will this mean for trade?' Panel session, 24 February 2026, London. Chatham House rule.

⁴ Atlantic Council GeoEconomics Center, Dollar Dominance Monitor, 2025. Available at:

<https://www.atlanticcouncil.org/programs/geoeconomics-center/dollar-dominance-monitor/>. See also IMF, Currency Composition of Official Foreign Exchange Reserves (COFER), Q2 2025, at: <https://data.imf.org/en/datasets/IMF.STA:COFER>

over half of SWIFT international payments.⁵ In trade finance, the dollar's share is higher still, at roughly 80 per cent. In energy-related transactions, the dollar's dominance is striking, with 87 per cent of EU fuel imports being denominated in dollars. Furthermore, in international capital market transactions, the dollar's share is 89 per cent of the global exchange rate turnover and 60 per cent of foreign-currency debt issuance.

What the International Monetary Fund's (IMF's) Gita Gopinath has termed the 'dominant currency paradigm' — in which the dollar shapes trade pricing even between countries that have no direct economic relationship with the US — remains firmly in place.⁶ The network effects that sustain dollar dominance are self-reinforcing: because so much trade is invoiced in dollars, firms hold dollar balances; because firms hold dollar balances, banks offer dollar-denominated services; because banks offer those services, more trade is invoiced in dollars. These network effects also made the global currency system efficient on the aggregate. Moving towards a multipolar world where multiple currencies are central to the functioning of the global economy is a second-best scenario where network efficiency gains will be reduced.

Large companies' investment decisions further strengthen this position. The Conference Board's survey data shows that, in 2025, close to half of European industry chief executives revised their plans to invest more in the US, while only 8 per cent revised plans to invest more in Europe,⁷ despite evidence of concerns about US policy uncertainty.⁸ Investment trends do not directly reflect dollar confidence, rather they may be explained by other factors such as US market depth or dynamic labour markets, but the observed capital flow from the EU remains dollar-directed and reinforces dollar dominance.

Beneath these aggregate figures, however, specific corridors show measurable shifts. People's Bank of China (PBOC) data indicates that the share of China's goods trade settled in renminbi rose from approximately 18 per cent in early 2023 to 30 per cent by Q3 2025.⁹ The Bank for International Settlements (BIS) data shows that over 90 per cent of Russia–China bilateral trade is now settled in renminbi or roubles.⁷ Further, central banks purchased 863 tonnes of gold in 2025, and in 2024, gold had reached 20 per cent of global reserves for the first time since the 1970s.¹⁰

Measured against its own history, the dollar's current reserve share of 58 per cent is well below its post-Bretton Woods peak of roughly 72 per cent around 2000 (IMF COFER data) and comparable to its level in the mid-1990s. This was a period of significant institutional experimentation when the euro was being designed, and Asian economies were building reserves after the 1997 crisis. The question is not whether the dollar is still dominant. It is. The question is whether the conditions that underpin that dominance are changing in ways that could become more consequential over time.

A useful distinction is between de-dollarisation in flows and de-dollarisation in stocks. In trade and payments, shifts are visible in specific corridors, such as Russia–China and BRICS bilateral trade.¹¹ But in financial stocks, including savings, reserves, and corporate balance sheets, the dollar remains more deeply entrenched. Research on financial dollarisation in Latin America documents that dollar-denominated savings exhibit high persistence:¹²

⁵ Federal Reserve Board, 'The international role of the U.S. dollar: post-COVID edition,' FEDS Notes, June 2023; SWIFT, RMB Tracker, December 2024.

⁶ Gopinath, G. et al., 'Dominant currency paradigm,' *American Economic Review*, 110(3), 2020, pp. 677–719

⁷ [CEO Confidence Still Wavering. Investments Stalled. EU Reforms in the Spotlight.](#)

⁸ [C-Suite Outlook 2026: Uncertainty and Opportunity](#)

⁹ People's Bank of China, Financial Statistics Report, Q1–Q3 2025. Cross-border RMB settlement reached ¥13 trillion in the first nine months of 2025. The share of China's goods trade settled in RMB rose from approximately 18 per cent in early 2023 to 26.5 per cent by Q3 2024, with some bilateral corridors exceeding 30 per cent. See also Chatham House, 'China's \$1.2 trillion trade surplus will increase calls for a stronger renminbi,' 2025; Federal Reserve Board, 'Internationalization of the Chinese renminbi: progress and outlook,' FEDS Notes, August 2024.

¹⁰ World Gold Council, Gold Demand Trends: Full Year 2025. Available at: <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2025>

¹¹ BRICS is a major intergovernmental organization comprising Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, Saudi Arabia, the United Arab Emirates, and Indonesia.

¹² [Financial Dollarization in Latin America: Robert Rennhack and Masahiro Nozaki; IMF Working Paper 06/7; January 1, 2006](#)

once households and firms hold dollar assets, switching costs and trust deficits make reversion slow even when institutional alternatives exist.¹³ Building credible, stable, and liquid domestic financial systems capable of absorbing these savings remains the binding constraint for most emerging countries with high financial dollarisation.

The legal and institutional architecture of change

Much of the de-dollarisation debate focuses on macroeconomic indicators: reserve shares, invoicing ratios, payment volumes. But dollar dominance is not simply an economic fact. The global role of the US dollar rests on a dense web of legal norms, institutional arrangements, and regulatory practices built up over decades.¹⁴ Understanding whether a broad de-dollarisation push and a potential dollar decentring can happen requires an understanding of whether and how those legal foundations are being reshaped.

A useful analytical framework comes from Adam Tooze's distinction between 'economic order' and 'economic ordering'.¹⁵ The former refers to grand constitutional settlements, a Bretton Woods moment, a single decisive institutional redesign. The latter refers to the ongoing, cumulative, and often localised processes through which economic arrangements are reconfigured in practice. De-dollarisation, viewed through this lens, is not a constitutional rupture but a process of economic ordering across areas including liquidity provision, payments infrastructure, private contracting, and new multilateral arrangements that individually look like workarounds but, if they develop and scale, have the potential to reshape international economic law.

The Federal Reserve's swap line network is arguably the main legal-institutional pillar of dollar dominance.¹⁶ In normal times, offshore dollar markets — the vast network of dollar-denominated deposits, loans, and securities held outside the US — sustain dollar liquidity globally. But when those markets seize up, only the Fed can restore liquidity at scale, by providing dollar funding directly to foreign central banks through its swap lines. Access is not a right: it is discretionary and limited to a small circle of advanced-economy central banks. Emerging economies are largely excluded. For these countries, that structural vulnerability is a straightforward practical motivation to seek alternative sources of foreign currency liquidity, quite apart from any ideological considerations.

Against this pillar, two sets of developments are worth tracking. China has emerged as the principal architect of an alternative liquidity infrastructure. The People's Bank of China has bilateral currency swap agreements with over 40 central banks, creating standing facilities for renminbi liquidity that allow partner states to settle payments and manage short-term balance-of-payments pressures without recourse to dollar markets or IMF conditionality. Estimated at around \$600 billion in total, these agreements directly target the states most exposed to the Fed's selectivity.¹⁷

The European Central Bank has taken steps in a similar direction, explicitly describing current conditions as creating an opening for a 'global euro moment'.¹⁸ A key recent development is the expansion of access to repo lines, which can serve as an emergency liquidity provision and increase appetite for euro-denominated assets. While these discussions and measures do not constitute in themselves a rupture with the dollar-centric system,

¹³ IMF, 'Renminbi usage in cross-border payments: regional patterns and the role of swaps lines and offshore clearing banks,' Working Paper WP/23/77, March 2023

¹⁴ Quintana, F.J., 'Dollar dominance, de-dollarization, and international law,' *Journal of International Economic Law*, 28(3), 2025, pp. 359–381.

¹⁵ Tooze, A., 'Chartbook 461: Ordering not Order: Thinking about the Future of the World Economy in 2025, with Historians, Journalists, Political Scientists and ... Nietzsche' *Chartbook* (12 November 2025). Available at: <https://adamtooze.substack.com/p/chartbook-461-ordering-not-order>.

¹⁶ See Gary Gensler, Lev Menand, and Joshua Younger, 'Financial Sector and Global Dollar System' in Gensler and others, *The Economic Consequences of the Second Trump Administration: A Preliminary Assessment* (CEPR Press 2025).

¹⁷ [China's central bank signs 40 currency swap agreements with foreign counterparts](https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250526~d8d4541ce5.en.html)

¹⁸ <https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250526~d8d4541ce5.en.html>

they are representative of increased perceptions that there is room for new settings and instruments, beyond traditional dollar-centric options.

Significant institutional innovations are coming from emerging economies. For example, with mBridge, the multi-CBDC platform initially developed under the auspices of BIS with central banks from China, Hong Kong, Thailand, the United Arab Emirates (UAE), and Saudi Arabia. The BIS reports that mBridge reached the minimum viable product stage in mid-2024; Atlantic Council data indicates cumulative transaction volumes exceeding \$55 billion by late 2025.¹⁹ The platform has demonstrated that cross-border CBDC settlement is technically feasible at scale. The remaining constraint is governance: mBridge operates on consensus among its five members, and consensus-based decision-making does not scale easily to a global payment infrastructure. Whether these platforms can move from pilot to infrastructure depends on resolving questions of rule-setting, dispute resolution, and regulatory oversight — fundamentally legal and institutional questions, not technological or economic ones.

Beyond payments infrastructure, a wider ecosystem of institutional innovation is emerging across three fronts. On liquidity, the New Development Bank, whose constitutive agreement explicitly permits lending in the borrowing country's local currency, and the BRICS Contingent Reserve Arrangement, a treaty-based mechanism for balance-of-payments support, together represent an attempt to construct an alternative to IMF-style dollar-denominated crisis lending. On trade settlement, China's Belt and Road Initiative is creating non-dollar payment corridors across Central Asia, Southeast Asia, and parts of Africa, while an expanding network of bilateral agreements allows exporters to invoice in local currencies, reducing the dollar's default role in commodity trade. China has explored and begun building offshore gold storage and settlement infrastructure through the Shanghai Gold Exchange, a move that commentators sometimes link to wider BRICS de-dollarisation ambitions.²⁰ On price benchmarking, the proposed BRICS Grain Exchange is the most structurally ambitious initiative.²¹ A commodity exchange is not merely a marketplace: it anchors the standard terms of trade, the governing law, the delivery and settlement arrangements, and the forum for dispute resolution. The proposal remains at an early stage, with unresolved questions of governance and jurisdiction, but its logic illustrates how far the de-dollarisation project potentially extends.

The question, then, is at what point enough cumulative workarounds amount to a new system. The answer is not yet clear. What is clear is that the legal and institutional foundations of dollar dominance are no longer uncontested, and that the innovation is happening faster than many observers expected even just five years ago.

Lessons from monetary history and the pace of transition

Currency transitions are not new. History offers instructive parallels, and also some cautionary lessons about the pace at which dominant currencies can lose that status.

The most commonly cited precedent is the decline of sterling as the global reserve currency. After the Second World War, sterling backed over 60 per cent of global reserves. By the late 1970s, that figure had fallen below 5

¹⁹ BIS, 'Project mBridge: connecting economies through CBDC,' 2024. Available at: <https://www.bis.org/publ/othp59.htm>. Transaction volume of \$55.49 billion reported by the Atlantic Council GeoEconomics Center via Reuters, November 2025. See also Chu, J., Fang, C. and Lai, K.P., 'Reshaping state-finance-tech nexus through central bank digital currencies: the case of the mBridge project,' *Finance and Space*, 2(1), 2025, pp. 281–304.

²⁰ Amy Lv and Lewis Jackson, 'China Considers Setting up Overseas Warehouses for Shanghai Gold Exchange' Reuters (22 April 2025). Available at: <https://www.reuters.com/markets/commodities/china-considers-setting-up-overseas-warehouses-shanghai-gold-exchange-2025-04-22/>

²¹ <https://brics.br/pt-br/documentos/acervo-de-presidencias-anteriores/leaders-declarations/2024-xvi-brics-summit-kazan-declaration.pdf/%40%40download/file> and <https://www.reuters.com/markets/commodities/russia-talks-with-brics-over-precious-metals-exchange-2024-10-24/>

per cent.²² The transition took roughly three decades and was shaped as much by politics and institutional design, for example, the sterling area's dissolution, the Suez crisis, the negotiated wind-down of sterling balances, as by underlying economic fundamentals. Going further back, the Dutch guilder served as the dominant commercial currency of the eighteenth century before being overtaken by sterling in the early nineteenth.²³

Recent literature, however, suggests that these transitions can occur faster than these precedents indicate. Barry Eichengreen and Marc Flandreau argue that the dollar overtook sterling as the dominant reserve currency in as little as ten years, not the several decades that conventional wisdom has assumed.²⁴ This finding challenges the assumption that any current transition must be slow. In practice, the pace of transition is context-specific and dictated by the economies of scale embedded in the incumbent currency and by how quickly credible alternatives can be assembled.

A broader historical regularity is that reserve currency status tends to follow trade share with a lag. As a country's share of global trade declines, the use of its currency in invoicing, settlement, and reserves eventually follows, typically with a delay of two to three decades. The US remains the world's largest economy, but its share of global trade has been declining for years, and the growth of South–South trade — which is less likely to be dollar-denominated — is accelerating. If the historical pattern holds, the dollar's decline in invoicing and reserves is not a question of whether but when, and that adjustment period may already be under way.

Historical precedent also shows that incumbents can further retain their status for longer than fundamentals alone would suggest, provided the institutional infrastructure remains intact and credible. Sterling's decline was accelerated by two world wars, imperial dissolution, and a succession of balance of payments crises. The dollar faces no comparable structural shock unless US policies create one. Geopolitical pressures on existing institutions and wars also play a role.

This is where the current moment may be distinctive. The US itself is generating uncertainty about some of the foundations of dollar dominance, perhaps in part because it uncomfortably senses a potential shift. Following the Trump administration's tariff announcements in April 2025, the dollar index fell by more than 4 per cent in the subsequent weeks. This move went against the textbook theory that would have predicted a rise in dollar value instead of a decline.

Structurally, as the US attempts to deal with perceived imbalances, the dollar plays a central role in this debate. The administration's chief economic adviser has argued the dollar is overvalued by 10 to 20 per cent, and there were discussions of a 'Mar-a-Lago Accord' to engineer a deliberate depreciation.²⁵ On the other hand, the Treasury Secretary has indicated that the US maintains its 'strong dollar' policy.²⁶ Further, questions about Federal Reserve independence, the politicisation of swap lines, and the weaponisation of financial infrastructure through sanctions all raise the perceived cost of dollar dependence for both allies and adversaries of the US.

There is, in short, an unresolved contradiction at the heart of US policy. The US benefits enormously from the dollar's reserve status, which enables lower borrowing costs, the ability to sustain large fiscal deficits, and geopolitical leverage. But some views within the current administration favour a weaker dollar, without trying to compromise its dominant status, for reasons of competitiveness and reindustrialisation. Dollar success has been underpinned by trust, diplomacy, and commitment to global governance on commerce and security. However, the aggressive use of sanctions and the confrontational stance towards US allies risks eroding the trust that

²² Schenk, C., 'The retirement of sterling as a reserve currency after 1945: lessons for the US dollar?' 2009.

²³ NY Fed, Liberty Street Economics, 'Dutch treat: the Netherlands' exorbitant privilege in the eighteenth century,' October 2025.

²⁴ Eichengreen, B. and Flandreau, M., 'The rise and fall of the dollar (or when did the dollar replace sterling as the leading reserve currency?),' *European Review of Economic History*, 13(3), 2009, pp. 377–411

²⁵ Steffen Murau, 'Trump's Dollar' *Phenomenal World* (6 February 2026). Available at:

<https://www.phenomenalworld.org/analysis/trumps-dollar/>

²⁶ [Bessent says US has strong dollar policy, 'absolutely not' intervening to support yen | Reuters](#)

supports the dollar's 'exorbitant privilege'.²⁷ If forced to choose between fiscal constraints and competitiveness, the former would likely outweigh the gains from the latter, but the ambiguity itself is likely damaging for the dollar's centrality.

Whether the next monetary transition follows the slower sterling pattern (three decades) or the faster pattern described by Eichengreen and Flandreau depends on whether any credible alternative international monetary system can develop at pace. That in turn is contingent on cooperation among key stakeholders, including emerging powers in forums such as BRICS states, and on their capacity to mobilise domestic savings, deepen their capital markets, and offer investment opportunities at scale. These investment opportunities can take the form of trade credit, infrastructure, and financial assets. The question is less whether those capacities exist than whether the political alignment necessary to direct them towards a common institutional framework can be achieved.

The UK's position: opportunity, threat, or both?

For the UK, the decentering of the dollar is not abstract. It intersects directly with the country's post-Brexit trade strategy, the City of London's role as a global financial centre, and the structural vulnerabilities of an economy that has become more dollar-dependent at precisely the time when the global dollar system is likely entering a period of turbulence.

The data speaks for itself. Since the referendum, the share of the UK's non-EU exports invoiced in dollars has risen from roughly a third to over 55 per cent. This is a structural shift and not a temporary adjustment. As UK trade has reoriented away from the EU and towards more distant markets, dollar invoicing has become the default for a larger share of transactions. Bank of England research finds that UK exports are now twice as sensitive to dollar exchange rate movements relative to what it was before 2016.²⁸ In practical terms, a 10 per cent dollar depreciation now has roughly twice the impact on UK export volumes as it would have had a decade ago.

At the same time, London occupies a distinctive and potentially advantageous position in the evolving currency landscape. The City handles \$4.7 trillion in daily foreign exchange trading — more than New York, Tokyo, and Singapore combined.²⁹ London accounts for 43 per cent of global offshore renminbi spot trading, making it the largest offshore renminbi centre outside Asia.³⁰ If the currency world becomes genuinely multipolar, with more currencies in play for trade settlement, hedging, and reserve management, the demand for the kind of deep, liquid, currency-agnostic financial intermediation at which London excels could increase substantially. However, these economic gains at times could run contrary to the UK's national security and geopolitical interests. Therefore, the UK Government would need to be eclectic in its policy choice, guided by pragmatism and national interest.

The question is whether the UK can meet the challenge of a more competitive multipolar system, manage the associated risks, and capitalise on the opportunities that a more diverse currency landscape creates. We put forward the following three scenarios on the basis of opportunities, threats, and a combination of the two.

The case for opportunity rests on the UK's existing relationships with many of the economies pushing de-dollarisation. India, Saudi Arabia, and the UAE are all BRICS members or associates, and all have significant trade and investment relationships with the UK. If these economies move towards multi-currency settlement,

²⁷ The phrase 'exorbitant privilege' is attributed to Valéry Giscard d'Estaing, then French Finance Minister, in the 1960s, and was subsequently popularised by Eichengreen, B. (2011) *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*. Oxford: Oxford University Press.

²⁸ Bank of England, Working Paper No. 1,074, May 2024.

²⁹ BIS, Triennial Central Bank Survey of FX and OTC Derivatives Markets, April 2025. Available at: <https://www.bis.org/statistics/rpfx25.htm>

³⁰ City of London Corporation, London RMB Business Annual Report, April 2025.

they will need trading, clearing, and legal services infrastructure — and London is well positioned to capture part of that market. The historical precedent is instructive: London survived and ultimately thrived following sterling's own decline as the dominant currency, precisely because it adapted to serve a more complex financial world rather than clinging to the past. Therefore, agility, adaptability, and pragmatism would be the clear virtues in maximising opportunities and minimising risks.

The case for threat rests on the reality of structural constraints. Sterling's upside as a global currency will always be constrained by the size of the UK market. More fundamentally, the UK is deeply invested in US-led financial platforms, including SWIFT, dollar-denominated trade finance, and US-led regulatory frameworks, which implies it would have to overcome inertia and absorb significant switching costs. Such a switch may also run contrary to the UK's national security interests. If de-dollarisation fragments the global financial system into competing blocs, London risks losing non-dollar denominated business to regional hubs — Singapore, Dubai, Mumbai — that are closer to the new centres of economic gravity. National security and foreign policy risks notwithstanding, the broad efficiency losses from a fragmented system would likely outweigh the concentrated gains from multi-currency intermediation.

The balanced view holds that the UK will confront opportunities and threats simultaneously, and that the outcome depends on active policy choices rather than market drift. If more currencies become relevant for global trade, firms will need more trading, financial, and legal services — and London definitely has a comparative advantage in providing those. But if those services migrate to regional hubs that are better connected to the emerging multipolar order, London's position will erode. The difference between these two outcomes is largely a matter of policy choice and how eclectic and pragmatic the UK could be in its foreign, economic, and national security policy manoeuvres.

Conclusion: what the UK needs to do

The evidence reviewed in this paper points towards a consistent direction. The dollar's share of reserves, invoicing, and payments is declining due to technological change, expansion of bilateral local currency settlements, shifting trade patterns, and US policy choices. However, the transition away from the dollar is neither imminent nor inevitable. The movement is towards a multipolar currency order, and the UK's post-Brexit increase in dollar exposure makes the threat of dollar decentring a first-order policy question.

For the UK, the crucial risk is not a dollar collapse but the global financial system evolving in ways that leave the UK poorly positioned and exposed. London's advantages are real but not self-sustaining: they require investment, institutional adaptation, and pragmatic policy choices.

We recommend five areas for action, with specific instruments and responsible bodies identified.

1. **Adapt UK Export Finance products for multi-currency trade.** UK Export Finance should consider developing guarantees and direct lending facilities denominated in renminbi, rupees, and dirhams alongside its existing dollar and sterling products. The Department for Business and Trade should commission a review of currency invoicing incentives, examining whether export promotion programmes could support sterling and multi-currency invoicing for Small- and Medium-Sized Enterprises trading with BRICS markets. The aim is to reduce the concentration of currency risk that has built up since 2016.
2. **Pursue regulatory equivalence agreements with emerging financial centres.** The Financial Conduct Authority and Bank of England should negotiate mutual recognition of clearing and settlement

standards with India (SEBI/RBI), the UAE (DFSA/ADGM), Saudi Arabia (CMA), and Singapore (MAS)³¹. These should include specific provisions for multi-currency settlement, cross-border collateral eligibility, and data-sharing protocols. National security risks would need assessing on a case-by-case basis, driven by pragmatism and national interest. The interaction between national and economic security would need to be constructive. The UK's post-Brexit regulatory autonomy allows faster and more tailored agreements than the EU can offer; this is a concrete competitive advantage that should be exercised.

3. **Participate and lead in CBDC and digital currencies interoperability governance.** The Bank of England already participates in BIS-initiative Project Agorá, but it could consider seeking further involvement, as an observer, in mBridge and other CBDC and digital currency linking projects, including the digital euro, contributing governance and legal design expertise. The UK's Digital Securities Sandbox could be extended to accommodate multi-CBDC settlement experiments. The constraint on these platforms is governance, not technology — and governance design is an area where UK institutions have comparative advantage.
4. **Incorporate currency transition scenarios into macroprudential stress testing.** The Bank of England's Financial Policy Committee should add a 'multipolar currency' scenario to its biennial stress test, modelling the impact of a 10–15 percentage point decline in dollar reserve share over a decade on UK bank balance sheets, foreign exchange market volumes, and export competitiveness. The Office for National Statistics should begin reporting UK trade invoicing currency shares as a regular statistical release, enabling systematic monitoring.
5. **Invest in London's capacity to serve a multipolar currency world.** The City of London Corporation and TheCityUK should develop a strategic plan for London as a multi-currency hub that includes investment in legal and regulatory expertise for non-dollar transactions, expansion of offshore multi-currency clearing capacity, and recruitment of financial services talent with emerging market expertise. The historical precedent is clear: London prospered through sterling's decline by adapting its services to a more complex financial world. The same strategic logic applies now.

The institutional infrastructure of a multipolar currency order is being built now, and the states that engage with that process will shape the rules. Those who wait for the transition to complete will find that the rules are already set. The UK's position as a deeply dollar-dependent market since Brexit, yet home to the world's largest foreign exchange market and its leading offshore renminbi centre, offers both an urgent vulnerability and a concrete opportunity. The UK has the chance and the ability to forge new relationships in the East and engage further with the EU without entirely giving up its links with the dollar. The question is whether UK policy can rise to that level of strategic coherence.

³¹ SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; DFSA: Dubai Financial Services Authority; ADGM: Abu Dhabi Global Market; CMA: Capital Market Authority (Saudi Arabia); MAS: Monetary Authority of Singapore.