The Rise of Stablecoins

Mary Ann Bartels, Chief Investment Strategist
With Bill Rhodes, Investment Strategist

SANCTUARY WEALTH

Executive Summary

The rise of stablecoins is disrupting the global monetary system. Stablecoins, which are digital currencies pegged 1:1 to fiat currencies (e.g., the U.S. dollar), are rapidly transforming the global payment landscape by leveraging blockchain technology for fast, secure, and low-cost transactions. Unlike volatile cryptocurrencies, stablecoins such as Tether's USDT and Circle's USDC maintain stable value through their backing by U.S. Treasury bills, cash, short-term commercial paper and other relatively secure investments. This allows for near-instantaneous trade settlements at a fraction of the cost of traditional systems (e.g., SWIFT or CIPS). The recent passage of the GENIUS (Guiding and Establishing National Innovation for U.S. Stablecoins) Act in the United States establishes a robust legal framework for stablecoin issuance and regulation, mandating 1:1 backing with high-quality reserves. This legislation, alongside the Crypto-Asset National Security Enhancement and Liability for Investors and Transparency (CLARITY) Act and the Central Bank Digital Currency (CBDC) Anti-Surveillance State Act, strengthens the U.S. dollar's role as the world's reserve currency while fostering innovation in digital payments. Stablecoins are increasingly adopted for international trade and commercial transactions, offering significant cost savings and efficiency over conventional banking systems.

Executive Summary Continued

The rise of stablecoins is also disrupting traditional payment systems, particularly those reliant on interchange fees, such as Visa, Mastercard, and issuing banks, in a process termed "co-opetition." Major retailers like Walmart and Amazon are exploring stablecoin issuance to reduce billions in interchange fees, though retail adoption faces challenges due to consumers' familiarity with credit cards. To overcome this, retailers may offer incentives like discounts or loyalty rewards. Additionally, crypto firms, such as Circle and Ripple, are seeking national bank licenses to integrate with traditional finance, enhancing trust and scalability for stablecoin-based services. As blockchain applications expand into asset tokenization and real estate, stablecoins are poised to reshape global finance, offering a reliable, cost-effective alternative to existing systems while prompting established financial players to adapt swiftly to this evolving landscape.

Stablecoins Have Become the Dominant Means of Onchain Payments

We believe the world is moving from paper money and coins to a digital platform. The whole payment system, as we know it today, will change to become a faster and cheaper way to safely move money locally and internationally. This evolution may cause some disruptions and dislocations at the company level. But overall, we expect in a few years' time money as a concept and a conveyance of value will be transformed. Think of it as a massive upgrade on the internet to include a payment system which we have not yet had. One of the first steps in modernizing the payment system is the integration of stablecoins on the blockchain. While these assets already exist, new government legislation is now establishing the guardrails needed to support this infrastructure.

What Is A Stablecoin?

One of the drawbacks of cryptocurrencies is their exchange rate volatility relative not only to one another but especially to national fiat currencies such as the U.S. dollar, euro, Japanese yen, and British pound. A stablecoin is a cryptocurrency tied to the value of a national currency such as the U.S. dollar or the euro. Its exchange rate is intended to remain stable relative to that currency, hence its name: "stablecoin." The advantage of a stablecoin is that large sums can be exchanged with greater speed and efficiency (i.e., lower cost) than moving a payment through the banking system.

Tether's USDT and Circle's USDC are both stablecoins backed 1:1 with stable assets. Together they currently dominate onchain (that is, using blockchain) payments. USDC is backed almost entirely by U.S. Treasury bills, while USDT is backed about 50%-60% by Treasury bills, as well as cash, cash equivalents (such as certificates of deposit or money market funds), commercial paper, corporate bonds, secured loans, and other investments (such as precious metals or cryptocurrencies).

Why is this important? Because settlement of trade with stablecoins is nearly instantaneous, reasonably secure because of blockchain, and less expensive than many other methods.


7:16 Mon, Jun 30

COINTELEGRAPH
The future of money

Amin Haqshanas Jun 29, 2025

Stablecoins are becoming 'default settlement layer' for internet: Alchemy

Stablecoins are now the "default settlement layer for the internet," surpassing Visa and Mastercard in onchain transaction volume.

Note: This Isn't Money, It's Credit

We have often compared new technology innovation to the television show Star Trek. From mobile phones to iPads, virtual reality, and robots – what used to be fantasy is now reality. The payment system in Star Trek was Federation Credits; note the word credit and how we are moving to a system of credits.

So as long as stablecoin is accepted as credit, we believe it is good for trade. All present-day national currencies are fiat currencies: their value rests on the issuing government's economic and political stability. All modern currencies are forms of credit. U.S. Treasury debt is backed by the full faith and credit of the United States, supported by the federal government's power to tax, the nation's economic strength, and monetary policy through the Federal Reserve. As a result, stablecoins backed by Treasury securities are considered reliable instruments for transacting payments.

How This Works: Blockchain

A blockchain is a secure, shared digital record of transactions, a ledger copied across many computers. It's designed to be trustworthy without a single, central repository, such as a bank ledger. Blockchain is tremendously powerful and useful for many purposes.

Imagine a notebook where each page, called a block, lists transactions (e.g., "Alice sent $10 to Bob"). Each page is linked to the one before it, forming a chain of blocks. Every computer in the network has an identical copy of this notebook, so everyone sees the same record.

When new transactions happen, they're grouped into a block. To add this block to the chain, it's given a unique code called a hash. A hash is like a digital fingerprint: it's created using a math formula called a hashing algorithm that turns the block's data into a fixed-length string of letters and numbers. If anything in the block changes, the hash changes completely.

Each block also includes the hash of the previous block, chaining them together. This makes it easy to spot tampering—if you change one block, its hash no longer matches what's stored in the next block, breaking the chain.

How Transactions Are Validated

Before a block is added, the network checks that the transactions are legitimate (e.g., Alice actually has $10 to send). This is done through a process called consensus, where computers in the network agree the block is valid. In many blockchains, like Bitcoin's, special computers called miners compete to solve a complex math puzzle. Solving it proves they've put in a lot of work (called Proof of Work), which makes the block trustworthy. Once solved, the block is shared, and other computers double-check it before adding it to their copy of the blockchain.

Why It's Secure And Reliable

The blockchain stays accurate because it's nearly impossible to fake or change without everyone noticing. Here's why:

- Hashing prevents tampering: If someone tries to change a transaction in an old block, its hash changes, breaking the chain. They'd need to recalculate the hashes for all later blocks, which takes massive computing power.
- Lots of copies: The blockchain is stored on thousands of computers worldwide. To trick the system, you'd need to change most of these copies at once, which is incredibly hard.
- Math-based security: The hashing algorithm is a one-way function—you can't figure out the original data from the hash. It's also designed so that even a tiny change in the block's data creates a totally different hash, making tampering obvious.
- Group agreement: The network only accepts blocks that follow the rules and are verified by most computers. A bad actor trying to sneak in a fake block would be ignored unless they control most of the network, which is very unlikely for big blockchains.

Why You Can Trust It

Think of a blockchain like a public, tamper-proof record book. No single person controls it, and everyone can check it. The math behind hashing and the effort required to add blocks make it super hard to cheat. For example, in a stablecoin system, this ensures that transactions (like sending digital dollars) are recorded accurately, so you can trust the system without needing a middleman. It's like a group of friends keeping identical, locked diaries that can only be updated if everyone agrees—and the locks are unbreakable math.

Definition Of Cryptocurrencies

Anything can be recorded on a blockchain, from historical events to the complete works of Shakespeare, but blockchain was devised to record transfers of bitcoin, and blockchain is what gives bitcoin its resilience.

A cryptocurrency is a digital form of money that uses blockchain technology to record transactions securely without a central authority, like a bank or government. Think of it as cash for the internet, where transactions are verified by a network of computers. Bitcoin, the first cryptocurrency, has a fixed supply cap of 21 million coins, making it scarce like gold, which some argue gives it value as a "digital gold." In contrast, Ethereum and many other cryptocurrencies have no strict limit on their supply, though issuance is often controlled by rules in their code, allowing more flexibility for uses like smart contracts (self-executing agreements).

Like gold, cryptocurrencies are decentralized and not directly controlled by any government. But unlike gold, they're purely digital and can be sent instantly worldwide. Compared to fiat currencies like the U.S. dollar, euro, Japanese yen, or British pound, cryptocurrencies aren't backed by governments, can be more volatile, and don't rely on banks for transactions, but they share the ability to be used for payments or as a store of value.

Companies are increasingly using cryptocurrencies as hedges against inflation (similar to gold), as reserves to diversify assets, and for expedited, reliable payments due to blockchain's speed and transparency. For example, Strategy (MSTR, formerly called MicroStrategy) has invested billions in bitcoin, treating it as a reserve asset to protect against fiat currency devaluation. Other firms, meanwhile, use cryptocurrencies like Ethereum for cross-border payments, avoiding slower and more costly traditional banking systems. This trend reflects growing trust in blockchain's security and the potential for cryptocurrencies to hold or grow value over time.

The GENIUS Act Codifies And Regulate Stablecoins

The GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins) was introduced in the Senate in February and signed into law by President Trump on July 17, following its passage by both chambers of Congress. It creates a legal and regulatory framework for stablecoins issued in the U.S., requiring them to be backed 1:1 with high-quality reserves. Treasury Secretary Bessent has expressed strong support, noting the law could enhance the global competitiveness of U.S.-issued stablecoins while expanding demand for Treasury debt, potentially lowering federal borrowing costs.

Passed alongside the GENIUS Act were two additional bills: the CLARITY Act (Crypto-Asset National Security Enhancement and Liability for Investors and Transparency), which defines regulatory authority over cryptocurrencies, and the CBDC Anti-Surveillance State Act, which prohibits the Federal Reserve from issuing a central bank digital currency. Signed into law together, these measures establish a comprehensive legal foundation for digital assets in the U.S. and reinforce the U.S. dollar's status as the world's leading reserve currency.

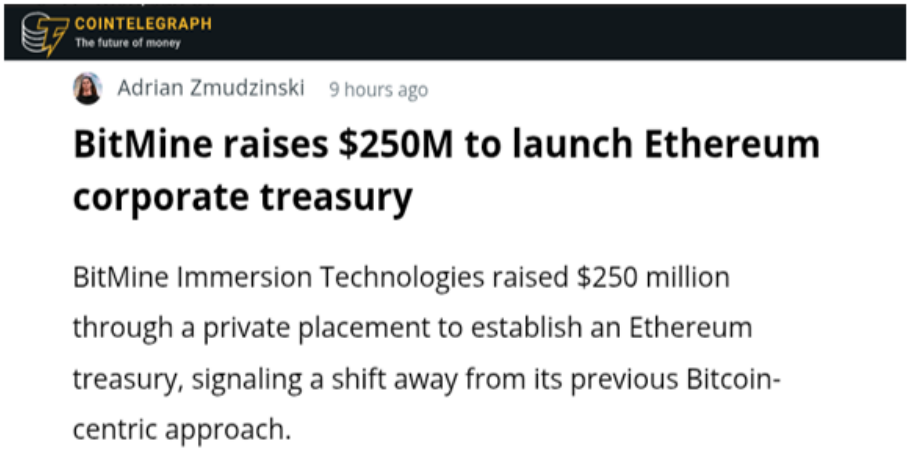
≡ Forbes

House Passes Stablecoin GENIUS Act

By Sara Dorn, Forbes Staff.

Published Jul 17, 2025, 04:15pm EDT, Updated Jul 17, 2025, 06:17pm EDT

Companies Are Increasing Their Use of Cryptocurrencies


COINTELEGRAPH
The future of money

Adrian Zmudzinski 9 hours ago

BitMine raises $250M to launch Ethereum corporate treasury

BitMine Immersion Technologies raised $250 million through a private placement to establish an Ethereum treasury, signaling a shift away from its previous Bitcoin-centric approach.

Crypto Firms Are Applying for National Trust Bank Licenses

Crypto firms like Circle and Ripple are seeking banking licenses in order to integrate with traditional financial systems, ensuring regulatory compliance and offering stablecoin services like payments and reserves with greater trust and scalability. Banking licenses also enable crypto firms to better lend cryptocurrencies, including stablecoins, on a more secure and legally sound basis. A banking license subjects a firm to strict regulatory oversight, such as capital reserve requirements and compliance with anti-money laundering (AML) and know-your-customer (KYC) rules. This allows firms to offer lending services, such as providing loans in stablecoins or using them as collateral, with greater legitimacy and customer trust. They can hold deposits and lend stablecoins while adhering to regulations that protect consumers and promote financial stability. This reduces legal risks and aligns cryptocurrency lending with traditional banking standards, making it more secure and attractive to institutional clients.

Following its $18 billion IPO on June 5, Circle (CRCL)—issuer of the stablecoin USDC—announced plans to form First National Digital Currency Bank. The company is seeking a banking charter from the Office of the Comptroller of the Currency (OCC), which would allow it to directly manage USDC reserves and offer custody services to institutional clients. If approved, Circle would join Anchorage Digital (a privately held firm) as the only crypto firm with a national trust bank license, allowing it to hold short-dated Treasuries, repos and cash in custody at BNY Mellon (BK) and overseen by BlackRock (BLK).

In addition to Circle, Ripple, a privately held firm, has also applied for a banking license to boost its stablecoin, RLUSD.


CIRCLE

June 30, 2025

Circle Applies for National Trust Charter

Approval would help Circle strengthen USDC infrastructure, meet requirements under proposed GENIUS Act and offer custody services to institutional customers.

The Bank of Korea Suspended Its Central Bank Digital Currency Program in Favor of Stablecoins

The Bank of Korea has paused its central bank digital currency (CBDC) program, citing high costs and unclear commercialization plans. Instead, it's shifting focus to won-backed stablecoins, which are seen as more commercially viable by banks and supported by new government policies. South Korea is one of the world's most active digital-asset markets, with more than a third of the population, or around 18 million people, active in digital-asset markets. On some days, trading volume on local crypto exchanges surpasses turnover on the stock indexes.

Why Are Stablecoins So Useful?

SWIFT, the Society for Worldwide Interbank Financial Telecommunications, is a cooperative established in 1973 that provides a secure messaging network for financial institutions to conduct international payments and transactions. It settles in U.S. dollars and is the global standard for international trade. Its competitor is the Cross-Border Interbank Payment System, or CIPS. CIPS is China's alternative to SWIFT and settles in renminbi (RMB), and although it aims to reduce reliance on SWIFT, it still depends on SWIFT for a significant portion of its messaging services. Using the websites for SWIFT and CIPS, along with several other sources, we compiled this table of costs for international settlement transactions.

Category	SWIFT (USD)	CIPS (RMB)
Messaging Fees	$0.10–$1 per message (bank-passed, part of $10–$50)	Likely lower, often uses SWIFT ($0.10–$1 if so)
Settlement Fees	$10–$30 per transaction	$5–$20 per transaction
FX Costs	2–5% markup (e.g., $300 for $10,000)	2–4% markup (less frequent due to RMB focus)
Intermediary Fees	$10–$50 per transaction (2–5 banks)	$5–$20 per transaction (fewer intermediaries)
Sanctions Screening	$1–$5 per transaction (embedded)	$1–$3 per transaction (embedded)
Settlement Period	17 hours (GPI) to 5 days	60 minutes to same-day
Total Cost	$25–$100 for $10,000 transfer	$10–$50 for $10,000 equivalent RMB transfer

So, what is it about stablecoins that makes them more attractive than established trade settlement practices? One big reason is the cost per transaction. Stablecoins typically have low transaction costs, particularly for savvy users, costs that might approach zero but on average could be less than one percent of one percent ("one basis point"), perhaps 10-25 times less expensive than SWIFT or CIPS. Moreover, stablecoin settlement is typically concluded within seconds, while more traditional transfers take hours or even days. These advantages make stablecoins attractive.

Blockchain Applications Are Reshaping Finance

Increasingly, asset trades are being recorded on blockchain. We think it is likely that in the not-too-distant future, bond and stock transactions will be increasingly recorded on blockchain, as will real estate transactions – a process that has already begun, though it still represents a miniscule share of the number and value of global real estate transactions.

At the end of June, Robinhood Markets tokenized U.S. stocks for European traders. Asset tokenization converts rights to physical or digital assets into digital tokens on a blockchain, allowing easier ownership transfer and fractional ownership. This enhances accessibility, liquidity, and efficiency in asset management and investment practices. Exchange-traded shares are available to investors in most parts of Europe, but advocates for the tokenized versions say they confer the benefits of equities, including dividends and stock splits, with more transparency and less friction, because trades clear instantly. They do not confer voting rights, however. BlackRock, Franklin Templeton, and Apollo Global Management have also launched tokenized funds over the past several years, but Robinhood's is the first market for tokenized equities.

Ripple And BNY Enter Custody Agreement

Ripple has stuck a deal with BNY to provide custody for its stablecoin, RLUSD. This looks like a strategic partnership: a long-term relationship between BNY and Ripple. Ripple applied to the OCC for its own banking license at the beginning of July, but it comes up to speed faster with BNY, and BNY obtains connections with a well-known stablecoin brand. We regard this as a win-win for Ripple and BNY and look to see more such alliances.

Walmart And Amazon Explore Stablecoins, Especially For Commercial Transactions

Walmart and Amazon are investigating issuing their own stablecoins. The story here is the cost to the retailers from using electronic payments systems such as Visa and Mastercard. These costs are known as "interchange fees," which amount to several billion dollars apiece for Walmart and Amazon; however, interchange fees are not separately reported in either their 10-K (i.e., quarterly) or annual reports. If a reasonable estimate for interchange fees is perhaps 1.5% – 2% of revenues, then for Amazon, the fees were about $9 billion – $12 billion over the past four quarters, and about $4.4 billion for Walmart. (Total interchange fees in the U.S. last year are estimated at $138 billion.) Moving these settlements to stablecoins has obvious and immediate bottom-line benefits to retailers, cutting their costs and increasing their margins.

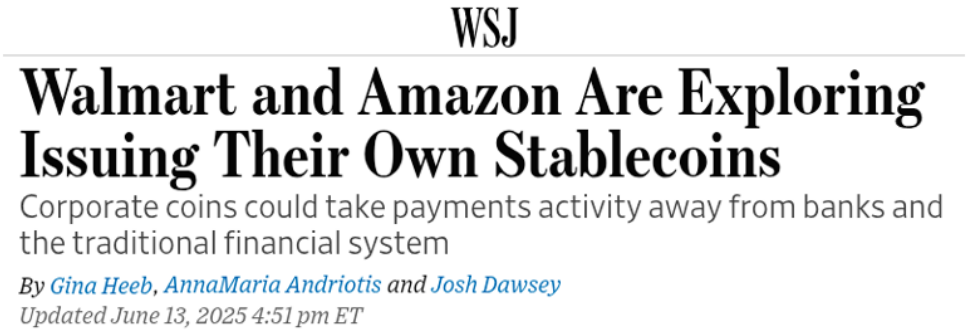
Of course, this could dramatically change the environment on which existing payment systems such as Visa, Mastercard, and PayPal depend, as we shall discuss shortly. On the other hand, peer-to-peer payments system such as Zelle and Venmo, mobile apps used to transfer funds, could benefit from lower costs and more efficient transactions.

Moving Stablecoin Purchases To Retail Customers Faces Some Challenges

For retail customers, however, credit cards offer several advantages, topmost being the payment flexibility and liquidity management that stablecoins do not presently provide. To attract retails customers, Amazon and Walmart could offer:

- Discounts and cash-back incentives on stablecoin purchases
- Loyalty points or ecosystem rewards redeemable for products, services, or subscriptions
- Seamless integration and convenience to appeal to tech-savvy customers
- Gamification and promotions such as "Stablecoin Weeks," where customers get extra discounts, free shipping, or bonus rewards
- Financial inclusion for unbanked/underbanked customers
- Stablecoin-exclusive products or deals.

However, convincing customers to adopt stablecoins is a challenge due to the familiarity of credit cards. Retailers must offer "hefty incentives" and a "super smooth user experience" to overcome this. For example, PayPal's PYUSD stablecoin, despite offering a 3.7% yield, has seen slow adoption due to limited consumer incentives, suggesting Amazon and Walmart need to go beyond small discounts.



WSJ

Walmart and Amazon Are Exploring Issuing Their Own Stablecoins

Corporate coins could take payments activity away from banks and the traditional financial system

By Gina Heeb, AnnaMaria Andriotis and Josh Dawsey
Updated June 13, 2025 4:51 pm ET

Effect Of Stablecoins on Existing Payment Systems

The electronic payments sector is an extremely important part of the global economy. Stablecoins threaten to disrupt this financial ecosystem by lowering costs to users, thus reducing the income streams of companies involved in electronic payments. That doesn't mean these firms will go out of business, but it does mean they will have to adapt to a new environment, and quickly! An Axios article from April 29 stated, "Whether stablecoins disrupt the current payments system, or simply become integrated into its backbone infrastructure, it appears inevitable that they will soon play a significant role." Visa calls these changes "co-opetition": that's a marvelous term! It does involve cooperation among the providers, but it is competition to their core business, too.

Who Are the Players Affected by Changes in The Payments System?

The credit card interchange fee landscape is dominated by Visa, Mastercard, American Express, and Discover (now part of Capital One). These four major credit card networks account for the vast majority of interchange fee revenue, with Visa and Mastercard alone handling over 80% of credit card purchase volume. Here are some other firms with major stakes in the revenue stream.

- **Issuing banks**, the banks that brand Visa and Mastercard, receive most of the interchange fees as compensation for processing transactions, managing credit risk, and funding rewards programs. These include JPMorgan Chase, Bank of America, Citibank, Capital One, and Wells Fargo; private label and co-branded credit cards issuers such as Synchrony Financial (for Walmart or Amazon, for example), Citi Retail Services (a division of Citibank), and Bread Financial; as well as your local bank, which probably also issues its own branded credit card.
- **Payment Processors and Acquiring Banks**, which facilitate transactions between merchants and card networks. These include Fiserv, which owns First Data; Fidelity National Information Services, which owns Worldpay; TeleCommunication Systems, which owns Global Payments; and PayPal.

Stablecoins seem certain to disrupt the business models of these companies – and many smaller players – particularly when it comes to their income from interchange fees

Other Cryptocurrency Firms That Have Applied for Banking Licenses

Joining Anchorage Digital, Circle and Ripple, some of the other firms that have applied to the OCC include:

- BitGo, a privately held crypto custody and wallet provider, applied in July 2025.
- Paxos, a privately held blockchain infrastructure platform, received conditional approval for a national trust bank charter from the OCC in April 2021 and continues to navigate the regulatory process to expand its custodial and payment services to align with stablecoin regulations.
- Coinbase (COIN), the crypto exchange, is reportedly preparing to apply for a U.S. banking license or charter. No specific application date is confirmed, but this aligns with Coinbase's goal of offering broader financial services.
- Fidelity Digital Assets, part of Fidelity Investments, reportedly applied for a national trust charter with the OCC, with the application noted in July 2025.

Wyoming offers a Special Purpose Depository Institution (SPDI) that can act as a state banking license designed for crypto firms. Here are some firms that have applied for Wyoming's SPDI.

Payward, a privately held firm doing business as Kraken, secured a Wyoming SPDI charter in September 2020. While Kraken has not applied for a federal OCC charter, it plans to launch debit and credit cards by July 2025, indicating banking ambitions.

Custodia Bank, a privately held firm, secured a Wyoming SPDI charter in 2020 and applied for a Federal Reserve Master Account to hold reserves directly with the Fed. The application was denied by the Kansas City Federal Reserve Bank in 2023, with Custodia suing and appealing the decision as of July 2025. Custodia has not applied for a federal OCC charter.

In Summary

Stablecoins are digital currencies trading on blockchains and are tied 1:1 to a national currency such as the U.S. dollar, backed by U.S. Treasury bills, cash, commercial paper, and other investments. Because they trade on blockchain, transfers are reliable, extremely fast, and very low cost. Congress passed the GENIUS Act and other laws that create a solid legal basis for the issuance, regulation, and oversight of stablecoins to make U.S. dollar stablecoins issued in the United States even more useful for commerce and financially reliable, setting a standard for the rest of the world and boosting the U.S. dollar's status as the most important reserve currency.

Stablecoins enable fast, reliable transfers of funds in international trade, cutting costs not only on banking but also for foreign exchange. They enable fast, low-cost payments between merchants and commercial enterprises. However, they are also disrupting the existing payments systems based upon interchange fees that has been in place for decades in a process Visa has appropriately described as "co-opetition," a combination of cooperation and competition that should drastically reduce the margins of some financial businesses that rely upon interchange fees.

Finally, cryptocurrency firms backing stablecoins are seeking banking licenses to integrate with traditional financial systems, ensuring regulatory compliance and offering stablecoin services like payments, reserves, and lending with greater trust and scalability. This should permanently alter the global banking and financial landscape.

Mary Ann Bartels | Chief Investment Strategist

With Bill Rhodes, Investment Strategist

3815 River Crossing Pkwy, Suite 200
Indianapolis, IN 46260