BLOCKS & BONDS RESEARCH

2026 MIDYEAR
MARKET STRUCTURE REPORT

Stablecoins, Treasury Markets, and the Rewiring of Financial Architecture

How stablecoins, tokenized liquidity, and programmable settlement are moving from crypto-market utilities toward core financial infrastructure.

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Executive Summary

The first half of 2026 strengthened a structural trend that has been developing beneath the volatility of digital-asset markets: crypto is increasingly becoming an infrastructure market.

Speculation and retail trading still dominate public attention. Institutional activity, however, is concentrating on a different set of questions—how value settles, how liquidity moves, how collateral is managed, and how financial rules can be embedded directly into digital systems.

Stablecoins are expanding beyond exchange liquidity; tokenized Treasury products are connecting blockchain markets to traditional cash management; banks and payment firms are building hybrid settlement models; and regulators are treating digital assets less as an isolated asset class and more as a component of the financial system[1].

Four developments defined the first half:

- ***Stablecoins*** continued their transition from trading instruments to payment, settlement, and treasury infrastructure.
- ***Tokenized Treasury and money-market products*** expanded the range of yield-bearing assets available within on-chain markets.
- ***Banks, custodians, asset managers, payment companies, and compliance providers*** deepened their participation in blockchain-based financial systems.
- ***Regulation*** moved toward formal oversight of reserves, redemption, custody, illicit-finance controls, and operational resilience.

Taken together, these developments point toward a more consequential question than which digital asset will outperform. The central market-structure question is becoming: which systems will become embedded in the operating architecture of global finance?

> "The market is moving from a speculative crypto economy toward a programmable financial infrastructure economy.[2]"

Payments ⟶ Liquidity ⟶ Settlement ⟶ Compliance ⟶ Enterprise Integration

Midyear Takeaways

- The infrastructure layer increasingly matters more than the token interface visible to end users.
- Stablecoins and short-duration government debt are becoming structurally interconnected.
- The emerging system is hybrid: public and private blockchains coexist with banks, custodians, regulated issuers, and enterprise software.
- Competitive advantage is shifting toward reserve quality, distribution, interoperability, compliance, and operational reliability.
- The long-term opportunity is not merely asset digitization; it is the programmability of financial coordination.

1. The Core Narrative: From Crypto Assets to Financial Infrastructure

The defining story of the first half of 2026 was not the price performance of digital assets. It was the continued transition of blockchain-based money and markets from stand-alone crypto products into components of financial infrastructure.

For much of the past decade, stablecoins were understood primarily through exchange liquidity, decentralized finance, and speculative trading. That framing is now incomplete. The more durable activity is occurring in the systems surrounding the tokens: payment integration, enterprise settlement, reserve management, institutional custody, compliance, and treasury operations[3].

This distinction matters because infrastructure adoption follows a different logic from speculative adoption. Speculative cycles are driven by sentiment, momentum, leverage, and short-term capital rotation. Infrastructure adoption is slower and less visible, but it is anchored in operating economics: lower friction, faster settlement, improved liquidity visibility, better collateral mobility, and more reliable coordination across institutions.

"Infrastructure adoption tends to move more slowly than speculative capital—but it can become far more durable once embedded."

The result is a change in the market's competitive criteria. Earlier cycles rewarded rapid user growth, token issuance, and narrative momentum. Institutional infrastructure is judged by reserve transparency, redemption capacity, regulatory compatibility, operational resilience, and the ability to integrate with existing systems.

Credibility becomes a market-structure advantage

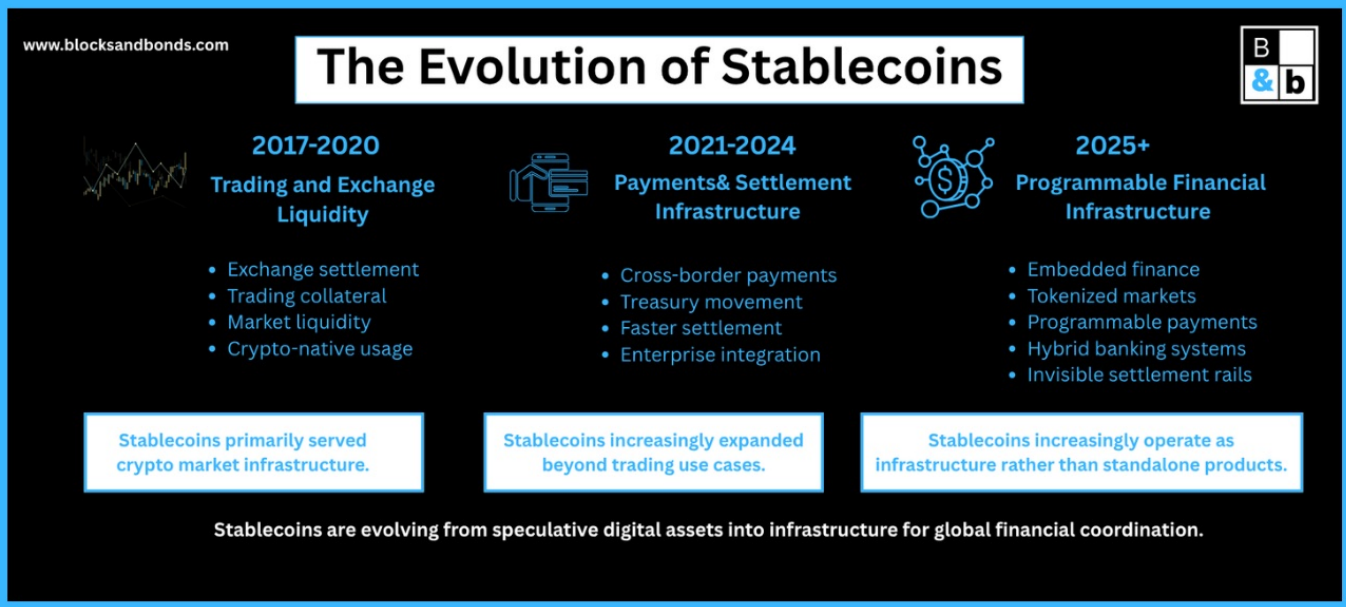
Stablecoin issuers and tokenized-asset providers increasingly compete on the quality of their underlying financial architecture. Institutional users ask how reserves are held, how redemption works under stress, which banking and custodial partners support the system, how transactions are monitored, and whether the infrastructure can scale across jurisdictions[4] [5].

These questions pull the sector toward the same characteristics that support other critical financial networks: trust, reliability, liquidity, interoperability, and governance. Attention may accelerate adoption, but attention alone does not produce durable infrastructure.

A hybrid system, not a clean replacement

The first half also weakened the assumption that blockchain networks will simply displace traditional institutions. In practice, the emerging architecture is hybrid. Banks remain central to reserve custody, access to fiat liquidity, identity, compliance, and enterprise onboarding. Asset managers provide regulated investment products. Payment companies abstract away blockchain complexity. Public and permissioned networks provide new settlement and ownership rails.[6]

The infrastructure may change faster than the institutional map. The likely transition is therefore less a wholesale replacement of finance than a gradual rebuilding of selected functions on programmable rails.



2. Stablecoins and the Expansion of Digital Payment Rails

Stablecoins remained the clearest bridge between crypto-native markets and the broader financial system during the first half of 2026. Their original role—as dollar-denominated liquidity for exchanges and decentralized finance—remains important. Their emerging role is broader: continuously available settlement infrastructure that can be embedded within payment, treasury, and software systems.

The attraction is operational. Cross-border payments still depend on fragmented correspondent networks, prefunded accounts, limited settlement windows, foreign-exchange coordination, and reconciliation across multiple ledgers[7]. Stablecoins do not remove every legal, compliance, or liquidity constraint, but they can compress parts of this process into a shared digital settlement layer[8].

Enterprise utility is replacing crypto novelty

The most relevant adopters are increasingly payment firms, fintech platforms, global marketplaces, multinational companies, and financial institutions—not only crypto companies. Their use cases include supplier settlement, contractor payouts, treasury rebalancing, merchant settlement, and movement of liquidity between operating entities.

For these users, the value proposition is not ideological. It is the possibility of faster movement of funds, broader operating hours, greater visibility into cash positions, and lower reconciliation costs. Adoption will depend on whether those gains exceed the costs of compliance, conversion, integration, and balance-sheet risk.

Institutional Adoption in Practice

Stablecoin Payments Are Moving Into Mainstream Financial Infrastructure

Recent initiatives from ***Mastercard and ClearBank*** illustrate how stablecoins are moving beyond crypto trading and into regulated payment and settlement infrastructure. In March 2026, Mastercard announced an agreement to acquire stablecoin infrastructure provider BVNK for up to $1.8 billion. BVNK's technology is intended to help Mastercard connect blockchain-based stablecoin payments with its existing fiat payment network, expanding support for use cases involving stablecoins, tokenized deposits, and other digital assets.[1]

ClearBank is approaching the same transition from the banking side. The regulated financial institution is developing infrastructure that allows fintechs and payment companies to use stablecoins such as USDC and EURC alongside conventional bank accounts and fiat payment rails. Its model combines blockchain-based transfers with regulated on- and off-ramps, allowing stablecoins to function as a rapid, continuously available transport layer while funds ultimately enter or leave the system through traditional banking infrastructure.[2]

Together, these examples demonstrate that stablecoin adoption is increasingly taking the form of hybrid financial architecture. Payment networks, banks, and digital-asset infrastructure providers are not necessarily replacing fiat systems; they are connecting stablecoin rails to them in order to improve cross-border settlement, liquidity movement, and payment availability.

Payments are becoming software systems

Traditional payment systems separate messaging, settlement, compliance, reconciliation, and reporting. Programmable settlement can coordinate more of these functions within a single workflow. A payment can be initiated by software, screened against policy, settled on a shared ledger, and reflected in reporting systems with fewer manual handoffs.

The deeper transformation is therefore not simply that money becomes digital. Bank deposits have been digital for decades. The change is that financial instructions, assets, and settlement conditions can increasingly operate within the same programmable environment.

"The deeper transformation is not the digitization of money. It is the programmability of financial coordination."

Infrastructure becomes invisible

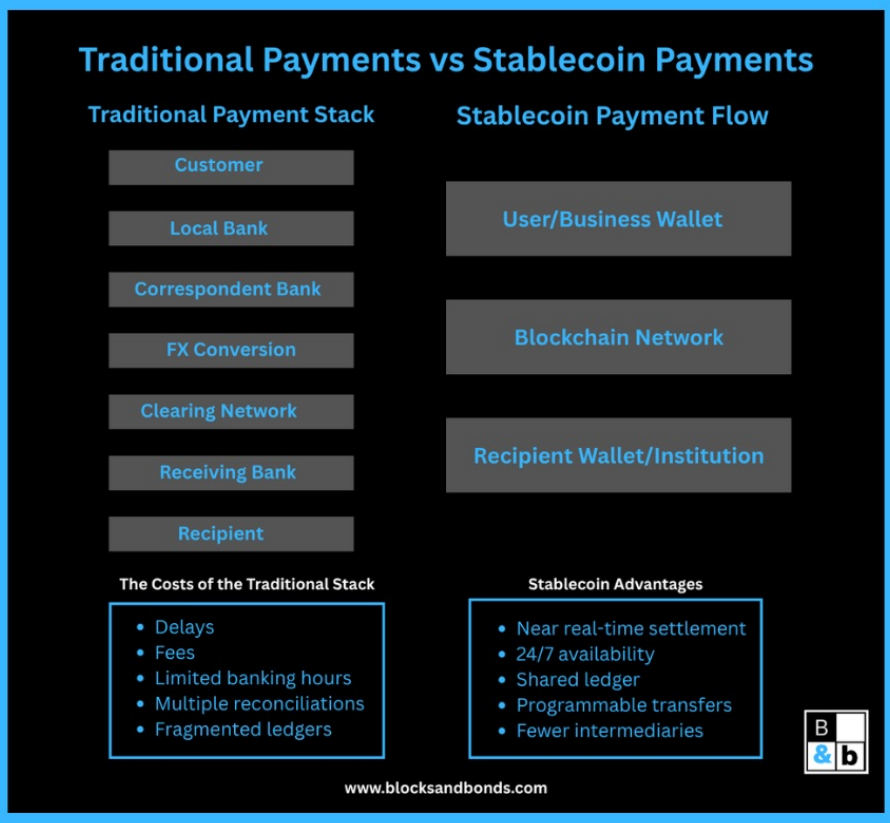
Stablecoin adoption is also becoming less visible to the end user. Early crypto products required direct interaction with wallets, exchanges, and blockchain interfaces. Institutional-grade products increasingly hide those layers inside payment applications, banking interfaces, treasury tools, and enterprise software.

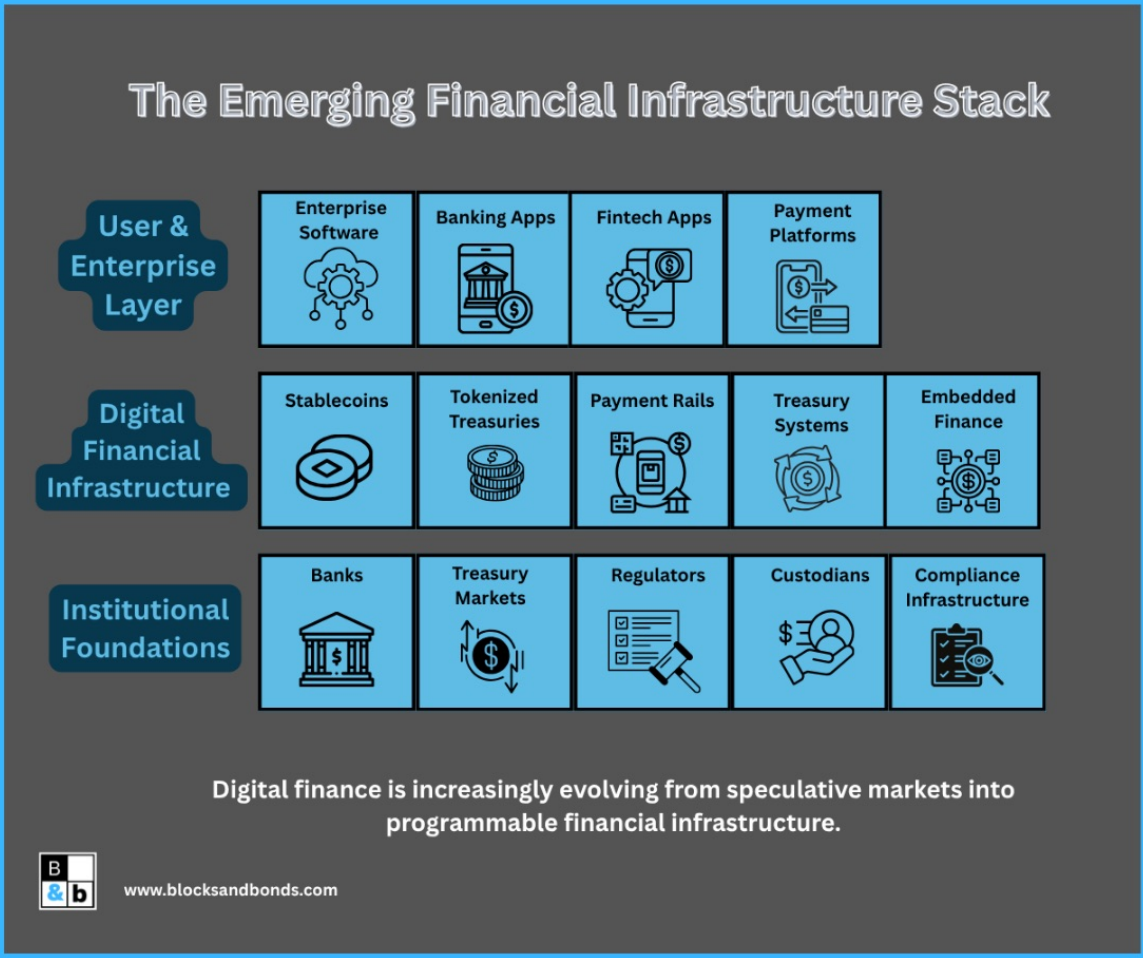
That abstraction is a sign of maturation. Users do not need to understand routing protocols to use the internet or clearing networks to make a card payment. Stablecoins may follow the same pattern: operationally important beneath the interface, but largely invisible within the customer experience.

Competition for the rails

As stablecoins expand, competition is shifting from individual tokens to the broader rails that support issuance, distribution, custody, interoperability, compliance, and conversion. Blockchain networks, banks, stablecoin issuers, payment providers, custodians, and fintech platforms are all competing to occupy positions within the same stack.

The strongest positions may accrue to firms that control distribution or provide indispensable coordination across multiple layers. Issuance alone is not necessarily the most defensible source of value[9]; integration, liquidity, and trusted access may matter more.





3. Treasury Markets, Tokenized Liquidity, and the Digital Dollar Stack

The second major structural development was the continued convergence of stablecoins with Treasury and money-market infrastructure. This is where digital assets become directly connected to the liquidity foundations of the traditional dollar system.

Fiat-backed stablecoins commonly hold reserves in cash, short-duration Treasury securities, Treasury-backed repurchase agreements, and money-market instruments[10]. At the same time, tokenized Treasury and money-market products bring yield-bearing government debt into blockchain-based markets. The two categories increasingly reinforce one another: stablecoins provide settlement liquidity, while Treasuries provide reserve assets, collateral, and yield[11].

Reserve management is becoming institutional treasury management

The quality of reserve management is now a core source of stablecoin credibility. The relevant questions are familiar to any cash-management operation: asset quality, duration, concentration, liquidity under stress, custody, and the speed and certainty of redemption.

This is a meaningful departure from the opacity of earlier market phases. It also creates a direct channel through which stablecoin growth can affect demand for short-duration government debt and, at sufficient scale, the structure of dollar liquidity markets[12].

Tokenized Treasuries move yield on-chain

Tokenized Treasury and money-market products combine conventional fixed-income exposure with digital ownership and settlement[13]. Their attraction is not primarily speculative. They offer on-chain investors and institutions a way to hold short-duration yield-bearing assets that can potentially move more quickly, operate for longer hours, and serve as collateral within digital markets.

The operational promise is significant, but the legal and market structure remain layered. The token is not the Treasury security itself in a simple sense; it represents rights[14] mediated by fund structures, custodians, transfer agents, eligibility rules, and redemption processes[15]. The quality of those connections determines whether tokenization creates genuine mobility or merely a digital wrapper around conventional constraints[16].

Liquidity becomes programmable

Tokenized cash and collateral can operate inside shared software environments. In principle, this enables automated collateral calls, conditional settlement, intraday liquidity management, and closer integration between treasury, trading, and reporting systems.

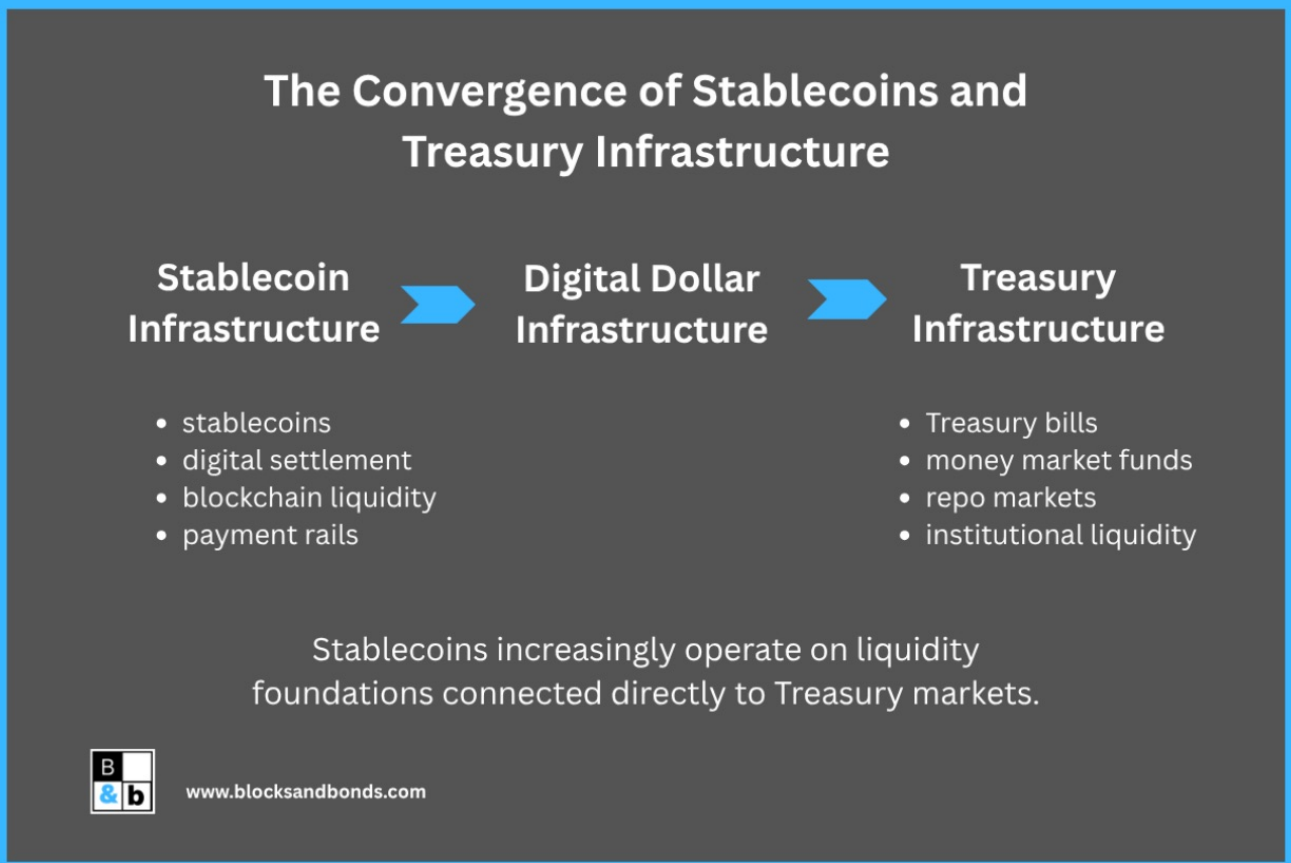
The important change is not simply faster transfer. It is the ability to coordinate ownership, settlement, and business rules on the same infrastructure. That could matter across repo, derivatives, securities settlement, and institutional collateral management—provided legal finality and operational resilience keep pace with technical capability.

The rise of yield-bearing digital dollars

AStablecoins emphasize par value and transactional liquidity; tokenized Treasury products add yield. The convergence of these functions could reshape expectations for digital cash. Users may increasingly compare products across settlement speed, programmability, liquidity, regulatory treatment, and return rather than treating "stablecoin" and "money-market fund" as entirely separate categories[17].

This convergence also creates regulatory and competitive tension. A payment instrument, a deposit-like product, and an investment fund carry different risks and obligations even when their interfaces begin to look similar.

"Stablecoins create digital liquidity rails; Treasuries provide reserve credibility; tokenized funds bring yield and collateral into the same programmable environment."



4. Regulation, Banks, and the Institutionalization of Digital Infrastructure

Infrastructure does not scale on technology alone. It requires rules, counterparties, governance, risk controls, and access to regulated liquidity. The first half of 2026 therefore reinforced a second transition: digital-asset markets are becoming more institutionally formalized.

Stablecoins are being regulated as infrastructure

As stablecoins move into payments and treasury operations, policy attention shifts toward reserve composition, redemption rights, operational resilience, custody, anti-money-laundering controls, sanctions compliance, and systemic liquidity. This is different from regulating a speculative asset solely through disclosure or trading rules[18].

The direction is toward formalization. That can raise barriers to entry, but it can also increase institutional confidence by clarifying which issuers, intermediaries, and products can operate at scale.

Banks are participants, not bystanders

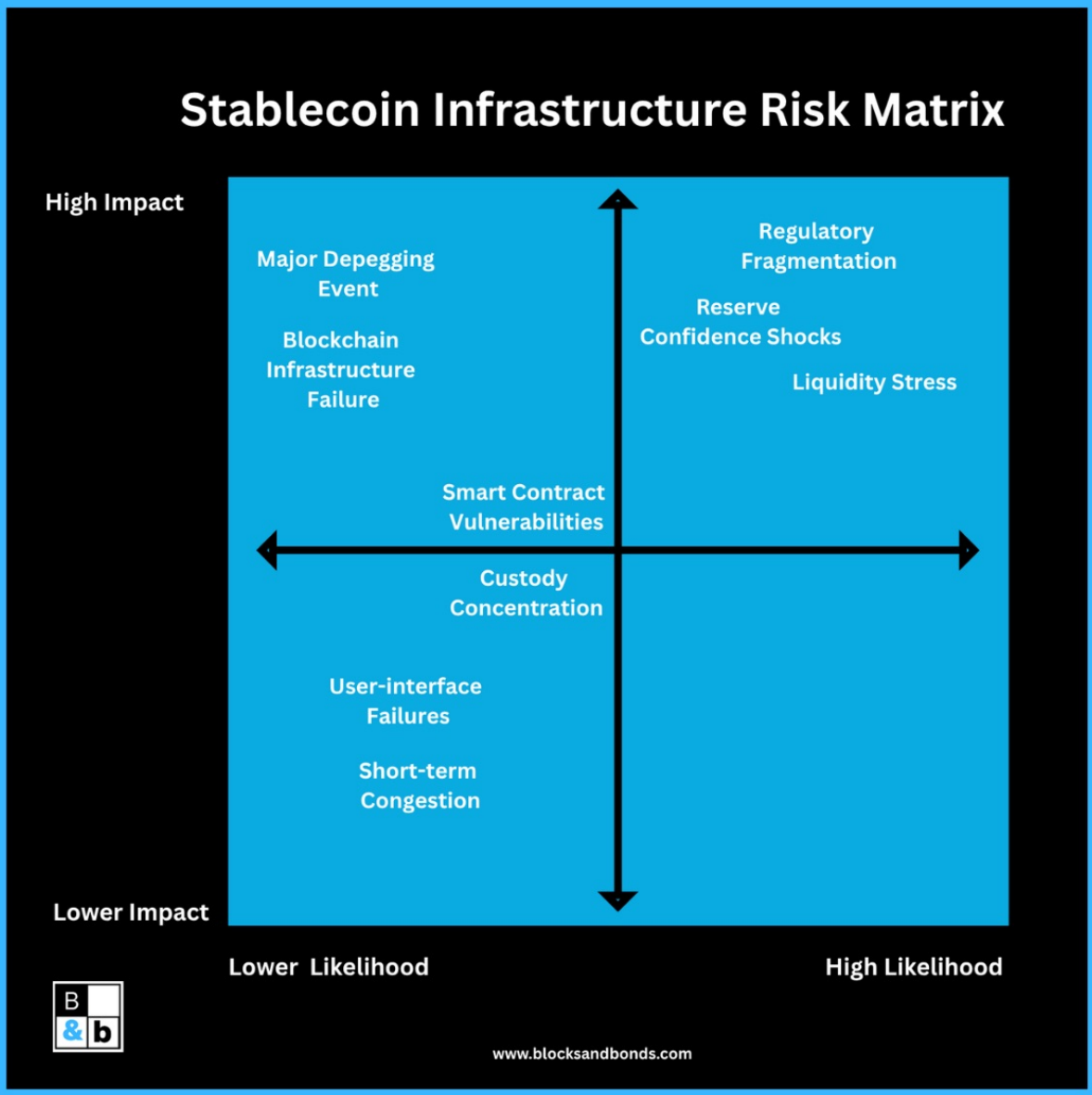
Banks continue to provide reserve custody, fiat access, liquidity, identity, compliance, and enterprise distribution. Some are also developing tokenized deposits, permissioned settlement networks[19], and digital cash products of their own[20].

This does not mean banks will control every layer. Public blockchains and non-bank issuers can provide capabilities that bank-led systems do not. But the institutional architecture is likely to be plural rather than binary: bank money, stablecoins, tokenized funds, and central-bank settlement assets may coexist and interoperate in different contexts.

Compliance is becoming part of product design

Institutional systems require transaction monitoring, sanctions screening, identity controls, auditing, fraud detection, and reporting[21]. These functions are becoming embedded into platforms and workflows rather than added after deployment.

This shift complicates the early narrative that blockchain finance would be defined primarily by anonymity and disintermediation. In institutional markets, traceability and programmable controls may be part of the value proposition. At the same time, greater monitoring raises legitimate questions about privacy, censorship, data governance, and concentration of power. A credible report should acknowledge both sides[22].



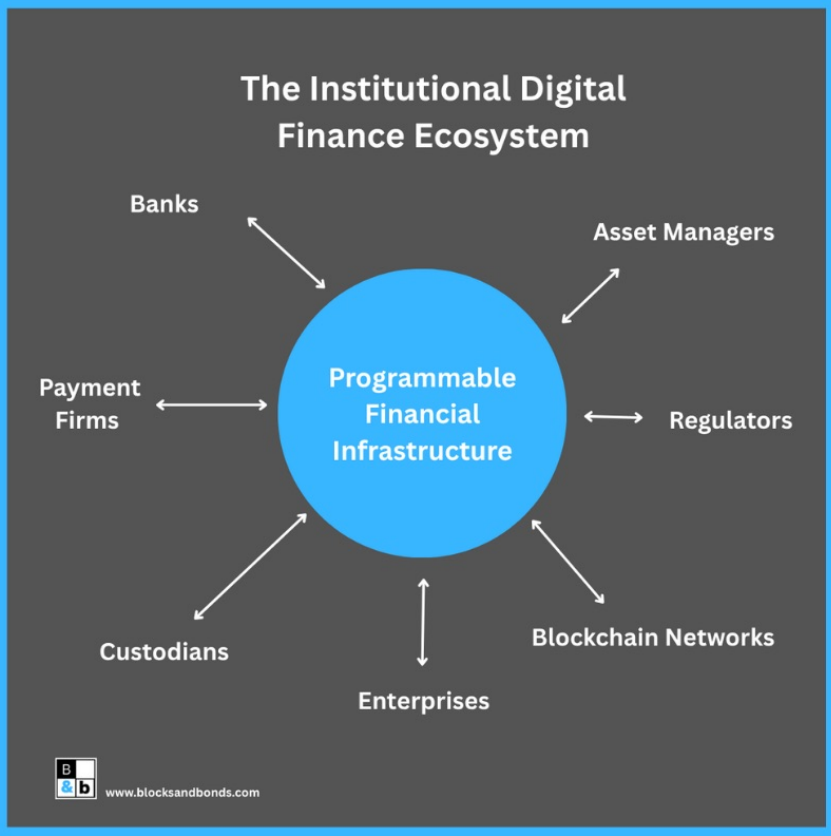
Fragmentation remains a constraint

Regulatory approaches still differ across jurisdictions. Payment regulation, banking law, securities rules, money-transmission requirements, custody standards, and tax treatment do not align neatly[23]. This fragmentation increases the cost of building globally interoperable products and may encourage regionally segmented infrastructure.

Technical interoperability is therefore only one part of the problem. Legal interoperability—recognition of ownership, settlement finality, redemption rights, and supervisory responsibility—may be equally important.

Competitive advantage shifts toward institutional integration

As the market formalizes, durable advantage increasingly comes from liquidity access, banking relationships, regulated distribution, compliance integration, interoperability, and operational reliability. These capabilities are harder to build than a token or front-end application, and they tend to compound once an infrastructure provider becomes embedded in customer workflows.



"The future financial system increasingly appears hybrid rather than purely decentralized."

5. The Emerging Financial Architecture

The first half of 2026 did not produce a fully integrated digital financial system. Infrastructure remains fragmented, adoption is uneven, and many projects are still pilots. But the direction is increasingly visible: stablecoins, tokenized assets, regulated intermediaries, and programmable settlement are being assembled into a broader financial architecture.

The significance of this transition lies less in the creation of a parallel crypto economy than in the modernization of selected functions within the existing system. Value movement, collateral, liquidity, compliance, and reporting can increasingly be coordinated through software and shared ledgers.

Programmability is the unifying thesis

Payments, treasury, settlement, collateral, compliance, and reporting have historically operated across separate systems. Digital financial infrastructure can bring these functions into closer coordination. The result could be automated settlement, dynamic collateral management, machine-readable compliance, and financial products that interact directly with enterprise workflows.

This is why the infrastructure thesis extends beyond stablecoins. Stablecoins are one settlement asset within a larger transition toward programmable ownership and financial execution.

Interoperability will determine scale

Earlier crypto markets rewarded isolated ecosystems and proprietary network effects. Institutional finance depends more heavily on compatibility, shared standards, legal clarity, and reliable connections between systems[24]. The ability to move assets and information across banks, blockchains, custodians, payment networks, and enterprise platforms may matter more than dominance within any single chain.

Interoperability, however, should not be treated as a purely technical achievement. It must include consistent identity, compliance, legal rights, operational responsibility, and settlement finality.

The digital dollar stack is becoming layered

A layered digital dollar system is emerging across stablecoins, tokenized money-market products, bank deposits, payment applications, reserve assets, and blockchain settlement networks. Different instruments may serve different functions: transactional liquidity, savings, collateral, institutional settlement, or cross-border access.

The strategic question is therefore not whether one instrument replaces all others. It is which combinations achieve the best balance of liquidity, safety, usability, compliance, and distribution—and which providers become the connective tissue between them.

The technology may disappear into the product

Mature infrastructure often becomes invisible. Users rarely think about ACH, correspondent banking, cloud architecture, or internet routing. They experience speed, reliability, access, and cost. Blockchain-based finance may reach its broadest adoption when “blockchain” is no longer the primary product description, but a settlement or ownership layer embedded beneath familiar applications.

“Infrastructure maturity arrives when the technology becomes operationally essential but commercially invisible.”

The Emerging Stablecoin Distribution Stack

Stablecoins operate through interconnected financial, technical, and regulatory infrastructure layers.

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Conclusion: The Infrastructure Thesis at Midyear

The defining shift of 2026 is not the rise of a new class of speculative assets, but the gradual integration of programmable settlement, tokenized liquidity, and stablecoin infrastructure into the financial system itself.

The first half of 2026 strengthened the case that digital finance is entering an infrastructure phase. Stablecoins are expanding beyond exchange liquidity; Treasury-backed reserves and tokenized money-market products are connecting on-chain markets to traditional dollar liquidity; banks and payment companies are building hybrid distribution and settlement models; and regulation is defining the conditions under which these systems can scale.

The transition remains incomplete. Stablecoins still carry reserve, liquidity, governance, concentration, and financial-integrity risks. Tokenized assets still depend on legal structures and intermediaries that can limit the benefits of on-chain transfer. Regulatory fragmentation can divide markets rather than connect them. Technical programmability does not, by itself, create legal certainty or institutional trust.

Even with those constraints, the direction is consequential. The market is gradually moving from a focus on digital assets as speculative instruments toward digital infrastructure as an operating layer for payments, liquidity, collateral, and financial coordination.

The defining question for the next phase is no longer simply which assets will succeed. It is which infrastructure systems will become trusted, interoperable, compliant, and embedded deeply enough to shape the future architecture of global finance[25].

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