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Stablecoins: definitions, features and market developments

The features of stablecoins most relevant to international trade include their use as payment and settlement instruments, their relationship with other forms of digital money and the extent to which their growing market presence is translating into real-economy payment activity. These factors are presented in this section and the principal characteristics, design models and market developments associated with stablecoins are introduced.

What are stablecoins?

Stablecoins are privately issued digital assets designed to maintain a stable value relative to a reference asset, most commonly a fiat currency such as the US dollar or the Euro. Unlike unbacked crypto assets, whose prices may fluctuate substantially, stablecoins seek to minimize volatility and facilitate payments, settlement and transfers of value across digital networks.

Stablecoins originally emerged to solve a narrow problem within the crypto-asset ecosystem: price volatility of cryptocurrencies. The volatility of cryptocurrencies such as Bitcoin limited their usefulness as a medium of exchange or unit of account. This prompted developers to create digital assets that would combine the advantages of distributed ledger technology such as blockchain (which are used for cryptocurrencies) with the stability of conventional financial assets. As a result, the first widely recognized stablecoin, BitUSD, was launched in 2014 on the open-source, blockchain-based financial platform BitShares, and used crypto-collateralization and algorithmic stabilization mechanisms to maintain dollar parity (Arner et al., 2020; Dionysopoulos and Urquhart, 2024).

Their role has thus evolved from a crypto-trading tool into a broader instrument for payments, company treasury management, and value storage. Building on early innovations, stablecoin development accelerated after the launch of Tether (USDT) in 2014, which popularized the fiat-backed model under which tokens are supported by reserves denominated in traditional currencies or other assets. Originally designed as "a gateway to the crypto ecosystem" (BIS, 2025), allowing users to transact in relatively stable digital assets without leaving blockchain networks, stablecoins have gradually moved beyond crypto-asset trading and settlement. They are now used for remittances, treasury operations, decentralized finance, selected cross-border payments and, in economies experiencing currency instability, as a digital store of value.

Types of stablecoins

Stablecoins can be classified in four main categories depending on the mechanism used to maintain their value:

1. **Fiat-backed stablecoins** are supported by reserve assets denominated in fiat currencies –or highly liquid assets such as US Treasury bills and cash deposits – with the vast majority (over 97 per cent) pegged to the US dollar, alongside minor representations in other fiat currencies like the Euro or UK pounds (Adrian et al., 2025). These stablecoins dominate current market activity and are the most relevant for cross-border payment applications.

2. **Commodity-backed stablecoins** are linked to the value of tangible assets such as gold, silver, or oil, offering users exposure to traditional commodity-based stores of value while operating on blockchain networks. They are used mainly as investment or savings instruments and currently play only a limited role in payments.

3. **Crypto-backed stablecoins** are collateralized by other cryptocurrencies such as Bitcoin or Ethereum and are typically overcollateralized to absorb fluctuations in the value of the underlying assets.

4. **Algorithmic stablecoins** attempt to maintain their value through automated adjustments to supply and demand rather than through conventional reserve assets.

Algorithmic and crypto-collateralized models face greater volatility and structural risks, limiting their applicability in high-stakes financial contexts (Bains et al., 2022). The collapse of the algorithmic stablecoin TerraUSD (UST) in 2022 illustrated that stabilization mechanisms relying primarily on algorithms rather than high-quality reserve assets may be vulnerable to sudden loss of confidence. This experience contributed to renewed international attention to reserve quality, redemption rights and prudential oversight.

Stablecoins should also be distinguished from central bank digital currencies and (CBDC) tokenized bank deposits. Stablecoins are a form of private digital money; they do not constitute currency in the strict monetary sense, in contrast to central bank digital currencies. Stablecoins are privately issued digital assets designed to maintain a stable value relative to a reference asset. Their value and credibility therefore depend on the quality of the underlying reserves and the governance arrangements

of the issuing entity. In contrast, CBDCs constitute a digital form of central bank money and therefore represent a direct claim on the central bank, equivalent to sovereign currency in digital form. CBDCs combine digital functionality with the safety and legal status of central bank money (BIS, 2021). Stablecoins also differ from tokenized deposits, the latter typically being a digital representation of a traditional bank deposit recorded on a blockchain network.

According to the Bank for International Settlements (BIS), stablecoins fail to meet the three fundamental tests for sound money: singleness (i.e. issued by different banks but accepted by all), elasticity (i.e. provided flexibly to meet needs for large-value payments), and integrity (i.e. not used for illicit activity, ensuring monetary sovereignty). In terms of singleness, stablecoins lack the central bank backing necessary to ensure that payments can be settled seamlessly and at par across different networks (Aldasoro et al., 2023). Regarding elasticity, the supply of stablecoins cannot easily adjust to changes in macroeconomic demand without creating risks to convertibility and financial stability. Finally, from an integrity perspective, the circulation of stablecoins without adequate issuer oversight raises concerns related to financial crime, regulatory compliance and systemic risk (BIS, 2025). This will be further discussed in Section 3.

Functional characteristics

Stablecoins offer a set of concrete functional advantages – notably speed, cost-efficiency, transparency, programmability and accessibility – that explain their rapid growth. These features will be further developed in Section 2 of this report, when addressing the potential of stablecoins for resolving frictions in international payments.

Stablecoins are seen as offering both technological and monetary benefits.[1] On the technological side, they serve as a native settlement asset within blockchain-based financial infrastructures that enable near-instant, peer-to-peer transfer of value and programmability thereby reducing costs, intermediaries and settlement risk, and accelerating settlement times. On the monetary side, they can extend the reach of currencies by easing two long-standing constraints. First, they can bypass traditional correspondent banking networks – often characterized by multiple intermediaries, incompatible data formats, lengthy processing chains, differing operating hours, high transaction costs, settlement delays and limited transparency. Second, they can make it easier for individuals and businesses, particularly in economies with weak currencies, to hold and transfer stable-value assets across borders.

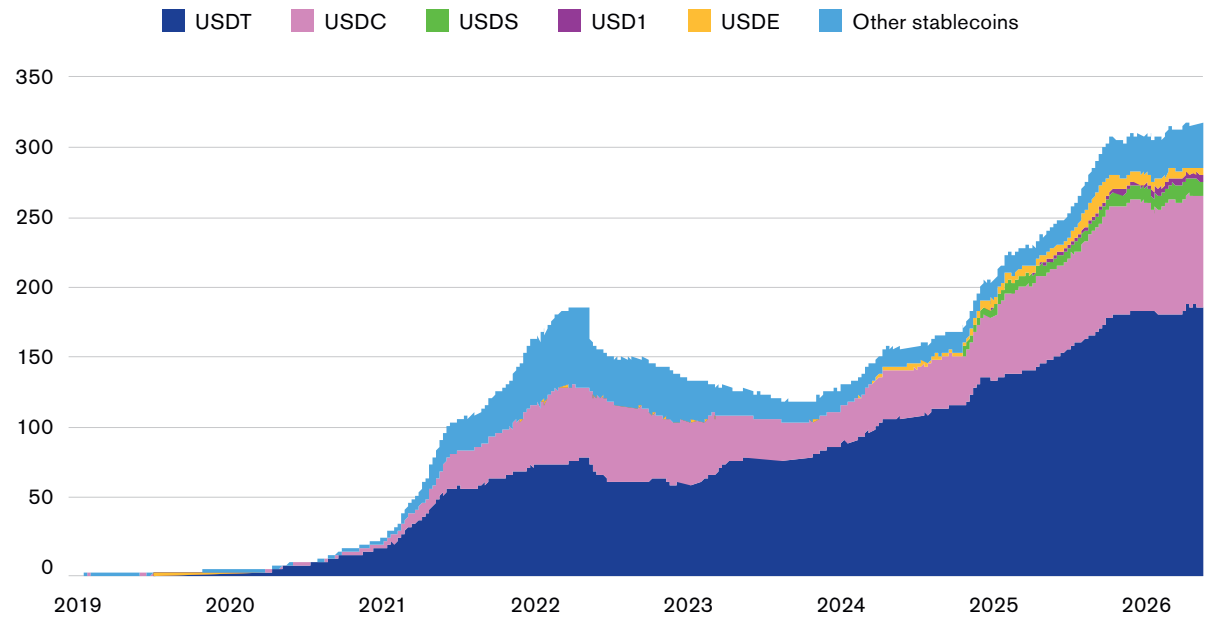
Stablecoins therefore offer the prospect of faster, cheaper and more accessible cross-border payments and money transfers. This takes place in contrast to existing systems which remain slow, expensive and opaque, and can expand access for populations previously underserved by traditional financial systems, including small businesses (Lawrence et al., 2025).

Market developments

The stablecoin market is highly concentrated, with a small number of issuers accounting for most of the supply and transaction activity. The two largest stablecoins – USDT issued by Tether and USDC issued by Circle – represent about 90 per cent of the market (see Figure 1). USDT and USDC trading volume amounted to US$ 33 trillion in 2025, a 72 per cent year-over-year increase with Bloomberg projecting stablecoin flows to reach US$ 56.6 trillion by 2030 (MEXC Exchange, 2026). Some other financial services providers have also introduced their own stablecoins, such as Paypal (PYUSD), and Fiserv (FIUSD). Stablecoins pegged to the US dollar represent around 98 per cent of the market by value, representing around two thirds of the number of existing stablecoins (Aldasoro et al., 2026). The remaining share consists mostly of stablecoins denominated in euros. Although their share remains small, growth in euro-pegged stablecoins has been substantial in recent years, reaching EUR 450 million ($525 million) in January 2026, up from EUR 50 million ($60 million) at the beginning of 2024 (Born et al., 2026).

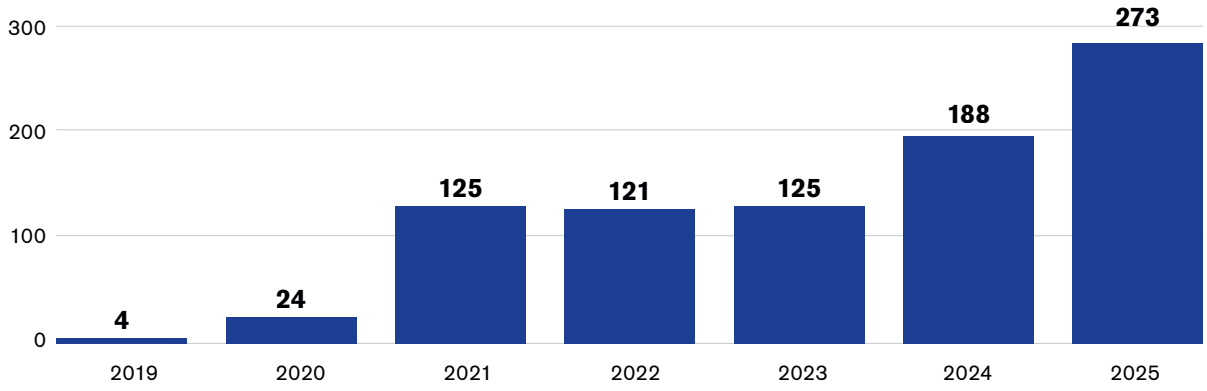
Stablecoins have experienced rapid growth in recent years yet the measurement of stablecoin transactions is fraught with challenges. These include, lack of transparency and standardized reporting by private issuers, difficulty in obtaining granular, real-time data from decentralized systems and the complex evolving nature of their underlying mechanisms. Having said that, available evidence points to limited – albeit increasing – use. According to available data, the total value of stablecoin units in circulation directly linked to reserve assets increased more than eleven-fold between 2020 and 2025, rising from approximately US$ 24 billion to over US$ 270 billion (see Figure 2).

Figure 1: Market capitalization of the largest stablecoins, 2019–2026 (US$ billion)



Source: BIS Annual Economic Report 2026.
Notes: Based on classification by Kosse et al. (2023). USDT: issued by Tether; USDC: issued by Circle; USDS: issued by Sky protocol; USD1: issued by BitGo, sponsored by World Liberty Financial; USDE: issued by Ethena protocol.

Figure 2: Average stablecoin supply, all stablecoins, 2019–2025 (US$ billion)



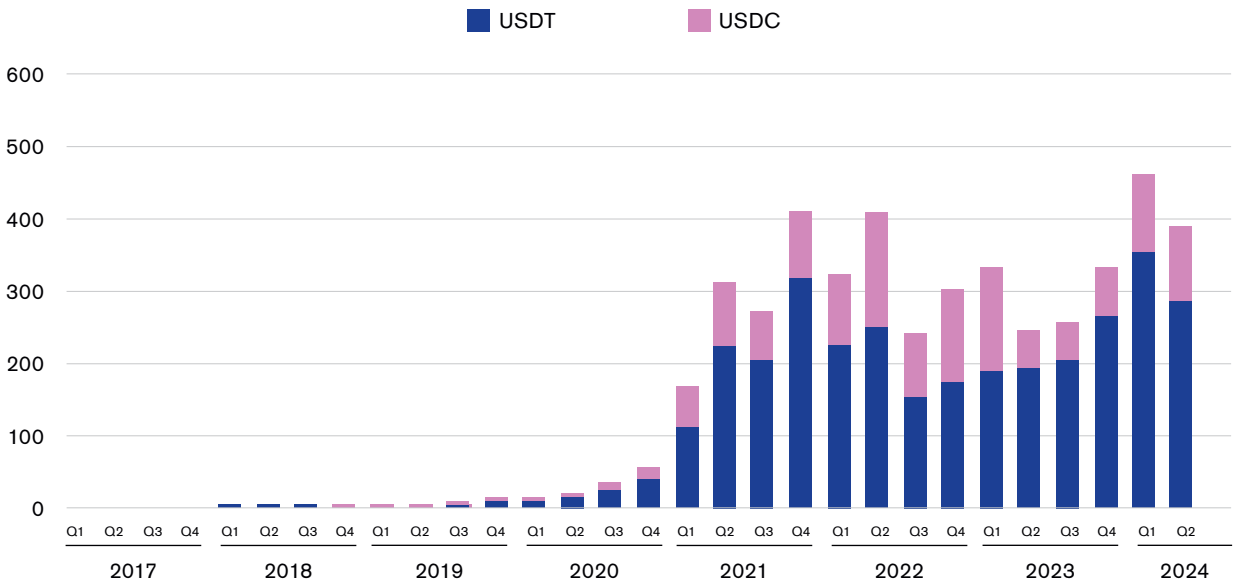
Source: Visa Onchain Analytics Dashboard, https://visaonchainanalytics.com.

The largest share of stablecoin turnover is still linked to the trading and settlement of native crypto assets, but real payment volumes are growing, with business-to-business (B2B) payments leading growth. A recent study finds that most of the activity linked to the US$ 35 trillion of reported transaction volumes annually does not represent true end-user payments, such as paying suppliers or sending remittances (Higginson et al., 2025). It consists mainly of trading, internal shuffling of funds, and automated blockchain activity. As a result, the volume of actual stablecoin payments made annually is only about US$ 390 billion, representing roughly 0.02 per cent of global payment volumes. However, the true volume of stablecoin payments, although small, has more than doubled from 2024 levels, reflecting real and growing usage in specific contexts.

B2B payments dominate stablecoin activity, accounting for approximately US$ 226 billion, or around 60 per cent of global stablecoin payment volume. B2B stablecoin payments increased by 733 per cent in 2025 year-on-year, highlighting the accelerating adoption of stablecoins in commercial transactions (Higginson et al., 2025). As adoption expands beyond crypto markets, stablecoins are beginning to demonstrate their potential as a new payment rail, i.e. the underlying infrastructure or system that facilitates the transfer of funds, rather than merely a settlement asset within digital asset ecosystems.

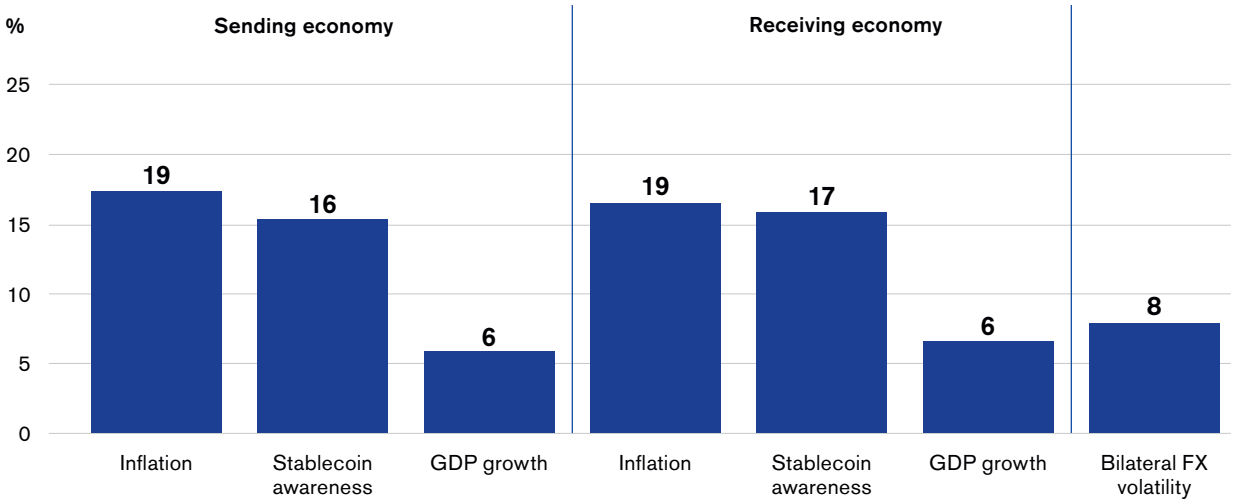
This growth is not evenly spread, however, as stablecoin activity remains highly concentrated across regions and payment corridors.
Asia accounts for the largest share of stablecoin payment flows, representing approximately US$ 245 billion, or around 60 per cent of total global volume, followed by North America with US$ 95 billion and Europe with US $50 billion. In contrast, Latin America and Africa each account for less than US$ 1 billion in stablecoin payment activity. Current usage is driven predominantly by payments originating from a small number of financial and digital asset hubs, particularly Hong Kong, China; Japan and Singapore (Mckinsey & Company, 2025a).

Figure 3: Cross-border use of stablecoins, 2017–2024 (US$ billion)



Source: BIS Annual Economic Report 2025; Auer et al., 2025.
Notes: USDC: issued by Circle; USDT: issued by Tether.

Figure 4: Economy-level drivers of cross-border stablecoin flows (percentage increase in flows)



Source: BIS Annual Economic Report 2025; Auer et al., 2025.

Stablecoin use in cross-border transactions is growing rapidly, but still remains limited, while adoption in trade finance is virtually non-existent. According to the BIS Annual Economic Report 2025, the use of stablecoins for cross-border payments increased by around 35-fold between 2020 and mid-2024, from approximately US$ 14 billion in early 2020 to about US$ 406 billion in the second quarter of 2024, with a peak at roughly US$ 480 billion in the first quarter of 2024 (see Figure 3). Cross-border transaction volumes tend to rise following episodes of high inflation and foreign exchange volatility in sending and receiving economies. Stablecoin awareness and growth of gross domestic product are two other factors explaining the growing use of stablecoins for cross-border transactions (see Figure 4).

According to the International Monetary Fund, stablecoin cross-border flows surpassed those of unbacked crypto assets in early 2022, and the gap has widened thereafter. Meanwhile, McKinsey reports that by early 2025, stablecoins were estimated to account for around 3 per cent of total global cross-border payments volume of an estimated global cross-border payments market of approximately US$ 200 trillion per year (Higginson, 2025). Beyond a few pilot projects, stablecoins are not used in trade finance at scale. While there is openness to consider stablecoins, there is also considerable scepticism about their widespread adoption in the trade finance space.

The growing use of stablecoins in cross-border payments raises a broader question for international trade: to what extent can stablecoins address the frictions that continue to affect trade payments and settlements? This issue applies, in particular, to small and medium-sized enterprises and firms operating in developing economies. Section 2 examines these frictions and assesses where stablecoins may offer practical advantages, while also identifying their limitations.

Endnotes

1. "Stablecoins and the future of money: separating functions from instruments", Speech by Christine Lagarde, President of the European Central Bank, at the Banco de España LatAm Economic Forum in Roda de Barà, Spain, 8 May 2026, https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260508~dd909fbed1.en.html

2. The Atlantic Council's Cryptocurrency Regulation Tracker, covering 75 economies, confirms that cryptocurrency activity is fully legal in 45 jurisdictions, partially restricted in 20, and generally banned in 10. Only 28 of the 75 economies studied enacted regulations across taxation, AML/CFT, consumer protection and licensing, demonstrating that existing regulatory mandates, often designed for securities or payments, are generally insufficient to address the unique risks posed by stablecoins (https://www.atlanticcouncil.org/programs/geoeconomics-center/cryptoregulationtracker).

3. ISO 20022 is an international standard for electronic financial information interchange.. For more information see https://www.iso20022.org.

4. The ICC Uniform Rules for Collections (URC) are a set of rules to help all counterparties in a collection process of debt, owned money or assets. For more information see https://2go.iccwbo.org/subjects/urc-522-uniform-rules-for-collections-config-1+book_version-Book.

5. International Monetary Fund – World Economic Outlook (WEO), https://data.imf.org/en/datasets/IMF.RES:WEO

6. See BIS Quarterly Review, "Exchange rates and monetary policy frameworks in EMEs" and BIS Annual Economic Report (various years)

7. International Monetary Fund – AREAER Online database: https://www.elibrary-areaer.imf.org/Pages/Reports.aspx

8. "Enhancing cross-border payments in Europe and beyond", Speech by Piero Cipollone, Member of the Executive Board of the European Central Bank, at the Regional Governor's Meeting in Osijek, Croatia, 1 April 2025, https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250401~9e1ee05e88.en.html