

Making Sense of Stablecoins

Why do we want to
make sense of
stablecoins?

Liam Horne



Making Sense of Tether on Tron

My friends that work on Ethereum tend to be very surprised once they realize the most used cryptocurrency for payments is Tether on Tron. I was too when I first found out. Recently, I started to look more into it and here is what I learned!

Stablecoins grew exponentially over the last five years

Global access to the US dollar has really turned out to be a killer app. They're used for all kinds of things, like inter-exchange settlement, cross-border payments, and accessing a dollar product in countries with strict capital controls.

They're growing *really* fast, over 100% year-over-year in the past five years, from under \$3B to over \$125B¹ of stablecoins in circulation today. **Stablecoins today make up 70% of all cryptocurrency transaction volumes despite only composing 10% of the entire cryptocurrency market cap!²**

Stablecoins even surpassed PayPal in total settlements in 2022: over \$11T¹ of volume settled on blockchains! That's almost the size of the entire Visa network (\$11.6T¹).

Even in bear markets for cryptocurrency trading, they continue to gain adoption. Since the end of 2021, stablecoin transaction volumes have dropped only 11%, compared to centralized exchange volumes, which are down 64%.

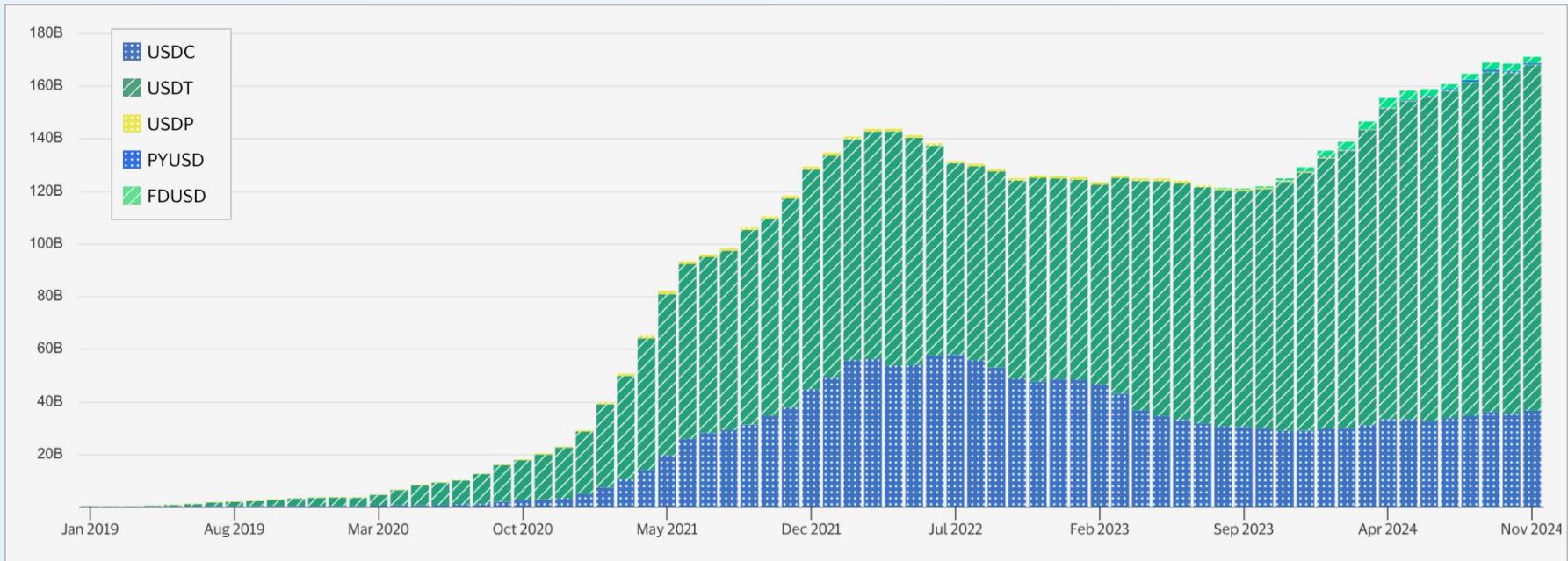


liamhorne.com/stablecoins

**Stablecoins have PMF
as Programmable Money**

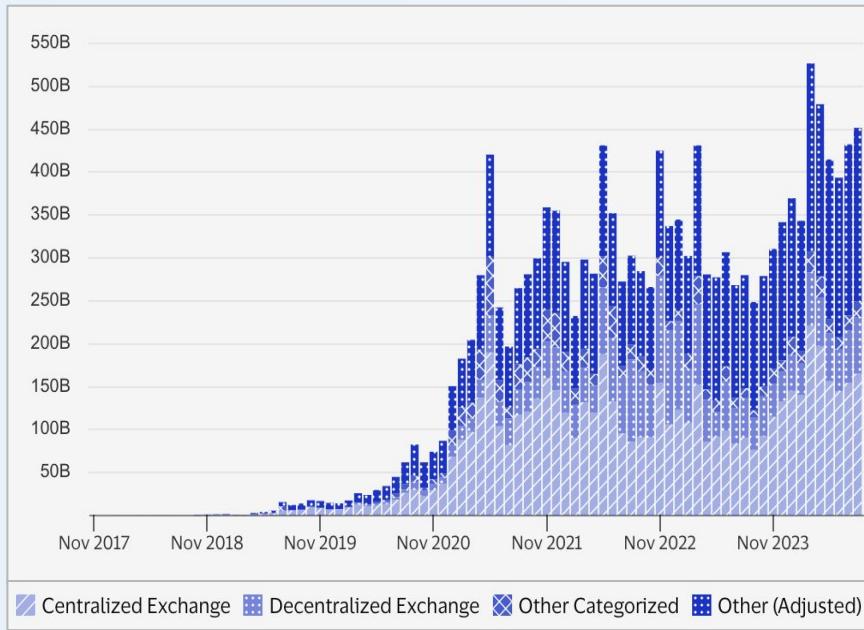
Nearly \$180B of stablecoins in circulation; **400x in 5 years**

Supply

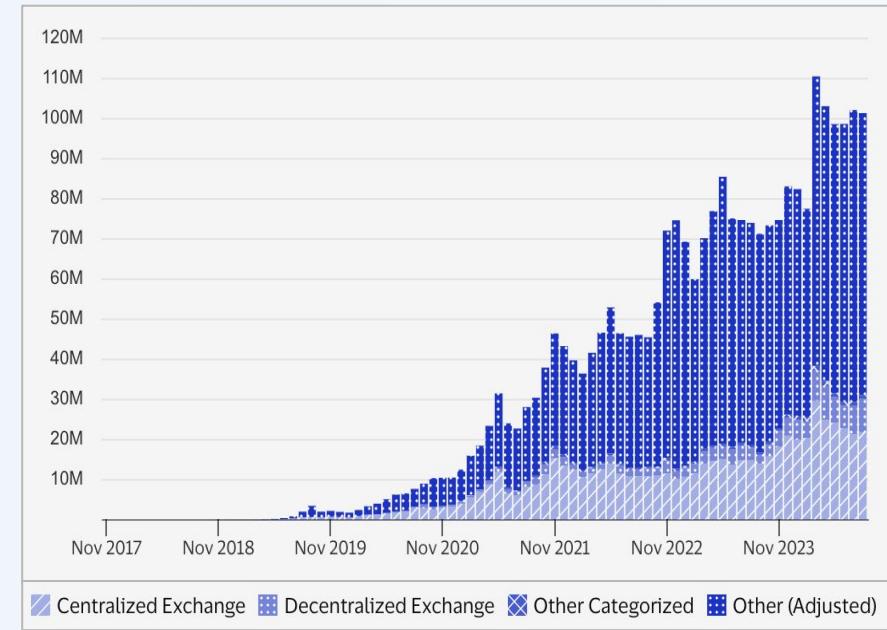


Move money is moving *faster* in *larger volumes*

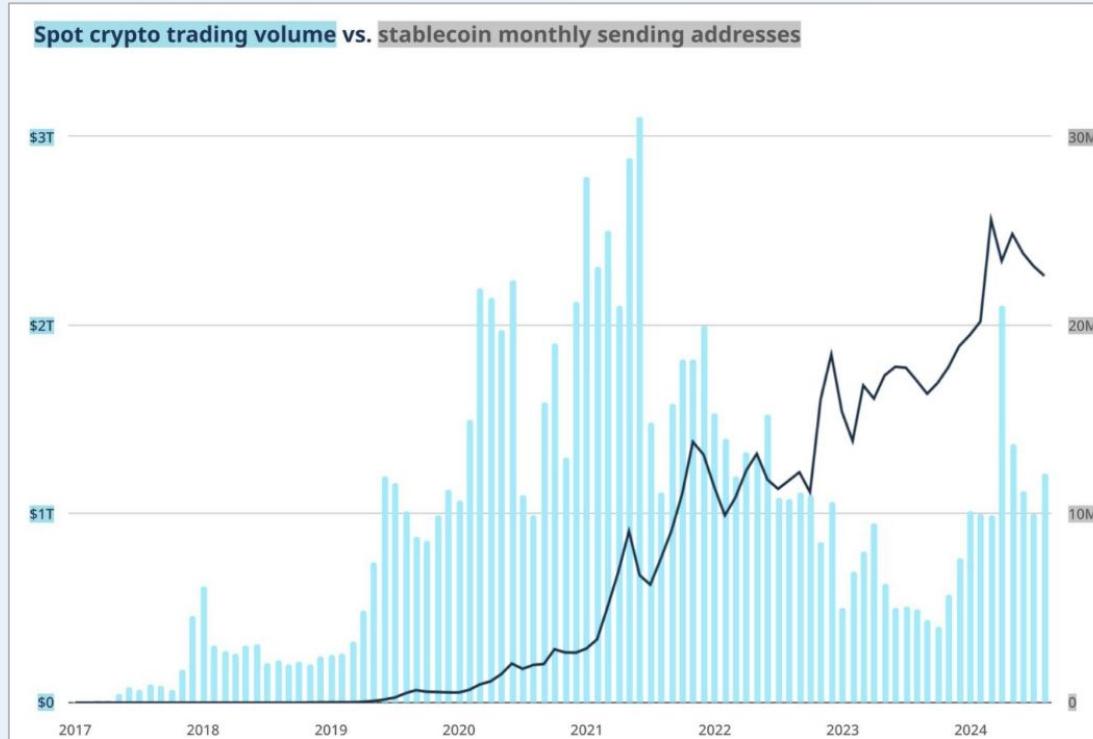
Volume



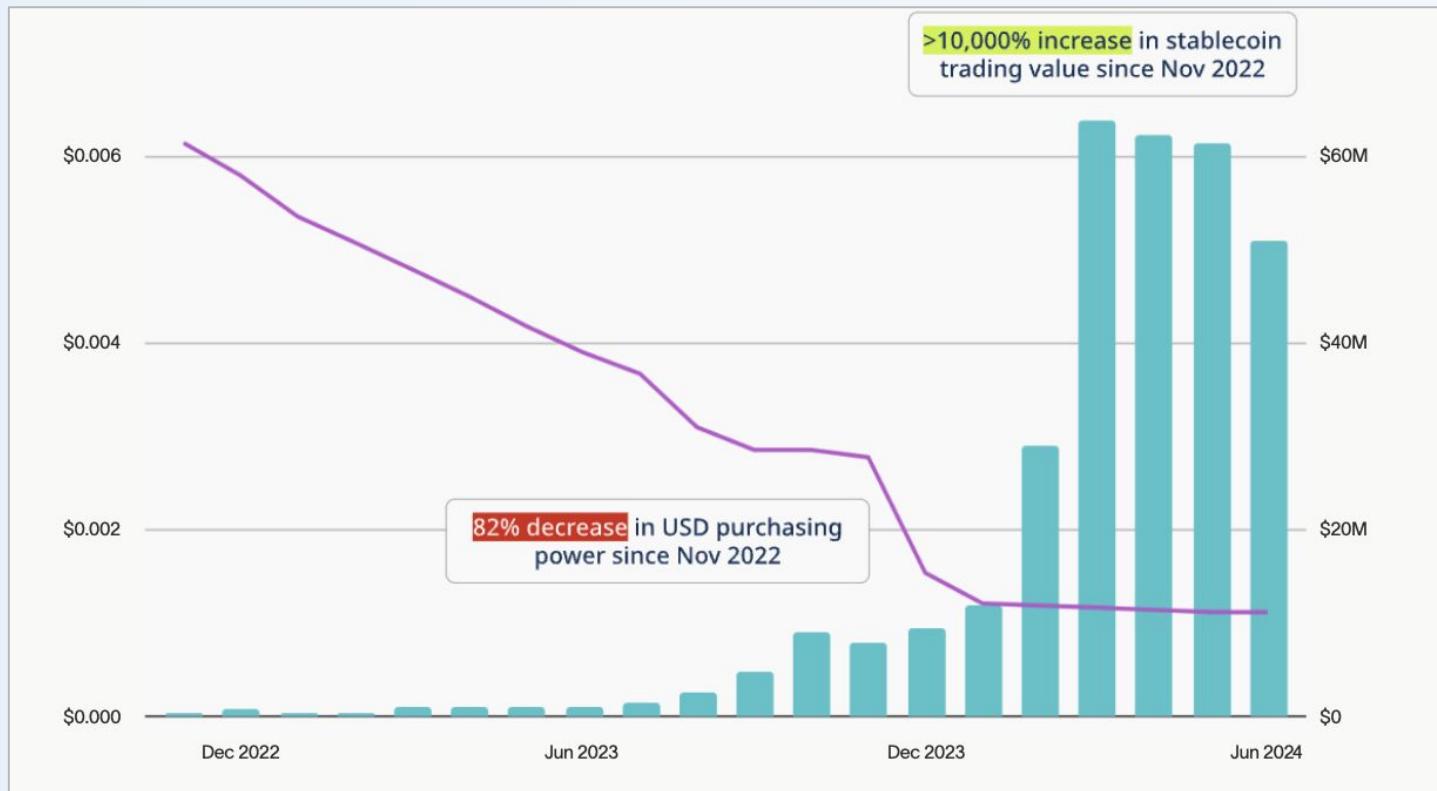
Transaction Counts



Activity is untethered from bull or bear markets



Stablecoin trading value rises as ARS purchasing power declines



Use cases other than speculation in developing markets!

Survey results of 500 individuals in each of Nigeria, Indonesia, Turkey, Brazil, and India

47%

Save in dollars

43%

Seek better currency conversion

39%

Earn yield on savings

35%

Send money internationally

Stablecoins: The Emerging Market Story

September 2024



Authored by:



Castle Island
VENTURES

BREVAN HOWARD
DIGITAL

Sponsored by:



Stablecoins are an open platform



Bridge.xyz API Docs → one API for global money movement!

[Developer Dashboard](#) - Allows sending funds from a web based application user interface.

[USD to Stablecoin](#) - Convert fiat USD to stablecoin.

[Stablecoin to USD](#) - Convert various stablecoins to fiat USD. See [Available Routes](#).

[Stablecoin to Stablecoin Conversion](#) - Convert various stablecoins to other stablecoins. See [Available Routes](#).

[Stablecoin Issuance](#) - Create your own fiat backed stablecoin.

[3rd Party Payments](#) - Send funds to institutions or individuals in supported countries.

[Wallets](#) - Allows you to hold stablecoins in custodial wallets.

They're productizable in many different ways



Onramp and offramp from fiat to USDC (remittances)



Loyalty points conversion into USDC in Taiwan



DeFi, P2P exchange, expense management, payments



Checkout with stablecoins as well as payouts



Branded stablecoin for use in DeFi and PayPal payments



Patrick Collison

@patrickkc

...

Stablecoins are room-temperature superconductors for financial services. Thanks to stablecoins, businesses around the world will benefit from significant speed, coverage, and cost improvements in the coming years. Stripe is going to build the world's best stablecoin infrastructure, and, to that end, we are delighted to welcome [@stablecoin](#) to [@stripe](#).



Zach @zcabrams · Oct 21

Bridge is joining forces with Stripe!

I'm incredibly excited

We started 2.5 years ago and we've done a lot since then :) We're going to do ...
[Show more](#)

10:57 PM · Oct 21, 2024 · 1.1M Views

Issuers are generating enormous profits

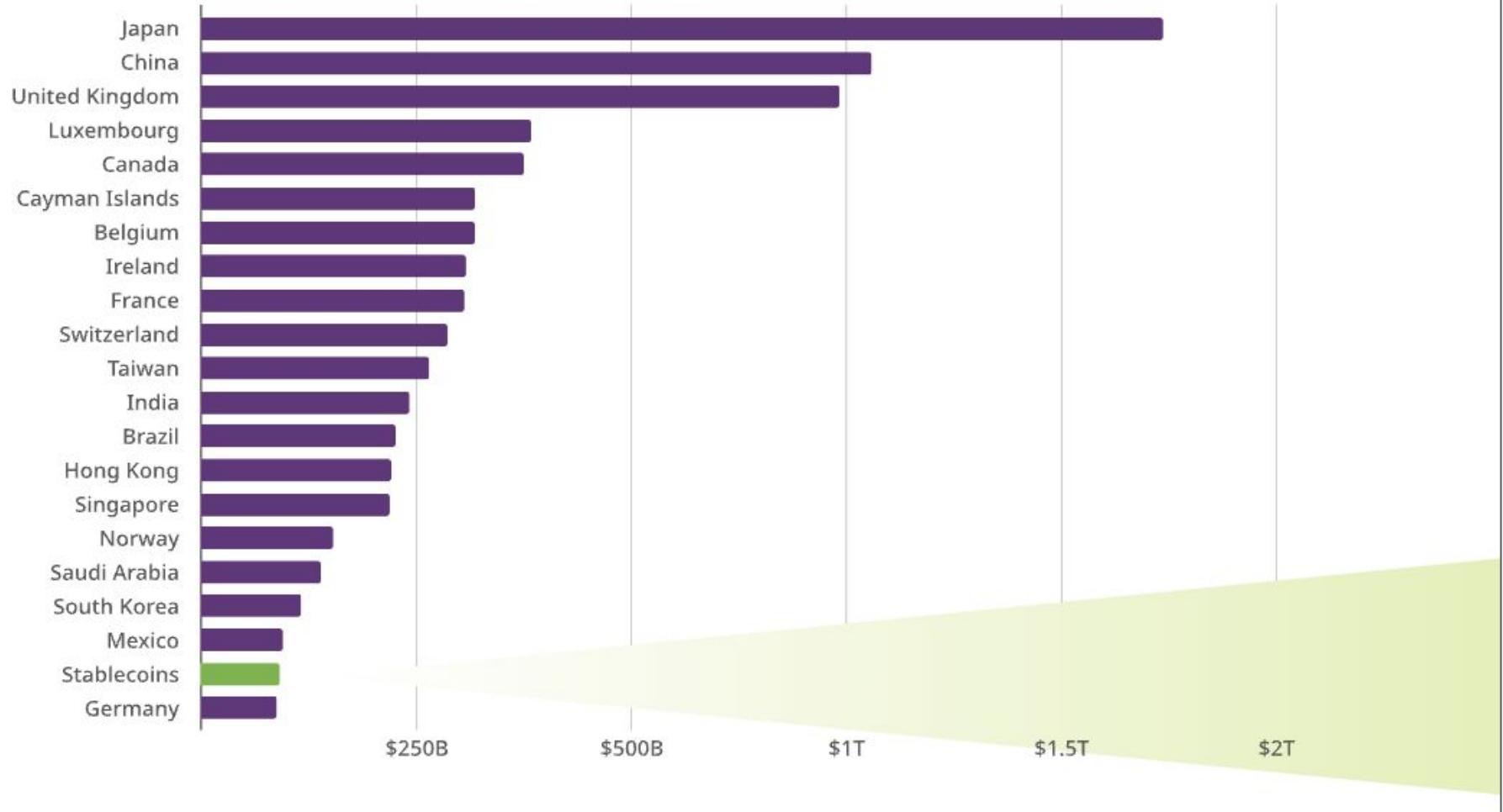
Tether USD

Tether Hits \$7.7 billion 2024 Nine-Month Profits, \$102.5 billion in U.S. Treasury Holdings, Almost \$120 billion USD t Circulation, and an Over \$6 billion Reserve Buffer in Q3 20...



Today, Tether Holdings Limited (BVI) released its assurance opinion for the third quarter of 2024, conducted by BDO, a leading global...

1 week ago



They're being embraced, despite monetary challenges

Requirements for MAS-regulated stablecoin issuers	
RESERVE ASSETS	Composition <ul style="list-style-type: none"> Denominated in currency of stablecoin peg. Held in cash/cash equivalents/ debt securities with up to three-month residual maturity and issued by (i) government or central bank of pegged currency; or (ii) organisations that are of both a governmental and international character with a minimum credit rating of "AA."
	Valuation <ul style="list-style-type: none"> At least equivalent to par value of SCS in circulation at all times Valued at mark-to-market basis daily Held in segregated accounts on trust Held in permitted custodians as follows: <ul style="list-style-type: none"> Financial institutions licensed for custodial services in Singapore by MAS; or Overseas-based custodians, with minimum credit rating of "A+", which have a branch in Singapore regulated by MAS to provide custodial services
	Segregation & Custody <ul style="list-style-type: none"> Independently attested to on monthly basis, report to be disclosed on entity's website and submitted to MAS Annual audit, report to be submitted to MAS
	Independent Attestation & Audit <ul style="list-style-type: none"> Direct legal claim for redemption at par Redemption requests can be made anytime Timely redemption (no later than 5 business days) Redemption conditions (if any) must be reasonable, and disclosed upfront Higher of \$51million or 50% of annual operating expenses ("OPEX")
	REDEMPTION AT PAR <ul style="list-style-type: none"> Liquid assets valued at higher of 50% of annual OPEX or amount assessed to achieve recovery/ orderly wind-down Amount assessed to achieve recovery/ orderly wind-down to be disclosed in white paper Prohibited provision of other non-issuance services (e.g. lending, staking, dealing in DPT's other than the SCS being issued and recognised as MAS-regulated stablecoin) in SCS-issuing entity SCS-issuing entity cannot have stake in any other entity White paper to be issued, disclosing details such as, but not limited to: <ul style="list-style-type: none"> General information of the issuer; Operations of the SCS (including value-stabilising mechanism, technology adopted); Risks arising from use of SCS; and Rights and obligations related to the SCS (e.g. redemption) etc. Existing AML/CFT standards on DPT service providers and banks, e.g. customer due diligence, travel rule, screening, etc. Existing technology and cyber risk management standards on DPT service provider
	WHITE PAPER ISSUANCE
	ANTI MONEY LAUNDERING/ COUNTERING THE FINANCING OF TERRORISM (AML/CFT)
	TECHNOLOGY/ CYBER RISK
	Source: MAS

Singapore MAS

Central Bank of UAE

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CBUAE Rulebook All Licensed Financial Institutions Regulated Products Payment Token Services Regulation

↳ Licenses Extended to Finance Purchase of Company Shares ↳ Download ↳ Introduction ↳

Payment Token Services Regulation

C/2024 Effective from 21/08/2024

Introduction

This Regulation (the "Payment Token Services Regulation") lays down the rules and conditions established by the Central Bank for granting a License or Registration for the provision of Payment Token Services and related matters. Payment Token Services are digital payment services in the UAE and comprise three categories, namely Payment Token Issuers, Payment Token Custodians and Payment Token Transferors and Custodians.

Providing digital money services is a financial activity subject to Central Bank licensing and supervision in accordance with the provisions of the Central Bank Law. Accordingly, the Central Bank Law provides the statutory basis for the powers of the Central Bank in relation to the licensing and ongoing supervision of Licensed Payment Token Service Providers, and related matters.

Part 1

Scope and Objectives

This Regulation sets out:

- conditions for the grant and maintenance of a License or Registration for the provision of Payment Token Services;
- rights and obligations of Licensees, Licensed Payment Token Service Providers, Registered Foreign Payment Token Issuers, Registered Foreign Payment Token Custodians and Transferees and Registered Payment Token Custodians and Transferees;
- powers of the Central Bank including with regard to the licensing, registration and supervision of Licensed Payment Token Service Providers, Registered Foreign Payment Token Issuers, Registered Foreign Payment Token Custodians and Transferees, Registered Payment Token Custodians and Transferees, and ongoing reporting requirements;
- limitations on certain services and the provision of services relating to Foreign Payment Tokens, and acceptance of such Foreign Payment Tokens as a Means of Payment; and
- a prohibition of the issuance, propagation and acceptance of tokens in relation to Algorithmic Stablecoins, Privacy Preserving Tokens or Payment which are not Central Bank Payment Tokens or Foreign Payment Tokens.

In exercising its powers and functions under this Regulation, the Central Bank has regard to the following objectives:

- ensuring the safety, soundness and efficiency of Payment Token Services;
- ensuring adequate protection and avoidance of misappropriation of the Reserve of Assets held by Payment Token Issuers;
- setting of effective and risk-based licensing and registration requirements for Licensed Payment Token Service Providers, Registered Foreign Payment Token Issuers, Registered Foreign Payment Token Custodians and Transferees and Registered Payment Token Conversion Providers; and
- promoting consumer protection and innovation.

Exclusions

This Regulation shall not apply to the following:

1. Any activity for which the service provider is licensed by or requires a license from the Central Bank under the Retail Payment Services and Card Schemes Regulation or the Stored Value Facilities (SVF) Regulation;

2. Any other activity involving the creation of tokenized infrastructure, trust or escrow protection service not

Central Bank of UAE

Programmable

Highly traceable

Fungible & interoperable

Settle instantly

24/7

Global

History

Markets

Brock Pierce Announces Dollar-backed Cryptocurrency 'Realcoin'

The bitcoin entrepreneur has announced a new cryptocurrency backed one-to-one by US dollar reserves.

Realcoin aims to bring the advantages of the bitcoin protocol to the dollar, meaning it can utilise the bitcoin network for low-cost transactions without a third party, but it is backed on a one-to-one basis by the company's dollar reserves.



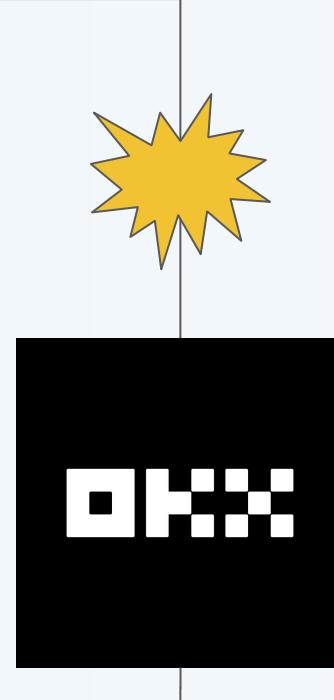
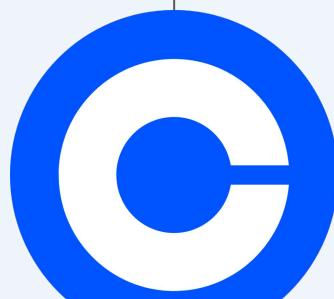
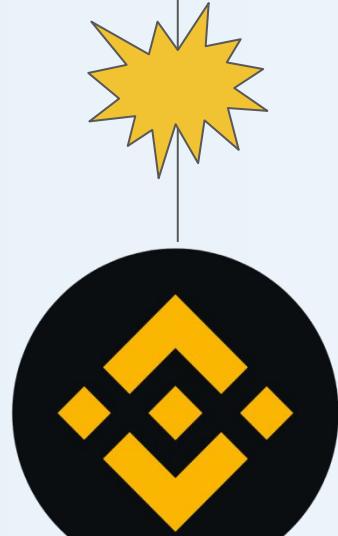
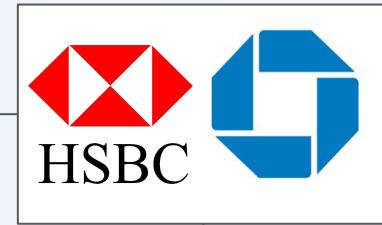
Markets

Realcoin Rebrands as 'Tether' to Avoid Altcoin Association

Brock Pierce-led startup Realcoin has clarified its purpose with a new name as the project enters private beta.

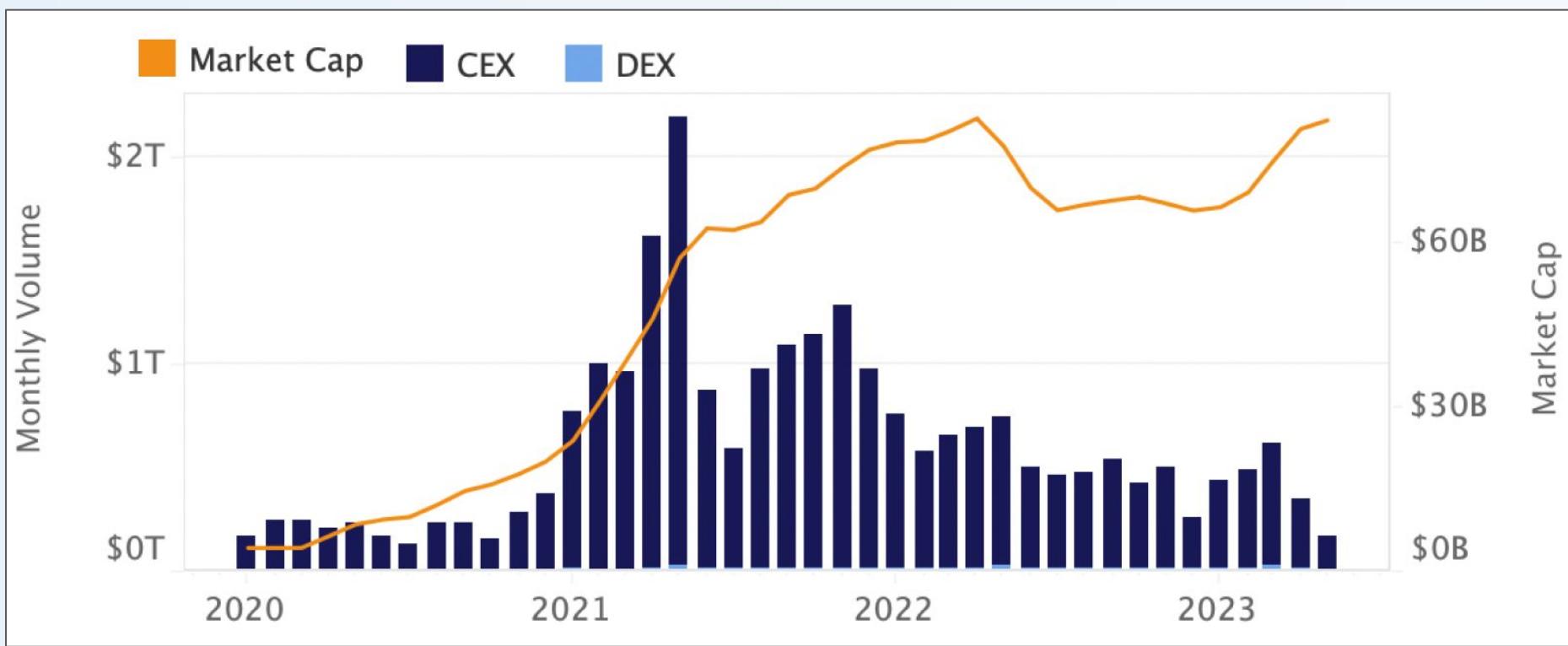
By Pete Rizzo ⌚ Nov 21, 2014 at 12:01 a.m. Updated Sep 11, 2021 at 6:20 p.m.



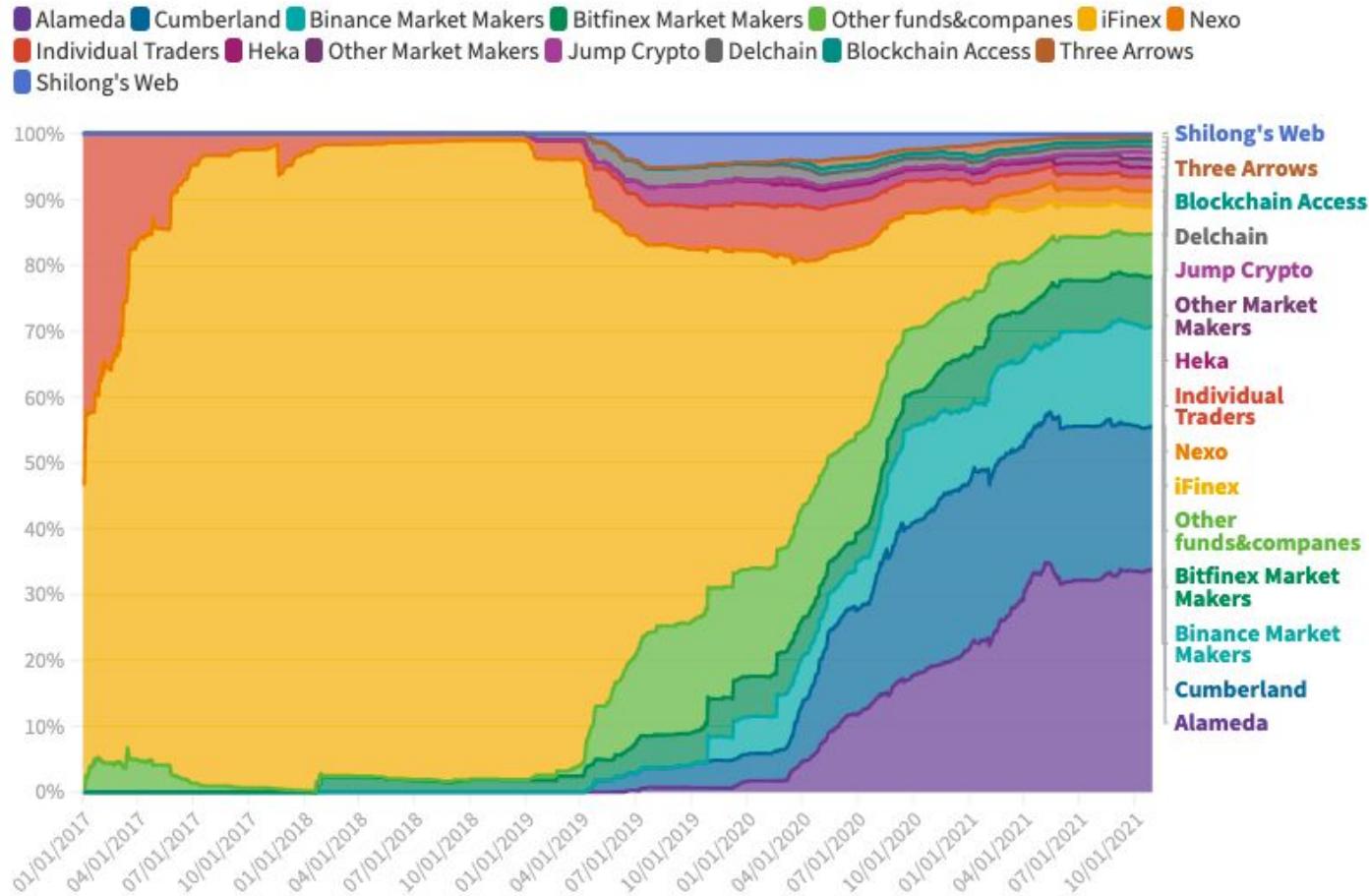




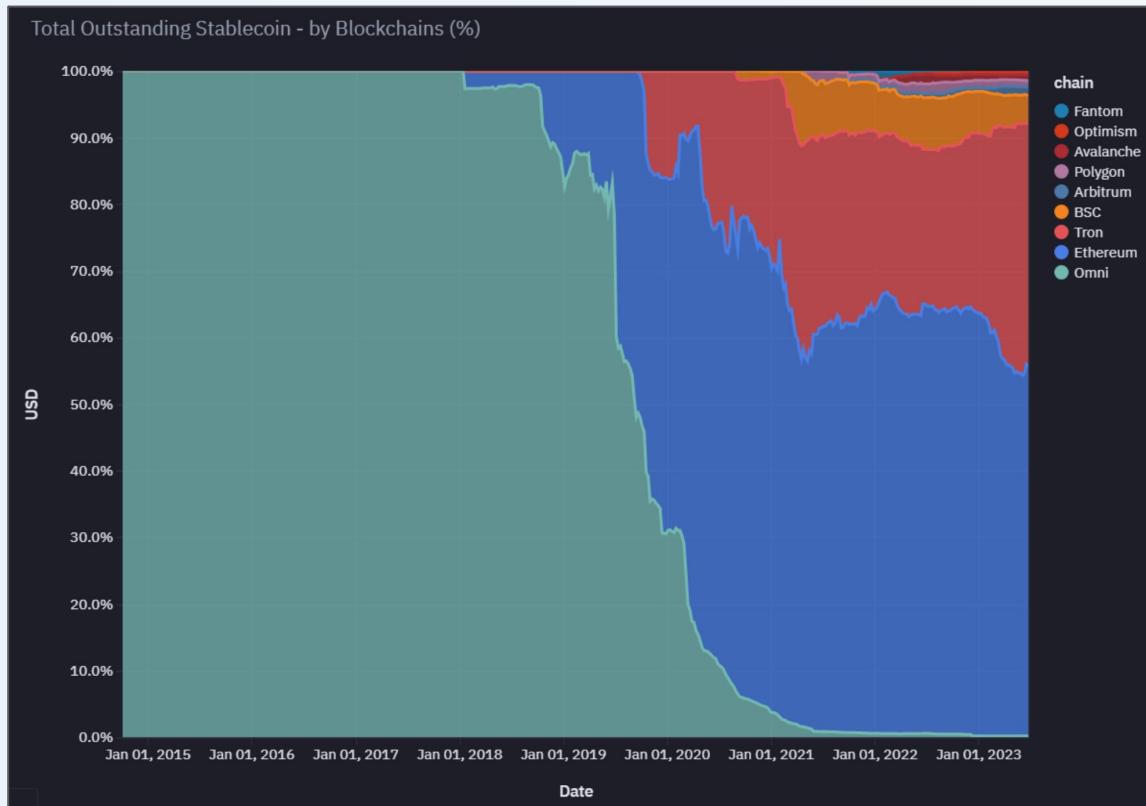
Tether facilitated CEX trading



Tether distribution

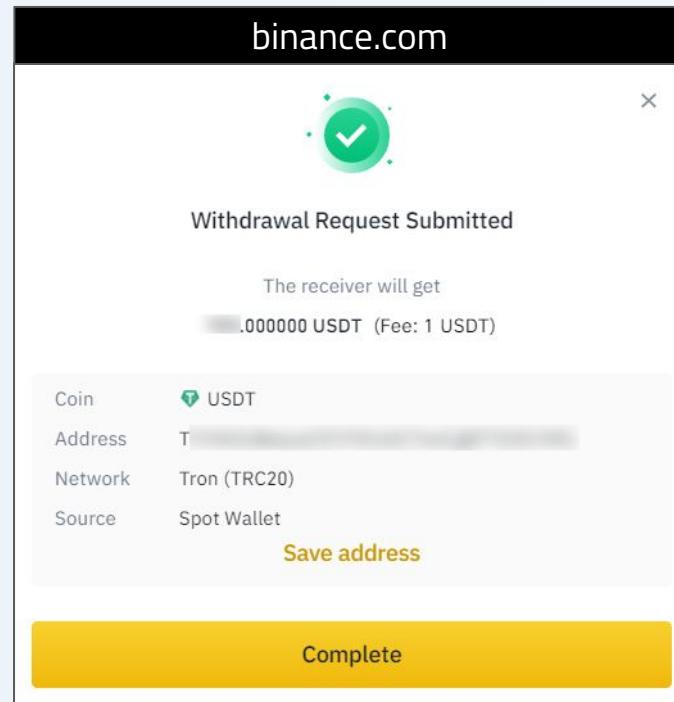


Ethereum and Tron provided the *rails*

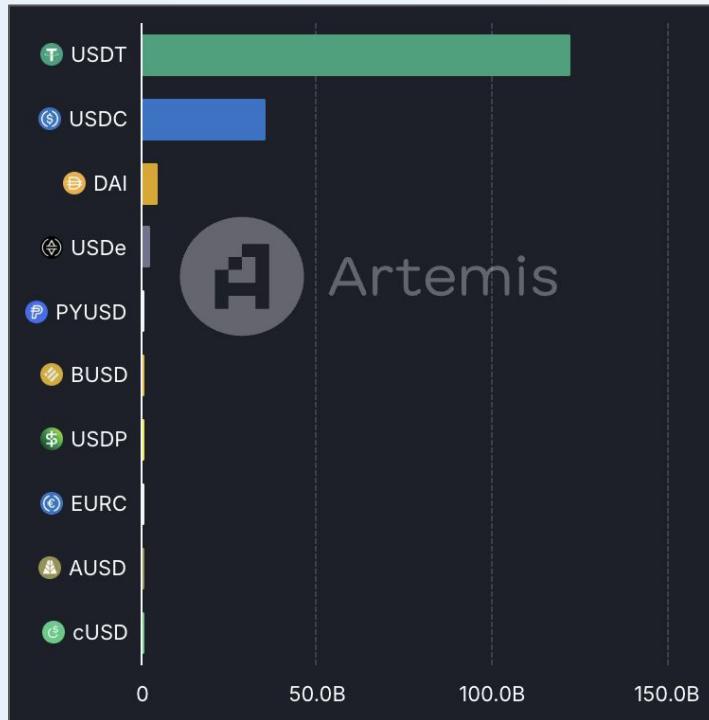


Binance accelerated Tron and Tether dominance



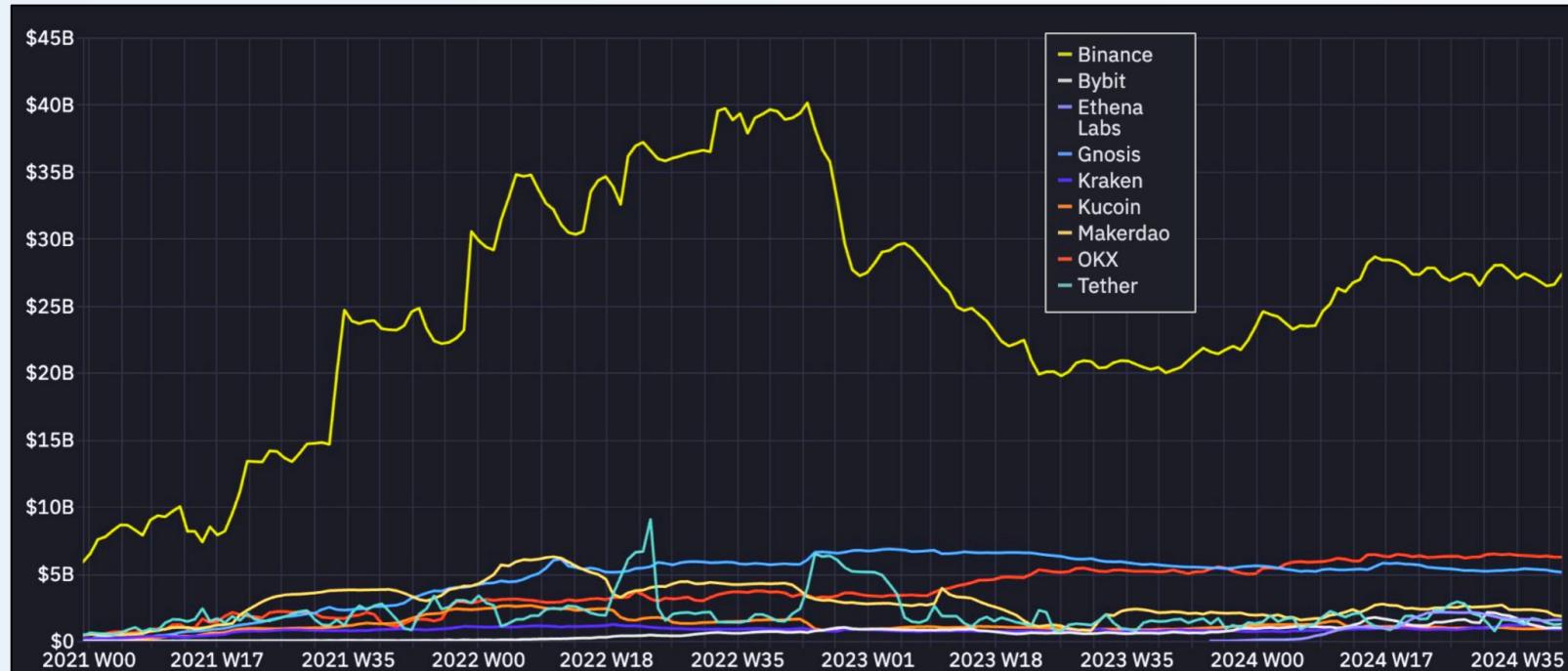


Supply remains concentrated in Tether

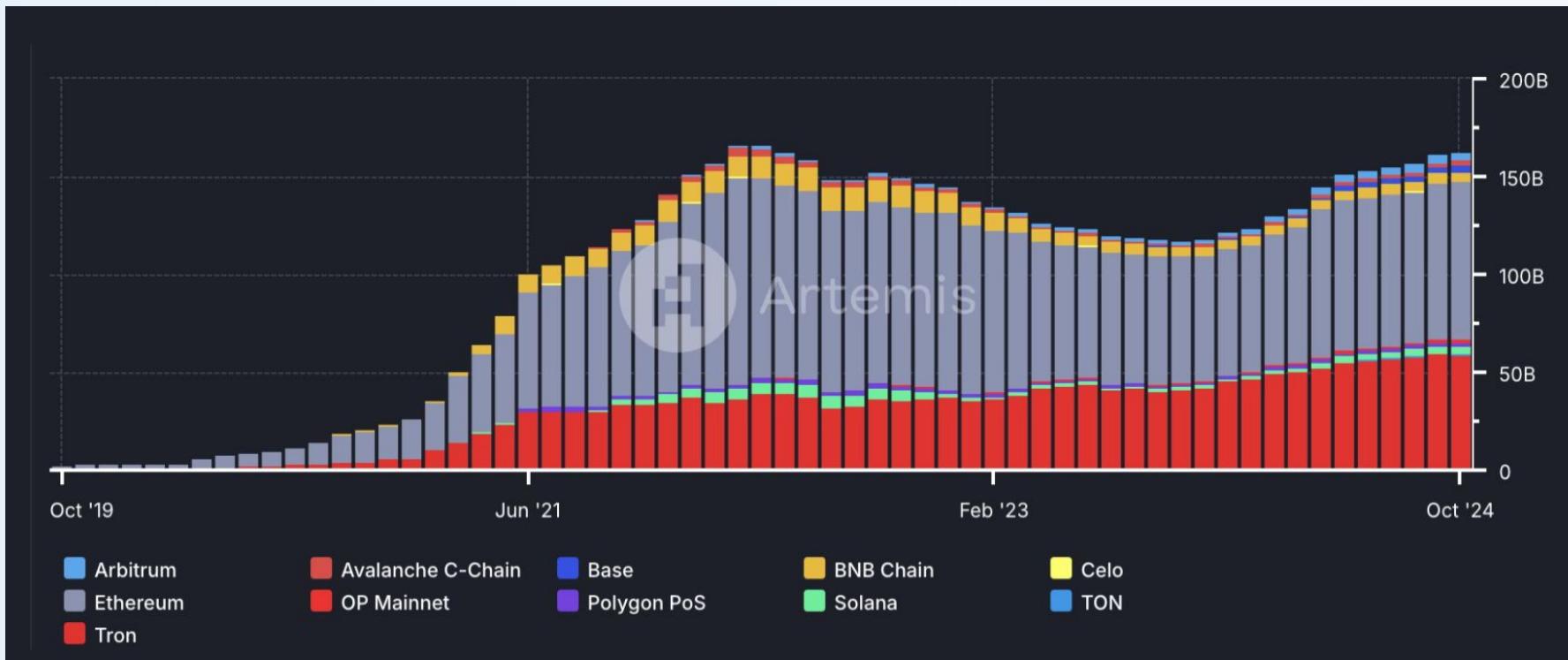


Binance (and other CEXes) remain largest holders

Holders



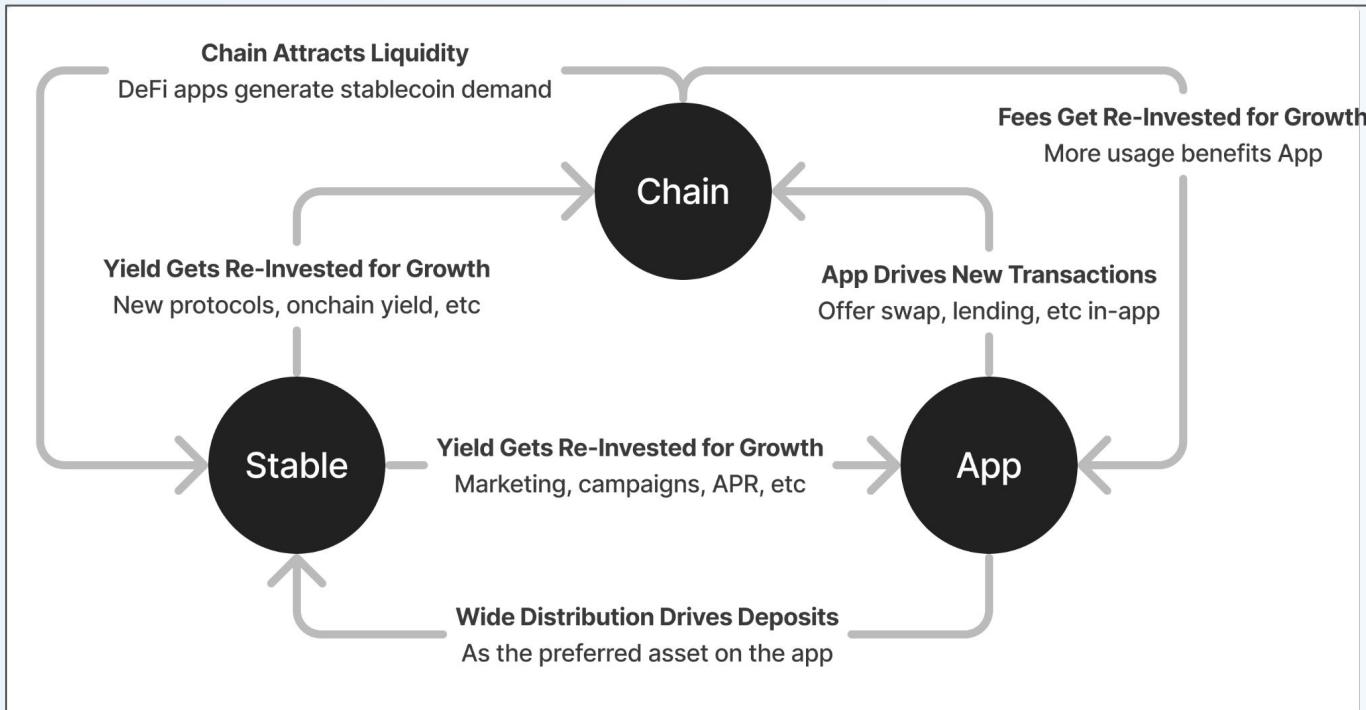
Coins live today mostly on Ethereum and Tron



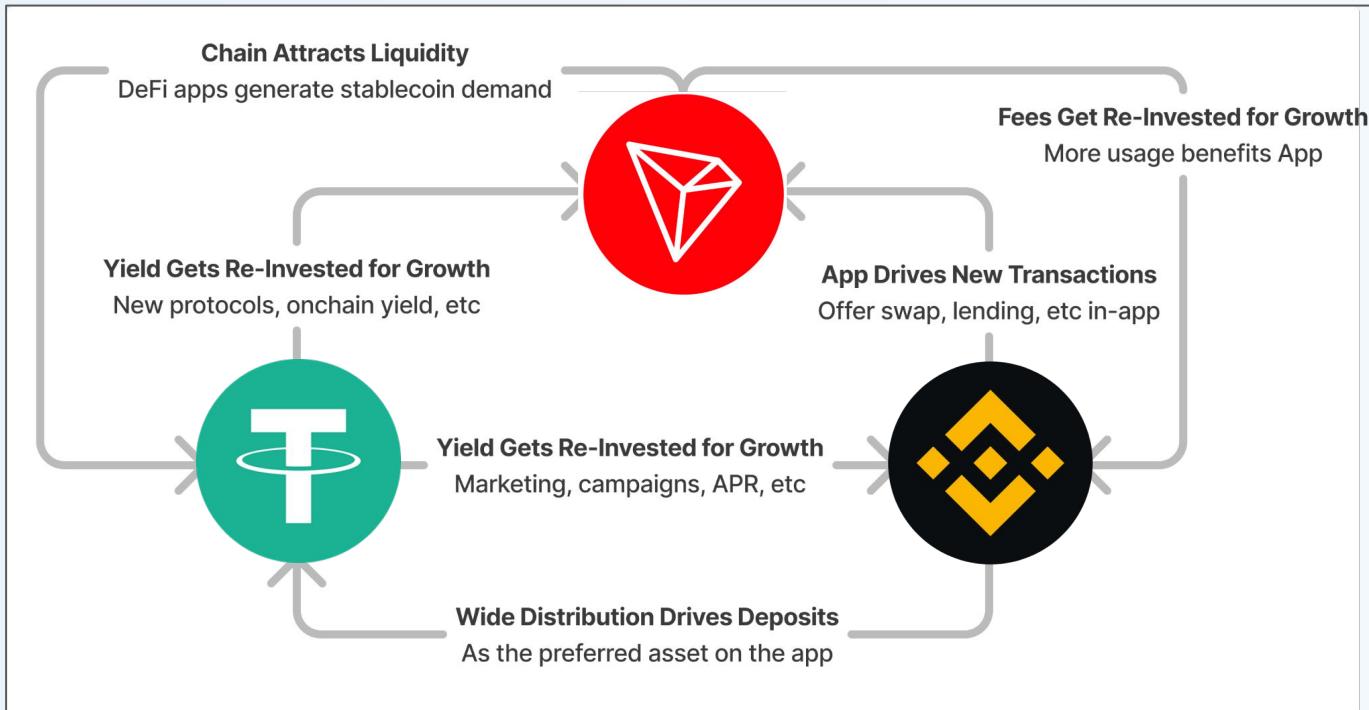
Network Effects

Stablecoins, blockchains, and ramps are complementary!

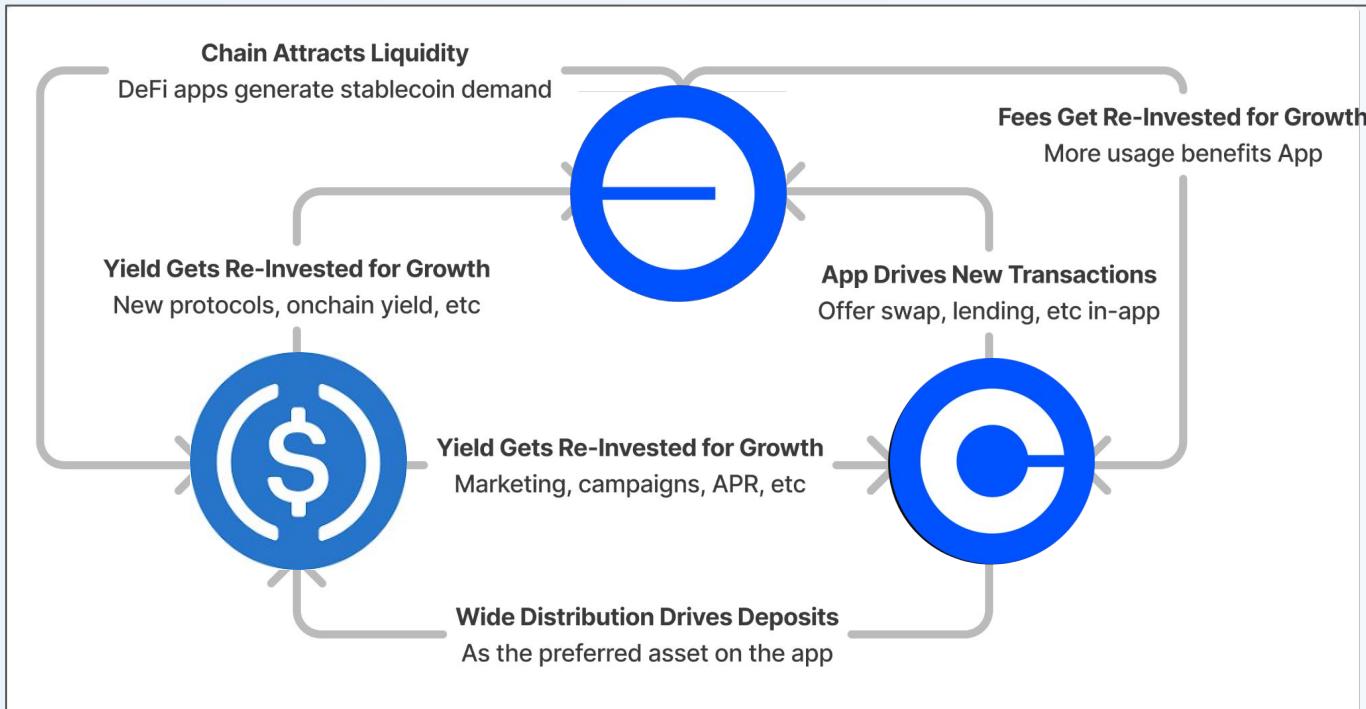
Naturally occurring network effects when bundled together



Naturally occurring network effects when bundled together



Naturally occurring network effects when bundled together



Historically *very* difficult, high barriers to entry all around

Blockchain

New network

New blockchain required a *whitepaper*, major technological innovation, onerous legal structure, token offering, building a brand from scratch, ...



Stablecoin

New bank

New stablecoin required banking partner whack-a-mole, lobbying efforts, uncertain legal positioning, exchange business development, new brand, ...



Ramps

New business

Crypto businesses were hard to establish, relied on bull market frenzy, lack of utility or real use cases, drive trading activity, legal risks, go to market risks, ...





Scaling is becoming a solved problem.



Stablecoin issuance is becoming normalized.



CEXes are being unbundled into APIs.

Costs have dramatically decreased across the board

Blockchain

New server

New blockchain can be spun up in minutes, no token required, built-in developer ecosystem and bridges, legally clear, can build on existing brand.



Stablecoin

New vendor

Stablecoin issuance rules clearer in many countries, services offering issuance as a service, very profitable given interest rates, can build into other fintech.



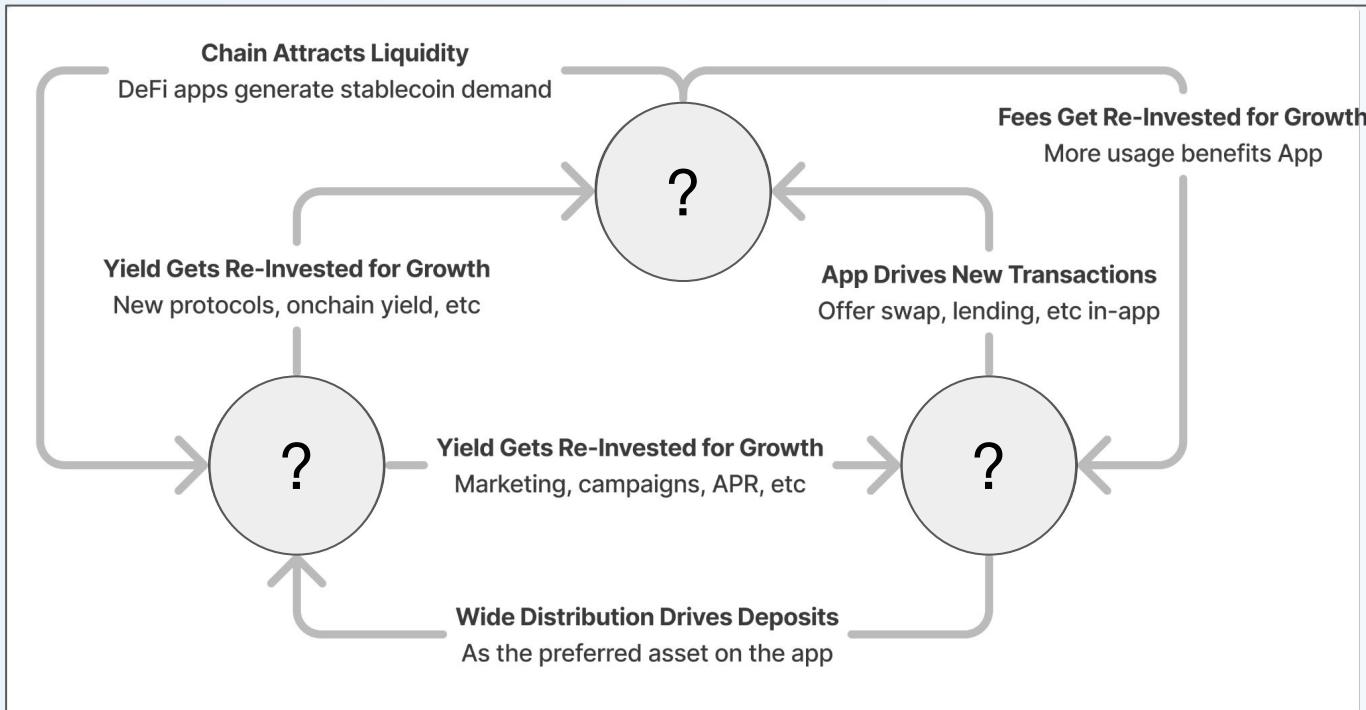
Ramps

New feature

Stablecoin use cases are here *now* (bull or bear), adoption of blockchain for issuing RWA, emerging market neobanks, p2p payments, etc.



Naturally occurring network effects when bundled together



Distribution, distribution, distribution!



1 Cash App
Block, Inc.



2 PayPal - Pay, Send,
Save
PayPal, Inc.



3 Venmo
Venmo



4 Capital One Mobile
Capital One



5 Intuit Credit Karma
Credit Karma, Inc.



6 Zelle
Early Warning Service...



7 Robinhood: Investing
for All
Robinhood Markets, I...



8 Coinbase: Buy Bitcoin
& Ether
Coinbase, Inc.



9 Rocket Money - Bills
& Budgets
Rocket Money



10 Chime – Mobile
Banking
Chime Financial, Inc.



11 Chase Mobile®: Bank
& Invest
JPMorgan Chase & Co.



12 Progressive
Progressive Insurance



13 Crypto.com - Buy
Bitcoin, ETH
Crypto.com



14 Fidelity Investments
Fidelity Investments



15 testerup - earn
money
aestimium GmbH



16 One – Mobile
Banking
One Finance, Inc.



17 Experian®
Experian



18 Acorns: Invest For
Your Future
Acorns Grow Incorp...

Evolution of Apps, Chains, Stables

Apps

Less Speculation, more Payments & Consumer Fintech use cases

Reach Lots of People / Businesses through Distribution

Payments, Commerce, Settlement, Cross-Border Banking, Dollar Access, etc

Chains

Less Narratively Driven, more Interoperability Driven

Interoperable (e.g., Superchain) with all other digital assets

Fast, Reliable, Secure

Configurable to the needs of the customers (e.g., Coinbase One, World ID)

Stables

Less CEX/DEX Liquidity Driven, more Short-Term Leg Driven

Re-Use Existing Rails & APIs

Sensitive to Margins

Sensitive to Yield Distribution

Additional Constraints & Types (RWAs)



PyUSD

Loyalty to PayPal Users
Yield Accruing to PayPal
Re-Distributed as Reward



PyChain

Interoperable with Base, Ink, etc
PayPal App Activity
Blockspace for PayPal Users



PayPal

Global Reach of Venmo
Payments, Commerce, Checkout,
Remittance, etc

**Three main things Ethereum
needs to win in a Stablecoin world.**

Access

Liquidity

Interoperability

Access

Liquidity

Interoperability

There are **many** ramp integrations across many regions, types of banks, currencies, forms of money, and payment rails that the crypto industry has been building for years.



Peer-to-Peer



Remittance



Payroll



Microloans



B2B Payments



Card Networks



Cross Border



Card / Card Issuing



Stablecoin Infrastructure



Wallets



Exchanges / On-Off Ramps



Stablecoin Issuers



Universal USD, on Ethereum

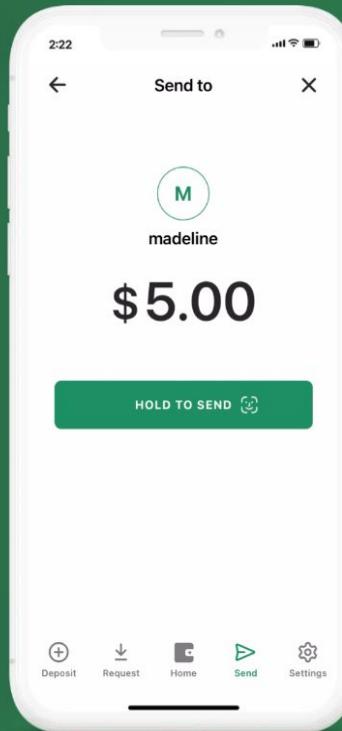
Store money using secure hardware
on your phone. Yours alone, like cash.

Download



Learn more ↓

daimo.com



Access

Liquidity

Interoperability

Tokens Pools Transactions



#	Pool	↓ TVL	APR	1D vol	30D vol	1D vol/TVL
1	USDC/ETH v3 0.05%	\$167.6M	66.623%	\$611.8M	\$5.9B	3.65
2	WBTC/ETH v3 0.3%	\$144.8M	16.368%	\$21.6M	\$188.1M	0.15
3	ETH/USDT v3 0.3%	\$116.6M	177.649%	\$189.2M	\$1.2B	1.62
4	WBTC/ETH v3 0.05%	\$78.3M	40.902%	\$175.4M	\$1.7B	2.24
5	USDC/ETH v3 0.3%	\$72.7M	144.115%	\$95.7M	\$837.0M	1.32

SWAP **25,000** USD TO EUR

TRANSACTION TIME

1-5 SECONDS



0.1%

 **AERODROME**

+

 **BASE**

TRANSACTION TIME

1-5 BUSINESS DAYS



Wise

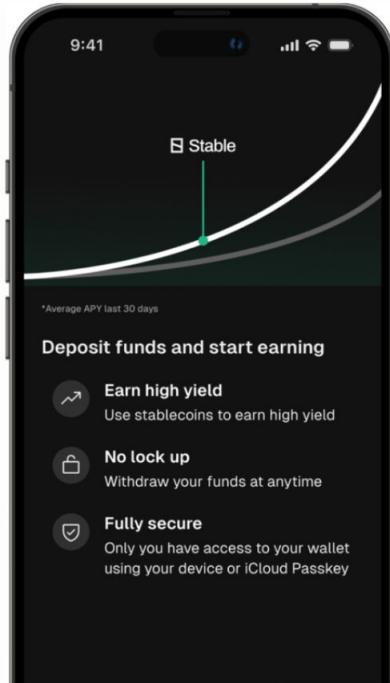
0.2%

xoom
A PayPal Service

2.0%

WELLS FARGO

3.0%



Earning rates that tower over all other banks and finance apps



Robinhood 🌟

Wealthfront

SoFi 💡



stablefinance.io

Access

Liquidity

Interoperability

Super Apps

12:30

Snapp!

Home 1200 pts Vouchers

Buy from hypermarkets with Snapp! Market Buy now

Food Market Travel Doctor

Hotel Fintech Shop Moving

Investment Entertainment Driver Sign Up

Titles go here Subtitles Here Small Button

Van Snapp! Bike Snapp! Box Snapp!

food Venture - Small Deal
Anahita Restaurant ★ 4.2 (92384)

3000 T 99% 983,000 920,000 T View

Food - Restaurant ★ 4.2 (92384)
Golestan Restaurant

3000 T Inventory: 29

Up to 55% Off Address of Rest.

Food Market Travel Doctor

Hotel Fintech Shop Moving

Investment Entertainment Driver Sign Up

Go to top

Every thing for Everyone

12:30

Snapp!

Home 1200 pts Vouchers

Van Snapp! Bike Snapp! Box Snapp!

Turkish Boeing

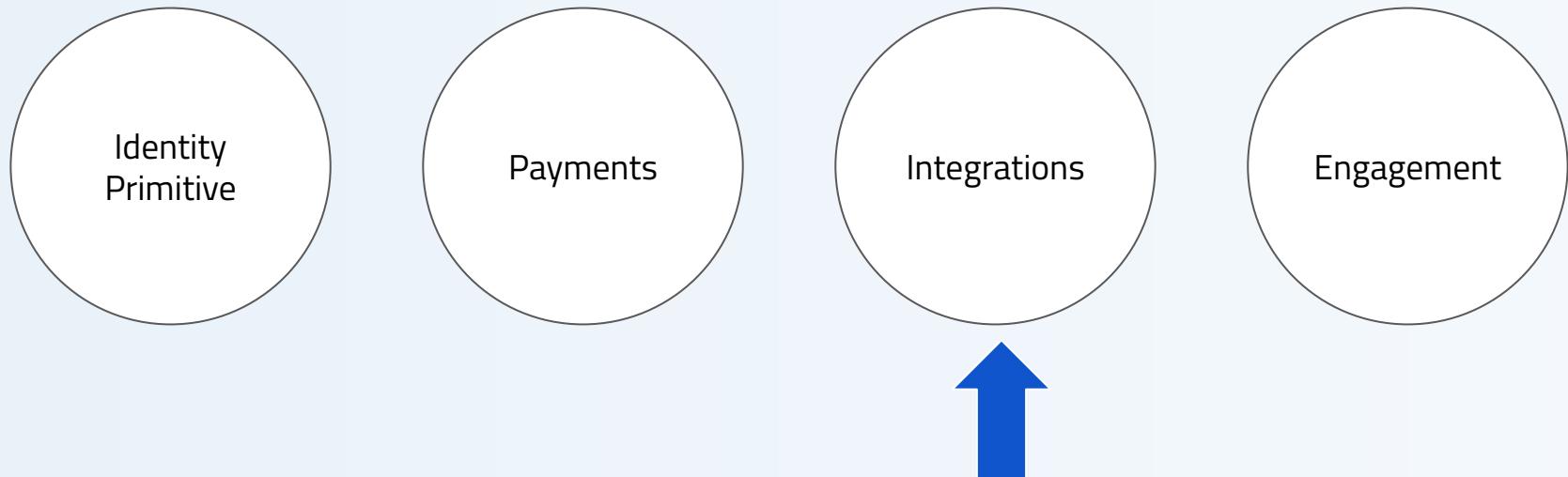
Sa, 12 Sep

Istanbul

99% 983,000

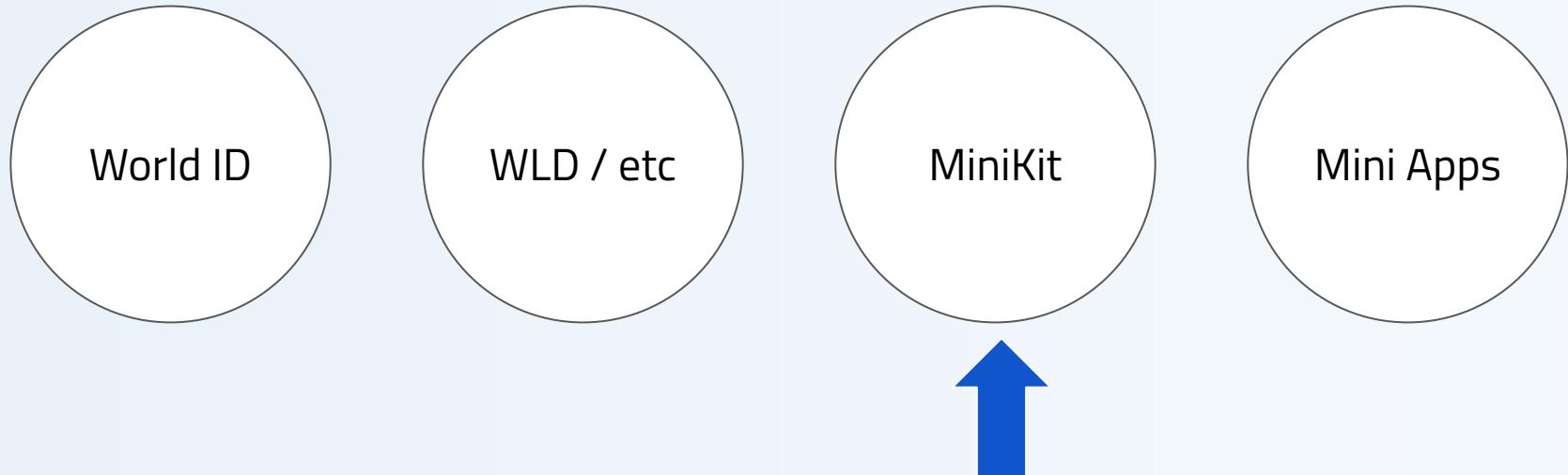
Therapist Up to 55% Off 421 Dr View





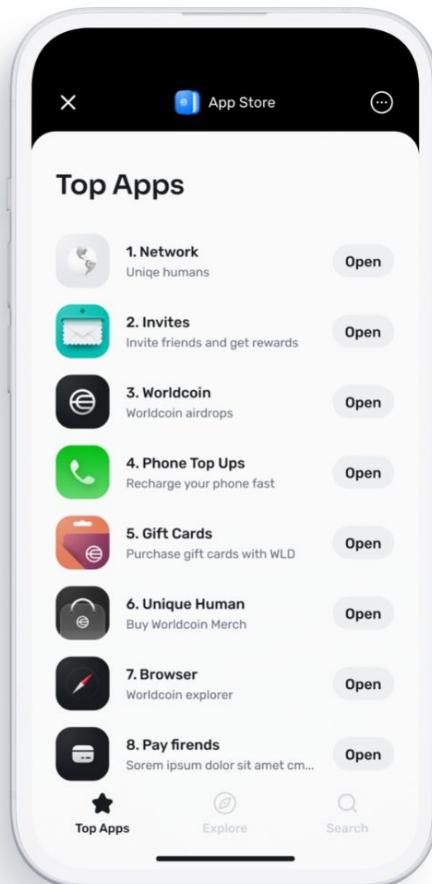
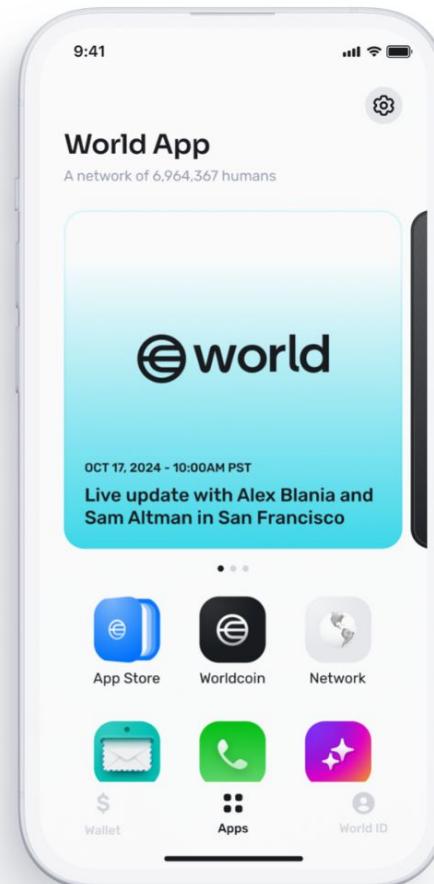
Ethereum makes this permissionless!



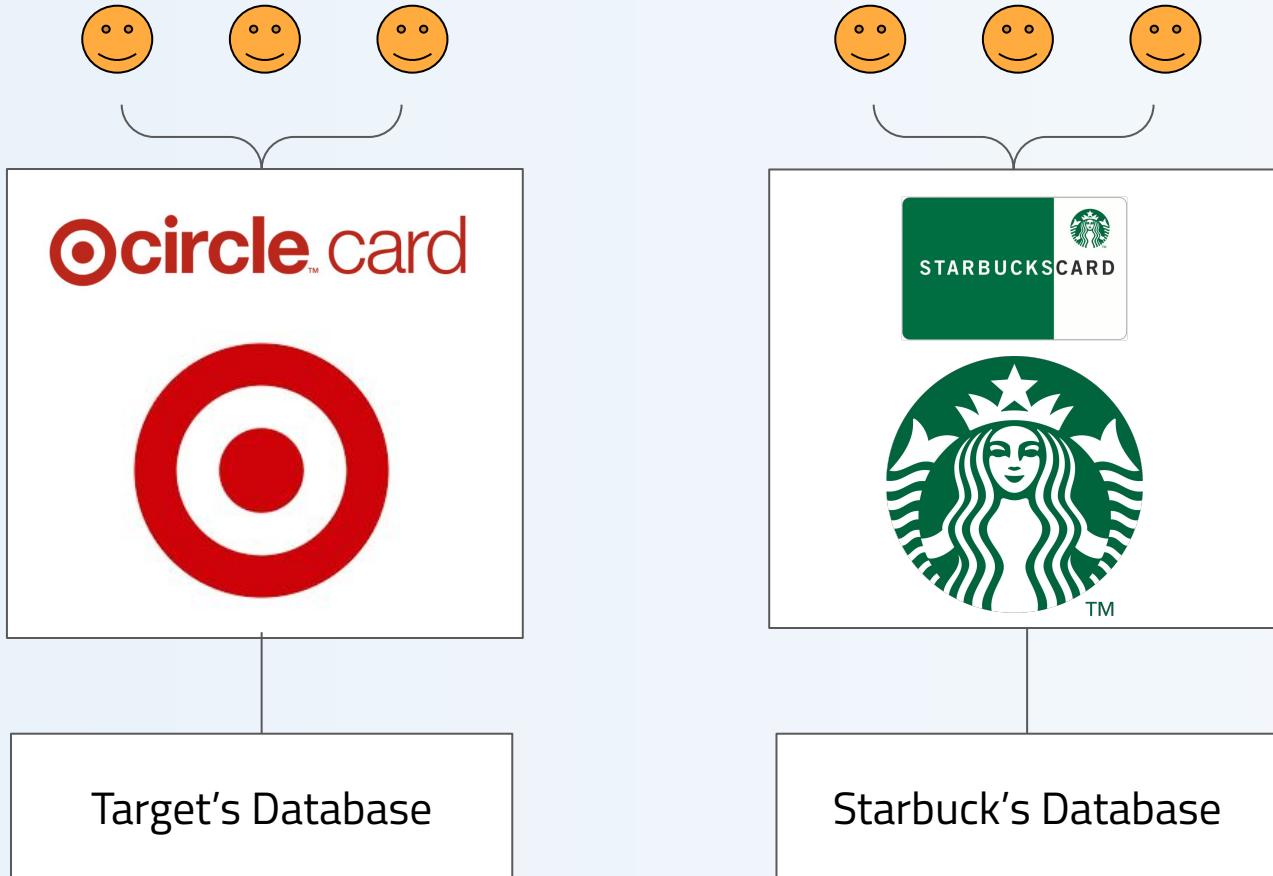


Ethereum makes this permissionless!

Mini Apps



Partnerships





Interoperable



Ethereum



Access

Liquidity

Interoperability

Ethereum's Path to Victory

Access

CEXes & Ramps Be the place where onramps and CEXes want to be and integrate with

Ethereum Mainnet Leverage the massive head start that Ethereum Mainnet has

Rollup Roadmap Ensure that Ethereum-aligned rollups stay aligned but also benefit from Ethereum integrations

Liquidity

Supply on Ethereum Mainnet Make Ethereum Mainnet the best place for *supply* of assets, rollups the best place for *movement* of those assets

Attract the Best Assets to Ethereum Mainnet, both crypto native ones and RWAs, bridge into Layer 2s

Interoperability

Interoperable Rollups Ensure that the Ethereum product does not become fragmented, both across clusters and within clusters (e.g., Superchain)

Interoperability Architecture Build the tooling, contract patterns, and norms around interoperable cross-L2 protocols

Summary

Stablecoins are here to stay, and have found product market fit

The landscape that got us here has fundamentally changed

Bring customers onchain, leveraging distribution (e.g., Coinbase)

Ethereum can win this wave of adoption by focusing on

Integrations with as many banks, currencies, payment rails as possible

Being the center of gravity for global onchain liquidity

Being as interoperable as possible to enable permissionless partnerships

Stablecoins are the gateway drug to Ethereum.



Stablecoins | The Monetary Upgrade by Peter Schroeder

Thanks!

stablecoins@liamhorne.com

Ethereum Real World Economy Panel

Thursday @ 3PM Main Stage