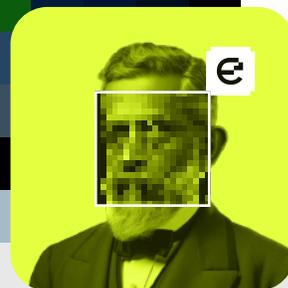


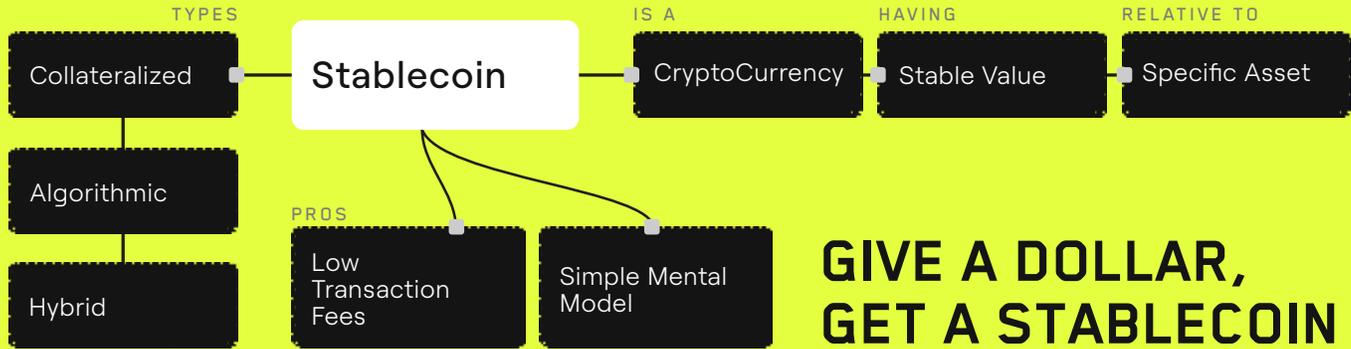
# Stablecoins Are Not Enough



THE CASE FOR GLOBAL, YIELD-BEARING PRIMITIVES



# WHAT IS A STABLECOIN



**GIVE A DOLLAR,  
GET A STABLECOIN**

## WHAT DO THEY DO WELL?

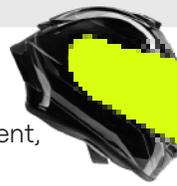
### Predictable

Traders needed to step out of volatility.



### Fast

Near-instant settlement, no intermediaries.



### Simple

1 USDC ≈ 1 USD in a bank account.



For blockchain founders, banks, and fintech, **this was incredibly convenient.**

- Service Pricing...
- Collateral Collection...
- Payment Settlement...

**...everything in US DOLLARS**

## WHAT THEY DO WRONG?

### OVERINDEX ON USD

- Structural risk, no diversification.
- Hard ceiling on 'global' adoption of US monetary policy.
- Ignore local utility, shift FX burden to receiver.

The traditional monetary system is not dollar-only:

**99.8%**

of Stablecoin are Pegged to USD

**40%**

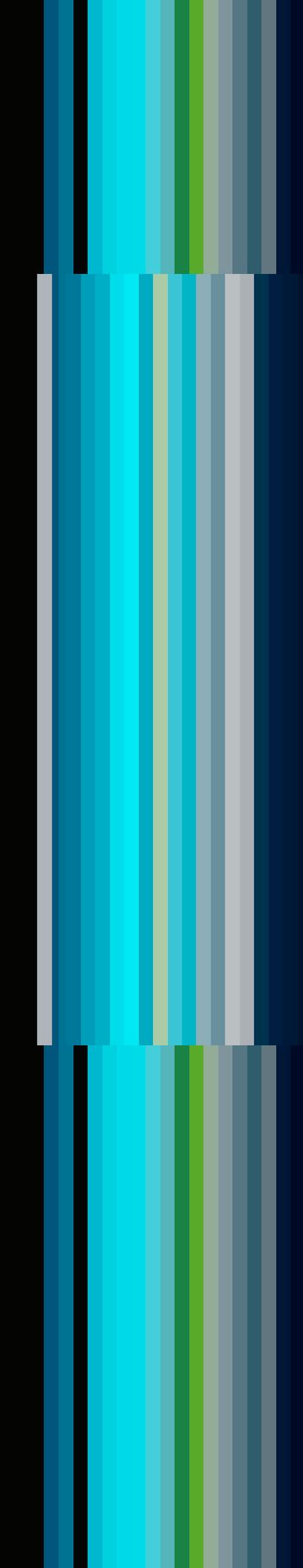
of global reserves for central banks is non-USD currency

**\$4 TRILLION**

daily average for FX swaps, the most traded instrument

**NOT LOCAL**

Remittances, trade invoicing, and domestic contracts worldwide are heavily based on **LOCAL FIAT**



STABLECOINS

HELP WITH SENDING

H O W E V E R

IT STILL

SUCKS

TO RECIEVE LOCALLY

# FAKE NEWS: "NOBODY WANTS LOCAL STABLECOINS"

## Why we haven't seen local stablecoin adoption?

The current lack of non-USD stable assets onchain does not prove that there is no demand. It reflects that the conditions for those assets to function, especially in terms of FX and liquidity, have not yet been met.

DAVID TAYLOR,  
CO-FOUNDER & CEO,  
ETHERFUSE



- ✗ Poor store of value
- ✗ Limited Investment Opportunity
- ✗ Limited Utility

## Lack of Adoption: **Design Flaw, Not Demand Indicator**

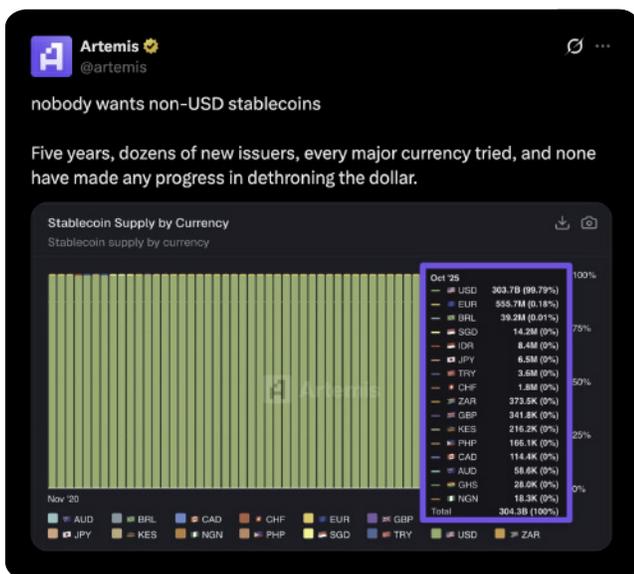
Current state of usage is not equilibrium, it is a snapshot:

What has been easy to build

Liquid to trade so far

Not what people will want once the right instruments and rails are in place.

## CONFIRMATION BIAS



# MONEY HAS 3 JOBS ONCHAIN

For a currency (or currency-like asset) to be useful in DeFi, it has to do at least three jobs:



## 1. STORE OF VALUE

Users need confidence that holding it won't destroy their purchasing power or blow up in a crisis.



## 2. INVESTMENT

Capital wants to earn a return. Even in 'cash,' people expect yield: interest, carry, or some form of compensation for risk.



## 3. UTILITY

It must be easier to send, trade, use as collateral, and combine with other assets, especially for FX.

USD stablecoins do a decent job at #3 and a reasonable job at #1 for many users, at least in the short term. And they outsource #2 (yield).

When you try to naively copy-paste that model to a fragile local currency, two of the jobs break down, and the third is severely hindered:

	CURRENT USD STABLECOINS	TO-DATE ATTEMPTS AT LOCAL STABLECOINS	WHAT IS NEEDED
<b>1. STORE OF VALUE</b> 	 USD. is one of the most stable currencies, with slight inflation, represents a low risk place to park money	 Local currencies and markets are too volatile to be a safe store	 Stable place to park money that can offset risk with native underlying yield
<b>2. INVESTMENT VEHICLE</b> 	 Does not provide yield on its own, but can be used for collateral	 Because of risk profile, those assets don't translate to collateral for investment opportunities	 Useful to act as collateral while still having the ability to appreciate on its own
<b>3. UTILITY</b> 	 Has established utility for sending money (not receiving)	 Limited global utility, largely centralized in local limited usages	 Able to spend and transact like local money, easy to send AND receive

# Needed: LIQUIDITY ON LOCAL CURRENCY

In order to create conditions for a suitable alternative to USD stable

Must attract liquidity depth

Create suitable trade pairs

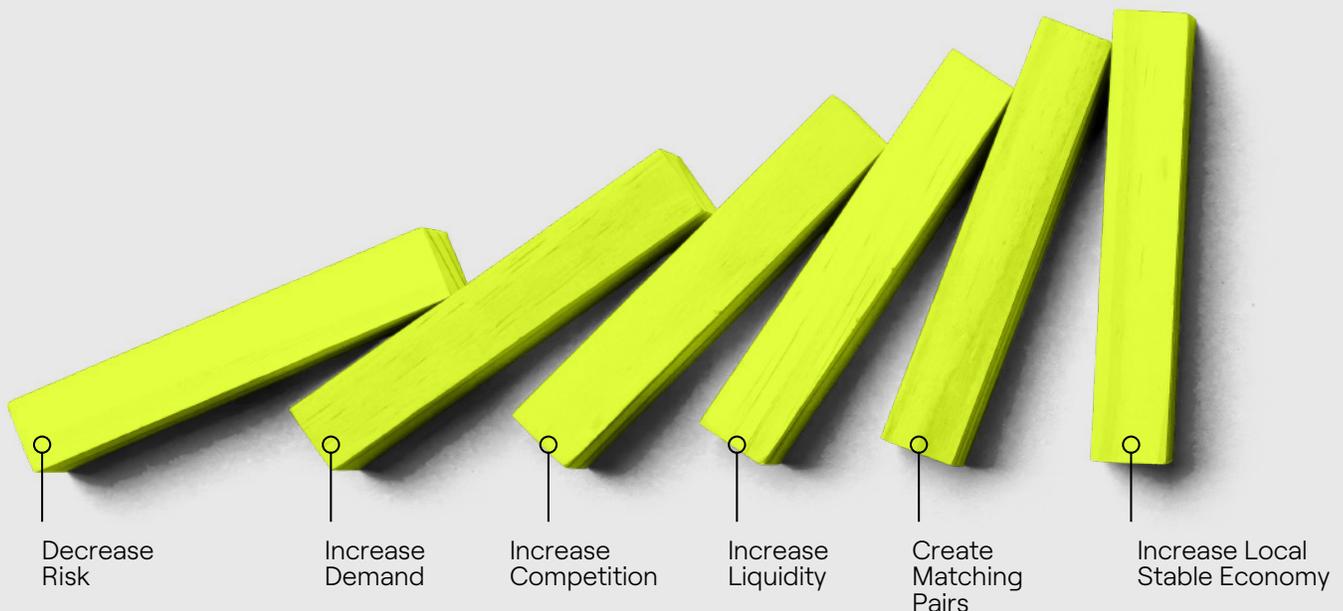
How?

## WHAT DRIVES THE SPREAD

In foreign exchange today there is an equilibrium that exists primarily for the following reasons:

- Cost of risk
- Unequal demand amongst a pair
- Lack of competition

Flows from the US to Mexico are greater than flows from Mexico to the US, additionally the assets (dollars vs peso) are not seen as equivalents (store of value or investments).



# INVESTORS FOLLOW RETURNS

# LIQUIDITY SEEKS YIELD

From the perspective of a liquidity provider (LP), a native local-currency stablecoin is a terrible asset to hold in size:

- Typically represents uncompensated exposure to a weak or inflationary local unit.
- Doesn't earn native yield; the only return is trading fees, which are volatile and path-dependent.
- Token sits on top of low-quality collateral

**RATIONAL LPS DON'T SHOW UP IN SIZE.**

What makes LPs (investors) enthusiastic about providing non-USD FX liquidity?

1. Both sides of the pair must be a first-class asset
2. There should be a clear, predictable yield profile
3. FX exposure should be expressible and hedgeable

**MOST LOCAL STABLECOINS FAIL ALL 3.**

What conditions must be met before non-USD currencies can succeed onchain at scale?

## SAFER UNDERLYING ASSET

In many countries, the most reasonable baseline asset is short-duration domestic sovereign debt rather than bank deposits.

## NATIVE YIELD, NOT BOLTED-ON

The asset should produce a predictable, transparent yield stream as a direct consequence of what it is—e.g., a tokenized claim on interest-bearing bonds.

## COMPOSABILITY WITH DEFI

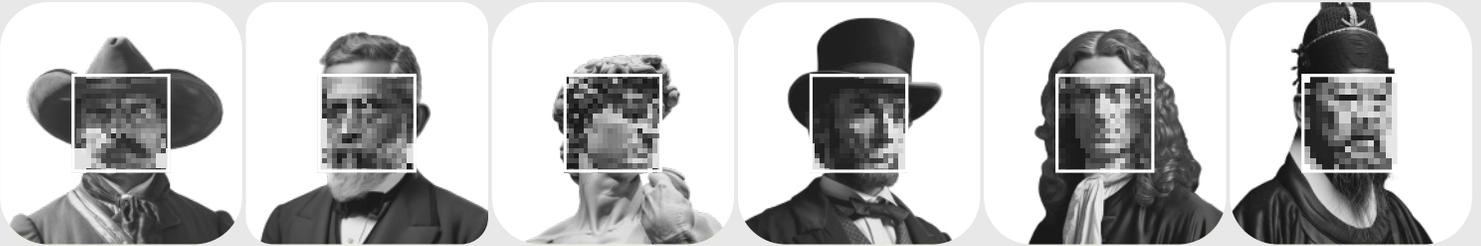
Must be chain-native objects that plug cleanly into lending markets, DEXs, derivatives, and payment apps.

## DEEP, PROGRAMMATIC FX RAILS

For non-USD assets to be useful for global users, they must be easily convertible in and out of other currencies with minimal slippage.

# THE SOLUTION: STABLEBONDS

To move beyond a dollar-only world, we need a new kind of onchain asset.



## SPENDS LIKE FIAT

Denominated in local currency, matching how people think, get paid, and borrow.

## GROWS LIKE BONDS

Backed by interest-bearing local sovereign debt, giving a credible store-of-value anchor and yield.

## MOVES LIKE CRYPTO

Packaged as a DeFi-native token, so it moves, settles, and composes like a stablecoin.

Another way to think of it: **'Every utility of a stablecoin, powered by native interest.'**

Example

## Stablebonds: Mexican CETES

 (Certificados de la Tesorería)

CETES are Mexico's oldest and most liquid federal government debt securities—short-term, zero-coupon Treasury bills issued by the Ministry of Finance and auctioned via Banxico (Bank of Mexico).

**Low-risk** They're widely considered a safe investment because they're backed by the Mexican government.

**1 for 1** A unit of an MXN Stablebond represents 1 MXN of notional exposure to a basket of CETES.

**Denominated in MXN** The Stablebond's principal value and yield accrue in local currency.

**Yield compounds continuously** To the holder through a transparent onchain value-accrual mechanism.

**Outperform USD** Historically, holding CETES and converting during strong peso cycles has outperformed basic USD cash positions

YEAR	CETES	vs US Treasury
2020	4.5%	0.12%
2021	5%	0.18%
2022	7.5%	1.44%
2023	11.25%	4.7%
2024	8.5%	5%
2025	7-9%	4.1%

## NOW THERE IS A REASON FOR INVESTORS TO HOLD A PESO-DENOMINATED (LOCAL) STABLE ASSET!

# STABLEBONDS: LOCAL CONDITIONS FOR INVESTMENT

## STORE OF VALUE

Etherfuse Stablebonds turn sovereign debt into built-in store of value by:

- Tokenizing bonds with stablecoin-like utility
- Native yield that preserves purchasing power
- Compensation for not holding dollars.

That store-of-value quality is what keeps capital parked, enabling LPs to provide the depth of liquidity markets need.



## UTILITY

Most of the world lives in local currency, e.g. Mexican CFOs operate in MXN (payroll, invoices, taxes, reporting).

USD stablecoins force a daily unit-of-account mismatch: MXN business, USD settlement, constant FX friction.

A CETES-backed MXN Stablebond keeps the same stablecoin utility (instant settlement, programmability, composability) but in MXN.

Unlocking:



## INVESTMENT

Etherfuse Stablebonds:

- Are highly liquid, accessible and moveable
- wrapped around safe, productive off-chain government bills,
- Unlock synthetic access onchain so you can stack incremental yield opportunities

Example: On Stellar, Etherfuse CETES can earn ~26% in private credit + ~7% native yield

**~30%+ total return driven purely by tokenization + onchain liquidity.**



### No Dollarization

Balances, P&L, and risk stay aligned to real liabilities local denomination

### Institutions

It's sovereign-backed fixed income, so institutions can model it like any treasury position.

### Payments

LOCAL in, LOCAL out: FX only when you choose it (hedging, cross-border).

### Banks/Fintechs

LOCAL Stablebonds become a digital extension of treasury + cash operations.

### Corporations

Onchain operating cash LOCALLY: payroll + vendors without FX volatility.

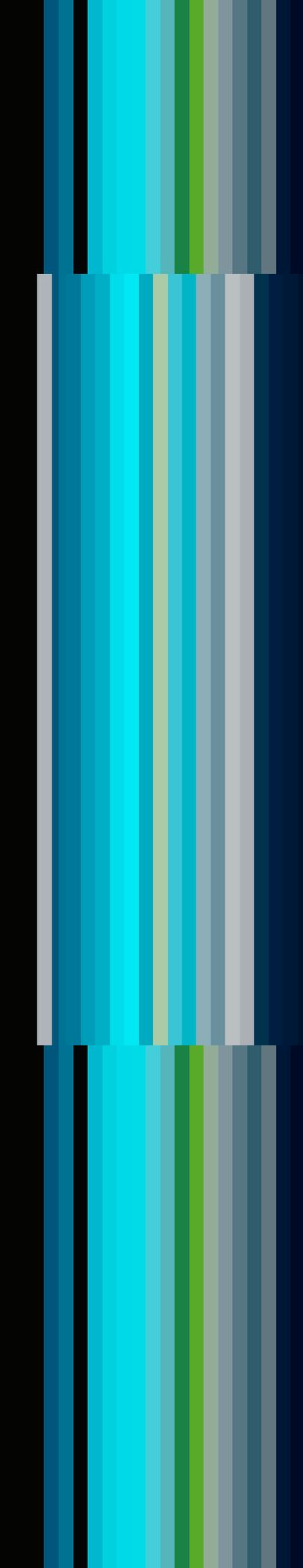
### DeFi

first-class LOCAL collateral for AMMs, lending, and yield-bearing FX markets.

BOTTOM LINE



**LOCAL MONEY  
+ GLOBAL RAILS  
+ SOVEREIGN YIELD  
= UTILITY FOR THE  
WORLD**



CONCLUSION:

USD STABLECOINS  
ARE **NOT ENOUGH**

SOVEREIGN DEBT POWERED  
**STABLEBOND**  
**YIELD**

UNLOCKS  
THE **FUTURE** OF  
**LOCAL** ECONOMIES

# ENDORSEMENTS & SUPPORTING VOICES

The following organizations and individuals have expressed support for the core ideas and direction of this paper. Their inclusion reflects philosophical alignment with the general premise of this paper: we must move beyond USD only stablecoins to reach the global potential of DeFi.



**Raj Parekh**  
Head of Stablecoins  
& Payments,  
Monad Foundation



**Douglas Gan**  
Founder & CEO,  
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**Nick Gilbert**  
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**Lucas Ayala**  
Design

Supporting References at:

<https://www.etherfuse.com/beyondusd>