

Deutsche Bank
Research

STABLECOINS: The Pros and Cons

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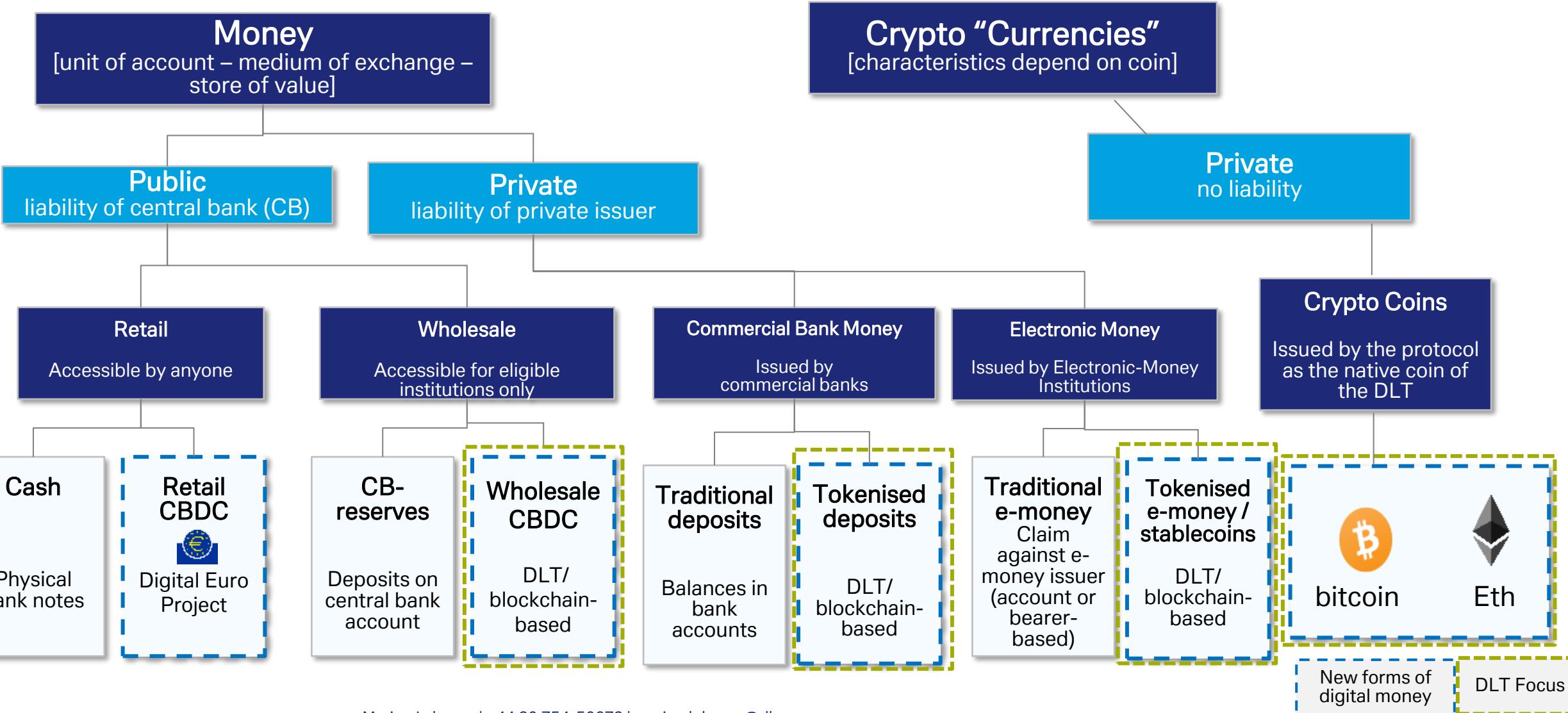
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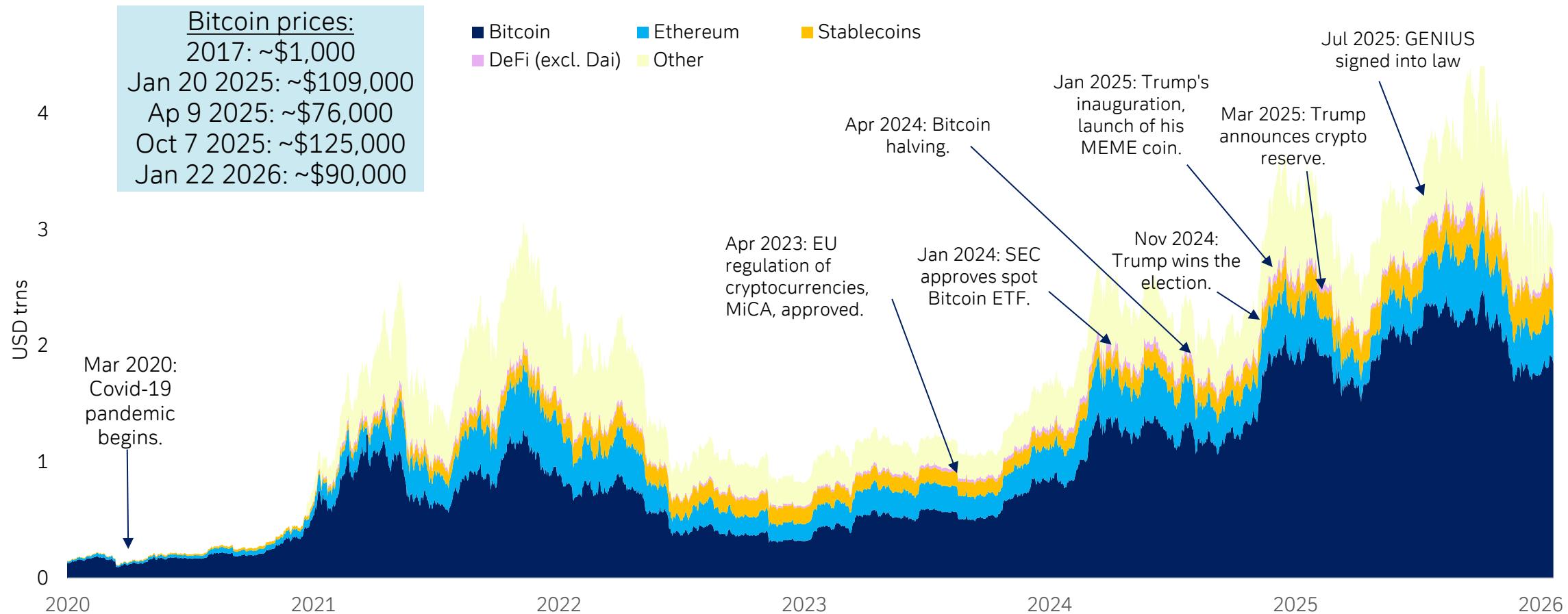
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Central banks and private sector both expand portfolio of digital money in the monetary system



Market capitalisation for crypto assets (\$trns)

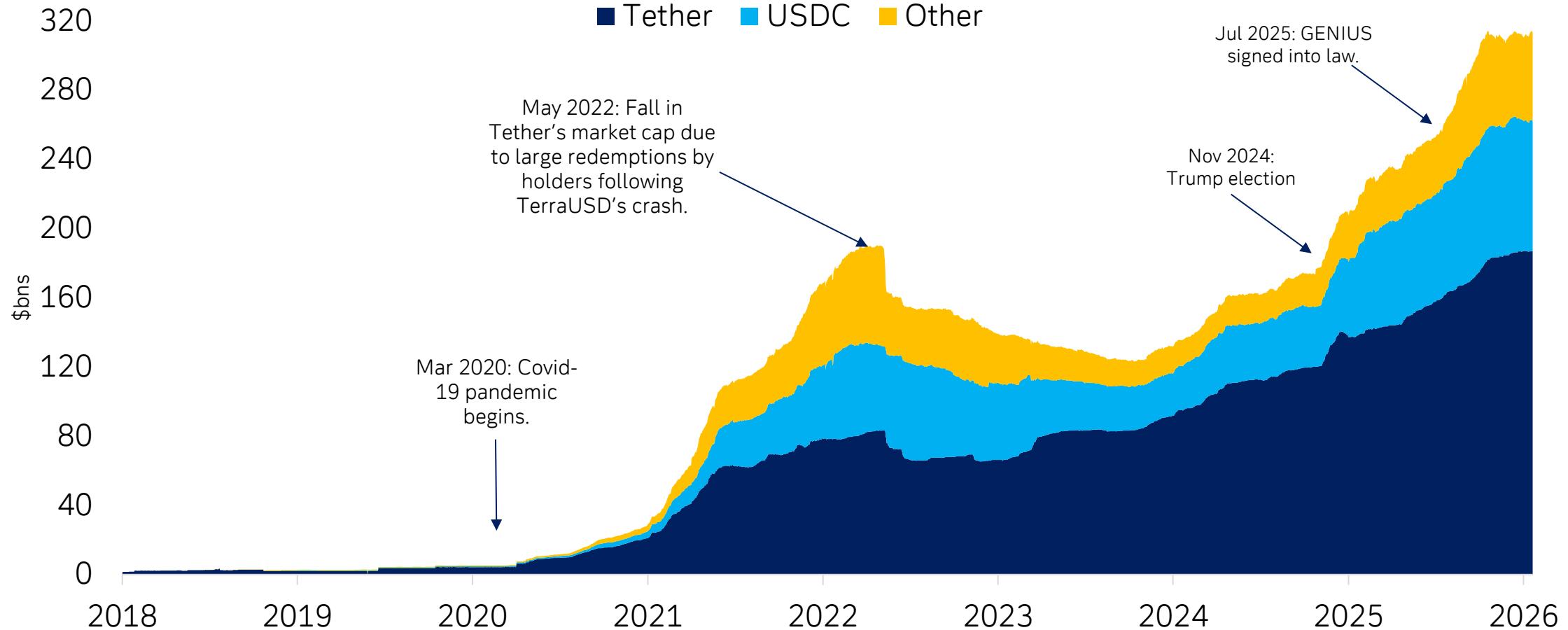


Sources: Deutsche Bank Research, Haver Analytics, Bloomberg Finance LP, CoinGecko. Note: Stablecoins market capitalisation is calculated as the sum of the market capitalisation of all stablecoins listed on Haver Analytics. DeFi market capitalisation is calculated as the sum of the market capitalisation of the top 10 DeFi Coins. Last updated January 22 2026.

What are STABLECOINS?



Market cap surged from \$5bn (2020) to \$313bn (Jan 2026)



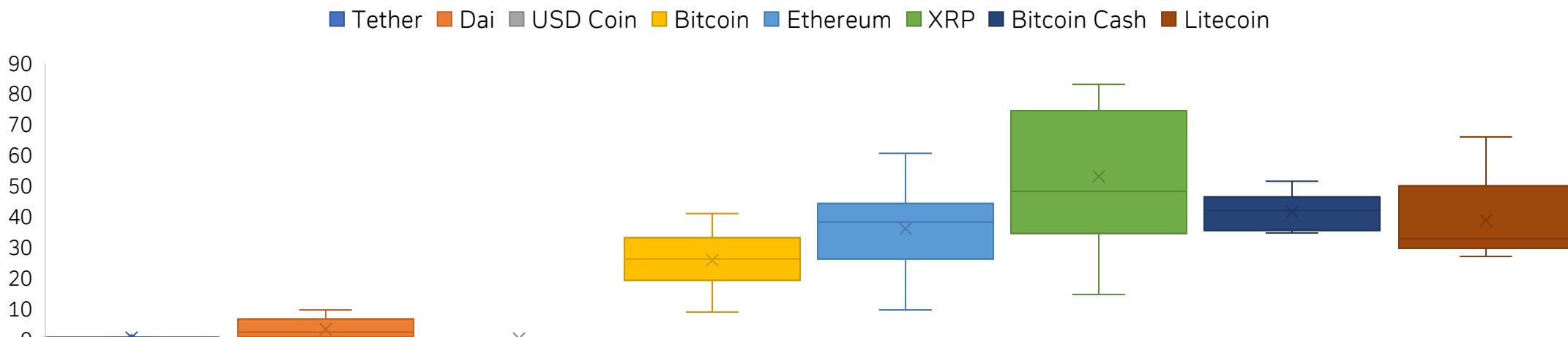
Source: Deutsche Bank Research, Haver Analytics, Bloomberg Finance LP. Updated January 22, 2026

STABLECOINS: 4 types of stablecoins



| Tokenised funds | Off-chain collateralised | On-chain collateralised | Algorithmic | Failed stablecoins |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fiat-backed | Backed by traditional assets e.g. commodities, securities | Cryptocurrency-backed | Seigniorage-style/Non-collateralised | Failed algorithms, Security, Flawed price stability, Peg breaking |
|    |   |    |    |      |

Historical 10-day volatility, 2026 YTD



Last updated January 21, 2026.

USE CASES: 9/10 still crypto-to-crypto, but being increasingly recognized for real-world utility in B2B payments and remittances



❑ Crypto trading (88%-90%)

❑ Retail payments (~2%)

❑ Cross border payments/remittances (~2%)

- ❑ 47% of crypto users in Brazil, Turkey, Nigeria, India and Indonesia use stablecoins for “saving in dollars”.

❑ Other (~7%)

- ❑ Includes on/off ramping, tokenized RWA settlement, and B2B payments.

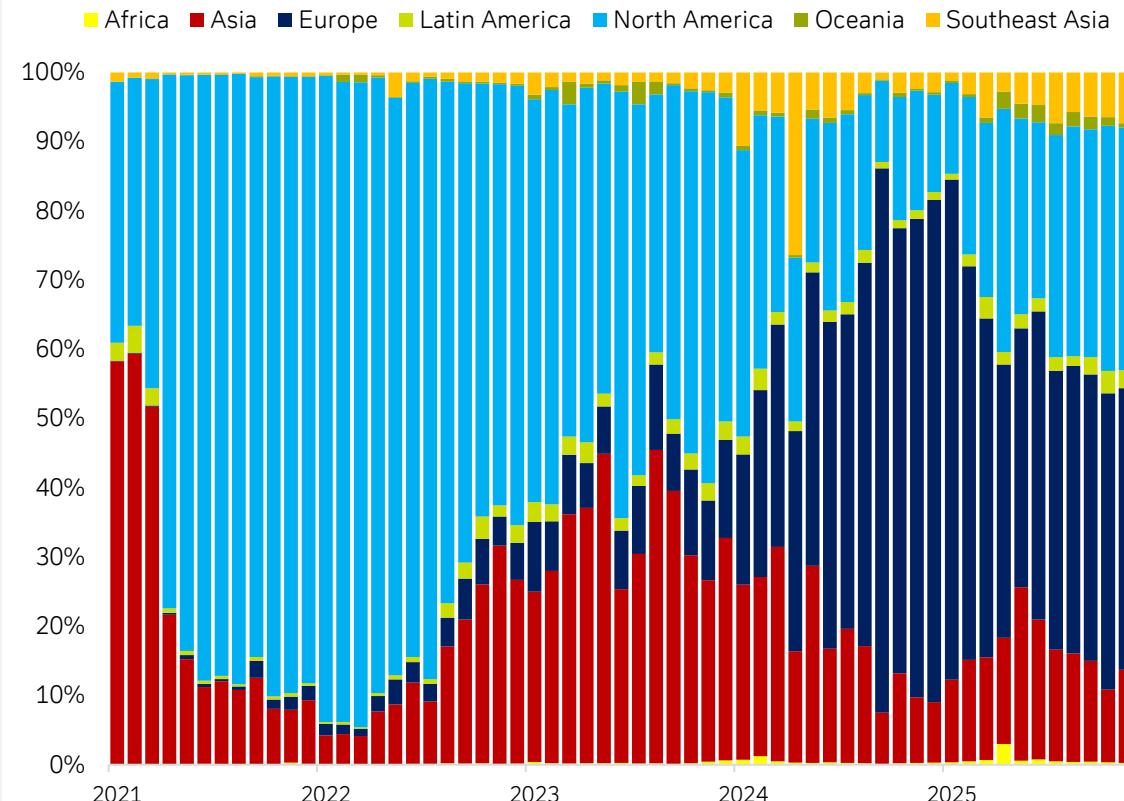
Corporations

- ❑ Major firms (Walmart, Amazon) are exploring issuing their own stablecoins.

❑ Benefits:

- ❑ Cash flow visibility & forecasting
- ❑ Lower transaction fees & FX conversion costs
- ❑ Increases transparency, streamlines reconciliation, strengthens compliance.

Adjusted stablecoin transactions by region

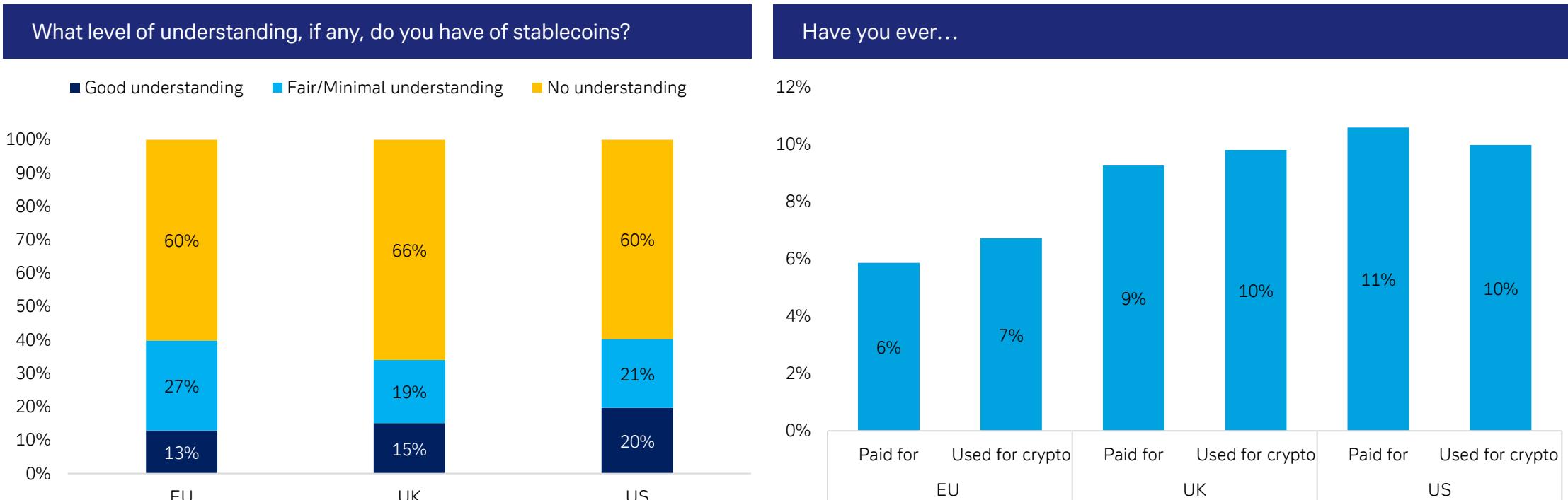


Source: Deutsche Bank Research, Artemis Analytics. Timezone based analysis looking at Ethereum and Solana.

Source: Deutsche Bank Research, BIS “[DeFiying gravity? An empirical analysis of cross-border Bitcoin, Ether and stablecoin flows](#),” IMF “[How to Estimate International Stablecoin Flows](#),” 2025.

RETAIL: Consumer adoption remains marginal (~2%), but is growing

- ❑ Retail transactions volume: 2.5bn (2020) to 41bn (2024); 70bn in 2025.
- ❑ Strongest use in: (i) economies with hyperinflation; (ii) poor banking access; and (iii) high remittance fees.
- ❑ Limited understanding.



Source: dbDataInsights, Deutsche Bank Research.

Source: dbDataInsights, Deutsche Bank Research.

US GENIUS ACT (Jul 2025): A milestone for stablecoins



- ❑ Legally defines "permitted stablecoin issuers" for the first time.
 - ❑ Issuers can be private, non-bank entity, but must meet strict federal or state requirements.
- ❑ Requires 1:1 backing with US cash, 93 days T-bills, repos/reverse repos, or money market funds holding those assets.
- ❑ Extends AML/KYC/BSA compliance obligations to stablecoin issuers, aligning them with banks.
- ❑ GENIUS applies to foreign issuers (e.g., Tether).



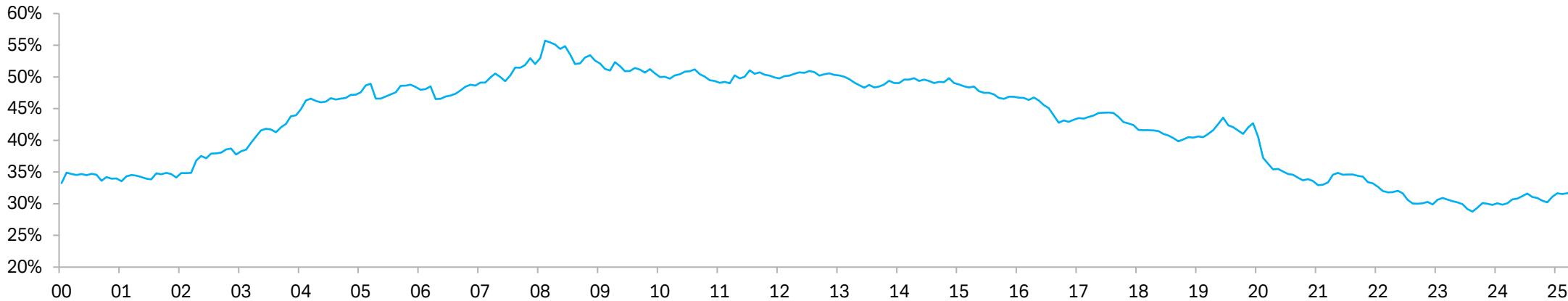
EU's MICAR (2024)

- ❑ Cap on non-Euro stablecoins (€200mn transactions per day).
- ❑ Reserves to be held within Europe under EU-regulated custodians.
- ❑ Entities issuing coins in the EU must establish and maintain a presence within the EU.

GEOPOLITICS: Why stablecoins are a US priority

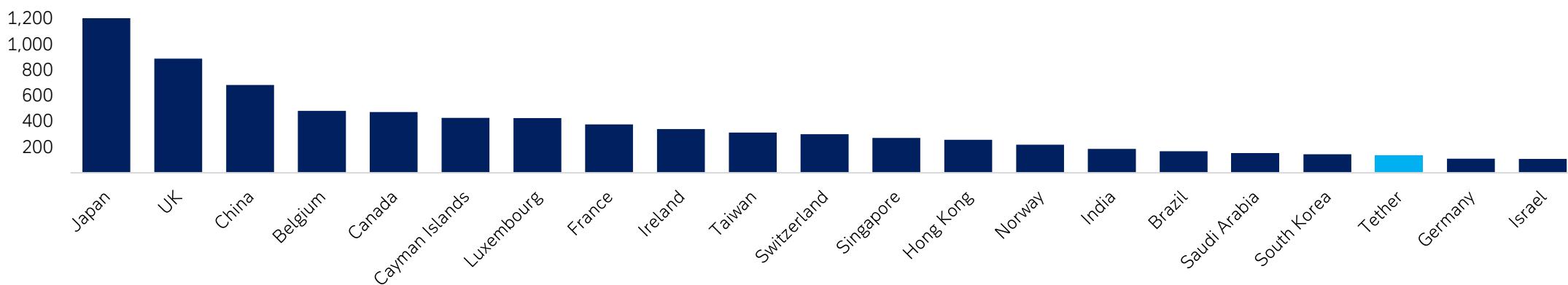


Foreign holdings of US treasuries



Source: Deutsche Bank Research, Haver Analytics. Central Bank reserves include gold at market prices.

Tether is now amongst the largest holders of US Treasuries



Source: Deutsche Bank Research, US Treasury. Treasury data from November 2025 vs Q3 2025 Tether reports.

RISKS: Rapid stablecoin growth could trigger major macro shift



i) Illicit activity & criminal risk

- 63% of illicit crypto use (2024).
- Illicit activity (proliferation of weapons of mass destruction, terrorist financing, fraud, tax evasion, etc) likely to grow with adoption.

ii) Systemic risk

- Bond confidence shocks could trigger sell-offs and stablecoin losses.
- Issuers may be forced to sell off Treasuries.

iii) Monetary sovereignty risk

- GENIUS may concentrate demand for short-term Treasuries; yield compression limits Fed control of short rates.
- [BIS warns](#) of capital flight for EMs; USD stablecoins may weaken Euro-Area monetary policy.

iv) Inflationary risk

- Stablecoins expand money supply, competing with real dollars.
- If demand doesn't match → inflation rises.
- Extra demand may come from foreigners shifting into USD tokens.

v) Inherent risk

- [BIS argues](#) the stablecoins lack sound money features: singles, elasticity, and integrity, leading to undermined financial stability.

Banks

- Exploring stablecoin, but competition is rising.
- Key concerns:
 - Fee pressure from stablecoin adoption → bank outflows → higher reliance on wholesale funding → pressure on net interest margins.
 - Potential deposit pressure: may respond with higher rates or stablecoin adoption.
 - US banking groups are [petitioning](#) to stop stablecoin affiliates from offering yield.
 - The American Bankers Association is also lobbying to clarify rules on whether stablecoins can offer rewards to customers, delaying the ongoing [Digital Asset Market Clarity Act](#) for Senate review.

GLOBAL RESPONSE: Europe & Asia race to launch alternatives



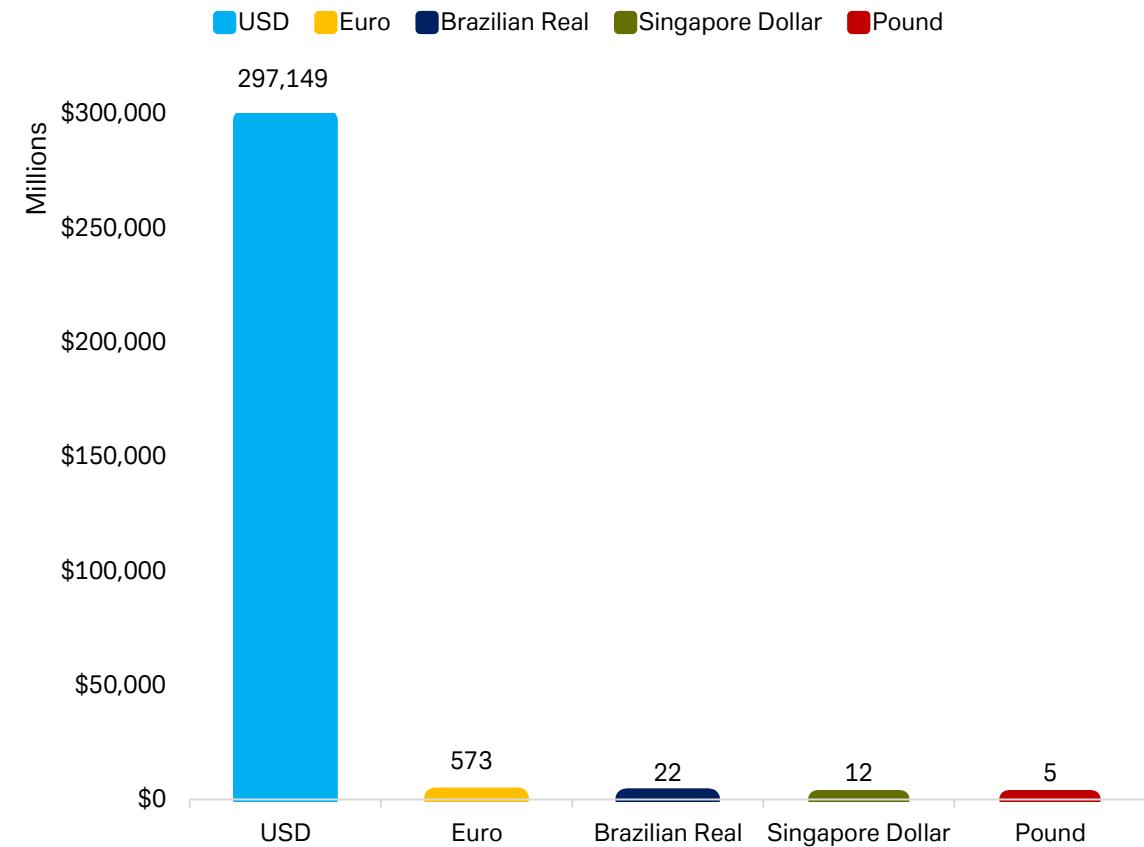
Response 1: Launch own fiat-backed stablecoin

- ❑ **EU:** ECB proposal to restrict multi-issuance stablecoins approved by ESRB.
- ❑ **Hong Kong:** Launched HKD-backed stablecoins in May 2025; set to issue first stablecoin licenses in Q1 2026.
- ❑ **Japan:** Government backing joint stablecoin issuance by 3 major banks.
- ❑ **UK:** BoE proposed stablecoin regime in Nov 2025; consultation closes Feb 2026.
- ❑ **Taiwan:** First government-backed stablecoin planned for H2 2026.

Response 2: Accelerate CBDC efforts

- ❑ **EU:** Accelerate work on digital euro despite internal scepticism.
- ❑ **China:** Expanding e-CNY pilot; regulators asking tech firms to pause stablecoin plans in Hong Kong.

Stablecoin market cap by currency



Source: Deutsche Bank Research, RWA Database. Data from January 2026.

Many thanks & Stay in touch !



[Deutsche Bank Research Institute \(link to the pdf\)](#)



For more on our coverage of the GENIUS Act, read:

[GENIUS signed: A giant step for the US and digital assets](#)

[Stablecoin: Soft power, hard dollars?](#)

Appendix 1

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