



Blue Matter Capital

BLOCKCHAIN TECHNOLOGY FUND

BMC RESEARCH & INSIGHTS

*From Niche to Network Scale:
The Stablecoin Inflection Point*

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CONTENTS

- Executive Summary.....3
- Stablecoins Defined3
 - Stablecoin Scale and Implementation3
 - Market Implications3
 - Current Inflection Point.....3
- What Are Stablecoins?4
- Why Were Stablecoins Created?5
 - Example: How Settlement Really Happens in SWIFT5
 - Summary Table: Swift vs Stablecoins6
 - Evolution of Compliance.....6
- When Were Stablecoins Created?7
- Stablecoins at Scale: A Data-Driven Analysis.....8
 - Global Fiat Money Supply (M2) vs Stablecoins8
 - Stablecoin Market Leaders by Supply8
 - Stablecoin Settlement Volumes.....9
 - Credit Card Network Volumes9
 - Comparative Framing: Stablecoins vs Credit Cards.....10
 - Emerging Competitors in Digital Payments.....11
 - Comparative Growth: USDC vs. Visa (2021–2025F)11
 - Stablecoin Activity by Region (2024)12
- Card Network Response13
- Stablecoin Failures and Controversies14
 - Terra/Luna Collapse (2022).....14
 - Tether (USDT) Controversies.....15
 - USD Coin (USDC) Controversies.....15
 - Other Failures.....16
- Risks & Open Questions.....16
- Where Stablecoin's Matter Most: Regional Hubs17
 - New York (US)17
 - Hong Kong (HK)18
 - London (UK).....19
 - Regulatory Framework.....20
 - European Union (EU).....20
 - Emerging Markets (Africa, Brazil, Middle East, Others)21
 - Beyond the Banking System22
 - Stablecoins in Context.....22
- Key Takeaways23
- Disclaimer and Legal Notice24

EXECUTIVE SUMMARY

Stablecoins are digital dollars that move on always-on settlement rails.

Stablecoins Defined

Stablecoins are digital dollars that move on always-on settlement rails. Sending a digital stablecoin **is settlement**—final in seconds, with fewer intermediaries and auditable movement of funds. They are not a new currency; they are a digitized form of existing dollars designed for instant, automatic settlement and, in our view, will become the primary infrastructure for global payment rails, supporting both today's incumbents and new entrants.

Stablecoin Scale and Implementation

Circle reported approximately USD 6 trillion in gross on-chain USDC (USD Coin) settlement volume in Q1 2025, compared with Visa's approximately USD 3.6 trillion in audited net payments volume for the same quarter. Across the sector, stablecoins processed between USD 15 trillion and USD 36 trillion in 2024 depending on methodology, a range that puts them in line with Visa's USD 13.2 trillion and Mastercard's USD 9.8 trillion in audited payments volume.

Visa is integrating digital assets by **expanding stablecoin settlement across multiple blockchains**, processing over \$225M in stablecoin cross-border payments, and enabling **stablecoin-linked Visa cards**. Visa has positioned stablecoins as a **core strategic priority** alongside AI in its payments roadmap. **In parallel, Coinbase is pushing into cards** by partnering with Visa and Mastercard to let users spend directly from crypto balances, positioning itself as a **bridge between digital assets and everyday payments**.

Market Implications

We believe stablecoins are likely to surpass card networks

1. **We believe stablecoins are likely to surpass card networks in annual settlement volumes over the medium term**, assuming regulatory progress and continued institutional adoption.
2. It is our opinion that **regulated, bank-grade stablecoins (e.g., USDC) will ultimately lead in global market share**, as banks, payment processors, and capital markets connect to blockchain-based settlement. High-quality reserves, regular disclosures, clear redemption rights, and alignment with regulatory standards will concentrate institutional flows in regulated issuers.

Current Inflection Point

- » **Policy:** Regulatory clarity is advancing across key markets — U.S. (NYDFS), EU (MiCA), HK (SO), and the UK (FCA/BoE). These initiatives provide clear on-ramps for institutional adoption.
- » **Plumbing:** Core infrastructure — custody, bank connectivity, tokenization platforms, and compliance tooling is now enterprise-ready, enabling stablecoins to integrate directly with traditional finance.
- » **Demand:** Adoption is accelerating in emerging markets where stablecoins serve as practical digital dollars, and corporates are increasingly using them for cross-border working capital and instant settlement.



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WHAT ARE STABLECOINS?

Stablecoins are the digital equivalent of cash in motion.

Stablecoins are the digital equivalent of cash in motion. They let value travel between platforms, countries, and counterparties without waiting for bank cut-off times. Stablecoins are digital tokens pegged to fiat currencies (e.g., USD, Euro, HKD), so \$1 stablecoin (e.g., USDC) $\approx$ \$1 USD. Most are fiat-backed: the issuer holds reserves in cash or short-term U.S. Treasuries, similar to collateral backing.

Stablecoins are designed to maintain a stable value, typically equivalent to \$1. That link to the dollar is called the peg. Think of it like a currency exchange booth that's supposed to always give you 1 U.S. dollar for 1 stablecoin. If the system works, the booth always honors that rate. But if trust breaks or there's not enough money in the booth's drawer, you might only get \$0.92 back for your 1 stablecoin. That's depegging—the price drifting away from the target.

- » When the peg holds: 1 stablecoin = \$1, always.
- » When the peg breaks (depegging), the stablecoin no longer trades at \$1. For example, it might drop to \$0.92 or rise to \$1.05.

BMC views stablecoins not as a new currency, but as a wrapper for existing fiat currencies that enables faster, cheaper settlement.

Stablecoins act as settlement rails — the infrastructure that transactions ride on. Traditional finance relies on Fedwire, CHIPS, or SWIFT, which run on banking hours and can take days to weeks for cross-border wires. Stablecoins, in contrast, move instantly, globally, and 24/7, settling in seconds on public blockchains like Ethereum.



WHY WERE STABLECOINS CREATED?¹

In the early days, moving dollars in and out of crypto exchanges was painful.

Stablecoins first emerged as a **practical tool for crypto traders**. In the early days, moving dollars in and out of crypto exchanges was painful — bank wires could take days, cost significant fees, and sometimes get blocked entirely. Traders needed a stable digital asset that behaved like cash: always equal to \$1, instantly transferable, and usable across different platforms.

Stablecoins solved this by creating a **digital dollar proxy** that could move as fast as crypto itself, without wild swings in value. Instead of waiting on banking rails, traders could settle in seconds between exchanges.

Over time, the use case expanded far beyond trading:

- » **Cross-border payments:** Stablecoins move faster and cheaper than SWIFT or remittance services.
- » **Corporate treasury:** Companies use them for instant settlement of supplier payments or liquidity management.
- » **Tokenization:** Stablecoins act as the backbone for tokenized assets and DeFi applications, providing a stable medium of exchange.

Example: How Settlement Really Happens in SWIFT

Customers typically see a confirmation at initiation and believe settlement is complete

For example, when a cross-border wire originates via the SWIFT network, customers typically see a confirmation at initiation and believe settlement is complete. In reality, the process is fragmented, credit-dependent, and only provisionally final.

1. **Messaging, Not Money:** SWIFT only transmits instructions, such as “Bank A owes Bank B \$10 million.” No funds actually move on the SWIFT network itself.
2. **Correspondent Banking & Nostro/Vostro Accounts:** Settlement relies on pre-funded accounts that banks maintain with one another or with intermediaries. Balances are adjusted, but only provisionally, until they are netted and settled at a later point.
3. **Layers of Internal Complexity:** A single transfer can pass through multiple ledgers and systems within each bank. Back-office teams across time zones — often in offshore centers such as India or Eastern Europe — manually reconcile entries, while compliance and risk departments perform checks in parallel. Nothing is truly instant.
4. **Credit Extension Between Banks:** To conserve liquidity, banks avoid settling every transaction in real time. Instead, they allow imbalances to accumulate and settle the net difference later. In practice, this means banks are effectively lending to one another: if Bank A sends more to Bank B than it receives back, Bank B is carrying that credit exposure until final settlement occurs.
5. **The Customer Illusion:** To keep clients satisfied, banks often mark transfers as “processed” or “complete” well before interbank settlement has actually occurred. A private banker may tell a client, “Your \$10 million cleared this morning,” even though the funds are still moving through layers of correspondent accounts and credit lines. At this stage, “settlement” is closer to a promise than a finality.
6. **Reversals and Risk:** If a compliance flag, liquidity issue, or counterparty failure arises mid-process, banks can stop or reverse transfers—even after customers were told the payment was final. The user experience projects certainty, while the underlying mechanics remain fragile.

“Settlement” is closer to a promise than a finality.

¹ BMC Analysis; SWIFT, *Understanding Correspondent Banking* (2023); Bank for International Settlements (BIS), *Cross-Border Payments and Correspondent Banking* (2022); IMF Fintech Notes, *The Rise of Stablecoins* (2021); Federal Reserve Board, *Payment Systems Report* (2022); Chainalysis, *Stablecoin Use Cases* (2023); Circle, *State of the USDC Economy* (2024). SWIFT settlement mechanics are drawn from BIS and IMF documentation on messaging versus money movement, nostro/vostro account structures, and interbank credit exposures. Stablecoin settlement characteristics are based on public blockchain design, issuer attestations (e.g., Circle, Tether), and third-party analysis (Chainalysis, TRM).



Summary Table: Swift vs Stablecoins

Feature	SWIFT (Traditional Finance)	Stablecoins (Digital Finance)
Nature	Messaging system only (instructions, not money movement)	Actual settlement rail (token transfer is the settlement)
Settlement	Happens later via correspondent banks, nostro/vostro accounts, and interbank credit	Instant, final, and on-chain
Speed	Cross-border wires: days to weeks for final settlement	Near-instant settlement with irreversible finality; compliance shifted to entry/exit points
Availability	Limited to banking hours and business days	24/7, global, always-on
Transparency	Opaque — intermediaries, multiple ledgers, hard to trace	Transparent — public blockchains, verifiable in real time
Cost	High fees, FX spreads, and compliance overhead	Lower fees, fewer intermediaries
Credit Reliance	Relies on short-term loans/credit between banks	No credit needed — fully collateralized tokens move directly

Evolution of Compliance

AML and KYC processes are mandatory at regulated on- and off-ramps

While blockchain settlement is instant, compliance and risk checks have not disappeared—they have shifted to different layers of the system. AML (Anti-Money Laundering) and KYC (Know Your Customer) processes are mandatory at **regulated on- and off-ramps** such as Coinbase, Circle, or PayPal, where tokens are issued, redeemed, or custodied. These act as walled gardens: entry and exit are gated by bank-grade checks, and issuers retain the ability to freeze or blacklist wallets when required by regulators.

Once tokens leave those venues, however, they circulate on-chain as **bearer instruments**. Peer-to-peer transfers are permissionless and generally **irreversible**: once a token is sent on-chain, it cannot be recalled or stopped mid-transfer. Issuers may subsequently freeze or blacklist wallets at a regulator's request, but that occurs after the fact and does not undo the original transaction. From there, tokens can either remain inside the regulated ecosystem or pass through **unregulated off-ramps** — for example, being swapped into another asset on a decentralized exchange and withdrawn via an unlicensed ATM or informal cash trade. In these cases, no compliance check occurs at all; oversight is limited to after-the-fact blockchain monitoring and enforcement actions.

This mirrors the traditional financial system more than it may appear. Once funds leave bank rails, bad actors have long relied on alternative value channels to launder or conceal money — for example²:

² Common laundering typologies are identified by the Financial Action Task Force (FATF), Interpol, and national regulators, including cash smuggling, trade-based money laundering, use of precious metals and stones, high-value art and collectibles, and real estate layering. See FATF, "Money Laundering and Terrorist Financing through the Trade in Diamonds" (2013), FATF "Money Laundering Through the Physical Transportation of Cash" (2015), and FATF "Money Laundering and Terrorist Financing in the Art and Antiquities Market" (2022).



Stablecoins do not create the problem of illicit finance

- » **Cash smuggling:** moving large sums across borders in suitcases or hidden compartments.
- » **Trade-based laundering:** over- or under-invoicing goods to disguise transfers of value.
- » **Precious metals and stones:** shifting wealth via gold, diamonds, or jewelry that can be moved physically and resold discreetly.
- » **Art and collectibles:** purchasing or moving high-value artwork and cultural assets through opaque markets.
- » **Layering through shell companies or real estate:** moving money through opaque legal entities or property markets.

Stablecoins do not create the problem of illicit finance — they are simply a new medium in a longstanding pattern of human behavior. In fact, many law enforcement agencies note that **public blockchains are often easier to monitor than cash or gold**: every transfer is recorded permanently, enabling forensic firms and regulators to trace flows in ways impossible with suitcases of dollars or bags of diamonds.



As Gervais Grigg, former FBI Assistant Director of the Cyber Division, remarked in 2021:

“Criminals should run, not walk, away from cryptocurrency. Law enforcement has never had more visibility into financial flows and we can track and trace with much greater ease than cash.”

In our view, stablecoins do not uniquely empower bad actors. **They accelerate legitimate settlement while making illicit flows more detectable.** Over time, global standards are likely to converge, reinforcing the credibility of regulated issuers while narrowing the space for unregulated pathways.

WHEN WERE STABLECOINS CREATED?

The first stablecoins appeared in the mid-2010s

The first stablecoins appeared in the **mid-2010s**, with Tether (USDT) launching around 2014. Its purpose was straightforward: provide a digital token that always traded at \$1, giving crypto traders a way to move between exchanges without relying on slow, unreliable bank transfers.

Adoption accelerated during the **2017–2021 crypto boom**, when trading volumes exploded and investors needed a “safe harbor” between volatile assets like Bitcoin and Ether. Stablecoins quickly became the default quote currency on many exchanges, often replacing USD in many trading pairs. In the early days, most exchanges quoted pairs directly against U.S. dollars (BTC/USD). But that required heavy banking integration, slow wire transfers, and regulatory friction.

As stablecoins took off, exchanges began quoting trades against **stablecoins instead of dollars** — so BTC/USDT or ETH/USDC became the default. Stablecoins essentially *replaced USD as the base currency of crypto trading*. Traders could move instantly between assets without waiting on banks.

By the early 2020s, the use case expanded well beyond trading. Stablecoins started powering:

- » **Cross-border payments with faster**, cheaper settlement than SWIFT or remittance services.
- » **Corporate treasury flows**, letting firms move liquidity globally in seconds.
- » **DeFi protocols**, where stablecoins serve as the base layer for lending, borrowing, and tokenized assets.

They now settle trillions of dollars annually on public blockchains, with some analyses suggesting volumes approaching those of major payment systems such as Visa, Fedwire, and SWIFT.



STABLECOINS AT SCALE: A DATA-DRIVEN ANALYSIS

Their rapid growth has already brought them into direct comparison with traditional payment networks

While stablecoins are still small compared to the global money supply, their rapid growth has already brought them into direct comparison with traditional payment networks. In this section, we analyze the stablecoin market through multiple lenses—outstanding supply (float), settlement volumes, comparisons against Visa and Mastercard, and regional adoption patterns. Taken together, these data points show how stablecoins have evolved from a niche product into a global-scale financial infrastructure, with usage that now spans institutional settlement, consumer payments, and emerging-market dollarization.

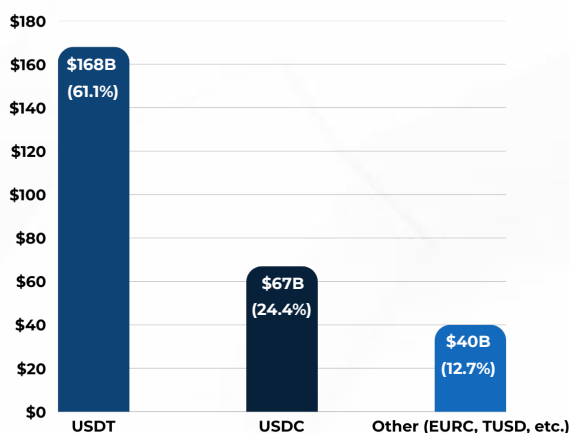
Global Fiat Money Supply (M2) vs Stablecoins³

Global M2 — the broadest commonly used measure of money supply, which includes cash, checking, and savings deposits — sits at roughly \$100 trillion. By comparison, all stablecoins combined amount to about \$275 billion (0.275T USD), or **less than 0.3% of the global fiat money supply**. This shows that stablecoins remain tiny in the context of the global financial system, but their growth has been rapid, and their role as digital dollars is expanding.

Stablecoin Market Leaders by Supply⁴

The **stablecoin float** refers to the total outstanding supply of stablecoins in circulation at a given point in time. In other words, it is the cumulative value of all issued tokens that are redeemable for their underlying assets. As of mid-2025, the global stablecoin float is approximately **USD 275 billion**, making stablecoins one of the largest categories of digital assets by market capitalization.

Stablecoins Q1 (2025): Float



³ BMC Analysis; IMF *International Financial Statistics* (2024) for global M2 estimates (~USD 100T, broad money); World Bank *Global Financial Development Database*; Circle, *State of the USDC Economy* (2024–2025); Coin Metrics & DeFiLlama stablecoin dashboards (2025) for aggregated float (~USD 275B). Global M2 represents broad money (cash, demand deposits, savings), while stablecoin supply reflects circulating tokenized liabilities reported by issuers and market aggregators. Figures are presented to illustrate relative scale between fiat monetary aggregates and stablecoins as of mid-2025.

⁴ BMC Analysis; Coin Metrics and DeFiLlama stablecoin dashboards (mid-2025) for aggregate supply (~USD 275B); Tether attestations and market trackers for USDT (~USD 166–170B); Circle, *State of the USDC Economy* (2025) and reserve disclosures for USDC (~USD 67–68B); issuer websites and market data aggregators for smaller stablecoins (DAI, FDUSD, PYUSD, etc.). Figures represent circulating supply as of mid-2025 and are rounded to the nearest billion.

Within this total:

- » **USDT (Tether):** ~USD 166–170 billion (≈60% market share). Tether remains the dominant stablecoin, though it has faced ongoing criticism regarding the transparency of its reserves.
- » **USDC (Circle):** ~USD 67–68 billion (≈25% market share). USDC is fully backed by cash and short-term U.S. Treasuries, with regular reserve attestations, and is generally regarded as the most institutionally aligned stablecoin.
- » **Other stablecoins:** ~USD 40 billion (≈13% market share), a category that includes DAI, FDUSD, PYUSD, and others. These are smaller in scale but contribute meaningfully to market diversity.

Stablecoin Settlement Volumes

Stablecoin settlement volume measures the total value of transactions processed using stablecoins over a defined period, akin to “payment throughput” or “turnover.” Unlike float, which reflects outstanding supply at a moment in time, settlement volume captures how intensively these tokens are used for transactions.

Depending on methodology, stablecoins processed between approximately USD 15 trillion and USD 36 trillion in transactions during 2024. By mid-2025, volumes were already pacing ahead of this run-rate, underscoring their growing role in payments and settlement. These differences reflect how flows are measured, whether gross throughput, unadjusted raw transfers, or adjusted “payments-like” settlement.

Different methodologies yield varying estimates for 2024:

- » **Gross (Morgan Stanley):** ~USD 36.5 trillion, extrapolated from ~USD 100B daily on-chain activity. This likely overstates “economic” usage because it includes internal churn and exchange flows, but illustrates the scale of throughput.⁵
- » **Unadjusted (World Economic Forum / Blockchain Dashboards):** ~USD 27.6 trillion, based on unadjusted on-chain transfers. Every intermediary hop is counted (including automated flows), which makes it a useful measure of ecosystem activity but inflates true net settlement.⁶
- » **Adjusted (ARK / Axios):** ~USD 15.6 trillion, after filtering out exchange churn, bots, and intermediary hops. This methodology is often cited as the most conservative and “economically meaningful” number, and is the cleanest comparison to Visa and Mastercard audited payment volumes.⁷

Credit Card Network Volumes⁸

For comparison, global credit card networks process **trillions of dollars annually** in consumer and merchant payments. In 2024:

- » **Visa:** ~USD 13.2 trillion in consumer payments, or ~USD 16 trillion total including cash advances and withdrawals. These figures are audited and widely accepted as benchmarks.
- » **Mastercard:** ~USD 9.8 trillion in total network transaction volume.

Together, Visa and Mastercard handle more than **USD 23 trillion annually**, making them the dominant incumbent consumer payment rails globally.

Stablecoin settlement volume measures the total value of transactions processed using stablecoins

Global credit card networks process trillions of dollars annually

⁵ Morgan Stanley, Stablecoins Could Change How Money Moves, 2024.

⁶ World Economic Forum, Digital Currency Governance Consortium Report, 2024; blockchain settlement data.

⁷ ARK Invest, The \$16 Trillion Question: Stablecoins vs Credit Cards, Axios, 2024.

⁸ Sources & Methodology: BMC Analysis; Visa Inc., Annual Report FY2024 (consumer payments ≈USD 13.2T; total network volume ≈USD 16T including cash advances and withdrawals); Mastercard Inc., Annual Report FY2024 (total network volume ≈USD 9.8T). Figures represent audited net consumer and merchant payments processed through card networks, excluding stablecoin or blockchain-based settlement activity.



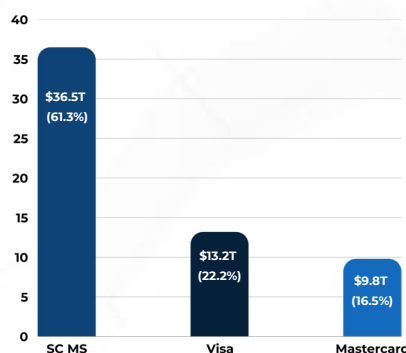
ONE emphasizing total on-chain flows, the other filtering for payments-like activity

Comparative Framing: Stablecoins vs Credit Cards⁹

Stablecoin activity can be measured in different ways, and each methodology highlights a different dimension of the market. Rather than focusing on perfect equivalence with card-network data, the purpose of this comparison is to show how stablecoin settlement already operates at the same order of magnitude as Visa and Mastercard. What follows are two leading approaches—one emphasizing total on-chain flows, the other filtering for payments-like activity—both of which underscore the growing economic role of stablecoins.

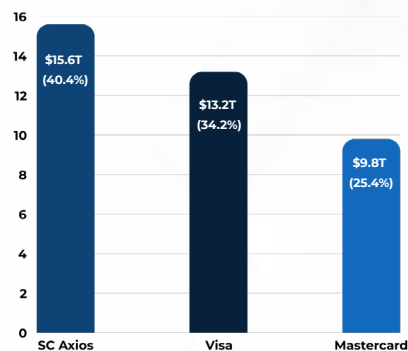
1. **Morgan Stanley methodology (~USD 36.5T):** On this basis, stablecoins already exceed Visa and Mastercard combined in gross throughput. *BMC views this framing as directionally useful; estimates vary by methodology. While not an exact apples-to-apples comparison, we believe these figures capture the actual quantitative flow of money movements across stablecoin networks. In our view, this better represents their true economic weight.*

Stablecoins VS Credit Card (2024): MS Data



2. **Axios / ARK methodology (~USD 15.6T):** On this adjusted basis, stablecoin settlement appears closer to, while still exceeding Visa's ~USD 13.2T, enabling a cleaner apples-to-apples comparison. *BMC acknowledges that ARK's adjustments filter out noise, but we do not see this as a complete comparison to Visa volumes. Stablecoins often offer greater flexibility and lower transaction costs than credit cards. Visa's volumes are comparatively lower because its network has less flexibility and higher fees. As adoption expands, we expect stablecoins to widen the gap dramatically.*

Stablecoins VS Credit Card (2024): Axios Data



⁹ Sources & Methodology: BMC Analysis; Morgan Stanley (2024), Stablecoins Could Change How Money Moves; Axios/ARK (2024), The \$16 Trillion Question: Stablecoins vs Credit Cards; Visa Inc., Annual Report FY2024. Morgan Stanley estimates (approximately \$36.5T) represent gross stablecoin transfers across networks, reflecting total on-chain settlement flows. Axios/ARK estimates (approximately \$15.6T) apply adjustments to filter out internal and non-payments flows, producing a more conservative payments-like measure. Visa and Mastercard volumes (approximately \$13.2T and \$9.8T, respectively) are drawn from audited net consumer transactions, excluding cash access. These approaches capture different dimensions of activity—gross throughput versus adjusted payments—but both indicate that stablecoins are already operating at card-network scale.



Stablecoins are already operating at card-network scale today

Taken together, the Morgan Stanley and ARK analyses show that **stablecoins are already operating at card-network scale today**. On a gross-transfer basis, volumes exceeded Visa and Mastercard combined in 2024, while on a more conservative payments-like measure, stablecoin activity was comparable to Visa and above Mastercard. The gap between these methodologies reflects different treatments of gross versus net settlement flows, not a question of scale. For investors, the conclusion is clear: **stablecoins have already reached the same order of magnitude as the largest global payment networks**, underscoring their role as core financial infrastructure rather than an emerging niche.

Emerging Competitors in Digital Payments

While Visa and Mastercard remain the dominant benchmarks for global payment throughput, new entrants are beginning to test and deploy alternatives that overlap with stablecoin functionality.

- » **PayPal (PYUSD):** In 2023, PayPal launched its own U.S. dollar-backed stablecoin (PYUSD), issued on Ethereum and integrated into its wallet ecosystem. With over 400 million active accounts, PayPal has the distribution capacity to make PYUSD a mainstream settlement instrument if adoption accelerates.¹⁰
- » **Fintech Rails:** Payment companies and neobanks are experimenting with tokenized settlement systems to reduce costs and shorten settlement times. These rails remain small in volume relative to card networks but demonstrate how fintechs are leveraging blockchain to compete in payments infrastructure.¹¹
- » **Central Bank Digital Currencies (CBDCs):** Over 100 jurisdictions are exploring or piloting CBDCs, with China's digital yuan the most advanced. While CBDCs are primarily designed for domestic monetary control rather than global settlement, they represent a parallel effort by governments to digitize money supply and could eventually intersect with stablecoin rails in wholesale markets.¹²

Taken together, PYUSD, fintech rails, and CBDCs highlight that stablecoins are emerging within a broader competitive landscape of digital payment infrastructures rather than in isolation.

Comparative Growth: USDC vs. Visa (2021–2025F)¹³

Stablecoin activity has grown relative to a major global payments network

We compared USDC transaction volumes with Visa's payments volumes across 2021–2024 to create a projection of actuals (PofA) and added a forecast for 2025. The purpose is to show how stablecoin activity has grown relative to a major global payments network. Volumes are based on Circle disclosures for USDC and Visa's audited annual reports, with 2025 forecast by annualizing H1 USDC and applying a 6% growth assumption to Visa. The data show that stablecoin settlement, measured on a gross throughput basis, is now approaching and in some cases surpassing traditional card networks in scale.

¹⁰ PayPal, Press Release: PayPal Launches U.S. Dollar Stablecoin (PYUSD), August 2023.

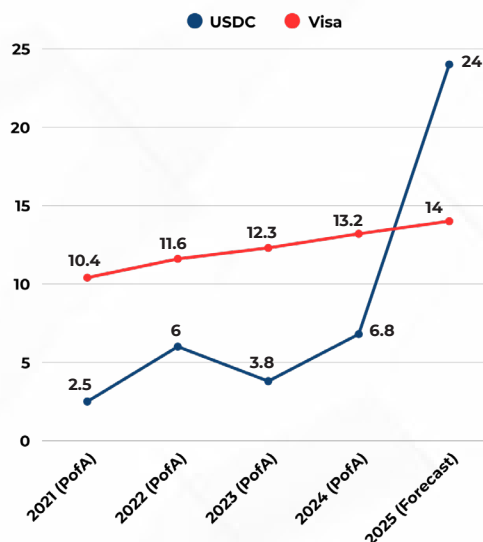
¹¹ BIS, CBDC Tracker: Central Bank Digital Currencies Around the World, 2024 update.

¹² McKinsey & Company, The 2024 Global Payments Report, September 2024.

¹³ **Sources & Methodology:** BMC Analysis; Circle, *State of the USDC Economy* (2021–2024) and Q1/Q2 2025 earnings releases; Visa Inc., *Annual Reports* FY2021–FY2024 and Q1 FY2025 investor filings; Morgan Stanley (2024), *Stablecoins Could Change How Money Moves*. Methodology: 2021–2024 volumes reflect actuals from Circle disclosures (USDC gross on-chain throughput) and Visa audited payments volumes (net consumer transactions, excluding cash access). For 2025, we reference actuals from Q1 and Q2 (USDC ≈\$6T and \$5.9T; Visa ≈\$3.6T in Q1 FY2025) and construct a forecast by annualizing H1 USDC (~\$11.8T) and applying ~6% YoY growth to Visa's FY2024 base (\$13.2T). These figures reflect different data types—gross settlement flows for USDC versus net payments for Visa—and are presented to illustrate directional growth trajectories between stablecoin settlement and traditional payment networks.



Comparative Growth: USDC and Visa, 2021–2025F (in trillions USD)



Two conclusions are drawn from the USDC vs. Visa data set:

1. Stablecoin growth is outpacing traditional networks.

In just a few years, USDC volumes have scaled from a fraction of Visa's payments activity ($\approx 25\%$ in 2021) to exceeding Visa on a quarterly basis in 2025. **Circle reported ~\$6T in USDC on-chain volume in Q1 2025**, compared with **Visa's ~\$3.6T** in audited payments volume for the same quarter. This indicates not only rapid adoption but also that stablecoins are maturing into a settlement layer already surpassing the largest traditional networks in scale.

2. Stablecoins are compressing the timeline of financial innovation.

It took Visa decades to scale from launch to multi-trillion-dollar annual volumes, while USDC has reached a comparable level in less than five years. This speed of growth suggests that digital settlement rails can achieve adoption curves far steeper than legacy networks, accelerating the pace at which new financial infrastructure becomes systemically relevant.

Stablecoin Activity by Region (2024)¹⁴

Stablecoin usage is not evenly distributed across the globe.

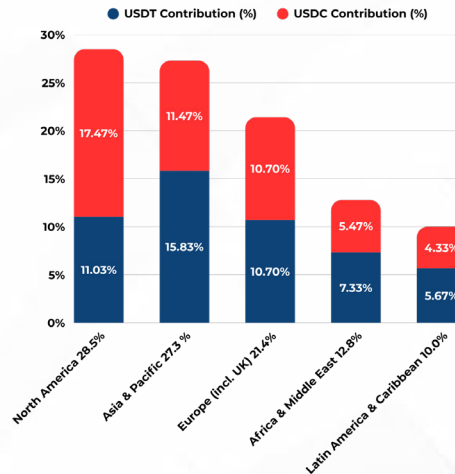
Stablecoin usage is not evenly distributed across the globe. While the instruments themselves are standardized (digital tokens pegged to the U.S. dollar), their role varies dramatically by geography. In developed markets such as North America and Europe, stablecoins function primarily as **infrastructure**—liquidity for exchanges, settlement in DeFi, and institutional trading. In contrast, in emerging markets such as Latin America, Sub-Saharan Africa, and Türkiye, stablecoins operate as **money itself**—a replacement for volatile local currencies, a vehicle for remittances, and a synthetic way to hold dollars.

To quantify this distribution, BMC built a regional analysis of stablecoin flows, drawing on IMF (2025), Chainalysis (2024), and TRM/Kaiko regional trading data. The results, shown in the chart below, highlight the concentration of volume in North America and Asia-Pacific (together over 55 percent of global activity), but also the disproportionately high intensity of stablecoin usage in emerging markets when measured against GDP or overall crypto activity.

¹⁴ **Sources & Methodology:** BMC Analysis; IMF (2025), *Stablecoins by Region and Country*; Chainalysis (2024), *Global Crypto Adoption Index*; Kaiko (2024), regional trading datasets; TRM Labs (2024) and Elliptic reports on stablecoin flows. Regional contribution estimates are constructed by combining trading, settlement, and remittance flow data, normalized against total global stablecoin activity. Figures are indicative and directional rather than exact, reflecting methodological differences across providers. USDC/USDT split is derived from reported exchange volumes, wallet activity, and OTC/P2P market data.



Stablecoin Activity by Region (2024): USDT vs USDC



The flows point to a dual-track market structure. In North America, **USDC dominates**, reflecting stronger regulatory alignment and banking integration. In emerging markets, **USDT remains the clear leader**, driven by accessibility, lower frictions, and availability on informal P2P markets. Europe sits at a midpoint (~50/50), reflecting the tension between institutional preference for USDC and trading demand for USDT. Over time, this divergence could drive a form of **digital dollarization**—where fragile economies increasingly migrate onto USD stablecoin rails in practice, even if their domestic monetary systems persist in form.

Stablecoins also expand access for populations excluded from the traditional financial system. In many emerging markets, large segments of the population remain **unbanked or underserved**, lacking reliable access to dollar accounts or cross-border transfer infrastructure. Stablecoins provide a direct entry point into the global economy—allowing users to hold, send, and receive digital dollars with only a smartphone wallet. In many cases, this is not a bridge into the traditional banking system but an alternative to it, enabling households and businesses to operate entirely outside formal rails while still transacting globally in dollars.

Stablecoins also expand access for populations excluded from the traditional financial system.

CARD NETWORK RESPONSE¹⁵

The rise of stablecoins has not gone unnoticed by incumbent payment networks.

The rise of stablecoins has not gone unnoticed by incumbent payment networks. Circle's IPO in mid-2025, which raised more than \$1 billion and saw its shares surge on debut, underscored market conviction that regulated stablecoins will become core financial infrastructure. Following the IPO, Circle announced plans to extend into consumer payments, including the issuance of a credit card that directly integrates stablecoin balances. This signals an intent to move from settlement infrastructure into areas traditionally dominated by Visa and Mastercard.

Visa has shifted from experimentation to integration, embedding stablecoins directly into its products and network:

- » Partnered with fintechs to issue stablecoin-linked Visa cards, enabling consumers to spend directly from stablecoin balances across Visa's global merchant network.
- » Positioned stablecoins as a tool for emerging markets and cross-border remittances, highlighting their potential for faster and cheaper international transfers.

¹⁵ **Sources & Methodology:** BMC Analysis; Circle Inc., IPO prospectus and Q2 2025 investor materials; Visa Inc., FY2025 Q1 earnings release, investor presentations, and product announcements; Mastercard Inc., FY2025 investor updates and press releases; company blogs and public statements (2023–2025). Circle data reflects IPO disclosures and product roadmap announcements. Visa figures include reported ~\$225M in stablecoin cross-border settlements via VTAP and expanded support for PYUSD, EURC, and additional blockchains. Mastercard initiatives are drawn from its public announcements regarding FDUSD support and fintech partnerships for stablecoin-linked cards. All information reflects company-reported data as of August 2025.



We see the competitive dynamic shifting from card networks versus stablecoins to card networks built on top of stablecoins.

- » Expanded support for multiple stablecoins (e.g., PYUSD and EURC) and broadened blockchain connectivity beyond Ethereum to networks such as Stellar and Avalanche.
- » Reported more than \$225 million in stablecoin-based cross-border settlement volume through its new VTAP infrastructure.
- » Highlighted stablecoins as a strategic focus in its 2025 earnings, alongside artificial intelligence.

Mastercard has taken a similar approach, moving from pilots to commercial products that bring stablecoins into its global network:

- » Partnered with fintechs to launch stablecoin-linked Mastercard cards, allowing stablecoin balances to be spent directly at merchants.
- » Announced support for FDUSD, bringing a regulated stablecoin into its multi-rail payment infrastructure.
- » Positioned itself as a network capable of handling both traditional card transactions and stablecoin transfers side by side.

We see the competitive dynamic shifting from card networks versus stablecoins to card networks built on top of stablecoins. Networks that integrate blockchain rails will preserve relevance, while those that do not risk erosion of transaction volume and fee capture. More broadly, this reflects the structural convergence of blockchain technology and traditional finance. As stablecoins scale, blockchain-native settlement is positioned to overtake legacy rails in efficiency, transparency, and global reach, with Visa's embrace of stablecoins serving as a clear indicator of this long-term shift. That said, integration alone does not guarantee survival: if new digital asset entrants provide a superior technology solution—lower fees, better user experience, and seamless global reach—incumbents could rapidly lose market share, much as fintechs displaced merchant banking and other legacy services.



STABLECOIN FAILURES AND CONTROVERSIES¹⁶

Terra/Luna Collapse (2022)

Overview: TerraUSD (UST), an algorithmic stablecoin, sought to maintain a one-dollar peg through its linkage to a separate token, Luna. Unlike asset-backed stablecoins, UST relied exclusively on algorithmic mechanisms and market confidence.

Failure dynamics: In May 2022, confidence in the system deteriorated rapidly. Investors attempted to exit en masse, the peg broke, UST lost nearly all value, and Luna collapsed in parallel. Collectively, over USD 40 billion in market capitalization was erased within days.

Implications:

- » Significant wealth destruction for both retail investors and institutional participants.
- » Contagion effects across the broader cryptocurrency market.
- » Demonstrated the risks of algorithmic models without verifiable collateral, which have not to date proven viable at scale.

¹⁶ BMC Analysis; IMF Fintech Notes, *The Rise of Stablecoins* (2021); Bank for International Settlements (BIS), *Stablecoins: Risks, Potential and Regulation* (2022); New York Attorney General Settlement with Tether/Bitfinex (Feb 2021); CFTC Enforcement Release on Tether (Oct 2021); U.S. Treasury Department, *Stablecoin Report* (Nov 2021); Circle, *USDC Transparency Reports* (2023–2025); Chainalysis, *Stablecoin Market Data* (2023/2024); Kaiko, *Stablecoin Liquidity Trends* (2024). Failure case studies draw on contemporaneous reporting from Bloomberg, Reuters, and Financial Times (2020–2023) and industry analyses of TerraUSD, Iron Finance, and Basis Cash.

- » Accelerated regulatory initiatives in the United States, European Union, and Hong Kong requiring stablecoins to be backed by reserves, redemption rights, and audited disclosures.

Additional context: A large portion of UST demand was concentrated in Anchor Protocol, which offered ~20 percent yields on deposits. These yields were subsidy-driven rather than organic and collapsed once confidence faltered.

Tether (USDT) Controversies

Tether (USDT) is the world's largest stablecoin, with a market capitalization of approximately USD 170 billion.

Overview: Tether (USDT) is the world's largest stablecoin, with a market capitalization of approximately USD 170 billion.

Core concern – reserve transparency: Tether has long asserted that each token is fully backed by dollars. However, investigations and settlements revealed that reserves at times included commercial paper and other non-cash assets. Unlike regulated financial institutions, Tether provides attestations rather than audited financial statements, leaving questions about the quality and liquidity of reserves.

Regulatory actions:

- » **New York Attorney General (2021):** USD 18.5 million settlement; prohibited from operating in New York.
- » **CFTC (2021):** USD 41 million penalty for misrepresentations regarding full dollar backing.
- » **U.S. lawmakers and Treasury:** Repeated calls to restrict or prohibit USDT in U.S. markets, citing systemic risk, financial-stability concerns, and illicit finance.

Broader risks:

- » **Regulatory ambiguity:** Tether operates without a clear primary regulator, creating uncertainty about accountability during stress scenarios.
- » **Systemic exposure:** As the dominant source of liquidity in crypto markets, a sudden loss of confidence could trigger large-scale redemptions and market disruption.
- » **Use in illicit finance:** USDT is widely used in offshore markets for cross-border transfers outside the banking system, including activities that could be linked to money laundering, sanctions evasion, and other illicit finance risks.
- » **Compliance asymmetry:** This dynamic reflects the broader divergence in the ecosystem. Regulated issuers such as USDC operate in walled gardens with full AML/KYC, while USDT circulates on open networks without consistent controls, making it attractive for unregulated activity but also more exposed to enforcement actions and reputational risk.
- » **Governance opacity:** Tether's ownership and governance arrangements remain relatively opaque, with longstanding concerns about conflicts of interest and related-party risks.

USD Coin (USDC) Controversies

USD Coin (USDC) is the second-largest stablecoin

Overview: USD Coin (USDC) is the second-largest stablecoin, with a market capitalization consistently around USD 60–70 billion as of mid-2025.¹⁷ Issued by Circle, a publicly traded U.S.-based fintech company, USDC is structured to maintain a one-to-one peg with the U.S. dollar through fully reserved holdings of cash and short-dated U.S. Treasuries.

Strengths:

- » **Reserve quality:** Unlike algorithmic models or mixed-asset backing, USDC is backed almost entirely by cash and Treasuries held with regulated custodians.
- » **Transparency:** Circle publishes monthly reserve attestations by a reputable audit firm, and has made strides toward greater disclosure relative to competitors.
- » **Regulatory alignment:** USDC operates under U.S. state-level money transmission licenses, and Circle has positioned it as the compliant, institution-friendly stablecoin.

Concerns and risks:

- » **Banking dependency:** In March 2023, USDC briefly de-pegged to ~USD 0.87 following the collapse of Silicon Valley Bank, where USD 3.3 billion of reserves were held. Although the peg was restored, the episode demonstrated vulnerability to U.S. banking sector risks.

¹⁷ IMF, Crypto-Assets Monitor: Q2 2025, May 23, 2025. Reports USDC's market capitalization surpassing USD 60 billion as of Q2 2025.





- » **Centralization:** As a corporate-issued stablecoin, Circle retains the ability to freeze or blacklist addresses, raising concerns about censorship and central points of control within decentralized finance ecosystems.
- » **Policy trade-off:** Freeze powers are increasingly embedded in regulated stablecoins to satisfy compliance and law-enforcement expectations. While this provides tools to limit illicit activity, it also creates unease among decentralization advocates, who see such mechanisms as inconsistent with the ethos of permissionless finance.
- » **Regulatory uncertainty:** While USDC is marketed as compliant, the United States lacks a dedicated federal stablecoin regime. Circle operates in a patchwork of state-level frameworks, leaving questions about long-term oversight and classification.
- » **Market adoption:** Despite its stronger regulatory profile, USDC has lost market share to USDT in offshore markets where looser oversight and deeper liquidity remain attractive. This raises questions about whether regulatory alignment alone can drive global dominance.

Implications: Among large-scale stablecoins, USDC is widely regarded by institutions as a credible model, given its reserve composition and disclosures. However, its dependence on the U.S. banking system, regulatory ambiguity, and declining global share highlight that even well-collateralized stablecoins face structural and competitive challenges.

Other Failures

Several smaller stablecoins also failed because they couldn't **maintain a stable price of \$1**. In crypto terms, this is called “maintaining the peg.”

- » **Iron Finance (2021):** Collapsed “algorithmic” stablecoin experiment; lost peg and went to near zero.
- » **Basis Cash (2020):** Early algorithmic stablecoin; failed to hold \$1 peg.

Stablecoins without robust collateral or transparent reserves have historically failed to maintain their pegs. The contrast between algorithmic models like TerraUSD and collateral-backed issuers like USDC illustrates why reserves, redemption rights, and transparency are now the regulatory baseline.

RISKS & OPEN QUESTIONS¹⁸

Stablecoins remain an evolving asset class with unresolved vulnerabilities.

Despite rapid adoption and growing integration into financial markets, stablecoins remain an evolving asset class with unresolved vulnerabilities. Their scale now rivals traditional payment systems, but long-term sustainability will depend on how issuers, regulators, and market participants address emerging risks. The following forward-looking considerations highlight areas where outcomes remain uncertain and could materially shape the future trajectory of the sector:

- » **Regulatory Divergence:** Global regimes are evolving unevenly. The U.S., EU, Hong Kong, and Singapore are building bank-like oversight frameworks, while other jurisdictions remain permissive. Divergence raises the risk of fragmented liquidity pools and regulatory arbitrage.
- » **Compliance Asymmetry:** Regulated issuers (e.g., USDC, PYUSD) operate within walled gardens that enforce full AML/KYC standards, while offshore stablecoins such as USDT circulate freely through unregulated peer-to-peer networks. This uneven application of compliance highlights both the strength and fragility of the ecosystem: regulated models demonstrate that instant settlement can coexist with bank-grade oversight,

¹⁸ BIS (Annual Economic Report: CBDCs 2024); IMF (Global Financial Stability Report 2024); Circle and Tether transparency reports; McKinsey (Global Payments Report 2024)



Most major stablecoins are now backed by cash and Treasuries, but transparency standards vary.

but unregulated circulation continues to present vectors for illicit finance until global standards converge.

- » **Freeze/Censorship Trade-off:** Regulated issuers are expected to retain the ability to freeze or blacklist wallets to comply with legal obligations. While these powers address regulatory expectations, they raise concerns among decentralization advocates that stablecoins may not remain neutral settlement infrastructure.
- » **Reserve Transparency:** Most major stablecoins are now backed by cash and Treasuries, but transparency standards vary. Questions remain about attestation frequency, accounting treatment, and stress-test resilience in volatile markets.
- » **Technology & Infrastructure Risks:** As stablecoins move onto multiple chains and Layer 2s, risks of smart contract exploits, bridge hacks, and operational failures increase. Institutional adoption will depend on secure custody and robust interoperability.
- » **Market Concentration:** USDT and USDC account for over 85% of global supply. Heavy reliance on two issuers creates systemic risk if either faces regulatory or operational shocks.
- » **Competition from CBDCs and Fintech Rails:** While stablecoins currently dominate digital settlement, central bank digital currencies (CBDCs) and fintech-issued tokens may erode their role over time. The question is whether stablecoins integrate into these systems or compete with them.
- » **Geopolitical Uncertainty:** Dollar-backed stablecoins anchor the system today. Over time, geopolitical competition could drive demand for alternative reserve models (e.g., euro- or RMB-backed stablecoins), creating uncertainty around dollar dominance.

WHERE STABLECOIN'S MATTER MOST: REGIONAL HUBS¹⁹

Stablecoins may be standardized digital dollars, but their significance is not uniform across the globe.

Stablecoins may be standardized digital dollars, but their significance is not uniform across the globe. In some markets they function as institutional infrastructure—providing liquidity, settlement, and trading rails—while in others they operate as money itself, displacing weak local currencies and powering remittances. The role of stablecoins is therefore being shaped simultaneously by **top-down regulation in global financial hubs** and **bottom-up adoption in emerging economies**. Examining the leading regional centers highlights how regulation, infrastructure, and usage patterns interact to define the future of digital-dollar settlement.

New York (US)

Market Sizing: The United States is the world's largest economy, with a GDP of roughly USD 27 trillion (about 25 percent of global output). The U.S. dollar anchors the global financial system, accounting for approximately 60 percent of official FX reserves and appearing in 88 percent of global FX transactions (BIS 2022).

¹⁹ **Sources & Methodology:** BMC Analysis; Bank for International Settlements (BIS, 2022), *Triennial FX Survey*; IMF (2025), *Stablecoins by Region and Country*; Chainalysis (2024), *Global Crypto Adoption Index*; SWIFT RMB Tracker (2023); TRM Labs (2024), Kaiko regional trading data; Elliptic (2024), *Stablecoin Flow Reports*; HKMA (2025), *Stablecoins Ordinance*; NYDFS (2022), *Stablecoin Guidance*; U.S. GENIUS Act (2025); FCA/BoE policy consultations (2024–2025); European Commission and ESMA, *MiCA Regulation* (2024); ECB (2024–2025) Digital Euro project updates. Regional figures reflect a synthesis of regulatory disclosures, trading data, remittance flows, and policy documents. Estimates are directional and comparative, designed to illustrate the role of stablecoins across regulatory hubs (New York, Hong Kong, London, Brussels) and adoption hubs (emerging markets).



New York was the first jurisdiction to implement strict rules for fiat-backed stablecoins.

New York is the financial hub of the United States, home to the world's largest capital markets and a concentration of leading financial institutions.

- » Hosts the NYSE and NASDAQ, the world's largest stock exchanges by market capitalization
- » Headquarters for most major U.S. and international banks.
- » Clearing systems such as Fedwire and CHIPS intermediate trillions of dollars in USD payments daily.

This concentration of economic scale, reserve-currency dominance, and market depth makes New York the natural anchor for digital-dollar innovation and the global benchmark for stablecoin regulation.

Regulatory Framework: New York was the first jurisdiction to implement strict rules for fiat-backed stablecoins.

- » NYDFS Stablecoin Guidance (2022): Required 100 percent reserves in cash or short-term Treasuries, redemption at par on demand, and monthly attestations by an independent auditor. Widely seen as the "gold standard" of stablecoin regulation.
- » GENIUS Act (2025): Extended NYDFS principles nationwide, mandating:
 - + 100 percent liquid reserves for all licensed issuers.
 - + Independent audits and enhanced disclosures beyond monthly attestations
 - + Immediate redemption rights for holders.
 - + Bankruptcy protections, giving stablecoin holders first claim on reserve assets.
 - + Stronger AML/KYC standards aligned with bank requirements.

Together, the NYDFS guidance and the GENIUS Act establish bank-standard AML/KYC as the baseline for USD stablecoin issuance in the United States.

Why It Matters: These measures transformed the U.S. stablecoin market. For the first time, stablecoins operated under a regulator-stamped framework that treated them more like money-market fund equivalents than unregulated crypto tokens. The standards forced issuers such as Paxos (BUSD, PYUSD) and Circle (USDC) to adopt bank-level transparency and reserve management, setting them apart from Tether (USDT), which has long been criticized for opacity. By codifying these rules, the U.S. ensured that dollar-denominated stablecoins would reinforce — rather than threaten — the dollar's global primacy in payments and capital markets.

Policy Drivers: The NYDFS acted early, motivated in part by systemic concerns about Tether's opaque reserves. The GENIUS Act reflected a bipartisan consensus in Washington that stablecoins, if tightly regulated, could strengthen U.S. financial leadership. Policymakers deliberately framed the law as a way to **project U.S. dollar dominance into digital markets**, ensuring that the dollar retains its role as the central settlement currency in a tokenized financial system.

Impact & Examples: The regulatory framework has had significant implications for issuers:

- » USDC (Circle): Already compliant with NYDFS standards, publishing monthly attestation reports through Grant Thornton. The GENIUS Act could strengthen USDC's position among regulated U.S. stablecoins.
- » Tether (USDT): Remains the largest stablecoin globally, but based on current public disclosures, some observers question whether it would meet GENIUS Act standards. Institutional adoption in the U.S. may therefore shift away from USDT.
- » PYUSD (PayPal/Paxos): Issued under an NYDFS trust structure and directly aligned with GENIUS Act requirements. Well-positioned to expand into traditional payment rails.

Current Status: The GENIUS Act is in force nationwide as of 2025, effectively making NYDFS-style standards the baseline for all U.S. stablecoin issuers. New York continues to function as the epicenter of regulated "digital dollar" innovation, anchoring U.S. policy and ensuring that stablecoins reinforce American financial leadership globally.

Hong Kong (HK)

Market Sizing: Hong Kong serves as Asia's primary financial gateway to China, the world's second-largest economy with a GDP of roughly USD 18 trillion (18 percent of global output). China is the largest exporter globally (14 percent of exports) and the second-largest importer (11 percent), with much of this trade denominated in U.S. dollars. Hong Kong plays a pivotal role

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Hong Kong has enacted Asia's first dedicated regime for stablecoins through the Stablecoins Ordinance (May 2025, effective August 1, 2025)

in supporting these flows as the leading offshore USD/HKD clearing hub, while also positioning itself as a bridge for RMB internationalization.

- » Handles ~70 percent of global RMB (CNH) payments (SWIFT RMB Tracker, 2023).
- » Processes over USD 1 trillion in daily FX transactions, with USD/HKD among the most liquid pairs.
- » Hosts 70+ of the world's top 100 banks and manages ~USD 4 trillion in banking assets.

Together, these factors establish Hong Kong as a systemic hub for dollar liquidity, cross-border capital, and potential stablecoin settlement rails.

Regulatory Framework: Hong Kong has enacted Asia's first dedicated regime for stablecoins through the **Stablecoins Ordinance (May 2025, effective August 1, 2025)**. Administered by the HKMA, the law requires:

- » A mandatory licence to issue or market fiat-referenced stablecoins.
- » Fully backed, segregated, and audited reserves in high-quality liquid assets.
- » Redemption at par within one business day.
- » Fit-and-proper management, governance and risk frameworks, and cybersecurity standards.
- » Compliance with robust AML and KYC requirements.

The ordinance is guided by the principle of *"same activity, same risk, same regulation"*, aligning Hong Kong with G20 and FSB international standards and placing it ahead of peers such as London and Singapore.

Why It Matters: The framework brings regulatory clarity, reduces counterparty risk, and allows banks to engage in custody and distribution with confidence. It also strengthens AML/KYC enforcement, giving institutional investors greater comfort. Most importantly, it gives Hong Kong a **first-mover advantage in APAC for USD/HKD settlement rails**, reinforcing its role as both an offshore dollar hub and a testbed for RMB internationalization.

Policy Drivers: The initiative was led by the Financial Services and Treasury Bureau (FSTB) and the HKMA, which had been studying regulatory approaches since 2022. Banks, custodians, and exchanges — including the Standard Chartered-Animoca-HKT joint venture — played a significant lobbying role in shaping the outcome.

Impact & Examples: The law has already encouraged both domestic and global players to pursue licensing:

- » Anchorpoint Financial (Standard Chartered HK × Animoca × HKT JV) is positioning to issue USD/HKD stablecoins.
- » RD Technologies (HKDR, an HKD-denominated stablecoin) has raised ~USD 40 million and is active in the HKMA sandbox.

These early movers demonstrate how Hong Kong is creating a regulated path for stablecoin innovation while supporting the development of local-currency products.

Current Status: As of August 2025, no licences have yet been approved, and the HKMA register remains empty. Applicants are limited to sandbox participants, with the first licences expected in early 2026. The HKMA has explicitly stated that **only a handful of approvals will be granted initially**, reflecting a cautious rollout designed to protect financial stability and mitigate systemic risk.

London (UK)

Market Sizing: London is the world's largest foreign exchange (FX) trading hub, handling around 38 percent of global FX turnover — approximately USD 3.8 trillion per day, according to the BIS Triennial Survey (2022). By comparison, New York accounts for about 19 percent.

Even after Brexit, London remains Europe's dominant wholesale financial center, serving as the clearing hub for sterling-, euro-, and cross-currency instruments.

- » Largest FX center globally (~38 percent of daily turnover).
- » Central clearing venue for eurodollar, GBP, and EUR markets.



The UK is finalizing a stablecoin regime that combines elements of securities, banking, and payments regulation.

- » Acts as the primary bridge between USD, GBP, and EUR flows.

This dual role as both the global FX leader and Europe's financial hub makes London a natural venue for GBP- and EUR-denominated stablecoins, particularly in cross-currency settlement.

Regulatory Framework

The UK is finalizing a stablecoin regime that combines elements of securities, banking, and payments regulation. The framework is being developed by HM Treasury, the Financial Conduct Authority (FCA), and the Bank of England (BoE).

- » Treats fiat-backed stablecoin issuance as a regulated activity.
- » Requires high-quality reserves, redemption rights, and custody standards similar to NYDFS and HKMA.
- » Designates systemic stablecoin issuers for direct oversight by the Bank of England, mirroring how CLS oversees large-scale FX settlements today.
- » Issuers and custodians must also comply with the UK's AML/KYC regime under the Money Laundering Regulations (MLRs), including customer due diligence, sanctions screening, and suspicious activity reporting.

Why It Matters: London already dominates FX markets, and the introduction of GBP and EUR stablecoins could reduce settlement lag in cross-currency swaps and payments. FX markets today typically settle on a T+2 basis; tokenized settlement could compress this to near-instant T+0. If integrated into wholesale markets, stablecoins would reinforce London's role as the central bridge for global cross-currency flows, complementing dollar dominance in New York and APAC settlement activity in Hong Kong.

Policy Drivers: The UK framework reflects coordination across multiple agencies: HM Treasury is responsible for primary legislation, the FCA will regulate issuance and conduct, and the Bank of England will oversee systemic issuers. Policymakers view stablecoins not only as a payments innovation but as a way to maintain London's competitive edge in global finance following Brexit.

Impact & Examples: The most significant impact will likely come from the eventual creation of a GBP stablecoin, which could operate alongside USD stablecoins in wholesale markets.

- » Potential GBP stablecoin: Would allow instant FX settlement against USD or EUR, reducing counterparty risk and transaction lag.
- » Cross-currency bridge: Reinforces London's position as the go-to venue for USD-GBP-EUR tokenized settlement.

Current Status: As of mid-2025, the UK is still finalizing its stablecoin rules, with implementation expected between 2025 and 2026. The Bank of England has made clear that systemic issuers will be subject to its direct oversight, reflecting a cautious but deliberate approach.

European Union (EU)

The eurozone, comprising the 20 EU member states that use the euro, is the world's third-largest economy with GDP of approximately

Market Sizing: The eurozone, comprising the 20 EU member states that use the euro, is the world's third-largest economy with GDP of approximately USD 16–17 trillion (~14 percent of global output). This places it behind the United States (~USD 27 trillion, ~25 percent) and China (~USD 18 trillion, ~18 percent). The broader European Union is slightly larger at ~USD 18–19 trillion, but not all EU states use the euro. For stablecoin settlement and monetary policy, the eurozone is the relevant unit, while MiCA applies across the entire EU.

- » **Euro (currency):** Second-most important reserve currency globally (~20 percent of official reserves), behind the U.S. dollar (~60 percent) and ahead of the Chinese renminbi (~3 percent).
- » **Payments:** Accounts for ~31 percent of global SWIFT transactions, second only to the U.S. dollar.
- » **Market reality:** Despite this monetary scale, liquidity in euro-denominated FX and derivatives is concentrated outside the bloc. London clears close to 90 percent of euro FX turnover, while Frankfurt and Paris remain secondary centers.



MiCA (Markets in Crypto-Assets Regulation): Came into force in 2024, with full effect from 2025.

Regulatory Framework: The EU has sought to reduce its reliance on London and strengthen monetary sovereignty through regulation and central bank initiatives.

- » **MiCA** (Markets in Crypto-Assets Regulation): Came into force in 2024, with full effect from 2025. It establishes a bloc-wide regime for stablecoins ("asset-referenced tokens" and "e-money tokens"), requiring:
 - + Authorization of issuers valid across all 27 member states.
 - + Reserves held in high-quality liquid assets with strict custody and redemption rights.
 - + Issuance caps on non-euro stablecoins that could undermine monetary sovereignty.
 - + AML/KYC compliance under the EU's AML framework (AMLD and the forthcoming AMLA) operating alongside MiCA, including customer due diligence, sanctions screening, and transaction monitoring.
- » **Digital Euro project:** The ECB is piloting a central bank digital currency, with potential issuance later this decade. While separate from private stablecoins, the project underscores the EU's determination to control the monetary base in digital markets.

Why It Matters: The EU's approach underscores the tension between **regulatory hubs** and **market hubs**. London continues to dominate euro clearing and liquidity, but Brussels is positioning Frankfurt and Paris as the centers for euro-denominated digital assets. By combining MiCA with efforts to onshore euro clearing, the EU is attempting to shift power away from London and ensure that euro stablecoins are issued under its jurisdiction.

Policy Drivers: This effort is led by the European Commission, ESMA, and the ECB. Policymakers frame MiCA not only as consumer protection, but also as a sovereignty initiative — designed to prevent USD stablecoins from dominating European payments and to reduce reliance on London for euro market infrastructure.

Impact & Examples: The EU's framework is already shaping market development:

- » **Circle (USDC):** Applying for an EU e-money licence in Ireland to issue euro-denominated stablecoins legally under MiCA.
- » **Société Générale (France):** Launched EURCV, one of the first MiCA-compliant euro stablecoins targeted at institutional settlement.
- » Local fintechs across France, Germany, and Luxembourg are preparing euro stablecoins that can scale once the framework is fully operational.

Current Status: MiCA is in effect, and the first licences are expected in 2025. Liquidity, however, remains entrenched in London, which continues to handle the majority of euro-denominated FX. The ECB's Digital Euro is still in the pilot phase, with issuance unlikely before 2027. For now, the EU sets the rules, but London remains the dominant execution venue for euro flows.

Emerging Markets (Africa, Brazil, Middle East, Others)

Stablecoin use in emerging markets is expanding rapidly, though it reflects a different dynamic than in major hubs.

Market Sizing and Adoption: Stablecoin use in emerging markets is expanding rapidly, though it reflects a different dynamic than in major hubs. Instead of wholesale clearing and regulatory frameworks, adoption is driven by **remittances, inflation hedging, and access to U.S. dollars**.

- » In **Africa**, Sub-Saharan markets such as Nigeria, Kenya, and Ghana are among the fastest-growing users of USDT and USDC. With remittance fees often exceeding 7–10 percent and local currencies subject to frequent devaluations, stablecoins provide individuals and businesses with cheap and reliable access to synthetic dollars.
- » In **Latin America, Brazil** has become one of the world's largest fiat on/off ramps for stablecoins, with its Pix instant payments system frequently connected to stablecoin flows. In Argentina and Venezuela, where annual inflation has exceeded 100 percent, stablecoins function as the de facto store of value and transaction medium for households and SMEs.
- » In the **Middle East and North Africa**, Gulf states such as the UAE and Bahrain are building regulatory frameworks to attract stablecoin issuers and custodians. Meanwhile, North African countries like Egypt and Morocco see informal dollarization via remittance-driven adoption of USD stablecoins.

Why It Matters: Emerging markets demonstrate the demand-side case for stablecoins. For populations locked out of dollar banking, stablecoins act as the first scalable form of **digital dollarization**. The pattern is consistent: adoption is not driven by interest in local-currency tokens but by a desire for exposure to the U.S. dollar.



Stablecoins may not just supplement weak financial systems but could eventually supplant them entirely.

Beyond the Banking System

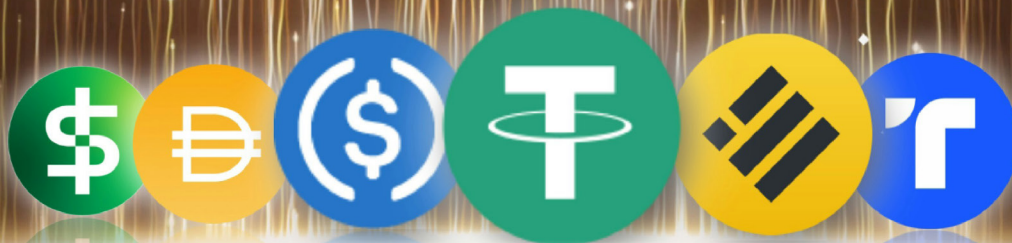
We believe that in many emerging markets, stablecoins may not just supplement weak financial systems but could eventually **supplant them entirely**. The technology makes it conceivable that **countries — or their citizens independently — may abandon reliance on domestic currency systems and migrate wholesale onto dollar-denominated stablecoins**. Much like consumers shifting from taxis to Uber once exposed to a better alternative, populations experiencing the reliability and utility of digital dollars may gradually reduce their use of government-issued money. In fragile economies, such widespread reliance on offshore digital dollars could significantly weaken central banks' influence over domestic money supply. While an extreme outcome, it underscores the **structural demand for dollars in economies with weak currencies** and the **global network effects already surrounding USD stablecoins**.

Stablecoins in Context

The competition in stablecoins is no longer about which token “wins.” USDT and USDC already dominate issuance, accounting for the vast majority of global float. The real contest lies in **which financial centers establish the regulatory standards and capture the market share of global settlement activity**. In effect, stablecoins are becoming an arena for geopolitical competition, with different hubs using regulation, infrastructure, and adoption to reinforce their strategic positions.

- » **New York (United States):** Anchors dollar primacy by regulating USDC and PYUSD under the GENIUS Act, ensuring that USD stablecoins remain the global benchmark.
- » **Hong Kong (China/APAC):** Leverages first-mover advantage in Asia, positioning itself as the offshore hub for USD/HKD settlement and as a potential bridge for RMB internationalization.
- » **London (United Kingdom):** Maintains its role as the world's largest FX center and Europe's wholesale hub, where GBP and EUR stablecoins could transform cross-currency settlement and reinforce London's bridge position between USD–EUR–GBP markets.
- » **European Union (EU):** Uses MiCA and the Digital Euro to push for euro-denominated sovereignty, aiming to reduce reliance on London clearing and prevent USD stablecoins from dominating European payments.
- » **Emerging Markets (Africa, Brazil, Middle East, Others):** Represent the demand-side engine of adoption, where stablecoins are used for remittances, savings, and inflation hedging. For many users in these economies, stablecoins function as digital dollars, offering a more credible alternative to local fiat and, in some cases, raising the possibility that countries could forgo building traditional financial infrastructure altogether.

What this contest reveals is a divergence between **regulatory hubs and adoption hubs**. While New York, Hong Kong, London, and Brussels are setting the frameworks and seeking to capture institutional flows, emerging markets are driving bottom-up demand. For many users in these regions, stablecoins are not an experiment in tokenization but a practical replacement for volatile local currencies and costly remittance systems. In the long run, the trajectory of stablecoins will be shaped by both forces: **regulators in financial centers defining the rules, and users in emerging markets choosing digital dollars as money in practice**.



KEY TAKEAWAYS

Stablecoins have rapidly matured into a global-scale payment rail, with a \$275 billion float and trillions in annual settlement volumes.

Stablecoins have rapidly matured into a global-scale payment rail, with a \$275 billion float and trillions in annual settlement volumes. They already rival traditional card networks in size and, depending on methodology, may exceed them. BMC views stablecoins as both settlement infrastructure for institutional markets and a practical form of money in emerging economies. This dual-track adoption—USDC in regulated hubs and USDT in emerging markets—illustrates the growing convergence of traditional finance and blockchain technologies, and points toward the long-term trend of digital dollarization. Key takeaways include:

- » **Stablecoins have reached global scale:** \$275B float and trillions in settlement volumes.
- » **They serve dual roles:** infrastructure in developed markets, money itself in emerging markets.
- » **USDC vs USDT reflects a two-track system:** USDC dominates regulated hubs; USDT dominates EMs.
- » **Compliance is uneven:** regulated issuers enforce bank-grade AML/KYC, while offshore circulation remains largely unmonitored.
- » **Regulatory hubs set the rules:** New York, Hong Kong, London, and Brussels compete for control.
- » **Emerging markets showcase real-world demand:** Latin America, Africa, and MENA already rely on digital dollars.

We believe stablecoins represent both an opportunity and a risk for incumbents: card networks are embedding stablecoin rails to preserve relevance, but integration alone does not guarantee survival. If new digital asset entrants deliver lower fees and better user experience, incumbents could lose market share—just as fintechs disrupted merchant banking. In fragile economies, citizens may even bypass domestic currencies entirely, accelerating digital dollarization from the bottom up.



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