The Big Whale

The Big Whale Report

How payment systems are integrating digital assets

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CIRCLE

EDITORIAL

THE FUTURE OF PAYMENTS IS **ON BLOCKCHAIN**

Since the creation of Bitcoin in 2009, the use of cryptocurrencies for payments has seemed like an obvious development. And yet, more than 15 years later, this use has still not managed to establish itself as an effective means of paying for goods and services in everyday life.

While Bitcoin is a fantastic tool for transferring large sums, small transactions elude it due to its high fees (equivalent to a few dollars, which is not really ideal for buying a coffee) and its volatility. It's understandable that merchants are hesitant to use it.

This is how stablecoins emerged as an extremely relevant solution for this use. With these assets that represent traditional currencies on the blockchain, we get the best of both worlds: fast transactions, elimination of many intermediaries, low transaction costs, and value stability.

The question is no longer whether payments will one day switch to the blockchain, but rather when this will happen, given the numerous advantages. Visa, Mastercard, PayPal, and Stripe have already committed to it.

The stablecoin sector, invented and dominated by the company Tether, is now highly competitive with a multitude of highly regulated offerings, some of which even come from major banks.

We offer you a comprehensive report that will present the issues and highlight what digital assets bring to the world of payments, both from the perspective of users and professionals.
Enjoy your reading!

GREGORY RAYMOND_
Head of Research, The Big Whale

.sum-mary

01

Utility

WHY BLOCKCHAIN IS RELEVANT FOR PAYMENTS

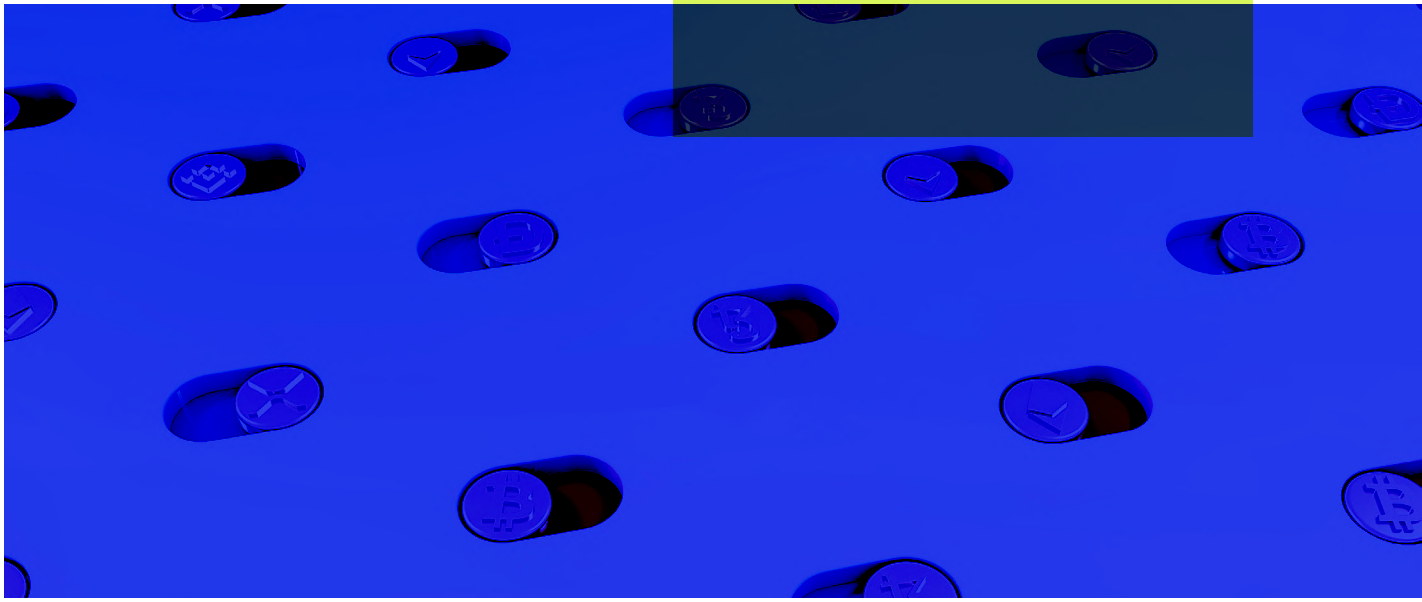
WHY BLOCKCHAIN IS RELEVANT FOR PAYMENTS_

LOWER TRANSACTION FEES

Traditional payments, especially for cross-border transactions, often incur high fees. Intermediaries, such as banks, credit card networks (Visa, Mastercard), and payment processors, apply fees that can add up. In comparison, cryptocurrencies allow for international transfers at often much lower costs. On March 23, 2024, a Bitcoin user transferred 94,504 bitcoins, equivalent to $6.6 billion, for just three dollars in transaction fees. A stablecoin transaction from the United States to Europe costs only a few cents and takes just a few seconds.

PROCESSING SPEED

Payments through traditional systems, particularly for international transactions, can take several days due to the complexity of the validation process, passing through multiple intermediaries. In contrast, cryptocurrency transactions, especially on networks like Bitcoin, Ethereum, or Solana, are often completed in minutes or even seconds.



GREATER FINANCIAL INCLUSIVITY

Many people worldwide, especially in developing regions, don't have access to traditional banking services. Cryptocurrencies allow bypassing these obstacles, providing access to financial services via a simple internet connection, without the need for a bank account.

FLOW TRANSPARENCY

In traditional payment systems, it's often difficult to track transactions in real-time, and users can't easily know where their money is in the process. Blockchains, on the other hand, are transparent and allow anyone to verify a transaction and its status on the network. One simply needs to visit a blockchain explorer and check the flows related to public addresses.

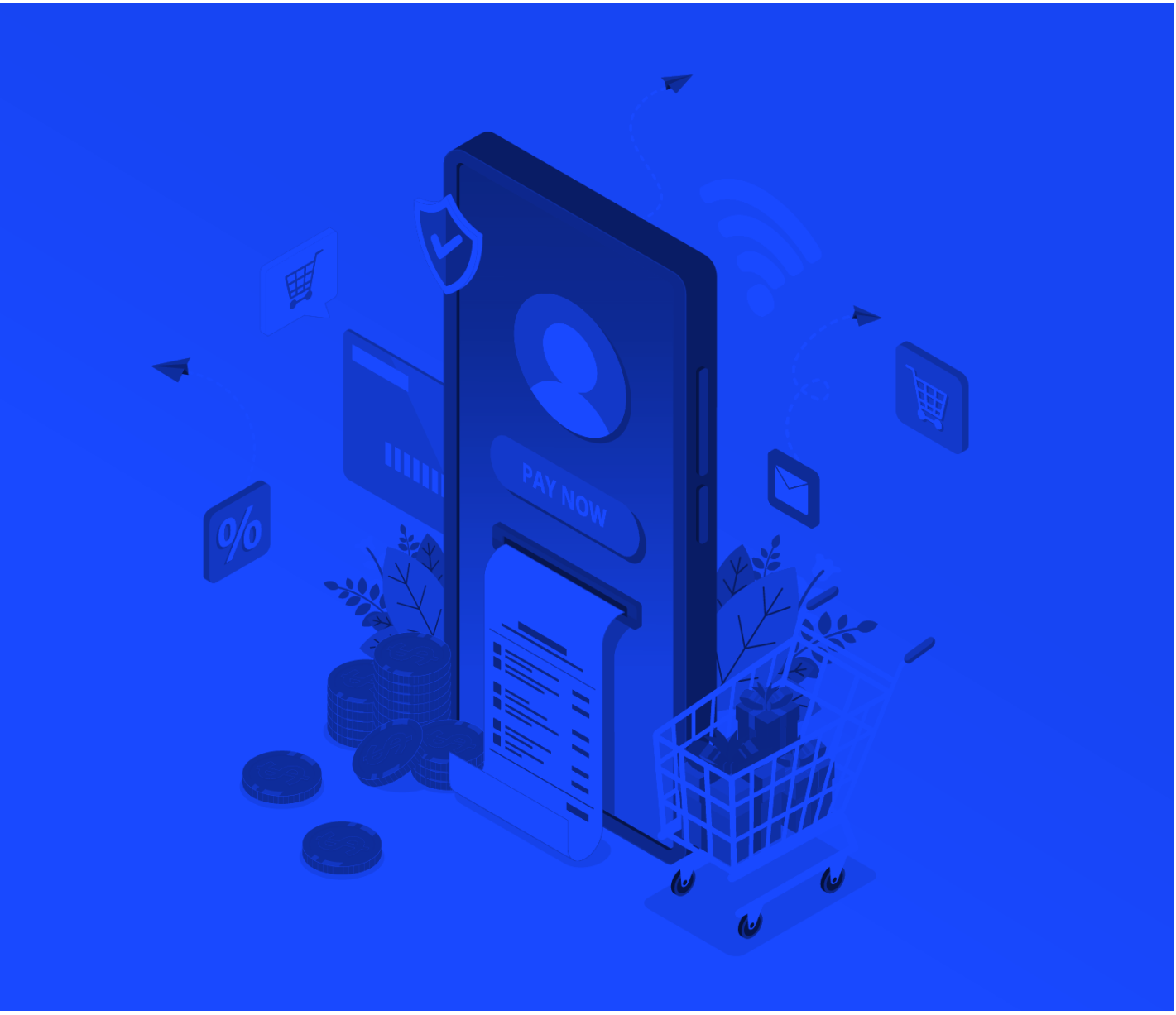
WHY BLOCKCHAIN IS RELEVANT FOR PAYMENTS_

LESS FRAUD AND MORE SECURITY

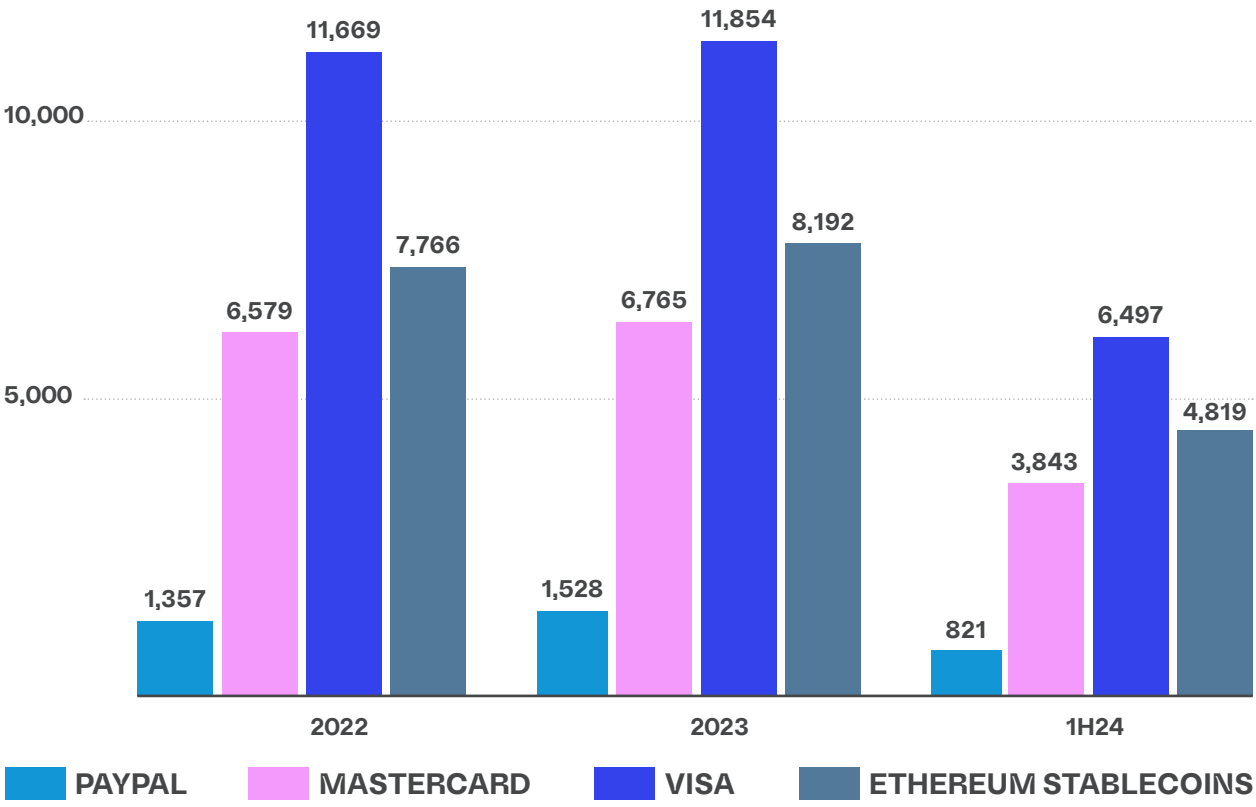
Traditional systems, where sensitive information like credit card numbers are shared during payments, are vulnerable to fraud and data breaches. Cryptocurrencies use more robust encryption systems, and transactions are validated by decentralized networks, making fraud more complex.

FEWER INTERMEDIARIES

Traditional payments often involve numerous intermediaries, each taking a commission and introducing additional delays. Cryptocurrencies allow for peer-to-peer transactions, eliminating the need for intermediaries and thus reducing costs and delays.



STABLECOINS ALREADY MOVE MORE VALUE THAN PAYPAL AND MASTERCARD



In the first half of 2024, stablecoin volumes traded on the Ethereum blockchain surpassed those of Paypal, at $4800 billion.

Source : Areta, Mergermarket, PayPal, Visa, Master, Token Terminal, The Block

03

Interview

CORALIE BILLMANN

CIRCLE

CORALIE BILLMANN
CIRCLE_

AFTER 10 YEARS AT PAYPAL, CORALIE BILLMANN TOOK THE HELM OF CIRCLE FRANCE IN DECEMBER 2023. SHE DETAILS THE STRATEGY TO PROMOTE THE ADOPTION OF THEIR EURO STABLECOIN IN EUROPE.

FOR SEVERAL YEARS, YOUR CEO JEREMY ALLAIRE HAS BEEN SAYING THAT STABLECOINS ARE MONEY CIRCULATING «AT THE SPEED OF THE INTERNET». CONCRETELY, WHAT DOES THIS MEAN?

Before joining Circle, I spent nearly 10 years at PayPal, which grounded me in the traditional finance sector. This experience allowed me to understand the profound impact of blockchain on financial flows. I quickly grasped Circle's value proposition.

Public blockchains eliminate many frictions present in traditional infrastructures. A transaction that can take several days with conventional systems is completed in seconds on the blockchain. Moreover, the multiplication of intermediaries in the traditional world makes access and use costly. Blockchain thus brings a major innovation in this regard.

CIRCLE IS OFTEN DEFINED AS A WEB3 BANK. IS THIS YOUR LONG-TERM AMBITION?

We define ourselves more as a technology company. Circle operates like a factory: our work consists of creating stablecoins that will circulate on the blockchain, to sell them to our clientele, composed solely of businesses. Circle never interacts directly with individuals, a point that often causes confusion.

We guarantee the stability of the exchange rate through the transparency of our reserves and regulation, a central pillar of our strategy.

> **« We want to integrate EURC into the traditional financial system. »**

Obtaining our MiCA license to issue our stablecoins USDC (dollar) and EURC (euro) since July 1st is a testament to this.

THE UTILITY OF USDC IS ESTABLISHED, BUT WHAT ARE THE ENVISIONED USE CASES FOR EURC?

In the long term, we aim for the same strategy as for USDC. First, we want EURC to be used for everyday payments. In the coming months, we will launch campaigns similar to those for USDC, where it was possible to pay for a coffee, for example. Our goal is that eventually, Europeans will prefer our euro stablecoin over the dollar for these uses, without having to go back through the traditional system.

Next, we want to integrate EURC into the traditional financial system, in the wake of tokenization, to serve as a settlement currency. We also aim to offer a treasury management solution, as more and more companies choose to diversify it with cryptocurrencies.

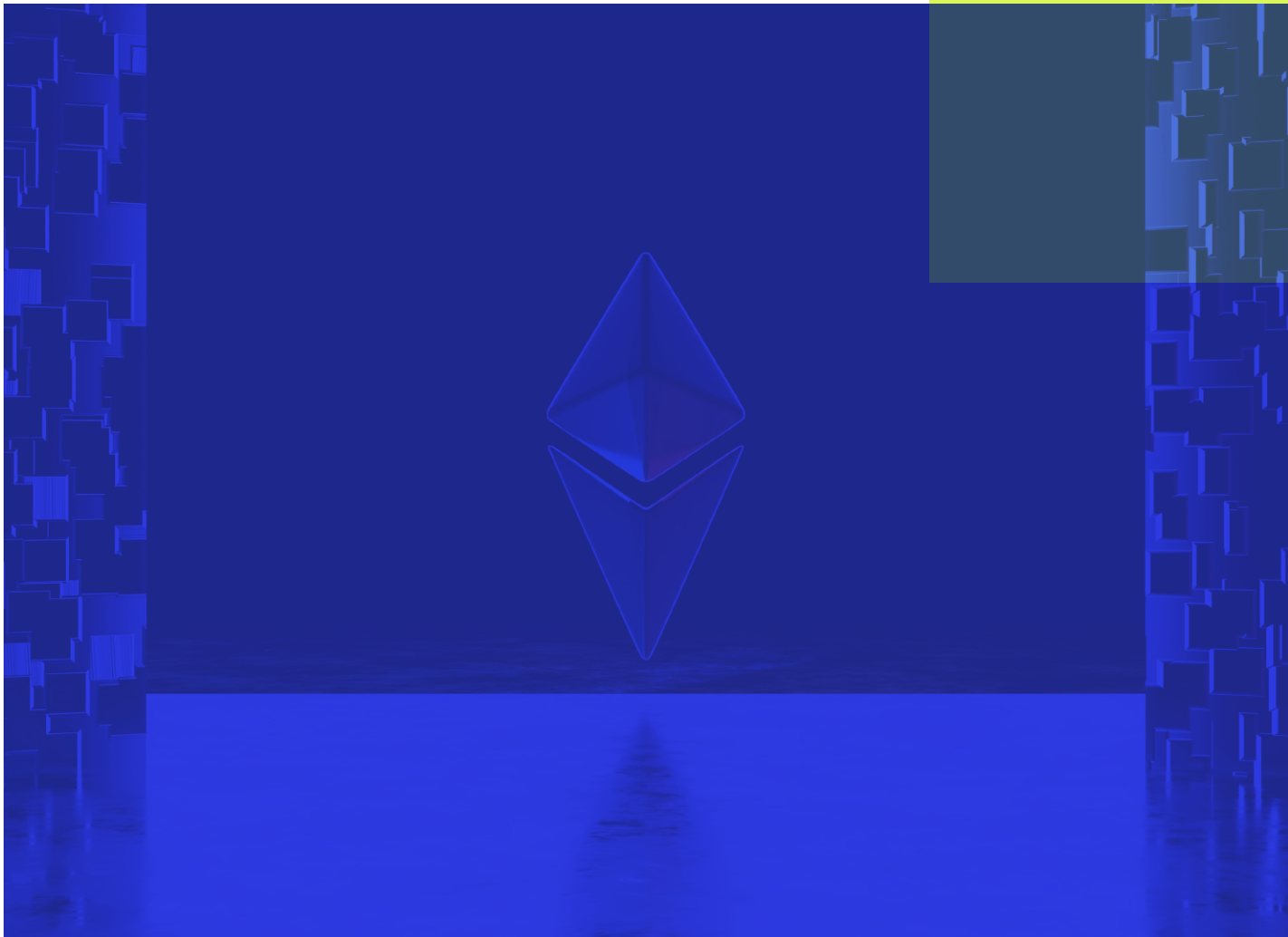
CORALIE BILLMANN
CIRCLE_

CURRENTLY, STABLECOINS ARE MOSTLY USEFUL IN COUNTRIES WITH HIGH INFLATION OR POOR BANKING SYSTEMS, WHICH IS NOT THE CASE IN EUROPE. WHY IS A EURO STABLECOIN NECESSARY?

We anticipate a shift of liquidity towards blockchain, making stablecoins inevitable in the long run. Although the euro market is still underdeveloped, the situation will evolve, notably thanks to MiCA which brings more guarantees to traditional players. Since obtaining our license, the market capitalization of EURC has almost doubled, reaching nearly 60 million units in circulation. Requests from companies are pouring in, accelerating the process.

WHAT BUSINESS MODEL DO YOU ENVISION FOR EURC?

Currently, EURC reserves are not invested, but in the long term, we want to replicate the USDC model. Our priority is first widespread adoption, while maintaining a prudent approach.



04
Overview

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

BY LOUIS TELLIER AND LORRIS BEZIERS

Stablecoins represent one of the oldest use cases for blockchains and the one that has seen the greatest adoption.

In June 2020, this figure barely reached $10 billion, according to data compiled by Glassnode.

Their principle is simple: to allow anyone to exchange tokens whose value is pegged to that of a traditional currency (the dollar in most cases). The value of a stablecoin is guaranteed by a reserve of assets that users can claim in exchange for their stablecoins. These assets can take various forms, such as cash deposited in banks or, more frequently, government bonds, thus allowing stablecoin issuers to generate returns on their reserves. This highly attractive business model has led to the emergence of numerous competitors eager to capitalize on this rapidly expanding market.

Today, they account for about 10% of the total cryptocurrency market capitalization, with over $170 billion worth of units in circulation.

The demand for stablecoins continues to grow for several reasons: increased efficiency in cross-border payments, adoption of the dollar in countries with unstable currencies, integration of stable values within decentralized finance (DeFi), and account management on centralized trading platforms.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

Pour répondre à l'évolution des différents cas d'usage, de nouvelles formes de stablecoins ne cessent d'émerger.

I_CENTRALIZED STABLECOINS

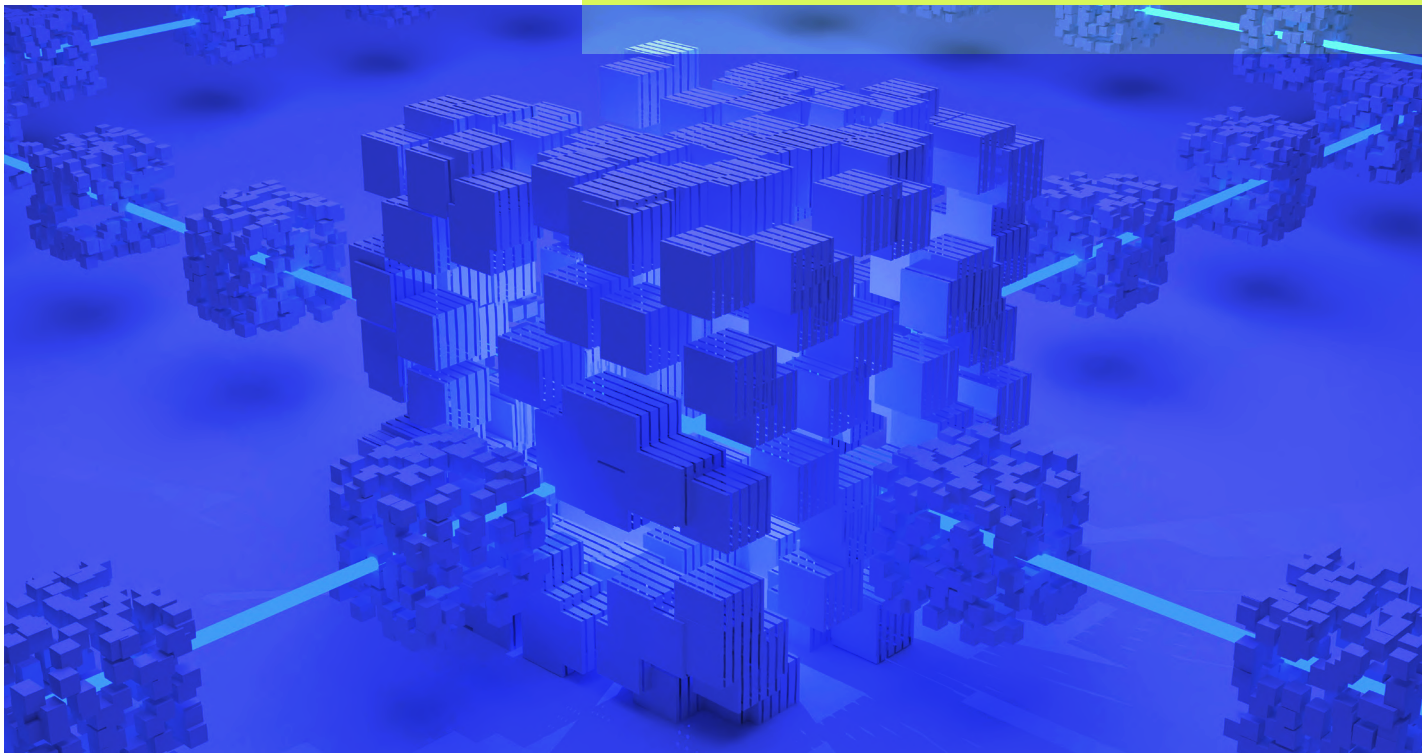
This is currently the most proven model in the crypto ecosystem. In this configuration, a centralized company issues the stablecoin tokens and controls the strategy. The best-known are Tether's USDT and Circle's USDC. These two stablecoins dominate the market, representing over 90% of its total capitalization with 118 billion and 35 billion units in circulation, respectively.

Although different in their approach, these two stablecoins are powerful soft power tools for the United States, spreading the dollar worldwide through various public blockchain networks. This influence is such that some political figures, like Timothy G. Massad, former chairman of the CFTC (Commodity Futures Trading Commission) under Barack Obama, publicly qualify the issue as a «national security» matter and call for their regulation.

These stablecoins are also significant buyers of U.S. debt. Their business model is simple: they invest almost all of their reserves in U.S. Treasury bonds, which currently yield around 5% following successive rate hikes decided by the U.S. Federal Reserve after the COVID crisis. For several years, they have logically been posting record profits.

In the second quarter of 2024, Tether ranked 18th among holders of U.S. debt, surpassing countries like Germany. In the same quarter, the company announced a net profit of $5.2 billion.

Unlike its main competitor, Circle does not publish quarterly financial results. For the first half of 2023, Circle reported revenue of $779 million, far exceeding its revenue of $772 million for the entire year of 2022.



STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

TETHER, the controversial leader_

While they largely dominate the market, Tether and Circle are radically opposed in terms of approach.

Although Tether leads in market capitalization, its stablecoin receives poor ratings. Standard & Poor's gives it a rating of 4 out of 5 (5 being the worst) in its December 12 study, while Bluechip, an independent organization specializing in stablecoin ratings, gives it a D.

These ratings are mainly explained by Tether's lack of transparency. Information about its organizational structure and banking partners is scarce, and its reserve raises many questions. Since the first quarter of 2023, Tether has been publishing an audit presented as «independent,» conducted by BDO Italia. However, doubts persist. A specialist points out: «It's a virtually unknown audit firm.» Why not use a «Big Four» firm (KPMG, EY, Deloitte, PwC)?

According to a source close to Tether, the latter would refuse to collaborate with the company.

As of June 30, 2024, Tether's reserves primarily consisted of: 84.24% liquid assets, notably short-term U.S. Treasury bonds, 3.22% precious metals, including gold, 4% bitcoins. Garett Jones, co-founder of Bluechip, argues: «Contrary to popular belief, Tether's opacity is also its strength. Publicly disclosing the details of their operations could backfire on them, as it does for many traditional financial players.»
In recent years, the company led by Paolo Ardoino has been striving to improve its image. It has notably recruited Jesse Spiro as head of public affairs, with similar experience at PayPal and Chainalysis.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

CIRCLE, regulation as a priority_

Circle has always placed regulation at the heart of its USDC development strategy, launched in January 2018 with the Coinbase platform, with which it has historical ties.

On July 1st, the American company obtained its Electronic Money Institution (EMI) license, an essential pass to issue stablecoins in a regulated manner in Europe, in compliance with the MiCA (Markets in Crypto-Assets) regulation. This regulation aims to harmonize rules for digital assets in the European Union. To date, very few crypto players have obtained this green light.

As a result, Circle is authorized to offer USDC and EURC, its euro stablecoin, to European users. On the other hand, Tether has no intention of complying with MiCA regulation for the moment, as reaffirmed by its CEO Paolo Ardoino in an interview with The Big Whale.

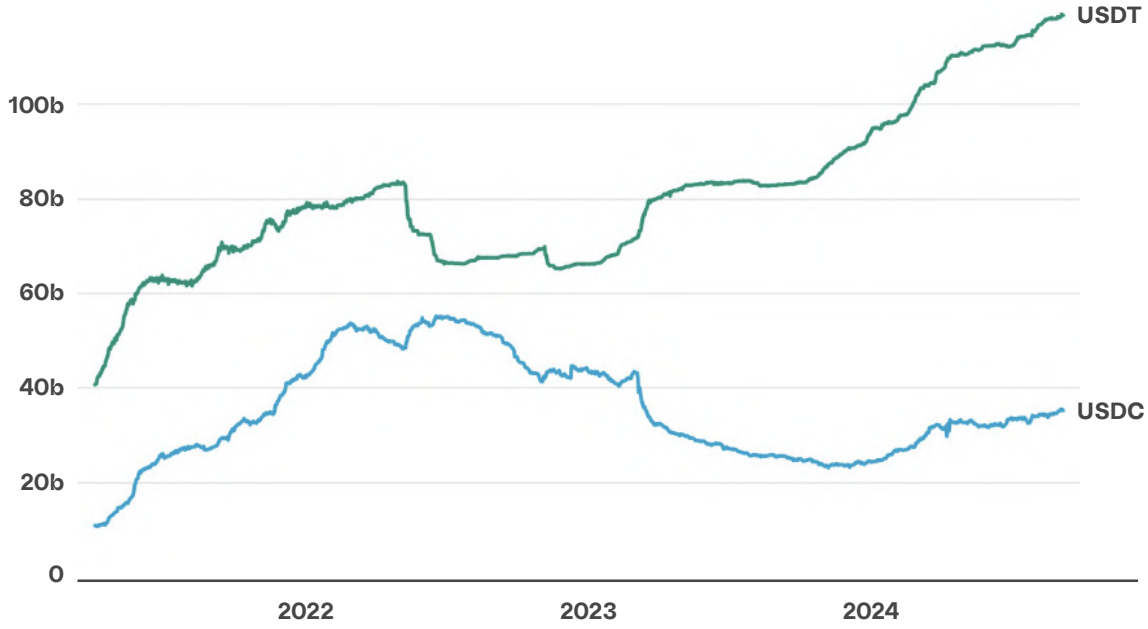
In early January 2024, Circle announced it was working on an introduction to the New York Stock Exchange. This will be the second attempt after the aborted one in December 2022. The American company is aiming for a valuation of about $5 billion. Previously based in Dublin, Ireland, Circle officially moved its headquarters to New York, inaugurating its new premises on September 13.

Circle's banking partners are known, as is its auditor, Deloitte. The latter provides a monthly report on the state of reserves, exclusively composed of assets such as U.S. Treasury bonds, denominated in dollars and held in segregated accounts. Nevertheless, not everything is perfect.

«Circle's claims that USDC reserves would be bankruptcy-proof have not yet been proven, making it less secure than stablecoins supervised by the NYDFS (New York Department of Financial Services),» says Vaidya Pallasena, head of ratings at Bluechip. The proof: USDC temporarily lost its peg to the dollar during the Silicon Valley Bank bankruptcy in spring 2023, a bank where Circle had placed part of its reserves.

Standard & Poor's considers USDC one of the safest projects in the ecosystem, giving it a rating of 2. Bluechip awards it a B+. In March 2023, Silicon Valley Bank (SVB) collapsed. With Circle partially exposed to it, this created a wave of panic leading to the «depeg» of USDC, which fell to $0.7 before regaining its balance.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_



STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

FDUSD, to Binance's rescue_

Launched in June 2023 in Hong Kong, FDUSD is issued by First Digital Group. Currently, it ranks as the 4th largest stablecoin in the market with nearly 3 billion units in circulation. Its growth has been meteoric: just 6 months after its launch, its market capitalization was already approaching one billion dollars.

The main driver of this growth is the Binance platform. It began listing FDUSD in August 2023 and removed fees on the BTC/FDUSD pair. This alignment is explained by the scheduled disappearance in February 2024 of BUSD, Binance's «in-house» stablecoin. The latter had been banned by U.S. authorities in February 2022.

FDUSD's reserves are held by a trust in Hong Kong, whose identity has not been publicly disclosed. As of August 31, 2023, the date of the last official audit, they were composed of 79% cash deposits and 20% short-term U.S. Treasury bills. Standard & Poor's penalizes FDUSD with a rating of 4 due to the lack of asset segregation. Bluechip is no more lenient and gives it a C. To date, this stablecoin circulates on the Ethereum, BNB (Binance's blockchain), and Sui Network.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

PAYPAL (PYUSD), PAXOS (USDP), GEMINI (GUSD) , the supervised stablecoins_

These stablecoins currently offer «the best guarantees for retail investors, as their reserves are directly supervised by the regulator,» explains Benjamin Levit, co-founder and CEO of Bluechip.
In practical terms, they must comply with strict control and issuance requirements, similar in many ways to traditional finance. In case of bankruptcy, the New York State Department of Financial Services (NYDFS), responsible for supervising them, can directly seize the reserves. Their availability is currently limited to a small number of networks authorized by the regulator, which significantly hinders their development.

« The fact that they are supervised by authorities, and therefore easily censorable, is an argument that hinders their adoption outside the United States and Europe, where this characteristic is important, » indicates Sébastien Derivaux, director of the consulting firm Steakhouse Capital.

« Moreover, for Europe and the United States, they are not very useful at the moment, since there are already effective payment solutions for individuals,» he continues.

On the other hand, their strong regulation makes them assets of choice for integration into decentralized finance protocols that need near-perfect price stability. This is the case with DAI (renamed USDS in September 2024), where investors are incentivized to deposit them in the «Peg Stability Module» (PSM) to maintain the dollar peg of Maker's stablecoin (now Sky).

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

_WHAT TO REMEMBER ABOUT CENTRALIZED STABLECOINS

If centralized stablecoins like USDT or USDC have been successful, it's largely due to the simplicity and reliability of their reserve management. Although some models remain dependent on banks — as demonstrated by USDC during the U.S. banking crisis in spring 2023 — centralized stablecoins prove to be veritable cash machines in a context of high interest rates. Initially designed for institutional use, these stablecoins are now increasingly adopted for everyday payments.

However, their decision not to share the generated revenues with their users, mainly for regulatory reasons, has paved the way for the emergence of other stablecoin initiatives — this time decentralized — offering this functionality.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

II_DECENTRALIZED STABLECOINS

Unlike «centralized» stablecoins such as those from Circle or Tether, the protocol's strategy is not decided unilaterally by a central entity. Instead, it is managed by a decentralized autonomous organization (DAO) in which governance token holders can participate. In the case of MakerDAO — renamed Sky in the summer of 2024 — this is the MKR token.

DAI, the first large-scale decentralized stablecoin_

DAI, launched by MakerDAO in December 2017 on Ethereum, is the first widely adopted decentralized stablecoin in decentralized finance (DeFi). Initially, MakerDAO promised to guarantee the uncensorability of its stablecoin by accepting only unseizable assets like ether (ETH) or bitcoin (BTC) in its reserves. This promise is less true today.

DAI is based on an innovative concept: the Collateralized Debt Position (CDP). Users deposit cryptocurrencies to create and borrow a stablecoin, which they will have to repay with interest to recover their deposit. This mechanism allows everyone to use leverage on their capital.

However, CDPs have a limitation: loans must always be covered by over-collateralized deposits.

As the value of the collateral is volatile, the protocol must maintain a sufficient margin to liquidate this collateral before its value becomes lower than that of the granted loan.
This reduces capital efficiency. DAI also allows for yield if it is staked in its «Saving Module».

In 2023, Curve and Aave also launched their own stablecoins: crvUSD and GHO, which are also based on the CDP model. crvUSD has the particularity of having introduced the concept of «soft liquidation» which allows for a gradual liquidation of loans.

We can also note Angle, which was the first protocol to issue a decentralized euro stablecoin: EURA, but this type of asset still has limited demand, USDA (its dollar equivalent) later came to complete their offering.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

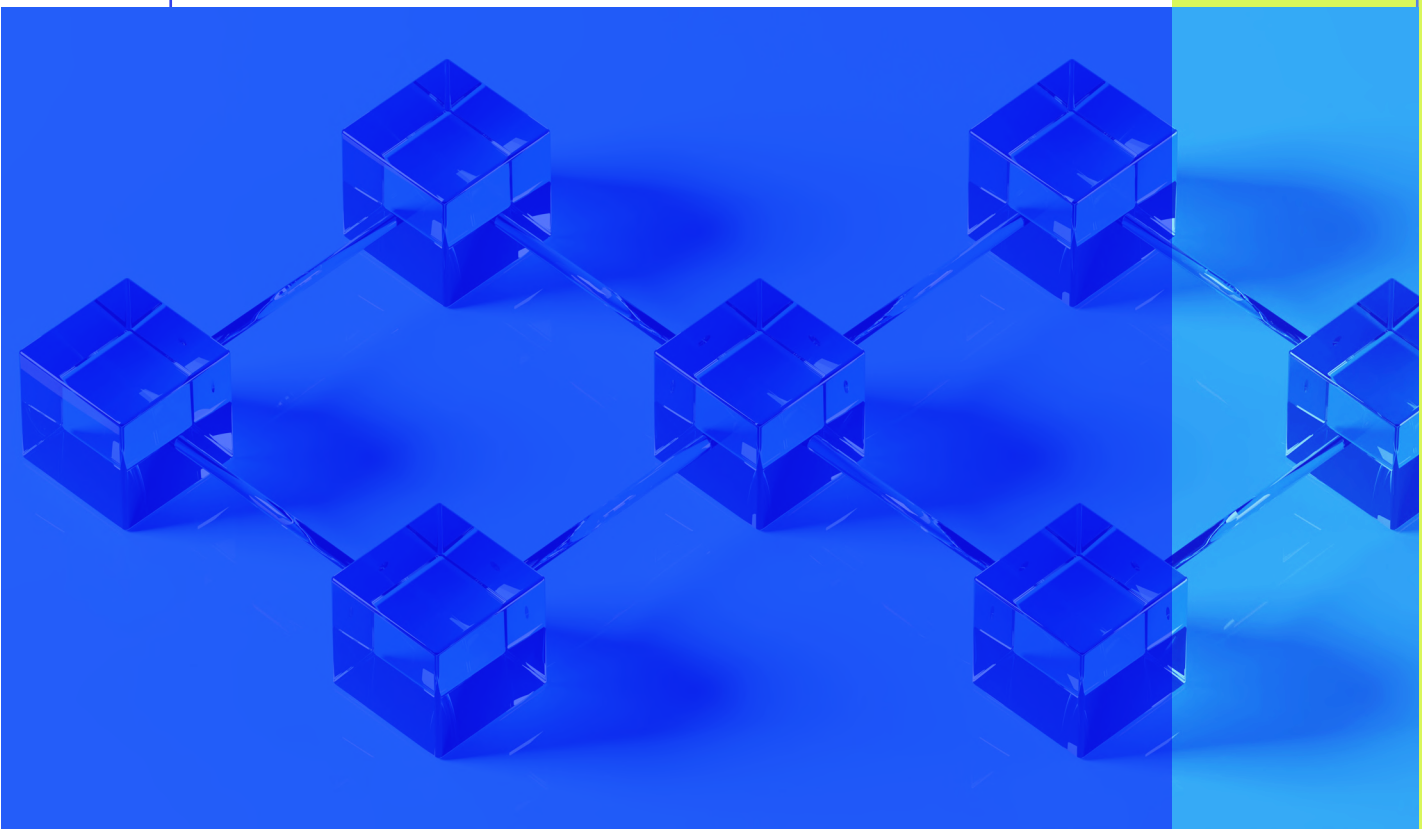
LUSD & BOLD, radically resistant to censorship_

Most CDP models, including DAI, have integrated centralized stablecoins or RWAs (tokenized Treasury bonds or obligations) into their reserves.
This strategy aims to effectively increase the quantity of their stablecoin in circulation and generate yields. However, the downside is that part of the reserves of these «decentralized» stablecoins can be frozen by centralized entities.

LUSD, issued by Liquity V1, is often considered the most resilient stablecoin.
It only accepts ETH as collateral, its smart contract is permanently immutable, and the borrowing rate is only paid once, at the creation of the loan.

Nevertheless, the stability pool (SP) can sometimes force the liquidation of loans well before their liquidation threshold.

The smart contract of Liquity V2, also immutable, will issue BOLD. This new stablecoin will accept two additional tokens as collateral: stETH and rETH, liquid staking tokens issued respectively by Lido and Rocket Pool. Moreover, Liquity V2 will offer users the possibility to set and adjust their annual borrowing rates at will. The stability pool (SP) will prioritize the liquidation of loans with the lowest rates, thus ensuring balance in various market conditions.



STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

STABLECOINS THAT REDISTRIBUTE THEIR YIELDS

Also called «Yield Bearing», these stablecoins aim to offer stable value to their holders while providing passive yield. The idea is to share with users a part of the yields generated by the underlying assets. Unlike DAI, it is not necessary to stake them to benefit from the yield.

Last June, the American fintech Paxos launched a centralized stablecoin called «Lift dollar» (USDL). This allows its holders to obtain a 5% yield generated by its reserve composed of U.S. Treasury bonds. With this stablecoin, Paxos primarily targets the Argentine market, which has been facing double-digit inflation for several years. Other similar stablecoins have recently emerged, such as USDM issued by Mountain Protocol.

USDY, issued by Ondo, is currently the most adopted stablecoin in this category. Backed by short-term U.S. Treasury bonds and bank deposits, it is accessible to non-U.S. individual and institutional investors.

Currently, the development of these stablecoins is considerably hampered by regulation. In the United States, the Securities and Exchange Commission (SEC), the American stock market watchdog, threatens to reclassify this type of product as a financial security. In Europe, the MiCA regulation prohibits regulated issuers from offering direct yield to their users.
This prohibition has never been clearly justified publicly. Several experts interviewed by The Big Whale highlight the potential risk of competition with banks that this practice could generate.

DECENTRALIZATION WITH USUAL

Among the stablecoins in this category with decentralization claims, we find USD0, issued by Usual. It's a kind of RWA (Real World Assets) aggregator. Currently, the protocol's reserves are composed solely of USYC, the on-chain representation of the Short Duration Yield Fund (SDYF) issued by the American company Hashnote. The SDYF is made up of short-term U.S. Treasury bonds.

USD0 holders do not benefit from any direct yield, but they will soon be able to lock their tokens to obtain USD0++. USD0++ holders will have two options: either receive immediate rewards in the form of USUAL governance tokens, or receive the yields generated by the reserve assets every six months. USD0++ matures after 4 years, then releasing the locked USD0. Before that, it will be possible to exchange them on the secondary market.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

STANDARDIZING AND DEMOCRATIZING ACCESS TO MONETARY ISSUANCE

So far, no decentralized stablecoin has managed to compete with USDC, let alone USDT. Launching one's own stablecoin and getting users to adopt it is a real challenge, as the leaders in the field benefit from powerful network effects. Distribution is the crux of the matter.

Indeed, the stablecoin market presents enormous barriers to entry: the liquidity of a stablecoin is crucial for its adoption by major players. Almost all trading pairs are denominated in USDT and USDC. These stablecoins are also integrated into most centralized and decentralized platforms, and have managed to establish a relationship of trust with their holders.

M^0 starts from the principle that the various platforms with which users interact (centralized and decentralized exchanges, wallets, applications, etc.) play a major role in the distribution and success of stablecoins.

M^0 therefore wishes to rely on these platforms by allowing them to issue the same fungible stablecoin, the «M», and to collect yields related to the M they distribute, rather than participating in the distribution of stablecoins that do not benefit them. Platforms adopting M would then have the possibility to share or not these yields with their users.

The protocol's governance elects «Minters» capable of issuing M. To do this, Minters must lock short-term U.S. Treasury bonds with eligible depositories, these actions being monitored and approved by protocol validators.

The idea is therefore to create a set of common standards (particularly on depositories and the type of collateral) for all Minters, so that the largest number of entities can issue the same fungible stablecoin. This eliminates many barriers to entry for stablecoin issuers, who normally have to manage to create a new stablecoin that is sufficiently liquid and adopted on various centralized and decentralized platforms.

The protocol's validators provide a daily attestation of the Minters' reserves, the latter also having to obtain authorization from the validators to sell the assets in their reserve. This system would therefore offer better transparency than centralized stablecoin issuers.

M^0's governance is based on a two-token system: POWER (having an active management role) and ZERO (having a guardian role). POWER holders receive ZERO when they participate in the protocol's governance, and the fees generated by the protocol are distributed to ZERO holders. The protocol is still in the pre-launch phase; it remains to be seen how it will manage to realize its ambitions.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

III_OTHER TYPES OF STABLECOINS

As more traditional players like BlackRock begin to deploy on-chain products, the term «stablecoin» is increasingly covering different realities from its original use cases such as buying crypto or collateralizing DeFi positions.

TOKENIZED MONEY MARKET FUNDS

The best example of these new types of products are tokenized money market funds. They allow their holders to receive yield mainly from government bonds.

Their issuers offer a disintermediated investment system, but are significantly more constrained in terms of regulation. Indeed, the tokens are only exchangeable between authorized persons and therefore cannot, for the moment, be used to collateralize DeFi positions.

The most famous of these is BUIDL, deployed by BlackRock on Ethereum last March. It is currently the one that has been the most successful, attracting 520 million dollars. Several protocols, such as Aave — leader in lending and borrowing protocols — have also announced their intention to integrate it into their reserves for diversification purposes.

Last June, the French company Spiko launched two similar products (in euro and dollar) which already total nearly 90 million dollars in assets under management.

Some players, such as the American asset manager Franklin Templeton, which has also launched a tokenized money market fund called BENJI, are betting that it will one day be possible to use it as a payment instrument. This use is currently totally prohibited in jurisdictions such as the United States or Europe.

STRUCTURED PRODUCTS

Most stablecoins are similar in that they are almost all backed by Treasury bonds or low-risk bonds. The objective is to have a reserve of assets generating yields and whose value is not volatile. However, there are other ways to obtain yield positions that are less sensitive to market volatility.

The value reserve of USDe, issued by Ethena, is partly assured by a «basis trade» strategy: a «short» position is opened to cover the volatility of the reserve assets (BTC & ETH) while benefiting from the yields of the «funding rate». USDe is the stablecoin that has experienced the most explosive launch in recent years.
It reached the threshold of 3 billion tokens in circulation in just 6 months and was quickly integrated into most DeFi applications as well as some centralized exchanges like Bybit.

However, its growth is stagnating, or even regressing, due to market conditions that have caused a drop in the funding rate. USDT thus now represents almost a third of its reserves.
It will be interesting to follow the evolution of this type of stablecoins whose value reserve is secured by trading positions. They take advantage of the composability allowed by blockchains and enable the implementation of more complex trading strategies.

STABLECOINS IN 2024: AN INCREASINGLY RICH ECOSYSTEM_

JP MORGAN'S INTERBANK CASH

Very different from other projects, JPM Coin is a stablecoin aimed at improving interbank transfers within the American bank JP Morgan's cash flows. At the end of 2023, the banking giant reported managing the equivalent of one billion dollars in daily transactions with this system.

The operation is simple: in exchange for a deposit in euros or dollars in one of its bank accounts, the user receives the equivalent in digital assets. These are then instantly transferred via the Onyx network, a private blockchain inspired by Ethereum. This infrastructure ensures the confidentiality of exchanges and a high transaction throughput. Moreover, the system promises to operate 24 hours a day, 7 days a week. JPM Coin is distinguished by its unique design: it is intended to exist exclusively within the JP Morgan ecosystem.

THE BIG WHALE'S OPINION

The stablecoin war is in full swing, with more and more players entering the competition to capture shares of this rapidly expanding market. The current economic model heavily favors the issuers.

Liquidity and adoption are the two key factors ensuring the growth of a stablecoin. These elements are closely linked to their distribution method.

Tether's USDT initially spread thanks to its integration on all centralized trading platforms, while USDC benefited from Coinbase's support.

Distribution thus appears as the central vector for a stablecoin's success. To establish dominance against Tether and Circle, it is necessary to find new distribution channels. This explains the growth of PayPal's PYUSD, issued by a company with a large user base beyond crypto. Similarly, it's not surprising that Revolut is considering launching its own stablecoin.

A portion of the population in South America, Africa, and South Asia has adopted dollar-pegged stablecoins to protect themselves from local currency inflation. These stablecoins do not require a bank account and facilitate all types of payments, particularly cross-border transfers in the context of remittances.

The dollar represents more than 99% of the current stablecoin market. The issuers of these stablecoins thus become distribution channels for the dollar on a global scale. It remains to be seen how state regulations will frame the use of stablecoins and whether banks will need to reinvent themselves, potentially by becoming stablecoin issuers themselves.

05

Analysis

CBDCs AND STABLECOINS: IS COEXISTENCE POSSIBLE?

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BY COLAS GABRIAC
[DIGITAL ASSET EXPERT AT SIA PARTNERS]

Currency tokenization could be one of the first fully successful use cases of tokenization on blockchains. Two forms of digital currencies are emerging: stablecoins, issued by private entities, and Central Bank Digital Currencies (CBDCs), developed by monetary institutions through pilot programs. While stablecoins are experiencing increasing adoption, a confrontation is emerging between governments, eager to maintain control over their currencies via CBDCs, and private actors who promote stablecoins as a decentralized alternative.
Governments see CBDCs as a means to strengthen their monetary sovereignty and exercise increased control over financial transactions (as in China), while private actors defend stablecoins for their ability to offer more freedom and innovation to users. Faced with these opposing dynamics, is coexistence between stablecoins and CBDCs possible?

STABLECOINS, THE MOST SUCCESSFUL BLOCKCHAIN USE CASE, FAR BEYOND THE CRYPTO-NATIVE SPHERE

The year 2024 has seen significant progress for stablecoins, with their adoption by payment giants. Major players like Stripe and PayPal are now integrating them into their solutions, while Visa and Mastercard are actively experimenting with these technologies. This adoption by recognized financial institutions could accelerate the mainstream adoption of stablecoins in developed countries.

With a market capitalization of nearly 200 billion dollars and a transaction volume of about 500 billion each month, stablecoins are particularly developed in emerging countries facing high inflation or devaluation of their national currency, such as Argentina, Turkey, or Nigeria. By offering a convenient way to hold dollars, they serve as protection against local economic instability.

Using public blockchains, stablecoins are accessible to everyone internationally, thus enhancing financial inclusion and offering a real alternative to traditional banking systems. Moreover, these digital assets are also used in gray or black markets in countries where economic restrictions are strongest, such as China or Russia, facilitating dollar holding and transactions in countries under financial repression.

Stablecoins are primarily a convenient way to hold dollars, which explains why 99% of them are dollar-based. Issued by quasi-banking private entities, they do not involve changes in money distribution, unlike CBDCs. These entities have the ability to control tokens if necessary, such as freezing funds, although this measure is only used in cases of proven crime. The public blockchain technology on which stablecoins are based is robust and proven, offering almost infinite scalability.

A new kind of stablecoins has also emerged over the years. Interbank stablecoins are digital assets launched by large banks to settle interbank transactions. JPMorgan Chase's JPM Coin or Société Générale's EURCV are examples, used for interbank transactions on blockchain. These stablecoins could play a key role in interbank settlements on blockchains.

CBDCs AND STABLECOINS: IS COEXISTENCE POSSIBLE?

RETAIL AND WHOLESALE CBDCs PROGRESSING WORLDWIDE

With nearly 94% of central banks working on CBDC projects, they are gaining momentum. China, at the forefront of monetary digitalization, with mobile and digital payments already well established thanks to platforms like WeChat Pay and Alipay, has already deployed its CBDC: the digital yuan. The government's strong control over the country, economy, and currency facilitates implementation in terms of regulation, privacy, and acceptance by the population. Moreover, with the Chinese Communist Party being deeply embedded in merchant businesses, it is easier to deploy this new payment system. However, very little information is available regarding its operation or underlying technologies, and its deployment is supervised by the Central Bank and the Chinese Communist Party.

Within the European Union, the digital euro is planned for 2027 for retail payments, aiming to modernize the financial system and offer more secure and efficient payment methods. This project's main purpose is to be used for payments, complementing cash and existing private payment solutions.

CBDCs are also being developed in other regions for interbank uses, with initiatives in France, Switzerland, and Singapore. These wholesale CBDCs could be implemented more quickly than versions intended for the general public, as they affect fewer people and generate less public debate. They have already been used for real transactions in some experiments for settling tokenized assets and could improve international payments by addressing the slowness, high costs, and lack of transparency of current systems. By offering a unified platform with compatible standards between different currencies, wholesale CBDCs would facilitate cross-border and multi-currency transactions, as well as use cases like repo.

CBDCs require strict KYC compliance, with user identification and verification, and are often built on private blockchains that are not globally accessible. Questions about data privacy and increased surveillance are often raised during the development of these systems. They also represent a significant change in money issuance, replacing current digital commercial money with digital central bank money, which could redefine the role of commercial banks. Nevertheless, as digital currencies issued by a trusted entity — the central bank — CBDCs could see their adoption favored. Management by the central bank offers stability and credibility that could encourage the general public to adopt these new forms of digital currency.

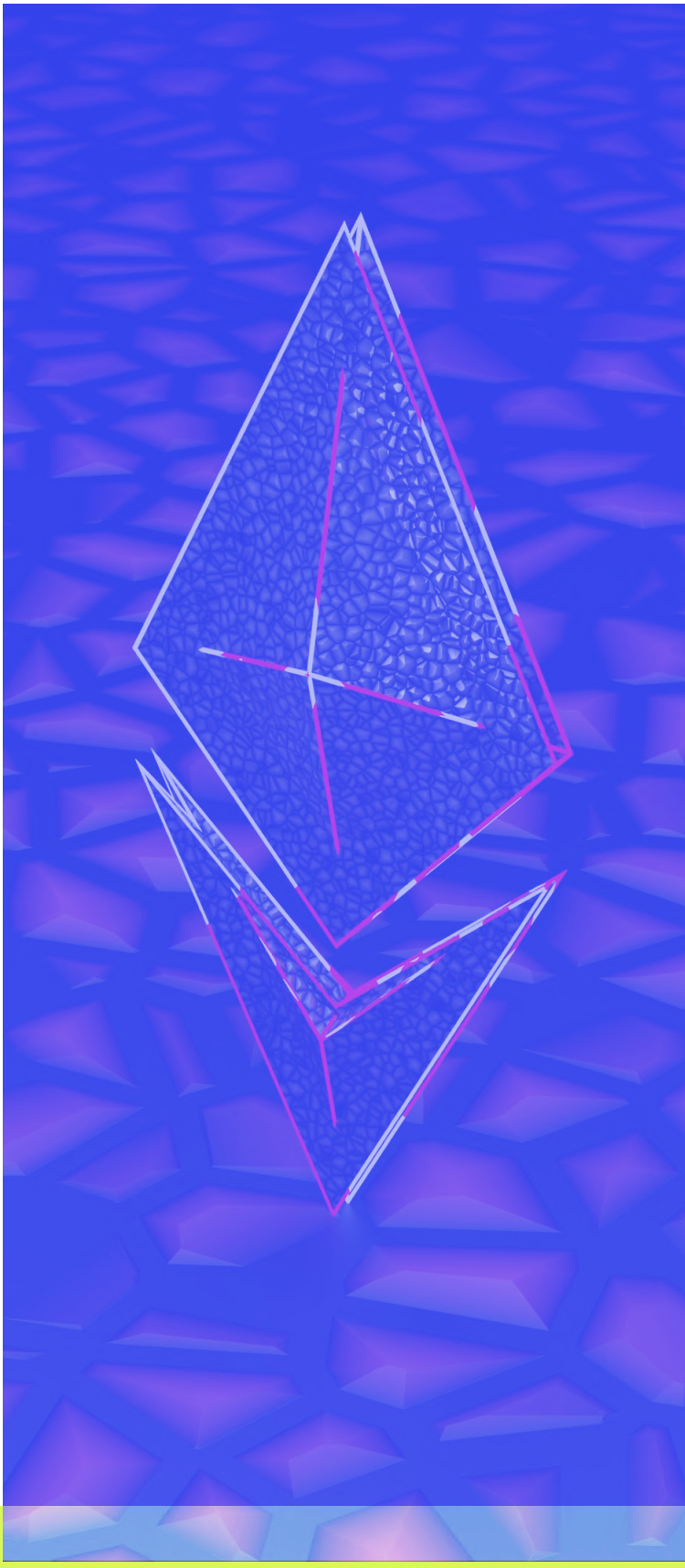
CBDCs AND STABLECOINS: IS COEXISTENCE POSSIBLE?

COEXISTENCE NOT ONLY POSSIBLE BUT POTENTIALLY BENEFICIAL

Stablecoins are accessible worldwide thanks to their use on public blockchains, giving them an international reach. They allow anyone, anywhere, to hold digital assets pegged to fiat currencies, currently mainly the US dollar. This global accessibility makes stablecoins a preferred tool for international transactions for populations, offering an alternative to traditional banking systems often limited by national borders and local regulations.

On the other hand, CBDCs will generally be limited to specific regions. Issued and controlled by national central banks, they will be primarily intended for domestic payments. For example, the digital yuan in China and the future digital euro in Europe are designed to facilitate transactions within their respective monetary zones. CBDCs involve strict KYC control and often operate on private systems, which limits their international accessibility.

This difference in scope suggests a complementarity between the two forms of digital currencies. Stablecoins could continue to be used for international transactions involving the dollar, and by populations in emerging markets seeking to protect their assets against inflation or economic instability. CBDCs, for their part, could serve for domestic payments, offering a digital alternative to cash with the guarantee and trust associated with a currency issued by a central bank.



CBDCs AND STABLECOINS: IS COEXISTENCE POSSIBLE?

Unlike stablecoins, whose adoption is already well established, the demand for CBDCs is still unknown. Although CBDCs offer advantages in terms of security and institutional trust, they could lack appeal for some users due to other available digital payment solutions, as well as high controls and concerns about privacy and surveillance. If CBDCs fail to meet users' needs and expectations, particularly in terms of financial freedom and privacy protection, it is likely that stablecoins will continue to dominate the digital currency market.

Moreover, the appeal of stablecoins lies in their flexibility and independence from traditional financial institutions. Users who value decentralization and financial freedom might prefer stablecoins to CBDCs, which are closely controlled by governments and central banks.
The introduction of CBDCs could redefine the role of commercial banks in the financial system. Currently, commercial banks play a key role in money distribution and payment management. With CBDCs, digital currency would be issued directly by central banks and held by users in their accounts, which could reduce the need for traditional financial intermediaries and decrease bank deposits.

Commercial banks might need to reassess their business model and adapt to this new reality. Stablecoins, issued by private entities, maintain the role of financial intermediaries while offering a digital alternative to fiat currencies. They perfectly fit the banking business.

Thus, coexistence between stablecoins and CBDCs seems more than feasible. Stablecoins could continue to serve international needs and emerging markets, offering flexibility and accessibility that CBDCs cannot always guarantee. CBDCs, on their side, could strengthen domestic payment systems with the support and trust of central banks. The success of this coexistence will depend on the ability of regulators, financial institutions, and users to navigate this rapidly evolving new monetary ecosystem.

CBDCs AND STABLECOINS: IS COEXISTENCE POSSIBLE?

A REGULATORY ADVANTAGE FOR CBDCs, AND INCOMPLETE REGULATION FOR STABLECOINS

Regulating stablecoins is complex due to their decentralized nature and global use. Mainly issued in dollars, they are not all based in the USA, nor are they used mostly there. They lack a uniform regulatory framework, particularly in the United States where legislation is expected to bring clarity. In Europe, the MiCA regulation aims to regulate stablecoins, but its impact is limited as Europe is not the main market.
This lack of regulatory consistency complicates the task for issuers, who must navigate between different jurisdictions, thus increasing compliance costs and operational challenges, and making stablecoin adoption more difficult.

CBDCs, on the other hand, benefit from a clear intrinsic regulatory advantage, as they are issued by public institutions, ensuring their compliance with existing financial laws from their creation. Governments and regulators could favor CBDCs over stablecoins by granting them a clear legal status and easier integration into official payment systems, which could give CBDCs a significant competitive advantage. However, in the USA for example, a regulation preventing the launch of a «surveillance» CBDC was passed in the Senate in 2024.

The evolution of the regulatory landscape will largely determine the possibility of coexistence between stablecoins and CBDCs. If CBDCs are supported by solid legal frameworks, stablecoins will need to adapt to stricter regulations without losing their advantages of flexibility and accessibility. A balance will need to be found to promote innovation while ensuring financial stability.

Regulators will need to consider approaches that integrate stablecoins in a complementary way to CBDCs, allowing both forms of digital currencies to coexist and together improve the global financial system.

Stablecoins and CBDCs represent two distinct approaches to digital currency, each with its own advantages and challenges. Stablecoins offer global accessibility and unparalleled flexibility for holding dollars, appreciated in emerging markets. They raise regulatory questions and issues of trust towards private issuers.

CBDCs, on the other hand, benefit from the institutional support of central banks and a potentially tailor-made regulatory framework, but still need to prove their appeal to the public and address concerns related to privacy and surveillance. Given their complementary characteristics, coexistence between stablecoins and CBDCs seems not only possible but also beneficial.

This coexistence could enrich the financial landscape by offering a diverse range of payment options, provided that regulators, financial institutions, and users collaborate to navigate this constantly evolving new monetary ecosystem.

06

Mapping

CARTOGRAPHY OF PAYMENT PLAYERS USING DIGITAL ASSETS

CARTOGRAPHY OF PAYMENT PLAYERS USING DIGITAL ASSETS_

_Centralized dollar stablecoin issuers


FIRST DIGITAL (FDUSD)


TETHER (USDT)


TRON DAO (USDD)


PAYPAL (PYUSD)


CIRCLE (USDC)


PAXOS (USDP)

_Decentralized dollar stablecoin issuers

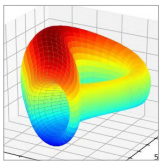

USUAL (USD0)


FRAX (FRAX)


AAVE DAO (GHO)


ANGLE PROTOCOL (USDA)


SKY (DAI)


CURVE FINANCE (CRVUSD)


LIQUITY (LUSD & BOLD)

_Centralized euro stablecoin issuers


TETHER (EURT)


STATIS (EURS)


MONERIUM (EURE)

BANKING CIRCLE (EURITE)


CIRCLE (EURC)


OLKYWALLET (EUSTA)


SOCIÉTÉ GÉNRALE-FORGE (EURCV)

_Decentralized euro stablecoin issuers


ANGLE PROTOCOL (EURA)

_PSP agents/partners with PSAN status


FIPTO

CARTOGRAPHY OF PAYMENT PLAYERS USING DIGITAL ASSETS_

_Non-custodial wallets

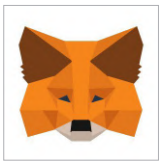

ZENGO


LEDGER


COINBASE WALLET


RABBY


SAFE


METAMASK


DEBLOCK


ARGENT WALLET

_Crypto-friendly payment providers


STRIPE


REVOLUT


DEBLOCK


PAYPAL


OLKYPAY


TREEZOR


WORDLINE

_Crypto card issuers


MERCURYO

GNOSIS PAY


KULIPA

REAP


BAANX

_Credit card payment schemes


GIE CARTES BANCAIRES


MASTERCARD

VISA

_Crypto payment systems (QR code)

LYZI


BINANCE PAY


COINBASE PAY

07

Interview

KARIMA LACHGAR

OLKYWALLET

KARIMA LACHGAR
OLKYWALLET_

THE CEO OF OLKYWALLET DETAILS THE STRATEGY OF THE NEOBANK THAT IS PREPARING TO LAUNCH A EURO STABLECOIN, EUSTA, BY THE END OF THE YEAR.

> **« Our neutrality is an opportunity for EUSTA to be used by everyone. »**

THE OLKY GROUP IS PRIMARILY KNOWN FOR ITS NEOBANK. HOW DO YOU DIFFERENTIATE YOURSELF FROM THE COMPETITION?

The Olky group is organized around several entities, one of the most well-known being OlkyPay. It's a payment institution that offers payment accounts and banking payment services.

We are what's called a «neobank» acting as a payment institution, but not a banking actor in the strict sense, as we don't offer credit or deposit accounts. OlkyPay has been present in the market with this regulated status for over 12 years.

Certainly, we don't have the same volume as a Revolut or a Qonto, but our strength is that we've been independent and profitable since our beginnings. Last year, we processed over 8 billion euros in transactions for a turnover of 43 million euros. We have more than 10,000 customer accounts.

YOU EMPHASIZE YOUR «INDEPENDENCE», BUT WHAT DO YOU MEAN BY THAT?

It means that our shareholding is completely independent of large banking groups. This gives us a certain agility on many subjects traditionally avoided by banks, such as crypto, which we have been dealing with for several years already. This creates an important axis of differentiation vis-à-vis most of our competitors, particularly in terms of banking and financial inclusion, which they don't yet dare to tackle.

WHAT EXACTLY DO YOU DO AROUND CRYPTO?

We offer a whole range of products that allow us to provide what actors in this sector need in terms of banking payment services (Kypay, Kypay on chain, card acquiring, agent status for on/off ramp). To date, we count more than 180 Web3 companies among our clients. These can be companies developing blockchain protocols, DAOs, crypto funds, and of course, many digital asset service providers (DASPs).

YOU ARE A FRANCO-LUXEMBOURG ACTOR. WHY ARE YOU PRESENT IN THESE TWO JURISDICTIONS?

Of the 100 people working in the group, a large third is based in France. France is an extremely attractive institutional market for us, especially for OlkyWallet. Currently, 40% of our clients are French.

WHAT TYPE OF CLIENTS ARE YOU TARGETING?

Mainly crypto asset managers who need a custodial wallet, as legislation requires them not to hold the assets themselves, but also a trading desk that is outsourced to us. Not only do we execute our clients' orders by interposing our own account, but we can also go directly through exchanges depending on the requests. Nevertheless, at the start, 80% of orders will go through Olky Wallet. In summary, we are the client's counterparty.

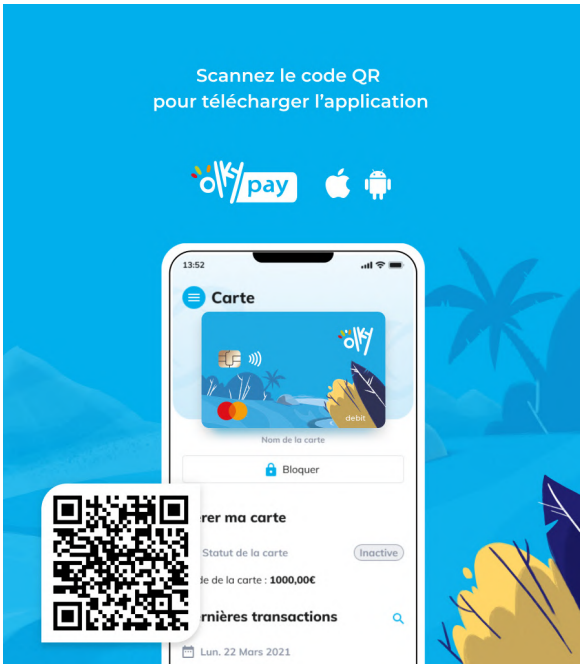
KARIMA LACHGAR
OLKYWALLET_

YOU LEAD OLKYWALLET, WHAT IS THE ROLE OF THIS ENTITY WITHIN THE GROUP?

It's our future CASP (European license allowing us to offer and passport crypto services in Europe), and it will also be an electronic money institution (EMI) that will serve to issue a euro stablecoin for 2025. We are waiting for the approval issued by the AMF and ACPR for crypto services by the end of 2024.

WHAT WILL THIS STABLECOIN BE USED FOR?

EUSTA aims to function in the same way as Circle's USDC, but in an environment that will serve use cases where it will be necessary to constantly know the identity of its holders.
EUSTA will not be a currency as such, but rather a settlement asset used in the context of exchanges of tokenized financial assets. In the case of USDC, Circle cannot know who holds their stablecoins at any given moment. They verify the identity of customers when buying or selling USDC against fiat currencies. With EUSTA, we will be able to monitor this permanently in order to meet regulatory requirements for future tokenized capital markets.



THIS SOUNDS VERY SIMILAR TO THE EURO STABLECOIN PROPOSAL LAUNCHED BY FORGE, SOCIÉTÉ GÉNÉRALE'S BLOCKCHAIN SUBSIDIARY. HOW DO YOU DIFFERENTIATE YOURSELF?

Indeed, but as I said earlier, Olky is a group independent of banking groups, and that's our strength. We are agnostic as to which bank is used as the account holder for EUSTA reserves, and we can even consider having agreements with several banks depending on the identified use cases. Moreover, our stablecoin will not bear the identity of a banking group likely to encounter adoption difficulties due to competitive positioning issues. Our «neutrality» in the market is an opportunity for EUSTA to be used by everyone.

IS IT REALISTIC TO IMAGINE THAT LARGE BANKS WOULD USE A STABLECOIN ISSUED BY A «SMALL» NEOBANK?

This is indeed our main challenge. But we have launched a reflection around the new provisions of the European Payment Services Directive 3, which should allow us to be a principal member of the payment systems operated by the Central Bank of Luxembourg and the Bank of France. We will thus have an issuer and operator architecture for the EUSTA stablecoin directly coupled with European payment systems while allowing each large bank to segregate the funds of their clientele who will use EUSTA.

08

Interview

AXEL CATELAND

KULIPA

AXEL CATELAND
KULIPA_

THE STARTUP KULIPA ISSUES MASTERCARD CARDS FOR NON-CUSTODIAL WALLETS. ITS CEO AXEL CATELAND BELIEVES THAT BLOCKCHAIN SIGNIFICANTLY OPTIMIZES PAYMENT OPERATIONS.

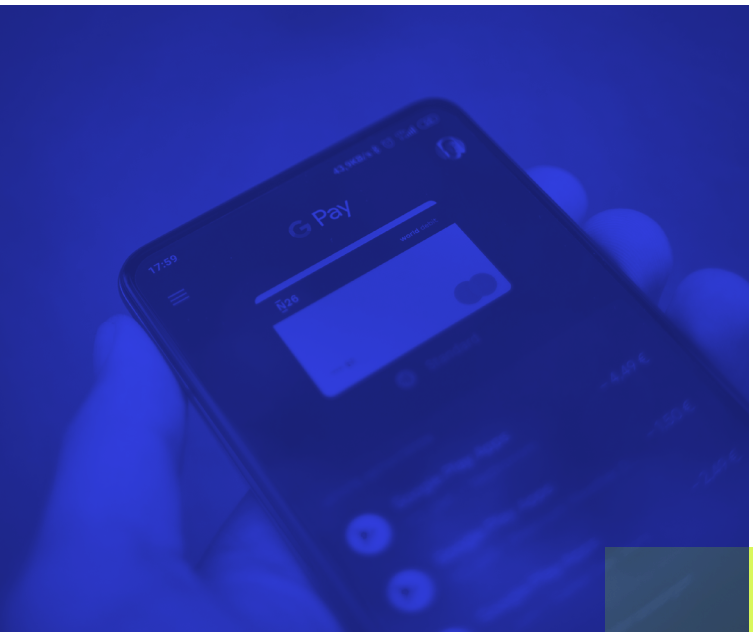
> « Delivering money in seconds without changing people's payment habits. »

KULIPA IS A NEW PLAYER IN THE PAYMENT SECTOR THAT RELIES ON CRYPTO. WHAT EXACTLY DO YOU DO?

We are a startup that has been around for a little over a year. We provide card payment services to crypto wallets (Metamask, Rabby, etc.) and, potentially one day, for exchange platforms. Our technology connects to Visa and Mastercard networks to capture payment intent via blockchains and wallets in particular. In simple terms, this allows payment in stablecoins using a standard payment card.

PAYMENT CARDS PROVIDED BY EXCHANGES (COINBASE, CRYPTO.COM, ETC.) HAVE EXISTED FOR SEVERAL YEARS. WHAT'S THE DIFFERENCE WITH YOU?

Payment cards issued by exchanges are primarily off-ramp tools linked to their broker activity. In reality, there's no use of blockchain. With Kulipa, we leverage blockchain capabilities to improve the overall payment system. It was more complicated to implement technologically, but the contribution is really significant



THE FIRST WALLET YOU SIGNED WITH IS ARGENT. HOW DOES IT WORK IN PRACTICE DURING A PAYMENT?

Users must have stablecoins, such as those from Circle (USDC or EURC), in their wallet. When the card is used, we withdraw the funds from the wallet, then send them to Circle, which off-ramps them to Mastercard. Since Argent is a wallet developed on the Starknet network (a layer above Ethereum), it doesn't cost much in fees, which we cover anyway. For the card user, a balance of 100 dollars allows them to buy something that costs 100 dollars.

CAN WE IMAGINE ONE DAY PAYING IN CRYPTO WITH A CARD WITHOUT EVER GOING BACK TO FIAT CURRENCY?

We are actually working on this point with Visa and Mastercard. They could notably tell us if the merchant at the end of the chain accepts stablecoins (via Stripe for example, which handles cryptos). With this information, we would be able to send stablecoins directly on-chain to a wallet belonging to the merchant.

AXEL CATELAND
KULIPA_

HOW WOULD ON-CHAIN PAYMENT IMPROVE THE PAYMENT CIRCUIT?

There's a big «lie» surrounding how payments work. We have the impression that the merchant receives the funds immediately when we use our card, but it's just a promise. In reality, it takes between three and seven days for the merchant to obtain the funds. By circulating all flows on-chain, we could deliver the money in a few seconds without changing people's payment habits. If we want to make an analogy, I think that on-chain transactions will be to payments what voice over IP was to telecommunications. One day, all international payments will be based on blockchain. This revolution is happening now.

YOU'RE ONLY TALKING ABOUT THE DELIVERY TIME, BUT TRADITIONAL SYSTEMS ALSO INVOLVE SETTING UP GUARANTEES THAT ARE EXPENSIVE FOR PAYMENT ACTORS...

Indeed, schemes like Visa and Mastercard require putting the equivalent of several days of transactions in a guarantee account. This represents millions of euros that are blocked. With truly instant payments on blockchain, this would no longer be necessary.

WHAT IS YOUR BUSINESS MODEL?

We are remunerated by the fees charged by Visa and Mastercard to merchants. We also bill the wallet based on volumes, but also because we are the ones who operate the user's KYC process. But for the system to work, it's important that the operation is profitable for the wallet. Thus, we share with it the revenues from Visa and Mastercard as a business provider. It's essential that cards bring money to wallets, it's one of the keys to their economic model.

ONE MIGHT HAVE THOUGHT THAT VISA AND MASTERCARD WOULD BE REPLACED BY CRYPTO, BUT THE OPPOSITE IS HAPPENING: THEY REMAIN AN IMPORTANT LINK IN THE CHAIN...

Absolutely, because people are still very attached to using payment cards. This isn't necessarily the case everywhere, particularly in some African countries where mobile payment (M-PESA) has developed considerably, or in China where people pay with QR codes. But in the West, this habit will be difficult to change. In this market, I'm not worried at all about Visa and Mastercard. The power of crypto tends rather to replace the banks that route funds between the buyer and the seller. In the traditional system, they have to synchronize with each other when there's a transaction. It's long, risky, costly, etc. If we replace all of this with blockchain, banks are no longer needed in the process.

YOU WORK WITH CIRCLE'S STABLECOINS, BUT ARE YOU DISCUSSING WITH OTHER ISSUERS?

Obviously! What we're very interested in currently are stablecoins that provide yield to their holders. This really allows us to optimize the ability to generate revenue. We can also explore the possibilities offered by stablecoins issued by lending protocols. For example, a consumer could put ETH as collateral to obtain a line of credit, which they would choose to repay when they wish.

09

TRADFI

PAYMENT GIANTS AND THEIR INTEGRATION OF CRYPTOCURRENCIES:

FOCUS ON VISA, MASTERCARD, PAYPAL AND STRIPE

PAYMENT GIANTS AND THEIR NTEGRATION OF CRYPTOCURRENCIES_

Cryptocurrencies, particularly stablecoins, have taken on an important role in the payments universe in recent years. These digital assets, backed by fiat currencies like the dollar or euro, provide a solution to issues of speed, cost, and transparency in international transactions.
Visa, Mastercard, PayPal and Stripe, global payment leaders, have recognized the importance of crypto and stablecoins in the evolution of financial systems and have gradually integrated these technologies into their services. Here's how these giants are adopting cryptocurrencies.

VISA
Pioneer in stablecoin adoption_

Visa was one of the first traditional payment players to take a close interest in cryptocurrencies. As early as 2021, the company launched a program aimed at allowing its users to use cryptocurrencies via its credit cards. More specifically, Visa turned to stablecoins to solve one of the main challenges of cryptocurrencies: volatility.

Visa has established a partnership with the cryptocurrency exchange platform Crypto.com to enable the use of USD Coin (USDC), a stablecoin backed by the US dollar, in its transactions.

This partnership allows users to pay with cryptocurrencies without exposing the merchant to their volatility.
During the transaction, cryptocurrencies are instantly converted to fiat currency for the merchant. Visa uses Ethereum and Solana, two very popular blockchains, to settle these stablecoin transactions.

The use of stablecoins allows Visa to process payments more efficiently and at lower cost, by eliminating certain intermediaries and facilitating international transfers.

PAYMENT GIANTS AND THEIR NTEGRATION OF CRYPTOCURRENCIES_

MASTERCARD
Facilitating crypto adoption_

For its part, Mastercard has also taken steps to integrate cryptocurrencies into its network. In 2021, Mastercard announced that it would allow its users to make payments directly in cryptocurrencies on its network. Like Visa, Mastercard first sought to minimize volatility risks by focusing on stablecoins.

Mastercard has formed partnerships with cryptocurrency companies like Gemini and Circle (issuer of USDC) to integrate stablecoin payment options.

Users can thus link their cryptocurrency wallet to their Mastercard cards, facilitating payments in crypto converted in real-time to fiat currency.

Mastercard goes even further by actively engaging in support of CBDCs (Central Bank Digital Currencies), another possible evolution of stablecoins. The company has announced its intention to help central banks test and deploy digital currencies, thus showing its involvement in the future of payments.

PAYMENT GIANTS AND THEIR NTEGRATION OF CRYPTOCURRENCIES_

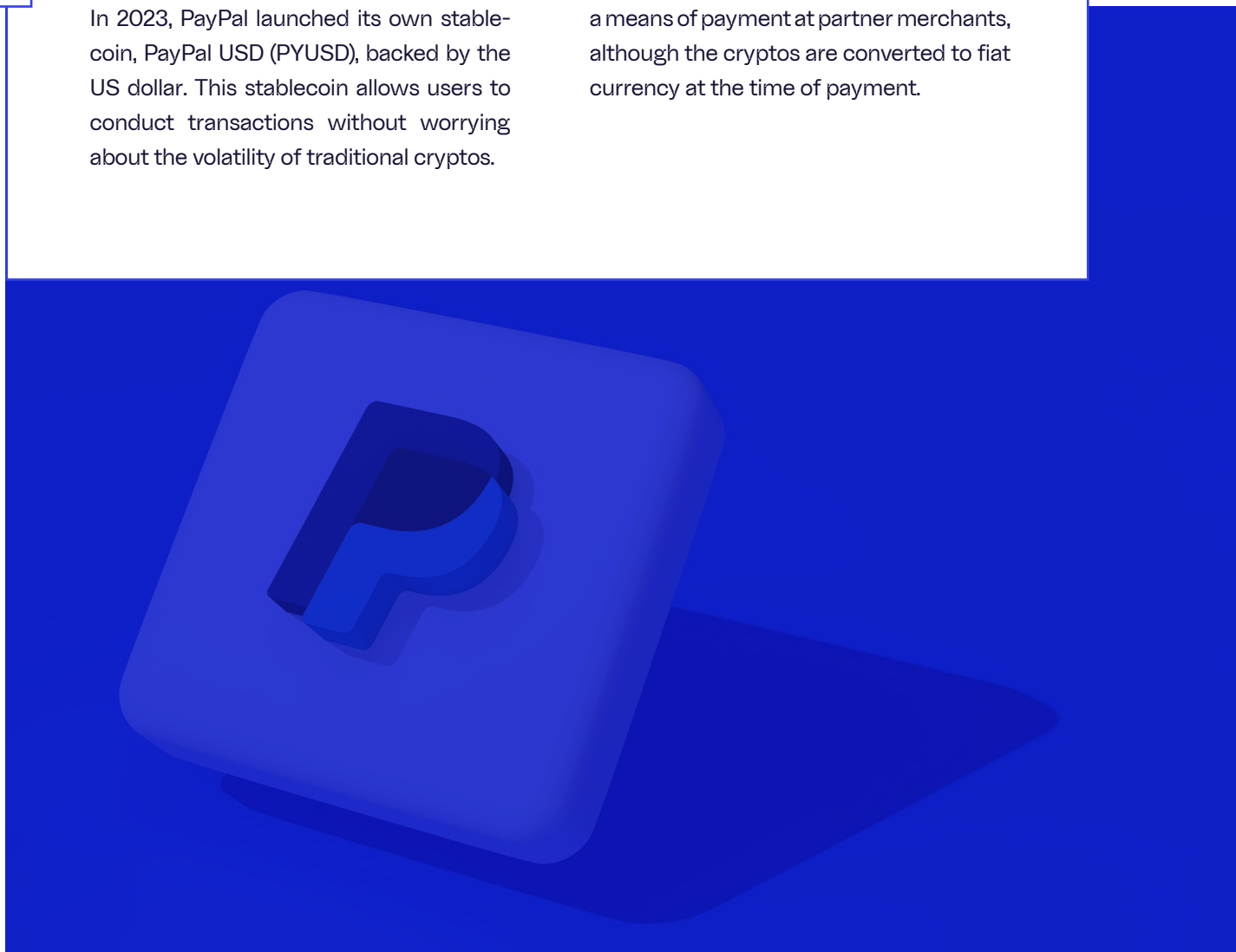
PAYPAL
Democratizing access_

PayPal, the online payments giant, made waves in 2020 by allowing its users to buy, sell, and hold cryptocurrencies directly on its platform. This marked a turning point for the adoption of crypto by the general public. Initially, PayPal allowed the use of major cryptocurrencies like bitcoin or ether. However, the company quickly saw the potential of stablecoins in payments.

In 2023, PayPal launched its own stablecoin, PayPal USD (PYUSD), backed by the US dollar. This stablecoin allows users to conduct transactions without worrying about the volatility of traditional cryptos.

With PYUSD, PayPal aims to reduce transaction fees, speed up cross-border payments, and facilitate money transfers between PayPal users.

The integration of stablecoins into PayPal's ecosystem represents a significant step towards the democratization of blockchain-based payments. PayPal also allows its users to use cryptocurrencies as a means of payment at partner merchants, although the cryptos are converted to fiat currency at the time of payment.



PAYMENT GIANTS AND THEIR NTEGRATION OF CRYPTOCURRENCIES_

STRIPE

Integrating blockchain into online payments_

S

Stripe, an online payment platform highly favored by startups and technology companies, has also embraced cryptocurrencies, particularly stablecoins. In 2022, Stripe launched an option allowing businesses to make payments in cryptocurrencies via USDC on the Polygon network, a fast and low-cost blockchain.

Stripe enables platforms like X (formerly Twitter) to make cryptocurrency payments to their users.

This stablecoin payment system offers several advantages: users can receive instant payments and merchants can accept cryptocurrencies without being exposed to volatility, thanks to instant conversion to fiat currency.

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Circle France,
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Kulipa, CEO

SÉBASTIEN DÉRIVAUX
Steakhouse Financial

PIERRE PERSON
Usual Labs, CEO

KARIMA LACHGAR
OlkyWallet, CEO

THOMAS DOUCHEZ
Visa, director business
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GARETT JONES
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