

The (potential) impact of stablecoins on money markets

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Stablecoins: definitions



What is a stablecoin?

Tokens that circulate mainly on public permissionless blockchains and strive to maintain a stable value relative to a reference asset, such as fiat currencies

Blockchain: decentralized digital register

- Transactions between wallets via blockchain
- Stablecoins listed on crypto exchanges

Stable value

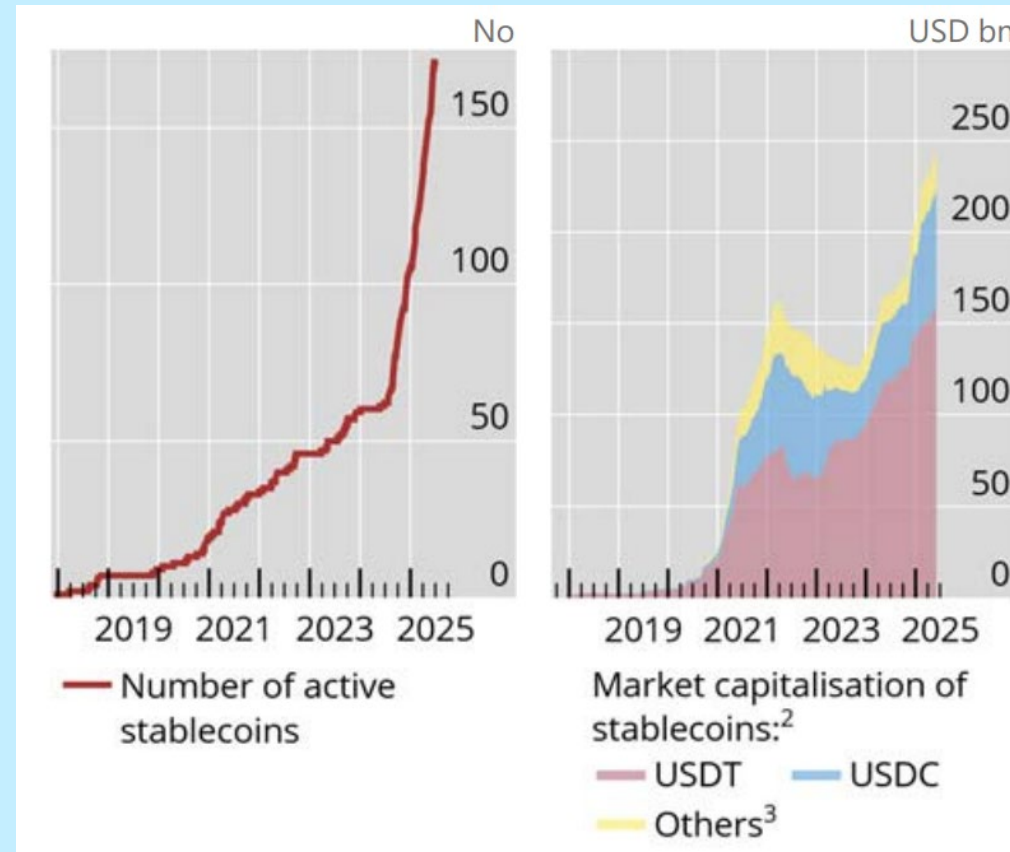
- 1 Tether = 1 USD
- 1 EUR CoinVertible = 1 EUR

Reserves

- Fiat: Treasury bills, bank deposits,...
- Crypto assets
- Without reserves: Algorithmic

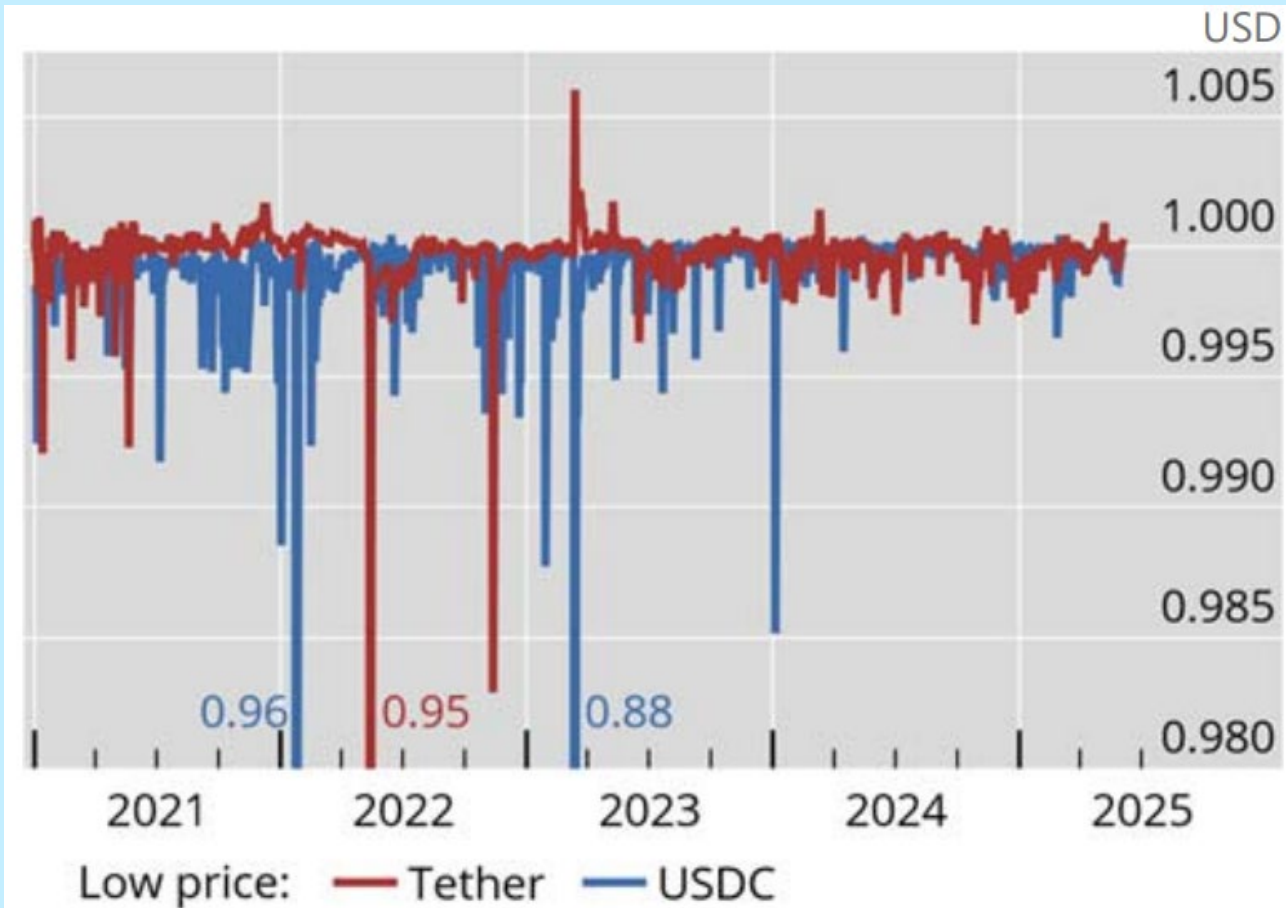
Stablecoins: overview

- Number and market capitalization of stablecoins has soared
 - Total market cap \$287bn, of which \$258bn fiat-backed
- High concentration
 - 99,9% in USD
 - USDT (Tether): \$169bn
 - USDC (Circle): \$73bn
 - EURC (Circle): €0,2bn
 - EURV (SocGen): €0,06bn

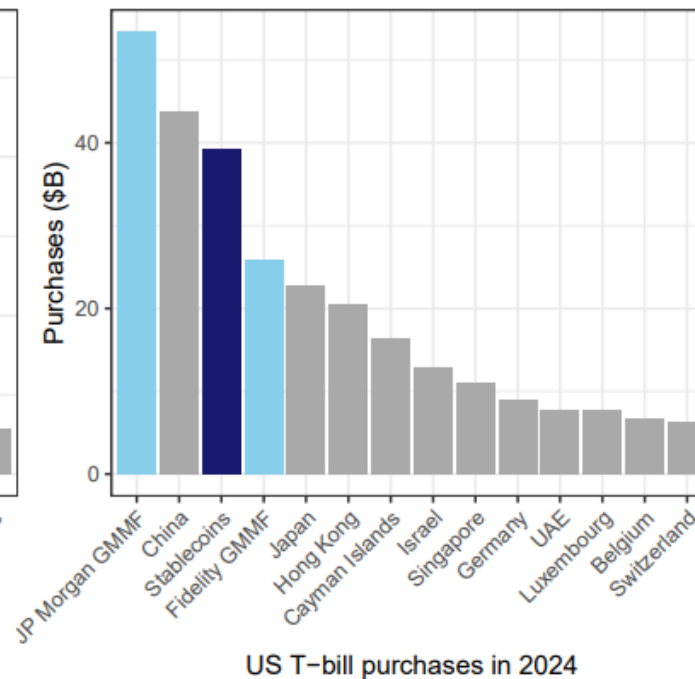
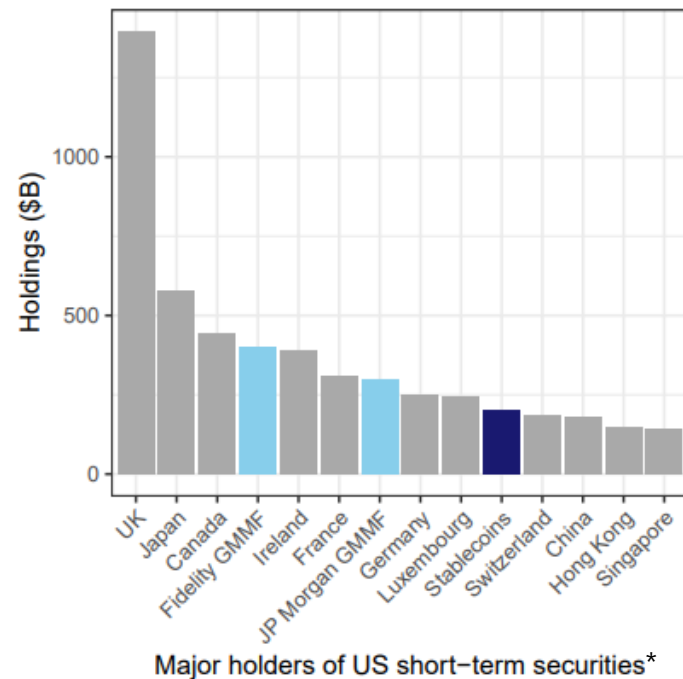


\$2,000bn
Potential demand
for US Treasuries
from stablecoin
issuers (S. Bessent)

Stablecoins: price volatility



Reserves: stablecoins as mayor holders of US T-bills



Tether

mar-25	bn USD	%
US T-bills	99	66%
Repo	17	11%
MMF	6	4%
Precious metals	7	5%
Bitcoin	8	5%
Others	13	9%
Total	150	100%

Circle

jun-25	bn	%
US T-bills	27	44%
Repo	27	44%
Bank deposits	8	13%
Total	62	100%

Sources and notes: [Stablecoins and safe asset prices 2025 USDC Examination Report June '25.pdf](#), [ISAE 3000R - Opinion Tether International Financial Figures Reserves Report 31.03.2025 RC187322025BD0040.pdf](#), *Short-term US securities include US T-bills, agency and bank debt, bank deposits, negotiable CDs, repurchase agreements, commercial paper, money market funds, and other short-term securities

Regulation: GENIUS (USA) vs MiCA (EU)

- Interest payment: both regulations prohibit the stablecoin issuer to pay interest. In the US, however, indirect payments/rewards by e.g. exchanges are allowed
 - Report to the Secretary of the Treasury** from the TBAC (30-jul): "...potential **impact to bank deposits** bears close monitoring."
 - American Bankers Association**, letter to Senators (12-aug): "The associations support the GENIUS Act's prohibition against payment stablecoin issuers paying interest or yield on payment stablecoins, which appropriately reinforces stablecoins as a payment mechanism—not a store of value. However, this restriction is easily bypassed when exchanges or other affiliates offer yield or rewards to stablecoin holders, undermining the law and distorting market incentives. Banks power the economy by turning deposits into loans; when deposits flow into stablecoins chasing yield, credit creation suffers. To close this loophole and protect the financial system, we urge Congress to **extend the stablecoin issuers interest prohibition to cover digital asset exchanges, brokers, dealers, and affiliated entities**. Doing so will preserve the role of banks in credit intermediation while allowing innovation in digital payments to flourish responsibly."
 - Blockchain Association**, letter to Senators (20-aug): "...**strong opposition** to ...letters from ...bankers associations**seek to create an uncompetitive payment stablecoin environment, protecting banks** at the expense of broader industry growth, competition, and consumer choice,..."
- Reserves: Europe requires 30-60% of reserves to be in bank deposits
- EUR stablecoins and tokenized money as effective response to USD stablecoins
 - Retail digital euro is different: not a token-based bearer instrument, not on blockchain, not programmable, and functions more like traditional payment methods (e.g. debit cards or instant payments)

Stablecoins: use cases and key characteristics

■ Key characteristics

- Instant settlement, 24/7
- Low fees (in some use cases)
- Store of value (in USD, in countries with high inflation/depreciating currency)

■ Use cases

- Cash/Collateral for crypto trading
- Payments, especially cross-border
- Programmable lending
- Treasury and cash management

■ Payment use case is marginal, but growing quickly

- Estimates for payment share differ, but generally in low single digits
- B2B growing quickly

B2B Stablecoin Volumes



Stablecoins vs tokenized deposits

- Banks can tokenize deposits (i.e. commercial bank deposits recorded on DLT) to compete with stablecoins

Feature	Tokenized deposits	Stablecoins
Bearer instrument	No (settle in Central Bank money)	Yes
Price volatility	No (singleness of money)	Possible
Interest	Yes (can pay interest)	indirect in US, No in EU
Issuer	Regulated banks	Fintechs or consortiums
Regulation	Full banking regulation	GENIUS (USA), MiCA (EU)
Trust	High (insured, regulated)	Lower (issuer risk, uninsured)
Use cases	On-chain settlement	Crypto trading, payments (cross border)

Stablecoins: impact on money markets

- Increased demand for T-bills and repo due to pegging of stablecoin value
- Reduction of (retail) deposits and (retail) money market funds
- Reserves: transformation of retail deposits into wholesale deposits
- Liquidity fragmentation across stablecoins, providers, currencies and platforms
- Liquidity risk in case of “run-situation” and non-accessibilities to Central Bank liquidity of stablecoins issuers
- Counterparty risk of stablecoin issuers
- Dollarization – first mover advantage
- Eurosystem – current approach towards focus on stability and regulation lagging speed of market approach i.e. US

Disclaimers

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