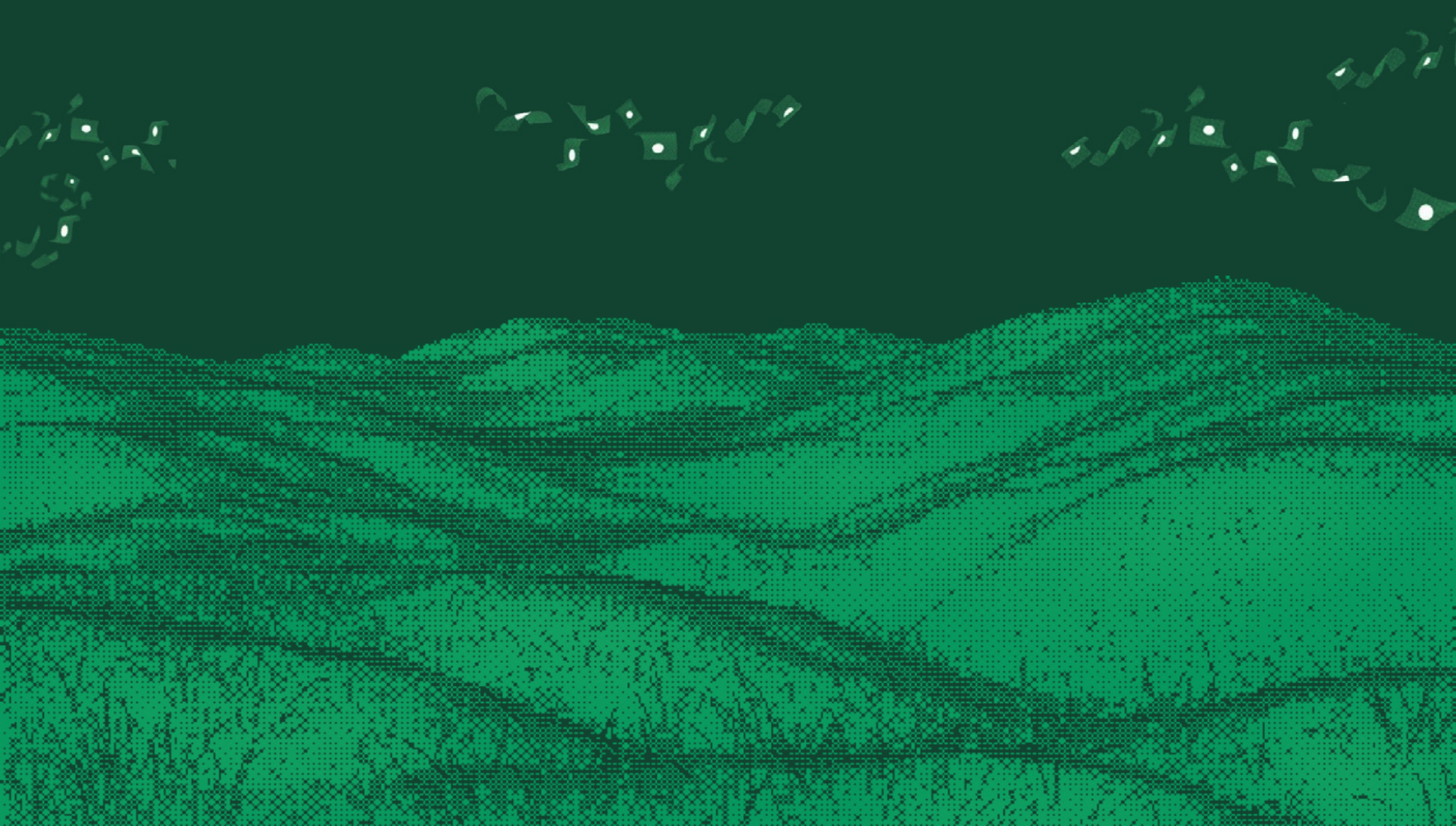


Stablecoins & Cross-Border Payments

 OpenFX

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Stablecoin transactions
total trillions, but still
remain 1% of global
payment flows.

Introduction

In 2019, the entire stablecoin market was worth less than \$2 billion. By 2024, transaction volume reached \$27.6 trillion, more than Visa and Mastercard processed combined. Market capitalization crossed \$300 billion. 90% of financial institutions reported taking some action in the market: Planning, pilots, live deployments. Regulatory frameworks that stalled for years became law across the G7. Bank of America's CEO declared entry into stablecoins a matter of "when, not if."

The headlines write themselves: "A new era in cross-border payments is upon us."

And yet.

Stablecoins remain just 1% of global payment flows, the same share reported in 2023 and 2024, stubbornly unchanged despite explosive growth in absolute terms.

When Visa executives were asked to rate institutional adoption on a scale of 1 to 10, the [answer came back 0.5](#). 86% of firms report their infrastructure is "ready," but almost none have deployed stablecoins at scale. The European Union has arguably the world's most comprehensive stablecoin regulation, but euro stablecoins total less than €350 million, a rounding error.

So, are stablecoins the most important evolution in cross-border payments since SWIFT or are they a quirky footnote?

Both narratives are true. The revolution and the stasis. The explosive growth and the stubborn 1%. The institutional momentum and the 0.5 rating. Understanding cross-border payments in 2025 requires holding both of these ideas simultaneously.

This Document's Purpose

This whitepaper is not an argument for stablecoin enthusiasm or skepticism. It is an attempt to see the market clearly, to distinguish what we know from what we don't going into 2026, and what we might be able to predict from that data.

We structured this analysis into six themes:

Convergence: We examine 2025 as an inflection point for stablecoins, where improving financial infrastructure and regulatory clarity around crypto meets a market increasingly hungry for fast settling, highly liquid cross-border payments.

The Paradox of Scale: We interrogate the gap between stablecoin transaction volumes and actual market share, revealing why infrastructure (not technology) is the binding constraint, and why the “legacy systems are slow” narrative is only partially true.

Incumbents Respond: Where we document how traditional players are absorbing these new technologies. How legacy systems like SWIFT are working to connect to blockchain networks, how stalwarts like Visa are integrating stablecoin settlement into their infrastructure, why Citi predicts that “bank tokens” (like tokenized deposits) could represent a large chunk of the predicted [\\$100 trillion in annual stablecoin transaction activity by 2030](#). We argue that 2025 is a story of adaptation not displacements.

The Four Regional Races: We look at the distinct dynamics shaping Latin America, Asia, North America, and Europe. How currency instability has pushed much of LATAM towards stablecoin driven solutions. How strong domestic rails are still being hamstrung in Asia by fragmented cross-border payment systems. There are many paths and no universal playbook.

The Dominance of the Dollar: We analyze the self-reinforcing dominance of USD stablecoins (99% of market value) and its implications for monetary sovereignty. We look at how the Stablecoins are creating a crypto-Eurodollar system: digital dollars circulating globally on blockchain rails, largely independent of traditional banking infrastructure.

The Counter-Narratives: We engage seriously with the strongest critiques of this “revolution.” BIS, for example, argues stablecoins fail the fundamental tests of sound money; [six hundred de-pegging events](#) in two years suggest they could be right. Ignoring these arguments doesn’t make them disappear.

Our Point of View

The infrastructure gap matters more than the technology gap. Stablecoins solved the technical problem of “fast settlement”; the blockchain is great at moving money in seconds. On- and off-ramping, compliance checks, and reconciliation aren’t as easy to crack. Moving money quickly requires improvements in the regulatory and operational infrastructure driving cross-border transactions.

Speed has overtaken cost as the primary value proposition. The industry pitched cheaper payments, institutional buyers want faster and more reliable payments: 24/7 operations, instant liquidity, knowing where their money is at every step of the process. The \$10 trillion frozen in pre-funded accounts globally represents a larger prize than transaction fee reduction.

Incumbents are competing by absorbing change, not resisting it. SWIFT, Visa, and major banks are adopting blockchain infrastructure while competing on advantages (primarily trust and regulatory compliance) that challengers struggle to replicate. The disruption narrative has given way to a hybrid model.

Regional context determines everything. Latin America’s necessity-driven adoption differs fundamentally from the North American “institutional-readiness” dynamic and the fragmentation story seen in Asia. There are many parallel races, not one overarching global trend.

Dollar dominance is structural and sticky. USD concentration in stablecoins reflects self-reinforcing forces that compound over time rather than diminish. Strategies premised on multi-currency diversification face persistent headwinds.

Counter-visions deserve weight. To push the industry forward, we must take critiques seriously, particularly concerns about de-pegging and security. These are substantive challenges that will shape how far and how fast stablecoin adoption can proceed.

Chapter 1: Convergence

Key Takeaways

The waiting is over. In 2025, regulatory frameworks that were debated for years became law across the G7, technical infrastructure improved, and major banks launched substantive projects to integrate stablecoins into their operations.

90% of financial firms are taking action on stablecoins. These range from pilots to full-scale deployments. This dynamism is driven chiefly by regulatory clarity; 88% of North American firms view frameworks like the GENIUS Act as catalysts to industry growth.

Stablecoin growth has decoupled from cryptocurrency speculation. The market grew 42% in 2025 while broader crypto only grew 21%. Stablecoin adoption is now driven by real utility, rather than retail speculation.

Stablecoin Market Capitalization 2020 - 2026

Chapter 1 exhibit



70% of global jurisdictions now have or are developing stablecoin frameworks.

The End of the Gray Zone

In 2019, the entire stablecoin market was worth less than \$2 billion. It was backstage infrastructure for crypto traders: A way to park gains between speculative bets, or a workaround for exchanges that couldn't hold real dollars.

By mid-2025, market capitalization crossed \$300 billion. Transaction volumes exceeded \$27 trillion annually. What once was a rounding error became a settlement layer larger than Visa and Mastercard combined.

But for most of that period of growth, stablecoins existed in regulatory ambiguity. They were too large to ignore, with transaction volumes in the trillions and market caps rivaling mid-sized banks. Yet they were too novel to be trusted by most traditional bankers. Financial institutions ran pilots, published white papers, formed working groups, and waited. Compliance officers couldn't approve products built on uncertain legal ground. Treasury departments couldn't hold assets with ambiguous accounting treatment. The technology worked, but the institutional permission structure around it didn't.

That all changed in 2025.

Three independent forces reached critical mass simultaneously:

- Several new regulatory frameworks moved from proposal to law.
- Technical infrastructure on the blockchain matured enough to handle institutional-tier volume.
- More corporations began to see successful pilots paying dividends.

This steady accretion of wins finally resulted in a phase shift, driving the dynamism we've seen this year.

Evolving Regulations

Japan moved first. In June 2023, its comprehensive stablecoin framework took effect, making it the first major economy to establish clear rules for issuance and redemptions. The framework required full backing of digital assets, reserves held in high-quality instruments, and licensed issuers. Strict by any measure —but crucially, clear.

The European Union followed with the Markets in Crypto-Assets Regulation, which entered force in June 2023 and became fully applicable across member states in December 2024. MiCA established requirements for reserve composition, redemption rights, and issuer licensing that applied uniformly across 27 countries in the Eurozone. The framework was comprehensive enough to prompt immediate action: Tether's USDT faced restrictions in EU markets for non-compliance, while compliant alternatives began emerging.

The United States completed the G7 picture with the GENIUS Act, signed into law on July 18, 2025. The legislation established federal standards for "payment stablecoins": 100% reserve backing in high-quality liquid assets, redemption at par within specified timeframes, transparency requirements, and a dual federal-state supervisory structure. Issuers below \$10 billion could opt for state supervision, but larger issuers faced federal oversight. Existing players like Tether and Circle received a three-year transition window to achieve compliance or exit the US market.

The United Kingdom, characteristically deliberate, released draft legislation in April 2025 with full implementation expected by late 2025 or early 2026. Canada remained notably behind its G7 peers, lacking a unified framework and attempting to manage stablecoins through existing regulatory silos.

By mid-2025, over 70% of global jurisdictions established or were actively developing stablecoin-specific frameworks. Twelve countries introduced dedicated regulatory regimes. The patchwork became a quilt—not perfectly uniform, but coordinated around common principles: Full reserves, redemption rights, transparency, licensed issuers.

Maturing Rails

Regulatory clarity would mean little if the underlying infrastructure couldn't support institutional requirements. But 2025 also marked the crossing of critical technical thresholds.

Blockchain throughput improved dramatically. Networks like Solana could process thousands of transactions per second at fractions of a cent, eliminating the congestion and fee spikes that plagued earlier systems. Layer 2 solutions on Ethereum reduced costs and increased speed while maintaining security. The technical limitations that made stablecoins impractical for high-volume use cases largely disappeared.

Custody infrastructure reached bank-grade standards. Institutional custodians offered segregated accounts, insurance coverage and the operational controls that compliance departments demanded. On-chain analytics matured to the point where transaction monitoring could satisfy local regulator's AML requirements. In 2025, compliance tooling finally became sophisticated enough to meet the strict requirements of traditional finance, so much so that [86% of firms surveyed by Fireblocks](#) reported they were ready to start integrating stablecoins.

Institutional Commitments

The most telling shift was in corporate posture. For years, banks announced "blockchain initiatives" and "digital asset explorations," which generated press releases but little in the way of real flows. The language changed in 2025.

Bank of America's CEO, [Brian Moynihan](#), stated that entry into stablecoins was a matter of "when, not if." Fireblocks captured this optimism quantitatively: 90% of financial firms reported taking action on stablecoins ranging from active pilots to live deployments. There was a distinct move away from aspiration and towards execution.

Perhaps more striking for those who understand the industry's allergy toward oversight, [88% of North American firms viewed stablecoin regulation as a positive catalyst](#). This represents a complete inversion from prior years, when fears surrounding regulation topped every survey as the primary obstacle to adoption. Clear rules, even strict ones, enable action.

- Visa announced a pilot program allowing businesses to pre-fund Visa Direct transactions with stablecoins.
- Brex added stablecoin payments to its corporate card.
- [Deutsche Börse](#) began integrating USDC and EURC into its core trading and settlement infrastructure.

Major institutions are betting on stablecoin infrastructure becoming standard.

Stablecoin Decouples from Crypto Speculation

One pattern distinguished 2025 from previous cycles of stablecoin enthusiasm: Growth had decoupled from cryptocurrency speculation.

[The stablecoin market grew 42% in 2025.](#) The broader cryptocurrency market grew 21%. Stablecoins expanded at double the pace of the asset class they were originally designed to serve. Market capitalization crossed \$300 billion, reaching all-time highs, while Bitcoin and Ethereum experienced their usual volatility.

This decoupling suggests a structural shift in what's driving growth. In earlier cycles, stablecoin expansion tracked crypto bull markets. Traders needed stable assets to park gains or facilitate trades. When crypto declined, stablecoin growth stalled.

In 2025, Stablecoin adoption continued regardless of Bitcoin's price movements, driven by use cases that had nothing to do with cryptocurrency trading: Cross-border remittances, payroll for distributed workforces, B2B settlement, corporate treasury management. Stablecoins emerged as the "killer app" crypto advocates had long promised, a tool with utility beyond pure speculation.

Citi called 2025 blockchain's "[ChatGPT moment](#)." OpenAI didn't invent large language models, but they did make the use case undeniable. Similarly, 2025 didn't invent stablecoins; it made them impossible for institutions to ignore.

These 3 Years Will Shape the Market

Convergence creates opportunity, but no opportunity lasts forever.

Increased confidence in the industry is attracting capital and talent, beginning what might be the biggest sea change in modern finance, a foot race whose prize is potentially trillions of dollars in cross-border flows.

Firms that can manage compliance and earn the trust of traditional finance will see their advantages compound. Those who continue to wait for the UK to finalize rules or for interoperability standards to emerge—some riskless, magic moment when the market finally "matures"—will feel the window close on their fingers.

This pattern has clear historical analogs. When regulation catches up to payment innovation, the subsequent three to five years define market structure for decades. The card networks that established their position in the 1960s still dominate. The mobile payment platforms that scaled in the 2010s became entrenched. First-mover advantages in payments have proven remarkably durable.

The period between 2025 and 2028 likely represents this window for stablecoin-based cross-border payments. Regulatory frameworks are clear enough to enable institutional action, but new enough that market positions aren't locked in. The rails haven't been commoditized. Thought leaders have not become entrenched. The opportunity is clear but not yet crowded.

The window is open. All that remains is execution.

Key Idea:

Trust, Not Speed, Created the Bottleneck

Let's not get things confused. All this technology "worked" in 2020. Stablecoins could settle transactions in seconds at minimal cost. The use cases were clear enough, yet institutions waited five years.

This is not because the technology was immature. Solana's throughput and Layer 2 solutions are improvements, but stablecoins could technically handle institutional volume in 2020. They didn't wait because custody was unavailable. Segregated accounts and insurance existed, just at a smaller scale.

They waited because they lacked permission. The 86% claiming "infrastructure readiness" in 2025 weren't describing new technical capabilities; they were describing a new and exciting era of regulatory cover. The 88% viewing regulation as a positive catalyst reveals what institutions actually optimize for: **Not speed, but clarity about what they're allowed to do.**

This inverts the standard technology adoption model. Blockchain boosters assume institutions resist change as a reflex and must be disrupted from outside. Reality is simpler: Institutions adopt quickly once regulators give them clear rules. The bottleneck is rarely entirely inertia.

The implication extends beyond stablecoins. For any payment innovation seeking institutional scale, **technical capability matters far less than trust**. Particularly trust that local regulators won't shut you down or sue into oblivion. Building the fastest blockchain or the cheapest settlement layer is secondary to building the compliance framework that lets institutions say yes.

Chapter 2: The Paradox of Scale

Key Takeaways

Stablecoin transaction volume reached \$27.6 trillion in 2024, exceeding Visa and Mastercard combined. Yet stablecoins represent just 1% of global payment flows.

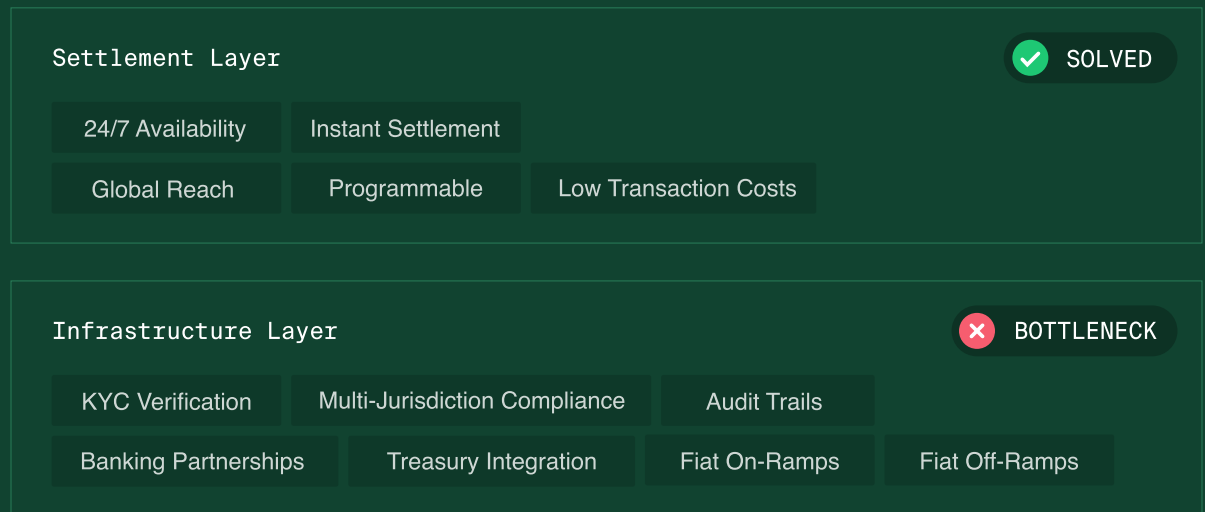
How can both facts be true? **The binding constraint isn't the blockchain; it's everything around it.** On/off-ramps, compliance infrastructure, treasury integration, and audit trails remain unsolved at scale. 86% of firms claim their infrastructure is "ready," yet Visa executives rate actual institutional adoption at 0.5 out of 10.

The "legacy systems are slow" narrative is partially wrong. 90% of high-value B2B payments already reach the beneficiary bank within one hour through correspondent banking. The friction concentrates in lower-value, higher-margin segments.

Speed overtakes cost as the primary value proposition. 48% of firms cite faster settlement as stablecoins' top benefit; only 30% cite cost savings.

Settlement is Solved, Infrastructure Isn't

Chapter 2 exhibit



The technology works. Everything around it remains unsolved at scale.

The Numbers Don't Add Up

The stablecoin industry has a mathematics problem—not a problem with the math, but with what the math seems to say.

Start with the impressive figures. Transaction volume in [2024 reached \\$27.6 trillion](#). Daily volume regularly exceeds [\\$160 billion](#). By any reasonable measure, stablecoins have achieved massive scale.

Now add context. Combined, Visa and Mastercard, the two largest payment networks on Earth, processing transactions for billions of cardholders across virtually every country, moved less transaction volume than stablecoins in 2024. The comparison seems to validate every claim stablecoin advocates have made: The technology works, stablecoins have won.

Then comes the deflating qualifier: Stablecoins represent just [1% of global payment flows](#).

This number isn't likely to improve in the next quarter or two. The 1% figure appeared in analyses from 2023, 2024, and 2025. Transaction volumes doubled, tripled, grew by orders of magnitude, and the percentage stayed flat. The absolute numbers explode; relative share refuses to move.

Some of this is because of what that [\\$27.6 trillion actually represents](#). While a good share are actual payment flows, it also includes automated market makers, algorithmic trading and a variety of non-economic transfers. In absolute terms the volume of real stablecoin transactions is likely smaller than what has been reported in headlines, but that still does not offer a satisfying answer as to why these transactions continually reflect a stagnant proportion of total FX flows.

So are stablecoins a revolutionary payments infrastructure or an exotic footnote?

Stablecoins are simultaneously larger than the world's dominant card networks, and a rounding error in the actual flow of money. Understanding why this paradox persists, and what it reveals about the real constraints on adoption, is essential.

The Infrastructure Gap

The explanation lies not in the rails but in everything surrounding them.

Stablecoins solved the settlement problem. A transaction between wallets takes seconds and costs cents. Settlement operates 24/7, unbound by banking hours, weekends or holidays. The core promise of fast, always-on value transfer has been delivered.

But payments are more than settlement. A business sending money across borders needs:

- KYC verifications
- Licensing
- Compliance infrastructure that satisfies regulators in multiple jurisdictions
- On-ramps to convert fiat to stablecoins
- Off-ramps to convert stablecoins back to fiat

Potentially dozens of intermediaries and bank partners need to “touch” a successful transaction, which necessitates more than quick conversion. Real speed requires fully integrated treasury management systems that can automate away regulatory complexity, along with enough high quality, multi-currency liquidity that you aren’t forced to pre-fund every “exotic” corridor.

The blockchain doesn’t address any of these problems. None are solved by faster settlement, and the gap this produces sits at the heart of the paradox we gestured to earlier.

Airwallex, itself a cross-border payments provider, captured this bluntly: “Speed alone won’t solve for scale.” Stablecoin advocates emphasize transaction speed and cost. Look how fast. Look how cheap. But speed is easy. The real bottleneck is the operational infrastructure connecting blockchain rails to everything else.

This explains two otherwise puzzling data points from earlier. Fireblocks’ survey found that 86% of industry participants reported their infrastructure was “ready” for stablecoin adoption. Ready, as in technically capable. Ready, as in they could do it if they decided to.

Yet when Visa executives were asked to rate institutional stablecoin adoption on a scale of 1 to 10, the answer came back: 0.5. Half a point. Not even started, despite universal claims of readiness.

The gap between “ready” and “actually deployed at scale” turns out not to be a crypto or settlements problem. It has nothing to do with technology at all. Building the bridge requires the more difficult challenge of bolting new rails onto old systems.

Money Already Moves Pretty Fast; the Problem is the Last Mile

The scale paradox contains a second uncomfortable truth—one that challenges the industry’s core narrative.

The standard pitch positions stablecoins against a broken legacy system. Correspondent banking, we’re told, is slow. Transactions take 1-5 days to settle, trapped in a web of intermediary banks and batch processing. Stablecoins offer real-time settlement. The value proposition seems obvious.

But the data complicates this story. According to Finextra’s analysis, [90% of high-value B2B payments](#), representing \$180 trillion in annual volume, reach the beneficiary bank within one hour through the existing correspondent banking system. Not 1-5 days. One hour.

So **why do so many payments still take nearly a business week to fully clear?** The answer is the “last mile.” The wire reaches the destination bank quickly, but the funds don’t reach the recipient’s account for hours or days afterward. Local clearing, compliance checks, manual reconciliation, and operational processes at the destination bank create the delay. The cross-border pipe isn’t slow; the local plumbing is.

This distinction matters strategically. The infrastructure that moves trillions between corporations and large banks works well enough that speed alone isn’t a compelling improvement. **What stablecoins offer isn’t faster movement between institutions; it’s the potential to collapse the friction at the last-mile by integrating data and value into a single programmable flow.**

This strength is made clearer when we look at lower-value payments: Retail remittances, SME payrolls, and transactions involving less common currency pairs. These are segments where traditional rails genuinely underperform, settlement times can stretch to a week or more, and fees start consuming meaningful percentages of the transaction.

It is really hard and really expensive to send money between the Colombian *peso* and the Nigerian *naira*.

Traditional financial infrastructure has limited tools to remediate this.

So we are presented with a system where the massive institutional flows (90% of volume) are reasonably well-served by existing infrastructure, and the smaller, "exotic" flows (10% of volume) generate nearly [one-third of total cross-border revenue](#) because they are harder to clear. **The opportunity isn't in replacing correspondent banking wholesale; it's in capturing the high-margin segments where legacy rails fall apart.**

An Inversion of Priorities

If infrastructure gaps and segment dynamics explain why stablecoins remain at 1%, it begs the question: What do firms actually want from stablecoin adoption?

For years, the industry pitch emphasized cost: *Cheaper than SWIFT. Lower fees than Western Union* ([which has itself recently entered the market](#)). More efficient than correspondent banking. Remittance costs average 4.26% on a \$500 transfer through traditional channels; stablecoins can reduce that to a few basis points in some cases. The savings seem compelling.

But when Fireblocks surveyed firms about their priorities, the results didn't reflect this. [48% cited faster settlement](#) as stablecoins' top benefit; only 30% cited cost savings, the lowest-ranked primary benefit. Firms are 1.5 times more likely to value speed over savings.

Our observations bear this out. Clients increasingly seek reliability and speed rather than simple price savings. At Money 20/20, multiple institutional players told us they would happily accept a few extra basis points in fees if it guaranteed their transaction would clear quickly and without snags.

This is a fundamental reorientation of the value proposition. The pitch that worked for retail remittances ("send money cheaper") doesn't resonate with institutional buyers.

Consider what instant, 24/7 settlement actually means:

- Treasury operations that don't stop for weekends.
- Liquidity access that doesn't require anticipating needs days in advance.
- Multi-currency positions that can be adjusted in real-time rather than batched.
- Less uncertainty about the final transaction price.

Working capital that isn't trapped as a "pending transaction."

The most dramatic illustration of this involves nostro and vostro accounts, the balances banks maintain at correspondent banks globally to facilitate cross-border payments. Traditional settlement uncertainty forces banks to pre-fund these accounts: Money parked in dozens of currencies at dozens of banks, sitting idle simply to ensure payments can be honored when they clear.

Globally, approximately [\\$10 trillion sits frozen in these pre-funded accounts](#). \$10 trillion of bank capital, earning minimal returns, locked in place by the operational requirements of unpredictable settlement timing. Real-time settlement can potentially eliminate this need entirely.

If just 1-5% of nostro/vostro balances transitioned to stablecoin-based settlement, \$100-500 billion in capital would be freed for redeployment. That's a sea change in how global finance operates, and for bank CFOs, this kind of capital efficiency matters far more than a few basis points of processing margin.

The Stablecoin Sandwich

Where stablecoins have achieved real-world deployment at scale, the pattern we've seen in 2025 is to make them as invisible as possible.

In Singapore, the Alipay+/Grab/XSGD implementation demonstrates the model. A tourist pays a Grab merchant using their home-currency wallet. The merchant receives instant settlement in Singapore dollars. Between them, invisibly, the XSGD stablecoin handles conversion and settlement. Neither party experiences "crypto." Neither holds stablecoins. The blockchain disappears from view, handling the settlement layer while fiat handles the user-facing layer.

PayPal uses a similar approach with its own stablecoin, PYUSD, to settle cross-border flows for its Xoom remittance service, sidestepping banking-hour cutoffs and weekend dead zones without requiring users to understand or interact with the underlying rails.

This “stablecoin sandwich” (fiat on both ends, stablecoin settlement in the middle) may be the dominant model for mainstream adoption. The [on/off-ramp challenge remains](#), but it’s handled by specialized infrastructure rather than individual users.

The best stablecoin implementation may be the one you don’t know you’re using.

Resolving the Paradox of Scale

The scale paradox ultimately resolves into a segmentation story.

Stablecoins won’t capture the entire cross-border market because they don’t need to. For large portions of that market, existing rails already work adequately. The 90% of high-value B2B volume that settles within an hour through correspondent banking isn’t desperately seeking alternatives.

What stablecoins can capture is the segment where legacy rails genuinely fail:

- Lower-value payments.
- Remittance corridors with high fees.
- SME transactions too small for institutional service levels.
- Payroll for distributed workforces.
- Settlements outside banking hours.

This segment is smaller in volume but larger in friction, and disproportionately profitable.

The strategic implication is focus. Rather than positioning stablecoins as a universal replacement for all cross-border payments, the opportunity lies in targeted capture of underserved segments. Rather than competing on cost against rails that already work, enable capabilities those rails can’t provide: 24/7 settlement, instant finality, programmable payments, capital efficiency.

The 1% figure that seems so deflating actually marks the starting point of a segment-specific expansion. **Stablecoins don’t need to become 50% of flows to be transformative; they need to become dominant in the segments where they provide genuine advantages.**

Key Idea:

The Best Infrastructure Disappears

The stablecoin sandwich reveals something fundamental: The best payment infrastructure is invisible to end users. Visa's dominance doesn't come from consumers demanding "card payments"; most people don't know what rails power their transactions. They know they tap their phone and buy coffee.

Stablecoins won't win by evangelizing crypto. They'll win by disappearing. The Singapore and PayPal implementations succeed precisely because tourists and remittance recipients don't know they're using blockchain. The transaction feels instant, the complexity vanishes.

This inverts the industry's marketing instinct. Crypto advocates want stablecoins visible and celebrated. But the infrastructure that works typically doesn't announce itself. The firms positioning stablecoins as revolutionary user-facing technology are solving the wrong problem. The market doesn't want crypto payments; it wants reliable cross-border value transfer.

The less visible stablecoins become to end users, the more successful they are.

Chapter 3: The Incumbent Countermove

Key Takeaways

Traditional finance is quickly adapting to stablecoins. SWIFT is building a blockchain-based ledger with 30+ banks. Project Agorá unites seven central banks and 43 financial institutions. Visa integrates stablecoins into its network rather than launching a competitor.

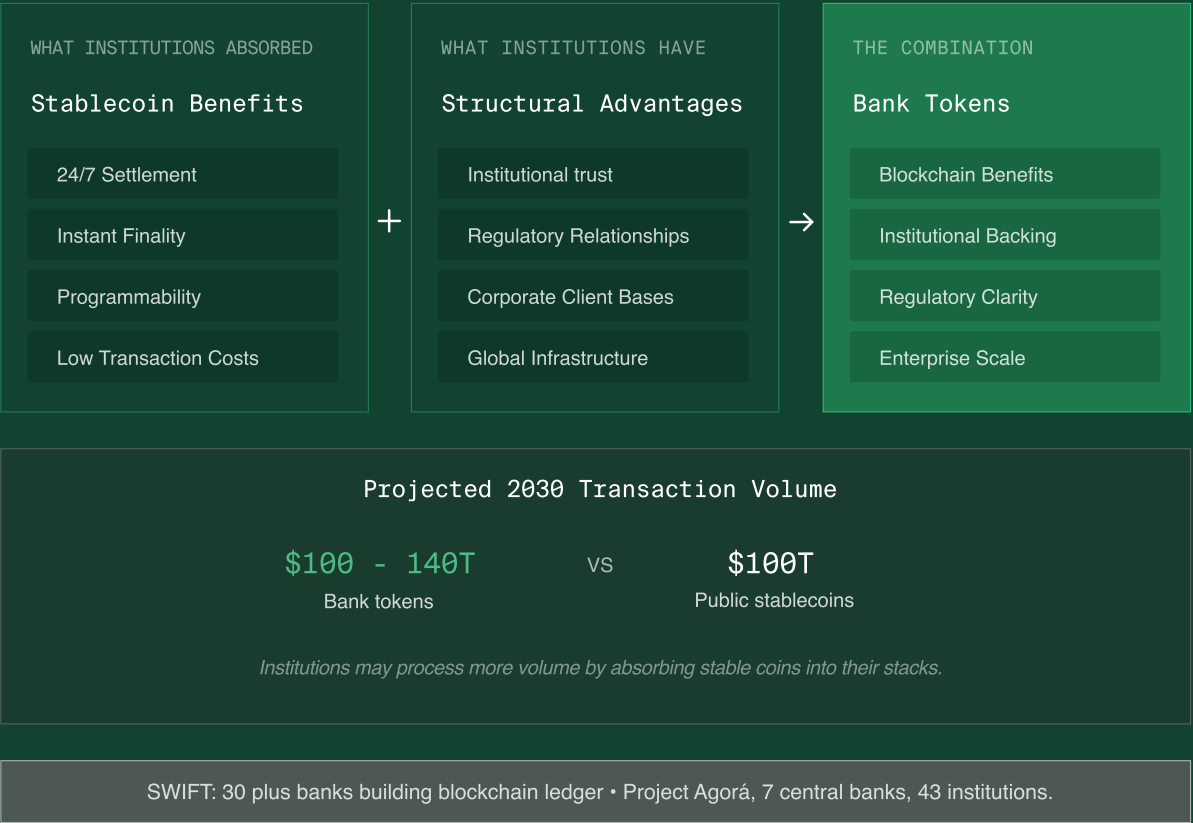
“Bank tokens” may ultimately exceed stablecoin volumes. Citi projects tokenized bank deposits could reach \$100-140 trillion in annual transaction volume by 2030, potentially larger than public stablecoins. Large corporations are prioritizing trust and regulatory clarity over technological novelty.

The winning strategy is “owning the airport, not the airline.” Visa’s approach, integrating all stablecoins rather than issuing one, reinforces its position as infrastructure. They are positioning themselves to win regardless of which tokens succeed.

62% of banks are actively exploring fintech partnerships for cross-border payments. The strategic posture has shifted from “build walls” to “build bridges.”

How institutions are adapting stablecoins into their infrastructure

Chapter 3 exhibit



The Disruption that Didn't Happen

The narrative was supposed to be simple. Nimble crypto-native challengers would disrupt slow-moving incumbents. Traditional banks, burdened by legacy technology and organizational inertia, would watch helplessly as blockchain-based alternatives captured their customers. Disruptors would win by being faster, cheaper, unbounded by decades of accumulated infrastructure debt.

This narrative has not materialized.

What's happened instead is more nuanced and interesting. Traditional financial institutions aren't being displaced by stablecoins, they're absorbing the technology and competing on advantages that crypto-native firms struggle to replicate: Regulatory relationships, institutional trust, corporate client bases, and the operational infrastructure that connects new rails to existing systems.

Stablecoins are becoming a gap filler rather than existential threat. Instead of being pushed aside, incumbents are finding ways to adapt while maintaining structural dominance.

Absorption, not disruption.

SWIFT's Transformation

Consider SWIFT, the cooperative that has provided the messaging backbone for correspondent banking since 1973. SWIFT moves over \$150 trillion annually through its network of 11,000+ financial institutions. If any incumbent seemed vulnerable to blockchain disruption, it was the organization synonymous with the legacy system stablecoins promised to replace.

SWIFT's response hasn't been to roll over, but to push through.

In a move that would have seemed inconceivable five years ago, SWIFT announced it is building a blockchain-based shared ledger to enable instant, 24/7 cross-border transactions for tokenized assets. The initiative involves more than 30 global financial institutions across 16 countries, including: J.P. Morgan, Bank of America, HSBC, and Deutsche Bank.

SWIFT isn't trying to defend legacy messaging; it's adapting blockchain's benefits (programmability, atomic settlement, continuous operation) with the trust, compliance expertise, and global reach it's spent 50 years accumulating. The bet is that institutions will prefer blockchain infrastructure operated by a trusted cooperative over blockchain infrastructure operated by entities they've never heard of.

SWIFT has 11,000 member institutions, reliable infrastructure, regulatory relationships in every major jurisdiction, and the operational chops that banks require. Crypto-native infrastructure providers have faster technology. SWIFT is betting that its advantages matter more, and by adopting their technology, it can neutralize their differentiation.

The Central Bank Alternative

SWIFT's initiative represents private-sector absorption. Project Agorá represents something larger: the coordinated response of the global central banking system.

Led by the Bank for International Settlements, Project Agorá unites seven of the world's most influential central banks, including: Federal Reserve Bank of New York, the Bank of England, the Bank of Japan, and the European Central Bank, alongside 43 other regulated financial institutions. The project's goal is to build a unified ledger that combines tokenized commercial bank deposits with wholesale central bank money, creating what participants describe as a "credible, supervised alternative" to private stablecoins.

The architecture is deliberate. Rather than fighting tokenization, central banks are embracing it on their terms. The unified ledger would enable the programmability and atomic settlement that blockchain provides while keeping central bank money at the core of the system. Tokenized deposits would remain liabilities of regulated banks, subject to existing oversight. Settlement would occur in central bank reserves, preserving the monetary architecture that has anchored financial stability for decades.

The strategic intent is barely disguised. Project Agorá aims to demonstrate that the benefits of blockchain (speed, programmability, 24/7 operation) don't require private stablecoins. The same capabilities can be achieved with tokenized versions of existing money forms, operated by existing institutions, under existing regulatory frameworks. **If successful, the project would relegate private stablecoins to niche applications rather than core financial infrastructure.**

Whether this succeeds remains uncertain. But the mobilization of resources is real, and anyone at all interested in the industry should be paying attention.

The Airport Strategy

Visa's approach illustrates a different model, a template for how payment networks can engage with stablecoins without being threatened by them.

When analysts evaluated Visa's options, they framed the strategic choice memorably: Visa could "own the airport" or become "just another airline." Issuing a Visa-branded stablecoin would make Visa one competitor among many, an airline operating from the same terminal as Circle, Tether, and whoever else enters the market. Integrating all stablecoins into Visa's network would make Visa the infrastructure connecting them, the airport through which all airlines must pass.

Visa chose the airport.

Its pilot program allows businesses to pre-fund Visa Direct transactions with stablecoins, treating them as settlement infrastructure rather than competitive threat. Businesses hold stablecoin balances, payouts occur in local fiat currency through Visa's existing network. The stablecoin handles the liquidity layer, Visa handles everything else: Merchant relationships, bank connections, the compliance infrastructure, and last-mile delivery to recipients.

The program leverages the \$200+ billion in stablecoins already circulating, rather than requiring Visa to build issuance infrastructure from scratch. Visa expects to settle over \$1 billion in stablecoin-based transactions within 12-18 months, with a decision on full platform deployment after the pilot runs through 2026.

The strategic elegance is notable. **Visa captures value from stablecoin growth without bearing issuance risk.** If Tether succeeds, Visa benefits. If Circle succeeds, Visa benefits. If both fail and some new issuer emerges, Visa still benefits. The hub position is agnostic to which spokes win.

The Partnership Pivot

These high-profile initiatives reflect a broader shift in institutional posture. Banks have moved from viewing fintech as an existential threat to an essential partner.

62% of banks are actively exploring partnerships with fintech firms for cross-border payment solutions. Not evaluating. Not monitoring, but actively dedicating resources to finding the right firms to help them deploy stablecoins commercially.

The logic is pragmatic. Banks recognize they cannot match fintechs' innovation speed. The organizational processes that ensure regulatory compliance, risk management, and operational resilience also slow product development. A bank launching a new cross-border payment product might take 18-24 months; a fintech might take 6. Rather than losing the race, banks are betting on the fastest runners.

The dynamic appears across the industry. Rather than building proprietary stablecoin infrastructure, banks are integrating Circle's USDC or partnering with crypto-native custodians. Instead of developing blockchain expertise in-house, they're working with infrastructure providers who already have it. **The result is a hybrid model, where bank trust and regulatory standing is combined with fintech technology and speed.**

The Bank Token Thesis

The most striking counter-narrative comes from Citi's analysis of how tokenized money markets might evolve. Their projection challenges a core assumption of the stablecoin narrative: That public stablecoins like Tether and USDC will dominate tokenized payments.

Citi projects that "bank tokens," tokenized deposits issued by regulated banks, could see larger transaction volumes than public stablecoins by 2030. **They estimate \$100-140 trillion in annual volume for bank tokens versus \$100 trillion for stablecoins.**

The reasoning centers on what corporate treasurers actually prioritize. Large enterprises (Fortune 500 companies, multinational corporations, et al) care about how trustworthy a technology is and how well it integrates with pre-existing infrastructure. A tokenized deposit from JPMorgan carries the bank's full balance sheet backing, along with familiar regulatory treatment and straightforward accounting classification. A stablecoin from Tether carries novel counterparty risk and an uncertain regulatory status that treasury teams must navigate.

JPMorgan's experience supports the thesis. **JPM Coin**, the bank's tokenized deposit product, already processes approximately \$1 billion in daily transaction volume: Institutional clients using blockchain rails for settlements within JPMorgan's ecosystem. The product has operated for years, even as public attention focused on Tether and Circle. In late 2024, JPMorgan rebranded its blockchain division from "[Onyx](#)" to "[Kinexys](#)," moving all its FX infrastructure under one roof, and signaling a commitment to velocity and change.

Citi's projection implies a segmented future. Public stablecoins may dominate retail remittances, SME payments, crypto-native applications, and emerging market use cases. Bank tokens may dominate institutional treasury operations, large-value B2B settlements, and corporate liquidity management. Both could grow dramatically without directly competing, serving different segments with different priorities.

The world's largest banks move \$5-10 trillion daily through existing systems. If just 5% of these flows migrated to tokenized bank deposits, they would generate the \$100-140 trillion annual volume in Citi projects.

Adaptation outcompeting disruption.

Key Idea:

Boring Wins for Institutional Flows

Citi's projection that bank tokens could exceed stablecoin volumes inverts crypto assumptions. JPM Coin processes \$1B daily not because it's technically superior to USDC; it's often technically identical. It wins because corporate treasurers know how to work with JPMorgan. They know the accounting treatment. They know the counterparty risk. It requires zero behavioral change.

Crypto-native stablecoins pitch decentralization and permissionlessness. JPM Coin's pitch is "it's exactly like a JPMorgan deposit, just tokenized." For institutional finance, that might be the biggest selling point.

Chapter 4: The Four Regional Races

Key Takeaways

Stablecoin adoption is not one global phenomenon but four parallel races, each driven by fundamentally different market realities. Latin America leads with 71% of firms using stablecoins for cross-border payments, Europe lags with less than €350 million in total euro stablecoin market cap.

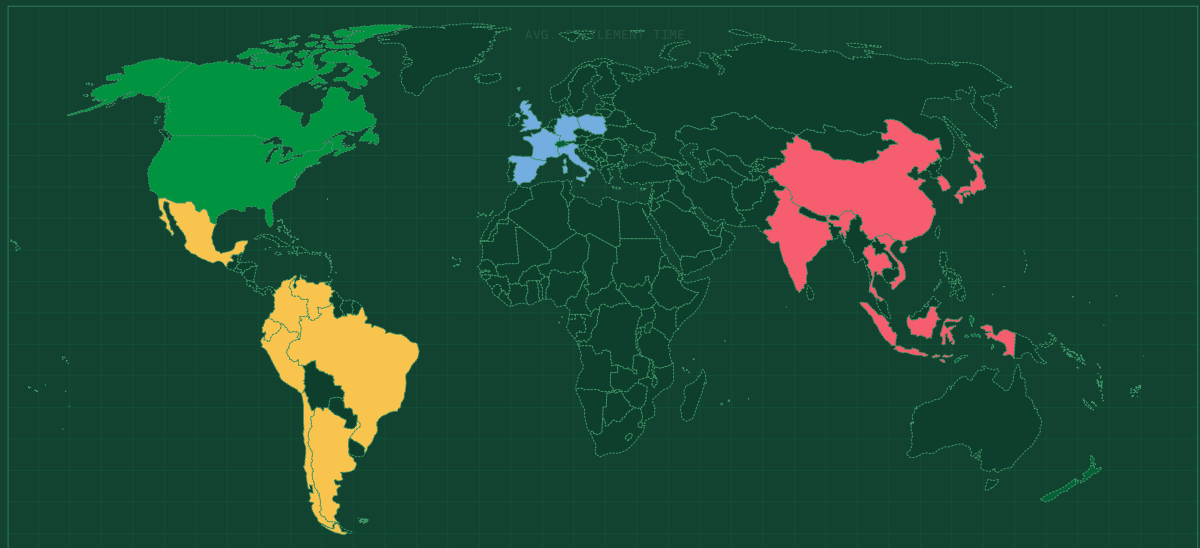
Where real-world payment problems are acute, adoption is highest. In high-inflation LATAM economies, over 40% of transactions occur via stablecoins. Enthusiasm is driven by necessity as much as affinity.

Open frameworks are not always enough. India's UPI processes 19 billion monthly domestic transactions, 95% of them flow through just three apps. Interoperability was meant to provide increased choice, but market players have found ways to subvert it.

The contested segment is small in volume but large in value. Lower-value P2P and SME transfers represent just 10% of volume but generate one-third of revenue; 65% of P2P transfers have already been captured by non-traditional providers.

Different geographies have different sources of demands for stablecoins

Chapter 4 exhibit



● Latin America

71%
FIRMS USING STABLECOINS

NECESSITY:

Economic volatility drives adoption. Stablecoins solve structural problems traditional finance cannot address.

● Asia

19B
MONTHLY DOMESTIC TRANSACTIONS

FRAGMENTATION:

World-class domestic rails, fragmented cross-border. Stablecoins bridge incompatible systems.

● North America

88%
VIEW REGULATION POSITIVELY

UNLOCKED:

Pent-up demand released by regulatory clarity. GENIUS Act legitimizes institutional usage.

● Europe

€350M
EURO STABLECOIN MARKET CAP

LAGGING:

Unable to break USD dominance, Euro stablecoins represent 0.15% of total market.

Scaling cross-border payment solutions requires understanding the underlying costs driving demand.

No Universal Playbook

The temptation in analyzing global trends is to find universal patterns, dynamics that apply equally from São Paulo to Singapore, Chicago to Copenhagen. This is rarely in the case in the real world. The forces driving adoption in Latin America bear little resemblance to those shaping Europe. The opportunities in Asia differ fundamentally from those in North America.

Understanding these dynamics is necessary for anyone who seeks to provide high-quality liquidity to these regions, and as a result has become one of our most important areas of interest. **The firms that win will be those that recognize stablecoin adoption as four parallel races, each requiring different strategies and value propositions.**

Latin America: Necessity as the Mother of Adoption

Latin America doesn't lead stablecoin adoption because of some miraculous regulatory foresight. It leads because the alternatives are worse.

71% of Latin American firms use stablecoins specifically for cross-border payments, the highest rate of any region globally. In high-inflation economies like Argentina, over 61.8% of transactions now occur via stablecoins. On some remittance platforms serving the region, more than half of all volume is stablecoin-powered.

This is a pragmatic response to historically broken monetary systems. When recent inflation rates peaked at nearly 200%, capital controls restricted the ability to hold foreign currency, and remittance fees consumed 6.3% of a transfer (more than double the UN's 3% target), stablecoins started to look like a more reliable store of value, a survival technology for those depending on foreign FX.

The use cases follow the pain points:

- Cross-border remittances, where traditional fees are punishing.
- Dollar-denominated savings, where local currency inflation destroys purchasing power.
- P2P settlements, where correspondent banking delays create working capital problems for businesses operating on thin margins.

Each use case reflects a practical necessity.

This necessity-driven adoption creates a different market dynamic than enthusiasm-driven adoption. Users aren't experimenting with stablecoins because they're excited about blockchain; they're using stablecoins to solve urgent, real-world problems. The stickiness of this adoption is correspondingly high. When the alternative is watching your savings evaporate or paying fees that consume a week's wages, switching costs becomes irrelevant.

The implication for market participants is that Latin America rewards ground-level solutions to ground-level problems. **Reliability and cost drive adoption, particularly in corridors where those factors matter most acutely.**

Asia: The Connectivity Gap

Asia presents a paradox. The region contains some of the world's most sophisticated domestic payment infrastructure alongside some of the most significant cross-border friction.

India's Unified Payments Interface [processes over 19 billion transactions monthly](#), making it the largest real-time payment system on Earth by volume. More than 200 apps have been built on UPI's open infrastructure. Adoption reaches deep into the population: The system is now the default way Indians move money domestically.

Singapore's PayNow, Thailand's PromptPay, and similar systems achieved comparable success in domestic markets. Real-time, low-cost, widely adopted payment infrastructure exists throughout developed Asia.

Yet cross-border payments remain stuck. Moving money from Bangkok to Manila or Singapore to Jakarta involves frictions that domestic payment systems eliminated years ago. The domestic rails don't connect internationally. The instant transfer you can make across town takes days across borders.

This fact has not been lost on regulators. There have been significant efforts to build bridges between domestic rails, including [Project Nexus](#), which seeks to connect instant payment systems (IPS) across the region. Rather than a mess of one-to-one

partnerships, it would create a hub-and-spoke model where each IPS can communicate with every other system as if they existed on the same network. Central banks in Indonesia, Singapore, Thailand, Malaysia, and the Philippines have signed up to this working group.

Even so, action is slow and rails remain fragmented.

This gap explains why [49% of Asian firms cite market expansion as their primary driver for stablecoin adoption](#). Not cost savings or settlement speed, but the ability to reach markets that existing infrastructure doesn't serve. Stablecoins offer a path to cross-border connectivity that doesn't require waiting for government action.

That is why the “stablecoin sandwich” model (fiat on both ends, stablecoin settlement in the middle) finds its natural home here. Implementations like Alipay+ and Grab's partnership in Singapore demonstrate the pattern: Neither the tourist nor the merchant experiences “crypto” directly. The technology enables seamless commerce, where users interact with familiar interfaces in familiar currencies. This invisibility may be exactly what mainstream adoption requires.

Another challenge waits in the wings, as evidenced by India's UPI. It seems that no matter how open the system, market forces push toward consolidation. Despite 200+ apps built on open rails, [95% of transactions flow through just three of them](#). Openness enabled the market; network effects reconcentrated it. Approximately half of UPI transactions now involve both parties using the same app. The “walled gardens” that interoperability was supposed to eliminate quietly reconstituted themselves.

Market concentration of this kind risks recreating the same problems that stablecoins were meant to solve, driving up prices and reducing service quality as entrenched firms lean into their market dominance.

All these patterns suggest a region that is already in active conversation with these new technologies. Much of Asia has already created high-quality solutions domestically, and is working to do the same cross-border, but still faces the challenge of stitching together dozens of highly complex IPS's, ensuring that in doing so they don't recreate the problems of centralization with a new coat of paint.

North America: Regulatory Clarity

North America's stablecoin story is simpler than other regions: Stablecoins were regulated to a legal grey-zone, and as of 2025 that is no longer the case.

For years, US firms faced genuine uncertainty. Were stablecoins securities? Commodities? The answer depended on which regulator you asked and which legal theory they were currently pursuing. Compliance teams couldn't approve products built on ambiguous foundations. Treasury departments couldn't hold assets without clear accounting treatment. Innovation happened, but cautiously, with constant legal review, and at a smaller scale than the opportunity warranted.

The [GENIUS Act](#) resolved much of this ambiguity. Payment stablecoins now have a defined legal status, clear reserve requirements, specified redemption rights, and a supervisory framework that institutions can build toward. The rules are demanding (100% reserves, no interest payments to holders, transparency obligations) but defined. Defined rules enable institutional action in ways that ambiguous rules cannot.

The market response has been immediate. [88% of North American firms](#) view stablecoin regulation as a positive catalyst rather than a barrier. [Bank of America's CEO declared entry into stablecoins a matter of "when, not if."](#) Major institutions that maintained exploratory postures are shifting toward execution.

In the North American context execution occurs at institutional scales. The region is marked by deep capital markets and sophisticated corporate treasury operations; financial institutions in the United States are capable of processing massive volumes. With permission granted, expect rapid scaling through 2026 and beyond.

The segment dynamics in North America differ from both Latin America and Asia. American consumers aren't fleeing a collapsing currency; they have the world's most trusted fiat. They don't need to deal with fragmented regional rails; the financial system in the US is well integrated. The use cases center on institutional efficiency: corporate treasury optimization, B2B settlement acceleration, working capital management, multi-currency liquidity. These are CFO problems, not consumer survival problems.

The competitive landscape also differs. North American adoption will be heavily intermediated, with stablecoins accessed through payment networks and established financial institutions rather than directly through crypto-native apps. The regulatory framework ensures this: Strict licensing requirements favor institutions with compliance infrastructure over startups without it. **In North America, the winners will likely be those who partner with or sell to incumbents, rather than those who try to displace them.**

Europe: A Framework Without a Market

Europe presents the starkest puzzle. The European Union arguably has the world's most comprehensive stablecoin regulatory framework. [MiCA establishes clear requirements for reserve composition](#), redemption rights, issuer licensing, and operational standards. The rules apply uniformly across 27 member states. Regulatory clarity, the supposed prerequisite for adoption, exists in abundance.

Yet euro-denominated stablecoins have completely failed to gain traction. The total market capitalization of all euro stablecoins combined is less than [€350 million, roughly 0.15% of the global stablecoin market](#). The largest euro stablecoin, Circle's EURC, has a market cap of approximately \$260 million. For comparison, Tether exceeds \$170 billion.

The gap is not closing. While dollar stablecoins grew [42% in 2025](#), euro stablecoins remained negligible. Network effects favor established tokens, liquidity begets liquidity. A business considering stablecoin adoption can find deep markets and proven infrastructure for dollar tokens. For euro coins, liquidity is thin and tooling is limited.

MiCA itself may contribute to the problem. The regulation's restrictions on non-compliant tokens, including limitations on Tether's USDT within EU markets, reduced available options without producing euro alternatives to fill the gap. European users who might have adopted dollar stablecoins face friction; those who might adopt euro stablecoins find nothing worth adopting.

The European Central Bank recognizes the strategic risk. Its analysis frames dollar stablecoin dominance as a threat to monetary sovereignty: "[Digital dollarization](#)" by another name. If European citizens and businesses increasingly use USD stablecoins for payments, savings, and settlement, the ECB's ability to conduct monetary policy erodes. Capital controls become more porous and the European economy becomes more sensitive to US financial conditions.

The ECB's proposed solution is the digital euro, a central bank digital currency that would provide European-native digital money. But realistic launch is not expected until mid-2029. By then, dollar stablecoins will have had nearly a decade to establish dominance, defining the market before Europe's alternative arrives.

Nine major European banks are attempting to accelerate this timeline, announcing plans for a MiCA-compliant euro stablecoin by mid-2026. Whether a bank consortium can achieve what crypto-native issuers haven't remains uncertain, but the attempt reflects recognition that waiting for the digital euro means ceding the market.

Europe's experience challenges a comfortable assumption: That regulatory clarity alone produces market development. Frameworks enable adoption; they don't cause it. Without urgent need (as in Latin America) or institutional momentum (as in North America), sophisticated regulation produces sophisticated compliance without corresponding market growth.

The Contested Segment

Beneath these regional dynamics lies a common strategic reality: The battle is not for the entire cross-border market but for specific segments within it.

As mentioned, lower-value cross-border payments (P2P transfers, SME transactions, remittances) represent just 10% of total volume but about one-third of total revenue. The segment is small but disproportionately profitable.

This is why so many firms are working to own it. Non-traditional providers captured [65% of international P2P transfers in 2024](#). 35-50% of SMEs used a fintech for cross-border payments in the past year. Fintechs often charge one-fifth the price banks do for an equivalent service. You don't need to own the bulk of FX flows if you can gobble up a lion's share of the profit.

How different regions deal with this dynamic:

Latin America's necessity-driven adoption concentrates in exactly this segment:

Remittances, small-value transfers, SME payments.

While North America's opportunities are more institutional—corporate treasury and large-value B2B—many firms still focus on using stablecoins to expand into high-value, "exotic" corridors.

Asia straddles both institutional (Hong Kong, Singapore) and high-value segments (Indonesia, Malaysia) while trying to bridge its regional connectivity gap.

Europe's efforts have failed to succeed in either.

The strategic implication is clear: Attempting to serve all markets with a single pitch ignores the structural differences between a country concerned about \$50 remittances, and one where \$50 million treasury transfers are the norm. The value propositions, competitive dynamics, and required capabilities differ. Regional strategy and segment strategy must align.

Key Idea:

Need Doesn't Wait for Permission

Chapter 1 hinged on the premise that institutions ask permission before adopting stablecoins. North America waited five years for the GENIUS Act, but this chapter offers a necessary qualification: That pattern is specifically about *institutional* adoption in *mature* markets.

LATAM users adopted stablecoins despite regulatory uncertainty because where runaway inflation is the norm, waiting for regulators means watching your savings evaporate. Bottom-up adoption (individuals, SMEs fleeing broken systems) can't wait for permission. Top-down adoption (institutions integrating new rails) will.

Europe offers a more interesting wrinkle: Regulatory clarity doesn't cause adoption without underlying need. MiCA is comprehensive, but euro stablecoins remain at €350M because European consumers aren't fleeing currency collapse and European businesses aren't seeking alternatives.

Clear frameworks matter when regulatory risk outstrips on-the-ground need. The "ask permission" pattern from Chapter 1 describes institutional behavior, not market dynamics in economies navigating crises.

Chapter 5: The Dollar Flywheel

Key Takeaways

99% of stablecoins by value are denominated in US dollars. This isn't a transitional state awaiting diversification; it's a self-reinforcing system where dominance begets dominance.

Tether and Circle collectively hold more US Treasury securities than Saudi Arabia. Private stablecoin issuers have become, almost accidentally, significant participants in sovereign debt markets. JPMorgan estimates stablecoin growth could generate \$1.4 trillion in additional dollar demand by 2027.

The profit model that generated \$13 billion for Tether in 2024 may be a temporary windfall. Reserve spread economics depend entirely on elevated interest rates. A return to near-zero rates would collapse issuer profitability.

The United States is achieving global monetary reach through private innovation without the political complexity of launching a government CBDC. For everyone else, this creates varying degrees of sovereignty erosion.

Why will USD continue to dominate the stablecoin market

Chapter 5 exhibit



The Number that Explains Everything

One statistic appears in virtually every analysis of stablecoins, from academic papers to central bank bulletins to investment research: 99% of stablecoin value is denominated in US dollars.

This explains more about the stablecoin market than any other figure. It explains why the European Central Bank frames stablecoins as a strategic threat, why the BIS worries about monetary sovereignty, and why JPMorgan sees stablecoin growth as dollar-positive. It explains the geopolitical stakes that have transformed payments technology into an arena for great-power competition.

The 99% figure is not new. It has remained essentially constant as the market grew from \$10 billion to \$300 billion. It persists despite the emergence of euro-denominated alternatives, despite regulatory frameworks designed to encourage local currency stablecoins, and despite explicit policy efforts to reduce dollar dependence. As we saw in Chapter 4, the entire euro stablecoin market amounts to a rounding error against Tether's dominance alone.

This concentration is not an accident; it reflects deep structural forces that reinforce themselves—a flywheel that, once spinning, becomes increasingly difficult to stop.

Flywheel Mechanics

Dollar stablecoin dominance perpetuates itself through interlocking dynamics that reward scale and punish alternatives.

Start with liquidity. The deepest stablecoin markets are dollar-denominated because the largest stablecoins are dollar-denominated. Traders, treasury managers, and payment operators gravitate toward markets with tight spreads and reliable execution. A business considering stablecoin adoption finds robust infrastructure for USDT and USDC: Exchanges, custodians, analytics tools, reliable banking partners. For euro alternatives, liquidity is thin, toolings limited, and counter-parties uncertain.

Network effects compound liquidity advantages. Each new user of a dollar stablecoin adds to its utility for existing users. Merchants accept USDC because customers hold USDC; customers hold USDC because merchants accept it. Each integration makes dollar stablecoins more useful, which attracts more users, which attracts more integrations.

The cycle feeds itself.

The dollar's underlying position amplifies these dynamics. The US dollar is already the world's reserve currency and the dominant medium for international trade. Dollar-denominated stablecoins inherit this status. When a business in Vietnam or Nigeria wants a stable digital asset, it wants dollar stability, not euro or yen or yuan stability. The existing dollar system creates demand for digital dollars.

The Eurodollar market offers a precedent. Starting in the 1960s, dollar-denominated deposits held outside US banks created an offshore dollar economy beyond direct Federal Reserve control. This market took decades to reach \$13 trillion.

Stablecoins are the crypto-Eurodollar: digital currency circulating globally on blockchain rails, accessible to anyone with the internet, largely independent of traditional banking infrastructure. But they're achieving in dozens of months what took the Eurodollar market decades. Stablecoins crossed \$300 billion in circulation within a few years of serious adoption, matching the Eurodollar market's growth trajectory but compressed into a fraction of the time.

And the flywheel spins faster.

Dollar stablecoin dominance increases global dollar demand, which strengthens the dollar, making dollar stablecoins more attractive relative to alternatives, further entrenching dominance. Breaking this cycle would require either a credible alternative achieving critical mass, or regulatory fragmentation that forces geographic separation. Neither appears imminent.

The Treasury Entanglement

These forces extend into sovereign debt markets.

Stablecoin issuers must hold reserves backing their outstanding tokens. The GENIUS Act, like most regulatory frameworks globally, requires these reserves to consist of high-quality liquid assets. For dollar stablecoins, this primarily means US Treasury securities, the most liquid market on Earth.

The scale of this reserve accumulation has become substantial. Tether and Circle, two private companies that most people have never heard of, [collectively hold more US](#)

Treasury securities than Saudi Arabia. Entities responsible for managing a quarter-trillion dollars in stablecoin liabilities have become significant participants in the market for US sovereign debt.

The entanglement runs deeper. JPMorgan strategists estimate that stablecoin growth could generate up to \$1.4 trillion in additional US dollar demand by 2027, but only if that growth is fueled by foreign buyers converting local currencies into dollar-backed tokens. The distinction matters. When a Brazilian sells reais to buy USDC, new dollar demand is created. When an American moves funds from a bank account to USDC, no new demand emerges, just rotation within the dollar system.

If the optimistic scenario materializes (continued rapid growth driven primarily by international adoption) stablecoins will become a meaningful source of Treasury demand. The US government gains a new class of buyers for its debt, funded by global demand for dollar-denominated digital money. The correlation is already visible: Over the past two years, stablecoin market capitalization has tracked closely with dollar strength, suggesting this symbiotic relationship is real.

The BIS quantified part of this dynamic. A \$3.5 billion increase in stablecoin market cap is estimated to depress Treasury bill yields by 2.5 to 5 basis points, modest but measurable. More concerning, redemptions have asymmetric effects, causing yield spikes up to three times larger than the suppression from equivalent inflows. As the stablecoin market grows into the trillions, these flows become large enough to affect monetary transmission.

The \$13 Billion Year

The economics of stablecoin issuance deserve scrutiny because they explain both the extraordinary profitability of current issuers and the potential fragility of that profitability.

Tether reported \$13 billion in net profit in 2024. That's comparable to Goldman Sachs or Morgan Stanley, global financial institutions with tens of thousands of employees and century-long histories. Tether achieved it with a few hundred people and a business model that would fit on an index card.

The model is elegantly simple. Tether accepts dollars from users and issues USDT tokens in return. Those dollars are invested primarily in US Treasury bills, currently yielding

4-5%. Tether pays users nothing. The spread between what Tether earns on reserves and what it pays depositors (zero) flows directly to profit. With \$170+ billion in circulation, even modest yields generate billions in income.

This “reserve spread” model has created extraordinary wealth, but it depends entirely on the interest rate environment. In the near-zero rate era of 2010-2021, the same model would have generated almost nothing. Treasury bills yielded fractions of a percent. Tether’s current profitability reflects an unusual period of elevated rates following aggressive Federal Reserve tightening.

What happens when rates normalize? No one really knows. If rates return to 2019 levels (roughly 1.5%) Tether’s profit would decline proportionally. If rates return to 2015 levels (near zero) the model approaches breakeven before operating costs. The one certainty is that their \$13 billion year may be a one-off windfall, not a sustainable baseline.

A detail buried in Tether’s reserve composition hints at management’s own uncertainty about the model’s durability: The company holds approximately [80 tons of gold](#). That’s not a compliance requirement or an operational necessity but a strategic hedge. It also happens to be one of the largest private gold positions in the world, suggesting Tether’s leadership sees risks in the very dollar system their product reinforces.

The GENIUS Act adds a constraint that protects issuer economics while creating competitive tension. The legislation prohibits stablecoin issuers from paying interest to holders. This preserves the reserve spread for issuers (they earn interest, users don’t) but also creates an opportunity cost for users. **With approximately 80% of US bank deposits earning interest, holding stablecoins means forgoing yield that a savings account would provide.**

Circle has already found a workaround of sorts, offering [4.1% yield on USDC held on Coinbase](#), attracting \$12 billion in deposits through a structure that may face regulatory scrutiny. The tension between regulatory prohibition on interest and market demand for yield will shape issuer competition.

The Geopolitical Stakes

For the United States, dollar stablecoin dominance represents monetary influence achieved through private innovation, rather than government action.

Contrast this with their global peers. China spent years developing the [digital yuan \(e-CNY\)](#), a central bank digital currency that extends state control over payments. The project requires government infrastructure, raises privacy concerns domestically, and faces adoption resistance internationally. Europe's digital euro, still years from launch, involves complex multi-country coordination and uncertain political support.

The United States has done none of this and may not need to. Dollar dominance in stablecoins achieves similar geopolitical benefits through private sector activity that the government regulates but doesn't operate, expanding dollar utility globally without corresponding effort. American companies issue the tokens. American Treasuries back the reserves. American legal frameworks govern the system.

The GENIUS Act institutionalizes this dynamic. By creating a clear regulatory framework for dollar stablecoins that international issuers can comply with, and international users can trust, the legislation effectively exports American financial infrastructure. A Nigerian entrepreneur holding USDC is, in economic terms, holding a claim on the US financial system. The dollar's reach extends without the dollar's physical limitations.

For everyone else, this creates challenges ranging from inconvenient to existential.

The European Central Bank has been most explicit about the risks. Its analysis frames dollar stablecoin adoption as "digital dollarization," the erosion of euro-denominated economic activity in favor of dollar-denominated alternatives. If European citizens and businesses increasingly use USD stablecoins for payments, savings, and settlement, the ECB's ability to conduct monetary policy weakens. European economic conditions become more sensitive to Federal Reserve decisions. The euro's role in its own territory diminishes.

The [ECB notes that Europe is particularly vulnerable](#) because its financial system relies more heavily on bank deposits than America's. A shift of deposits from banks to stablecoins would hit European credit availability harder than it would in the US, where capital markets provide alternative funding channels. Dollar stablecoin adoption doesn't just threaten monetary sovereignty, it threatens the financing mechanism for European economic activity.

China's response has been architectural rather than competitive. Rather than trying to build yuan-denominated stablecoins to rival dollar dominance, China invested in alternative infrastructure like the mBridge project, a cross-border CBDC corridor linking central banks in China, Hong Kong, Thailand, and the UAE. The project enables direct

central bank digital currency settlement between participating nations, bypassing dollar rails entirely. It's not designed to compete with stablecoins on their terms; it creates parallel infrastructure that doesn't depend on US-dominated systems. Whether mBridge achieves meaningful scale remains uncertain, but it represents the most serious attempt to build an alternative to dollar-centric digital payments.

Emerging markets face related challenges. Countries with weak currencies and limited dollar access find stablecoins attractive precisely because they offer escape from local monetary conditions. For citizens, this represents stability and purchasing power protection. For governments it means capital flight, reduced monetary policy effectiveness, loss of seigniorage revenue.

The Seigniorage Transfer

This last point deserves emphasis because it represents a transfer of economic value at unprecedented scale.

Seigniorage, the profit governments earn from issuing currency, has historically been a sovereign privilege. When the Federal Reserve creates dollars, the interest earned on assets acquired with those dollars accrues to the Fed and, ultimately, to the US Treasury. This is a meaningful revenue source and a fundamental attribute of monetary sovereignty.

Stablecoins privatize seigniorage. When Tether issues USDT, it earns the interest on reserves, not any government. **The \$13 billion Tether earned in 2024 is seigniorage revenue that, in a traditional monetary system, would have flowed to a sovereign.** At scale, this transfer becomes enormous. A \$2 trillion stablecoin market (the projected size by 2028) earning 4% on reserves generates \$80 billion annually, flowing to private issuers rather than governments.

For the United States, this is ambiguous. Dollar stablecoins increase Treasury demand (good for government financing) while privatizing the profits from dollar creation (revenue foregone). The net effect depends on whether Treasury demand benefits exceed seigniorage losses.

For other countries, the calculation yields unambiguous loss. When a Brazilian holds USDC instead of reais, Brazil loses the seigniorage on that monetary holding. When a Nigerian uses USDT for savings instead of naira, Nigeria loses. The private capture of what was sovereign revenue compounds the monetary sovereignty concerns.

Key Idea:

The Flywheel Outlasts the Profits

The dollar dominance created by stablecoins is durable. The profits captured by issuers are likely temporary.

The future of stablecoins as an economic engine is predicated on these facts.

Dollar concentration reflects structural advantages: Liquidity, network effects, forces that only compound over time. These dynamics will persist regardless of the interest rate environment. Dollar stablecoins will remain dominant even if issuer economics collapse.

Tether's \$13 billion year might be windfall, but when rates normalize to 2019 levels (1.5%) or 2015 levels (near-zero), reserve spreads will shrink. Tether's 80 ton golden hedge is proof they recognize this, but whether Tether is profitable or not doesn't really matter; demand for USD has increased.

The strategic implication: **First movers captured extraordinary wealth from a window that's closing.** The flywheel they built, dollar dominance in digital payments, will keep spinning long after their profit model reverts to modest returns. Market structure (permanent) is being created from issuer economics (temporary).

For the United States, this is ideal. Private firms bear the execution risk and capital requirements. They build the infrastructure that extends dollar reach globally. When their profits normalize, the geopolitical benefits (monetary hegemony through stablecoins) remain. The US achieves lasting strategic advantage while issuers capture time-limited windfalls.

For challengers, this suggests strategy: Don't compete on issuance economics (Tether's margins are temporary anyway). Compete on infrastructure, services, or capabilities that don't depend on reserve spreads. The durable value is in what connects to the flywheel, not in spinning it yourself.

Chapter 6: Counter-Visions

Key Takeaways

The Bank for International Settlements argues stablecoins fundamentally fail the three tests of sound money: singleness (different issuers carry different risks), elasticity (100% reserves prevent money creation through lending), and integrity (pseudonymous bearer instruments create compliance challenges).

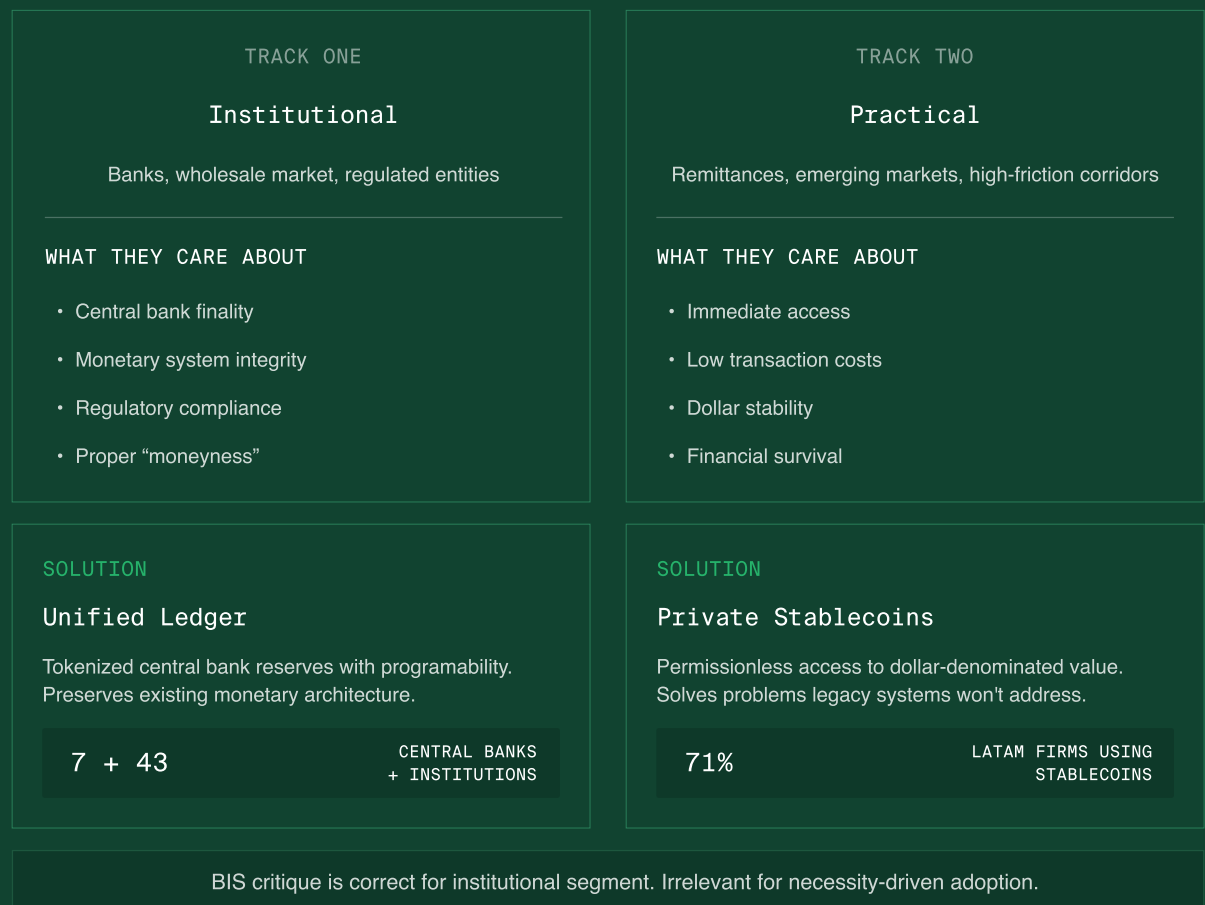
The stability concerns are not theoretical. Moody's documented over 600 de-pegging events for large-cap stablecoins in 2022-2023. Approximately 40% of all value lost in the crypto sector is attributable to bridge hacks. The concentration in two issuers (90% market share) creates systemic dependency on entities with less transparency than traditional banks.

Central banks aren't just defending legacy systems; they're building alternatives. Project Agorá (7 central banks, 43 institutions) is constructing a unified ledger that would deliver blockchain benefits while keeping central bank money at the system's core.

The likely resolution is segmentation, not victory for either side. Central bank-anchored systems may dominate wholesale markets and certain institutional flows, while private stablecoins dominate "exotic" corridors, low liquidity markets, remittances, and digital commerce.

Different segments require different solutions

Chapter 6 exhibit



The Case Against

The momentum behind stablecoins is real. The transaction volumes, institutional commitments, and the dramatic shift towards regulatory clarity all point toward a technology achieving escape velocity. But momentum is not inevitability, and the intellectual case against stablecoins as core monetary infrastructure deserves serious engagement.

The most rigorous critique comes not from crypto skeptics or incumbent defenders but from the [Bank for International Settlements](#), which serves as the central bank of central banks. The BIS doesn't dismiss blockchain technology or deny stablecoin utility for specific purposes. Its argument is more precise: **Stablecoins are architecturally unsuited to serve as foundational monetary infrastructure, regardless of how efficiently they settle transactions.**

Understanding this critique matters because it shapes central bank policy and influences regulatory design.

The Three Tests of Sound Money

The BIS framework evaluates monetary instruments against three criteria that any form of money must satisfy to support a stable financial system.

Singleness:

Singleness requires that every unit of currency be treated as equal. A dollar is a dollar, whether held at JPMorgan or a community bank, whether deposited yesterday or ten years ago. This uniformity enables commerce without requiring counterparty assessment on every transaction. You accept dollars without investigating the creditworthiness of whoever previously held them.

To understand what singleness means in practice, consider how modern money actually works. It operates in tiers.

- At the top sit central bank reserves: Liabilities of the Federal Reserve, the safest dollar-denominated asset in existence.
- Commercial bank deposits are one tier down: Liabilities of private banks, but insured and convertible to central bank money on demand.

- E-money (PayPal balances, prepaid cards) sits another tier down: Claims on licensed institutions with segregated funds.

Each tier is a claim on the tier above it. A dollar in your Chase account is a claim on Chase; Chase's reserves are a claim on the Fed. The system maintains singleness because every tier ultimately anchors to the same thing: Central bank money.

Stablecoins introduce a new tier at the bottom, without any connection to the tiers above:

- USDT is a liability of Tether.
- USDC is a liability of Circle.
- FDUSD is a liability of First Digital.

Each token's value depends on its specific issuer's reserves and willingness to honor redemptions. In normal times, these distinctions seem academic, since all major stablecoins trade at par with dollars. In periods of macroeconomic stress, they can become very real.

Moody's documented over [600 de-pegging events for large-cap stablecoins in 2022-2023 alone](#). Most were brief, but some persisted for hours or days. A few, like TerraUSD's collapse, destroyed billions in value.

Each of these offers credence to the view that stablecoins are not, in fact, dollars. They're claims on private issuers that usually trade at par ... but sometimes don't. **The "stable" in stablecoin is an aspiration, not a guarantee.** A monetary system built on instruments that periodically fail to maintain their defining characteristic carries risks that dollar bills and bank deposits do not.

Elasticity:

Elasticity requires that the money supply can expand flexibly to meet economic needs. When businesses need credit to fund expansion, or households need mortgages to buy homes, the banking system creates money through lending. This elastic capacity allows the financial system to accommodate economic growth without requiring every transaction to be pre-funded with existing money.

Stablecoins fail this test by design. A dollar stablecoin requires a dollar in reserves. You cannot lend stablecoins into existence the way banks lend deposits into existence. The 100% reserve requirement that makes stablecoins safe also makes them rigid—what the BIS calls a "cash-in-advance constraint."

This matters for systemic function. An economy running on stablecoins would lack the credit creation mechanism that traditional banking provides. Every payment would require prior accumulation of funds; each expansion would require prior savings. The flexibility that allows modern economies to grow without constant liquidity crises would disappear.

Integrity:

Integrity requires that the monetary system resist illicit activity. This is where stablecoins face perhaps their most significant challenge. As digital bearer instruments on public blockchains with pseudonymous transactions, stablecoins create compliance challenges that traditional banking architecture doesn't share. You can trace a wire transfer through correspondent banks; tracing value through mixers, bridges, and decentralized exchanges is considerably harder.

The compliance infrastructure has improved dramatically, but the fundamental architecture creates vulnerabilities. Stablecoins can move peer-to-peer without intermediary oversight. They can cross borders without correspondent banking checkpoints. The features that make them efficient for legitimate use also make them attractive for illegitimate use.

Security Overhang

Beyond the BIS's theoretical framework, practical security concerns create ongoing risk.

The bridge vulnerability is perhaps the most alarming. Bridges, the technology enabling assets to move between different blockchains, have proven catastrophically exploitable. Approximately [40% of all value lost in the cryptocurrency sector is attributable to bridge hacks.](#)

The stablecoin ecosystem depends on interoperability. Tokens need to move between Ethereum and Solana, between Layer 1s and Layer 2s, a variety of chains optimized for different use cases. Every bridge connecting these ecosystems represents an attack surface. The more interoperable the system becomes, the more bridges are required and the more vectors of attack are exposed. **Security and interoperability exist in tension.**

The concentration risk compounds security concerns. 90% of the stablecoin market belongs to two issuers: Tether and Circle. The entire stablecoin ecosystem's stability depends on two entities maintaining operational integrity and managing reserves competently.

Tether, specifically, operates with less transparency than traditional financial institutions. It has faced persistent questions about reserve composition, has never completed a comprehensive audit by a major accounting firm, and operates from jurisdictions with limited regulatory oversight. An entity holding \$170+ billion in liabilities has provided less verification than a regional bank holding a fraction of that amount.

That doesn't necessarily point to a problem with Tether itself—the company has operated for years and honored redemptions through multiple stress periods—but it does point to the fact that the industry depends on the continued competence of a single, lightly-regulated private entity, and this alone carries irreducible risks.

The historical parallel can be uncomfortable. In one example, former regulator [Brian Brooks](#) compared the GENIUS Act to the National Bank Act of 1863, which established a uniform national currency. Economist Barry Eichengreen conversely sees the period as a return to the “Free Banking Era” that preceded the Act, when hundreds of private banks issued their own notes that traded at varying discounts, triggering periodic panics.

This debate isn't settled. But the fact that serious economists see parallels to a monetary system that failed, one that required federal intervention to stabilize, should temper confidence in stablecoin triumphalism.

The Unified Ledger Alternative

The BIS critique would be merely defensive if central banks offered only legacy systems as alternatives. They don't. The vision being developed, and actively built, is a next-generation infrastructure that captures blockchain benefits while preserving central bank money at the system's core.

The concept is the [“unified ledger”](#): a single programmable platform that unites tokenized central bank reserves, tokenized commercial bank deposits, and other tokenized assets.

The architecture addresses the three-tests critique directly:

- Singleness is preserved because all tokens ultimately settle in central bank reserves, the same reserves backing the existing banking system. There's no issuer-specific counterparty risk; a tokenized deposit at JPMorgan settles in the same Federal Reserve reserves as a tokenized deposit at Bank of America.

- Elasticity is preserved because commercial banks can still create money through lending; the tokenization layer sits atop the existing credit creation mechanism rather than replacing it.
- Integrity is enhanced because participants operate within the regulated banking perimeter, subject to existing AML/KYC requirements.

The unified ledger would deliver what blockchain promises (programmability, atomic settlement, 24/7 operation) without requiring the monetary system to migrate from regulated institutions to private stablecoin issuers.

Project Agorá is the primary implementation vehicle. Seven major central banks participate, including the Federal Reserve Bank of New York, the Bank of England, the Bank of Japan, and the European Central Bank. Forty-three regulated financial institutions have joined.

The BIS has complementary initiatives addressing specific challenges. [Project Mandala](#), for instance, focuses on compliance-by-design: Using zero-knowledge proofs to coordinate cross-border regulatory checks without requiring banks to share underlying customer data. The goal is privacy-preserving compliance, where wallets can prove they've passed KYC without exposing the identity itself, and suspicious activity triggers governed unmasking rather than blanket surveillance.

Together, these projects suggest central banks aren't seeking to return to the status quo, but instead integrate tokenization in ways that better serve their needs.

Early results from adjacent experiments suggest the concept works. Tokenized bonds have been issued totaling more than [\\$4 billion across nine currencies](#), with sovereigns, supranationals, and agencies using blockchain rails for traditional fixed income. These tokenized bonds have demonstrated bid-ask spreads of 17 basis points versus 30 basis points for conventional counterparts.

The efficiency gains from tokenization are real. The question is whether those gains require private stablecoins, or can be achieved with tokenized versions of existing money forms.

The Segmentation Hypothesis

The stablecoin maximalist vision assumes eventual dominance: Private tokens replacing not just correspondent banking but central bank money itself, blockchain rails becoming the default infrastructure for all value transfer.

The central bank counter-vision assumes the opposite: Public infrastructure absorbing blockchain technology, unified ledgers making private stablecoins unnecessary, regulated systems outcompeting unregulated alternatives.

Neither extreme seems likely. **The more probable outcome is segmentation, with different forms of tokenized money dominating different use cases based on their structural advantages.**

Wholesale markets and large-value institutional flows may gravitate toward central bank-anchored systems. When a failed transaction creates systemic risk rather than mere inconvenience, the guarantees provided by central bank reserves become worth the friction of operating within regulated infrastructure. Project Agorá is explicitly designed for this segment: flows where the BIS's three tests matter most.

Retail payments, low liquidity markets, remittances, and digital commerce are ripe for private stablecoin adoption. These segments prioritize speed and accessibility over systemic stability. A migrant worker sending money home doesn't need Federal Reserve settlement guarantees; they need cheap, fast, reliable transfers.

Emerging market access may favor stablecoins almost regardless of central bank alternatives. For populations with weak local currencies and an urgent need for dollar stability, private stablecoins solve immediate problems that central bank alternatives, built for developed-market institutional use cases, don't address.

The segmentation hypothesis suggests the debate between stablecoin advocates and central bank skeptics is partially misframed. They may both be right, about different segments. The interesting questions become: Where do the segment boundaries fall? How do the segments interact? What happens when value needs to move between them?

Key Idea:

Two Parallel Visions

Chapter 3 showed incumbents absorbing blockchain technology to compete on institutional terms. Chapter 6 reveals they're not just competing; they're attempting to make private stablecoins obsolete.

SWIFT isn't blocking blockchain. Rather, it's building its own. Project Agorá isn't fighting tokenization; it's doing tokenization with central bank money instead of private issuer money. Their goal is to produce viable substitutes, to displace private coins entirely. The gambit makes sense. Both use the same rails (blockchain), but one carries central bank settlement guarantees while the other relies on Tether's balance sheet.

This reframes the competitive dynamic. The real contest isn't stablecoins versus correspondent banking, it's private stablecoins versus public tokenization. If unified ledgers deliver programmability, 24/7 settlement, and atomic transactions while maintaining central bank finality, institutional flows would have no reason to accept issuer risk from Tether or Circle. Central bank money with blockchain efficiency beats private issuer money with blockchain efficiency.

The segmentation hypothesis becomes clearer through this lens. Central bank alternatives will dominate where settlement guarantees matter (wholesale markets, institutional B2B). Private stablecoins will dominate where central banks can't or won't operate (retail remittances, emerging market access, crypto-native applications). The BIS's three tests matter most in the first segment but are less relevant in the second.

The strategic implication: Don't assume the battle is blockchain versus legacy. The battle is who has the best solution to the right problem. Firms betting exclusively on private stablecoins face competition from well-resourced central bank alternatives. Firms serving segments central banks won't reach (emerging markets, low-value corridors) face less institutional competition but different challenges (regulatory uncertainty, local presence requirements).

The counter-vision is serious, well-funded, and architecturally sound. It won't stop stablecoins everywhere, but it may force the industry to compete in different ways than initially anticipated.

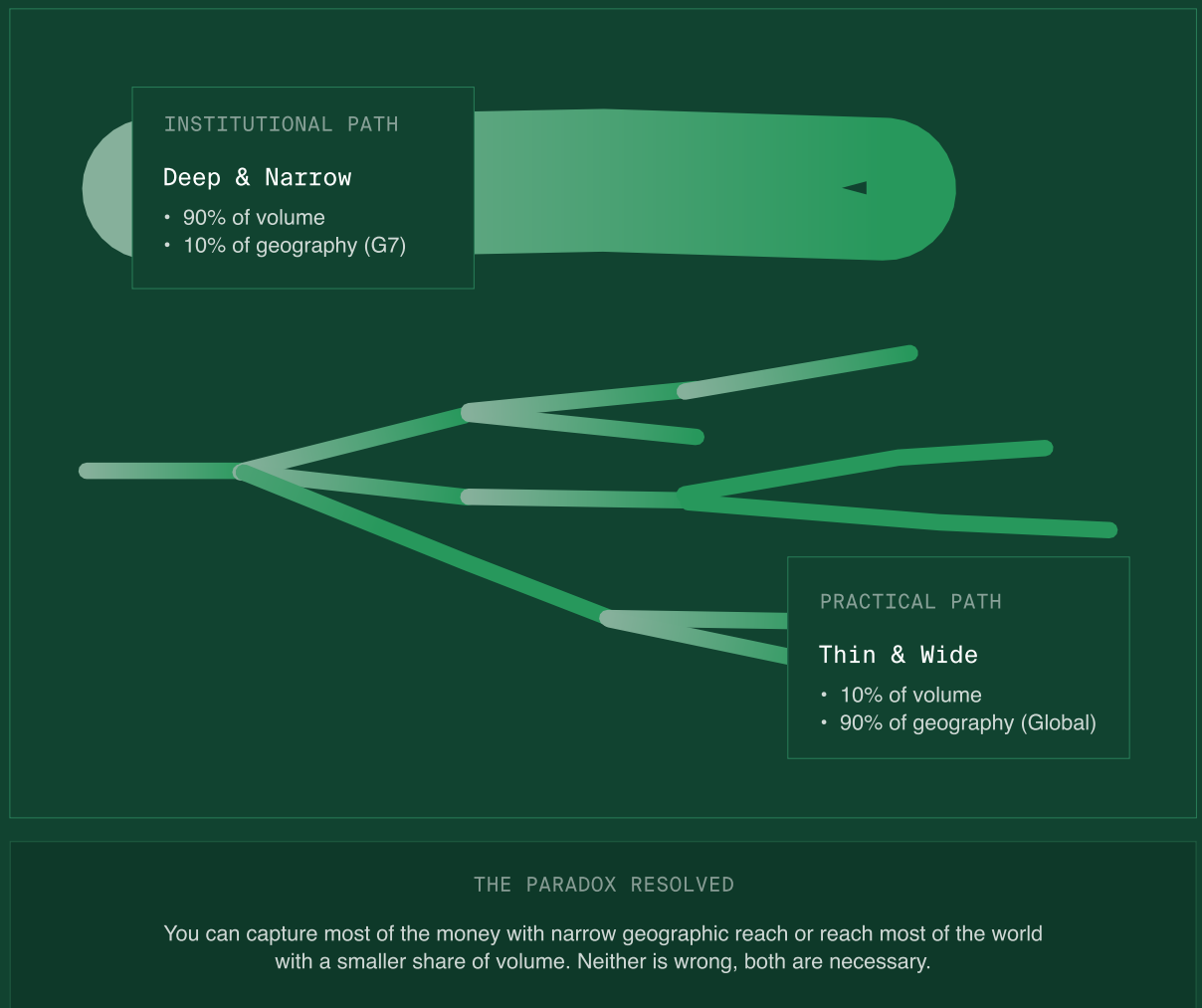
Conclusion: Two Games, Not One

The stablecoin market in 2025 defies simple characterization. Transaction volumes exceed Visa and Mastercard combined, yet stablecoins remain just 1% of global payment flows. 90% of financial firms are taking action, yet actual institutional adoption rates "0.5 out of 10." Regulatory frameworks have clarified across the G7, yet euro stablecoins have failed to emerge. Incumbents thought to be too slow to keep pace are absorbing the technology and competing on advantages challengers struggle to match.

Understanding stablecoins in 2025 means becoming comfortable with these contradictions and learning to operate inside the framework they've created.

Different objectives require different strategies

Conclusion exhibit



The Segmentation Story

The previous six chapters reveal this framework clearly: Stablecoin adoption is not one phenomenon but two parallel dynamics, each following its own logic.

In mature markets and institutional contexts, adoption asks permission.

Chapter 1 established: North American institutions waited five years for regulatory clarity before deploying at scale. They had the technology in 2020, but lacked the compliance framework to say yes.

As institutions begin to adopt this technology, they still prefer the familiar over the revolutionary. “Boring” wins institutional flows, and this is how institutions have chosen to design their products. Whether we are looking at “bank tokens” or JPM Coin, customers want systems that operate as they always have, attached to names they can trust. They want familiar regulatory and accounting treatment and limited counterparty risk. Zero behavioral change required.

Central banks see this and are working to create alternatives of their own. Chapter 6 introduced Project Agorá, an initiative that seeks to deliver blockchain benefits with central bank settlement guarantees. If they succeed, institutional flows have no reason to accept private issuer risk. The battle then isn’t stablecoins versus correspondent banking; it’s private stablecoins versus public tokenization.

In high-friction corridors, adoption doesn’t wait for permission.

Chapter 4 provided the counterpoint: LATAM leads with 71% stablecoin adoption despite regulatory ambiguity because when inflation hits 200%, waiting on regulators means watching savings evaporate and businesses fail. Bottom-up adoption driven by necessity doesn’t need permission, it just happens.

These users don’t care about familiarity or institutional trust. They care about survival. Stablecoins solve urgent problems: Dollar access when capital controls prevent it, remittances when traditional fees are punishing, payments when local currency is collapsing. The stickiness of necessity-driven adoption is fundamentally different from enthusiasm-driven adoption. When the alternative is financial ruin, switching costs become irrelevant.

“Invisible infrastructure” matters most here. The Singapore and PayPal implementations succeed precisely because users don’t know they’re using blockchain. The stablecoin sandwich (fiat on both ends, stablecoin settlement in the middle) is the dominant model because the best infrastructure disappears from view.

Dollar dominance spans both segments.

In both cases, the 99% USD concentration in stablecoins is likely here to stay, reflecting structural forces that compound over time. The Eurodollar market took decades to reach \$13 trillion; stablecoins achieved \$300 billion in years. This flywheel will outlast the interest-rate driven profits of individual issuers. Tether’s \$13 billion year may be a temporary windfall, but the dollar dominance their infrastructure created is permanent.

What Remains Genuinely Uncertain

Three outcomes are plausible, and strategy must account for all three:

Central bank alternatives succeed in institutional segments. Project Agorá delivers programmability, 24/7 settlement, and atomic transactions with central bank finality. Wholesale markets and large-value B2B flows gravitate toward unified ledgers. Private stablecoins retain retail remittances, emerging markets, and crypto-native applications, but lose the institutional prize. Bank tokens reach Citi’s projected \$100-140 trillion annual volume. Private stablecoins grow but remain niche.

Private stablecoins capture institutional and retail segments. Central bank projects stall or fail to achieve scale before private infrastructure becomes entrenched. The 2025-2028 window proves decisive. First-mover advantages in payments prove as durable as historical precedent suggests (card networks, mobile payments). Institutional adoption accelerates. The 1% grows to 10%, then 20%. Stablecoins become core cross-border infrastructure.

Segmentation produces a hybrid ecosystem. Both scenarios partially succeed. Central bank-anchored systems dominate wholesale/institutional. Private stablecoins dominate retail/emerging markets. Different forms of tokenized money serve different use cases. The system fragments along segment lines rather than consolidating around one model.

The BIS critique deserves weight regardless of scenario. Six hundred de-pegging events in two years represents a significant risk for the market. The fact that 40% of crypto

losses come from bridge hacks shows that security architecture needs improvement. The 90% concentration in Tether and Circle creates systemic dependency on lightly-regulated private entities. The market will need to evolve if it wants to reach full potential.

Strategic Implications

Given segmentation and uncertainty, additional patterns emerge for operators in this industry:

Build for the infrastructure gap:

The blockchain works. The problem is getting the money into the hands of the end user. Successful firms should focus on the infrastructure that supports stablecoin transfers more so than the blockchain itself. On/off-ramps, integrated compliance, automated treasury systems, audit trails. Competitive advantage accrues to firms solving the boring operational problems connecting blockchain rails to everything else.

Specialize by segment and geography:

The contested segment (lower-value, higher-margin payments representing 10% of volume but 33% of revenue) offers the clearest near-term opportunity. But execution requires regional differentiation. LATAM remittance corridors need ground-level solutions to currency problems. North American corporate treasury needs institutional-grade compliance infrastructure. Fragmentation across Asia requires invisible middleware bridging sophisticated domestic systems. There is no universal playbook.

Don't compete on issuance economics:

Tether's \$13 billion year reflects elevated interest rates that won't persist. Reserve spread economics are cyclical. The durable value lies in infrastructure, services, and capabilities that don't depend on interest rate cycles.

Account for parallel visions

Central bank alternatives are likely to move forward in some capacity. Strategies that assume private stablecoin dominance across all segments ignores where private players hold the most leverage. Strategies that account for segmentation, different solutions to different problems, are likely to prove most durable.

The Shape of What's to Come

The paradox that opened this document resolves through segmentation. Stablecoins can simultaneously exceed Visa and Mastercard in transaction volume while remaining 1% of global flows because they're capturing specific high-friction segments, not replacing the entire system.

Expansion will continue, but expansion will not be uniform. Private stablecoins will likely dominate necessity-driven segments where legacy rails genuinely fail and where central banks can't or won't operate. Incumbent institutional players in mature markets will likely face competition from central banks and their tokenization schemes.

No one idea will win the day. Each will win where the need is greatest.

The window between regulation and market saturation remains open, but its exact duration is unknowable. The 2025-2028 period will likely represent the decisive phase. First movers that develop the right infrastructure, the most reliable liquidity, and deep corridor expertise will compound advantages.

The firms that succeed will be those able to hold the multiple truths of the stablecoin market simultaneously, and those able to build the products needed to support such a complex landscape.

About OpenFX

Rebuilding the Infrastructure of Global Finance.

OpenFX is the trusted settlement layer for the next generation of cross-border payments. We provide the “invisible rails” that established organizations and innovative fintechs need to move capital like data.

Our platform solves the crux of liquidity by integrating institutional-grade stablecoin infrastructure with local payment rails, offering a faster, more capital-efficient alternative to traditional correspondent banking.