

## **What are Stable Coins?**

Stable Coins are virtual currencies tied to a specific asset outside of the crypto world.

These can be fiat currencies, such as the US dollar or the Euro, or precious metals such as gold. Examples here are USC, Binance USD, Tether

A stable coin enables the exchange of a crypto asset, e.g. Bitcoin, for a traditional asset such as USD or gold without leaving the digital currency market.

So there is no need to exchange cryptocurrency for fiat currency, since the stablecoin can replicate the fiat currency.

## **Why Stable Coins?**

Cryptocurrencies are subject to high price fluctuations, but are also being used more and more as a means of payment. Exchange rate fluctuations can be a disadvantage.

For the breakthrough in daily use, the function is often still missing, since funds should have a stable value.

That's why the crypto world created stablecoins and tied them to an existing value like USD or gold. Ideally, users are no longer exposed to sudden exchange rate fluctuations when making payments.

## **What types of Stable Coins are there?**

1. Hedging with fiat currencies (e.g. USD)
2. Hedging through commodities (e.g. pegging to gold)
3. Other types of stablecoins: hedging by other cryptocurrencies and hedging by algorithm

Stablecoins can therefore be used well as a means of payment, since there are only slight fluctuations analogous to the value to which they are linked

For this reason, investments are only made here to a limited extent, since the focus is on price stability and not on a price increase.