

## Stablecoins – Modernizing financial infrastructure

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Stablecoins have emerged as one of the fastest-growing segments in global finance, blending the stability of fiat currencies—primarily the U.S. dollar—with the efficiency and programmability of blockchain technology. These digital assets have scaled rapidly, acting as foundational scaffolding underpinning a new infrastructure for payments, settlement and value transfer across borders. As the U.S. and EU move toward regulatory clarity, stablecoins are poised to gain broad institutional acceptance, potentially reinforcing the dollar's dominance.

### Understanding Stablecoins

Stablecoins are digital tokens designed to maintain a stable value, typically pegged to an underlying fiat currency. By leveraging blockchain technology's speed and accessibility, they enable cross-border payments almost instantaneously and at minimal costs, eliminating friction points and fees that plague traditional financial rails.

Stablecoin adoption is on the rise. In September 2025, the total stablecoin market capitalization<sup>1</sup> reached \$300 billion, a 75% increase from a year earlier. By some estimates, the market could exceed \$2 trillion by 2028 driven by use cases far beyond crypto trading, from remittances and e-commerce to global B2B settlement. While stablecoins still represent a small slice of global payments ecosystem, their usage is expanding fast, especially in markets with volatile currencies or weak banking infrastructures.

Unlike volatile cryptocurrencies such as Bitcoin or Ethereum, stablecoins are engineered to pursue price stability. Fiat-backed stablecoins maintain a 1:1 exchange ratio with their underlying currency and are backed by reserves of cash, short-term U.S. Treasury bills (if pegged to USD) and other liquid instruments. This makes them uniquely suited for both real-time settlement and store-of-value use cases in high-inflation economies.

Multinational corporations, logistics companies and fintech firms are increasingly using stablecoins for 24/7 cross-border payments and treasury operations. In a sign of mainstream adoption, in early 2025, payments giant

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<sup>1</sup> Coinmarketcap, September 12, 2025.

Stripe acquired stablecoin firm Bridge for \$1.1 billion. Credit card companies, Visa and Mastercard have developed infrastructure to offer cards whose payments can be funded by stablecoins. A number of large banks have announced plans<sup>2</sup> to issue their own coins, pending regulatory clarity.

## Key Players

Tether, the issuer of **USDT** stablecoin, remains the dominant player, with over \$155 billion in circulation, accounting for more than 60% of global stablecoin supply. In 2024, Tether reported \$13.7 billion in net income with only 150 employees, translating to approximately \$93 million per employee. Registered in El Salvador, Tether claims to hold the majority of its reserves in cash and U.S. Treasury bills, though it has faced criticism for opacity and lack of third-party audits. In 2021, the Commodity Futures Trading Commission (CFTC) fined Tether for misleading disclosures on its reserves.

The next dominant player, Circle, the issuer of **USDC**, offers a more transparent, U.S.-regulated alternative, with reserves that are primarily held in cash and short-term U.S. Treasuries. Circle's recent IPO raised \$1 billion and sparked market headlines about the future of cryptocurrencies and stablecoins when its valuation surpassed \$40 billion a few days after its public offering.

Ethena's **USDe**, launched in February 2024 has quickly grown to become the third-largest stablecoin, with a circulation exceeding \$13 billion as of September 12, 2025. Backed by cryptocurrencies and futures, this crypto-native stablecoin uses "delta-neutral" strategies to help minimize volatility and achieve stability. Users deposit cryptocurrencies like

Ethereum (ETH) or staked ETH (stETH) as collateral, while the protocol opens equivalent short positions in the derivatives market. The long and short positions help preserve a stable overall asset value, maintaining USDe's peg to the dollar. Ethena also offers yield generation through staking, and funding rates of its derivatives positions. Notably, this innovative synthetic dollar operates independently of the traditional banking system.

PayPal's **PYUSD**, Robinhood Markets' **USDG**, and other fintech entrants are accelerating the shift toward regulated fiat-backed stablecoin models which would boost demand for the U.S. dollar. In parallel, EU policymakers are pushing for euro-denominated stablecoins to counterbalance the dollar's dominance.

Meanwhile retail giants like Amazon and Walmart are exploring stablecoin technology to bypass costly credit and debit card networks and cut billions in interchange fees.<sup>3</sup> Large banks are also eyeing stablecoins as programmable alternatives to deposits, marking a structural shift in how value moves across the global economy.

## Uncharted Path

This evolution raises a question: Will stablecoins be dominated by a few players or flourish in a diversified world of issuers with easy interoperability? As

regulatory clarity improves, we expect a broader array of institutions to issue their own digital currencies as banks integrate stablecoin technology into their offerings.

This shift has sparked concern around potential disruption to credit card networks. Credit card stocks have been impacted this year on fears of stablecoin disruption, but we believe this may be overstated. While more efficient rails, such as blockchain, may help operational efficiency, companies like Visa and Mastercard are also prepared to invest heavily in the technology needed for seamless digital payments at retailers and point of sale infrastructure.

Still, disruption looms, particularly in regions with low credit card penetration, where stablecoins offer a leapfrog solution. Credit card penetration varies drastically across regions.

- **UNITED STATES:** Roughly 82% of adults hold at least one credit card. Stablecoin use may complement rather than cannibalize card rails.
- **EUROPE:** Credit card penetration averages around 38% with wide variance by country.
- **ASIA:** Lagging behind, with only 18% of population owning a credit card. Mobile-first economies like India, Indonesia and Philippines are ripe for stablecoin-based payment rails.

**In the future, programmability could automate balance management, offering distinct benefits to institutions and retail customers. This technology has the potential to give rise to innovative products and solutions that have yet to be unveiled. We believe we are in an era where traditional models are poised for modernization or even total transformation.**

<sup>2</sup> Wall Street Journal May 22, 2025.

<sup>3</sup> Wall Street Journal June 13, 2025.

## Regulatory measures

On July 18, 2025, President Trump signed the Guiding and Establishing National Innovation in U.S. Stablecoins, better known as the GENIUS Act, establishing a regulatory framework and oversight for payment stablecoins. The Act requires tokens to be backed by liquid assets such as U.S. dollars or Treasuries, and for issuers to disclose publicly the composition of their reserves on a monthly basis.

## Stablecoins and Treasury Market

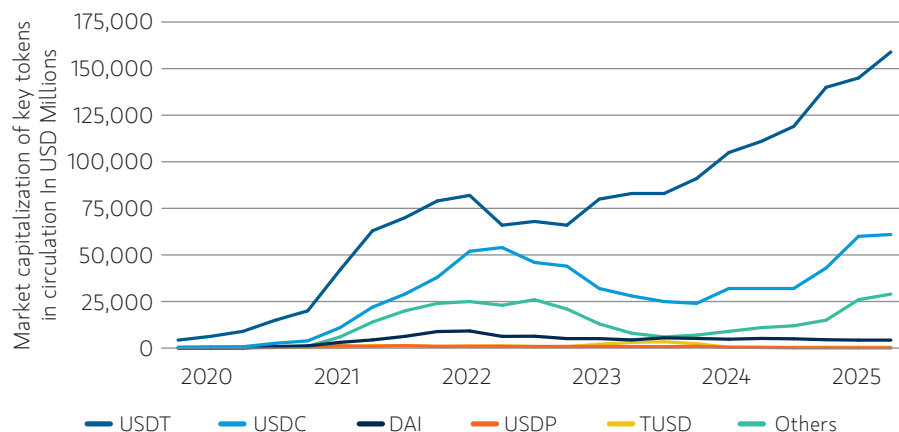
Because stablecoins are predominantly pegged to USD, they have bolstered the dollar's dominance, overcoming the gap left by the decline in foreign ownership of U.S. debt. While foreign ownership has fallen to 25% from 34% over the past decade, with big holders like China and Japan, reducing their exposure, stablecoins issuers have risen to become the 17th-largest holder of U.S. debt<sup>4</sup>—trailing Norway but surpassing Saudi Arabia and South Korea.

The reserve requirements outlined in the GENIUS Act will provide an additional and growing source of demand for Treasuries. The legislation requires stablecoin issuers to hold short term T-bills, driving a concentration of Treasury holdings to the front-end. This is intentional as President Trump has framed U.S. stablecoin policy as a strategic measure to maintain the global dominance of the dollar.

Today, dollar-backed issuers of stablecoins are important buyers of U.S. Treasuries. In 2024, Tether ranked as the seventh-largest buyer of Treasuries globally, trailing behind countries like the U.K. and Singapore, while China and Japan were the

DISPLAY 1

### Stablecoin Supply Has Grown 30x in Five Years



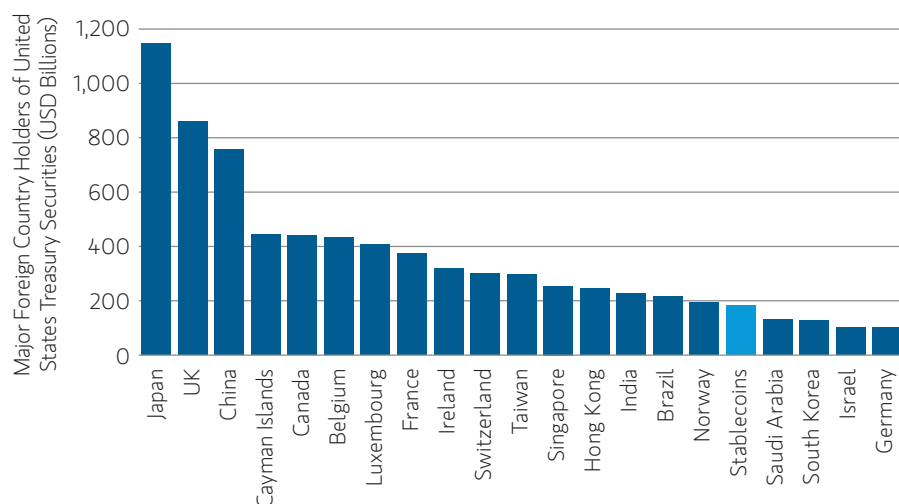
Source: Defillama. Data as of 09/01/2025.

“Because most stablecoins are U.S. dollar denominated, people immediately think about use cases in the United States. I think most people who study this and are active in this really understand that the product market fit is outside the U.S.”

– Visa CEO Ryan McInerney

DISPLAY 2

### Major Foreign Holders of Treasury Securities (USD Billions)



Data as of 06/30/2025. Source: U.S. Treasury, Cryptoslate.<sup>4</sup>

<sup>4</sup> Cryptoslate.com July 8, 2025. <https://cryptoslate.com/stablecoin-issuers-182-billion-us-treasury-hoard-ranks-17th-among-countries-beating-uae-and-south-korea/>

largest sellers. Projections suggest that by 2030, stablecoin issuers could hold as much as \$1.2 trillion in U.S. Treasuries, potentially surpassing all major foreign sovereign holders.

## Stablecoins in EM

In emerging economies, stablecoins are often considered a store of value, protecting against local currency depreciation, inflation and inadequate banking infrastructure. Stablecoins allow individuals and businesses in non-U.S. dollar economies to effectively hold a digital U.S. dollar account at a relatively low-cost. It's often cheaper and faster to move money cross borders via stablecoins than through local banks.

According to blockchain firm Chainalysis's 2024 Geography of Crypto Report,<sup>5</sup> India, Nigeria and Indonesia are among the world's most active users of stablecoins, driven by grassroots demand for cross-border payments and remittances.

In 2024, Turkey alone processed over \$63 billion in cross-border stablecoin payments. Argentina and Nigeria also saw sharp rises in usage, demonstrating how quickly stablecoins are filling the gap where traditional finance has fallen short.

Remittances, a lifeline for many in emerging markets, are especially ripe for disruption. Traditional cross-border payments are slow, expensive and opaque, often taking 3-7 days to clear with fees averaging 6.62%. Stablecoins streamline this process, and significantly reduce transaction fees while increasing transparency.

However, the benefits come with a warning: Dollar-based stablecoins could accelerate capital flight and undermine local currencies. During periods of financial distress, stablecoins offer an off-ramp, draining domestic liquidity and weakening central bank control.

In response, emerging market governments have taken a tougher stance, viewing stablecoins as a threat to monetary sovereignty. Nigeria, for example, has cracked down on cryptocurrency traders, blaming stablecoin users for accelerating the naira's devaluation.

## CBDCs

A number of developed and emerging economies are betting on central bank digital currencies (CBDC), which are state-backed digital currency that incorporate some benefits of cryptocurrency rails. CBDCs allow countries to address potential risks associated with dollarization of their economies by combining the security of fiat with the programmability of digital money.

However, CBDC rollout has been slow. While stablecoins have grown rapidly, driven by market forces, CBDCs have remained largely pilot projects. Future implementation remains uncertain amid opposition by the U.S. Treasury.

## Impact on Corporations

The impact of digital finance on corporations is fast becoming a focal point at treasury management conferences. Corporations are closely monitoring the developments of stablecoins and tokenized deposits by their major banking partners. While the potential for fast, frictionless and cheap payments is enticing, many corporations perceive limited immediate changes to their treasury operating models. However, with the passage of the GENIUS Act and the potential for widespread adoption of stablecoins and tokenized liquidity products by large banks and traditional financial services companies, the timeframe for corporate adoption could accelerate more quickly than expected.

## Money Market Fund Tokenization

Another area of focus in the evolving landscape of digital finance is the tokenization of money market funds (MMFs). The industry's current objective is to digitally represent units of existing funds on a permissioned blockchain. This innovation primarily enables the posting or pledging of tokenized MMF units as collateral. By reducing the need for investors to redeem shares to post cash as margin or collateral, tokenized MMFs can help reduce volatility within both the funds themselves and the broader financial system. As the digital asset ecosystem continues to develop alongside the growth of stablecoins, tokenized MMFs are poised to adapt further, potentially creating the possibility for seamless transferability and associated opportunities.

We anticipate the continued evolution of collateral tokenization supported by stablecoins. Analysts at Boston Consulting Group have estimated that the tokenized asset market could reach \$16 trillion by 2030, driven by interest from investors, institutions, and governments.

## Risks to Consider

Bank regulators will need to establish regulations related to stablecoins, including around capital requirements and reserve composition for issuers. One concern is whether stablecoin issuers will compete with banks by luring away customer deposits. A U.S. Treasury report in April estimated that stablecoin adoption could trigger as much as \$6.6 trillion in deposit outflows, reshaping the funding base of the banking sector. A broader shift by consumers away from holding money in traditional bank deposits could have far-reaching economic implications for credit creation and financial stability.

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<sup>5</sup> The 2024 Global Crypto Adoption Index, Chainalysis, October 2024.

## Conclusion

We believe that the future is “onchain”, driven by the extensive adoption of blockchain technology across various sectors of society, moving data, assets, and economic activity onto a shared, transparent, and decentralized ledger replacing traditional, siloed systems. Stablecoins are an important building block of a new financial operating system. By being pegged to the dollar and integrated into programmable infrastructures, stablecoins offer real-time settlement and low

transaction costs. This foundation can drive the creation of new digital native investment products, boost tokenization across asset classes, and unlock both greater liquidity in private assets while expanding access to public markets.

Originally created for cryptocurrency traders, stablecoins have gained greater acceptance supported by a shift toward clearer regulation. We believe stablecoin adoption will advance as institutional involvement grows, and user experience becomes safer and more accessible.

We expect demand for Treasuries to increase because of legislative efforts and formalized reserve mandates.

Stablecoins open up access for underbanked markets, reduce the cost of cross-border remittances and can provide protection from currency devaluation. As the boundaries between digital assets and traditional finance continue to blur, we believe stablecoins will also provide the next generation solution that is needed for a more integrated global financial system.

## Risk Considerations

Digital assets, sometimes known as cryptocurrency, are a digital representation of a value that function as a medium of exchange, a unit of account, or a store of value, but generally do not have legal tender status. Digital assets have no intrinsic value and there is no investment underlying digital assets. The value of digital assets is derived by market forces of supply and demand, and is therefore more volatile than traditional currencies' value. Investing in digital assets is risky, and transacting in digital assets carries various risks, including but not limited to fraud, theft, market volatility, market manipulation, and cybersecurity failures—such as the risk of hacking, theft, programming bugs, and accidental loss. Additionally, there is no guarantee that any entity that currently accepts digital assets as payment will do so in the future. The volatility and unpredictability of the price of digital assets may lead to significant and immediate losses. It may not be possible to liquidate a digital assets position in a timely manner at a reasonable price.

Regulation of digital assets continues to develop globally and, as such, federal, state, or foreign governments may restrict the use and exchange of any or all digital assets, further contributing to their volatility. Digital assets stored online are not insured and do not have the same protections or safeguards of bank deposits in the US or other jurisdictions. Digital assets can be exchanged for US dollars or other currencies, but are not generally backed nor supported by any government or central bank.

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