Teroxx

STABLECOINS March, 2026

The State of Stablecoins Q1 2026

How On-Chain Finance is Building the Next Global Economy

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This report is a product of Teroxx Research, a research team within Teroxx, the leading provider of financial services in the digital assets, cryptocurrency, and blockchain technology sector. Teroxx Research provides top-tier market commentary, thematic views, tactical insights, and deep protocol research.

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Executive Summary

Stablecoins - digital assets pegged to reserve currencies like the U.S. Dollar, first created in 2014 - have matured from a niche trading utility into a foundational pillar of the digital economy, acting as a critical bridge between traditional finance and the on-chain world. Their rapid ascent has been catalyzed by a historic milestone: the signing of the GENIUS Act into U.S. federal law in July 2025, providing the first comprehensive regulatory framework for stablecoin issuers. This landmark legislation, combined with persistent macroeconomic shifts and accelerating institutional adoption, has propelled the market to a capitalization exceeding $310 billion [1] and an annual on-chain settlement volume of $33 trillion in 2025 [2] - a figure that now surpasses the combined volumes of Visa and Mastercard. The proven blueprint for U.S. Dollar-pegged tokens has created a robust foundation, and the stage is now set for a global expansion into other major currencies, presenting profound implications for every participant in the financial spectrum.

The impact of this transformation is multifaceted and growing. For institutional investors, stablecoins serve as critical market infrastructure, providing the stable bedrock for sophisticated trading strategies and acting as a core yield-generating instrument in decentralized finance (DeFi) protocols. The entry of major financial institutions - BlackRock's BUIDL fund now exceeds $2.5 billion, PayPal's PYUSD has surpassed $4.2 billion, and Circle's successful IPO on the NYSE (CRCL) generated [4] $2.7 billion in annual revenue - underscores that stablecoins have earned the confidence of the world's most conservative capital allocators. This same efficiency is being leveraged by corporations, who are adopting stablecoins to revolutionize corporate treasury and international B2B payments. B2B stablecoin payment volumes grew over 730% year-over-year in 2025, with 77% [5] of adopting corporations citing cross-border supplier payments [6] as their primary use case. The ability to achieve near-instant, 24/7 settlement dramatically reduces transaction costs and counterparty risk, unlocking new efficiencies in capital management and supply chain finance. Ultimately, this evolution extends to individuals, empowering them by providing direct access to a more equitable and global financial system - from receiving salaries in a stable currency to hedge against local inflation, to accessing high-yield savings protocols unavailable through traditional banking, to frictionlessly investing in tokenized on-chain assets.

This is not merely a technological shift; it represents a fundamental evolution in the architecture of money and value transfer. For leaders, understanding this transformation is a strategic imperative that involves assessing new business models, managing novel risks, and positioning their organizations to thrive in an increasingly on-chain world. This report provides an essential, in-depth guide to navigating this new financial layer and capitalizing on the immense opportunities it creates for the decade ahead.

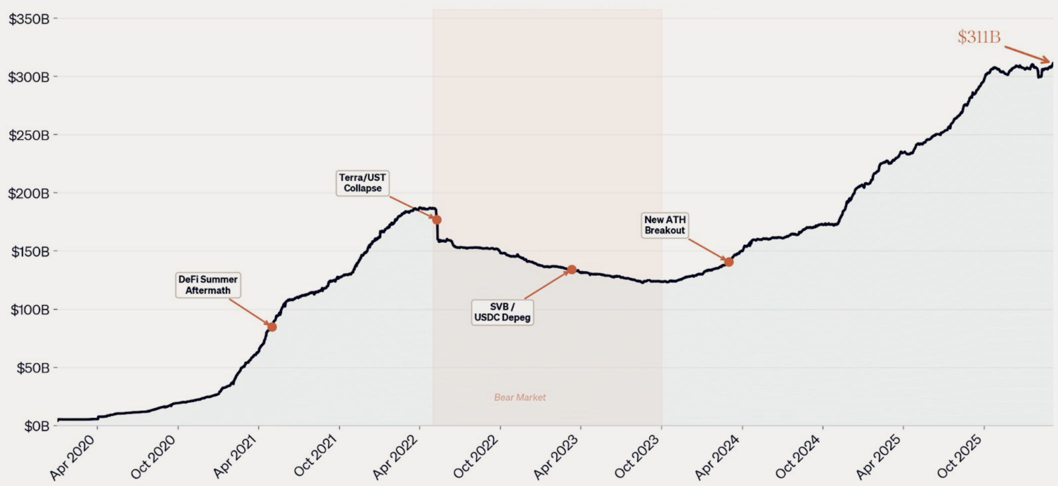
Market Landscape & Growth Dynamics

Market Landscape & Growth Dynamics

The stablecoin ecosystem now spans over 340 tokens across 174 blockchains - encompassing fiat-backed dollar pegs, euro and yen-denominated instruments, yield-bearing tokens, and tokenized treasury products. **The market has more than doubled since the start of 2024**, with growth driven by regulatory clarity, institutional adoption, and expanding real-world use cases.

Stablecoins are primarily categorized by their collateral, mainly as fiat-backed or crypto-backed. Fiat-backed stablecoins are centralized and pegged 1:1 to a fiat currency, like the U.S. dollar or other currencies, by holding equivalent reserves. In contrast, crypto-backed stablecoins are decentralized and use an excess of other crypto assets as collateral to absorb price volatility. The market has shown a strong and consistent preference for the fiat-backed model, which has accounted for over 90% of the total market share since 2018. This dominance indicates that users currently prioritize the perceived safety and simplicity of centralized, fiat-backed reserves over the more complex, decentralized alternatives.

Total Stablecoin Market Capitalization 2020-2026 | from 5B to 311B - USD-pegged stablecoins



Source: DeFi Llama Stablecoins API, Teroxx Research

The growth trajectory of stablecoins has been remarkable. After rising from a relatively flat valuation until 2024, **the stablecoin market capitalization experienced an explosive surge, more than doubling from $130 billion at the start of 2024 to over $310 billion today. Growth was robust across both 2024 (+58%) and 2025 (+49%),** though the first two months of 2026 have shown a period of consolidation with the market roughly flat year-to-date. This plateau, following two years of rapid expansion, may reflect a maturing market finding its equilibrium before the next leg of growth - particularly as the GENIUS Act's implementing regulations are finalized by their July 2026 deadline.

Regulatory Landscape and Implications

Regulatory Landscape and Implications

The United States: The GENIUS Act Becomes Law

The most significant development has been the passage of the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act), which was signed into law by President Trump on July 18, 2025 [7], after passing the Senate 68-30 and the House 308-122 with strong bipartisan support. This landmark legislation represents the first major piece of cryptocurrency legislation in U.S. history and creates a comprehensive federal framework for stablecoin issuers.

Key provisions of the GENIUS Act include:

- 1:1 Reserve Requirement: All payment stablecoins must be backed by high-quality liquid assets - specifically cash, short-term U.S. government securities, and insured deposits.
- Dual Regulatory Framework: Issuers with over $10 billion in market capitalization fall under federal regulators (OCC, Fed, FDIC), while smaller issuers may operate under state-level supervision.
- Transparency Mandates: Monthly reserve disclosures and annual audits are required for all issuers.
- Algorithmic Stablecoin Ban: Algorithmic stablecoins cannot qualify as "payment stablecoins" under the act.
- Yield Prohibition: The act prohibits issuers from paying interest or yield to holders solely for holding a payment stablecoin - a provision that remains the subject of intense debate as implementing regulations are drafted.
- Foreign Issuer Compliance: Non-U.S. stablecoin issuers must meet comparable standards to operate in U.S. markets.

As of March 2026, the Office of the Comptroller of the Currency (OCC) has published a 376-page proposed rule [8] to implement the act (February 25, 2026), with regulations due by July 18, 2026. The most contentious element of the rulemaking is the OCC's aggressive interpretation of the yield prohibition, which could restrict third-party reward programs built on top of stablecoins - a model central to many DeFi protocols. The White House Crypto Policy Council has convened meetings with both banks and crypto firms to negotiate a compromise, though no final resolution has been reached.

The European Union: MiCA in Full Force

The Markets in Crypto-Assets Regulation (MiCA) is now fully in force [9] across the European Union, with the final compliance deadline for crypto-asset service providers set for July 1, 2026. The stablecoin-specific provisions have been effective since June 30, 2024, requiring all stablecoin issuers operating in the EU to obtain an electronic money institution (EMI) license and maintain full liquid asset backing with par-value redemption rights.

MiCA's impact has been immediate and tangible. Tether's USDT was delisted from major European exchanges - including Coinbase Europe, Kraken EU, and Bitstamp - starting in late 2024, as Tether did not obtain the required EMI license. Circle's USDC, which secured compliance through its French EMI license, has become the dominant compliant USD stablecoin in the EU. The regulation has also spurred the development of EUR-denominated stablecoins, with Circle's EURC gaining meaningful traction.

Asia-Pacific and the Middle East

A wave of stablecoin regulation has swept through the Asia-Pacific region:

- Japan enacted its Revised Payment Services Act in June 2025, and in October 2025 saw the launch of JPYC, the country's first regulated yen-denominated stablecoin. The updated law allows up to 50% of Hong Kong's Stablecoins Ordinance took effect on August 1, 2025, requiring all fiat-referenced stablecoin issuers to obtain an HKMA license. The authority received 77 expressions of interest, with the first batch of licenses expected in early 2026.
- Singapore is actively drafting formal stablecoin legislation expected in 2026, building on its finalized regulatory framework from 2023.
- The UAE enacted Federal Decree Law No. 6 of 2025 and Dubai's VARA published its Rulebook v2.0, requiring 100% backing in segregated accounts, daily attestations, and AED 10 million in regulatory capital. Algorithmic stablecoins and privacy tokens are explicitly prohibited.

The United Kingdom

The UK is building its stablecoin framework more cautiously. The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 [10] were made by Parliament in February 2026, but full enforcement is not expected until October 2027. The FCA has declared stablecoin payments a priority for 2026 and has invited firms to apply to its regulatory sandbox. The Bank of England has published consultation papers on the regime for sterling-denominated systemic stablecoins.

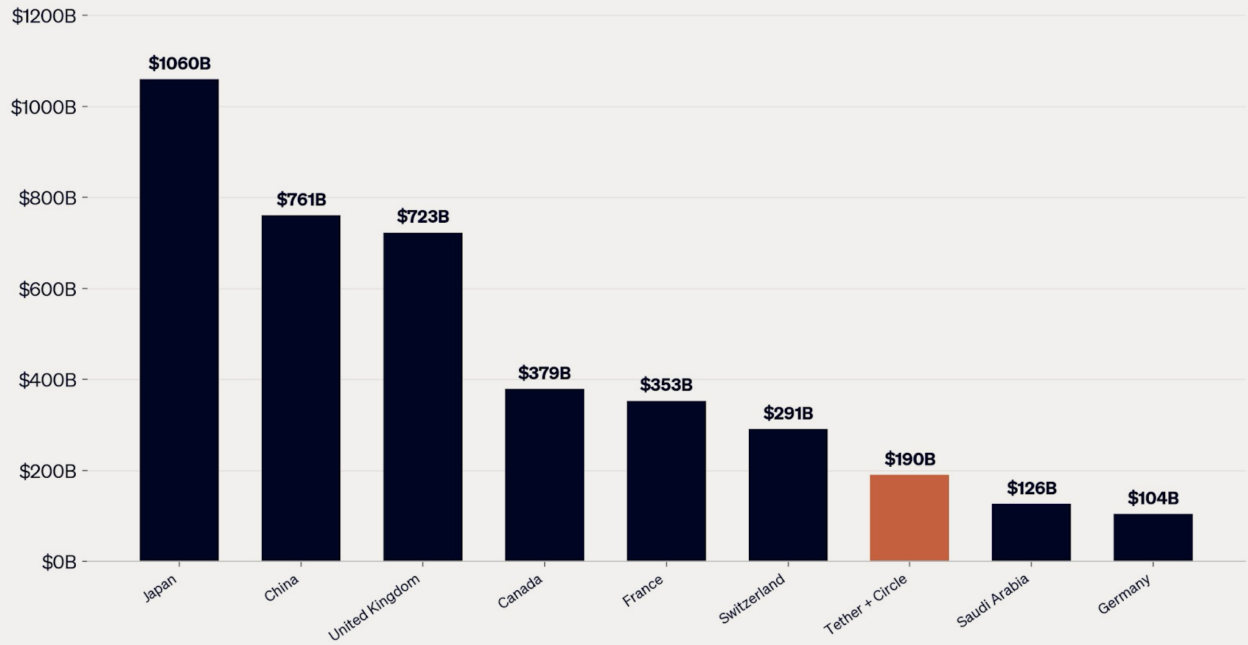
Together, these legislative efforts represent a global consensus: stablecoins are here to stay, and the race is now to build the most innovation-friendly yet robustly supervised frameworks to attract issuers and capital.

The Global Currency Scenario

The Global Currency Scenario

The overwhelming dominance of the U.S. dollar in the stablecoin market - consistently representing over 99% of the total global supply - explains why the United States has been at the forefront of regulation. The stablecoin ecosystem is effectively a digital dollar market, one that has grown into a significant force in U.S. government debt markets. The combined U.S. Treasury holdings of Tether and Circle have reached approximately $190–196 billion, a figure that would rank these two issuers collectively among the top holders of U.S. government debt globally, exceeding the Treasury holdings of major sovereign nations.

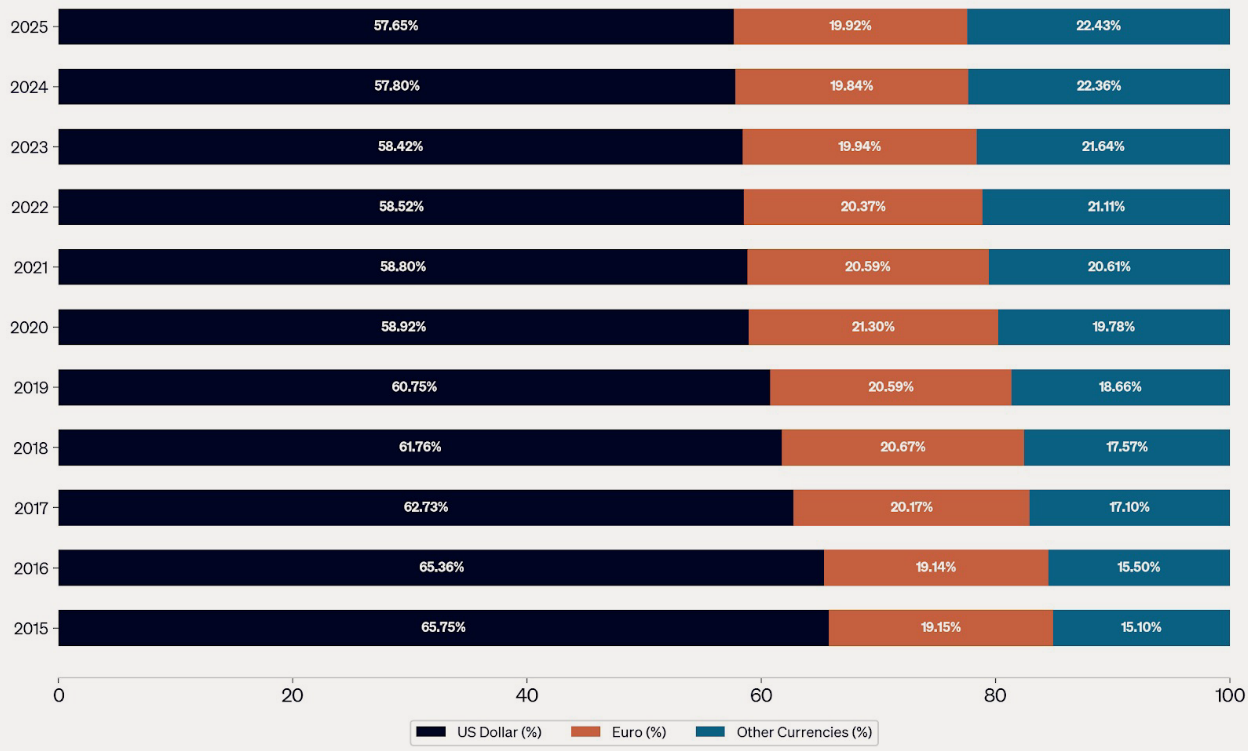
Tether + Circle Hold Together ~$190B in U.S. Treasures



Source: U.S. Treasury Department, Public Sovereign Holdings Data, Teroxx Research

Tether alone holds $141 billion in U.S. Treasury exposure [11] (Q4 2025 attestation, published January 10, 2026), making it approximately the 7th-largest holder of U.S. Treasuries in the world if it were a sovereign nation. Circle's reserves, held via the SEC-registered Circle Reserve Fund, contribute an additional $45–55 billion. This substantial investment underscores the growing integration of the digital asset industry into traditional finance and establishes stablecoin issuers as a significant - and growing - source of demand for U.S. government debt.

Global Currency Reserve Shares (2020-2025)

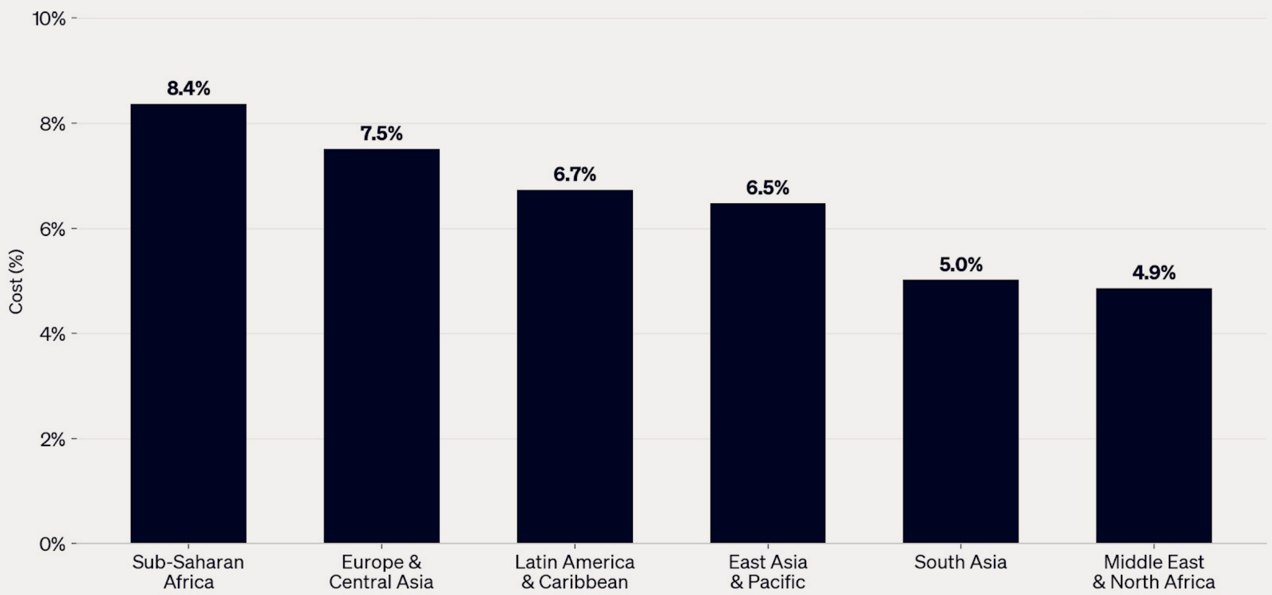


Source: IMF Currency Composition of Official Foreign Exchange Reserves (COFER), Teroxx Research

However, the current scenario of absolute U.S. dollar dominance in the stablecoin market may not be permanent, as it contrasts with a gradual but persistent shift in the broader global economy. For years, the world's central banks have been slowly reducing their reliance on the U.S. dollar as the primary reserve currency. According to the latest IMF COFER data (Q3 2025, published December 2025), the U.S. dollar's share of global foreign exchange reserves has fallen to 56.9% [12], down from approximately 71% at the turn of the millennium. The euro holds 20.3%, the Japanese yen 5.8%, and other currencies - including the Chinese renminbi at just 1.9% - collectively account for a growing share.

This strategic diversification is a response to a multipolar world and a desire to mitigate risks associated with dependency on a single currency. Over time, this macroeconomic shift could naturally translate into the digital asset space, fostering greater demand for a more diverse ecosystem of stablecoins pegged to other major world currencies - a trend already visible in the growing traction of Circle's EURC and Japan's newly launched JPYC.

Average Cost of Sending $200 Remittance by Region (2025)



Source: World Bank Remittance Prices Worldwide (2025), Teroxx Research

The high costs of traditional cross-border remittances present a significant and enduring challenge for global payments. The World Bank's latest data (2025) shows the global average remittance fee at 6.49% [13], with costs as high as 8.78% in sub-Saharan Africa. Against this backdrop, stablecoin remittance fees can be fractions of a cent on networks like Tron and Polygon - a cost reduction of over 99% in many corridors.

This disparity has driven meaningful adoption: a study by the Blockchain Research Lab (April 2025) found that 26% of U.S.-based remittance customers [14] have already used stablecoins for international transfers. The trend has not gone unnoticed by incumbents - Western Union announced plans to launch USDPT, a stablecoin on Solana, in the first half of 2026 to serve its 100 million customers, while MoneyGram has integrated USDC through a partnership with Circle. The $900 billion global remittance market is increasingly recognizing stablecoins not as a threat, but as superior infrastructure.

Ecosystem and Market Dynamics

Ecosystem and Market Dynamics

Primary use cases

Stablecoins are rapidly evolving beyond their initial role as a bridge asset for traders, maturing into the foundational infrastructure for a new generation of global financial applications. By combining the stability of fiat currencies with the efficiency of blockchain technology, they provide a powerful and versatile medium of exchange that addresses longstanding challenges in both traditional and digital commerce.

This is most evident in their power to revolutionize large-scale value transfer. For corporations, stablecoins enable high-volume, low-cost global payments and cross-border payroll, settling in minutes rather than days and bypassing costly intermediary banks. B2B stablecoin payment volumes grew over 730% year-over-year in 2025, accounting [5] for roughly $226 billion - approximately 60% - of all genuine stablecoin payment activity. Stripe reported stablecoin payment volume of $400 billion in 2025 [16], with 60% being B2B, while specialized processors like BVNK now handle $30 billion in annualized stablecoin payments [6]. A survey of corporate adopters found that 77% cite cross-border supplier payments as their primary use case, and 54% of non-users expect to adopt stablecoins within 6–12 months.

Beyond optimizing existing processes, stablecoins are unlocking entirely new economic frontiers. They make microtransactions economically viable for the first time, opening up new revenue models for content creators and digital services. Furthermore, their programmable nature provides built-in support for automated, AI-driven transactions, paving the way for a true machine-to-machine economy where smart devices and autonomous agents can transact directly with one another.

The Stablecoin Market: Size, Growth, and Key Players

The total supply of stablecoins has reached $310 billion as of March 3, 2026, spanning 342 tracked tokens across 174 blockchains [1]. This figure represents the total value of collateralized digital assets in circulation and highlights their critical role as a foundational layer for the digital economy.

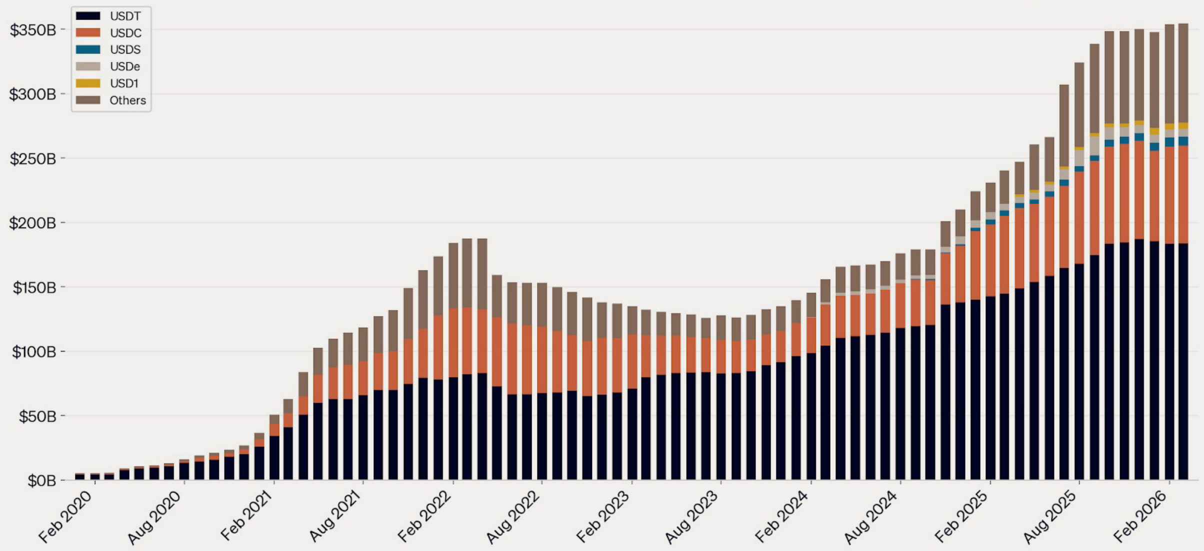
The market has undergone extraordinary growth in recent years:

- January 1, 2024: $130 billion
- January 1, 2025: $206 billion (+58% in 2024)
- January 1, 2026: $307 billion (+49% in 2025)
- March 3, 2026: $310 billion (+0.8% YTD)

Source: DeFi Llama Stablecoins API, retrieved March 3, 2026.

After two consecutive years of approximately 50% annual growth, the first two months of 2026 have seen the market consolidate near its all-time high. This growth has been significantly accelerated by the regulatory push in the United States, as the passage and signing of the GENIUS Act provided a clearer framework and boosted confidence in the sector.

Stablecoin Supply by Token (2020 - 2026)



Source: DeFi Llama Stablecoins API, Teroxx Research

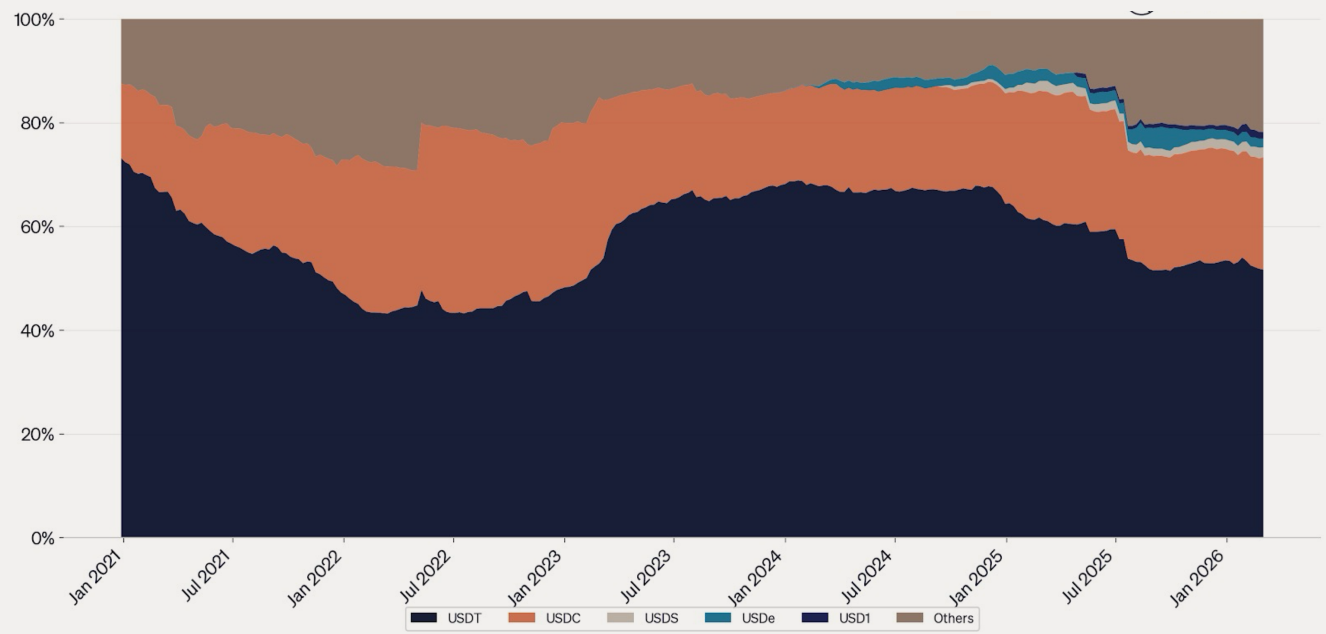
The Major Tokens

The top 10 stablecoins by market capitalization (DeFi Llama, as of March 3, 2026):

- 1. USDT (Tether) - $183.6B - 59.3%
- 2. USDC (Circle) - $76.0B - 24.6%
- 3. USDS (Sky / fmr. MakerDAO) - $7.0B - 2.3%
- 4. USDe (Ethena) - $6.0B - 1.9%
- 5. USD1 (World Liberty Financial) - $4.7B - 1.5%
- 6. DAI (MakerDAO) - $4.5B - 1.4%
- 7. PYUSD (PayPal) - $4.2B - 1.4%
- 8. BUIDL (BlackRock) - $2.5B - 0.8%
- 9. USYC (Hashnote/Circle) - $1.9B - 0.6%
- 10. USDG (Global Dollar / Paxos) - $1.7B - 0.5%

Within this ecosystem, Tether's USDT remains the dominant force with $183.6 billion in circulation, though its market share has gradually compressed from a peak above 70% to 59.3% today. Circle's USDC holds the second position at $76.0 billion, representing 24.6% of the market. Together, these two tokens account for 83.9% of all stablecoin value - a duopoly, but one that is slowly being chipped away by a rising tier of institutional challengers.

Stablecoin Share by Token (2020 - 2026)



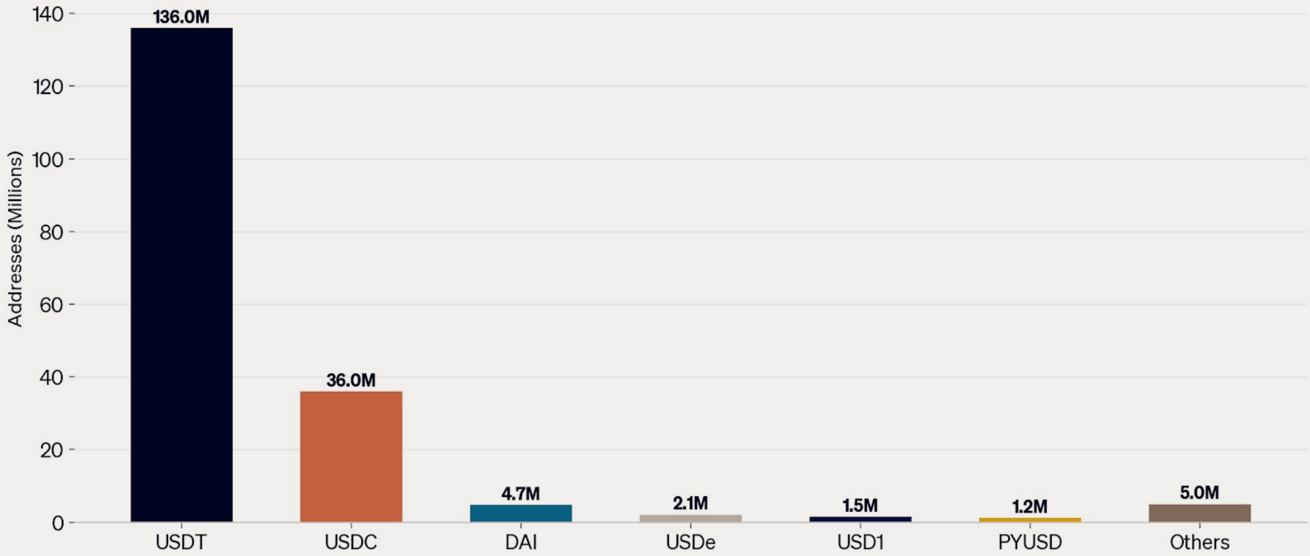
Source: DeFi Llama Stablecoins API, Teroxx Research

The most notable entrants reflect the mainstreaming of stablecoins:

- USDS (Sky Dollar, $7.0B): The rebranded successor to DAI from Sky (formerly MakerDAO), representing the evolution of DeFi's original decentralized stablecoin.
- USD1 (World Liberty Financial, $4.7B): Launched in March 2025 by an entity affiliated with the Trump family, USD1 has rapidly grown but has also generated political controversy given the administration's role in signing the GENIUS Act. In January 2026, WLFI applied for a federal bank charter.
- PYUSD (PayPal, $4.2B): PayPal's entry has grown 17% in the past month alone, validating the thesis that traditional fintech giants will become major stablecoin issuers.
- BUIDL (BlackRock, $2.5B): A tokenized money market fund representing the world's largest asset manager's bet on on-chain finance, BUIDL has grown 43% in just the past month.

The competitive landscape also extends beyond the top 10, with notable players including RLUSD (Ripple, $1.6B), USDf (Falcon, $1.6B), and USDY (Ondo Finance, $1.3B) - each representing a different thesis on the future of stable value on-chain.

Stablecoin Holders by Token (Uniques Addresses, Feb 2026)
Total: ~172 Million Addresses



Source: Dune Analytics, PANews (Feb 2026), Teroxx Research

The analysis becomes even clearer when observing active addresses, which indicate actual token usage. Total unique addresses holding stablecoins have reached 172 million, with approximately 30 million monthly active addresses [17] as of February 2026 - up 53% from 19.6 million a year earlier. USDT dominates with approximately 136 million holders (79% of all stablecoin addresses), while USDC's user base of 36 million has been growing faster, with its active address count nearly doubling year-over-year.

Circle on the Public Markets

Following its Initial Public Offering on June 5, 2025, Circle (NYSE: CRCL) became the first major stablecoin issuer to be publicly traded. The IPO priced at $31 per share, and the stock surged 167% on its first day to close at $82.84, before rallying to an all-time high of $299 within three weeks.

The post-IPO journey has been volatile. After its June peak, the stock declined approximately 70% to a low of $49.90 in early February 2026, before a strong Q4 2025 earnings report triggered a rally of over 45% in just two sessions - partly fueled by a short squeeze. As of early March 2026, CRCL trades around $95, roughly 3x its IPO price, with a market capitalization of approximately $20 billion.

Circle (CRCL) - Stock Price Since IPO

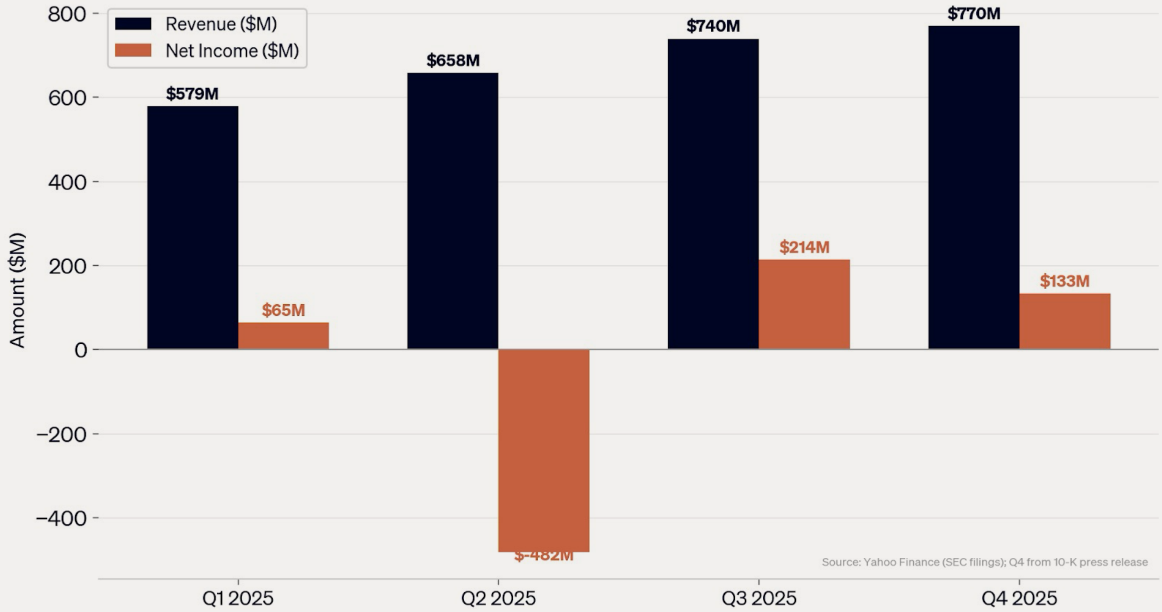
Source: Yahoo Finance (NYSE: CRCL), Teroxx Research

Circle's full-year 2025 financials, reported on February 25, 2026, reveal a highly profitable business built on a simple but powerful model:

- Total Revenue & Reserve Income: $2.75 billion (+64% YoY)
- Adjusted EBITDA: $582 million (+104% YoY)
- Net Income: -$70 million (driven by $424M IPO stock comp and $167M convertible debt adjustments; operationally profitable)
- USDC in Circulation (year-end): $75.3 billion (+72% YoY)
- USDC On-Chain Transaction Volume (Q4): $11.9 trillion (+247% YoY)

The most recent quarter (Q4 2025) was Circle's strongest: revenue of $770 million (+77% YoY), net income of $133 million, and adjusted EBITDA of $167 million (+412% YoY), with RLDC (revenue less distribution costs) margins expanding to 40.1%. The reserve return rate stood at 3.81%, down 68 basis points year-over-year as SOFR declines - a key risk to monitor as the rate-cutting cycle continues.

Circle (CRCL) Quarterly Financial Results - FY2025 Full Year Revenue: $2.7B



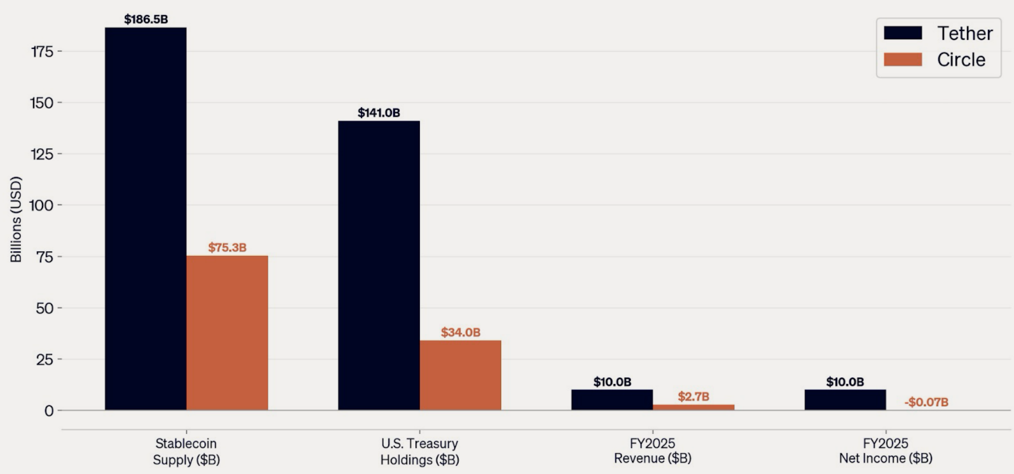
Source: Yahoo Finance (SEC Filings), Circle 10-K Press Release, Teroxx Research

The vast majority of Circle's revenue comes from interest earned on the U.S. Treasury securities backing USDC - effectively making it one of the world's most efficient business models: issuing a digital dollar, investing the reserves in T-bills, and earning the spread. A significant cost is the revenue-sharing agreement with Coinbase, which receives 50% of the residual reserve income plus 100% of income on USDC held on its platform. Distribution costs totaled approximately $1.66 billion in FY 2025 - roughly 60% of total revenue - with the vast majority flowing to Coinbase.

Beyond its core reserve income, Circle is building a broader platform business. Its Circle Payments Network (CPN) has enrolled 55 financial institutions (up from 29 in Q3 2025), with 74 additional institutions in review and $5.7 billion in annualized transaction volume. Circle's Arc blockchain - a purpose-built Layer-1 for enterprise stablecoin applications - has processed over 166 million transactions on its public testnet, with participation from over 100 institutional partners including BlackRock, Goldman Sachs, BNY Mellon, and Visa. Arc mainnet is expected in 2026. The company also reported that EURC circulation reached EUR 310 million (+284% YoY), signaling growing traction for its euro-denominated stablecoin under MiCA.

Management guided for 2026 with 38–40% RLDC margins, $570–585 million in adjusted operating expenses, and $150–170 million in other (non-reserve) revenue. Analyst consensus rates the stock a Buy with an average price target of approximately $131.

Tether vs Circle: Key Financial Metrics (FY2025)



Source: Tether Q4 2025 Attestation, Circle FY2025 10-K, Teroxx Research

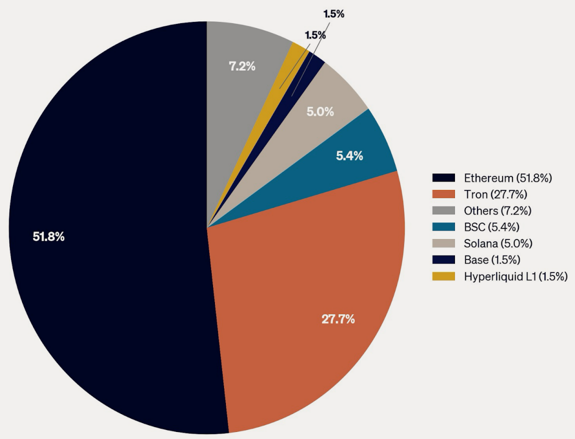
Tether, while remaining private, reported $10 billion in net profit [11] for full-year 2025, with $6.3 billion in excess reserves above its 1:1 backing requirement. Its diversified investment strategy - including $9.9 billion in Bitcoin and $24 billion in physical gold - generates higher returns than Circle's conservative Treasury-only approach but introduces additional market risk.

Stablecoin Distribution Across Blockchains

From a blockchain perspective, Ethereum remains the foundational settlement layer for the stablecoin ecosystem, concentrating $159.9 billion (51.6%) of total stablecoin value. Its robustness, security, and mature DeFi ecosystem make it the preferred network for large-scale transactions, institutional reserves, and collateral in major financial protocols.

- 1. Ethereum - $159.9B - 51.6%
- 2. Tron - $85.6B - 27.6%
- 3. BSC - $16.9B - 5.4%
- 4. Solana - $16.0B - 5.2%
- 5. Base - $4.6B - 1.5%
- 6. Hyperliquid L1 - $4.5B - 1.5%
- 7. Arbitrum - $4.4B - 1.4%
- 8. Polygon - $3.3B - 1.1%
- 9. Aptos - $1.8B - 0.6%
- 10. Avalanche - $1.8B - 0.6%

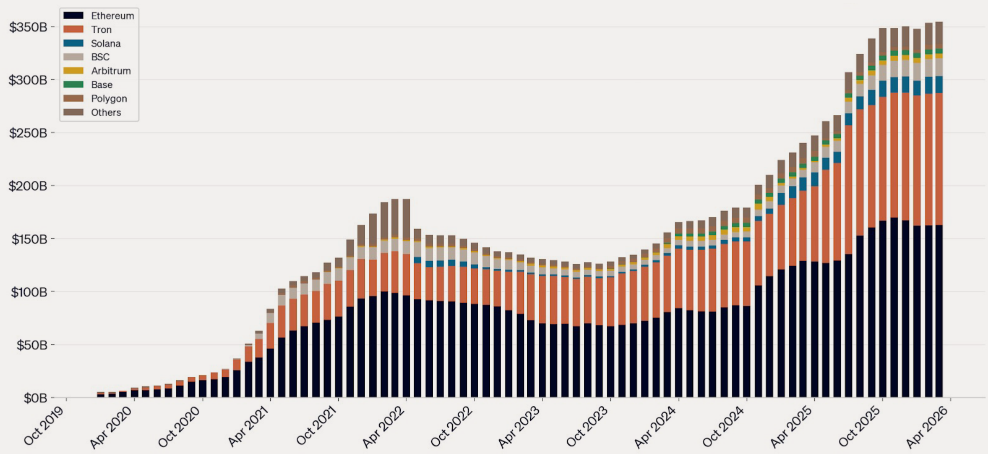
Stablecoin Distribution Across Blockchains (as of Q1 2026)



Source: DeFi Llama Stablecoins API, Teroxx Research

However, when the analysis shifts from total value to user activity, a different narrative emerges. The Tron network is the undisputed leader in retail transaction volume, holding $85.6 billion - nearly all of which is USDT ($84.7 billion). Tron serves as USDT's primary transport layer, accounting for 46% of all Tether in circulation. Its low transaction fees and high speed make it the dominant platform for lower-value transactions, daily payments, and remittances, particularly in emerging markets.

Stablecoin Supply by Blockchain (2020 - 2026)



Source: DeFi Llama Stablecoins API, Teroxx Research

The Rise of New Chains. The stablecoin ecosystem is increasingly multi-chain. Solana and BSC each hold approximately $16 billion in stablecoin value, while Ethereum's Layer-2 solutions - Base ($4.6B), Arbitrum ($4.4B), and Polygon ($3.3B) - are gaining significant traction. A notable newcomer is Hyperliquid L1, a derivatives-focused chain that has attracted $4.5 billion in stablecoins largely through its trading platform. Meanwhile, USDC's distribution tells its own story: 65% of all USDC resides on Ethereum, followed by Solana (11%), Base (5.6%), and Hyperliquid (5.5%) - reflecting a clear institutional preference for Ethereum paired with growing activity on faster, cheaper alternatives.

A significant new market trend is the move by major stablecoin issuers toward vertical integration by developing proprietary Layer-1 blockchains, exemplified by Circle's "Arc" initiative. This strategic shift is driven by the desire to gain full control over the user experience, eliminating reliance on third-party networks and their associated risks. By owning the entire stack, a purpose-built chain can offer features tailored for enterprise adoption - such as predictable, dollar-denominated transaction fees and embedded institutional-grade compliance services. This trend points to a future where the largest stablecoin ecosystems operate their own self-contained, high-performance financial networks.

The Future of Stablecoins

The Future of Stablecoins

Specialization: The Divergent Roles of USDC and USDT

A quantitative analysis of the stablecoin market reveals a clear trend of maturation driven by specialization, with USDC and USDT evolving to serve fundamentally different functions in the financial ecosystem.

USDC has cemented its position as the backbone of institutional-scale finance and large DeFi operations. During major market events, USDC's weekly transfer volume has reached as high as $2 trillion, capturing the vast majority of high-value on-chain settlement. Circle's IPO, its Big Four-audited monthly attestations, and its MiCA-compliant status in the EU have made USDC the default choice for institutions requiring regulatory certainty.

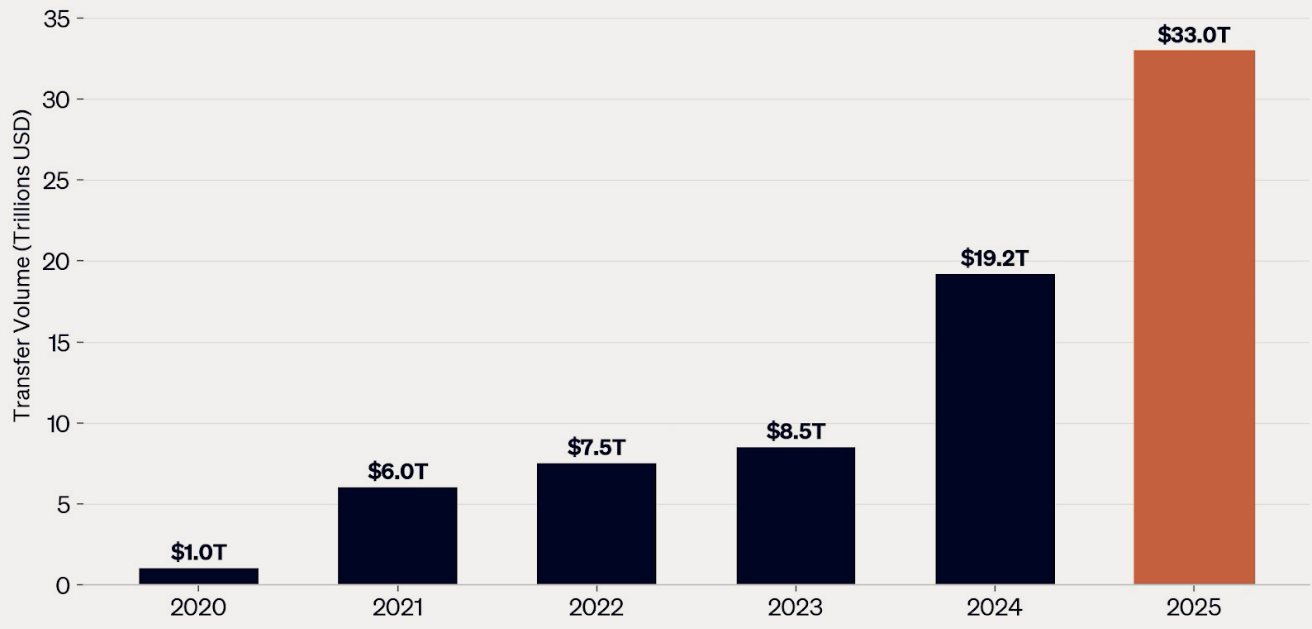
USDT remains the undisputed leader in daily user activity and peer-to-peer payments. Over the course of 2025, its weekly P2P volume grew to exceed $250 billion, consistently commanding approximately 50% of all P2P value transferred. When combined with the Tron network - its primary transport layer - this ecosystem facilitates over 75% of all P2P stablecoin value, solidifying its role as the de facto digital dollar for a global user base, particularly in emerging markets.

Notably, the peg stability of the two leaders has been excellent over the past year. CoinGecko price data (366 daily observations [18], March 2025 – March 2026) shows USDT remained within 0.20% of $1.00 for the entire period, with only one marginal deviation (to $0.9980 on February 5, 2026). USDC maintained an even tighter band, never deviating more than 0.16% from par. This stability - in stark contrast to the depegging events affecting smaller stablecoins - reinforces the market's confidence in the two dominant issuers.

Dune Analytics on-chain data (January 2026) [19] further illustrates the USDC-USDT divergence. Total monthly stablecoin transfer volume reached $10.3 trillion (2x year-over-year), with USDC accounting for $8.3 trillion - nearly 5x USDT's $1.7 trillion in transfer value - despite having less than half the supply. This confirms USDC's role as the high-velocity institutional settlement layer, while USDT's value lies in its unmatched breadth of holder addresses and retail adoption.

This clear split - USDC for institutional weight, USDT for retail velocity - demonstrates a market that has evolved beyond simple competition into specialized, complementary roles.

Annual Stablecoin Transfer Volume 2025: $33T (+72% YoY)



Source: Visa, Artemis Analytics, Bloomberg, Teroxx Research

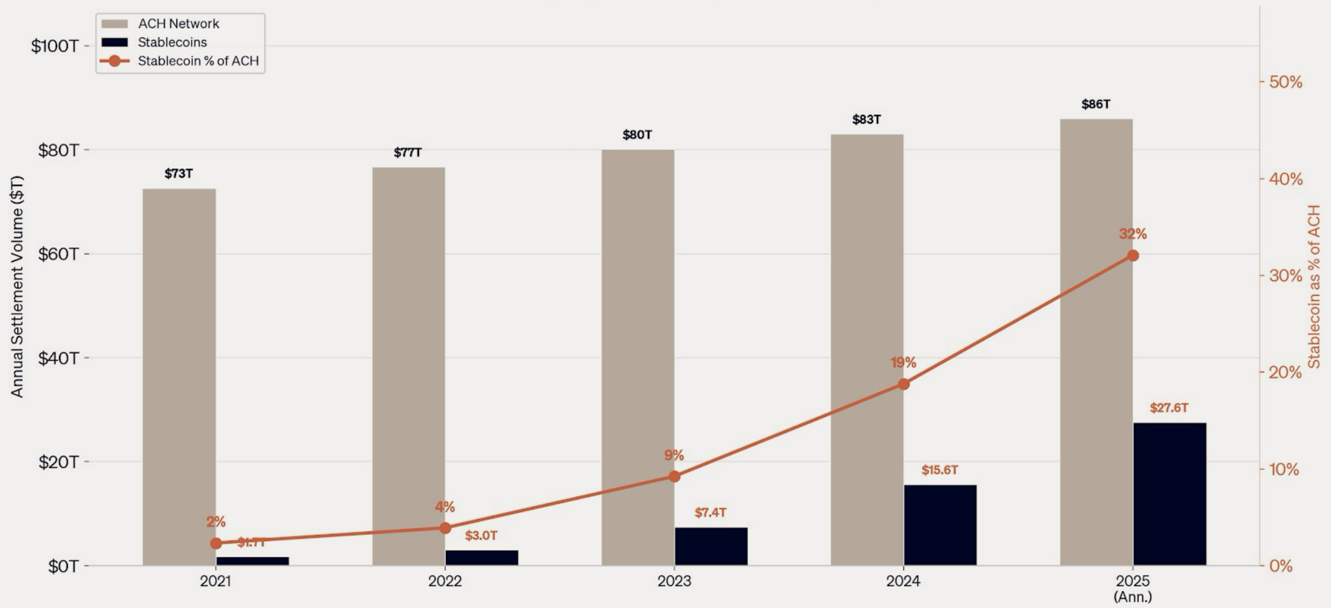
Volume Growth: A Challenge to Traditional Finance

Stablecoins are clearly transitioning from a niche crypto-asset into a major competitor in global payments. The numbers are striking:

- 2024 total volume: $27.6 trillion (surpassing Visa and Mastercard [3] combined for the first time)
- 2025 total volume: $33 trillion (+72% year-over-year [2] on an unadjusted basis)
- Genuine payment volume (2025): Approximately $390 billion [15], after filtering out bot activity, MEV, and DeFi routing - still roughly doubling from 2024

Stablecoins vs. ACH Network - Annual Settlement Volume

Stablecoin throughput grew 16x while ACH grew 18% over the same period



Source: Federal Reserve / Nacha, Artemis Analytics, Teroxx Research

The macro-level impact is powerfully displayed in the comparison to the ACH network, a cornerstone of traditional U.S. banking that processed $93 trillion across 35.2 billion payments in 2025 (+7.9% YoY in value). Stablecoin daily trading volume - approximately $120 billion - now represents roughly a third of a typical ACH daily value (~$369 billion). More tellingly, Same Day ACH - the segment most directly comparable [20] to stablecoins' real-time settlement - processed $3.92 trillion in 2025, a figure that stablecoin genuine payment volume ($390 billion) is rapidly approaching. This is a remarkable milestone, indicating that blockchain rails are now processing a scale of value comparable to legacy payment systems - with the added benefits of 24/7 availability, near-instant settlement, and global reach.

This macro trend is underpinned by tangible real-world adoption. B2B stablecoin payment volumes grew over 730% year-over-year in 2025, reaching approximately $226 billion [5]. Stripe reported $400 billion in total stablecoin payment volume [16], with 60% being B2B. The addressable B2B market for stablecoins is estimated at $16.5–23.7 trillion, suggesting current adoption is still in its earliest stages.

Infrastructure Competition

The maturation of stablecoins is further evidenced by healthy competition at the infrastructure level. No single blockchain maintains a permanent majority of daily transactions - instead, networks like Solana, Tron, Ethereum, and its Layer-2s trade leadership, with aggregate activity regularly surpassing 20 million daily transactions. This robust competition, combined with the market's proven ability to handle trillion-dollar volumes and its clear specialization of assets, points to a resilient, diversified, and increasingly mature ecosystem that is fundamental to the digital economy.

Risks, Challenges, and Controversies

Risks, Challenges, and Controversies

While designed for stability, stablecoins possess inherent risks that were put on stark display during multiple events in recent years. These risks span operational failures, reserve quality, transparency gaps, regulatory uncertainty, and - increasingly - political entanglements.

The SVB Crisis: A Cautionary Tale

The dangers of interconnected financial risks were dramatically illustrated in March 2023, following the collapse of Silicon Valley Bank (SVB). Circle revealed it held $3.3 billion of USDC's cash reserves in the failed bank - a clear example of reserve concentration risk. The result was immediate: USDC broke its $1.00 peg and fell approximately 13%. Stability was restored only after U.S. authorities guaranteed all SVB deposits, securing Circle's reserves and allowing USDC to rapidly recover its peg. The event served as a powerful catalyst for the regulatory push that ultimately produced the GENIUS Act.

Recent Depegging Events (2025–2026)

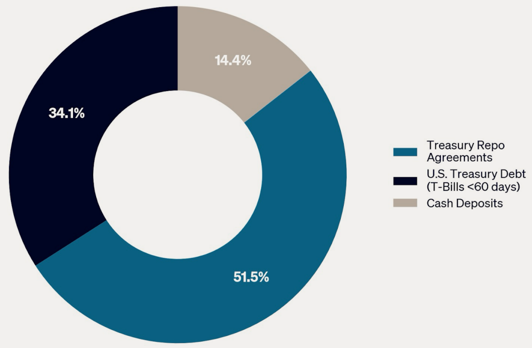
The risk of depegging has not been eliminated:

- Ethena USDe (October 2025): Briefly fell to $0.65 on Binance due to a thin-orderbook oracle issue. Reserves remained fully collateralized, and the peg recovered within one hour - but the incident highlighted the vulnerability of algorithmic and delta-neutral stablecoin designs to market microstructure events.
- xUSD / Stream Finance (November 2025): Suffered a severe depeg after disclosure of a $93 million loss tied to an external asset manager, falling 57% below its peg. Withdrawals were halted, and contagion spread to related DeFi tokens (deUSD, sdeUSD) - a reminder that "DeFi-native" stablecoins carry counterparty risks comparable to traditional finance.
- sUSD / Synthetix (January 2026): Fell to approximately $0.75, reflecting ongoing challenges in maintaining the stability of crypto-collateralized stablecoins during periods of market stress.
- USD1 / World Liberty Financial (February 2026): Briefly depegged to $0.994, which WLFI attributed to a "coordinated attack." While the depeg was shallow and short-lived, it raised questions about the resilience of newer, less battle-tested stablecoin designs.

Reserve Composition and Transparency

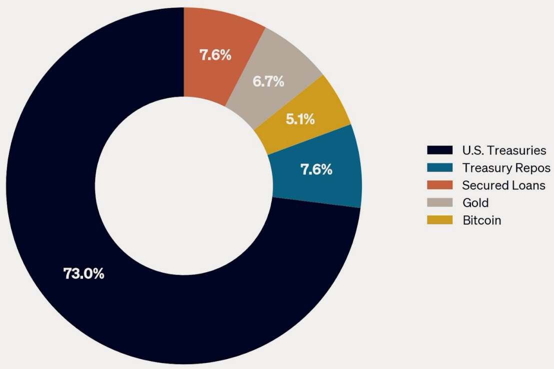
Circle (USDC) employs a highly conservative and liquid reserve strategy. The vast majority of its portfolio is concentrated in the safest assets available: short-dated U.S. Treasury bills and cash equivalents account for approximately 98.9% [21] of reserves, with the remainder held as cash deposits at regulated banks. All reserves are held in the Circle Reserve Fund (USDXX), an SEC-registered 2a-7 government money market fund, with monthly third-party assurance from a Big Four accounting firm.

Circle (USDC) Reserves (Q1 2026)



Source: Circle Reserve Fund Attestation (Q1 2026), Teroxx Research

Tether (USDT) Reserve Composition (Q1 2026)



Source: Tether Q4 2025 Attestation (BDO Italia), Teroxx Research

Tether (USDT) builds its reserves on a strong foundation of U.S. government debt, with T-bills constituting approximately 82% [11] of its portfolio ($122.3 billion in direct holdings). However, Tether differentiates itself with a more diversified - and higher-risk - investment strategy. Its total asset base of $192.9 billion includes approximately $24 billion in physical gold (over 140 metric tons), $9.9 billion in Bitcoin, and allocations to money market funds and secured loans. While this approach generates higher yields - contributing to Tether's $10 billion net profit in 2025 - it introduces market risk not present in Circle's conservative model. Notably, Tether has $6.3 billion in excess reserves above its 1:1 backing requirement, providing a buffer against asset price fluctuations. Tether is also reportedly in talks with a Big Four accounting firm [22] to transition from quarterly attestations to full audits.

Exhibit 1 - The Competitive Landscape (as for March 2026)

Token	Market Cap	Peg	Description	Blockchain Platforms	Issuer
USDT	**$183.6B**	USD	Diversified: U.S. Treasuries, gold, BTC, secured loans	Ethereum, Tron, Solana, BSC, Aptos	Tether
USDC	**$75.2B**	USD	Conservative: Cash, T-bills, repos. Regular audits.	Ethereum, Solana, Base, Arbitrum, Aptos	Circle
USDS	**$7.4B**	USD	Crypto-backed, RWA collateral. Former DAI rebrand.	Ethereum, Base, OP Mainnet, Arbitrum	Sky (Maker)
USDe	**$6.0B**	USD	Delta-neutral hedging via ETH-based derivatives & futures.	Ethereum, BSC, TON, Mantle, Solana	Ethena
USD1	**$4.7B**	USD	Fiat-backed: short-term U.S. Treasuries & cash equivalents.	Ethereum, BSC, Solana, Tron, Aptos	World Liberty Financial
DAI	**$4.4B**	USD	Overcollateralized: crypto, stablecoins, real-world assets.	Ethereum, Polygon, BSC, Arbitrum	MakerDAO
PYUSD	**$4.2B**	USD	Fiat-backed: US dollar deposits, T-bills, cash-like assets.	Ethereum, Solana, Arbitrum, Flow	Paxos (PayPal)
BUIDL	**$2.5B**	USD	Tokenized money market fund. Institutional-grade.	Ethereum, Aptos, Solana, BSC	BlackRock
RLUSD	**$1.5B**	USD	Fiat-backed: dollar deposits, T-bills, liquid assets.	Ethereum, XRPL	Ripple

Source: DeFi Llama, Public Company Filings, Teroxx Research

Political Risk: The USD1 Controversy

The launch and rapid growth of USD1 by World Liberty Financial - an entity affiliated with the Trump family - has introduced an unprecedented dimension of political risk into the stablecoin ecosystem. The fact that the Trump administration signed the GENIUS Act into law while a Trump-affiliated entity stands to benefit from its provisions has generated significant criticism and conflict-of-interest concerns. Reports that UAE interests agreed to purchase 49% of WLFI for $500 million, combined with WLFI's application for a federal bank charter, have further intensified scrutiny. While USD1 has reached $4.7 billion in circulation, its political baggage represents a novel form of risk for the broader stablecoin sector's credibility.

Regulatory Uncertainty Persists

Despite the progress made, regulatory uncertainty has not been fully resolved. The GENIUS Act's implementing regulations are still being drafted, with the OCC's proposed rules generating industry concern over the scope of the yield prohibition. In the EU, MiCA's fragmented member-state enforcement timelines create compliance complexity. The UK's framework won't be fully enforced until October 2027. And globally, the challenge of achieving coherent, cross-border regulatory standards remains formidable.

However, the overall trajectory is unmistakably positive. The growing regulatory clarity - from Washington to Brussels to Tokyo to Hong Kong - demonstrates a global recognition of stablecoins' importance. The dialogue between innovators and regulators is maturing, paving the way for a safer and more well-defined environment that will allow stablecoins to reach their full potential.

Conclusion

Conclusion

The stablecoin market has decisively crossed a threshold. With a total capitalization of $310 billion [1], annual on-chain settlement volume of $33 trillion, and 172 million addresses holding stablecoin balances [17], these digital assets have graduated from a crypto-native instrument into a globally significant financial infrastructure layer.

This transformation rests on three reinforcing pillars:

1. Regulatory Legitimacy. The signing of the GENIUS Act in the United States, the full implementation of MiCA in Europe, and the enactment of stablecoin frameworks in Hong Kong, Japan, and the UAE have collectively ended the era of regulatory ambiguity. For the first time, stablecoin issuers operate within clear, supervised frameworks that mandate reserve quality, transparency, and consumer protection. This legitimacy is the single most important factor enabling the next phase of institutional adoption.

2. Institutional Integration. The evidence of mainstream adoption is now overwhelming. Circle's successful IPO and $2.7 billion in annual revenue; BlackRock's $2.5 billion BUIDL fund; PayPal's $4.2 billion PYUSD; B2B payment volumes growing 730% year-over-year; Western Union preparing to launch its own stablecoin - these are not speculative bets on a future technology. They are commitments by the world's largest financial institutions to a technology they consider foundational.

3. Functional Specialization. The market has matured beyond simple competition into a sophisticated division of labor. USDC serves as the backbone for institutional settlement and regulatory-compliant capital markets. USDT functions as the de facto digital dollar for global retail payments and remittances. A new tier of specialized tokens - yield-bearing instruments (BUIDL, USYC), tokenized treasuries (USDY), fintech-native stablecoins (PYUSD) - is expanding the design space. And infrastructure competition among Ethereum, Tron, Solana, and emerging chains ensures that the ecosystem is resilient and decentralized.

The challenges are real. Political entanglements, depegging risks, the unresolved yield debate, and the inherent tension between innovation and regulation will continue to test the ecosystem. But the direction of travel is clear. Stablecoins are no longer competing with traditional finance for legitimacy - they are being integrated into it. The question is no longer whether stablecoins will play a central role in the global financial system, but how quickly that role will expand, and which institutions and jurisdictions will be best positioned to lead.

For leaders across finance, technology, and policy, the imperative is straightforward: understand this infrastructure, develop a strategy for it, and act. The on-chain economy is no longer emerging. It has arrived.

Data Sources and Notes

All market data in this report is current as of March 3, 2026 unless otherwise noted. Figures are denominated in U.S. dollars.

Footnotes

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