

STABLECOINS

Stablecoins are digital assets designed to maintain a **stable price** and reduce volatility, typically by being pegged to external assets with a stable value or by regulating supply through an algorithm

TYPES 2



FIAT-BACKED

Pegged to fiat currency, holding fiat reserves equivalent to stablecoins in circulation



COMMODITY-BACKED

Pegged to physical assets including metals, oil, and real-estate



CRYPTO-BACKED

Pegged to crypto, generally as a collateralized debt position (CDP)

ALGORITHMIC

Some crypto-backed stablecoins use algorithms and smart contracts to manage supply of tokens with monetary incentives and fees to keep price stable

USES FOR STABLECOINS



REMITTANCES 3

Enable sending money abroad at minimal cost. Remittances to low and middle income countries were estimated at \$589 billion for 2021



COMMERCIAL TRANSACTIONS

Enable low-cost, cross-border, and direct payments with immediate settlement and currency conversions



FINANCIAL INSTITUTIONS

Increase efficiencies and decrease costs with instant fund transfers between in-house accounts



DECENTRALIZED FINANCE (DeFi)

Currency with which DeFi applications are built, spanning across a range of alternative financial services



TRADING

A tool to access crypto trading platforms without having to hold fiat directly or incur fees and frictions from the traditional banking system



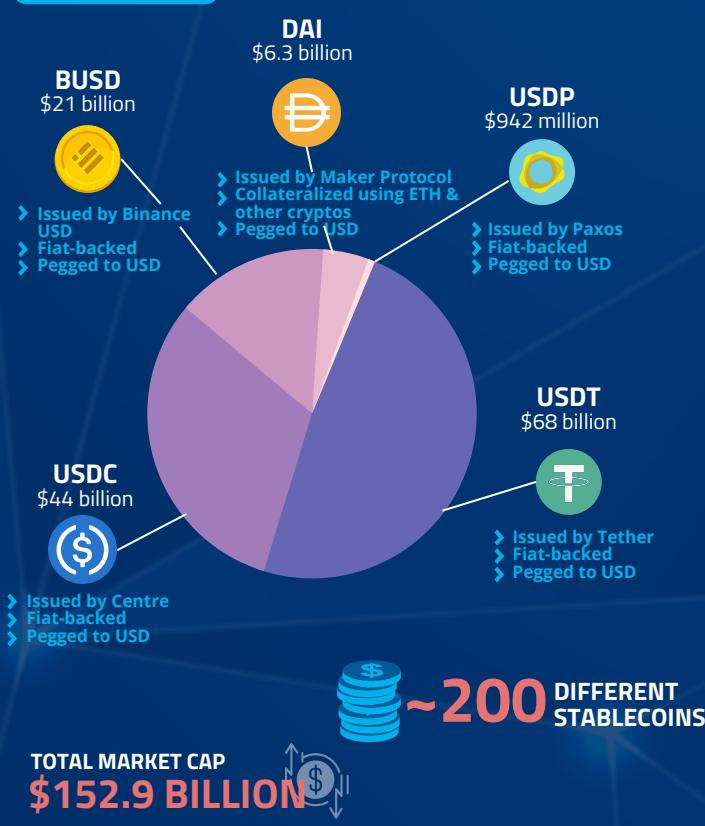
CORPORATE TREASURIES

Improve liquidity management with efficient and transparent fund flows

Stablecoins enable the internet of value, where sending money becomes as easy as sending an email

TOP 5 STABLECOINS 2

by Market Cap



FOCUSES FOR REGULATION



► **RESERVES** - Ensuring adequate quality and amount of reserves to back stablecoins in circulation, including third party attestations

► **REDEMPTION POLICY** - Timeframe, cost, and ease (e.g., what platform to use and any fees to redeem funds)

► **FINANCIAL STABILITY** - Preventing disruptions to the current banking system (e.g., bank runs)

► **CONSUMER & INVESTOR PROTECTIONS** - Ensuring redeemability of stablecoins and limiting losses

► **RISKS OF ALGORITHMIC STABLECOIN STRUCTURES** - Given that there may be no collateral

MAJOR GLOBAL REGULATIONS



Crypto regulation in the EU, covering stablecoins



Recommendations for Global Stablecoin Arrangements



Application of PFMIs to systemically important stablecoin arrangements and relevant entities



Guidance on Issuance of US Dollar-Backed Stablecoins

There is legislation in the works to prohibit algorithmic stablecoins and highlight their risks

1 <https://www.gemini.com/cryptopedia/what-are-stablecoins-how-do-they-work#section-algorithmic-stablecoins>

2 <https://coinmarketcap.com/charts/> (October 19, 2022)

3 https://www.knomad.org/sites/default/files/2021-11/Migration_Brief%2032051.pdf

4 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0593>

6 <https://www.bis.org/cpmi/publ/d206.pdf>

7 https://www.dfs.ny.gov/industry_guidance/industry_letters/l12020508_issuance_stablecoins