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# GLOBAL MACRO RESEARCH

## GETTING UP TO SPEED ON STABLECOINS

MARCH 2026



## EXECUTIVE SUMMARY

- **Stablecoins – digital tokens designed to maintain a stable value – have expanded rapidly, growing from a niche instrument into a significant component of the global digital-asset ecosystem.** Their appeal is clear: they offer near-instant settlement, 24/7 global reach, programmability, transparent on-chain auditability, and low transaction costs. As digital assets and services become increasingly integrated into global finance, stablecoins are expected to be an important part of this evolution.
- **Different countries are prioritising different objectives.** The United States now leads both in issuance and regulatory clarity, driven by the GENIUS Act and broader political support for dollar-denominated digital money. Europe, the UK, and Asia are developing their own divergent regulatory regimes, reinforcing a multipolar digital-currency environment rather than a global standard.
- **Of all the forms of digital payments, we see stablecoins as having the potential for the greatest macro impact.**
  - While stablecoins have the potential to disrupt monetary policy transmission, US restrictions on interest payments should limit this risk.
  - Even moderate adoption could meaningfully increase demand for the assets used to back stablecoins, including cash, T-bills, repo, commercial paper, floating-rate instruments, and high-quality ABS, though this will not translate into a one-for-one rise in net new demand.
  - The downside is that wider adoption could make government budgets more sensitive to interest-rate movements, while also introducing systemic risks if confidence in a major stablecoin were to falter.
  - Although stablecoins can support financial inclusion, the proliferation of competing issuers risks fragmenting the market rather than unifying it.
  - Stablecoins also give people in emerging markets direct access to the US dollar outside the traditional banking system, which can amplify capital-flight volatility and offer channels for sanctions evasion.
- **While stablecoin usage will continue to grow, we remain cautious about the more optimistic projections.** Their shortcomings, ranging from regulatory uncertainty to questions around reserves and risk transmission, combined with intensifying competition from tokenised deposits, limit the likelihood that they reach the most bullish projections.

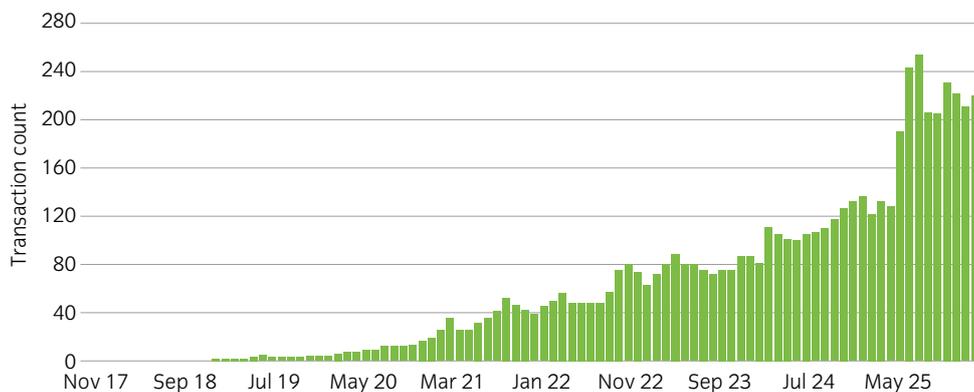
# UNDERSTANDING THE STABLECOIN HYPE

Stablecoins have grown rapidly, with market capitalisation rising by around \$100bn to exceed \$300bn in 2025, and some analysts projecting it could reach \$4trn by 2030 – close to the current US monetary base of roughly \$5trn<sup>1</sup>. Monthly transaction volumes have also accelerated, reaching 215m in January 2026 (see Figure 1), more than 60% higher than the previous year.

This remains far below the transaction volumes handled by Visa and Mastercard, with Visa alone recording a total of 329bn transactions in 2025, roughly 27.4bn a month<sup>2</sup>. But stablecoins are now approaching the scale of Diners Club/Discover.

Given this rapid expansion, and their potential to become an additional funding channel for governments, we believe now is an opportune moment to reassess the key issues surrounding stablecoins and consider how they might influence broader financial markets.

Figure 1: Transactions in stablecoins have grown materially<sup>3</sup>



## THE ECOSYSTEM FOR DIGITAL ASSETS

To fully understand stablecoins, it's helpful to first step back and look at the broader digital ecosystem in which stablecoins operate.

- **Blockchain:** A blockchain is a distributed ledger that records data (such as transactions) in a secure, transparent, real-time, and tamper-resistant way. This stands in contrast to a traditional ledger, which is typically maintained by a single central authority (such as a bank), is updated periodically rather than in real time, and relies on trust in that intermediary rather than a network-wide consensus. The first blockchain, launched in 2009, was designed to support Bitcoin, but the technology's applications now extend far beyond cryptocurrency. Thanks to its programmable nature, blockchain has many potential uses, including smart contracts, supply-chain tracking and digital identity systems. Blockchains are broadly divided into public and private networks (see Table 1, overleaf). Public blockchains – such as Bitcoin, Ethereum and Solana – are the most widely used due to their open accessibility. **Ultimately, we are still in the early stages of digitalisation, and broader adoption of blockchain technology is likely to radically change how assets and services are bought, sold and paid for in the years ahead.**

<sup>1</sup> [Stablecoins 2030](#) (PDF), September 2025, Citi.

<sup>2</sup> Source: [Visa Annual Report 2025](#) (PDF), Visa.

<sup>3</sup> Source: [Stablecoin Transactions](#), as at 31 December 2025, Visa. \$215 million is the figure adjusted for inorganic activity from bots and other artificially inflationary practices.

Table 1: Key features of blockchain technology<sup>4</sup>

	Public blockchain	Private blockchain
Access	Open to anyone	Restricted, permissioned
Control	Fully decentralised	Centralised or consortium-governed
Transparency	Fully transparent	Selectively visible
Performance	Slower (more participants in network)	Faster (fewer participants in network)
Use cases	Cryptocurrency, decentralised finance, tokenisation	Interbank settlement, enterprise data sharing

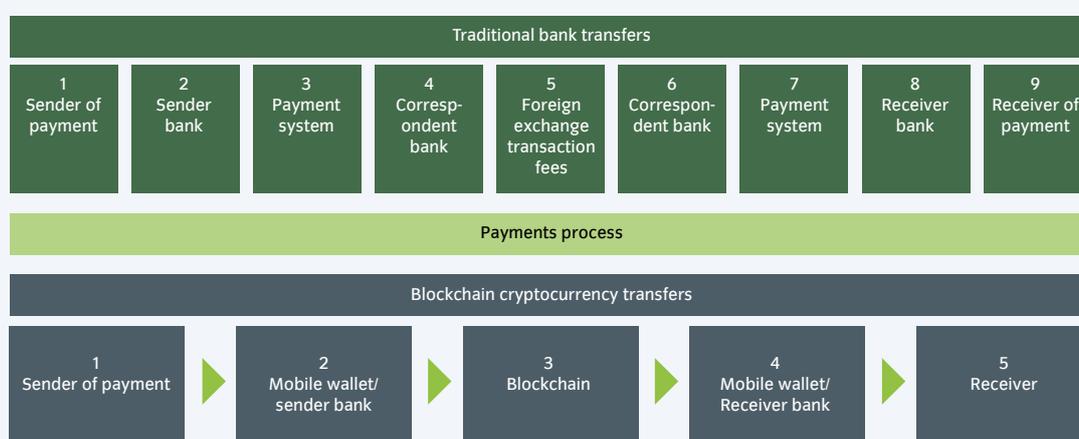
- **Asset tokenisation:** In this context, tokenisation refers to taking something with economic value – real estate, artwork, commodities, fund units, bonds or even cashflows – and representing it as a digital token. Tokens are:
  - **Recorded on a blockchain:** stored on a permanent, tamper-resistant ledger
  - **Divisible:** allowing fractional ownership of assets that would otherwise be out of reach
  - **Transferable:** enabling easy, sometimes 24/7, trading between participants
  - **Transparent:** with ownership and transaction histories visible on-chain

Asset tokenisation allows for fractional ownership, improves liquidity for traditionally illiquid assets such as private equities or fine art, and speeds up settlement to minutes instead of days or weeks. Programmability means tokens can embed rules on who can hold them, when they can be traded and execute automatic payouts (e.g. interest payments).

- **Cryptocurrencies:** The term cryptocurrency encompasses a broad spectrum of digital tokens, ranging from unbacked cryptocurrencies like Bitcoin, to asset-backed stablecoins. The first major application of blockchain technology, cryptocurrencies function both as digital assets and as payment mechanisms processed directly on a blockchain network. According to CoinWeb<sup>5</sup>, there are just over 9,000 active cryptocurrencies. Their appeal stems largely from the operational efficiencies they introduce:
  - **Rapid settlement:** transactions are confirmed within minutes
  - **24/7 market access:** they can be traded at any time, with no market closures or holidays
  - **Lower costs:** removing intermediaries reduces transaction fees
  - **Global accessibility:** anyone with an internet connection can use them, regardless of local banking infrastructure
  - **Transparent record-keeping:** all transactions are recorded on a blockchain, providing instant, permanent and auditable verification
  - **Programmable money:** automatic rebalancing or other rules can be built directly into crypto-based systems
  - **Smart-contract functionality:** conditional payments, such as the release of funds upon delivery of an order, can be executed automatically

The greatest efficiencies from blockchain are for cross-border transactions, as outlined in Figure 2. This will benefit both business transactions and remittance flows, reducing costs and allowing instant transactions.

Figure 2: Blockchain transaction versus traditional bank transaction for cross-border payment<sup>6</sup>



<sup>4</sup> Source: Insight Investment.

<sup>5</sup> Source: [How Many Cryptocurrencies Are There in 2026? \(Updated Stats\)](#), 24 October 2023, Coinweb.

<sup>6</sup> Source: Bank of America, published July 2025.

Although a type of cryptocurrency, stablecoins differ fundamentally from cryptocurrencies like Bitcoin or Ethereum because they are designed to maintain a stable value relative to a major currency, whereas traditional cryptocurrencies are highly volatile and driven purely by market supply and demand. Stablecoins are issued by private entities or decentralised protocols and rely on reserves or collateral to maintain their peg. CBDCs, by contrast, are issued and guaranteed by central banks and function as official digital money with the same legal status as physical cash.

In essence, stablecoins act as a bridge between fiat currency and crypto markets, while CBDCs represent official digital cash backed by central banks. Finally tokenised deposits are a digital representation of a traditional bank deposit issued by a regulated bank.

Table 2: Key differences between major forms of digital payments<sup>7</sup>

	Stablecoins	Cryptocurrencies	CBDC	Tokenised deposits
<b>Issuer</b>	Private companies	Decentralised network, no single issuer	Central bank	Regulated deposit-taking institutions (banks)
<b>Price stability</b>	Aims to be stable versus selected currency or asset	Highly volatile and speculative asset	Perfectly stable versus national currency	Perfectly stable versus underlying bank deposit (1:1 claim on bank)
<b>Backing</b>	Typically collateralised by cash, short-term debt or commodities	None	Fully backed by central bank	Fully backed by customer deposits held by issuing bank
<b>Centralisation</b>	Varies	Fully decentralised	Fully centralised	Fully centralised
<b>Legal tender</b>	No	Small number of countries	Yes	No
<b>Programmability</b>	Yes	Yes	Yes	Yes
<b>Supply</b>	Controlled by issuing company	Set rules written into the protocol	Controlled by central bank	Controlled by issuing bank

Although blockchain has the potential to transform a wide range of processes, its implications for financial market infrastructure are especially significant. When combined, blockchain, tokenisation, and cryptocurrencies form the basis of what may be the most important evolution in market infrastructure since SWIFT replaced the error-prone Telex messaging system in 1977.

Blockchain provides the underlying platform for digital marketplaces; tokenisation enables both digital-native and traditional assets and services to be exchanged in near instantaneous and programmable form; and cryptocurrencies present a digital form of payment that will fuel the digital marketplace.

While the ecosystem is still developing, these technologies promise substantial gains in efficiency, speed and cost-effectiveness across financial markets.



Blockchain, tokenisation, and cryptocurrencies form the basis of what may be the most important evolution in market infrastructure since SWIFT replaced the error-prone Telex messaging system in 1977.

<sup>7</sup> Source: Insight Investment.

# UNDERSTANDING STABLECOINS

## A NEW ERA FOR GLOBAL PAYMENTS

A rapidly expanding digital marketplace demands faster payments. After all, real-time asset transfers lose their value if transactions still take hours or even days to settle. This is why stablecoins are gaining traction as an efficient digital payment system.

### WHAT IS – AND WHAT IS NOT – A STABLECOIN

A stablecoin is a digital currency, issued by a private company, and designed to maintain a stable value relative to a non-digital currency or asset – most commonly the US dollar. In order to maintain value, the stablecoin is typically backed by low-risk assets in the currency they are pegged to. For example, each token of USD Coin (USDC) is backed by US dollar cash and US T-bills. Stablecoins may be linked to a range of assets; for instance, Tether Gold (XAUT) is supported by gold stored in a Swiss vault<sup>8</sup>. However, to achieve wider adoption as a medium of exchange, stablecoins must ensure value stability and typically be tied to a major currency such as the US dollar or the euro. This necessity for a consistent value differentiates stablecoins from cryptocurrencies like Bitcoin, which has experienced significant price volatility and is often used as a speculative asset.

Effectively, stablecoins are a bridge between digital assets and services. Today they are used mainly to facilitate cryptocurrency trading, and many do not maintain perfect parity with their reference asset. Most operate like digital versions of money market funds, only without generating income.

As stablecoins gain traction and become integrated into mainstream payment systems, a strong case can be made for their expanded use – some analysts estimate stablecoin market capitalisation will reach \$4 trillion by 2030 in a bullish scenario<sup>9</sup>, from the current \$300bn.

Table 3: Stablecoin examples<sup>10</sup>

Stablecoin	Tracks	Primarily backed by	Approx value March 2026
Tether (USDT)	US dollar	Cash/US T-bills	\$183bn
USD Coin (USDC)	US dollar	Cash/US T-bills	\$76bn
USD Stable (USDS)	US dollar	Cash/US T-bills/other stablecoins	\$9.7bn
Euro Coin (EURC)	Euro	Cash/euro deposits	\$459m

### THE STABLECOIN EVOLUTION

Stablecoins have a long and checkered past. The first attempt was BitUSD, launched in July 2014. Its goal was to maintain a 1:1 peg to the US dollar while operating on a decentralised blockchain. However, BitUSD relied on collateralisation with BitShares' native token (BTS), using a smart contract that required two BTS for every BitUSD issued. This design proved fragile: BitUSD collapsed in 2022, falling to around \$0.22, before staging a recovery to over \$1.20 by 2025. BitUSD was soon followed by NuBits, which attempted a similar model but used Bitcoin as collateral, likewise failing to deliver true stability.

In May 2022, the crypto market saw one of the most notorious stablecoin failures. TerraUSD (UST), an algorithmic stablecoin tied to the LUNA token through a mint-and-burn mechanism (where new tokens are added to circulation, but then made inaccessible to restrict supply), lost its peg to the US dollar during a surge of withdrawals. UST's value collapsed to nearly zero, wiping out tens of billions of dollars in market value, intensifying global regulatory scrutiny of stablecoin risks.

A major breakthrough then came in October 2022 with the launch of Realcoin, widely regarded as the first genuine stablecoin. Unlike its predecessors, Realcoin was backed primarily by US Treasury bills, repo agreements, and other short-term debt instruments, with roughly 10% of reserves allocated to cryptocurrencies and precious metals. Realcoin was quickly rebranded as Tether, and by 2025 it had gained a dominant position in the stablecoin market.

The shift from stablecoins being seen as high-risk assets to recognising them as potential stabilisers of the digital marketplace comes down to one key factor: stronger regulation.

<sup>8</sup> Source: [Reserves Reports of XAUT](#), Tether Gold.

<sup>9</sup> For example, see [Stablecoins 2030](#) (PDF), September 2025, Citi.

<sup>10</sup> Source: [Top Stablecoins Coins Today By Market Cap](#), as at March 2026, Forbes.

## CLEARER OVERSIGHT IS RESHAPING STABLECOIN MARKETS

Regulations are being developed and introduced globally for stablecoins, and these are directly shaping the market. A common feature across new regulations is a requirement for stablecoins to be backed by a minimum threshold of high-quality assets in the relevant currency.

In the United States, the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, which was passed into law in July 2025 for US dollar stablecoins<sup>11</sup>, represented a significant regulatory milestone in the digitalisation of assets. This established the first comprehensive federal regulatory framework for payment stablecoins. Key aspects included:

- Issuers required to maintain 100% of reserves in high-quality assets such as cash/Treasuries
- Strict rules on asset maturities, for example T-bills must have a maturity of less than 93 days
- Reserves need to be reported monthly and periodically audited
- Redemption should be offered on a 1:1 basis on demand
- Issuers are not allowed to pay interest on stablecoins to limit their function to payment

Smaller stablecoins – those with outstanding issuance below \$10bn – can choose to be regulated at a state rather than Federal level.

The Digital Asset Market Clarity Act (CLARITY Act)<sup>12</sup>, once passed, will then provide legal certainty around how the US will enable the tokenisation of a broad range of asset classes.

While non-US dollar stablecoins remain scarce, regulation is also changing outside the US and should support this budding payment system.

In Continental Europe, the EU's MiCA framework came into effect in June 2023<sup>13</sup>. This requires stablecoin issuers to be authorised and licensed, with non-EU entities required to establish an EU subsidiary. Rules require segregated custody accounts, full reserve backing and immediate redemption. However, a number of national regulators have raised concerns about MiCA. In September 2025, the French Autorité des Marchés Financiers (AMF), the Austrian Finanzmarktaufsichtsbehörde (FMA) and the Italian Commissione Nazionale per le Società e la Borsa (CONSOB) issued a joint statement<sup>14</sup> in which they highlighted 'major differences in how crypto-markets are being supervised by national authorities', calling for direct supervision from the European Securities and Markets Authority (ESMA). While some firms have chosen to secure MiCA approvals, Tether, the largest stablecoin issuer, has chosen not to, with its CEO, Paolo Arduino, using X to be heavily critical of the rules. This means the sale of Tether is restricted within the EU.

In the UK, the Bank of England issued a consultation paper in November 2025<sup>15</sup> on the proposed regulatory regime for sterling-denominated stablecoins and proposed that under normal circumstances, sterling stablecoins should be 60% backed by short-term sterling-denominated UK government debt securities. Stablecoins recognised by HM Treasury, and deemed systematically important, would be required to hold 95% of their assets in short-term sterling-denominated UK government debt, with the percentage declining to 60% as they scale in size.

Elsewhere, a number of Asian countries are pushing forward with robust regulations designed to encourage stablecoin use. Hong Kong's Stablecoins Ordinance came into effect in May 2025<sup>16</sup>, requiring licenses for stablecoin issuance with regulations on reserves. Singapore finalised the Single-Currency Stablecoin Framework in August 2023<sup>17</sup> for stablecoins pegged to the Singapore dollar or G10 currencies and issued in Singapore, specifying minimum reserve and redemption standards. In South Korea, the Democratic Party of Korea introduced the General Act on Digital Assets in July 2025, which is expected to be finalised in early 2026.

<sup>11</sup> Source: [President Donald J. Trump Signs GENIUS Act into Law](#), 18 July 2025, The White House.

<sup>12</sup> Source: [H.R.3633 - Digital Asset Market Clarity Act of 2025](#), 18 September 2025, 119th Congress (2025-2026).

<sup>13</sup> Source: [Regulation \(EU\) 2023/1114 of the European Parliament and of the Council](#), 31 May 2023, EU.

<sup>14</sup> Source: [The French, Austrian and Italian markets authorities call for a stronger European framework for crypto-asset markets](#), 15 September 2025, AMF.

<sup>15</sup> Source: [Proposed regulatory regime for sterling-denominated systemic stablecoins](#), 10 November 2025, Bank of England

<sup>16</sup> Source: [Regulatory Regime for Stablecoin Issuers](#), Hong Kong Monetary Authority.

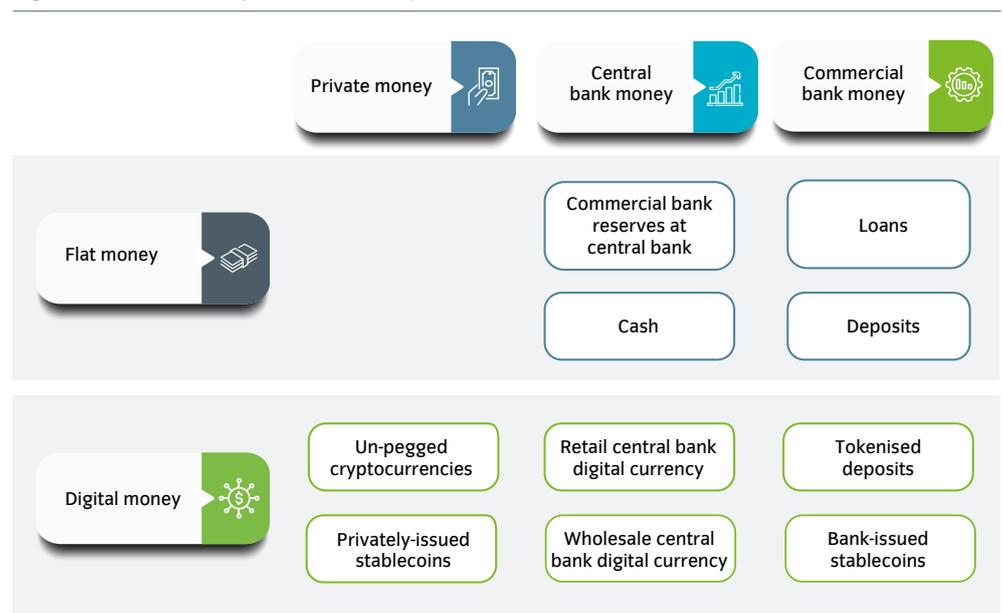
<sup>17</sup> Source: [MAS Finalises Stablecoin Regulatory Framework](#), 15 August 2023, Monetary Authority of Singapore.

# WILL STABLECOINS DOMINATE FUTURE DIGITAL PAYMENTS? NOT SO FAST

In many ways, conditions are becoming increasingly favourable for stablecoins. But how far they can grow will depend not only on their own efficiency, but also on how they compare with other digital payment options. To see where they stand, we need to look at the competition.

- In the traditional, non-digital financial system, money comes in two main forms: central bank money, such as cash and bank reserves, and commercial bank money created through fractional reserve banking. In this system, banks keep only a portion of customer deposits in reserve and lend out the rest, allowing them to create money, provide credit, and support monetary policy. Fractional reserve banking is therefore a core foundation of modern finance. The US once had a long history of private money, reaching its peak during the Free Banking Era (1837- 1863), when almost anyone who met basic capital requirements could open a bank and issue their own banknotes. But the system proved unstable: counterfeiting, frequent bank failures, and bank runs made private money unreliable. By 1935, private banknote issuance had disappeared entirely from the US monetary system.
- In the digital world, central bank money in the form of CBDCs and commercial bank money in the form of tokenised deposits can coexist – and compete – with private cryptocurrency, such as stablecoins.

Figure 3: The main components of money<sup>18</sup>



<sup>18</sup> Source: Digital money: multipolar, 20 August 2025, HSBC.

## ANALYSING THE DIFFERENT FORMS OF DIGITAL MONEY

When considering the key differences between different forms of digital money, a few key points stand out:

- **CBDCs are widely regarded as the safest form of digital money.** Their status as central-bank liabilities removes credit risk and supports instant, final settlement. Programmability further expands their utility, enabling more precise monetary and fiscal interventions and potentially enhancing financial inclusion. However, authorities are expected to impose usage constraints to ensure they do not compete directly with commercial-bank deposits, which may limit their role in everyday payments.
- **Tokenised deposits offer bank-level safety and clear legal status.** They are issued by regulated banks, fully backed by real deposits, and can be redeemed at face value. Because they sit on permissioned networks with strong compliance controls, they allow fast, programmable payments without relying on public blockchains. Using a shared ledger reduces the need for manual reconciliation and lowers back-office costs. Privacy is enhanced relative to public blockchains as transaction details are only available to authorised parties, while they can be scaled to still handle large volumes of institutional payments reliably.
- **Stablecoins are private money, as such they carry higher risk than either CBDCs or tokenised deposits.** Although stablecoins offer real-time settlement and programmability like other digital payment forms, they still face several disadvantages:
  - **Reserve and counterparty risk:** Although regulation and transparency are improving, stablecoins still carry underlying reserve and counterparty risks. These risks can come from the issuer, the custodians holding the reserves, or the counterparties they rely on. There is also a possibility of fraud, such as overstated reserves or misappropriated funds. The ultimate concern is that holders may not be able to redeem their tokens 1:1 when needed, with major stablecoins rarely trade exactly at par.
  - **Reserve quality risk:** In November 2025, S&P Global Ratings downgraded Tether<sup>19</sup>, the largest stablecoin, from “constrained” to “weak,” citing increased exposure to riskier assets such as Bitcoin, gold, corporate bonds, and secured loans, alongside limited transparency about the creditworthiness of key custodians and counterparties.
  - **Not legal tender:** In most jurisdictions, stablecoins are not recognised as legal tender and are not protected by government deposit-insurance schemes, such as FDIC insurance in the US.
  - **Restrictions on interest payments:** In some jurisdictions, including the US, stablecoin issuers are not allowed to pay interest. Under the GENIUS Act, issuers cannot directly pay interest to holders, meaning that any returns must come from third-party platforms, reward schemes, or lending markets.
  - **High conversion costs:** While on-chain transactions can be efficient and low cost, converting between fiat currency and stablecoins can be expensive and operationally cumbersome. Fees of around 1% are common, and users can face checks that increase processing time.
  - **Cybersecurity vulnerabilities:** Stablecoins rely on blockchain networks, smart contracts, and digital wallets, all of which introduce cybersecurity risk. Wallets can be hacked, smart contract flaws can be exploited, and cross-chain ‘bridges’ are frequent targets for attacks. Advancements in AI and quantum computing may amplify these vulnerabilities.
  - **Fragmentation:** The USD stablecoin market, while large, remains highly fragmented. Many smaller USD stablecoins lack interoperability, limiting the ecosystem’s ability to function as a unified, efficient payment network.

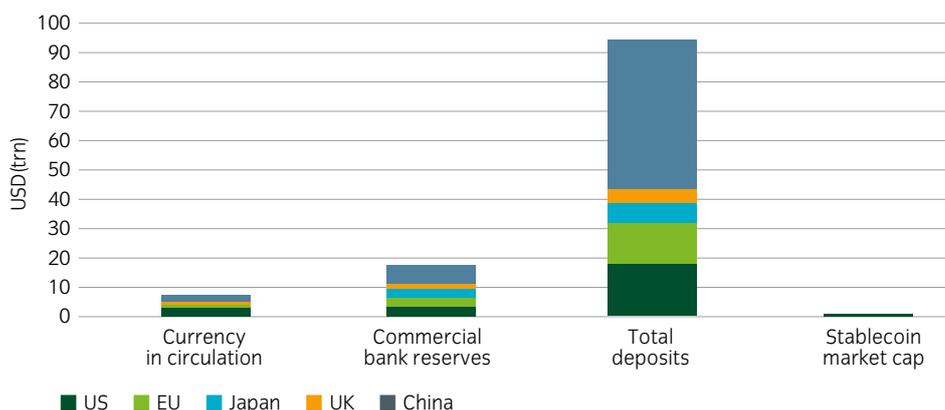
<sup>19</sup> [S&P cuts Tether stablecoin rating to ‘weak’ on disclosure gaps](#), 26 November 2025, Reuters.



Stablecoins will almost certainly keep expanding as more assets and services move on-chain. However, it is far too early to assume they will become the dominant form of digital payments. At the same time, CBDCs are likely to remain limited in scope, as governments are reluctant to introduce public money that could compete directly with commercial banks.

Tokenised deposits, however, can offer a compelling balance of low risk and strong utility. Their potential scale is immense, well over \$90trn, far surpassing any other form of digital money. BNY has introduced a tokenised deposit service that allows clients to move funds across blockchain networks<sup>20</sup>, and with nearly \$60trn in assets under custody, its involvement shows how quickly adoption could build.

Figure 4: Market capitalisation of different forms of money (USD trillion)<sup>21</sup>



## FUTURE STABLECOIN DEMAND

Although stablecoins may not end up as the dominant digital payment instrument, they are likely to excel in several important areas.

- **Crypto trading and on-chain liquidity:** Stablecoins remain central to crypto markets, serving as the base currency on exchanges and enabling fast movement between volatile assets. Their stability makes them the preferred asset for lending, collateral, and leverage.
- **Cross-border payments:** Stablecoins offer a faster and cheaper alternative to traditional international transfers, enabling businesses and individuals to move money across borders in minutes at a fraction of current costs.
- **Financial inclusion:** With 22% of the global population still unbanked, and millions more underbanked, stablecoins provide simple access to payments and savings using only a mobile phone. In countries with unstable currencies, USD-denominated stablecoins can also offer a useful hedge against inflation and policy uncertainty.
- **Illicit activity:** Greater accessibility also brings risk. Stablecoins are increasingly used in illicit finance, with Chainalysis<sup>22</sup> data showing their share of online illicit transactions rising from 20% in 2020 to 63% in 2024, underscoring both their growing scale and the need for strong oversight.

According to JP Morgan<sup>23</sup>, the majority of current stablecoin demand comes from the crypto ecosystem (roughly 88%). However, a recent paper by the IMF<sup>24</sup> suggests that inflows to stablecoins often rise when the US dollar is rallying, suggesting people use stablecoins as an easy way to hold dollar-based assets and protect their savings from depreciation.

Taken together, this indicates that demand for stablecoins is driven not only by crypto activity but also by the need for hard currency in countries facing higher macroeconomic risks than the US.

<sup>20</sup> Source: [BNY Extends Digital Cash Capabilities for Institutional Clients](#), 9 January 2026, BNY.

<sup>21</sup> Source: [Digital money: multipolar](#), 20 August 2025, HSBC.

<sup>22</sup> Source: [The Chainalysis 2025 Crypto Crime Report](#), February 2025, Chainalysis.

<sup>23</sup> Source: [How much of stablecoin expansion?](#), 3 July 2025, JP Morgan.

<sup>24</sup> Source: [Decrypting Crypto: How to Estimate International Stablecoin Flows](#), 11 July 2025, IMF.

## DIFFERENT COUNTRIES ARE PRIORITISING DIFFERENT OBJECTIVES

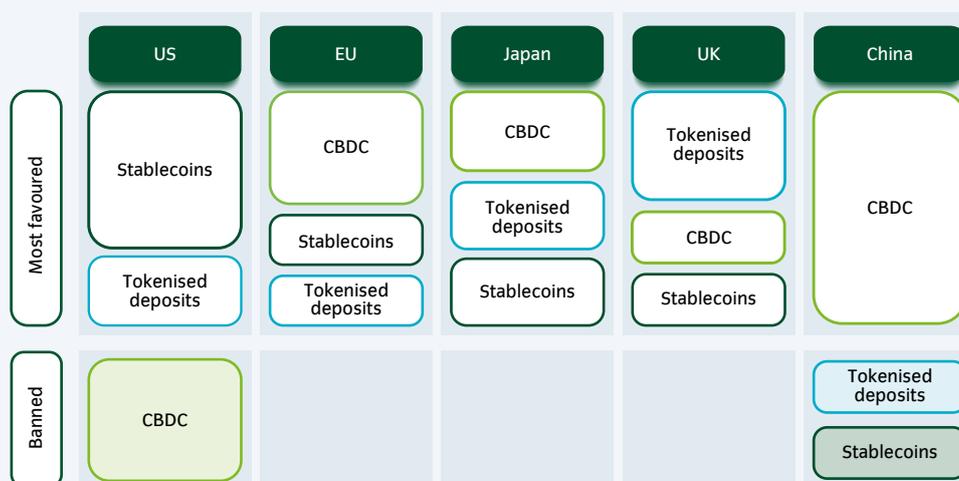
Unsurprisingly, central banks around the world are closely studying which form of digital money, if any, will eventually dominate. But there is still no global consensus on how the landscape will develop.

- In the **US**, the administration has emphasised support for dollar-based stablecoins. The GENIUS Act aimed to give regulatory clarity and bring stablecoins into everyday payments. Treasury Secretary Bessent argued that stablecoins would strengthen the dollar's reserve-currency role and boost demand for US Treasuries<sup>25</sup>. At the same time, the administration pushed for a ban on a US CBDC over concerns about privacy and government overreach. The GENIUS Act paid far less attention to tokenised deposits but explicitly excluded them, allowing banks to pursue these models without needing new licences.
- **China** has taken the opposite approach. It leads in digital payments with its eCNY CBDC, which, although still in pilot, is already integrated into major state banks and mobile platforms. Unlike the US, which resists CBDCs and backs stablecoins, China promotes its CBDC while banning stablecoins and other crypto assets due to concerns about financial stability, capital controls, fraud, and the risk of dollarisation. The eCNY is designed to modernise payments, expand access, and maintain monetary control, countering the dominance of private platforms like WeChat Pay and Alipay.
- **Hong Kong** is charting its own path. Its new stablecoin regulations include strict traceability rules, making Hong Kong dollar stablecoins resemble China's eCNY more than US stablecoin models. Hong Kong is also backing tokenisation initiatives such as Project Ensemble, which connects tokenised deposits with wholesale CBDCs for instant settlement – projects that may ultimately influence future policy on the mainland.
- In the **EU**, the priority is developing a digital euro. There is less focus on euro-based stablecoins or tokenised deposits. The European Central Bank is especially concerned that stablecoins backed by US dollar assets could undermine Europe's monetary sovereignty, reflecting long-standing worries about US dominance in both traditional and digital payments. A digital euro is also seen as a way to strengthen the euro's role as a global reserve currency.
- In the **UK**, policymakers remain open to all three options – digital currency, stablecoins, and tokenised deposits. But the Governor of the Bank of England, Andrew Bailey, has recently suggested that a digital pound (often called "Bitcoin") may be less necessary if tokenised deposits can meet the needs of an increasingly digital payment system<sup>26</sup>.
- In **Japan**, there appears to be equal support for all three approaches, which are seen mainly as ways to upgrade the domestic payment system in a country moving quickly towards cashless transactions. Expanding the international use of the yen is not a policy goal for Japan.

The lack of global vision on the future of digital payments suggests the battle will be fought along two lines: merit and scale.

Looking at the outlook for digital payments, the scale of US dollar use within international payments<sup>27</sup> suggests that US dollar stablecoins are likely to continue to dominate. However, on raw merit, stablecoins lag other forms of money.

Figure 5: There is no global vision on how to develop the digital payment ecosystem<sup>28</sup>



<sup>25</sup> Statement from U.S. Secretary of the Treasury Scott Bessent on Enactment of the GENIUS Act, 18 July 2025, US Department of the Treasury.

<sup>26</sup> Bank of England Considers Shelving Plans for a Digital Pound, 22 July 2025, Bloomberg.

<sup>27</sup> The International Role of the U.S. Dollar – 2025 Edition, 18 July 2025, US Federal Reserve.

<sup>28</sup> Source: Digital money: multipolar, 20 August 2025, HSBC.

# THE MACRO IMPLICATIONS OF GROWING STABLECOIN DEMAND

Current estimates for the size of the stablecoin market by the end of the decade range from \$500bn to \$4trn – a huge spread that reflects different assumptions on the degree to which stablecoins will expand beyond crypto-related activity and into mainstream global payments.

- **Greater competition for the banking sector.** A major factor shaping this outcome is the pace of deposit tokenisation. Banks successfully lobbied to block stablecoin issuers from paying interest under the GENIUS Act, which should limit the impact on the banking system given the dominance of US dollar stablecoins. Nonetheless even modest growth in stablecoins could produce pressures.
  - **Higher funding costs for banks**, as deposits would become harder to retain.
  - **Disruptions to credit supply**, since banks play a central role in lending.
  - **Weaker transmission of monetary policy**, because central banks rely on the banking sector to pass changes in interest rates through the economy.

But if stablecoin adoption remains moderate – which we think likely – these disruptions should be manageable rather than destabilising. This suggests that banks are likely to remain central within digital money ecosystems, rather than being threatened by them – with a key role as issuers, custodians, liquidity managers, and compliance anchors.

- **Even if adoption remains moderate and toward the lower end of current forecasts, it would still create a meaningful increase in demand for the assets used to back issuance.** This includes cash, Treasury bills, repo, commercial paper, floating-rate instruments and high-quality asset-backed securities. However, we should be cautious not to overstate the impact, as if investors are switching from money market funds, those funds already hold similar underlying assets.

By mid 2025, stablecoin issuers had become the second largest buyer of US T-bills, second only to major money market funds (see Figure 6, A). **The potential to provide governments with a welcome new source of funding may help explain the strong political support for stablecoins in the US.**

However, deeper integration between stablecoins and government debt also introduces new risks.

- **Increased reliance on T-bill issuance increases budget sensitivity to interest rate shifts.**
- **If there was a loss of confidence in a major stablecoin, for example after a cyberattack, it could trigger mass redemptions.** Meeting those redemptions might require the issuer to liquidate substantial volumes of T-bills at speed, potentially depressing reserve values. That in turn could impair the issuer's ability to honour redemptions at par and raise the risk of broader market contagion.
- **Greater use of US dollar stablecoins more deeply embeds the dollar into global payment systems.** This is an important consideration given the ongoing debate about the dollar's long-term reserve-currency status. USD based stablecoins dominate the market, far outweighing non USD options such as euro denominated stablecoins.
- **While stablecoins can boost financial inclusion, they also risk fragmenting the payments landscape.** After Tether's first-mover advantage, major banks and corporations, including Walmart, Amazon, and Revolut, have begun exploring or launching their own branded stablecoins. These could eventually be tied to reward programmes or loyalty systems, allowing large firms to bypass traditional payment systems like Visa and Mastercard. This increasing number of competing stablecoins may fragment the market. However, if all stablecoins remain fully convertible at par with their underlying currency, users should still be able to switch between them easily.
- **They bring greater financial inclusion, but also have the potential to destabilise.** Stablecoins give people in emerging markets direct access to the US dollar without going through the local banking system, and without the volatility of more speculative cryptocurrencies. Estimates suggest that roughly two thirds of all stablecoin holders are in emerging markets, and demand is expected to rise sharply – from about \$173 billion in 2025 to over \$1.2 trillion by 2028 – largely by drawing money out of domestic bank deposits.

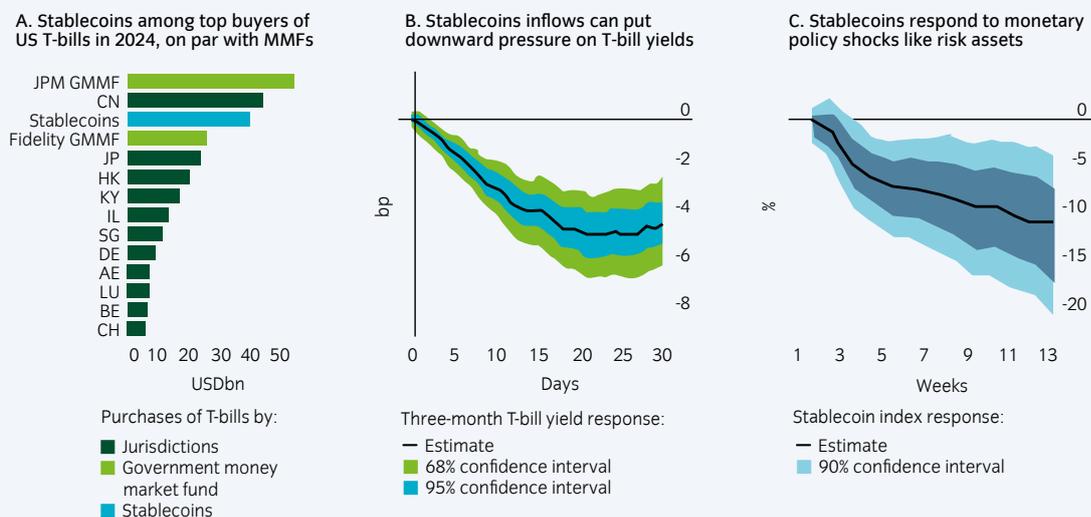
Critically they are available to those without any access to banking services. During crises marked by rapid inflation or currency collapse, stablecoins allow users to move instantly into a more stable asset. But this also increases the risk of capital flight, making it harder for central banks to control outflows and maintain stability. Countries such as China have banned stablecoins for this reason.

Instead of bans alone, policymakers can reduce risks by maintaining strong macroeconomic policies, building appropriate regulatory frameworks, and expanding domestic digital payment infrastructure. A good example is Project Nexus, which will connect fast payment systems across India, Malaysia, the Philippines, Singapore, and Thailand when it goes live in 2026.

- **Stablecoins also offer a way for sanctioned jurisdictions to bypass USD-centric systems.** While issuers can freeze wallets, as Tether did when it blocked \$28 million linked to Russian exchange Garantex in 2025, new alternatives are emerging. Russia, for example, has launched a rouble-backed stablecoin (the A7A5) in Kyrgyzstan, reportedly processing up to \$1 billion in transactions daily and enabling cross border payments outside the traditional system. In short, while USD stablecoins can reinforce the dollar's global reach, they can also be used to evade sanctions and capital controls, creating new geopolitical challenges.

Figure 6 outlines an impulse response which estimates the impact on T-bill yields from a 2 standard deviation inflow into stablecoins – roughly \$3.5bn. Such an inflow is associated with a 2.5–5bp decline in yields, while equivalent outflows have an effect up to three times larger. Historically, stablecoins have also tended to react negatively to periods of monetary-policy tightening, as illustrated in panel C.

Figure 6: Stablecoins' effects on safe asset markets and reaction to monetary policy<sup>29</sup>



<sup>29</sup> Source: *Annual Economic Report 2025*, June 2025, BIS. Shows an impulse response which estimates the impact of a 2 standard deviation inflow into stablecoin (approx \$3.5bn).

# CONCLUSIONS

As commerce, assets, and financial infrastructure become increasingly digital, we will need payment instruments designed specifically for this environment. Stablecoins are one promising option – fast, programmable, and already widely used in crypto markets – but they are far from the only solution. CBDCs and tokenised deposits will also form part of this emerging ecosystem, creating a landscape in which multiple forms of digital money coexist rather than a single instrument dominating.

Stablecoins are becoming more closely integrated with traditional financial plumbing, as banks and regulated intermediaries begin to influence how digital money is issued, backed, and deployed at scale.

While stablecoin usage will continue to grow, we remain cautious about the more optimistic projections. Their shortcomings, ranging from regulatory uncertainty to questions around reserves and risk transmission, combined with intensifying competition from tokenised deposits, limit the likelihood that they reach the most bullish estimates of up to \$4trn.

Among the various forms of digital money, we see stablecoins as having the greatest potential macro impact. On the positive side, they could create incremental demand for short-dated government securities, though not on a one-for-one basis, as some inflows will simply be diverted from money market funds or bank deposits. Their expansion would also reinforce the US dollar's role in global payments. However, they also bring risks, including greater financial fragmentation and increased rollover risk and potential liquidity pressures in short-term debt markets. They could also raise vulnerabilities to capital flight and make sanctions evasion easier.

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