Stablecoin Maximalism

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“Stablecoin (n): the representation of a unit of fiat currency on a blockchain”

— Omid Malekan, Columbia Business School
## Simple Definition, Complex Implications

<table>
<thead>
<tr>
<th>Current System</th>
<th>Blockchains&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permissioned</td>
<td>Open Access</td>
</tr>
<tr>
<td>Non-Interoperable</td>
<td>Interoperable &amp; Composable</td>
</tr>
<tr>
<td>Opaque</td>
<td>Transparent</td>
</tr>
</tbody>
</table>

<sup>1</sup> Public (or perhaps appropriately permissioned semi-public chains) have these benefits
Stablecoins are **money** on a blockchain

This means that being anti-stablecoin is the equivalent of being anti-blockchain

(or at least commerce on a blockchain)
Why **Stablecoins** Will Win

01. **Open Access**
   - Global access to US dollars

02. **Interoperable**
   - Stablecoins can be easily integrated into apps / protocols

03. **Composable**
   - Stablecoins can be built into implementations without express permissions

04. **Transparent**
   - Stablecoins fully disclose liabilities and activities (and assets, in the future)

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1. Slowly, as financial markets transformation takes longer but goes further than most can envision at a specific point in time.
2. This is more important than people inside closed systems realize (e.g. I dare you to build a business on top of the Chase app).
Stablecoin Usage is Decoupling

Stablecoin settlement volumes have historically been correlated with crypto trading, but this correlation is falling over time.

Source: CoinMetrics & Nic Carter
Stablecoin Settlement is Increasing

Source: CoinMetrics, Illuvium & Nic Carter
Stablecoins Are Everywhere

Crypto Eurodollars

Stablecoin proliferation continues offshore even in the face of the US regulatory situation
Corporate Adoption is Real

PayPal
PYUSD issued as a new form of PayPal money

Visa
Partnership using Solana for high-speed payments with WorldPay and Nuvei

Cinko
Tech partner for longest-tenured CBDC launching stablecoin payments

Corporates are building from the real world to blockchain
“In five years, we will look back at this exact moment and realize this was the beginning of the turn in history.”

— Austin Campbell, Columbia Business School
Stablecoin Regulation

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Note: these slides were to address submitted audience questions, but there was not time to present them
Stablecoin Regulation

Stablecoins are Both New & Old

Underlying financial assets are well-understood

Deposit stickiness of stablecoin deposits are unclear

No current framework is a perfect fit\(^1\)

1. Stablecoins have elements of both bank-like activity and money market funds
How to Regulate **Stablecoins**, Part I

01 Simple Assets
Restrict assets to gov’t MMF style holdings

02 No Leverage
Deposit base stickiness is unclear, so no fractional reserving

03 Redemption Rules
Requirements to be redeemed in a reasonable timeframe (T+2 or so)

04 Transparent
Liabilities on-chain, attestations & audits for reserves
How to Regulate **Stablecoins**, Part II

01 **KYC/AML Controls**
- KYC/AML at point of mint/burn plus required blockchain monitoring

02 **Interest**
- Able to pay interest to holders (else just a windfall for issuers)

03 **Oversight**
- Banking-style regulator to oversee operations and controls

04 **Segregated**
- If banks issue stablecoins, should not be out of legal entities engaged in fractional reserve banking

1. There is some important nuance here, as many capital rules (e.g. leverage ratio) and controls around lending activity are not relevant to stablecoin issuers that cannot engage in risky lending or use leverage and should not be applied