REPORT

Stablecoins: The future of money?

Roland Berger

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Executive summary

Stablecoins are cryptocurrencies pegged 1:1 with a national currency such as the US dollar. Stablecoins were invented to enable traders to buy and sell cryptocurrencies on centralized exchanges. However, advances in blockchain technology, combined with adverse macroeconomic factors such as hyperinflation in some countries, have resulted in stablecoins evolving into a convenient medium for payments, remittances and even savings.

Having amassed more than USD 215 billion in total market capitalization, stablecoins today represent an increasingly viable alternative to traditional banking and payment services, offering faster, cheaper and direct transactions. Stablecoins make it possible to transfer money internationally in a matter of seconds and at minimal cost. As such, they have the potential to disrupt traditional financial services – from payments and remittances to core banking services such as checking accounts.

Although stablecoins have now found product-market fit, several challenges to their adoption remain. These primarily relate to the stability of the reserves upon which stablecoins are backed, integration with traditional financial services, user experience and regulatory acceptance. Stablecoin issuers, blockchain players and regulators are making progress in addressing these challenges. To remain competitive, traditional financial players such as banks and credit card providers need to assess how and when to integrate stablecoins into their service offering, while central banks and regulators should evaluate which guardrails to put in place to maintain stability without stifling innovation.

The advent of stablecoins demonstrates that the future of money is subject to a continuous process of evolution. Traditional financial institutions need to adapt as a matter of urgency.

1

The digital assets rewiring the global financial system

For many years, cryptocurrencies were regarded with suspicion. At best, they were seen as speculative investments; at worst, they were snubbed as being only suitable for gambling or money laundering. However, in the last year or so, a specific class of cryptocurrencies – stablecoins – has captured the attention of traditional financial players, including banks, credit card networks and financial regulators.

A stablecoin is a cryptocurrency that is pegged 1:1 with a regular fiat currency, such as the US dollar. For example, the most popular stablecoin, USDT (the symbol for Tether), is pegged 1:1 with the US dollar. The key difference between USDT and US dollars is that USDT, being a cryptocurrency, is run on a blockchain and exists entirely outside of the traditional banking system. It can therefore be stored, sent and received without any bank or traditional financial entity being involved. This has significant advantages: International transfers of US dollars using the SWIFT payment network can take a few days and incur substantial fees, while sending USDT internationally can take seconds and cost a fraction of the SWIFT fee.

" Stablecoins represent a revolutionary step forward in the world of traditional finance, merging the stability of traditional currencies with the efficiency and transparency of blockchain technology.

In this article we look at how Stablecoins have evolved, their disruptive impact on the global financial system, the opportunity and challenges they bring, and – crucially – how banks, payment providers and regulators must respond.

2

A brief history of stablecoins

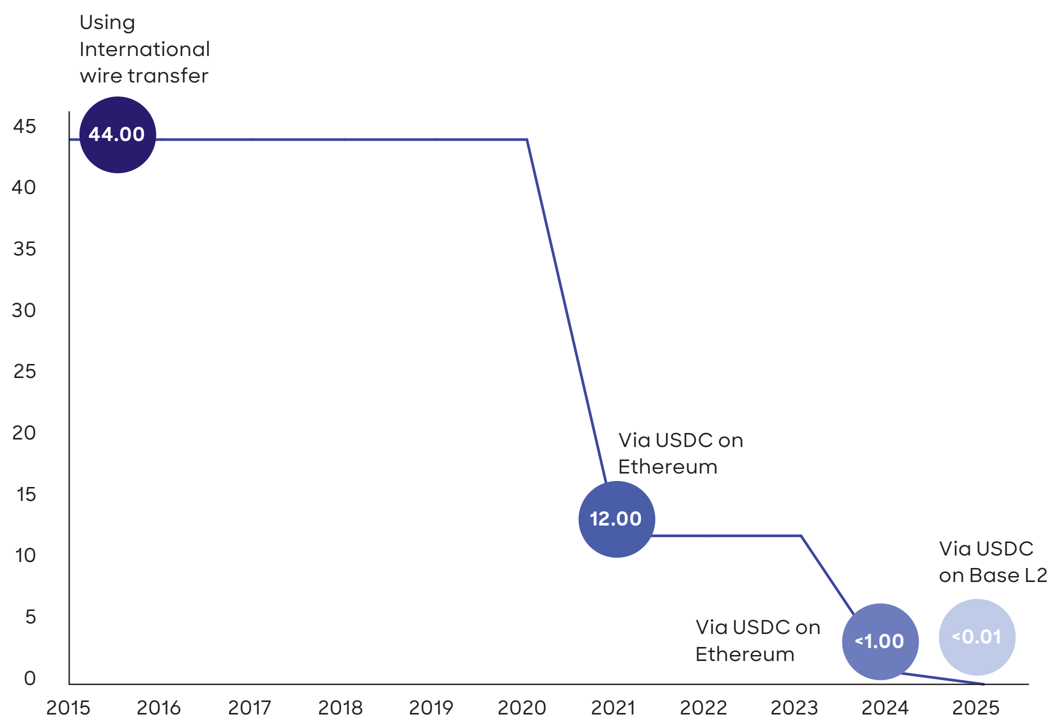
Stablecoins were created as a solution for traders to buy and sell cryptocurrencies. Consider this scenario: It's 2015, you're trading in cryptocurrencies, the market is extremely volatile and you want to exit your position as quickly as possible. The problem is, you can't easily sell your cryptocurrency for USD because the banks don't accept crypto. The solution was USDT, which is a cryptocurrency pegged 1:1 to the dollar. You can sell your crypto for USDT instantly and hold USDT in your crypto exchange wallet – without ever needing to deal with a bank.

Over time, stablecoins became the backbone of decentralized finance, or DeFi. DeFi is a financial ecosystem built on the smart contract functionality initially enabled by Ethereum but now available on many other blockchains. DeFi enables users to lend, borrow, trade and earn interest without using intermediaries such as banks. As of 2024, more than USD 50 billion worth of stablecoins are locked in DeFi applications, a testament to their central role in this growing sector.[1]

1 State of Crypto Report 2024, Andreessen Horowitz

Initially, stablecoins were only used to trade cryptos on centralized exchanges and DeFi applications, as it was complicated and expensive to send them on the blockchain from one person to another. However, advances in blockchain technology – specifically Ethereum's upgrades and the advent of more efficient blockchains such as Base and Solana – have made stablecoins faster, cheaper and easier to use (Figure A).

A Cost of sending USD internationally [USD]



Source: Roland Berger; Bankrate; Etherscan; Basescan; CoinGecko

Hyperinflation, remittances and regulatory acceptance are driving adoption

Economic factors have also played a key role in driving the adoption of stablecoins For example, the Turkish lira has lost over 80 percent of its value in the past five years. Turks are now looking to USDT as a means to protect their wealth. Stablecoins have therefore become a lifeline in countries tackling hyperinflation.

At the same time, stablecoins are starting to reshape how we think about payments. Once plagued by high fees and delays, local and cross-border transactions now happen at minimal cost and almost instantly. For example, Nigerians use stablecoins for cross-border remittances, with more than USD 20 billion in stablecoins received by the country in 2024.[3] Today, thanks to the proliferation of centralized exchanges such as Binance and Coinbase, anyone can purchase stablecoins in almost any country.

Some stablecoin issuers have been eager to adhere to regulatory requirements and remain transparent, while some others have fallen short. For example, Europe's MiCA (Markets in Crypto-Assets) framework from 2024 requires stablecoin issuers to maintain transparent reserves and regular audits.[2] MiCA has endorsed Circle's USDC and EURC as the only compliant stablecoins thanks to Circle's frequent and transparent reserve disclosures and adherence to regulatory guidelines.[3] Conversely, Tether's USDT has missed compliance deadlines and is now being excluded from EU markets, with EU crypto exchanges already delisting USDT.

> **The rise of stablecoins has not gone unnoticed by regulators, who are starting to scrutinize stablecoin issuers, their reserves and use cases.**

Furthermore, the US has started embracing stablecoins, with the Treasury Department signaling their potential in modernizing the traditional payment systems and processes.[4] Similarly, the UAE's Central Bank is actively pursuing AED-backed stablecoins that are intended to be used for payments by consumers.

2 Stablecoins: The First Killer App, Standard Chartered Ventures

3 2025 State of the USDC Economy, Circle

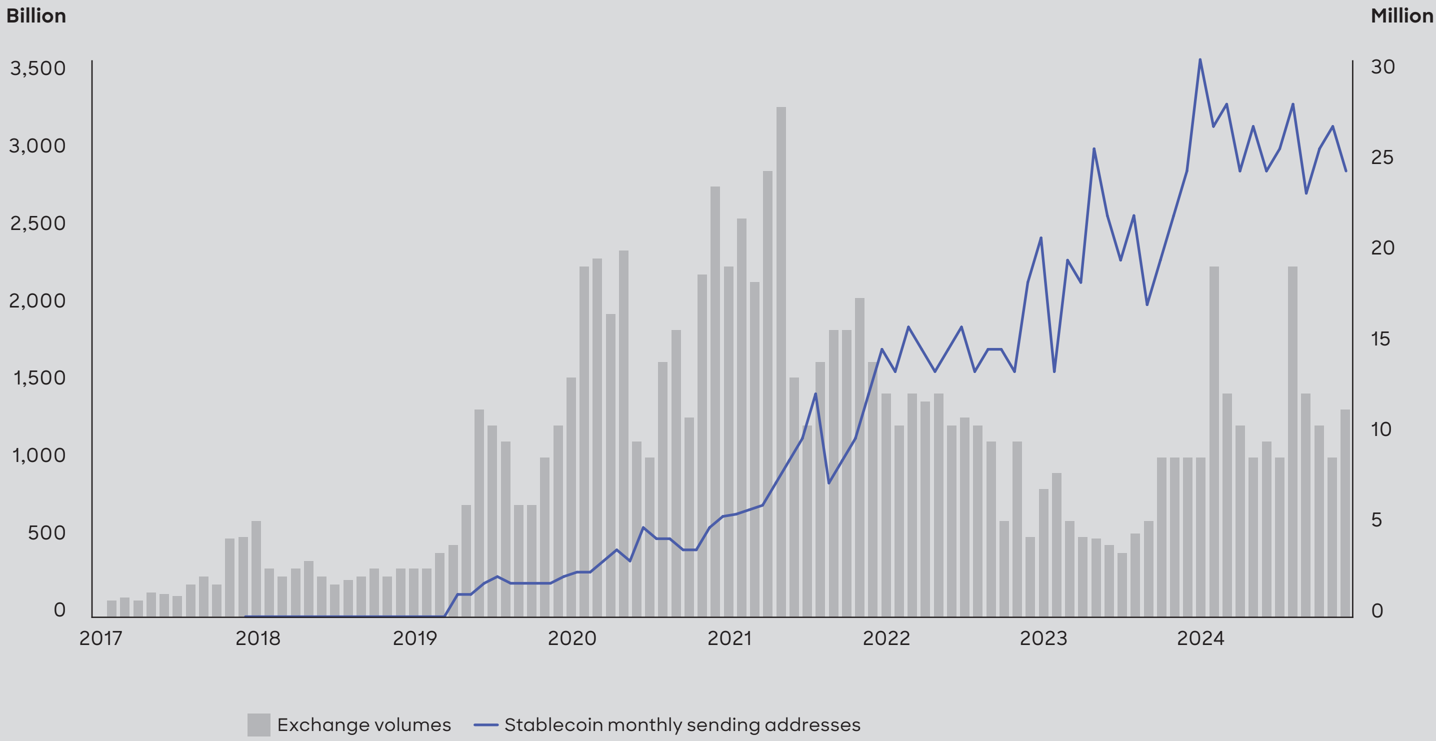
4 Annual Report 2023, US Department of Treasury

3 Impact of stablecoins on the global financial system

Stablecoins are rewriting the rules of finance, offering speed, transparency and cost savings that legacy systems are unable to match. This will have significant disruptive impact on the traditional global financial system, impacting money transfer, payments and potentially even the core banking business model itself – bank accounts, deposits and loans.

Stablecoin activity has continued to grow despite the volatile and cyclical nature of the crypto market. Figure B illustrates that stablecoins are not just a passing trend: Unlike crypto's volatile market cycles, stablecoin activity remains steadily growing. The number of monthly stablecoin-sending addresses (which represents the number of users sending stablecoins) continues to rise, even as spot crypto trading volumes have declined. This indicates that stablecoins are being used for much more than just trading.

B Spot crypto trading volume [USD, billion] vs. stablecoin monthly sending addresses [USD, million], 2017-24



Source: Roland Berger; a16zcrypto; Castle Island Ventures; Brevan Howard Digital; Artemis

Peer-to-peer payments (P2P), FX and cross-border transactions

Stablecoins have changed the game for P2P payments, enabling people to send money directly to family and friends, both locally and overseas. For instance, using traditional money transfer services can cost up to seven percent of the transaction amount, while using Venmo or PayPal can cost up to three percent.[5,6] Stablecoins reduce this cost to approximately one percent.[7]

> **Unlike traditional remittance services, stablecoins remove the need for intermediaries and reduce costs of money transfer.**

Sending money to family or friends overseas using SWIFT can take two to five days and cost more than USD 15 per transaction. By contrast, stablecoins can be transferred internationally within seconds and at negligible cost. This is the primary reason behind traditional money transfer companies such as MoneyGram partnering with stablecoin providers such as Circle and its USDC.[8] Additionally, Elon Musk's Starlink has adopted stablecoins for receiving international payments, reducing the complexity associated with traditional FX systems and financial exposure to currency fluctuations.[9]

5 Venmo P2P Payments

6 PayPal US Digital Wallet Schedule of Fees

7 Remittance Prices Worldwide Report 2024, World Bank

8 Circle and MoneyGram Partnership Announcement 2024

9 Binance News 2024, Binance

10 The Future of Banking and Blockchain 2024, World Economic Forum

11 Crypto Payment Integration Report 2023, Shopify

Merchants are integrating stablecoin payments

Merchants, too, are adopting stablecoins – particularly as legacy payment systems such as Visa and Mastercard charge more than 1.5 percent in fees.[10] These fees are split among multiple parties, including the issuing bank, the acquiring bank and the card network. Stablecoin transactions significantly reduce costs by cutting out intermediaries, offering merchants a more efficient and cost-effective payment solution.

Shopify's integration with USDC, launched in 2023, enables merchants to accept USDC as payment.[11] More and more startups have started offering "Digital Assets-as-a-Service" or "DaaS" solutions that enable businesses to integrate digital assets infrastructure into their existing systems and simplify the entire process. For instance, Fuze, a startup from the UAE, offers a similar DaaS solution to financial institutions, asset management companies and FinTech platforms. New entrants are also emerging, including businesses that function as crypto-focused merchant gateways, such as Transak and MoonPay, as well as stablecoin-native applications, such as Zarpay and Dakota, designed specifically for seamless stablecoin transactions.

Could stablecoins replace banks' core services?

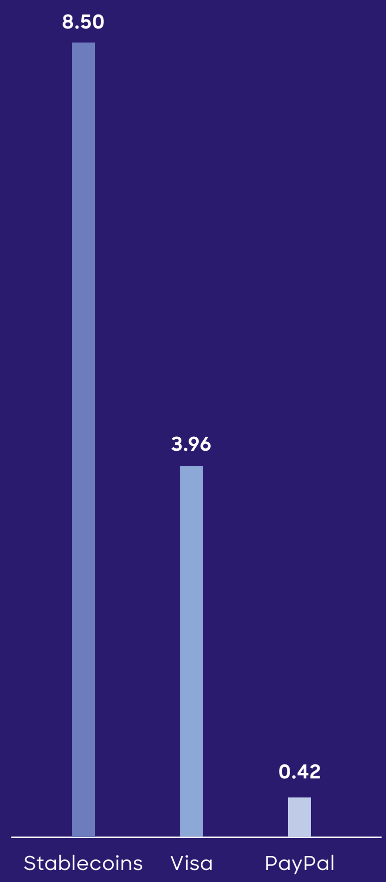
Stablecoins are potentially a massive disruptor of the traditional banking system. For the unbanked, stablecoins provide easy access to holding, sending and receiving money, using just a smartphone and an Internet connection. In 2024, more than 1.4 billion adults worldwide remained unbanked,[12] with around 40 percent of stablecoin users in emerging economies falling into this category.[13] However, the real threat to the banking system relates to the banked population, for whom stablecoins offer an alternative solution to traditional banks.

Users can store, send and receive stablecoins with a non-custodial wallet. Critically, such non-custodial wallets act as "digital mattresses" – a secure, easily accessible way to store funds yourself, without relying on a bank for custody or having to pay bank fees. Since a central part of a bank's business model is to lend out customer deposits many times over, a shift away from bank accounts towards non-custodial wallets could result in a significant reduction of bank deposits and hence lending activities, ultimately decreasing revenues from interest.

12 Global Findex Database, World Bank

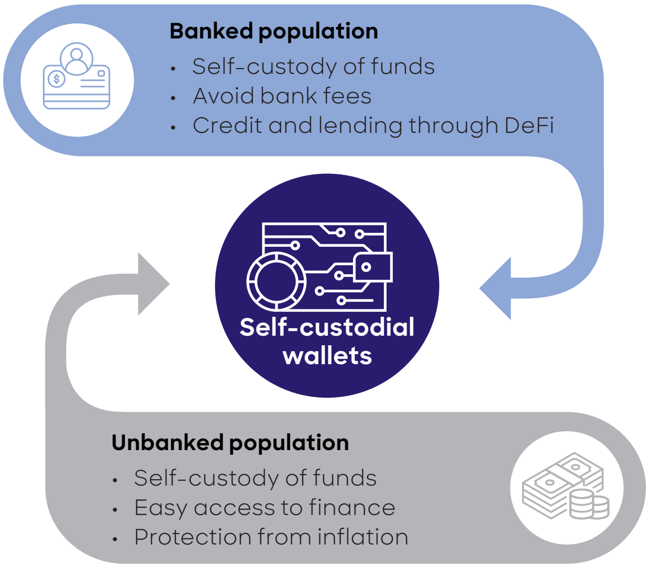
13 Global Crypto Adoption Index 2024, Chainalysis

C Transaction volume of Stablecoins and payment processors in Q2 2024 [USD, trillion]



Source: Roland Berger; a16zcrypto; Artemis; PayPal; Visa; Nacha; FRB Services

D Potential of stablecoins to replace banks



Source: Roland Berger

4 The business of stablecoins

As the adoption of stablecoins increases, issuers are building a lucrative business. When you exchange a dollar for one stablecoin, the issuer doesn't simply hold your dollar: It invests it in low-risk assets such as US Treasury Bills to earn interest. Issuers also generate revenue from sources such as issuance and redemption fees. As of Feb 2025, Tether had around USD 140 billion in reserves. A few percentage points of interest from this holding can result in huge profits: Tether made more than USD 10 billion in profits in 2024 by investing its reserves in low-risk assets such as US Treasury bills.[14] Similarly, Circle, the issuer of USDC, generates significant revenue through its reserve holdings- generating more than USD 130 million[15] in December 2024 alone – solidifying its position as a major player in the stablecoin landscape.

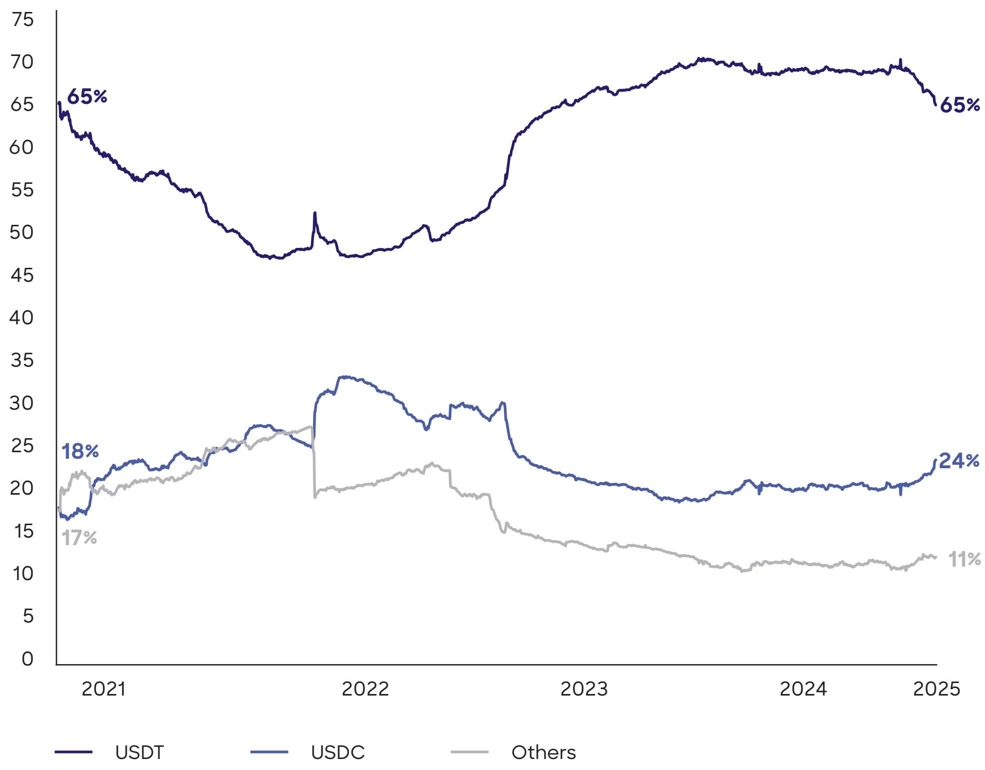
14 Tether Sees $10 Billion in Net Profits for 2024, Bloomberg News

15 DefiLlama

Such profitability has attracted the interest of new stablecoin entrants such as FDUSD. It has also caught the attention of banks, who are now exploring the stablecoin opportunity. The Central Bank of the UAE, for instance, recently approved the AED stablecoin which will be issued by retail banks.

But the stablecoin business extends far beyond issuers. Payment processors such as PayPal and Stripe are integrating stablecoins into digital payments, while Visa is building blockchain infrastructure to facilitate stablecoin transactions. Traditional banks such as JPMorgan and Citigroup are actively exploring stablecoin applications for cross-border settlements and financial services. This rapidly evolving ecosystem is drawing in major financial players, positioning stablecoins as a foundational layer in the future of finance.

E Share of stablecoins, 2021-25 [% of total market capitalization]



Source: Roland Berger; DefiLlama

The stablecoin market has witnessed rapid growth, with its total market capitalization exceeding USD 200 billion at the end of 2024.[16] Tether continues to dominate the space, but Circle is rapidly catching up by enhancing USDC's global utility. While USD-pegged stablecoins lead, thanks to the US dollar's status as the global reserve currency, regional stablecoins are emerging as the future of payments. As cross-border commerce grows, banks and financial institutions can seize the opportunity to issue their own stablecoins, diversifying their revenue streams and mitigating risks. This shift could transform the way we think about banking and payments, creating a decentralized yet stable financial ecosystem.

16 Stablecoins market cap 2024, DefiLlama

5 Challenges and outlook

A number of challenges remain with regard to the further adoption of stablecoins. Thus, **stability and reserve management are paramount**. Maintaining the peg to fiat currencies remains one of the most significant risks for stablecoins, as shown by the brief de-pegging of USDC during the Silicon Valley Bank crisis in 2023. As investors rushed to redeem their USDC holdings, its value briefly dropped below one dollar, stressing the need for stablecoin issuers to maintain trust through thorough disclosures. It is essential that stablecoin issuers ensure transparency and robust reserve management.[17]

To truly go mainstream, stablecoins **need to be as simple to use as mainstream consumer apps** such as WhatsApp. Until recently, poor user experience with digital asset wallets was a key constraint in the adoption of stablecoins. However, new digital asset wallets such as Phantom have demonstrated that significant improvements in the user interface in turn drive further take-up. Nevertheless, the risk remains that if you lose the "keys" or passcode to your self-custody wallet, you risk losing your funds entirely. As a result, some users may still prefer banks as the trusted custodian of their money.

Fiat ramps are also essential to drive adoption. Although it is now cheap and easy to transfer stablecoins peer-to-peer across countries, this is not sufficient to enable remittances. Users still need a way to convert stablecoins into fiat currency - and this is where significant bottlenecks remain. To solve this problem, fiat ramps are required. These can be provided by centralized exchanges, banks or payment processors, but they usually require regulatory approval, licenses, KYC (Know your customer) and AML (anti-money laundering) checks, the development of which can be time-consuming.

Merchant integration is the next frontier for stablecoin adoption. To persuade major merchants to accept stablecoins, lower fees and easier integration with ecommerce and point-of-sale systems will be needed.

Finally, **regulatory acceptance** is critical for continued stablecoin adoption. Note that stablecoins are not the same as the fiat currency they are pegged to, and so consumers need to be comfortable to use them as substitutes. Furthermore, as stablecoins grow in volume, an increasing share of "money" will be represented by private stablecoin issuer claims that are backed by assets such as T-bills rather than by direct central bank liabilities. This can weaken the central bank's influence on monetary policy, distort the bond market and increase the risk of disruption to financial markets if, for example, there is a run on the stablecoin issuer. Regulators must consider these factors when shaping guidelines for stablecoin issuance, reserves and use cases.

17 Global Financial Stability Report 2024, International Monetary Fund

6 Key considerations for banks, payment networks and regulators

Stablecoins started out as a niche solution for crypto traders. Now they are becoming a transformative force in global finance. From powering DeFi platforms to enabling near-instant remittances, their utility is undeniable.

Traditional financial institutions have an important choice to consider: adapt to this new era of money or risk becoming obsolete. **Banks** should consider embracing stablecoins not only for faster payments and cross-border transactions but as an entirely new revenue stream. They can tap into this opportunity by issuing their own stablecoins, all the while managing potential cannibalization of core banking service revenues by stablecoins.

Payment networks will need to rethink their business model in order to integrate stablecoins into traditional payment networks. At the same time, they will have to manage the inevitable erosion of their 1.5 percent "tax" on card payments.

Finally, **regulators and policymakers** should craft policies and frameworks that ensure the correct guardrails are in place to enable the stability of the financial system, whilst fostering innovation rather than stifling it.

> **"The financial landscape is shifting. As we move into the new era of digital finance, those who embrace the change will lead the future of money.**

AUTHORS

Alay Adani
Consultant
alay.adani@rolandberger.com

Dr Anish Shivdasani
Senior Advisor
anish.shivdasani@org.rolandberger.com

Hanno Dachwitz
Partner
hanno.dachwitz@rolandberger.com

Jeroen Gillekens
Principal
jeroen.gillekens@rolandberger.com

Nizar Hneini
Managing Director
nizar.hneini@rolandberger.com

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Publisher

Roland Berger Middle East
6 Falak, 3rd Floor
Dubai Internet City
P.O. Box 502254
Dubai, UAE
+971 4 446 4080