



# The State of Stablecoin Liquidity:

Distribution, Fragmentation,  
and Dominance in 2025

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# Introduction

While attention and capital have flowed from chain to chain and project to project over the years, stablecoins have charted a steady course of growth. Recent years in particular have proven fruitful for stablecoin products; the total market cap of circulating stablecoins across all chains is more than \$303 billion as of October 22, 2025. To put that in perspective:

- +47% YTD (from 205B to 302B)
- +75% vs 1Y ago (from 173B)
- +144% vs 2Y ago (from 124B)

Source: [Defillama](#)

To understand that growth, one concept is key: stablecoins are the cash leg of crypto markets. In traditional markets, liquidity relies on the cash investors keep on hand to buy securities. In crypto, liquidity lives in stablecoins.

Institutional investors and most crypto traders still denominate their trades (and returns) in dollars. Choosing which onchain dollar to use is important; unlike traditional markets, crypto-stablecoin trading pairs draw from distinct pools of liquidity distinct to a given stablecoin. This can lead to greatly reduced capital efficiency in markets (on different blockchains or using different stablecoins) with shallow liquidity.

In addition to the growing overall stablecoin market cap, we've also seen a proliferation in the number of different stablecoins issued, the number of blockchains on which they have been issued, and how each pursues unique product-market fit. In this report, we'll explore the stablecoin distribution to better understand where growth is happening, and why.

## The Challenges of Stablecoin Liquidity Fragmentation

For onchain investors and crypto traders, stablecoin liquidity today is "fragmented" across both different blockchains, and stablecoin from different issuers. This liquidity fragmentation inhibits capital efficiency, creating shallow



liquidity pools on decentralized exchanges, collateralized debt protocols, and other onchain markets.

Liquidity fragmentation across blockchains is problematic for traders because shallow liquidity means larger spreads between bid and ask prices. Low liquidity for a given trading pair can force traders to pay above the market price to exchange their stablecoins for crypto assets, or vice versa. Deeper liquidity minimizes price impact and slippage for large transactions, giving traders a final cost that more accurately reflects an asset's market price.

Stablecoin liquidity is also fragmented between different issuers. Since these different stablecoins (USDT, USDC, USDS/DAI) will each have their own trading pair, the depth of liquidity available for each will be lower, leading to higher spreads and slippage for large trades.

For example, Ethereum hosts \$150B in stablecoins distributed across USDT, USDC, DAI, and others. If an investor wants to swap ETH for a stablecoin in an onchain market, they might find USDT/ETH pools with \$300M liquidity, USDC/ETH pools with \$200M, and DAI/ETH pools with \$100M. If that USDC, USDT and DAI were consolidated under a single stablecoin, the same ETH-for-stablecoin trade could draw on \$600M of liquidity.

Stablecoin with deep liquidity on a given blockchain benefit from network effects, where their stablecoin is more likely to be integrated with more onchain protocols because it is already held and traded by many users of that chain. The drive to capture network effects, combined with the drive to be traders' dollar-pegged asset of choice, forces stablecoin issuers to make decisions about how to distribute supply across different blockchains. Innovative onchain products are available across the entire ecosystem, but providing adequate liquidity for traders means a limited number of chains can be supported.

## Stablecoin Liquidity by Currency: The Dollar Dominates

There are \$303B of stablecoins in circulation onchain. The overwhelming majority of these tokens are either pegged to the US dollar or backed by US treasuries (e.g., USDY).



Just how dominant is the dollar onchain? Consider the three most prominent stablecoins pegged to non-USD currencies:

- [A7A5](#)
  - Pegged to the Russian Rouble
  - Issued on Tron and Ethereum
  - \$470m market cap
- [EURC](#)
  - Pegged to the Euro
  - Issued on Ethereum, Solana, Base, Avalanche, Stellar, others
  - \$248m market cap
- [BRZ](#)
  - Pegged to the Brazilian Real
  - Issued on Ethereum, Avalanche, Polygon, Base, Linea, others
  - \$54m market cap

In stablecoins, the runner-up currencies to the dollar are already in the long tail: they are exceptions which together make up less than a quarter of a percent of the stablecoin market. So when we talk about stablecoins today, we're talking about digital dollars. But if stablecoins are all dollars, why are there so many different ones?

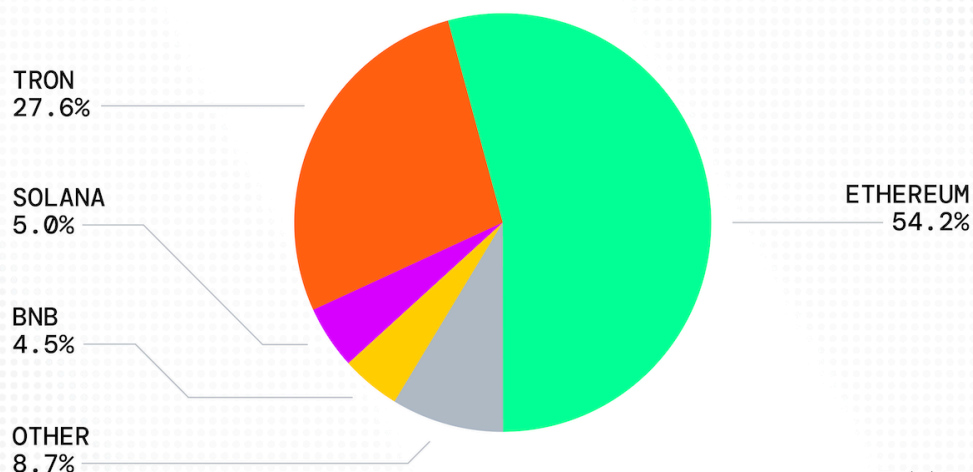
The answer is a combination of competition, regulations, and risk. In order to arrive at a complete answer, however, it's first necessary to understand blockchain and stablecoin distribution and fragmentation.

## Stablecoin Liquidity by Blockchain: Ethereum, Tron, Solana & BNB Chain

Today, there are 65 blockchains with more than \$10M in stablecoin liquidity. About half of those have \$100M or more. Eleven blockchains are home to more than \$1B in stablecoin liquidity, and only four chains (Ethereum, Tron, Solana, and BNB Chain) cross the \$10B mark. Ethereum leads the pack with more than \$150B in stablecoins in circulation.

### Total Stablecoin Distribution by Blockchain

Top 7 Stablecoins



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Source: [Defillama](#)

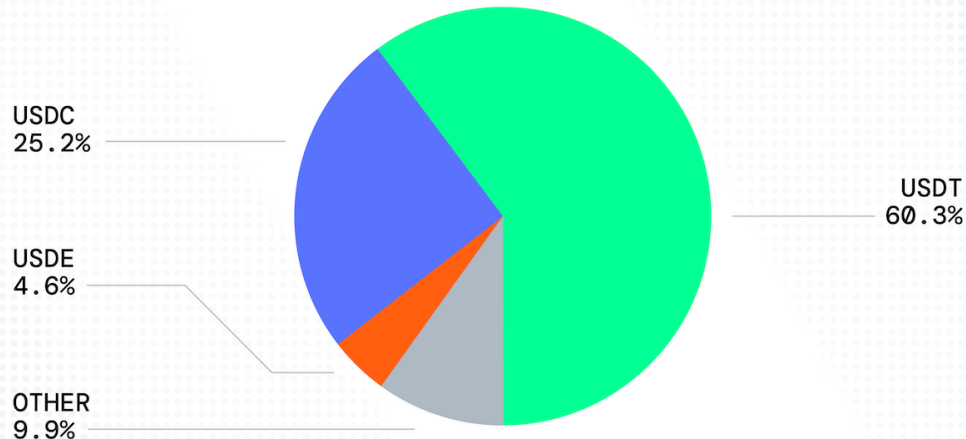
## Stablecoin Market Share: USDT, USDC capture over 80%

Distribution is even more top-heavy when it comes to the overall stablecoin market. There are 46 stablecoins with market caps over \$100M. A market cap above \$1B puts a stablecoin in the top ten, and only the top three (USDT, USDC, USDe) are larger than \$10B.

But really, it's Tether, USDC and everyone else; and Tether's gigantic \$183B market cap gives it a comfortable lead at the front of the pack.

## Stablecoin Market Share

Total Stablecoin Market Cap: \$303 Billion



Source: [DeFiLlama](#)

## Finding Stablecoin Product-Market Fit

As stablecoin supply increases to support more onchain value and trading activity, a large proportion of stablecoin liquidity will aggregate to a few competitors, because traders seek to maximize capital efficiency and widespread integration compounds network effects. Deeper liquidity leads to better execution prices, which attracts more users, who bring more liquidity.

Even with a few dominant players, the scale of the stablecoin opportunity for retail and B2B payments has encouraged many small and medium-sized participants to issue their own stablecoins, inducing demand through incentives and other specialized value propositions.

Below we'll look at the leading stablecoins by total supply, and examine how they have pursued different product-market fit within the evolving financial and regulatory landscape.



1. [USDT](#)

- **Issuer:** Tether
- **Launch date:** October 2014
- **Market cap:** \$176.95B
- **Reserve structure:** Backed by US treasuries, treasury repurchase agreements, money market funds, precious metals, Bitcoin, and secured loans to non-affiliated entities.

2. [USDC](#)

- **Issuer:** Circle
- **Launch date:** September 2018
- **Market cap:** \$74.72B
- **Reserve structure:** Backed by US treasuries, treasury repurchase agreements, and cash held at US-regulated financial institutions.

3. [USDe](#)

- **Issuer:** Ethena
- **Launch date:** February 2024
- **Market cap:** \$14.82B
- **Reserve structure:** Backed by a portfolio of stablecoins and major cryptocurrencies held at centralized exchanges.

4. [USDS](#)

- **Issuer:** Sky (Formerly MakerDAO)
- **Launch date:** August 2024
- **Market cap:** \$4.35B
- **Reserve structure:** Backed by a portfolio of major cryptocurrencies, collateralized real world assets (RWAs), and other stablecoins held onchain.

5. [USD1](#)

- **Issuer:** World Liberty Financial



- **Launch date:** March 2025
- **Market cap:** \$2.68B
- **Reserve structure:** Backed by a reserve of US dollars and US Government Money Market Funds. 1 USD1 redeemable for 1 USD on BitGo.

6. [PYUSD](#)

- **Issuer:** Paypal
- **Launch date:** August 2023
- **Market cap:** \$2.54B
- **Reserve structure:** Backed by deposits in US dollars, US Treasury bonds, and other cash equivalents. 1 PYUSD redeemable for 1 USD on Paypal.

7. [RLUSD](#)

- **Issuer:** Ripple
- **Launch date:** December 2024
- **Market cap:** \$789.6M
- **Reserve structure:** Backed by cash and cash equivalents (US treasuries, US government money market funds, cash deposits held at US-regulated financial institutions).

## Stablecoin Distribution by Chain

Proportion of top 7 stablecoin supply, by blockchain

	ETHEREUM	TRON	SOLANA	BSC	OTHER
USDT	29.46%	27.55%	0.85%	3.22%	3.22%
USDC	17.00%	0.01%	3.64%	0.41%	4.89%
USDE	3.73%	0	0.02%	0.13%	0.29%
USDS/DAI	3.05%	0	0.01%	0.01%	0.29%
OTHER	0.98%	0.02%	0.45%	0.73%	0.05%

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Source: [DeFillama](#)

Ultimately, the stablecoin that will thrive on a given blockchain is the one that aligns most closely with that chain's use case. This alignment is defined by:

- Competition: How well can this stablecoin meet the utility needs of the chain's users?
- Regulation: Can this stablecoin legally operate in the jurisdictions where this chain's users are?
- Risk: Do the risks associated with this stablecoin fall within the risk appetite of this chain's users?

For stablecoin issuers thinking about where to deploy, some consideration should be given to intangibles like culture, founder trust, and battle-testedness. But in this increasingly competitive landscape, product-market fit as defined by the parameters above should always take priority.

# Stablecoin Issuance: Centralized and Decentralized Reserves

Let's assume that a given stablecoin and a blockchain have alignment on the parameters that determine product-market fit. How is the token actually brought onchain?

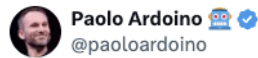
There are two distinct models driving the stablecoin economy today: centralized issuance and decentralized issuance.

## Centralized issuance

Tether (USDT) and Circle (USDC) are examples of centralized stablecoin issuers. These entities offer a "minting" service: users transfer funds to the entity in the form of fiat (i.e., cash), and the entity sends an equivalent amount of stablecoin tokens to the user's provided wallet address. It also works in reverse: users can send tokens to the entity, and receive an equivalent cash deposit. This transfer mechanic ensures that for every stablecoin in circulation, there is equivalent cash held in reserve.

Tether and Circle do differ in some important ways. Circle is focused on providing a compliant, institution-friendly stablecoin that meets the needs of entities based in the US. These include exchanges and market makers who want to facilitate stablecoin trading in the US without taking on undue regulatory risk. Institutions are the only ones who can actually mint USDC under this model, while retail users are still able to hold and trade USDC using the services of said institutions.

Tether's scope is broader. As the first stablecoin, USDT forged the path for dollar-pegged assets and enjoys a market-leading position thanks to this first-mover advantage. The token's global popularity is evident from its steadily growing user base, which recently crossed 500 million, more than 6% of the world's population.



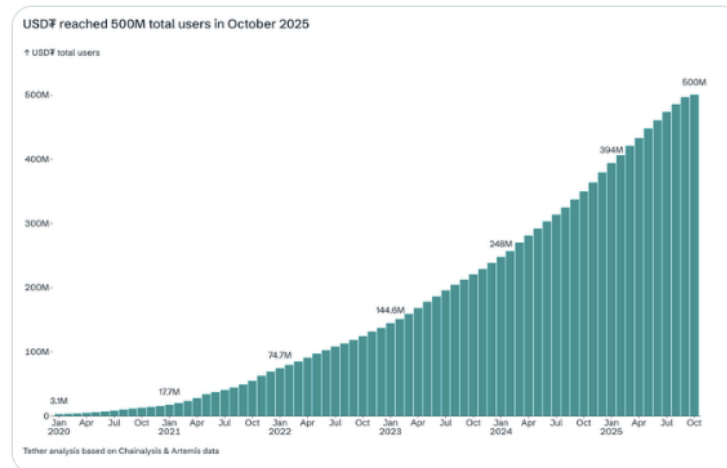
Paolo Ardoino  
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USDT's trajectory to 500 million users in one chart.

Programmable money is the ultimate social network.

A peer-to-peer construct that transports both information and value.



Source: [X](#)

However, blazing a trail comes with risks. Tether and Bitfinex (a main distribution partner) have faced enforcement from the [CFTC](#), and Tether's current reserve strategy is not compliant with guidelines set forth under the GENIUS Act, limiting utility for US institutions.

USDT's global popularity is a double-edged sword for policymakers. In theory, it increases demand for dollars. In practice, it means that the federal government yields some control over the money supply. It also creates new risk vectors: dollar-denominated payment for illicit activity, AML violations, and sanctions evasion are easier outside the traditional banking system. USDT is the de facto stablecoin on Tron, for instance, where Tether was recently forced to freeze [\\$12 million in USDT](#) belonging to suspicious addresses. Tron is immensely popular in emerging markets across LatAm and Southeast Asia, where the US may struggle to monitor usage and enforce regulations. This complicates Tether's position as a middleman between US banks and blockchain users across the world.

Other centralized issuers like Paxos (who issues PYUSD in partnership with Paypal) and Ripple (who issues their own stablecoin, RLUSD) currently target specific stablecoin markets through partnerships with governments and major institutions, aiming to increase issuance to compete with larger incumbents. RLUSD, for instance, [will launch in Japan in 2026](#) in partnership with SBI, the

country's first licensed "Electronic Payment Instruments Exchange Service Provider."

## Decentralized issuance

Exchanges like Binance, Bybit, and Coinbase are centralized, meaning that they run their own orderbooks and transactions aren't settled onchain. By contrast, on decentralized exchanges like Uniswap and Curve, everything lives on the blockchain—from the smart contracts to the liquidity to the transactions themselves. A similar distinction exists between centralized and decentralized stablecoin issuers.

Centralized issuers like Tether and Circle use cash deposits (using existing offchain rails) to back and issue USDT and USDC, respectively, onchain. Decentralized issuers like Sky, by contrast, take crypto deposits via onchain transactions and issue USDS, backed entirely by the value of those onchain deposits.

Decentralized models allow users to mint stablecoins without using traditional payment rails or banking infrastructure. A user with ETH tokens can simply deposit those tokens into Sky and mint USDS in return. If the value of the user's ETH deposit falls below a certain level (relative to how much USDS they minted), the position can be automatically liquidated. In other words, the user keeps the USDS, but Sky sells the ETH collateral to cover the position.

USDe, the stablecoin powered by Ethena, is decentralized insofar as users can deposit other stablecoins like USDT or USDC and receive USDe onchain. However, this is technically a swap on the backend. Actually minting new USDe is reserved for whitelisted parties, which is similar to Tether's approach. In addition, USDe features other novel, decentralized mechanisms (such as staking for sUSDe) which set it apart from legacy stablecoins, and may be responsible for the product's recent success in this competitive vertical.

## Conclusion

As onchain finance continues to expand, stablecoin liquidity fragmentation is unlikely to disappear. Even as infrastructure matures, stablecoins will continue to be issued across multiple blockchains, each with their own communities, compliance regimes, and liquidity hubs. The result will be an expanding mosaic rather than a single, unified market.

As the overall supply of stablecoins rises, liquidity deepens across ecosystems, and new opportunities for product-market fit continue to open, especially for issuers and builders targeting niche use cases, regional currencies, or new customer segments. The onchain economy is still early in discovering how many ways a “digital dollar” can be put to work.

Cross-chain infrastructure like Axelar ensures that this growth remains connected. By making stablecoins and other tokenized assets accessible across any chain, Axelar gives traders, issuers, and innovators a single pathway to reach users wherever liquidity lives, and to build the next generation of onchain financial products without being confined to one ecosystem.

Ready to build with Axelar? [Complete this form](#) to get in touch with our team.