FINANCIAL FRONTIERS

# Stablecoins 101

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The following report provides **an initial overview of regulated payment stablecoins under the U.S. GENIUS Act**. It focuses on dollar-backed stablecoins used for payments and settlement, their growing role across financial services and market infrastructure, and the potential implications for the broader financial system. The report does not focus on algorithmic, yield-bearing, or speculative stablecoin models.

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# Key Takeaways

- U.S. payment stablecoins have entered **a new phase following enactment of the GENIUS Act**, which establishes a federal statutory framework for reserve backing, issuer eligibility, disclosures, and AML/CFT compliance. This regulatory clarity reduces legal uncertainty and moves stablecoins from an experimental construct toward a supervised component of the financial system.
- **Stablecoins function as digital representations of the U.S. dollar that enable near-instant, 24/7**, and programmable settlement across blockchain networks. These features materially improve speed, cost, and automation relative to legacy payment rails, raising expectations for payments, treasury operations, and cross-border settlement while increasing the importance of risk management and compliance.
- As stablecoin adoption grows, **transaction balances can migrate away from traditional bank deposits and into issuer reserves and other money-like instruments**. When funded by deposits, this shift can alter banks' funding mix, pressure liquidity management, and affect lending capacity, particularly in scenarios where domestic adoption accelerates.
- **Stablecoins are already being used at scale across a range of repeatable use cases**, including cross-border payouts, merchant settlement, trading liquidity, and on-chain treasury operations. These applications demonstrate tangible operational benefits today, including faster settlement, lower fees, and automated reconciliation, rather than purely pilot or speculative activity.

# What stablecoins are and how they work

## What are Stablecoins?

**Basic Definition:** Stablecoins are digital representations of fiat currency (often USD) on blockchain networks, designed to maintain a 1:1 value through reserve backing.

***Simple mental model**: A stablecoin works like a store gift card, where the store (issuer) holds your money and gives you a digital balance that stays equal to real dollars because the store promises to honor it, and you (the user) spend it trusting the store won't fail.*

**USD Payment Stablecoins are now defined under the GENIUS Act:**

- 100% reserve backing
- Licensed, supervised issuers only
- Transparency, consumer protection & full AML/BSA compliance

## Payment stablecoins process *(Simplified)*

1. **Deposit**: A consumer or business sends real dollars to a stablecoin issuer (e.g., Tether, Circle) or to an exchange (e.g., Coinbase, Binance) that works with them.
2. **Mint**: The issuer holds those dollars in 100% reserves (typically cash, demand deposits, or short-term U.S. Treasuries) and then *mints* new digital tokens to your blockchain wallet.
3. **Transfer**: You can send these tokens globally, (nearly) instantly, and 24/7 over public blockchain networks, without banks or traditional payment rails.
4. **Redeem**: The token can be returned to the issuer (directly or through an exchange) and redeemed 1:1 for real dollars, while the issuer *burns* the token to keep supply aligned with reserves.

## Who issues stablecoins?

Stablecoins are issued by private companies, with the market overwhelmingly dominated by Tether and Circle (>80% of market), while major payments and fintech players (incl. PayPal, Ripple) have recently entered.

## Core Value Propositions

**Blockchain-native payments:** Blockchain technology enables fast, 24/7, programmable, global settlement.

**Digital cash with price stability:** Stablecoins function as cash-like assets while maintaining a fiat peg.

**Low-cost transfers:** Stablecoins reduce transaction costs, especially for cross-border payments.

# Stablecoins are emerging as a force in the financial system

## **TODAY:** Stablecoins are quietly becoming a notable financial player

**>300B**

Stablecoin total market capitalization

**>80%**

Stablecoins issued by either Tether (USDT) or Circle (USDC)

**80%**

Stablecoin transactions occurring outside of the United States

**~75%***

Tether and Circle reserves held in U.S. Treasuries or Treasury-backed instruments (e.g., repos)

## **TOMORROW:** A growing stablecoin market could catalyze market change

### Deposits

Stablecoin purchases are expected to be funded largely by deposits, which could reduce deposit balances and compete with bank balance sheets.

### Lending

Stablecoin growth funded by deposits may tighten credit by shifting funds from banks that can lend to issuers that cannot, putting pressure on interest rates.

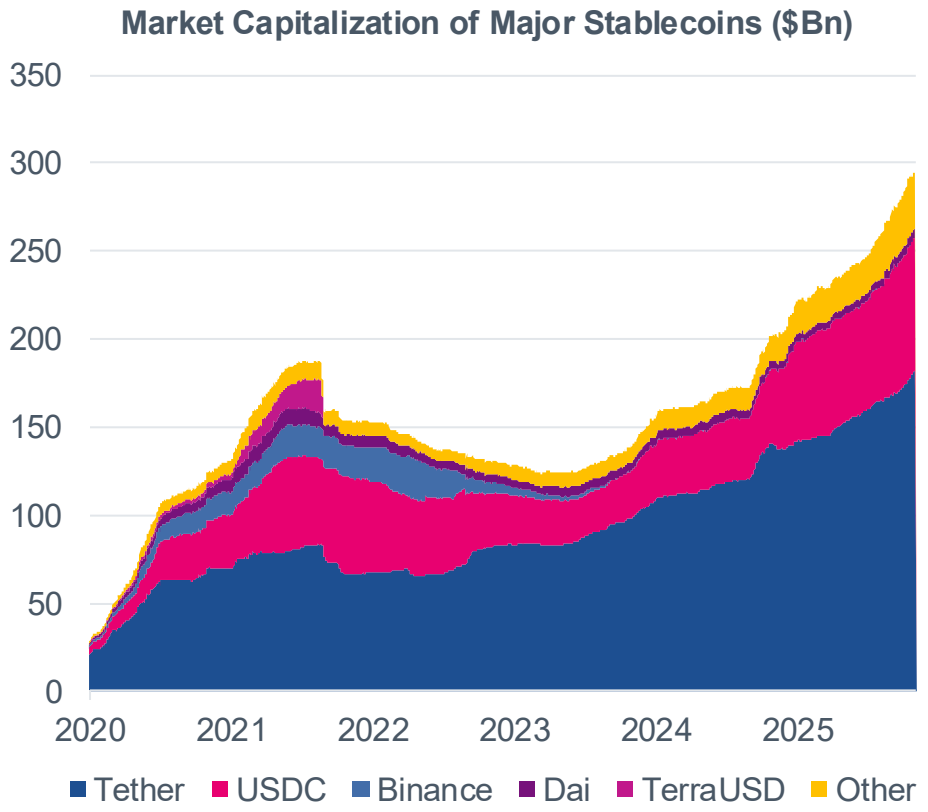
### Treasuries

Stablecoin adoption could boost demand for short-term Treasuries used as reserves, lowering yields during inflows, while outflows can raise yields more forcefully.

### Monetary Supply

Since leading stablecoins are USD-pegged, they may shift non-USD liquidity towards the U.S. dollar.

***+130% growth in last 2 years***




*Graph data though October 2025

*Source: Fed, November 2025 Financial Stability Report; Fed, Banks in the Age of Stablecoins; Brookings/IMF, The Rise of Stablecoins and Implications of treasury markets; Experian Strategy Group*

**Estimates based on Federal reserve analysis of issuer disclosures; figures vary by reporting period and asset classification*

# How stablecoins are affecting U.S. bank deposits

## Key Forces Shaping the Impact of Stablecoins on U.S. Bank Deposits:

### *1. Who Demands Stablecoins*

**Domestic Demand ⬇**

If U.S. depositors convert deposits into stablecoins, that can reduce U.S. bank deposits.

**Foreign demand ⬆**

If stablecoins are bought with foreign funds, bank deposits in the U.S. can actually increase because issuers hold reserves domestically.

**Key Takeaway:** Stablecoins pressure deposits when adopted domestically, but can support deposits when demand is foreign.

### *2. What Assets are Converted*

**Bank deposits → stablecoins ⬇**

Direct substitution from deposit balances means fewer deposits in banks.

**MMF/investment → stablecoins ⬇**

Early adoption suggests stablecoins behave more like investment vehicles akin to money market funds (MMF) than deposits.

**Key Takeaway:** Stablecoins matter most for deposits when they replace transaction balances, not investments.

### *3. How Issuers Manage Reserves*

**Issuers hold reserves in bank deposits ⇆**

Maintains overall bank deposit size, but shifts composition (more uninsured, wholesale deposits).

**Issuers invest in Treasuries, MMFs, etc. ⬇**

Reduces bank deposits if proceeds don't flow back to banks

**Key Takeaway:** Issuer reserve choices determine whether deposits stay within banks or bypass them.

### *4. Economic Conditions*

**Interest rate environment ⬇**

High rates raise the opportunity cost of holding non-yielding stablecoins, potentially slowing adoption.

**Economic stress ⬆**

In turmoil, stablecoins might seem safer to some if reserves are perceived as high quality, though liquidity advantages vary by situation.

**Key Takeaway:** Stablecoin impacts intensify under specific rate, regulatory, and stress environments.

**Affect on Total US Bank Deposits**

⬆ = Increasing Deposits

⬇ = Decreasing Deposits

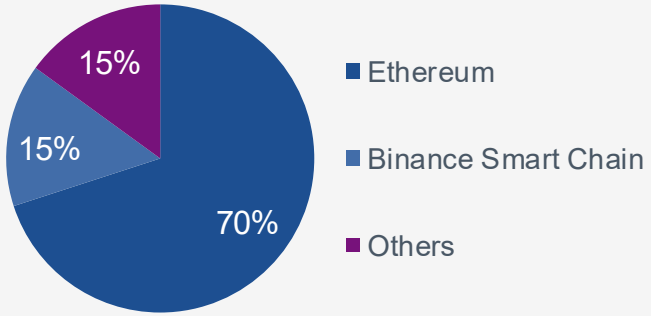
*Source:* Fed, "Banks in the Age of Stablecoins"; Experian Strategy Group

# Where stablecoins are used today

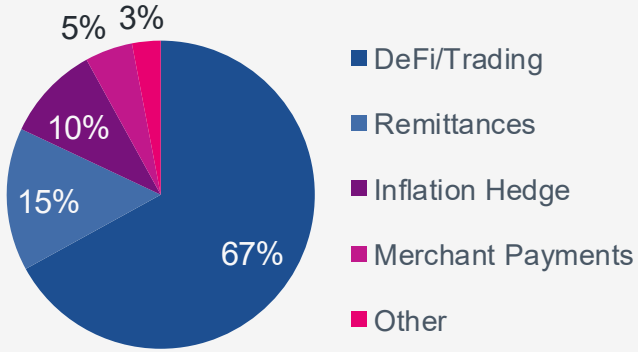
## Stablecoins by the Numbers

### Market Share by Blockchain Network

**Data though November 2025*




### Usage by Purpose




## TODAY

**Near Instant, Low-Cost Cross-Border Payments:**
Stablecoins (e.g., USDC) enable 24/7 cross-border settlement that bypasses correspondent banking, as shown by Visa's USDC settlement capability and case studies like Thunes adopting USDC for always-on liquidity.

**Merchant Settlement & Faster Payouts:**
Merchants and platforms use stablecoins for faster acceptance and instant payouts—Stripe now supports USDC payments, while Shopify integrates Solana Pay so stores can accept USDC with near-instant settlement.

**Trading, Market-Making & Capital Markets Settlement:**
Stablecoins function as the base settlement and collateral asset across crypto venues, with regulators now piloting USDC as derivatives collateral—reducing counterparty risk and accelerating collateral movement.

**On-Chain Payments for Digital Goods & Services:**
Digital platforms increasingly accept stablecoins for global, low-fee payments—Shopify merchants can take USDC via Solana Pay with real-time settlement and web3-native loyalty.

**Embedded Finance & Automated Payouts:**
Programmable stablecoins enable automated escrow, revenue sharing, and instant payouts—demonstrated by Visa's pilot for USDC wallet payouts and broader smart-contract flows.

**Remittances:**
Stablecoins power cheaper, faster remittances with cash on/off ramps at scale, exemplified by MoneyGram Ramps enabling global cash ↔ USDC conversions and instant payouts.

## FUTURE POSSIBILITIES

**Enterprise Payments & Invoicing at Scale:**
Stablecoins enable instant, programmable B2B payments with automated reconciliation so corporates can settle invoices across geographies in seconds end-to-end.

**Tokenized Deposits Interoperating with Stablecoins:**
Banks' tokenized deposits running on shared rails with stablecoins create a unified digital-money stack that clears and settles programmatically, 24/7, across institutions.

**Retail & Corporate Payments Replacing Card Rails:**
Stablecoin checkout and payouts let merchants and platforms bypass costly card interchange with near-real-time settlement, fewer intermediaries, and programmable loyalty/refunds.

*Source: Econofact, "The Rise of Stablecoins and How to Regulate Them"; CoinLaw; Experian Strategy Group*

# Stablecoins are already being used across payments, banking, and consumer finance

Visa has enabled USDC settlement for U.S. issuers and acquirers, positioning stablecoins as a 24/7 alternative settlement rail within its existing payments network.

Visa IR | December, 2025

SoFi launched SoFiUSD, a fully reserved bank-issued stablecoin positioned as core infrastructure for payments, settlement, and enterprise financial services.

SoFi News | December, 2025

U.S. Bank will provide custody for reserves backing Anchorage Digital's payment stablecoins, positioning itself as regulated infrastructure for stablecoin issuance.

U.S. Bank Press Release | December 2025

Stripe supports USDC payments across multiple blockchains, using stablecoins to reduce cross-border friction while maintaining fiat settlement for merchants.

Stripe Blog | October 2025

Block plans to enable stablecoin transfers within Cash App, extending stablecoins as a consumer payments rail alongside existing Bitcoin features.

Cash App News | November 2025

Major U.S. banks (e.g., JPMorgan, BofA, Wells Fargo) recognize stablecoin growth and are building internal capabilities while awaiting market and regulatory clarity.

*Source: Experian Strategy Group*

# Stablecoins are one of several emerging forms of digital money

Digital money refers to any form of value that exists purely in digital form. It is typically stored, exchanged and transacted electronically, taking shape in many forms including:

### Tokenized *Deposits*

Representation of a deposit liability at a commercial bank on blockchain

BNY
Already live with own blockchain-based deposit solution for payments and repo activity

citi
Already live with own blockchain-based deposit solution for payments activity

### *Tokenized MMFs*

Representation of a MMF as a token on blockchain

BlackRock.
BUIDL, tokenized MMF, attracted over $240mm in investments within first week

FRANKLIN TEMPLETON
BENJI tokens, which represent 1 share of the FOBXX MMF, issued on blockchains like Stellar, Polygon and Ethereum

### *Stablecoins*

Representation of cash on blockchain with price stability achieved by 1:1 backing with reserve assets

**Major Issuers**

Dominated by major cap issuers like Tether and Circle. Total stablecoin market capitalization currently sits at >300bn

Major banks and FinTechs like Standard Chartered, PayPal and Stripe have entered the market

### *Cryptocurrencies*

Virtual currencies that operate on decentralized networks, based on blockchain technology

**Top Cryptocurrencies by Market Cap:**

**Bitcoin**
**Ethereum**
**XRP**
**USDT**
**Binance**

*Total Market Cap near $3tn on Jan 1, 2026*

### *Trigger Solutions*

Connectivity of blockchain directly into Central Bank RTGS systems

DEUTSCHE BUNDESBANK EUROSYSTEM

**The Bundesbank Trigger Solution** is a mechanism designed to facilitate the settlement of tokenized assets in central bank money. It acts as a bridge between blockchain platforms and traditional payment systems, ensuring secure and efficient transaction settlement without CBDCs

### *Central Bank Digital Currency*

Representation of cash on blockchain issued directly by a Central Bank and regulated by their monetary authority

**As of April, 2026, 134 Countries and Currency Unions tracked for CBDC development…**

*2% of Central Banks have launched a CBDC*

*33% are in Pilot phase*

*14% are in Development*

***These instruments differ by issuer, balance sheet backing, regulatory clarity, and scalability today.***

**All data dated as of April 30, 2025*

*Source: TBAC Presentation, "Digital Money"; Experian Strategy Group*

# How we got here: a timeline of stablecoin development

PAST → PRESENT

## 2014
## First Stablecoins Appear

**What happened**

Some of the first stablecoins, including Tether, launched to create digital tokens meant to stay equal to one U.S. dollar.

**Why it matters**

This solved a key problem in early crypto. People wanted the speed of crypto payments without price swings.

## 2017
## Decentralized Stablecoins Begin

**What happened**

A new type of stablecoin, DAI, launched that used crypto as collateral instead of a company holding dollars.

**Why it matters**

It showed stablecoins could work without relying on a single company, introducing the idea of decentralized digital dollars.

## 2018
## Compliant Stablecoins Emerge

**What happened**

New stablecoins (e.g., USDC) were created with clearer rules, audits, and stronger transparency.

**Why it matters:**

This made stablecoins more trustworthy for businesses, institutions, and regulators.

## 2020–2021
## Stablecoins Go Mainstream

**What happened**

Stablecoin usage exploded as people used them for trading, savings, and payments on blockchain networks.

**Why it matters:**

Stablecoins became the core “digital cash” inside the crypto ecosystem, growing to over $100B in circulation.

## 2022
## TerraUSD (UST) Collapses

**What happened**

A major algorithmic stablecoin (UST) failed and lost all value, causing large losses across stablecoin markets.

**Why it matters**

It proved that not all stablecoins are safe and pushed governments worldwide to demand stronger protections.

## 2023
## Major Companies Begin to Adopt Stablecoins

**What happened**

PayPal launched its own stablecoin, showing that traditional financial companies were entering the space.

**Why it matters**

This signaled that stablecoins were moving from a niche crypto tool to a more mainstream digital money product.

## 2025
## U.S. Enacts the GENIUS Act

**What happened**

The U.S. established a federal framework for payment stablecoins, requiring 1:1 backing, audits, and licensing.

**Why it matters**

This officially brought stablecoins into the regulated financial system, giving them a clear path to wider adoption.

*Source: Experian Strategy Group*

# The GENIUS Act: a federal framework for stablecoins

## Guiding and Establishing National Innovation for U.S. Stablecoins Act

**GENIUS is one of the first comprehensive federal framework specifically tailored to payment stablecoins**

***REGULATORY PILLARS***

**1:1 Reserve & Asset Backing Mandate**

Requires stablecoin issuers to hold specific instruments (e.g., US currency, demand deposits, T-bills) equal to 100% of outstanding tokens, designed to ensure coins can always be redeemed at par.

**Supervision, Reporting & Transparency**

Subjects issuers to ongoing federal supervision, audits, and regular reporting of reserves, risk management practices, and operational health to prevent hidden vulnerabilities.

**Permitted Issuers Only**

Limits issuance to approved, federally overseen entities (e.g., insured depository institutions or specially licensed nonbanks), creating a controlled and accountable set of actors.

**Risk Management & Operational Standards**

Requires issuers to maintain strong governance, cybersecurity, and operational resilience so that technical or organizational failures don't threaten stability.

**Redemption & Consumer Protection Rules**

Establishes a legal right to prompt 1:1 redemption for users and sets standards around disclosures, complaint handling, and fair treatment. Ensures users know what they're buying and can get their money back.

**Anti-Abuse & Compliance Controls**

Codifies AML/CFT, sanctions, and fraud-prevention requirements to keep stablecoin systems from being used for illicit finance.

*Source: Experian Strategy Group*

# Resources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