



THE BLOCK

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The rise of stablecoins

December 3rd, 2020



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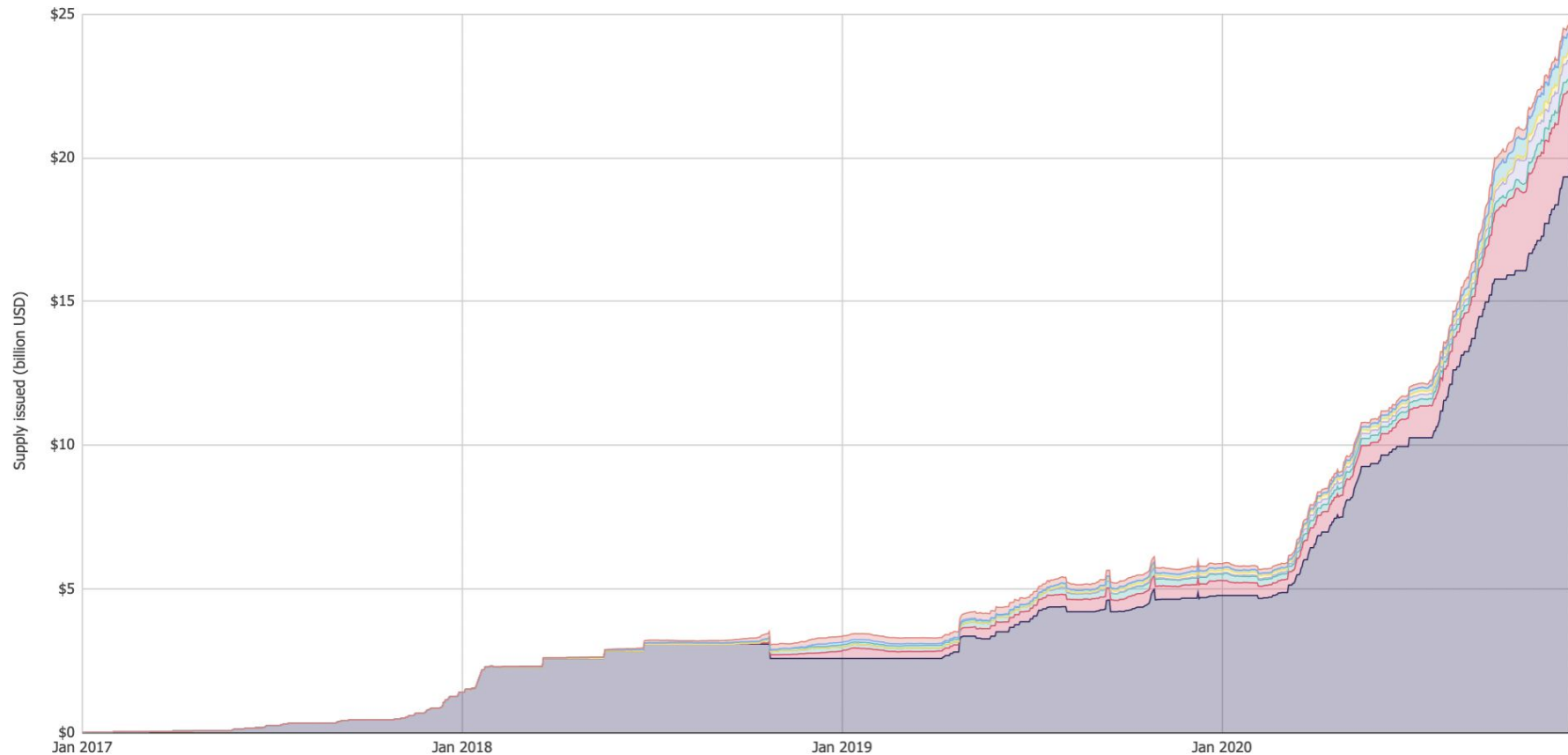
Growth in charts

December 3rd, 2020



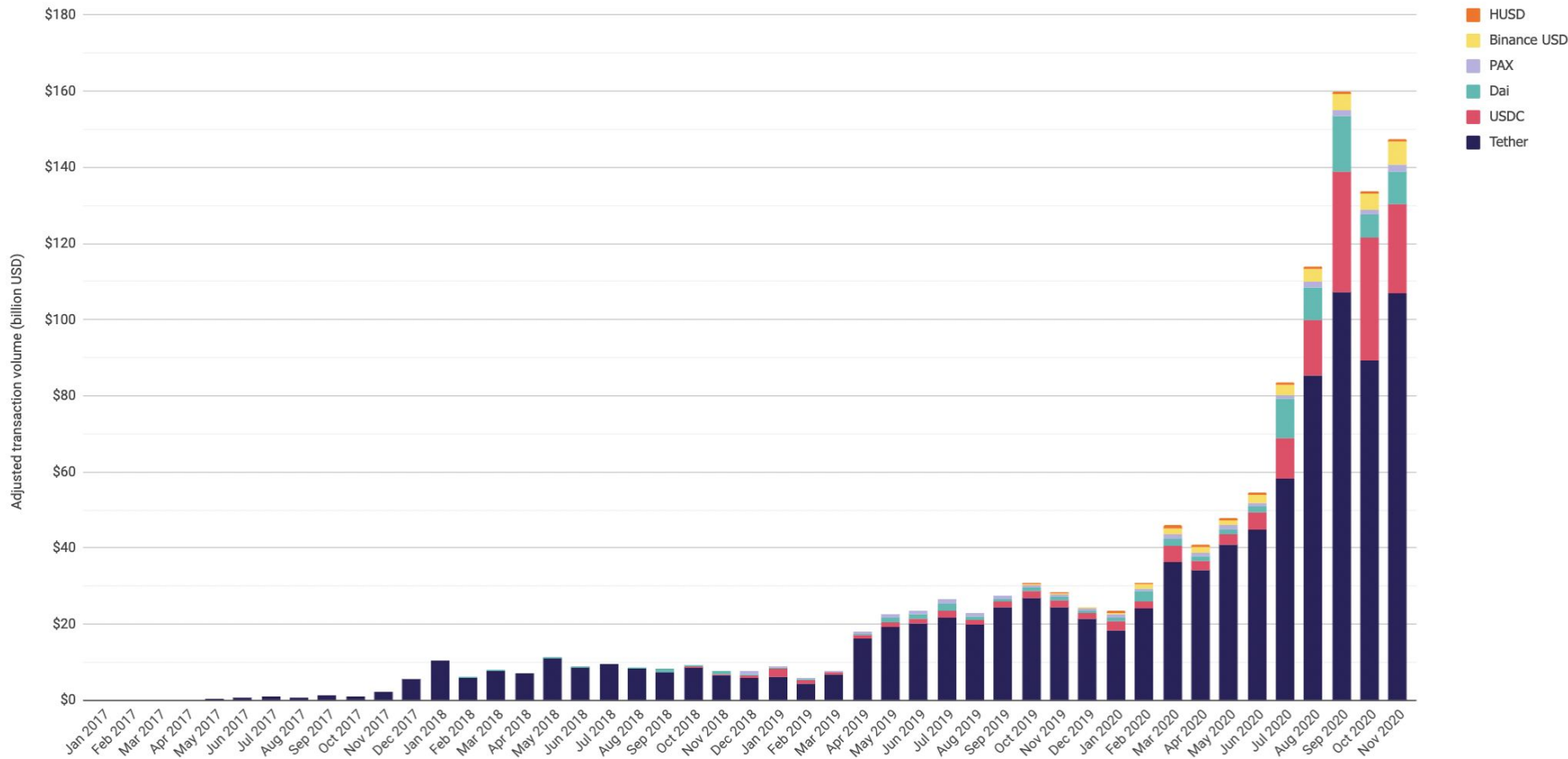
Aggregate supply issued of stablecoins

TrueUSD Gemini dollar Dai HUSD Binance USD PAX USDC Tether



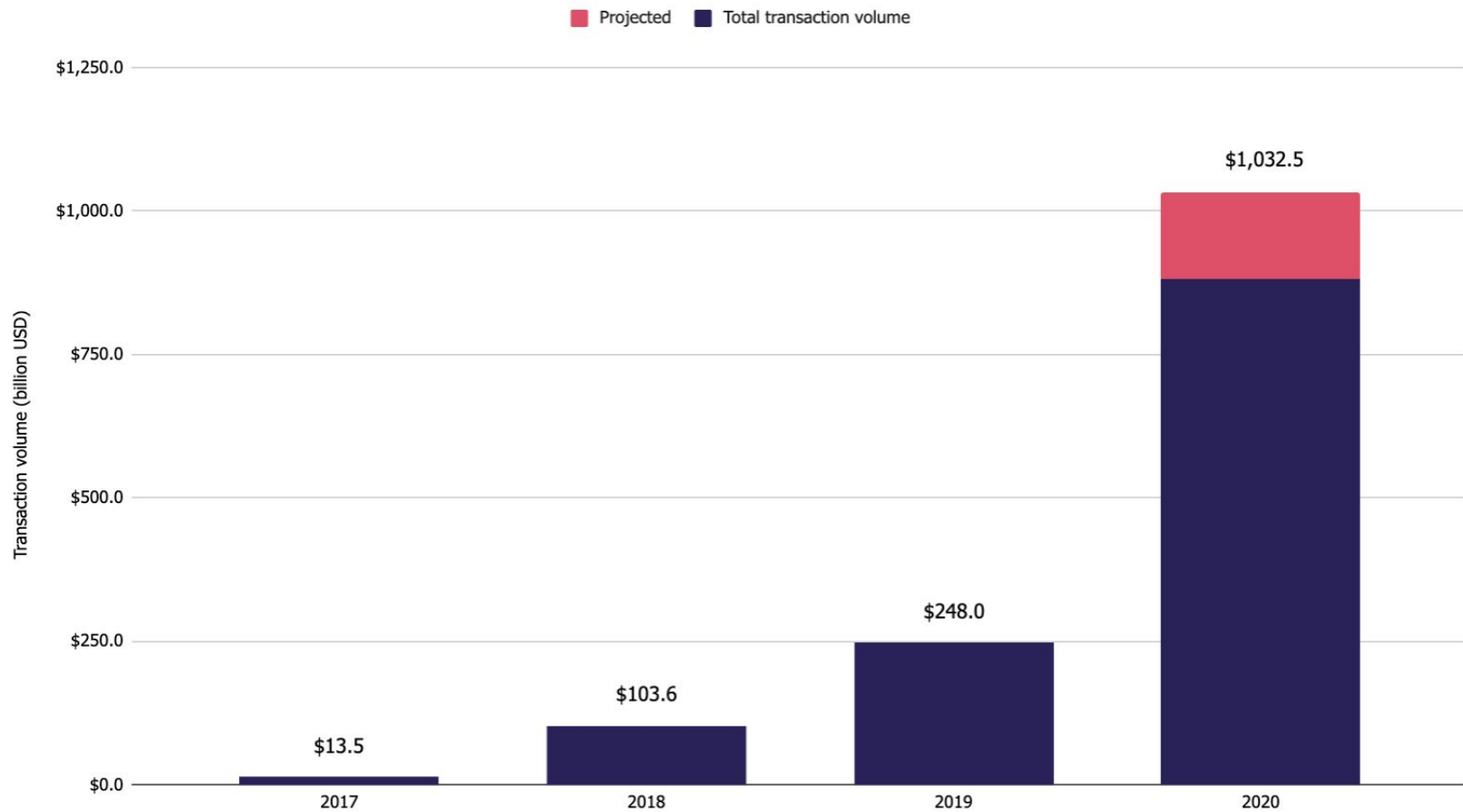


Adjusted transaction volume of stablecoins





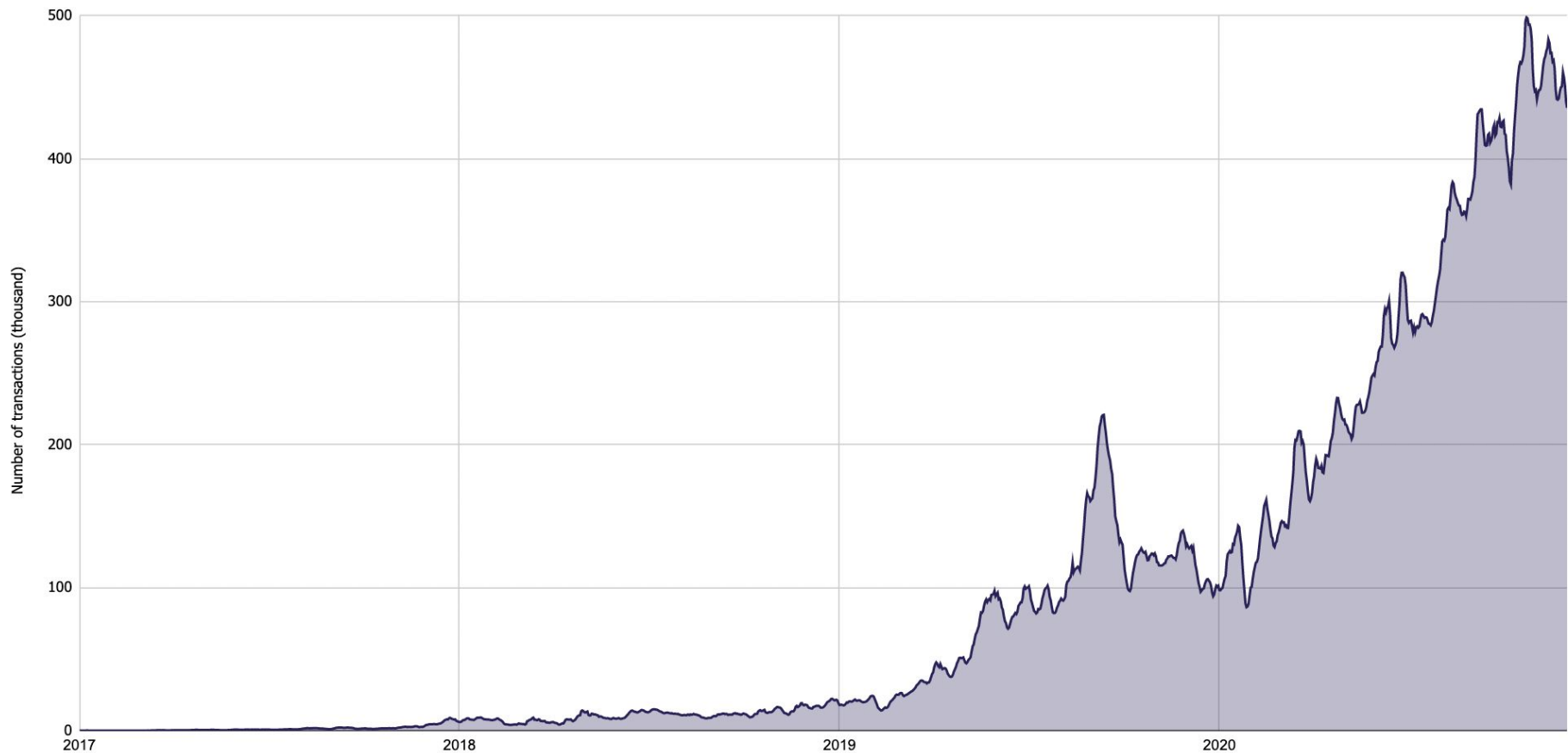
Transaction volume of stablecoins





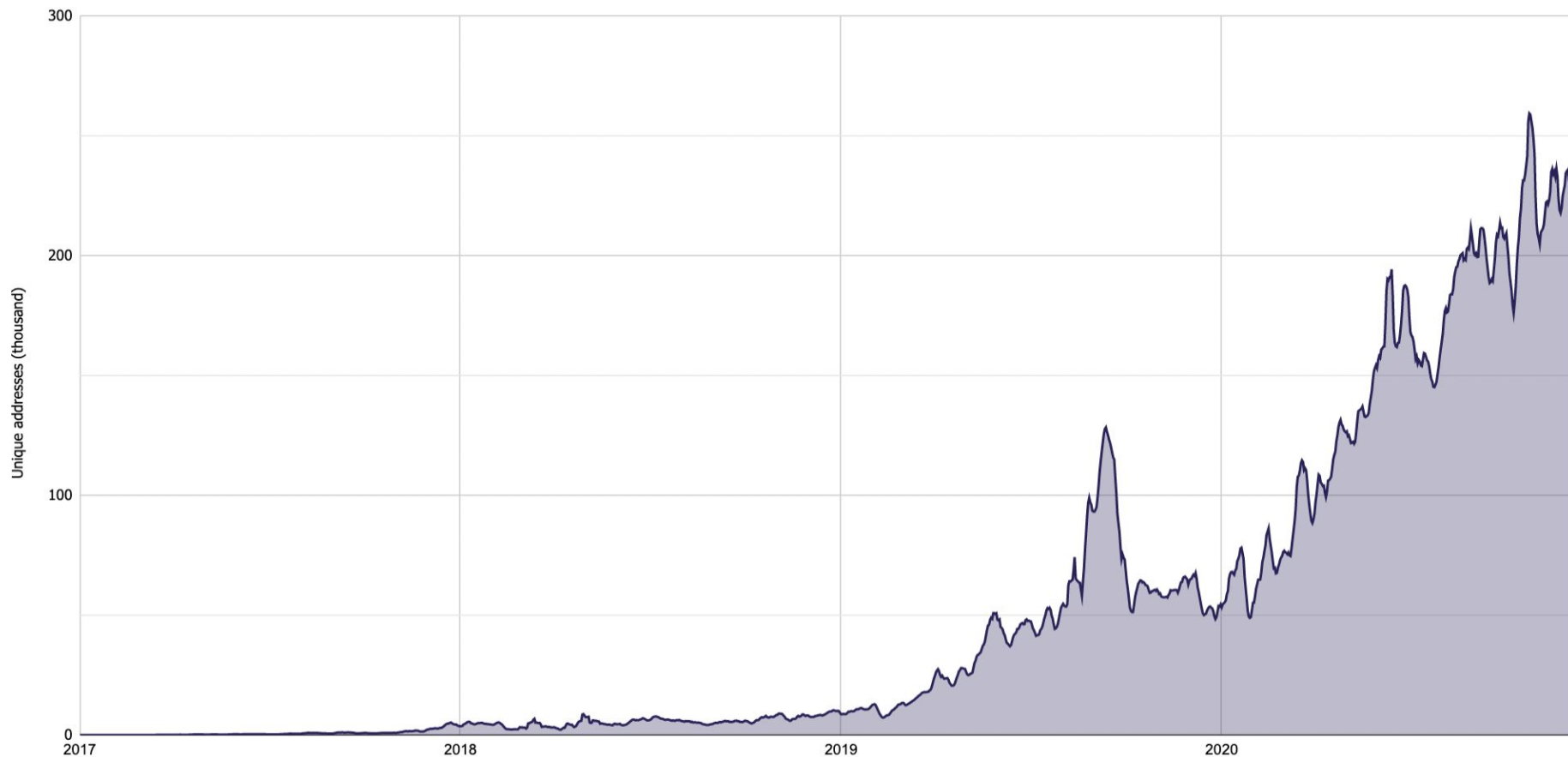
Daily on-chain transactions involving stablecoins

7-day rolling average

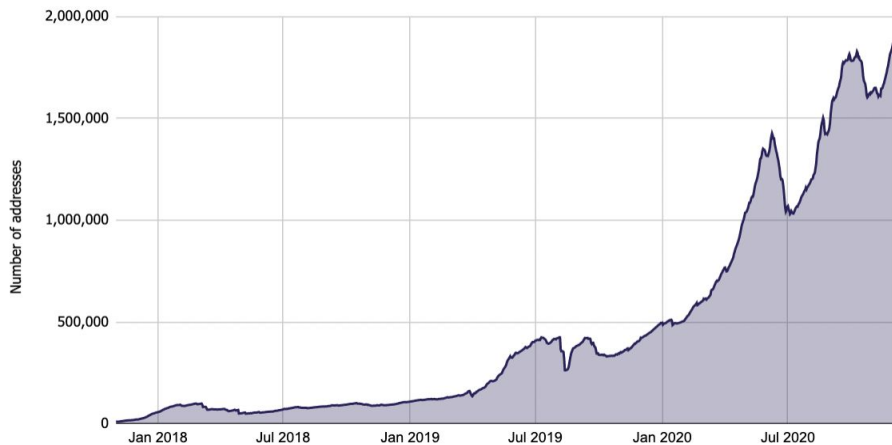




7-day rolling average



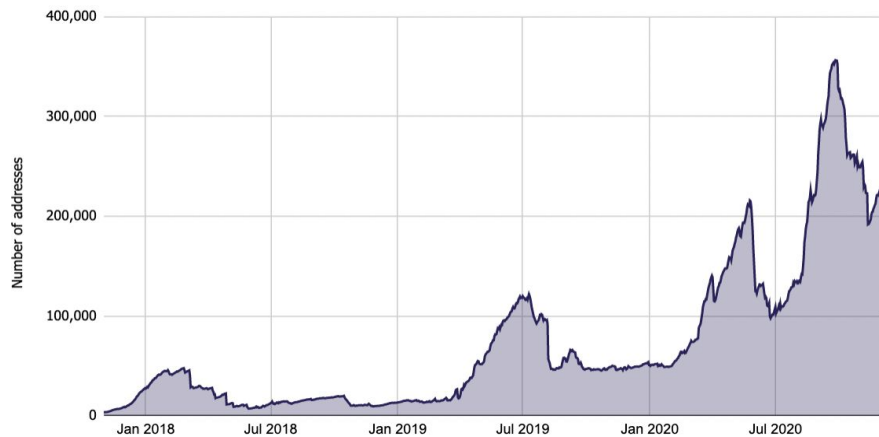
Number of addresses holding more than \$10 in stablecoins



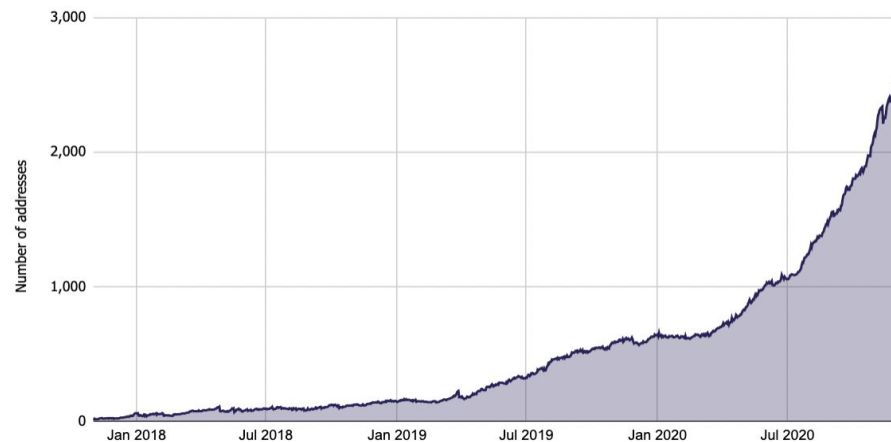
Number of addresses holding more than \$100 in stablecoins



Number of addresses holding more than \$1k in stablecoins



Number of addresses holding more than \$1 million in stablecoins





Stablecoins vs. PayPal payments

- PayPal had **\$712 billion payments volume** in 2019 generated through **12.36 billion transactions**
 - Average payment size = \$57.60
- Stablecoins are on track to have volume of **>\$1 trillion in 2020** with **~110 million transactions**
 - Average size is ~\$9,100



Growth in 2020

- Supply grew from \$5.9 billion to **\$24.8 billion** (322% growth)
- Transaction volume grew from \$248 billion to **more than a trillion dollars** (316% growth)
- Number of addresses holdings >\$100 grew from ~284k to **~856k** (201% growth)
- Daily active addresses grew from ~53k to **~230k** (332% growth)
- Daily number of transactions grew from ~98k to **~436k** (343% growth)



Reasons for growth?

1. Miners who borrowed Tether against Bitcoin **needed to repay debt** due to March price crash
2. The popularity of **stablecoin-collateralized derivatives** grew dramatically
3. Explosion of **DeFi and the yield farming** food token craze
4. **Bitcoin losing its lead as a base currency** in spot trading; stablecoins becoming the base
5. A **flight to liquidity** as investors exited risk-on investments in March



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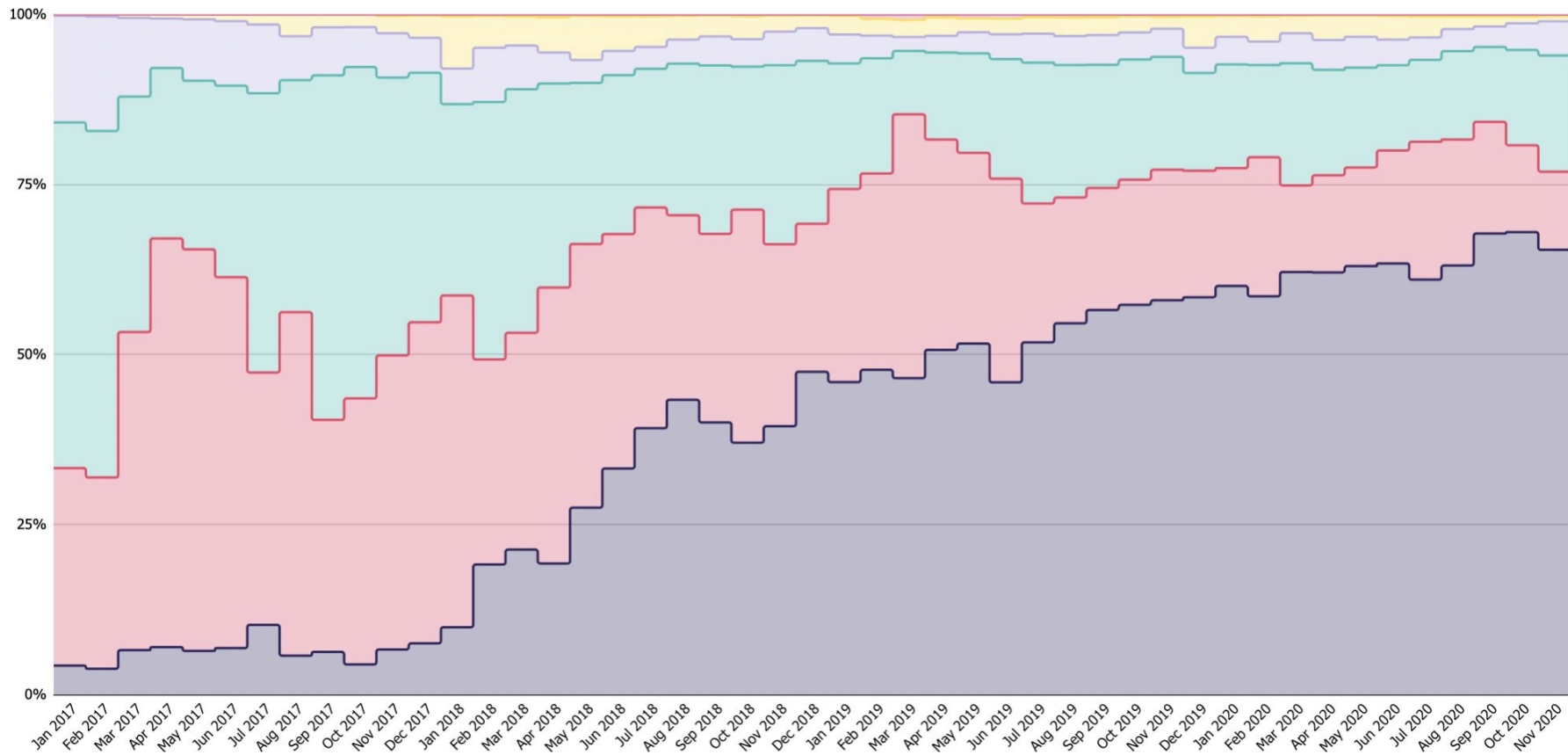
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Market structure

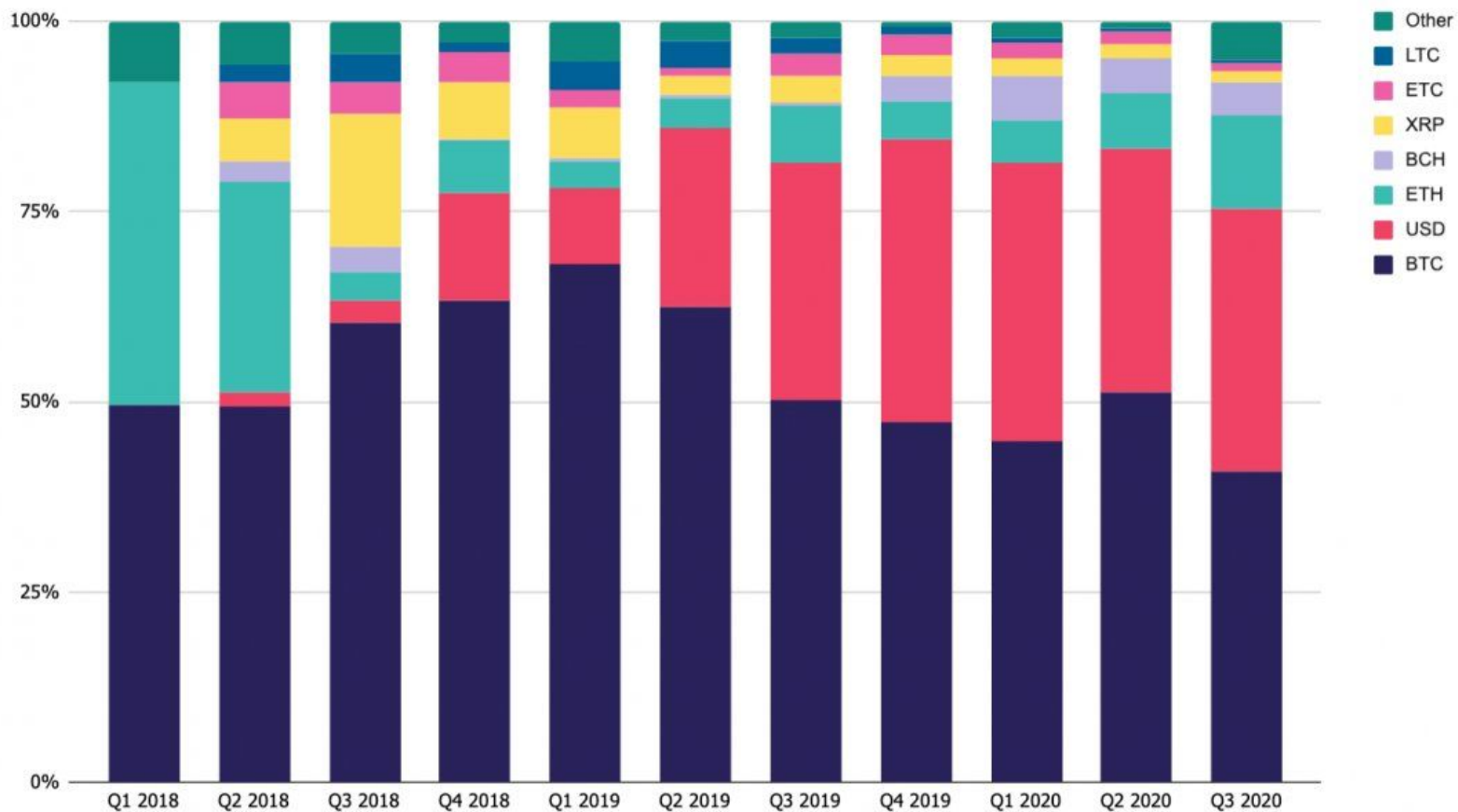
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Share of trade volume by pair denomination

BNB Ethereum EUR USD Bitcoin Stablecoins

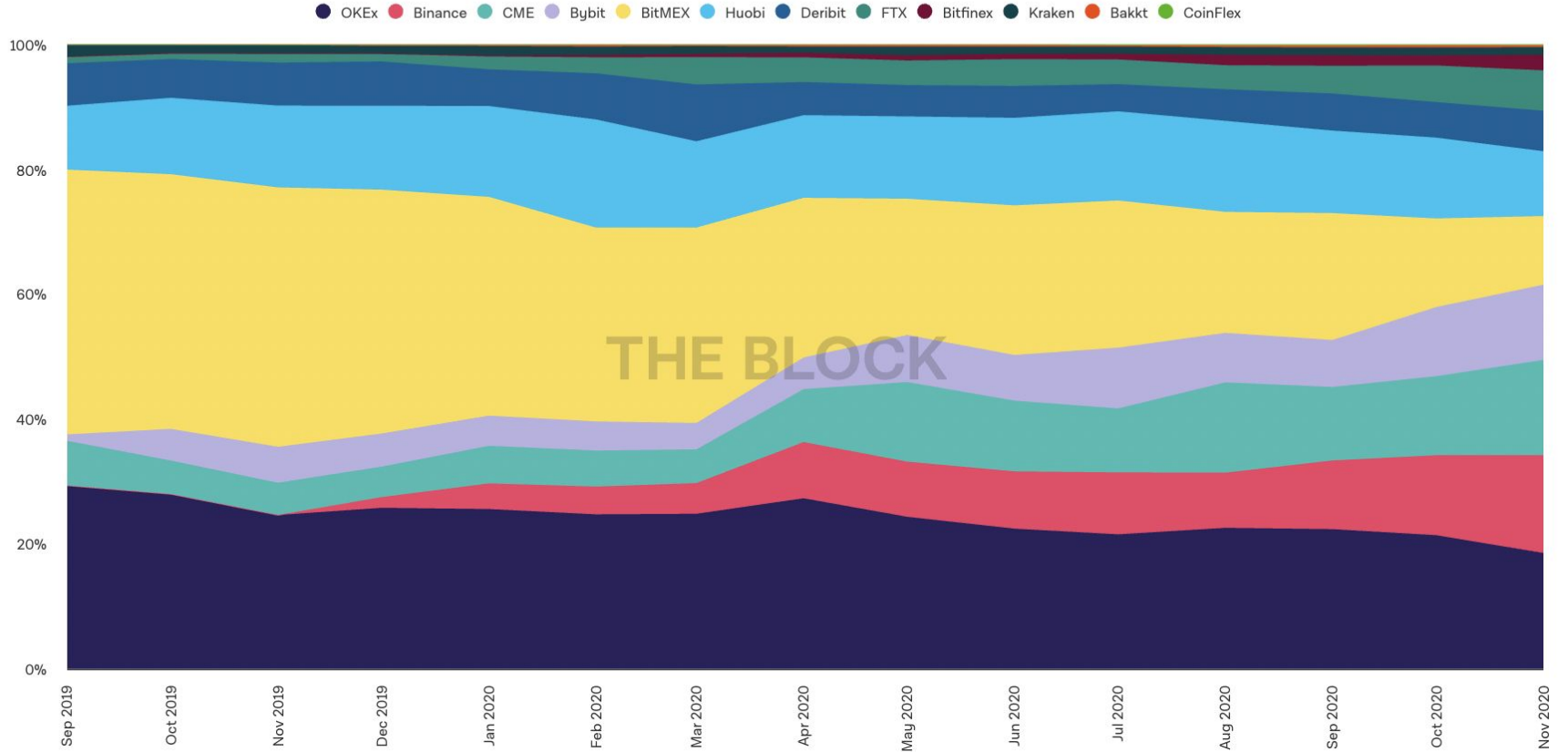


Loan composition of Genesis Trading





Share of Open Interest across Bitcoin Futures





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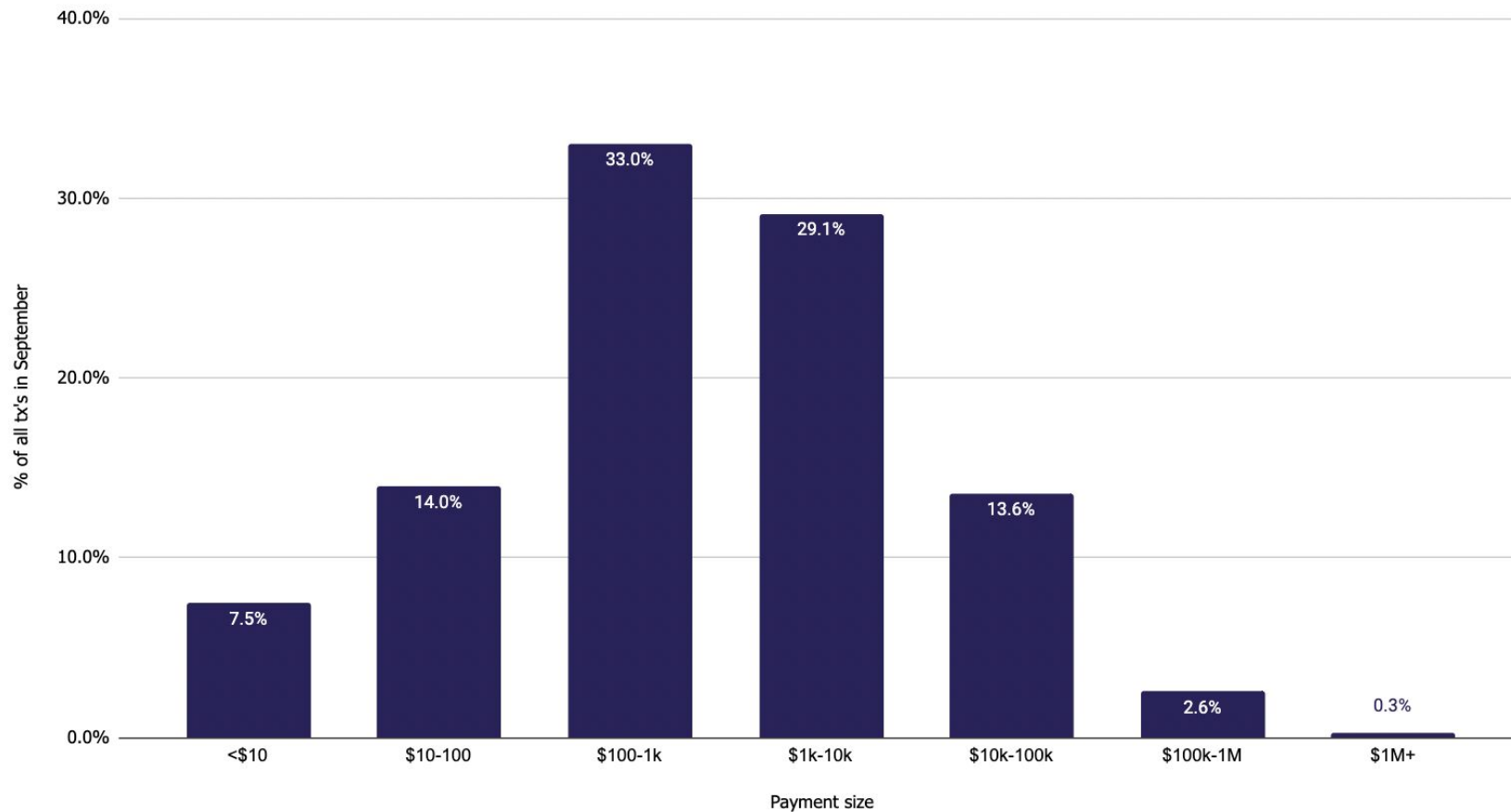
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User behavior

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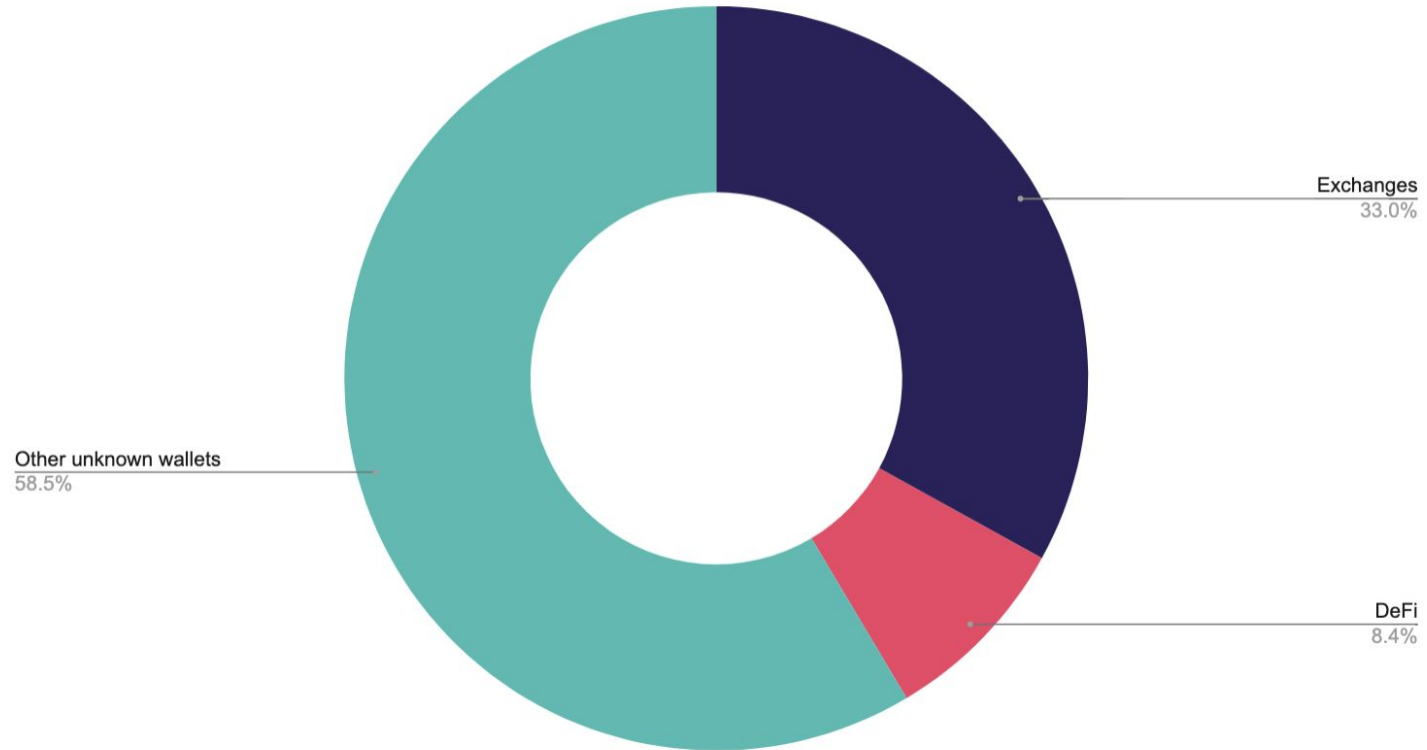
Share of stablecoin transactions based on value

November 2020



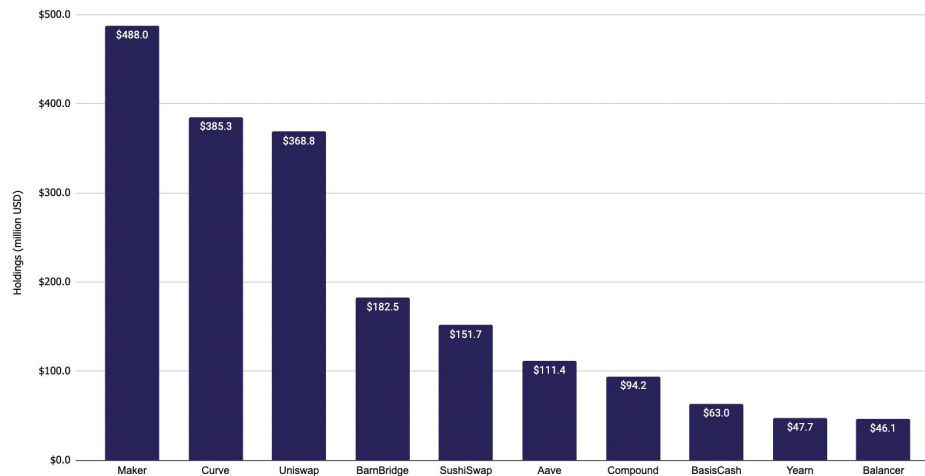
Share of stablecoins' supply based on location

Total supply as of the end of November is \$24.8 billion



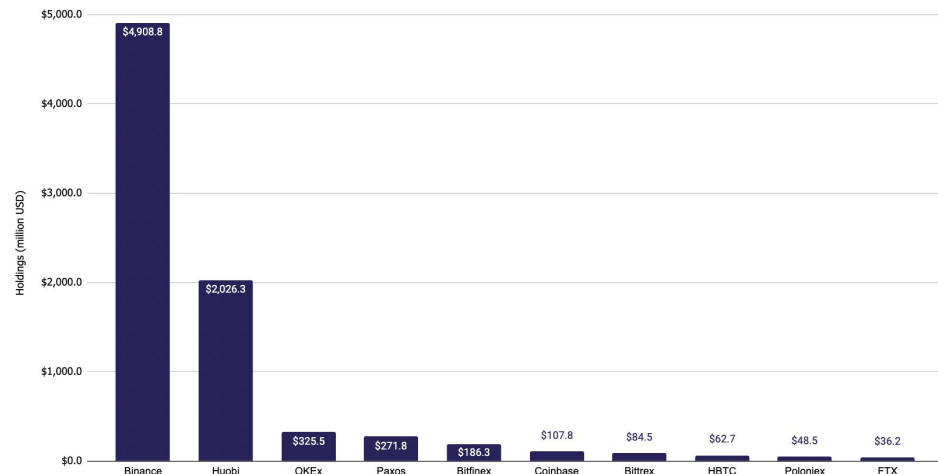
Stablecoin holdings by top 10 DeFi protocols

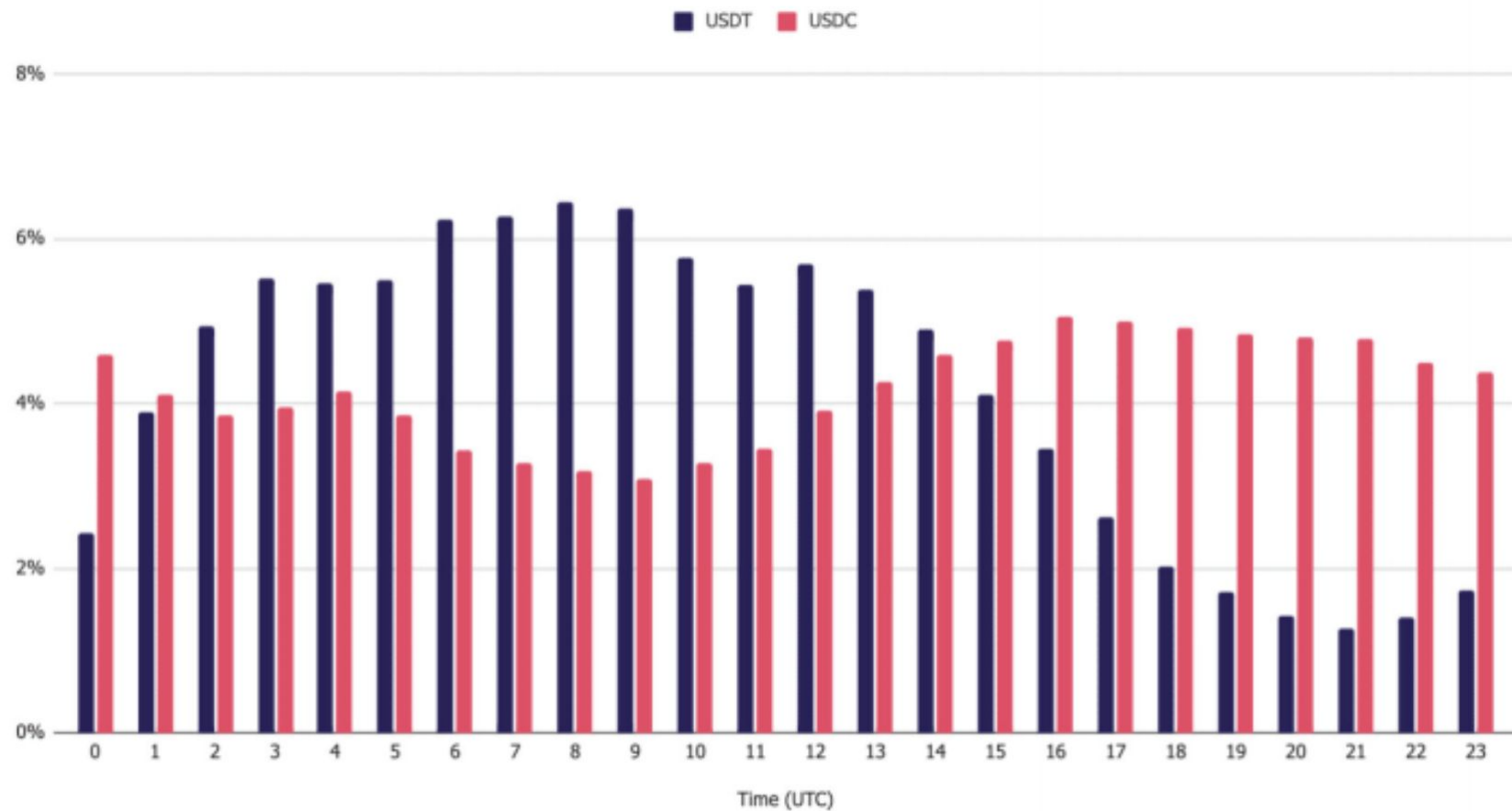
Total: \$2.09 billion



Stablecoin holdings by top 10 exchanges

Total: \$8.19 billion







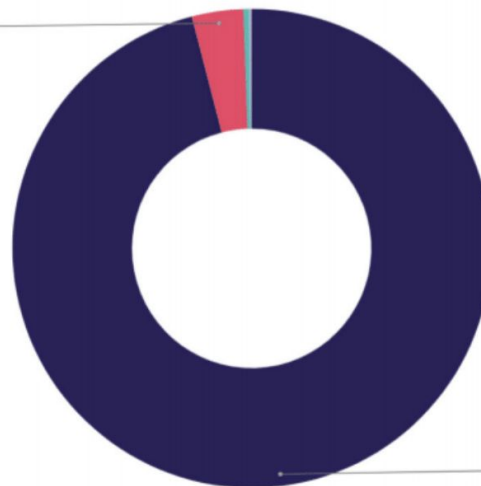
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Categorization

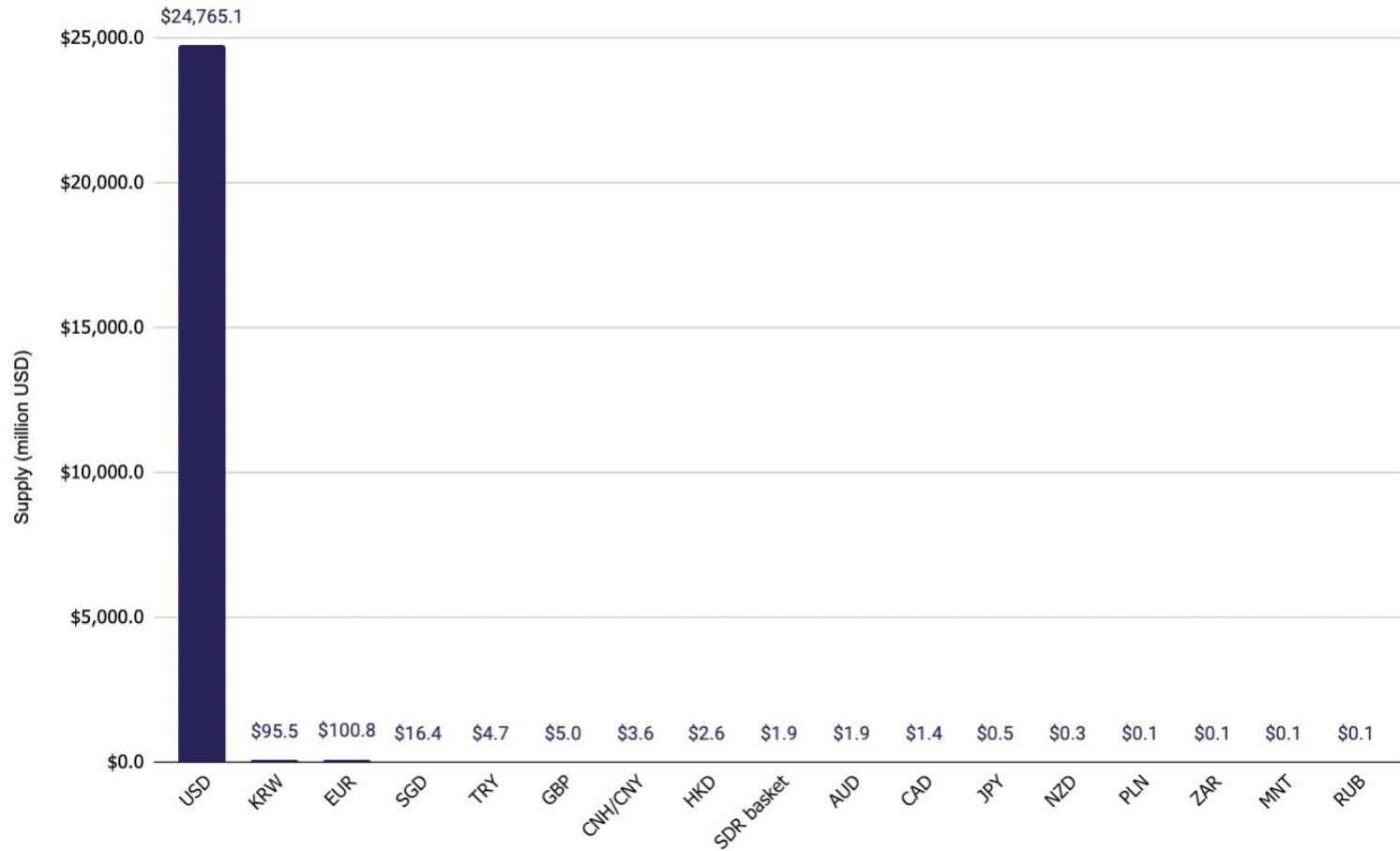
	RISKS	BENEFITS
Fiat-collateralized	<ul style="list-style-type: none"> • Counterparty risk • Government/regulatory intervention • Freezable for unknown reasons" 	<ul style="list-style-type: none"> • The most stable • The most scalable • By far the most traction
Crypto-collateralized	<ul style="list-style-type: none"> • Robustness in large-drawdown environments • Less stable and harder to peg at \$1 • Problematic to scale the supply • Incentivizing governance participation" 	<ul style="list-style-type: none"> • Decentralized • Censorship resistant"
Algorithmic	<ul style="list-style-type: none"> • Highly theoretical and not tested out in practice • Hard to avoid security regulations • Hard to bootstrap confidence early on" 	<ul style="list-style-type: none"> • Potentially decentralized, scalable and censorship resistant

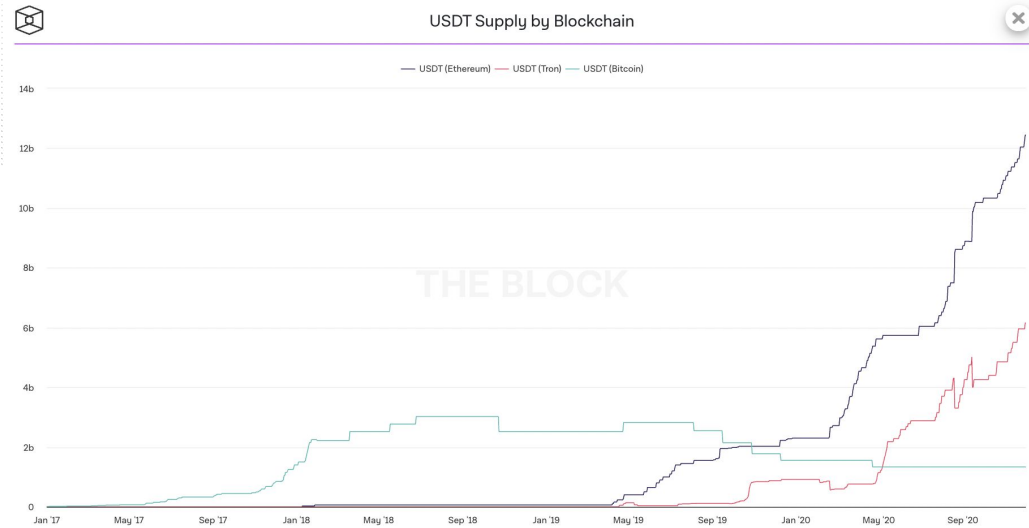
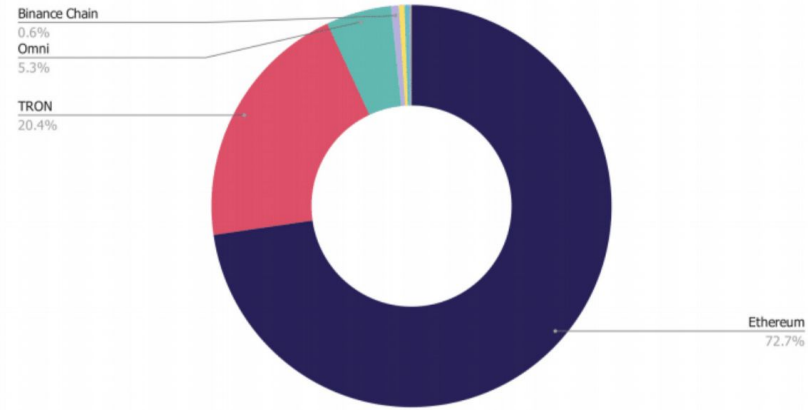
Crypto-collateralized
3.5%



Fiat-collateralized
96.0%

Stablecoin supply split by currency







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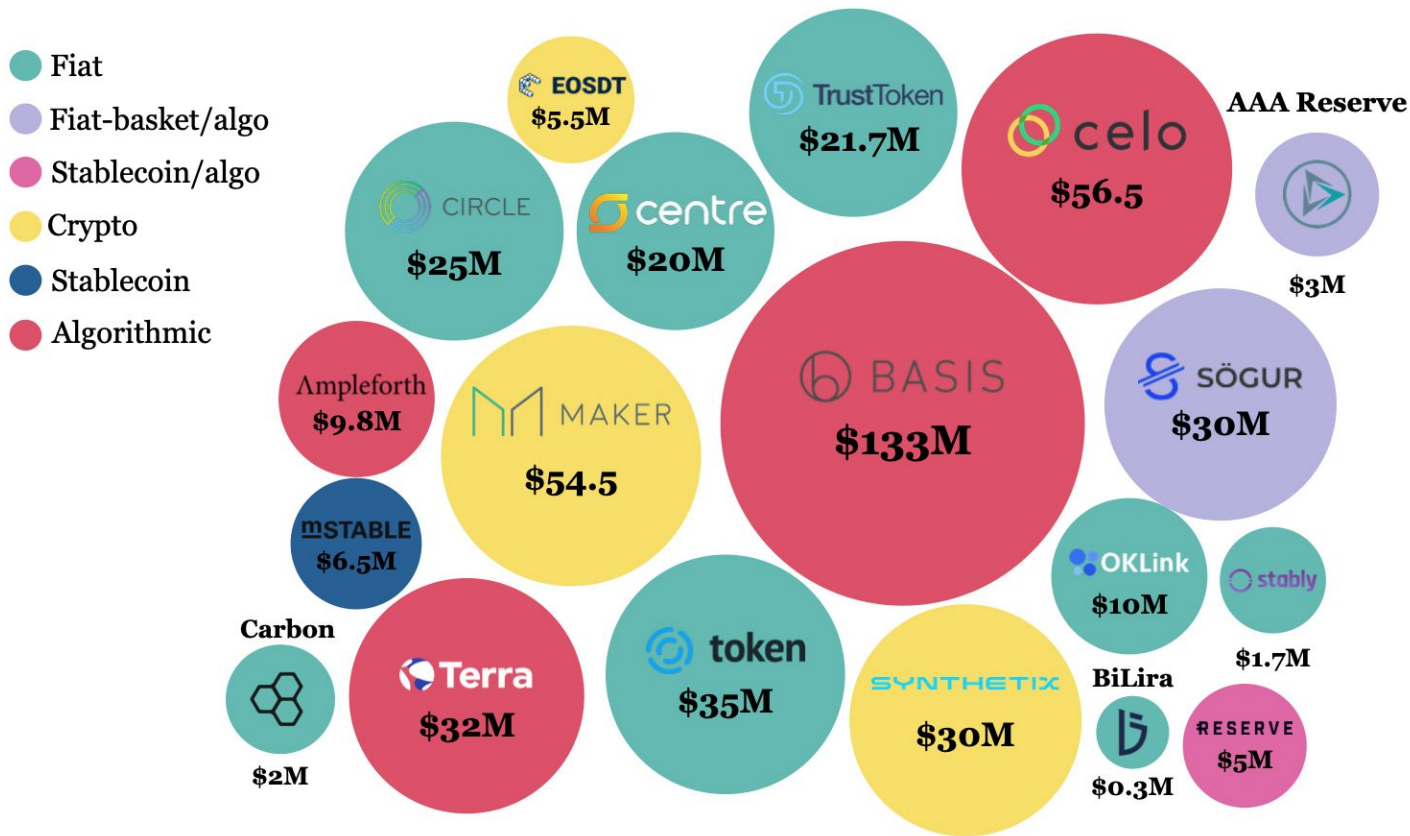
Competing stablecoins

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NAME	ISSUER	CURRENCY	BACKING	TOKEN	ETH	BCS	TRX
USDT	iFinex	USD	Fiat	×		×	
USDC	CENTRE	USD	Fiat	×		×	×
Dai	Maker	USD	Crypto	MKR		×	×
Binance USD	Paxos	USD	Fiat	×			×
TrueUSD	TrustToken	USD	Fiat	×			×
PAX	Paxos	USD	Fiat	×		×	×
HUSD	Paxos	USD	Fiat	×		×	×
KRT	Terra	KRW	Algorithmic		×	×	×
sUSD	Synthetix	USD	Crypto	SNX		×	×
EURT	iFinex	EUR	Fiat	×		×	×
EURS	STASIS	EUR	Fiat	×		×	×
mUSD	mStable	USD	Stablecoin	×		×	×
USDK	OKLink	USD	Fiat	×		×	×
1SG	Mars Blockchain	SGD	Fiat	×		×	×
Gemini dollar	Gemini	USD	Fiat	×		×	×
USDJ	TRON	USD	Crypto	JST	×	×	×
cUSD	Celo	USD	Crypto		×	×	×
Sai	Maker	USD	Crypto	MKR		×	×
BiLira	BiLira Teknoloji	TRY	Fiat	×		×	×
TrueGBP	TrustToken	GBP	Fiat	×			×
CNHT	iFinex	CNH	Fiat	×		×	×
UST	Terra	USD	Algorithmic		×	×	×
EOSDT	Equilibrium Lab	USD	Crypto	NUT	×	×	×
Binance KRW	Binance Korea	KRW	Fiat	×	×		×
TrueHKD	TrustToken	HKD	Fiat	×			×
SGR	Söğur	SDR basket	Fiat basket	×		×	×
TrueAUD	TrustToken	AUD	Fiat	×			×
DUSD	DefiDollar	USD	Stablecoin	×		×	×
EURX	eToroX	EUR	Fiat	×		×	×
TrueCAD	TrustToken	CAD	Fiat	×			×
Reserve	Reserve	USD	Stablecoin	RSR		×	×
Binance GBP	Binance	GBP	Fiat	×		×	×
JPYX	eToroX	JPY	Fiat	×		×	×
StableUSD	Stably	USD	Fiat	×			×
CADX	eToroX	CAD	Fiat	×		×	×
NZDX	eToroX	NZD	Fiat	×		×	×
CNYX	eToroX	CNY	Fiat	×		×	×
HKDX	eToroX	HKD	Fiat	×		×	×
SGDX	eToroX	SGD	Fiat	×		×	×
PLNX	eToroX	PLN	Fiat	×		×	×
ZARX	eToroX	ZAR	Fiat	×		×	×
TRYX	eToroX	TRY	Fiat	×		×	×
MNT	Terra	MNT	Algorithmic		×	×	×
RUBX	eToroX	RUB	Fiat	×		×	×
KRWb	BxB	KRW	Fiat	×		×	×

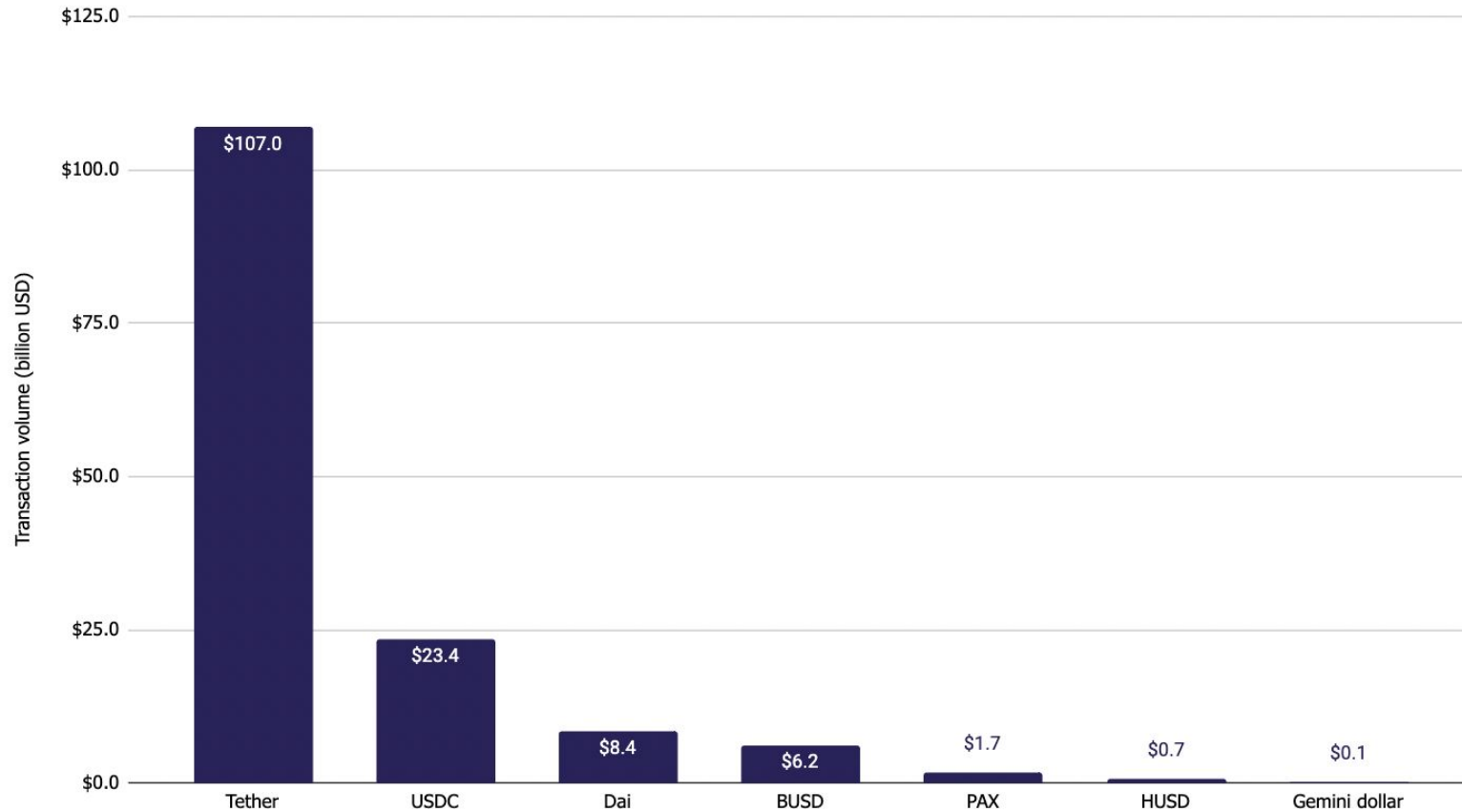
- Tether is currently **77% of the total supply**, followed by USDC (11.8%), Dai (3.0%) and Binance USD (2.7%)
- Top 10 stablecoins have 99% of the total supply
- Only about 10 stablecoins have meaningful on-chain activity while others are barely used
- Virtually 0 traction for all the non-USD stablecoins

Stablecoin Project Funding

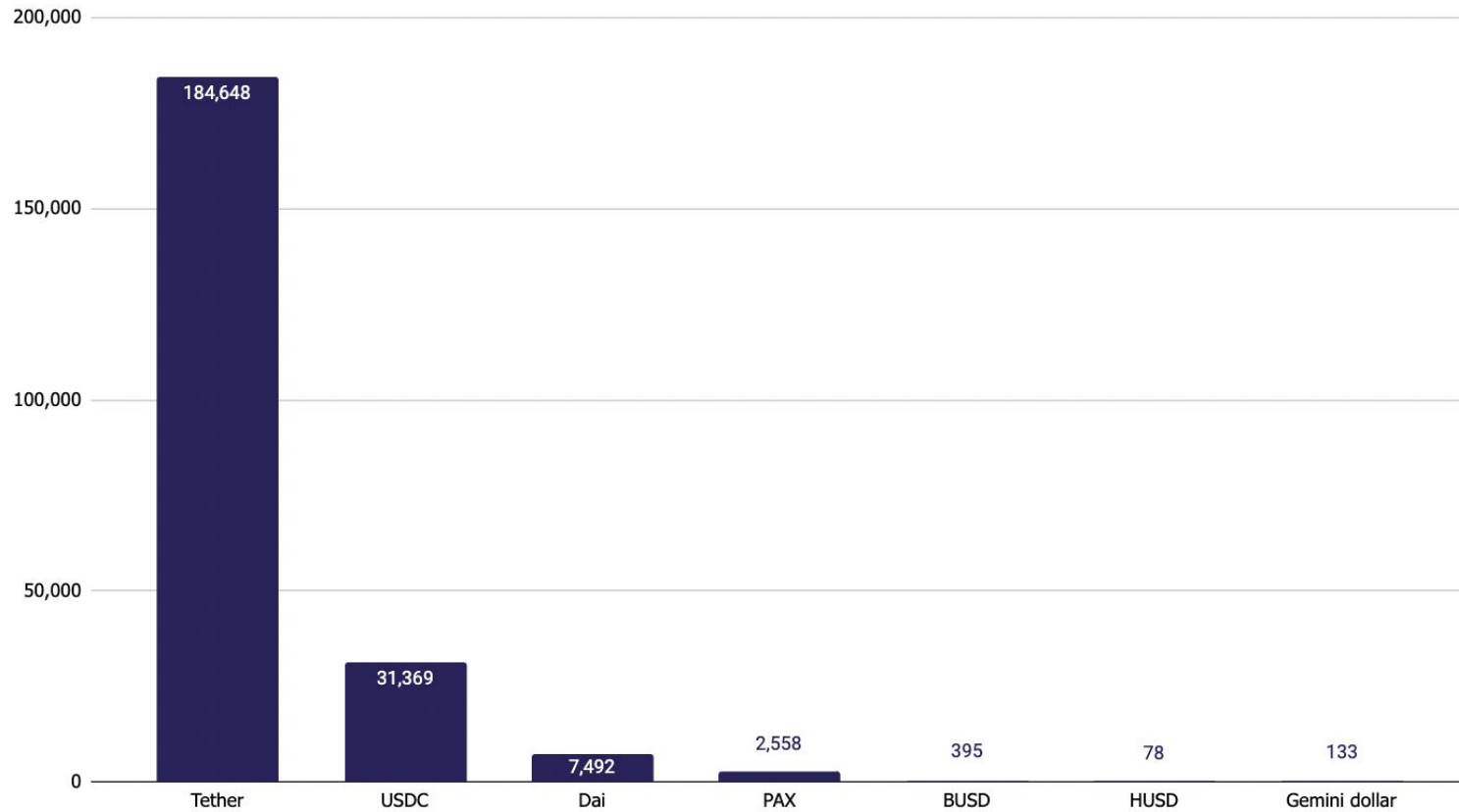


Source: Crunchbase, Pitchbook, The Block Research. Sizing not to exact scale.

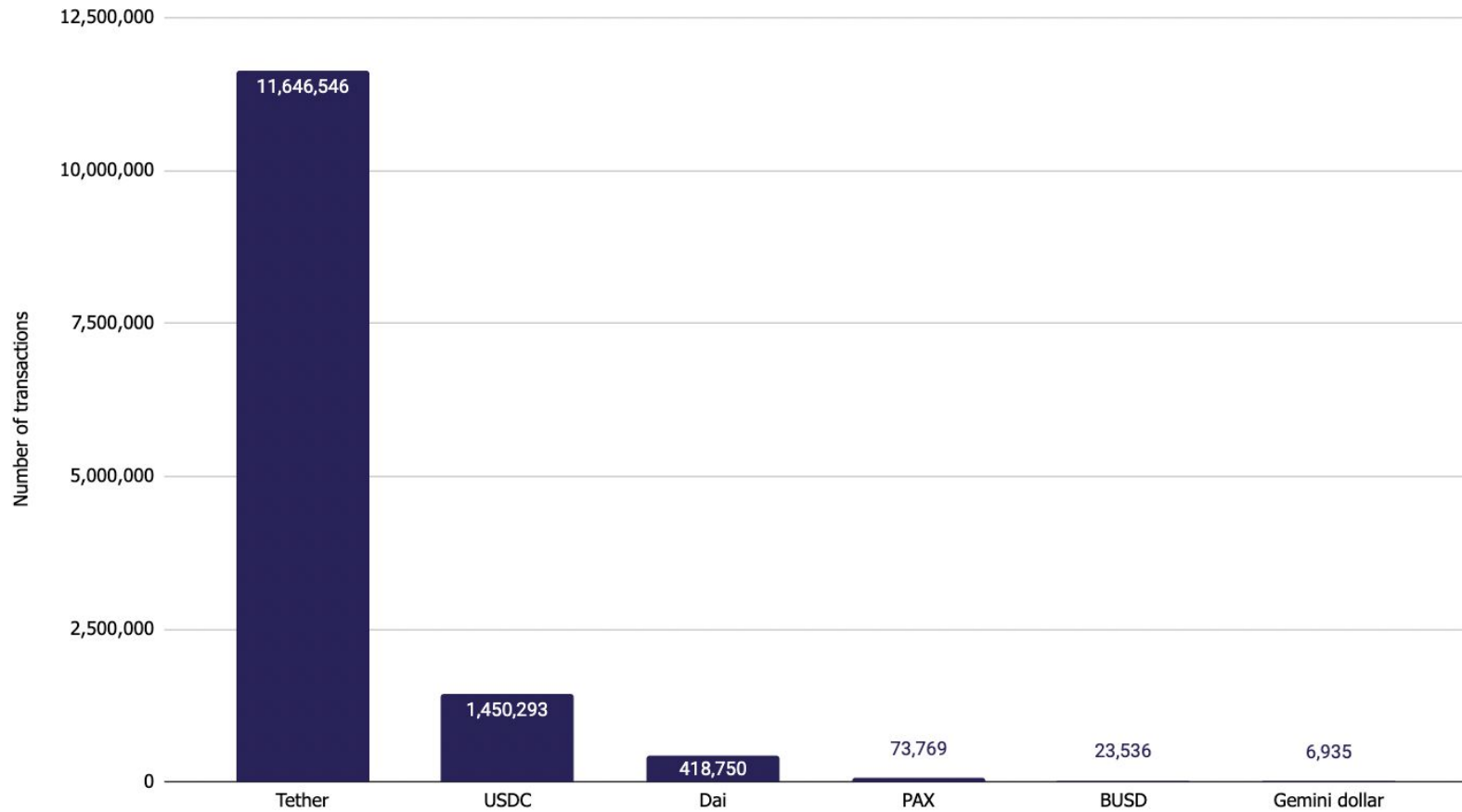
On-chain volume in November



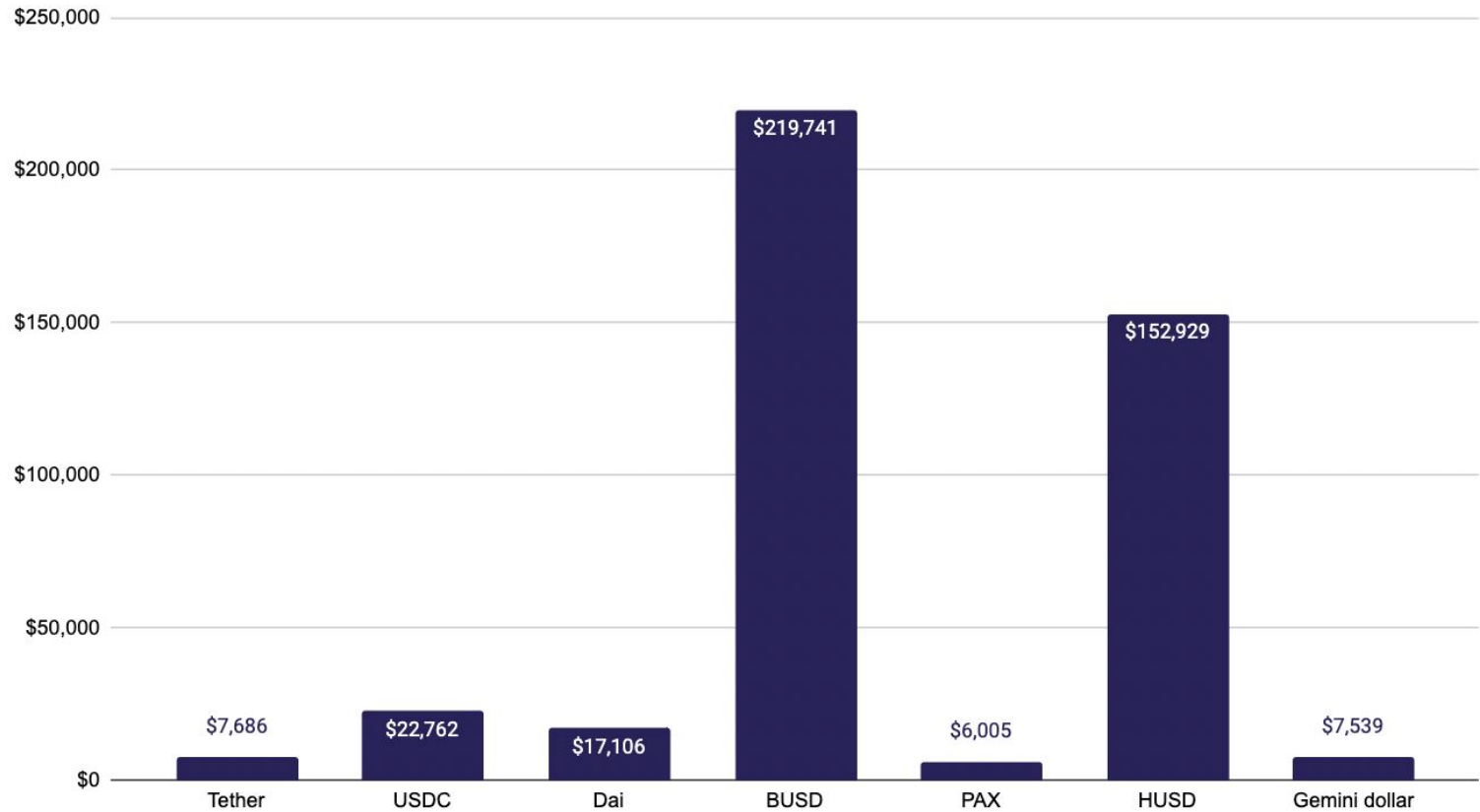
Average number of active addresses in November



Number of transactions in November



Average transaction size in 2020





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Outlook

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Recent developments

- Libra rebrands to Diem to shake off the negative first impression of regulators and **plans to launch a USD stablecoin in early Q1 2021**
- Visa announces it is **connecting its payments network to USDC** and it will eventually allow businesses to be able to spend a balance of USDC
- New Congressional bill says it would be 'unlawful' to issue stablecoins, 'provide any stablecoin-related service' **without federal approval**



Quotes

- In May 2020, Visa CEO Alfred Kelly said that he views digital currencies backed by fiat currency as a **potential emerging payments technology**, additive to the payments ecosystem as opposed to being a negative or outright replacement.
- Bank of England governor Andrew Bailey delivered a speech in September 2020 that touched on stablecoins, central bank digital currencies (CBDCs) and the future of payments. During that speech, Bailey reiterated that stablecoins are already a functioning reality, while offering a **fertile and relatively low-risk laboratory to experiment** that provides the path of least resistance for CBDCs to become their own reality
- "The shift to digital forms of currencies is inevitable, bringing with it clear advantages in terms of **financial inclusion and access; efficiency, speed and resilience of the payments system**; and the ability for governments to disburse funds to citizens quickly," said Dan Schulman, president and CEO, PayPal.



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Trading

FX

Remittances

Payments

Bank deposits



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Questions?