Thaw Potential:

How DeFi Can Unlock Value For $46 Billion in USDC

Gauntlet

Table of Contents

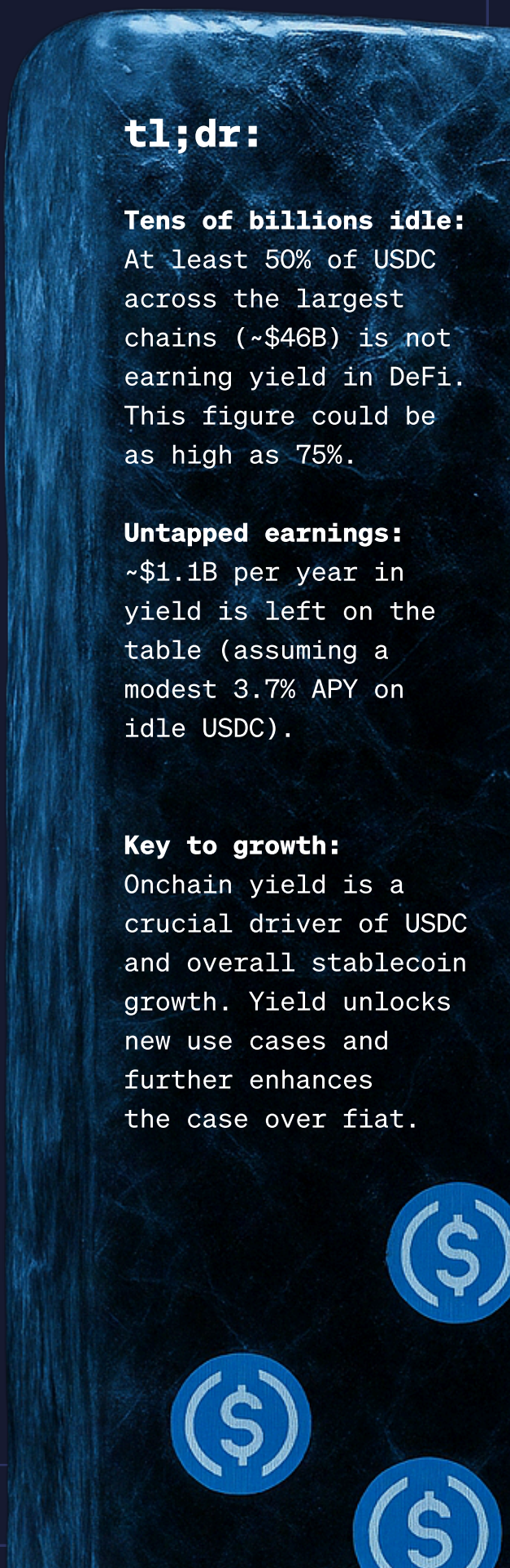
Gauntlet's automated USDC vaults deploy idle funds into top DeFi strategies. Vaults historically return ~6-10%+ APY with risk-managed rebalancing and optimized allocations backed by battle-tested models and extensive DeFi research. Our vaults drive yield for over $540M in USDC TVL, representing 2.7% of all USDC in yield strategies and 75bps of all USDC circulating supply.

tl;dr:

Tens of billions idle: At least 50% of USDC across the largest chains (~$46B) is not earning yield in DeFi. This figure could be as high as 75%.

Untapped earnings: ~$1.1B per year in yield is left on the table (assuming a modest 3.7% APY on idle USDC).

Key to growth: Onchain yield is a crucial driver of USDC and overall stablecoin growth. Yield unlocks new use cases and further enhances the case over fiat.



1. Heating Up: The Story So Far

We saw a Cambrian explosion in stablecoins following passage of the GENIUS act this summer. Circle launched USDC in late 2018, around the same time Gauntlet was founded. Both have been around before the term DeFi was formally used.

Today, USDC is one of DeFi's most liquid assets with a circulating supply that floats over $75 billion. More than half of USDC supply, $45.5 billion, lives on Ethereum, with over $10 billion on Ethereum Layer-2s, and roughly $10.8 billion on Solana. DeFi has become a yield hub, with over 2,800 opportunities for USDC holders to generate economic upside on their assets, yet only a small fraction of USDC actively earns yield.

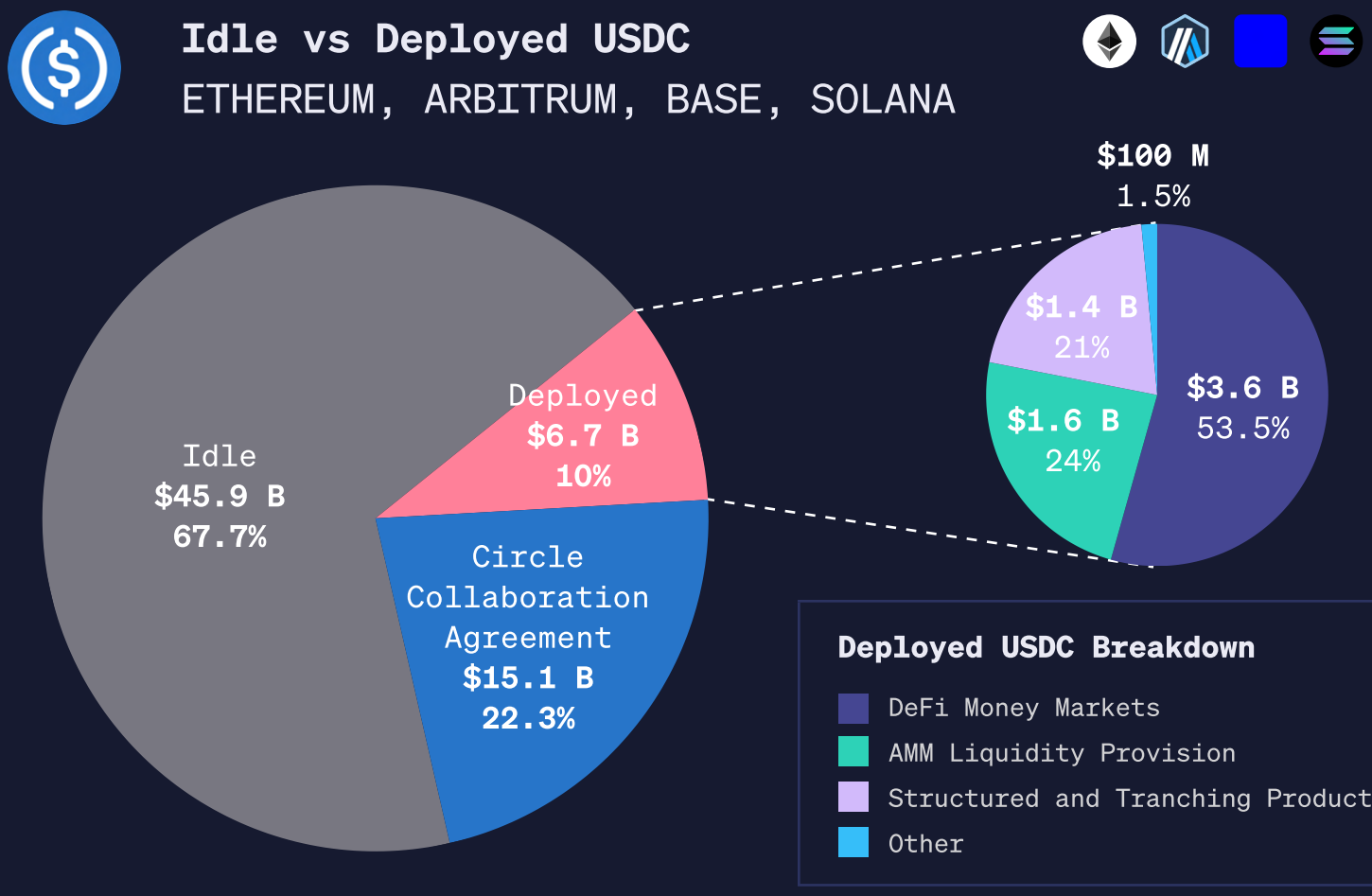
Stablecoin competition is heating up. There are over 300 stablecoins in circulation, and ten have a market cap over $1 billion. Established players like Circle's USDC, and new entrants alike, are rapidly innovating to drive user adoption and retention. Yield is a primary lever in that battle. Along with regulatory clarity from GENIUS, tailwinds include plans for banks and fintechs to launch their own stablecoins on Layer 1s and 2s and growing smart wallet adoption for consumer applications and wallets.

Stablecoins can unlock various use cases (more to come in a future report). Core to nearly all of them is offering yield. To date, a majority of yield derived from stablecoins is off-chain. To ensure these reserve-backed stablecoins are not misconstrued as other types of investments subject to regulation, off-chain cash-like assets like treasury bills generate yield at the market rate and are used to fuel growth via revenue sharing that in turn powers earn/rewards programs for USDC held on exchanges and in some cases recently, wallets of these partners. At the same time, yield innovation onchain is now years-in. To solve the new challenges facing stablecoins, yield will unlock the next phase of stablecoin growth and efficiency. DeFi is a critical piece of the solution.

In this report, we map where USDC is idle by chain, break down how the non-idle portion is actually used, quantify the opportunity cost against conservative benchmarks, and outline why Gauntlet's USDC yield vaults are designed to close this gap.

2. Cold Frontier: State of Play

First, the snapshot: across Ethereum, Arbitrum, Base (the top 3 EVM blockchains by circulating USDC), and Solana, USDC deployed in DeFi totals only $6.78 billion. That implies roughly $46 billion of USDC could be more productive onchain.



But that's not the whole picture, since there's also a "hidden" source of USDC yield: Centralized Exchanges (CEXes, explained later). If we take this USDC into account and define idle USDC as any USDC not earning yield at the time of analysis, the aggregated idle USDC across these four blockchains is nearly $46 billion. You'll note in our total and per-network breakdowns, we have considered Circle's collaboration agreements as a separate slice of the pie: generally helping supply liquidity and growth onchain, but yield earned off-chain and shared with partners.

Note: the snapshot data was pulled mid-August 2025. Since that time, USDC has added over $15 billion in TVL and stablecoins have grown over $30 billion. In the commentary, you may see Circle Collaboration Agreements sometimes considered idle and elsewhere considered deployed, depending on the chain.

While some of these holdings may be earmarked for payments, prefunding rounds, or treasury reserves, none are deployed into interest-bearing strategies onchain. This is capital that could otherwise be working to capture returns. This is the “stablecoin paradox”: immense liquidity sitting on the sidelines, despite a mature yield landscape. Downside risk in yield opportunities cannot explain away this trend. Since the 2022 CeFi collapse, top DeFi protocols have remained resilient, with limited bad debt and liquidations despite periods of high volatility. Bluechip DeFi protocols have proven they are ready to absorb institutional capital at-scale. But the capital remains between on and off-chain.

Some of the top idle USDC holders comprise:

0xEe7aE85f2Fe2239E27D9c1E23fFFe168D63b4055 0xffA69C0080582098aF595156240214b742735a5e 0×38AAEF3782910bdd9eA3566C839788Af6FF9B200	Unconfirmed wallets, possibly Binance from flow analysis, holding about **$4.3B USDC**.

- Kraken holds around $870M USDC on Ethereum and $30M USDC on Solana
- OKX holds around $760M USDC on Ethereum
- 0×01b8697695EAb322A339c4bf75740Db75dc9375E (an untagged address that may be related to Kraken or Circle from flows) holds $450M USDC on Ethereum.

Why so much idle capital?

- Institutional holders keep USDC as “dry powder” (awaiting deployment or trades) or for payments and reserves.
- Some holders don’t know how to allocate it. Institutions, TradFi and cryptonative, alike have a learning curve about the risk nuances of onchain yield.
- While staking has become, well, a table-stakes value-add service for many institutional custodians, DeFi integration offerings differ greatly based on client needs.
- Perception that yields don’t justify the risks, or find the risk/reward profile unattractive. We believe this is mostly due to a need for deeper understanding about onchain risk vectors and how they differ from traditional finance or hybrid offerings like tokenized treasury bills or exchange rewards programs where the yield is derived off-chain.

- Yields may include rewards in a native token, adding complexity for the yield seeker: manual rewards redemption, when and how to claim, rebalance, reinvest, or hold long. Solutions like Aera Finance can customize these rules or auto-redeem. Gas also becomes a factor depending on the network the yield is available on.
- The average stablecoin yield may simply be too low to entice deployment. Surveying the USDC yield opportunity landscape, some rates are below treasury bill/money market yields.

Methodology

We identified the top 100 DeFi protocols by TVL on each chain (per DeFiLlama) and used Arkham to retrieve each protocol's onchain USDC balance per-chain as of August 2025.

We also measured USDC held by centralized exchanges (Binance, Bybit, Kraken, and Coinbase) via Arkham entity clusters. This data was aggregated to compute per-chain totals, while total USDC supply by chain came from the following Dune queries:

USDC Total Supply | USDC on Solana

Idle USDC figures are based on a point-in-time snapshot through August 2025. The "Through the Ice Ages" section uses multiple snapshots over the analysis window to show trends. Values are rounded to the nearest million. Balances represent USDC custodied directly in labeled protocol contracts and exchange clusters; we did not decompose LP tokens or estimate AMM pool legs; figures reflect where USDC sits onchain. There's some margin for error, but we stand by the broader picture.

Note: some pie charts may have small rounding errors where there was minimal activity in a given subcategory. In these cases we excluded them from the visual. Refer to the data sheets at the end of the report for more context.

3. Defrosting: How USDC Earns Yield

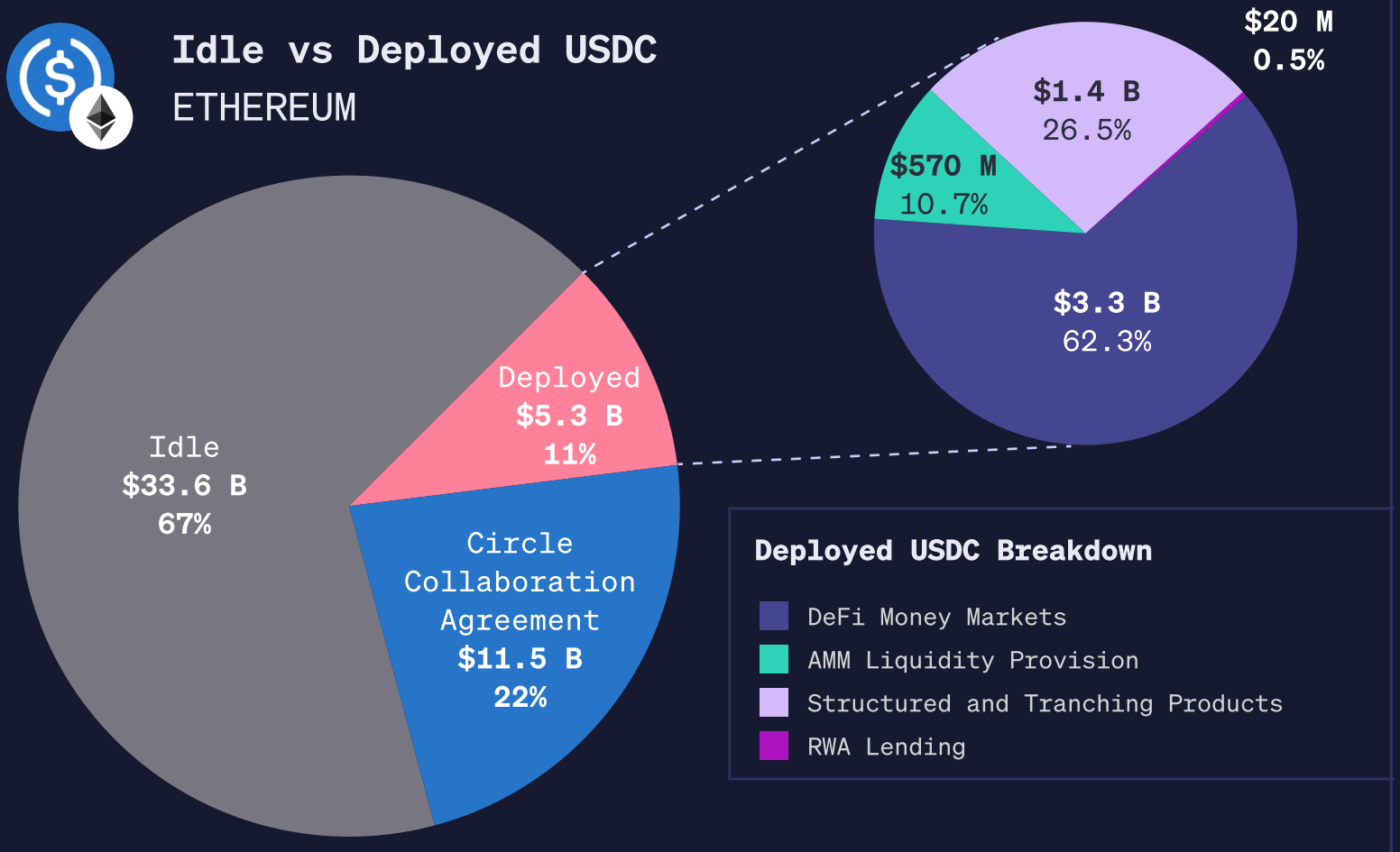
Why is this capital idle? While more conservative holders may recall past crashes (e.g. Anchor's collapse and the 2022 bear market) and shy away from double-digit APYs, the stablecoin yield landscape has matured. DeFi offers sustainable, transparent yield opportunities. Risk curators have come on the scene and play a crucial role in upside growth and downside capital preservation. We categorized USDC activity into the following segments:

1. **Circle Collaboration Agreements**
   Circle invests USDC reserves in short-duration U.S. Treasuries and high-grade corporate bonds, then shares net interest income with its exchange partners. Under its August 18, 2023 Collaboration Agreement with Coinbase, Circle splits 50% of net yield on off-platform USDC (Coinbase receives 100 % of on-platform interest); its S-1 filing discloses that Binance received a one-time $60.25 million upfront fee plus an ongoing monthly incentive equal to a mid- to high-double-digit percentage of the SOFR-based yield on its USDC balances; Circle may have similar Collaboration Agreements with other CEXs.
2. **DeFi Vaults and Lending Markets**
   Protocols like Aave, Compound, Morpho, and Euler facilitate onchain lending of USDC. Suppliers earn borrower interest at variable rates and incentives, auto-compounded in many vaults or yield-bearing opportunities.
3. **Automated Market Maker (AMM) Liquidity Provision**
   Supplying USDC to stablecoin pools on Curve 3Pool, Balancer, Uniswap or others generates returns from swap fees plus rewards in protocol tokens.
4. **Structured & Tranching Products**
   Vaults deploy USDC in delta-neutral strategies or tranche-based overlays, capturing funding-rate arbitrage or option premium such as Gauntlet's perpetual futures vaults on Drift.
5. **Real-World Asset (RWA) Lending**
   Platforms such as Maple Finance underwrite and lend USDC to institutional borrowers, secured by permissions, over-collateralization, and offchain mechanisms. Recently, we launched a Levered RWA looping strategy with Apollo on sACRED, a tokenized private credit fund.

Each strategy comes with its own risk/reward profile, liquidity constraints, and operational requirements. Overall, risk-adjusted yields on USDC far outpace what was available in the last cycle. The natural next question: how much USDC remains idle and forgoing these returns? Let's look at activity by network and how this has changed over time.

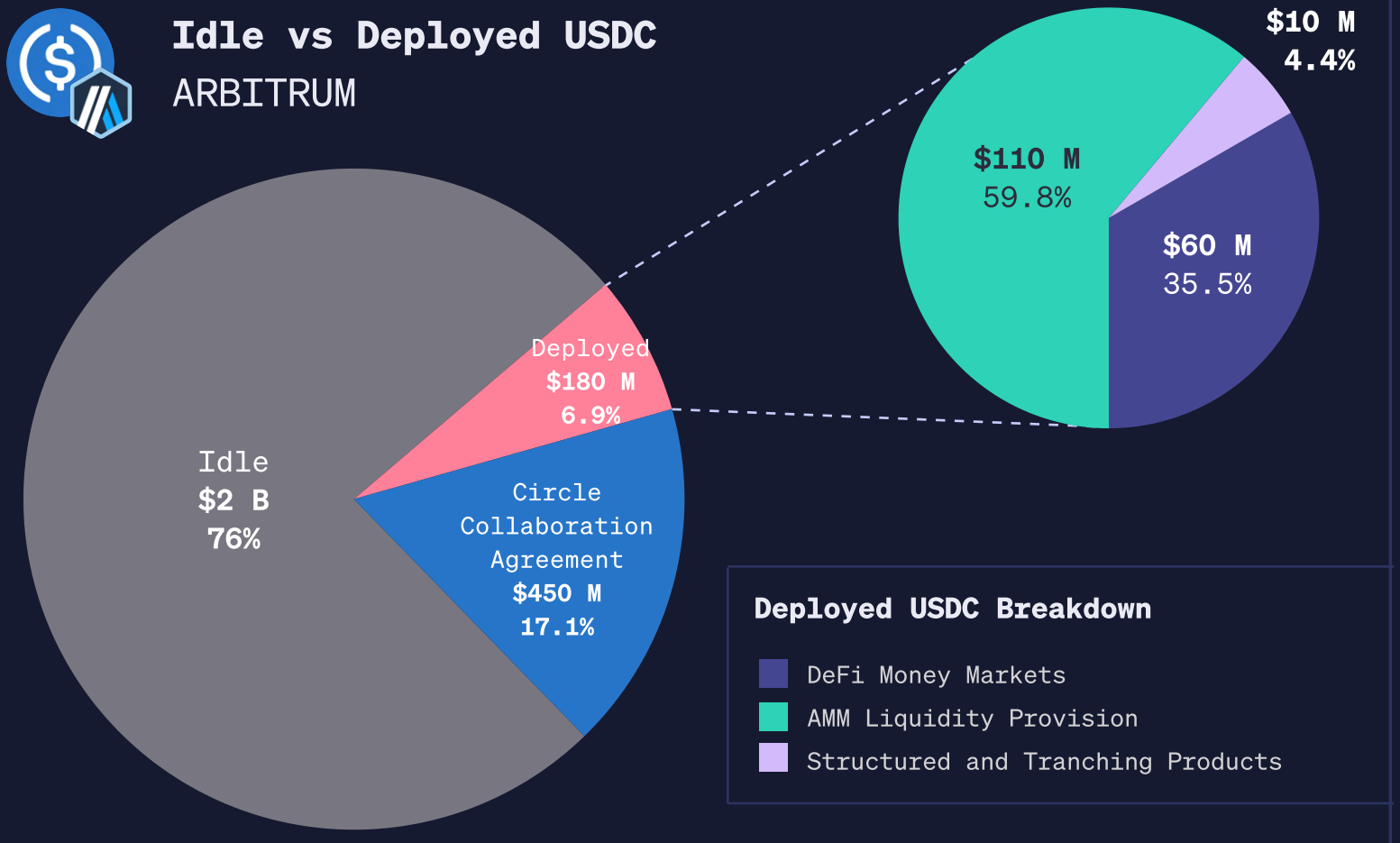
4. Layers of Ice: Ethereum vs. L2s and Solana

Ethereum is by far the largest home for USDC liquidity, and consequently the largest source of idle USDC. Ethereum hosts about $161 billion in stablecoins in total ($131 billion in August), with USDC comprising a portion of that (Ethereum carries the biggest share of USDC's ~$63 billion supply). Despite the presence of DeFi-lending giants like Aave, Morpho, Euler, and Compound on Ethereum (for example, Aave alone held roughly $4 billion USDC on mainnet in August), most USDC on Ethereum remains undeployed. Our onchain breakdown:



If we include USDC held by centralized exchanges under Circle's Collaboration Agreements, approximately $22 billion (about 56.6% of Ethereum's total USDC) remains idle. Excluding those exchange balances, idle USDC rises to roughly $33.58 billion.

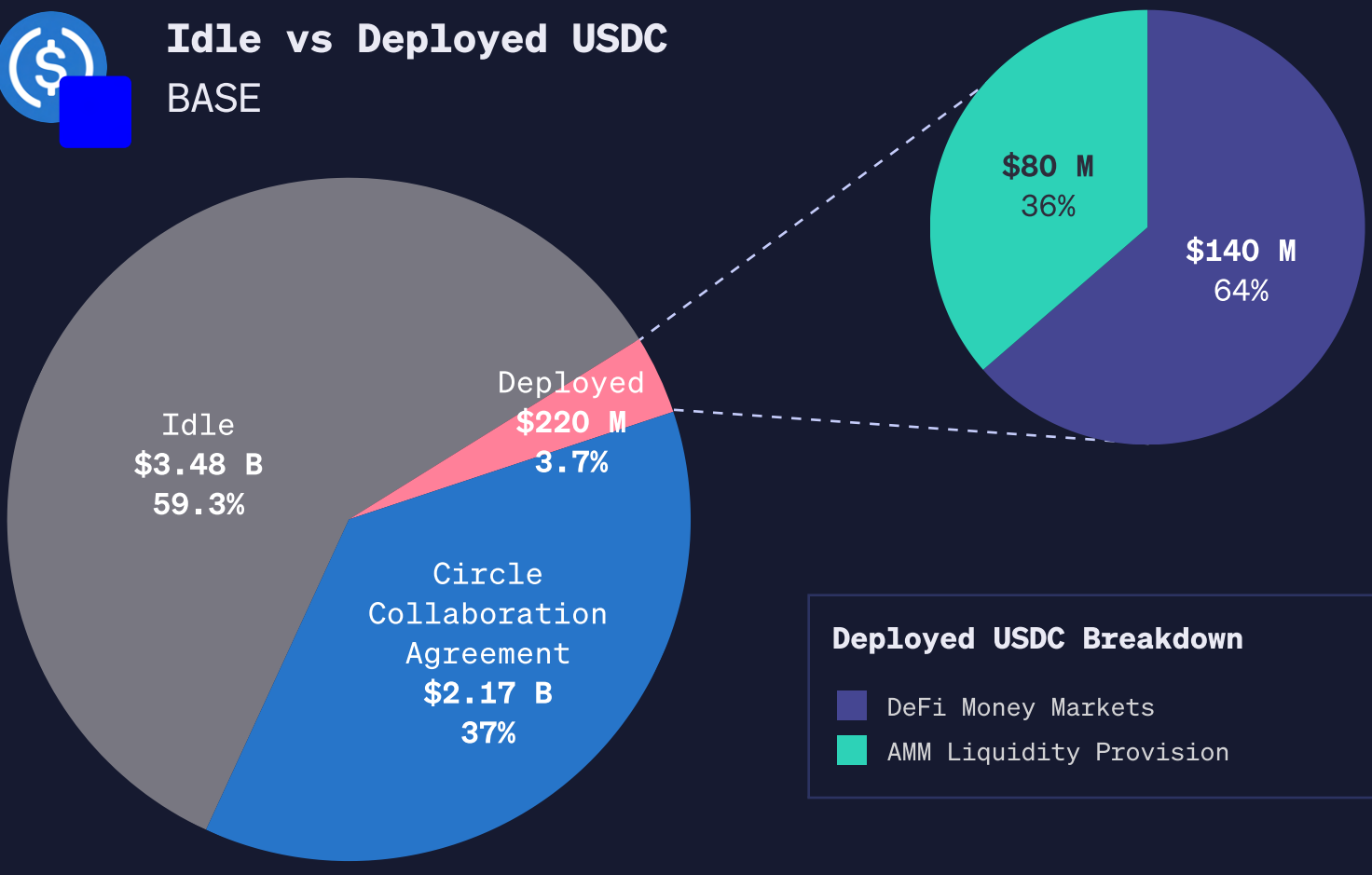
Layer-2s are not far behind in idle percentages. Arbitrum's total stablecoin float sits at roughly $8.62 billion ($5.15 billion of which is held in the Hyperliquid bridge) of which USDC alone makes up about 78.9% (~$6.8 billion). If we strip out the Hyperliquid balance (and the bridge tokens that may be burned once native USDC lands), $181 million (8.3%) of USDC is actively deployed in DeFi, while $452 million sits on centralized exchanges under Circle's Collaboration Agreements.



Altogether, only $630 million (~24%) of Arbitrum's USDC is non-idle, leaving $2 billion (~76%) idle. Focusing on the deployed in DeFi balances (excluding CEXs with Collaboration Agreements), roughly $181 million (6.9%) is deployed in DeFi.

Idle vs Deployed USDC

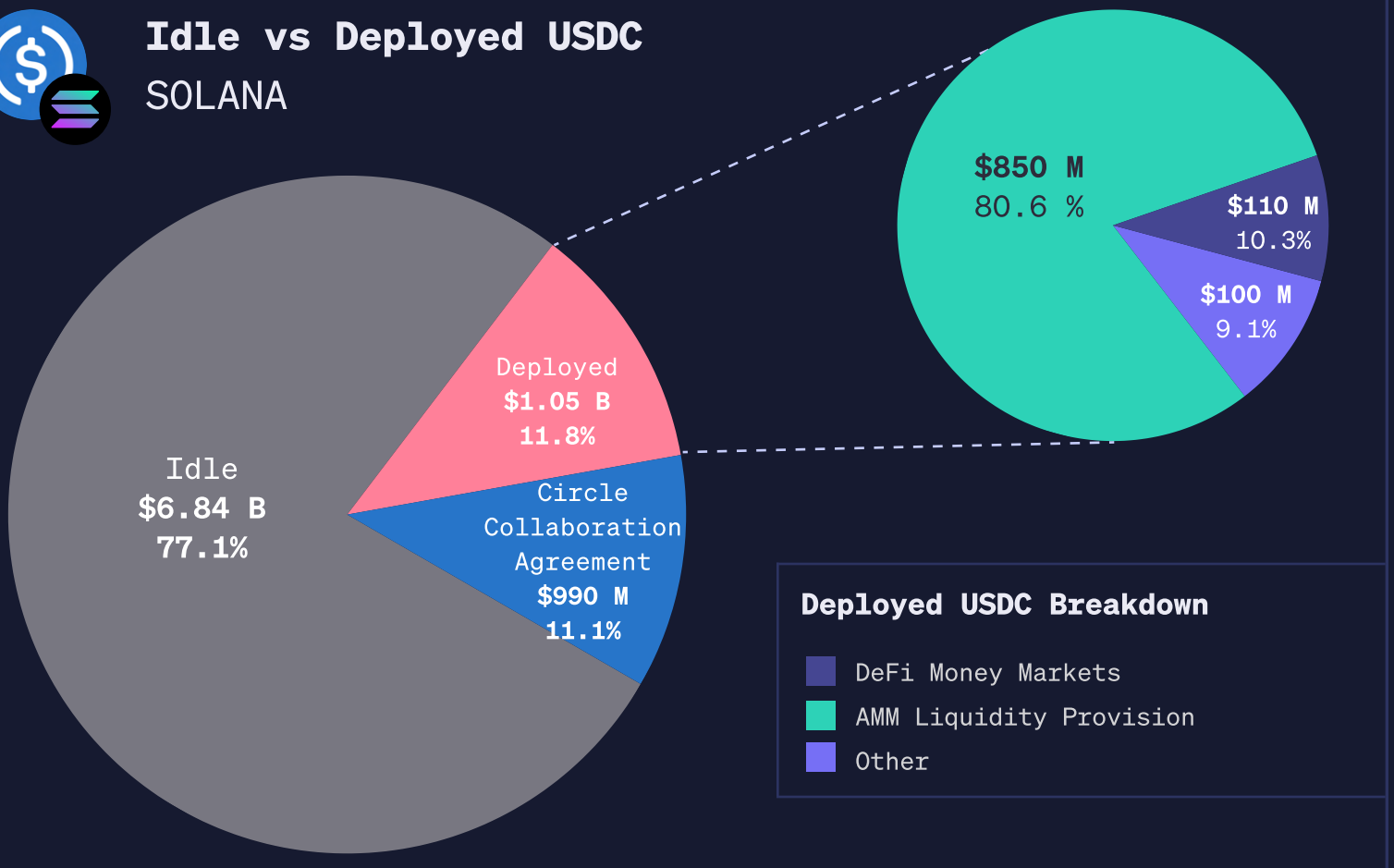
BASE



On Base, the network carries about $4.14 billion in stablecoins, of which USDC makes up roughly 80% (~$3.5 billion). With about $140 million deployed in onchain lending markets and $220 million (5.9%) deployed across all DeFi protocols. Base holds the single largest share of its USDC on centralized exchanges ($2.17 billion) through Circle's Collaboration Agreements with Coinbase. We expect this to change as Base integrates its DEX liquidity to the exchange and The Base App launch expands as it replaces the current Coinbase Wallet experience.

Idle vs Deployed USDC

SOLANA



Solana's USDC story follows the same pattern: of its $7.85 billion total supply, only a fraction is actively deployed onchain.

Altogether, only about $2.04 billion (or 22.9%) of Solana's USDC is non-idle, leaving roughly $6.84 billion (77.1%) sitting idle. When we look specifically at DeFi usage, $1.05 billion (11.8%) is deployed in protocols.

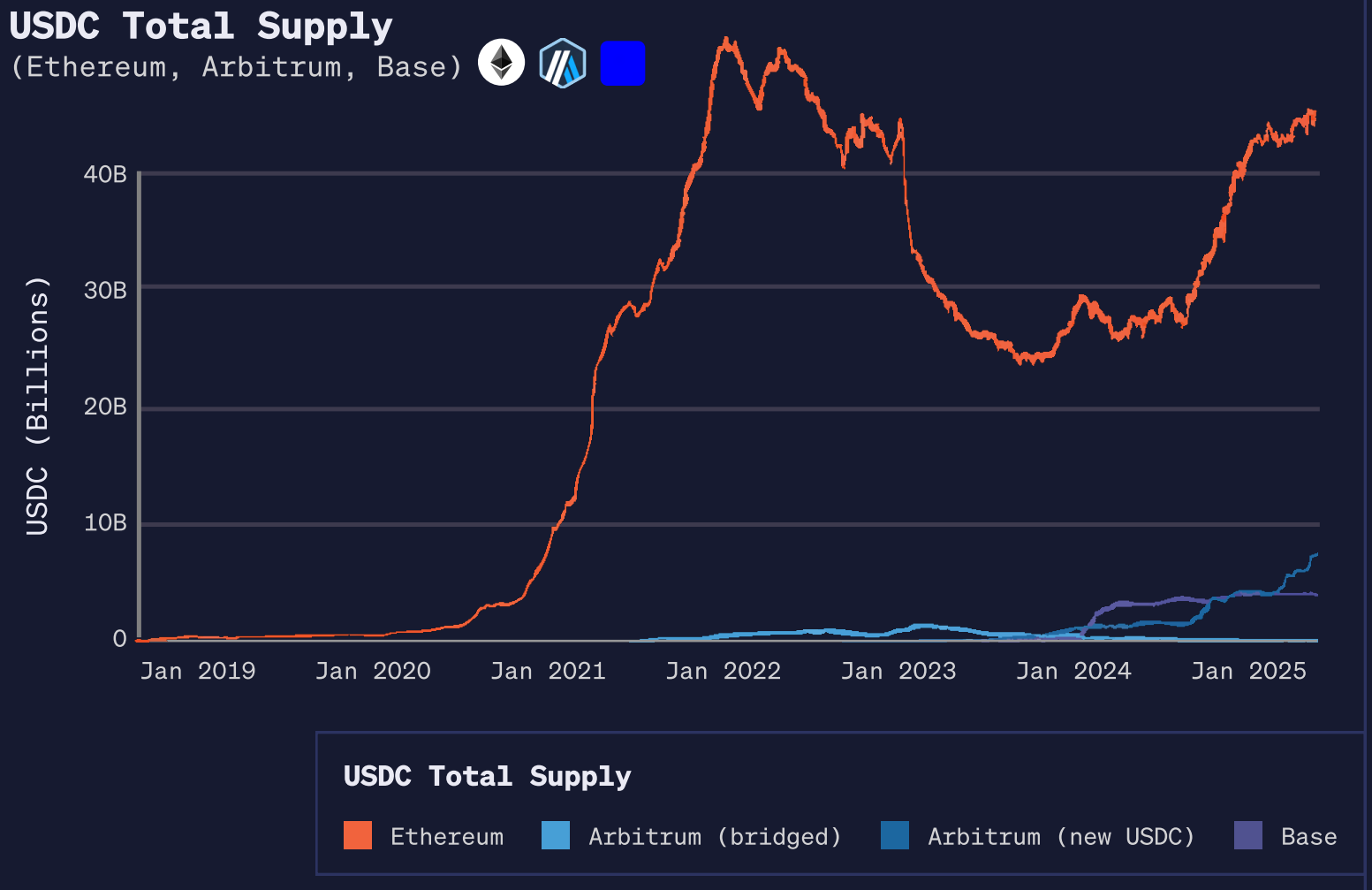
Common Findings Across Chains

We believe USDC liquidity is accumulating faster than it's being deployed. While innovative fintechs, financial institutions, wallets/exchanges and protocols have taken a great leap forward, there is room to run. This idle capital represents a significant opportunity for yield generation if it can be channeled into the right strategies. In practice, most USDC sits on centralized exchanges earning revenue through Circle's Collaboration Agreements. Although exchanges sometimes offer periodic user promotions, yields in the largest pools are closer to off-chain money market/T-Bill rates.

We also recognize piles of USDC show up in interesting places. For example, Farcaster, the onchain social platform, is estimated to have $45 million in idle USDC on Farcaster wallets.

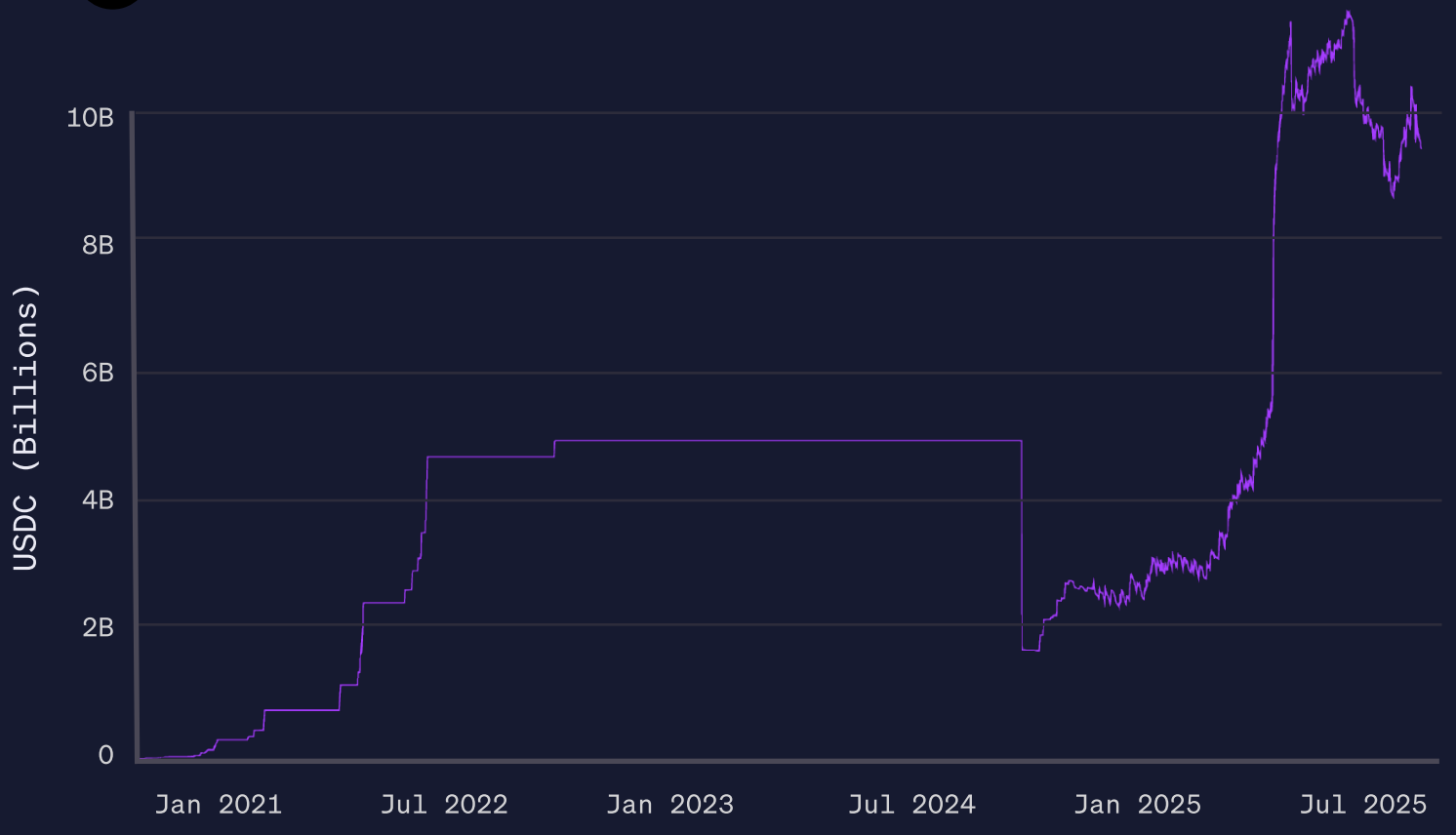
5. Through the Ice Age: Changes Over Time

USDC supply on Ethereum is recovering towards the last cycle's all-time-higes. Arbitrum followed a similar pattern: an initial surge in adoption, then stagnation over the last 18 months. By contrast, Base and Solana's USDC has climbed steadily since launch.



USDC Total Supply

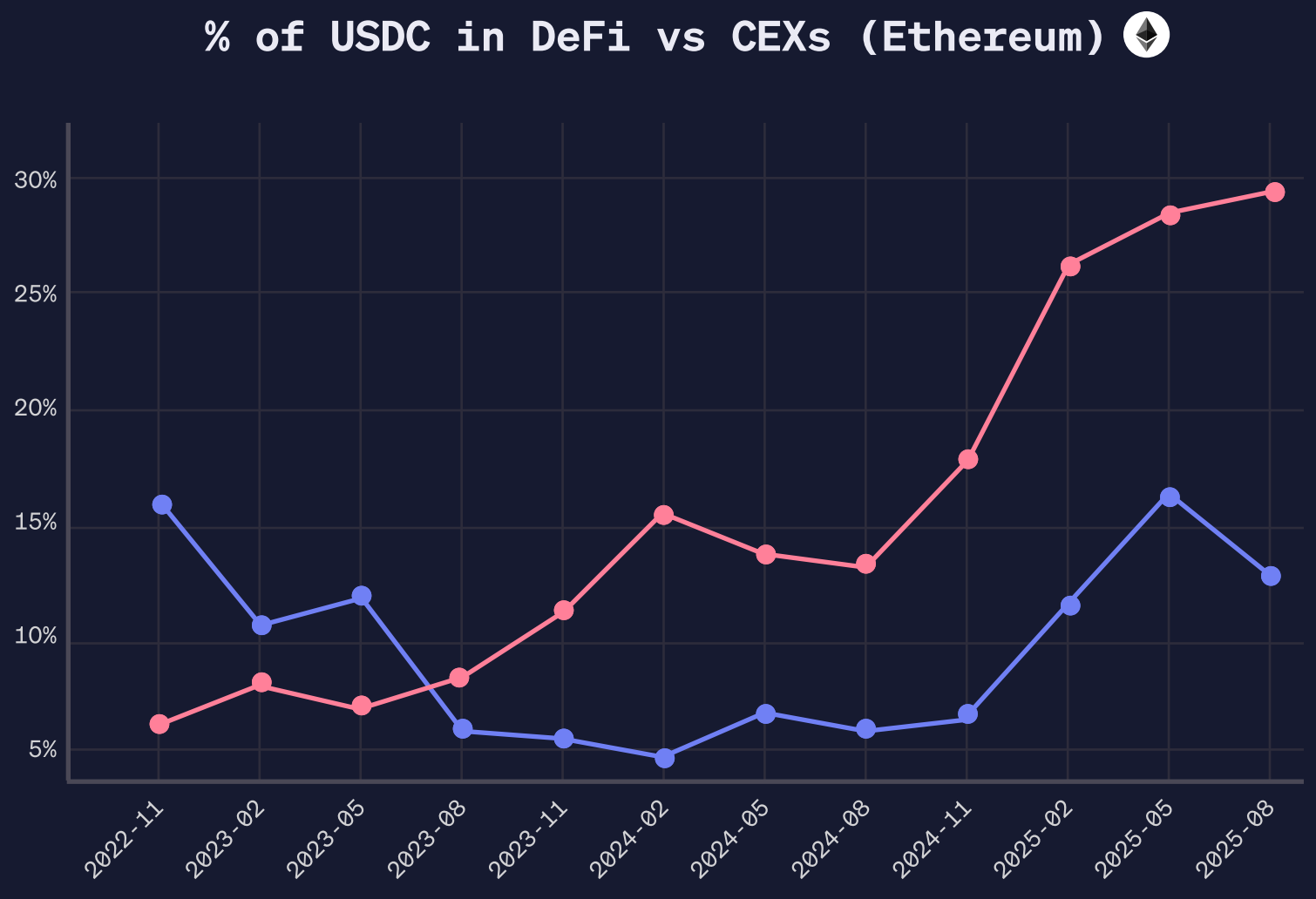
(Solana)



USDC Total Supply

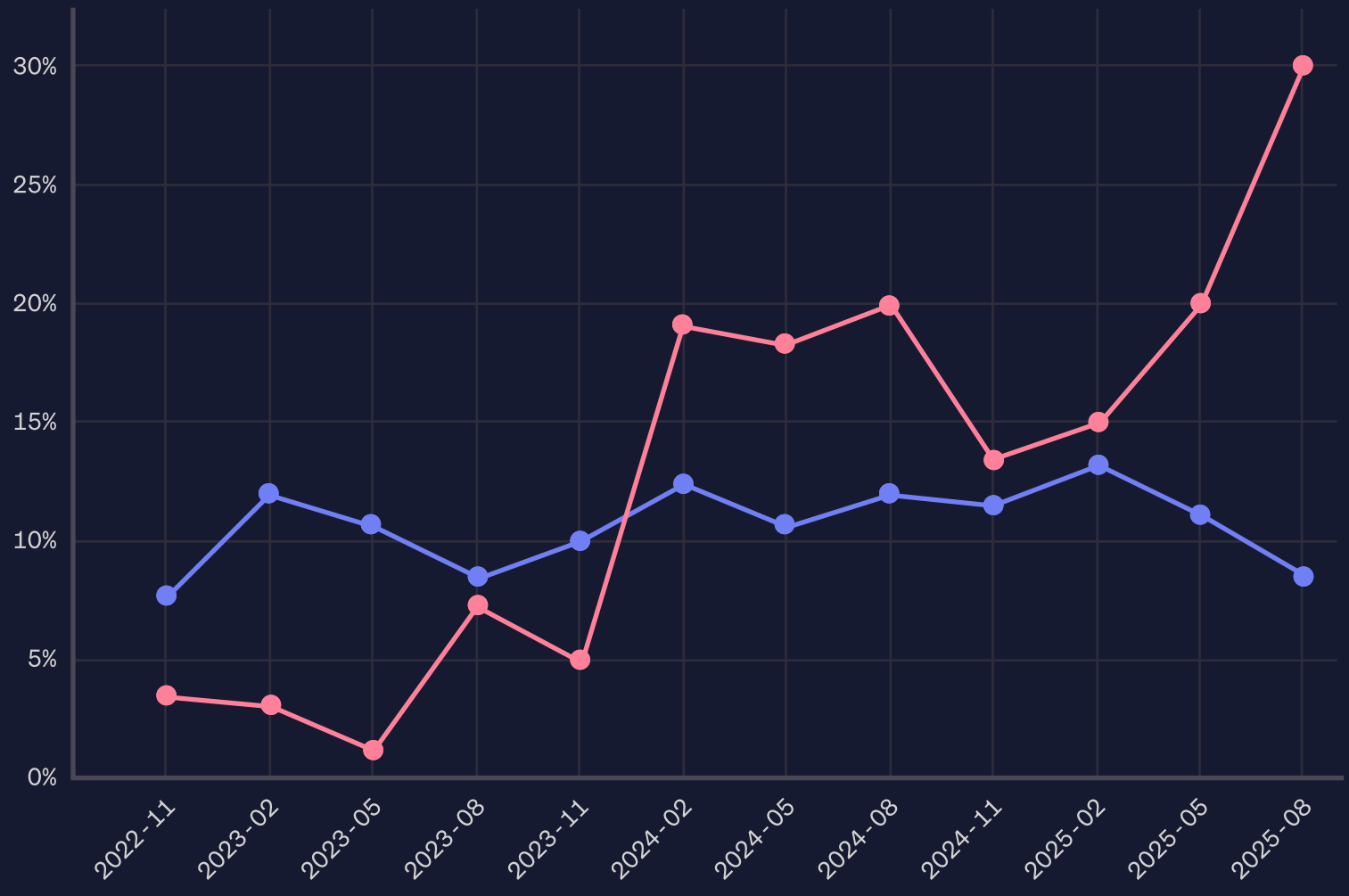
Solana

We examined the “idle vs. deployed” gap across all 4 networks and found a consistent story:



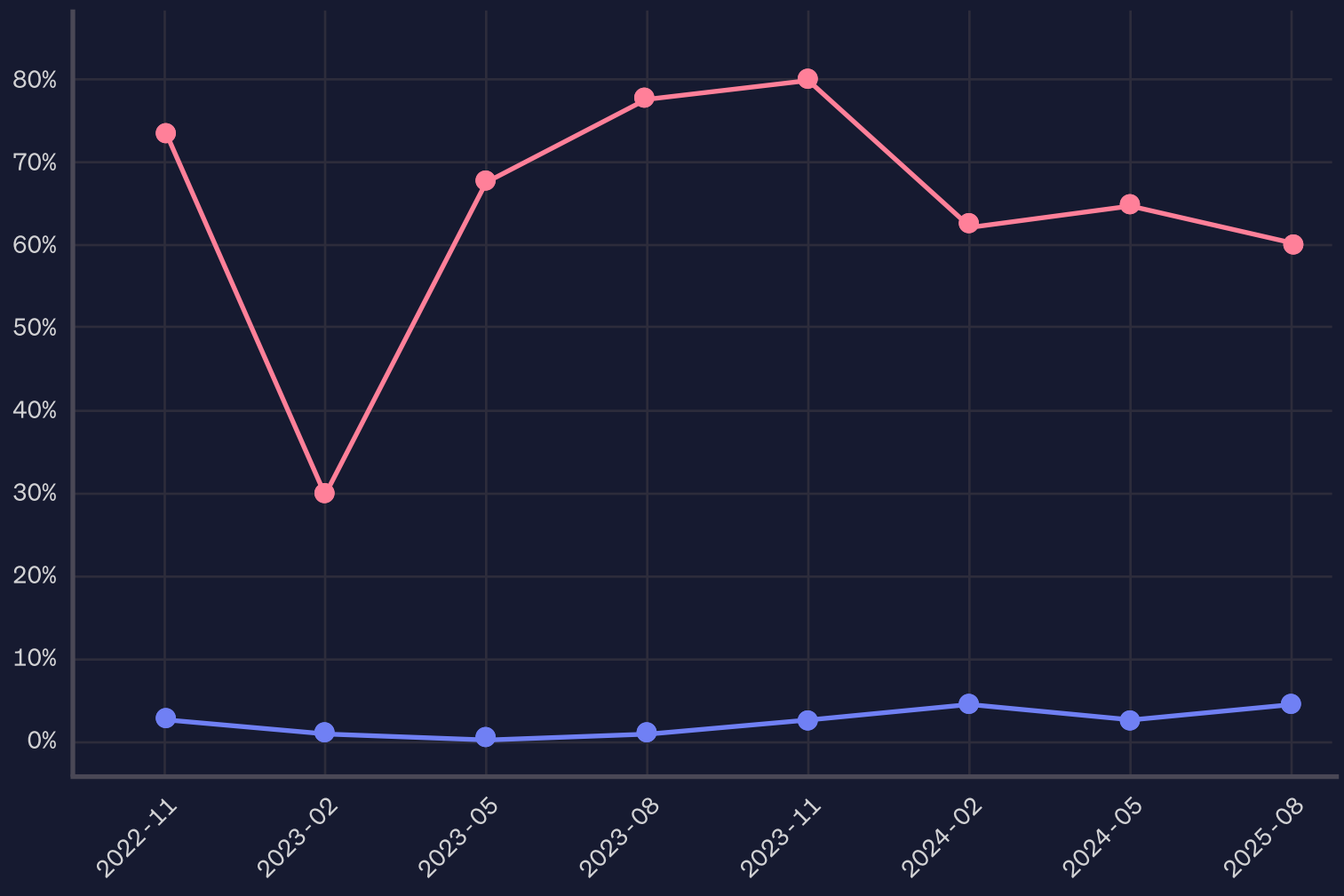
On Ethereum, the share of USDC deployed in DeFi has barely moved, recovering near its multi-year highs, while the percentage parked on centralized exchanges continues an uptrend.

% of USDC in DeFi vs CEXs (Arbitrum)



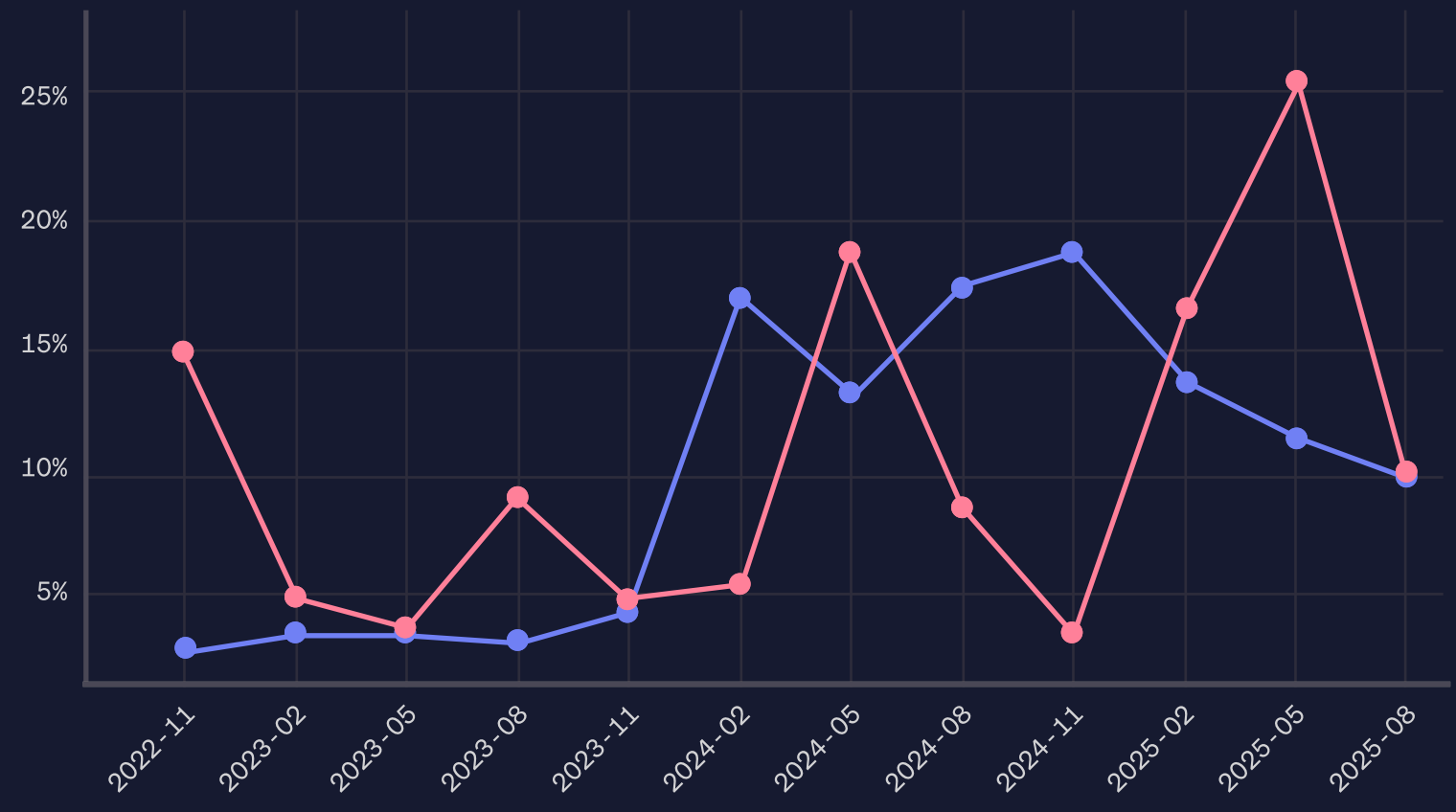
On Arbitrum over the past year, DeFi's USDC share slipped by roughly 5 percentage points, even as CEX holdings jumped by about 15 points.

% of USDC in DeFi vs CEXs (Base)



On Base the difference is much bigger. Through every snapshot since launch, under 10% of USDC reached DeFi, while 60–80% has been held on exchanges. We expect this trend to change as Coinbase/Base expand trading to all tokens via DEX liquidity and expand The Base App launch.

% of USDC in DeFi vs CEXs (Solana)



Solana appears to have the best distribution among the analyzed blockchains in terms of DeFi-to-CEX USDC. On average, there is still more USDC on CEXs, but the spread is relatively small, and in the latest snapshot, both were at the same level.

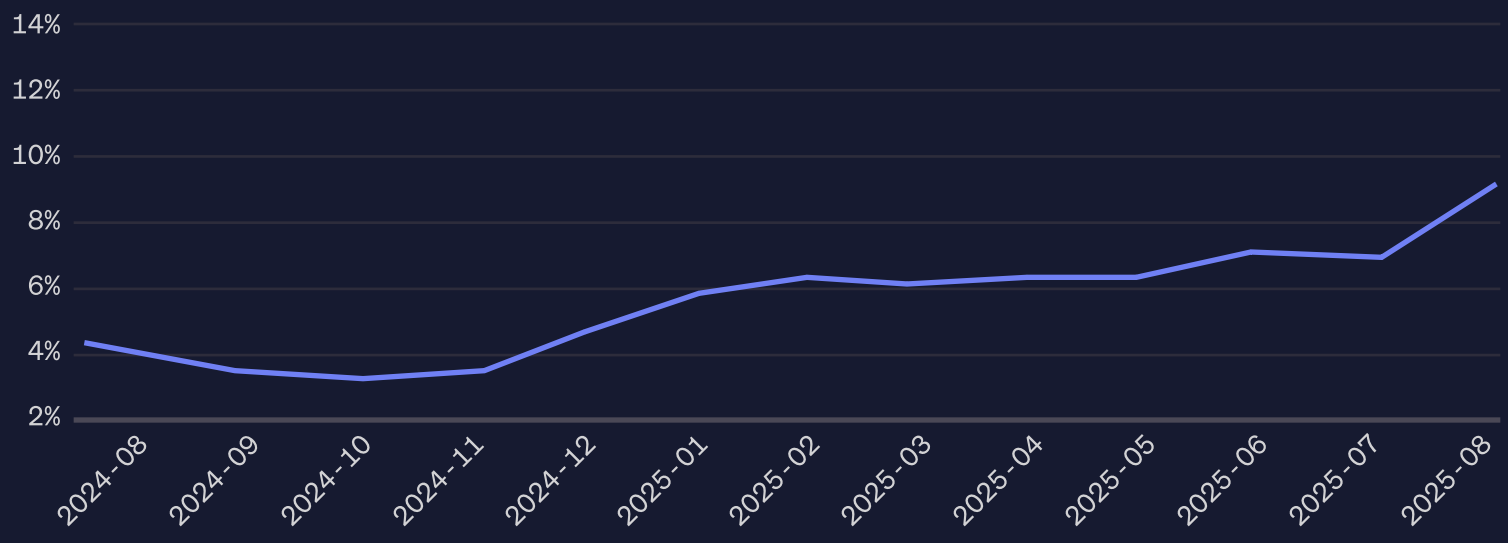
6. Ice Picks: Chipping Away at Why

1. **Return expectations vs. reality.** Investors seek higher yields than DeFi currently offers and when yields were richer, they often proved unsustainable, leaving capital suppliers with losses instead of revenue. This cycle, things are different. DeFi is more resilient.
2. **CEX incentives.** Centralized platforms earn reliable income simply by custodying USDC under Circle's Collaboration Agreements and they actively promote on-platform holdings. A growing supply doesn't translate into greater DeFi demand if exchanges keep capturing new inflows.
3. **CEXs UX.** On some centralized exchanges, when a user swaps USD for USDC to begin trading, the USDC is often minted on a blockchain preferred by the exchange (e.g., Coinbase mints USDC on Base). This creates an inorganic concentration of USDC supply on that specific chain.
4. **Trust and risk perception.** High-profile hacks and smart-contract failures have made many users wary of onchain protocols. For them, earning yield on a major exchange feels safer than trusting DeFi.

It's worth noting that other metrics such as the DEX-to-CEX volume ratio or open interest ratio (tracking Hyperliquid on its own) indicate the opposite.

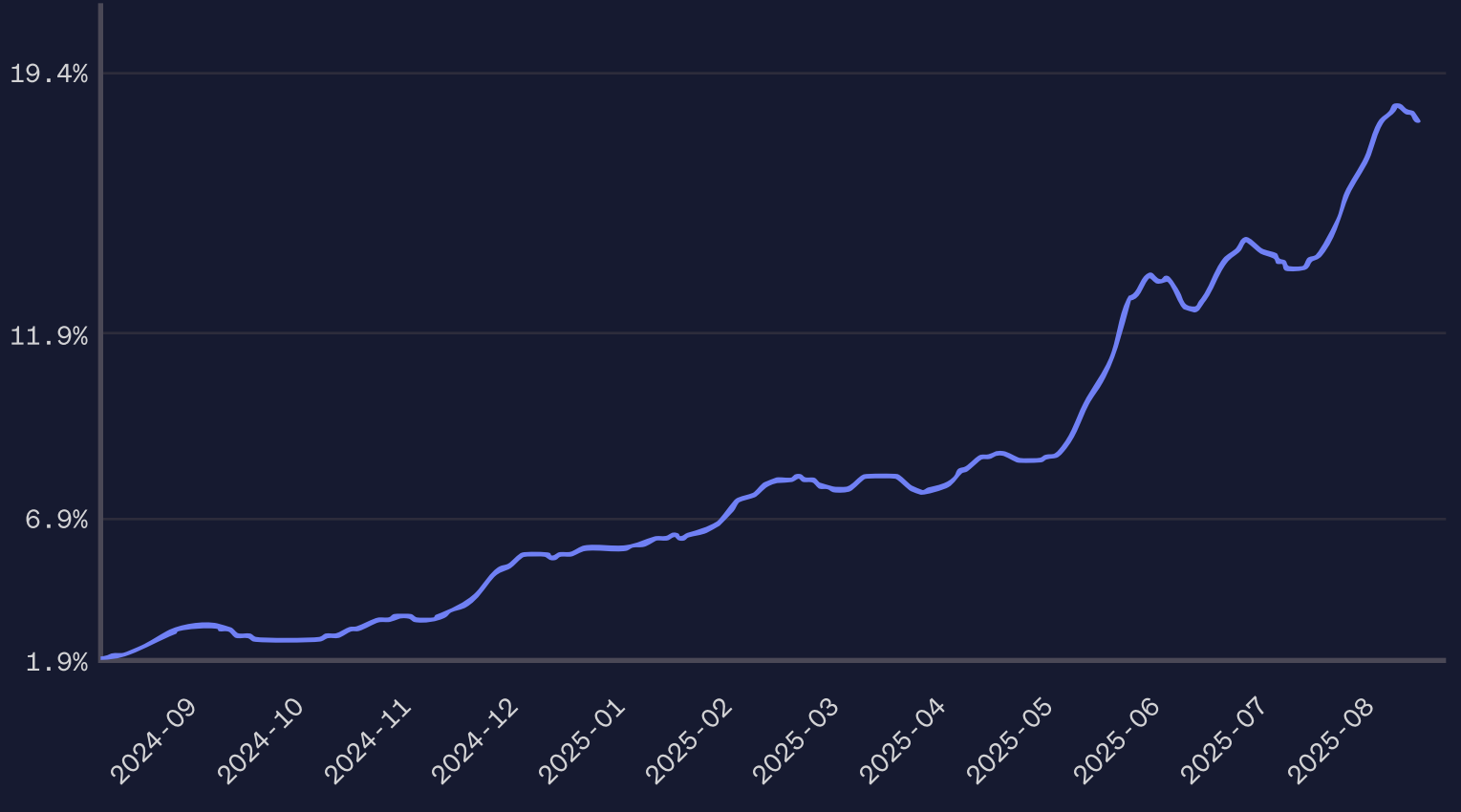
Source: The Block

DEX to CEX Futures Trade Volume (%)



Source: The Block

Hyperliquid vs CEXs (Aggregate)



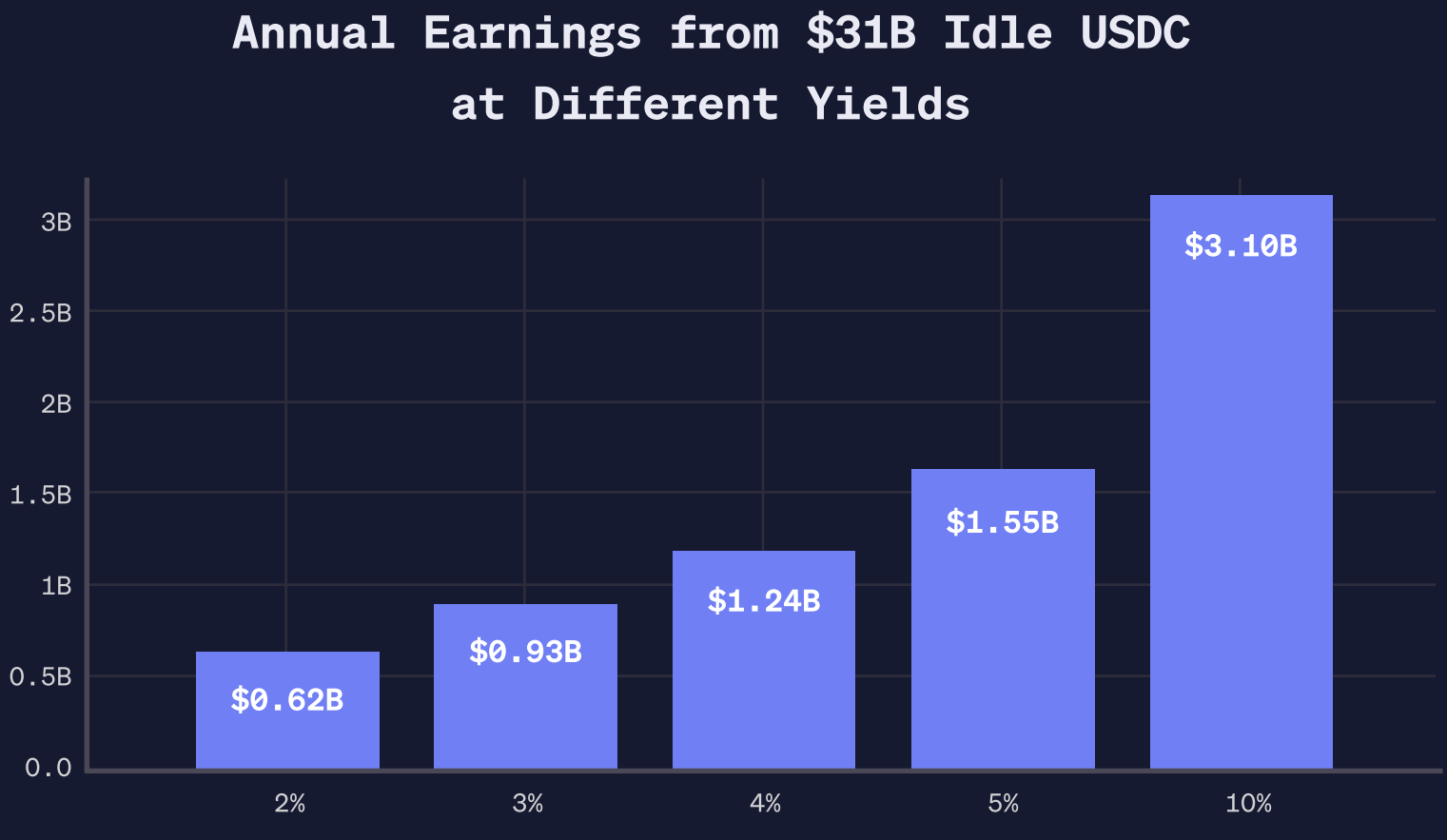
Source: Hypeflows

No matter the root cause, the result is the same: a massive, persistent gap between total USDC and the portion actually earning yield in DeFi. That gap represents a clear inefficiency and a compelling opportunity for any platform that can deliver simple, secure, and attractive yield at scale.

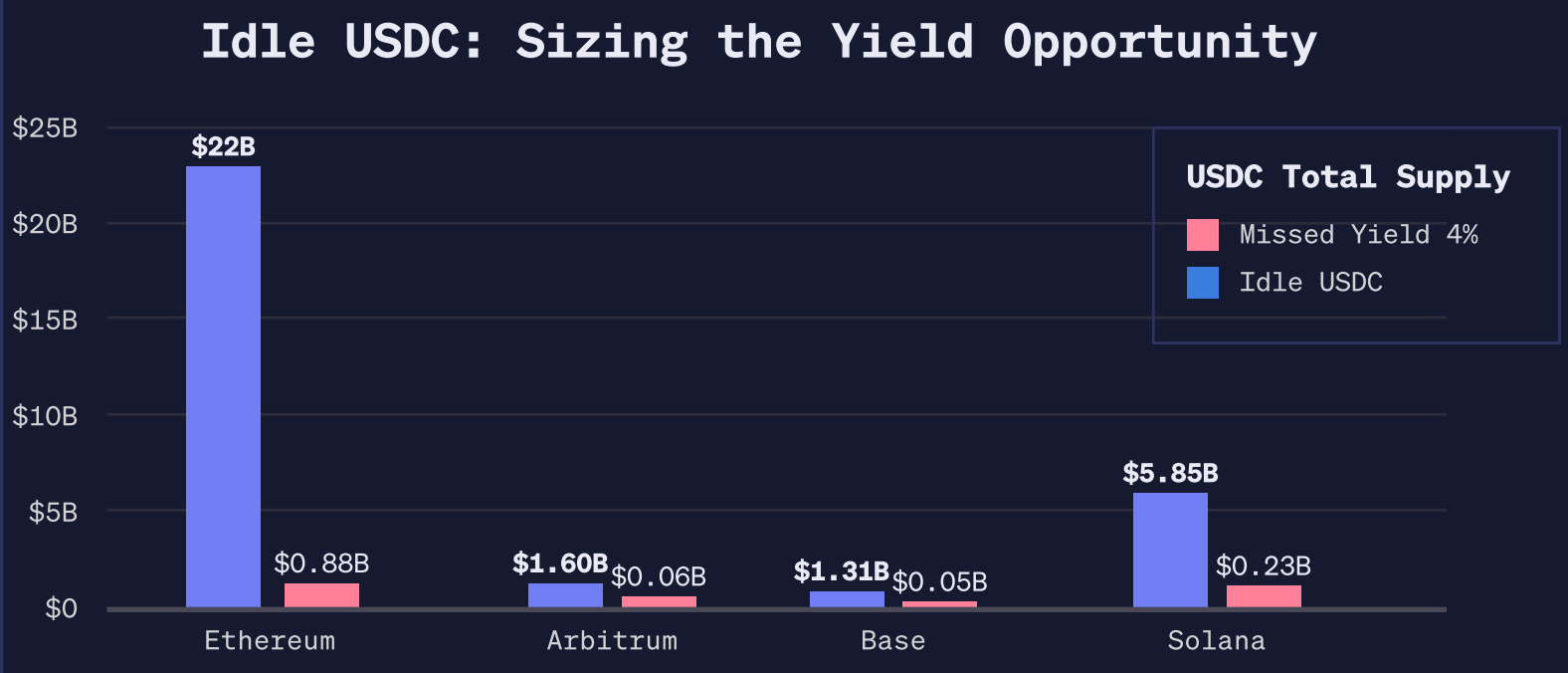
Future analysis could further distinguish between truly idle USDC (e.g., balances held for 30/60/90+ days without movement) and USDC in wallets with <30d of inactivity, which could instead be considered 'monthly active USDC wallets.'

7. Embers... and Opportunity Cost

Idle capital has an opportunity cost. Across Ethereum, major Layer-2s and Solana, roughly $31 billion truly sits on the sidelines. At a modest 3.7% APY, that's over $1.1 billion in forgone annual yield. For holders, that's interest they never collect. For DeFi, it's liquidity that could tighten spreads, boost lending capacity and power new strategies. Meanwhile, inflation erodes purchasing power whether a dollar has found its way onchain or not.



If we break down the total opportunity cost by chain (assuming a 4% APY), the idle capital translates into the following missed yield:



On centralized exchanges, USDC generates yield through Circle Collaboration Agreements. By contrast, DeFi money markets, AMM pools, and RWA lending offer transparent yields that flow directly to depositors.

That friction (risk perception, lack of time or know-how) and a preference for "dry powder" has created a stablecoin paradox: a mature yield landscape with trillions in transactional volume, yet billions left untouched. Even conservative deployment of a fraction of this pool could generate hundreds of millions in additional annual income and materially deepen DeFi liquidity.

8. Fired Up: Sustainable Yield

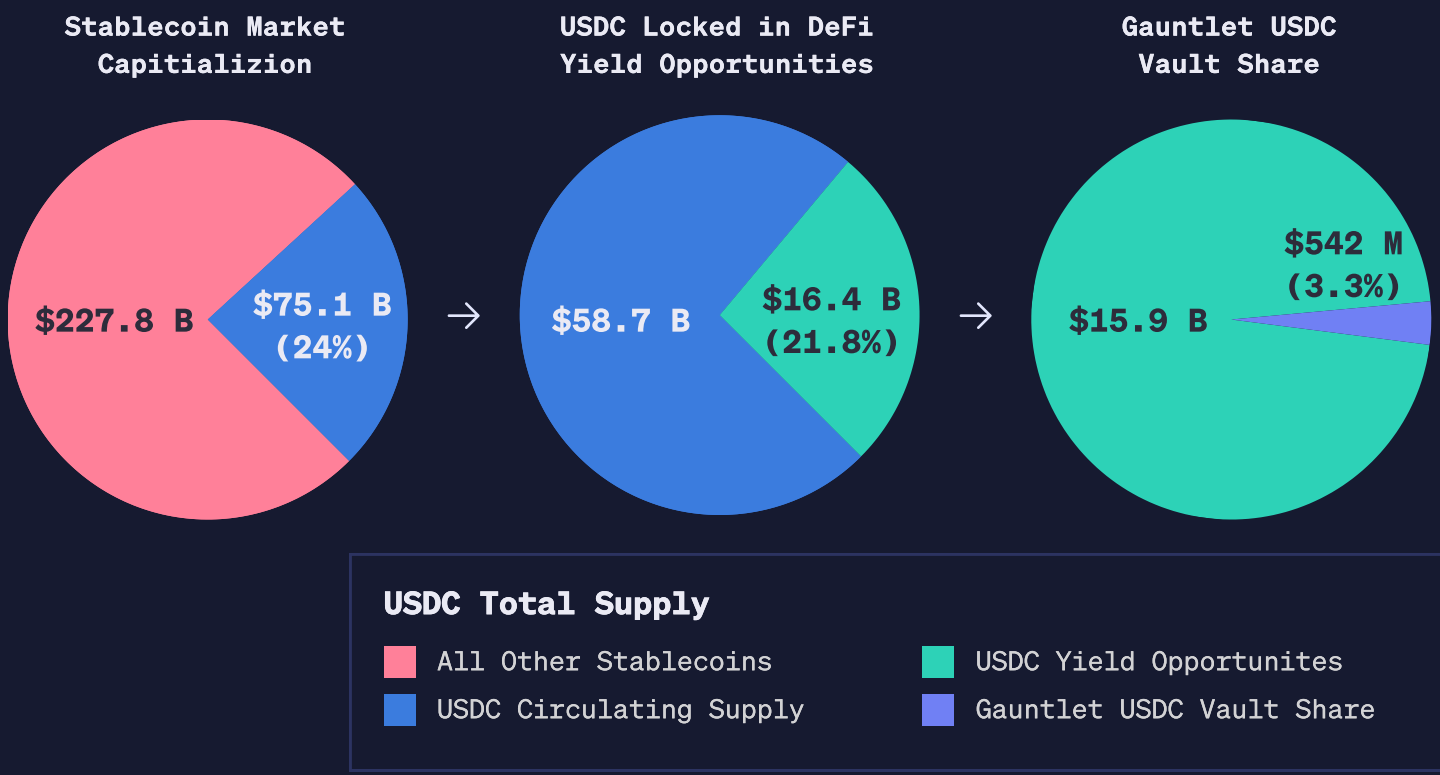
Gauntlet curates Morpho vaults across Ethereum and multiple L2s, offering three risk profiles (Prime, Core, and Frontier) where users can supply USDC based on their preferences. This means holders don't have to choose between sitting idle and spending hours yield hunting; these vaults are designed to optimize risk-adjusted returns using the same simulation models Gauntlet deploys for leading DeFi protocols.

Gauntlet also offers other types of vaults that derive yield from trading strategies, restaking, and their latest addition, Aera Strategies, an all-in-one solution for vault infrastructure. gtUSDa, our first Alpha vault on Base, seeks top stablecoin yields across multiple protocols and chains

On Ethereum Mainnet, the vault currently targets blue-chip lending markets and stable AMM pools, historically delivering 6-8% APY with minimal directional risk. On Base, where USDC yields are often higher due to newer incentive programs, Gauntlet's vaults have captured yields in the 6-12% APY range, all while dynamically adjusting exposure to maintain security and performance.

By removing allocation guesswork, mitigating smart contract risk through strict protocol selection and enabling quick withdrawals, Gauntlet vaults make it possible for USDC holders to earn while staying liquid. For the billions still idle across chains, this approach could be the catalyst that unlocks meaningful, sustained yield and in turn, a stronger, more liquid DeFi ecosystem.

The Growing Case for USDC Yield (all networks)



Source: DeFi Llama, Gauntlet Research

You can view all of our USDC vaults by visiting app.gauntlet.xyz and searching for USDC.

9. Blazing: The Ticker is $USDC

In DeFi, cash doesn't have to earn TradFi rates. The data makes it plain that a vast amount of USDC is sitting idle on Ethereum, Arbitrum, Base, Solana and probably beyond. For sophisticated DeFi users and institutions, this represents an enormous untapped resource. Redirecting even a portion of those sidelined billions into yield-generating vaults can unlock significant value.

Gauntlet's USDC vaults show that the infrastructure is ready: idle USDC can be put to work safely, at scale, and with attractive, risk-adjusted returns. By deploying idle funds into smart strategies, the community can turn USDC's massive static liquidity into a dynamic force, transforming dormant capital into a source of yield and strength for the DeFi economy.

It's worth remembering, though, that yields are not static. If a large share of all idle USDC were suddenly deployed into these same strategies, APYs would inevitably compress, especially in money markets, where supply far outpacing demand drives rates down. A portion of current yields also comes from token or points incentives, which can expire or fluctuate. RWA-based yields, such as those from short-term bonds, are less sensitive to this crowding effect at today's idle USDC levels, but even those could face downward pressure if interest rates start decreasing.

Finally, nothing in yield generation comes without risk. Different strategies carry different shapes of risk (smart contract vulnerabilities, counterparty exposure, liquidity constraints) and higher returns often come with higher complexity and hazard. The opportunity is clear, but so is the need for informed, risk-aware participation. Visit vaultbook.gauntlet.xyz for more information about our approach to risk, controls, security, vault infrastructure, & more.

If you have USDC in size and want to make sure your supplied capital will not drop rates, get in touch with the quants at Gauntlet. We're happy to share how our vaults sustain capital supply at-scale while maintaining competitive yields.

Explore Gauntlet's USDC vaults and more:

app.gauntlet.xyz

The yield is out there, it's just been hiding in the ice.

The thaw is real.

Thank you to our clients, partners, and the quants at Gauntlet who helped us put this report together.

Special thanks to @ericonomic for data analysis support and more on this report.

If you have feedback, found errors, or would like discuss these findings with us, please contact us: support@gauntlet.xyz

Raw Data | Datavisuals