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

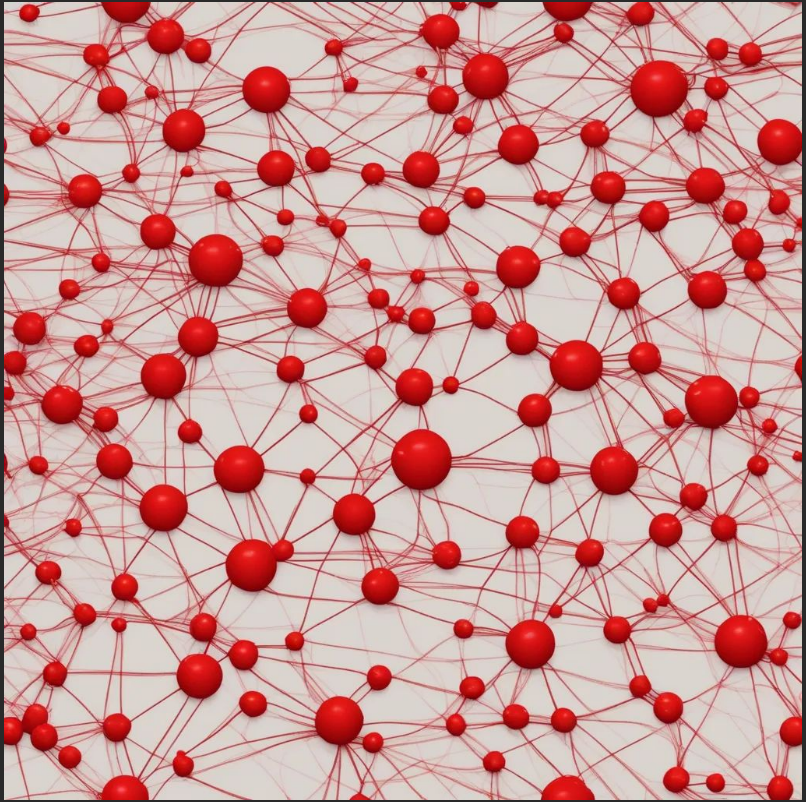
Current System	Blockchains[1]
Permissioned	Open Access
Non-Interoperable	Interoperable & Composable
Opaque	Transparent

1. 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[1]

01 Open Access

Global access to US dollars

02 Interoperable

Stablecoins can be easily integrated into apps / protocols

03 Composable

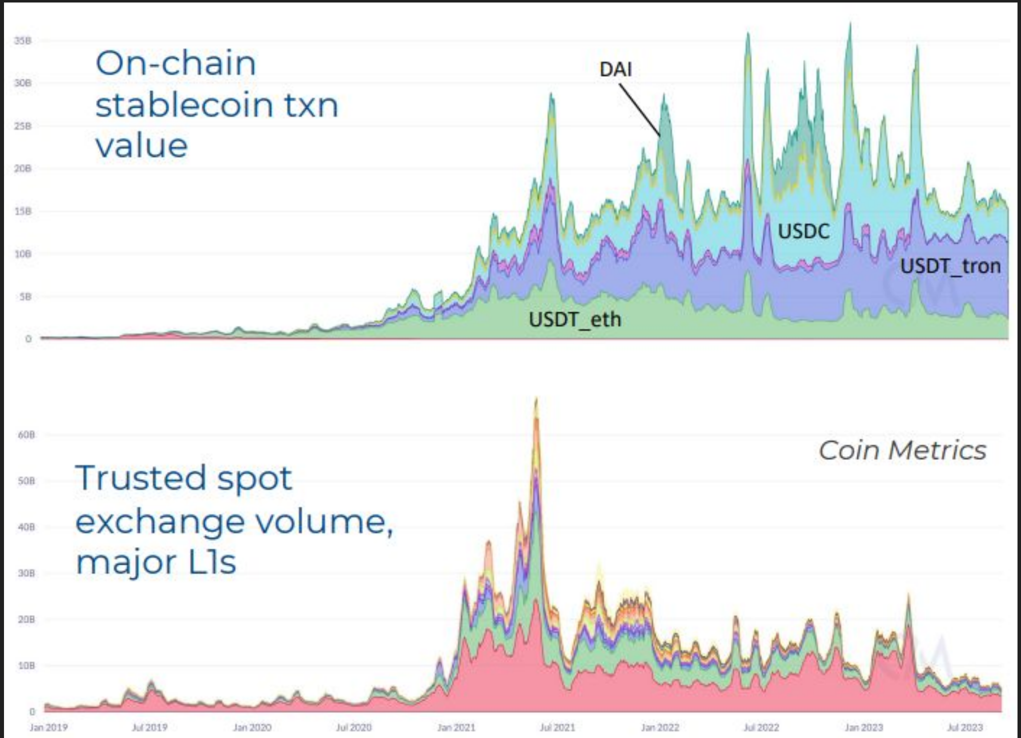
Stablecoins can be built into implementations without express permissions[2]

04 Transparent

Stablecoins fully disclose liabilities and activities (and assets, in the future)

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)

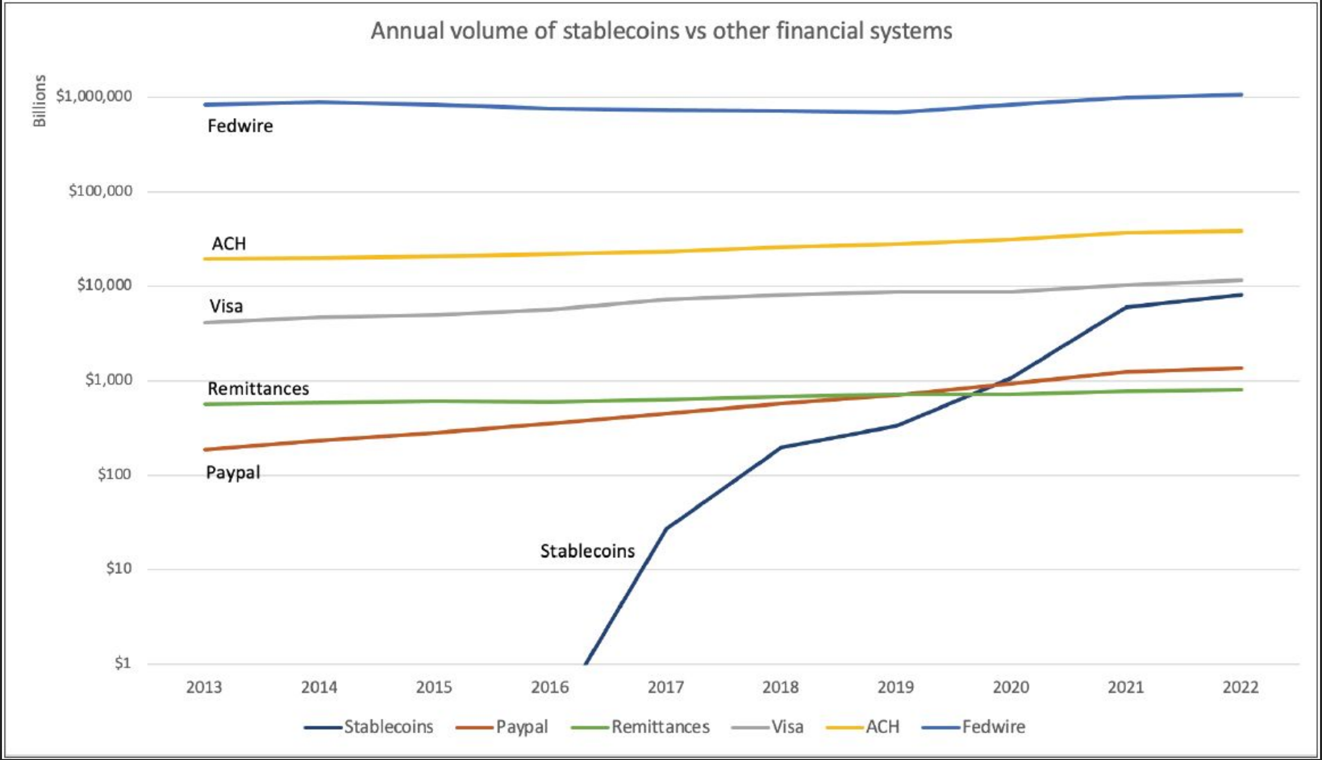
Stablecoin Usage is Decoupling



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[1]

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