Teroxx

STABLECOINS August, 2026

The State of Stablecoins Mid-Year 2026

Consortium Money, Public Markets, and the Regulatory Status

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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

The stablecoin market entered the second half of 2026 at an inflection point. After two years of near-vertical expansion, total supply has settled into a consolidation phase around the $300 billion mark, even as the underlying transaction economy continues to scale toward genuine payment relevance. The sector is no longer defined by whether digital dollars work, but by who controls their issuance, who captures their economics, and under what rules they will operate.

Three developments dominate the current landscape. First, the June 2026 launch announcement of Open USD reframed the competitive contest from a race between individual issuers into a battle between ecosystems, with more than 140 payments, banking, and technology institutions aligning behind a consortium-governed, revenue-sharing model. Second, Circle, the only publicly traded pure-play stablecoin issuer, reported a closely watched second quarter and secured a federal trust bank charter, even as its equity remained under pressure and competitive threats mounted. Third, the CLARITY Act, the most consequential piece of U.S. digital asset market-structure legislation to date, reached the edge of a Senate floor vote before the August recess, with its fate hanging on the unresolved question of stablecoin yield.

Key Findings

- **Market consolidation, not contraction.** Total stablecoin market capitalization sits near $300 billion, roughly flat year-to-date after +58% growth in 2024 and +49% in 2025. The plateau reflects a maturing market finding equilibrium, not a reversal of the structural adoption trend.
- **A concentrated market under gradual pressure.** Tether and Circle still anchor the large majority of stablecoin value, but a widening tier of institutional challengers, including USDS, USDe, USD1, PYUSD, and RLUSD, is slowly compressing the leaders' combined share while the two incumbents specialize into distinct niches.
- **Economics are the battleground.** Open USD attacks the single most valuable and least-discussed feature of the model, reserve income, by returning float yield to distributing partners rather than the issuer. This is the central strategic threat of 2026.
- **Circle is decoupling from crypto beta.** Q2 2026 USDC circulation grew 19% year-over-year to $73.3 billion and on-chain volume rose 151%, even as the broader digital asset market contracted ~40%, but a declining reserve return rate remains the key structural risk.
- **Regulation is the swing factor.** With the GENIUS Act already governing payment stablecoins, the CLARITY Act would complete the U.S. framework for the broader digital asset market. Its stalled path to a floor vote injects near-term uncertainty into an otherwise constructive regulatory trajectory.

Stablecoins have crossed the threshold from a crypto-native settlement asset into contested global payments infrastructure. The winners of the next phase will be determined less by token market share than by control of distribution, governance, and reserve economics, and by the regulatory perimeter now being drawn in Washington.

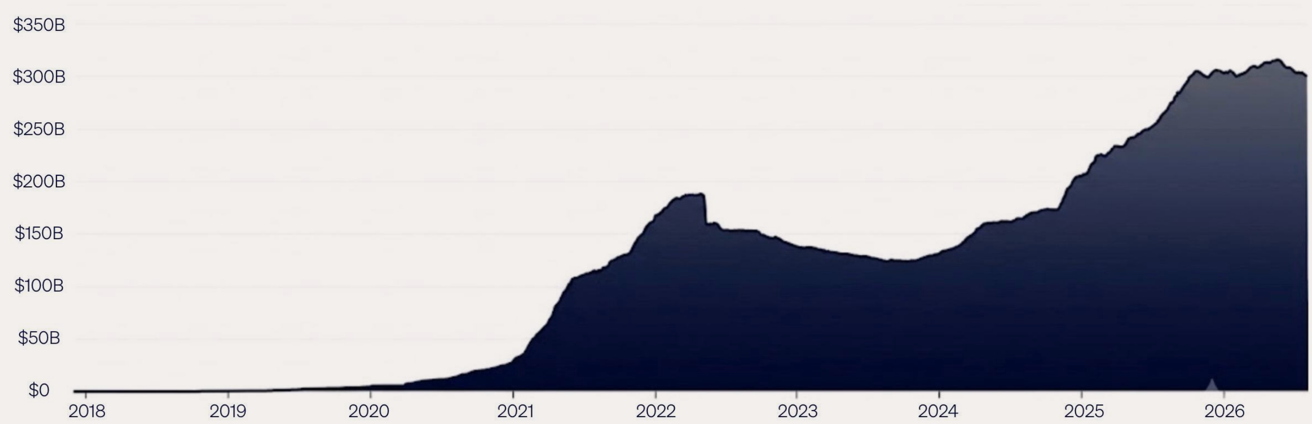
Market Landscape & Growth Dynamics

Market Landscape & Growth Dynamics

The stablecoin ecosystem now spans over 340 tokens across more than 170 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, chiefly as fiat-backed or crypto-backed. Fiat-backed stablecoins are centralized and pegged 1:1 to a fiat currency by holding equivalent reserves; 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 total market share since 2018, an indication that users continue to prioritize the perceived safety and simplicity of centralized reserves over more complex decentralized alternatives.

Total Stablecoin Market Capitalization (2018 to 2026), USD-pegged stablecoins



Source: DefiLlama, Teroxx Research

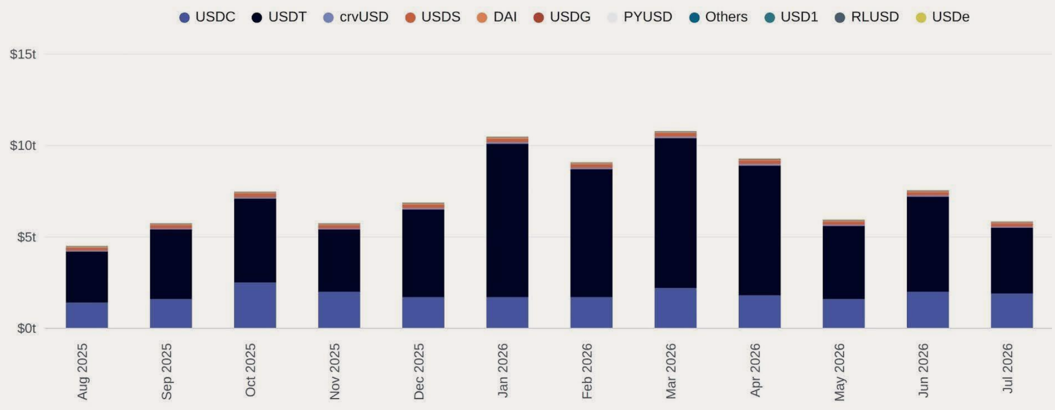
The growth trajectory has been remarkable, but 2026 marks a new phase. After rising from a relatively flat valuation until 2024, stablecoin market capitalization experienced an explosive surge, more than doubling from roughly $130 billion at the start of 2024 to a peak above $310 billion in late 2025. Growth was robust across both 2024 (+58%) and 2025 (+49%). The first half of 2026, however, has shown a period of consolidation, with total supply settling near $300 billion and roughly flat year-to-date.

As of early August 2026, total stablecoin market capitalization stands at approximately $300.3 billion, with a marginal seven-day change of -0.12%. USDT dominance holds at around 61%. This plateau, following two years of rapid expansion, is best read as a maturing market finding its equilibrium before the next leg of growth, particularly as the implementing regulations for the GENIUS Act are finalized and as the broader market-structure debate reaches its conclusion in Washington.

Supply Versus Velocity: Two Different Stories

A crucial distinction underpins the current market: the relatively flat supply figure masks a far more dynamic picture of on-chain activity. While the outstanding stock of stablecoins has consolidated, the flow of value across the networks has continued to scale. Monthly on-chain transaction volume has repeatedly exceeded $8 to $10 trillion across the leading tokens, with USDT and USDC accounting for the overwhelming majority of settlement value.

Monthly On-Chain Volume of Stablecoins per Coin (Aug 2025 to Aug 2026)



Source: Artemis Analytics, Teroxx Research

The divergence between a stable supply base and a rising volume base is itself a signal of maturation. It indicates that stablecoins are increasingly being used, turned over, moved, and settled, rather than simply held as idle balances. This velocity dynamic has profound implications for how the market should be valued and how large the outstanding supply ultimately needs to be, a theme explored in the closing chapter of this report.

Drivers of the Consolidation Phase

The plateau in supply is best understood as the product of several countervailing forces rather than a single cause. On the demand side, the maturation of the 2024 to 2025 growth cycle has naturally moderated the pace of new issuance, while a broadly softer digital asset market through the first half of 2026 has reduced the speculative and trading-driven demand that historically inflated stablecoin balances. On the supply side, the EU's MiCA enforcement (discussed in detail in Chapter 5) has removed non-compliant tokens from regulated European venues, redistributing rather than expanding aggregate supply. And on the macro side, a declining interest-rate environment has begun to compress the reserve yields that make issuance profitable, subtly altering issuer incentives.

None of these forces is structurally bearish. Each reflects a market transitioning from a phase of speculative accumulation toward one of utility-driven circulation. The critical signal for the second half of 2026 is whether the anticipated finalization of U.S. market-structure rules and the launch of consortium and enterprise infrastructure, Open USD and Circle's Arc among them, reignite net new issuance, or whether the market continues to do more with a broadly stable supply base. Teroxx's base case favors a resumption of measured growth into 2027, contingent on regulatory clarity and the continued expansion of real-world payment use cases.

Ecosystem & Market Structure

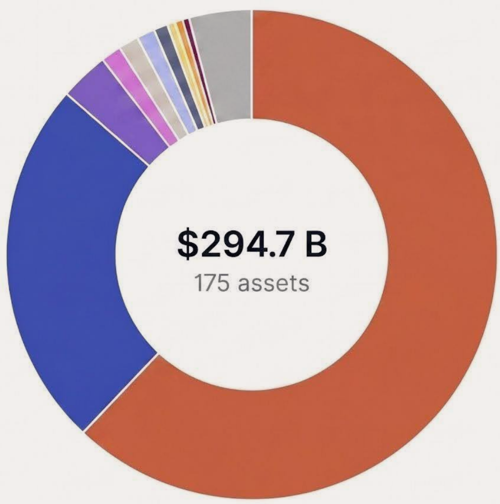
Ecosystem & Market Structure

The stablecoin ecosystem is best understood along three axes: the tokens themselves, the issuers behind them, and the blockchains on which they settle. Across all three, a pattern of concentrated leadership under gradual competitive erosion prevails.

The Major Tokens

The market remains highly concentrated at the top. Tether's USDT continues as the dominant force, with Circle's USDC established in a durable second position, and together the two tokens anchor roughly 86% of all stablecoin value. Yet concentration by market cap tells only part of the story. Measured by holders, the picture is even more lopsided at the very top, with USDT counting well over 100 million unique addresses to USDC's tens of millions, reflecting USDT's deep penetration of emerging-market retail. Measured by growth rate, however, the challengers and USDC are expanding their user bases faster, which is the dynamic slowly reshaping the market beneath the headline figures.

Stablecoin Market Capitalization by Token (Top 10)

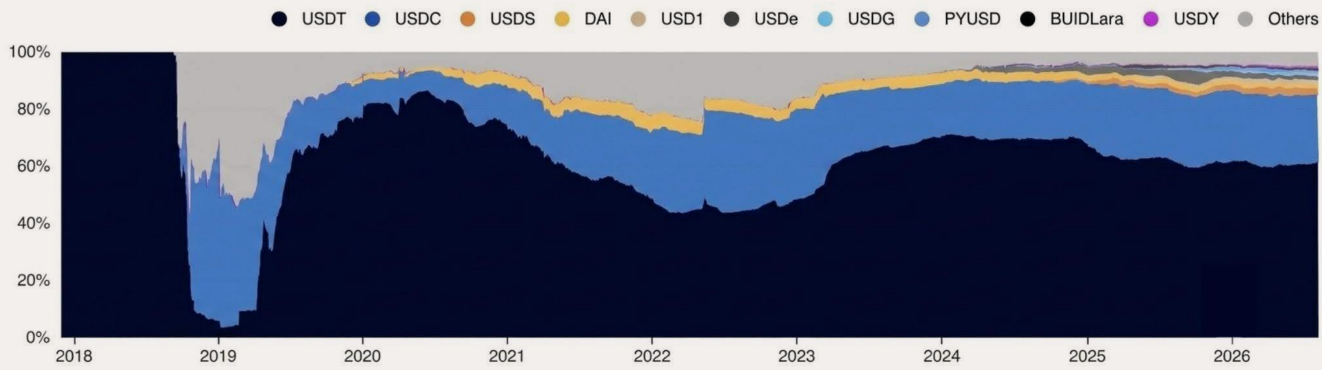


Asset	% Share
USDT	62.1%
USDC	24.4%
USDS	3.2%
USD1	1.3%
USDe	1.3%
USDG	1.2%
PYUSD	0.9%
RLUSD	0.5%
USDf	0.5%
USDD	0.5%
Other	4.1%

Source: DefiLlama, Teroxx Research

The evolution of these shares over time tells the story of the market's maturation. From near-total USDT dominance in the sector's earliest days, the market has broadened into a more layered structure, with USDC establishing a durable second position and a growing constellation of challengers occupying the remainder. Even so, the two leaders' combined dominance has proven remarkably resilient across market cycles.

Stablecoin Market Cap Dominance by Token, 2018 to 2026



Source: DefiLlama, Teroxx Research

The most notable entrants reflect the mainstreaming of stablecoins across distinct theses on the future of stable value on-chain:

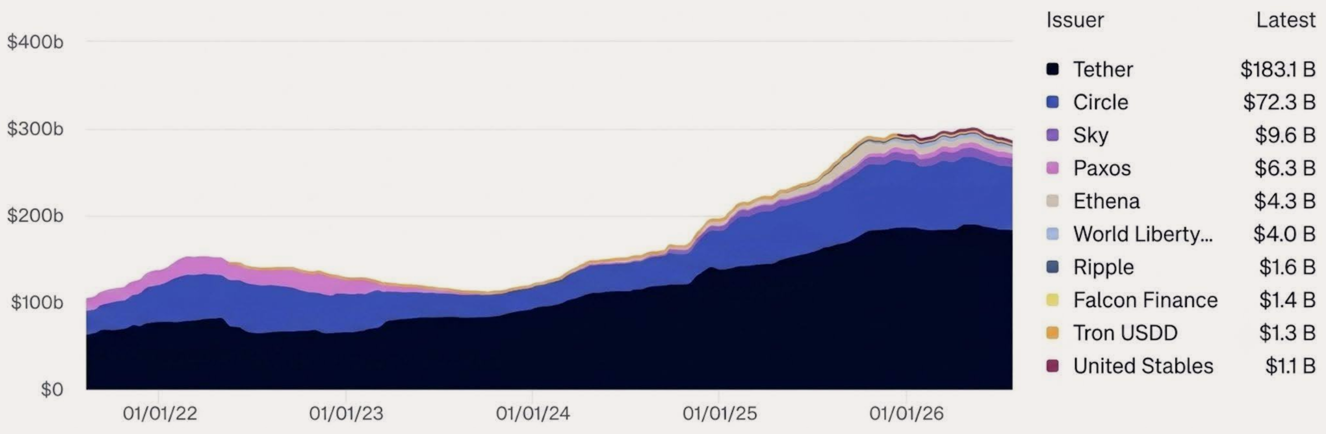
- **USDS (Sky, ~$9.6B):** The rebranded successor to DAI from Sky, formerly MakerDAO, representing the evolution of DeFi's original decentralized stablecoin.
- **USDe (Ethena, ~$3.9B):** A delta-neutral synthetic dollar backed by hedged crypto derivatives positions, offering a distinct collateral model.
- **USD1 (World Liberty Financial, ~$4.0B):** Launched in 2025 by an entity affiliated with the Trump family; rapid growth accompanied by significant political controversy.
- **PYUSD (PayPal, ~$2.7B):** PayPal's entry, validating the thesis that traditional fintech giants will become major stablecoin issuers.
- **RLUSD (Ripple, ~$1.6B):** A fiat-backed, compliance-first instrument targeting institutional settlement corridors.

Beyond the top tier, notable players including USDf (Falcon), USDD (Tron), and USDY (Ondo Finance) each represent a different thesis, from yield-bearing tokenized treasuries to decentralized over-collateralization, underscoring the diversification of the market beyond simple fiat pegs.

Issuers: Tether and Circle Anchor the Market

Viewed by issuer, the concentration mirrors the token-level picture, but the more revealing story lies in the long tail. Beyond Tether and Circle, the market now counts more than 130 distinct issuers, from DeFi-native protocols such as Sky and Ethena to established financial names such as Paxos and Ripple, and newer politically affiliated entrants such as World Liberty Financial. This proliferation of issuers, even as the top two retain their scale, signals a market broadening at its base: a growing roster of banks, fintechs, and asset managers now view stablecoin issuance as strategic, a trend that Chapter 4 examines through the lens of the consortium model.

Stablecoin Market Cap & Share by Issuer



Source: Token Terminal, Teroxx Research

A parallel view by individual asset sharpens the picture of the tier just below the leaders. USDS, USD1, USDe, USDG, and PYUSD form a visible second layer in the low single-digit billions each, while a diverse tail of more than 170 assets fills out the remainder. The composition of this second tier is itself instructive: it spans rebranded DeFi stablecoins, politically affiliated tokens, synthetic dollars, and fintech-issued instruments, each embodying a distinct thesis on how stable value should be produced and distributed on-chain.

Dollar's Near-Total Dominance

The stablecoin market is, in effect, a digital dollar market, and it has been so for years. The U.S. dollar accounts for approximately 99.6% of total stablecoin value by reference currency, with the euro a distant second at around 0.3% and all other currencies, including the Brazilian real, Swiss franc, Japanese yen, and British pound, collectively representing a fraction of one percent. This is not a recent phenomenon: dollar-referenced tokens have commanded well above 99% of stablecoin supply consistently since the market's earliest days, reflecting the dollar's entrenched role as the world's primary unit of account, its deep and liquid Treasury market for reserves, and the network effects of being the default settlement currency for global crypto trading.

Stablecoin Market Cap & Share by Reference Currency

Currency	% Share
U.S. Dollar	99.6%
Euro	0.3%
Brazilian Real	0.1%
Swiss Franc	0.1%
Japanese Yen	0.1%
British Pound	0.1%
Singapore Dollar	0.1%
Australian Dollar	0.1%
Argentine Peso	0.1%
Philippine Peso	0.1%
Other	0.1%

Source: Token Terminal, Teroxx Research

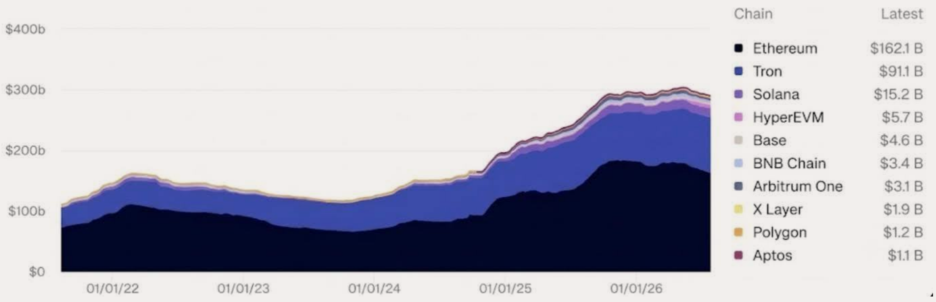
This overwhelming and durable dollar dominance explains why the United States has been at the forefront of stablecoin regulation, and why U.S. legislative developments carry such outsized importance for the global market. It also frames a longer-term question about whether the persistent, if gradual, diversification of central bank reserves away from the dollar will eventually translate into greater demand for non-dollar stablecoins.

How MiCA could catalyze euro-denominated tokens. The most credible near-term challenge to dollar hegemony on-chain is regulatory rather than market-driven. The EU's MiCA framework, examined in Chapter 5, creates conditions under which euro-pegged tokens can develop in ways they could not before. By requiring authorization, bankruptcy-remote reserves held in EU institutions, and full redemption rights, MiCA gives euro e-money tokens a credible compliance foundation that regulated European businesses can adopt with confidence. Just as importantly, MiCA's Article 23 caps the payment usage of non-euro tokens within the EU, explicitly designed to protect the euro's monetary sovereignty and, in effect, to create room for euro-denominated alternatives to grow in domestic payment flows. The early evidence is tangible: the regulated euro stablecoin market more than doubled over the past year to approach the high hundreds of millions of dollars, led by Circle's EURC alongside a widening field of licensed issuers such as Societe Generale-FORGE's EURCV and Banking Circle's EURI. The base remains small next to the dollar market, but MiCA has, for the first time, given euro tokens a genuine regulatory runway.

Blockchain Distribution

From a settlement perspective, Ethereum remains the foundational layer for the stablecoin ecosystem, concentrating the majority of total stablecoin value, roughly 55% of supply. Its robustness, security, and mature DeFi ecosystem make it the preferred network for large-scale transactions, institutional reserves, and collateral in major financial protocols.

Stablecoin Market Cap & Share by Chain

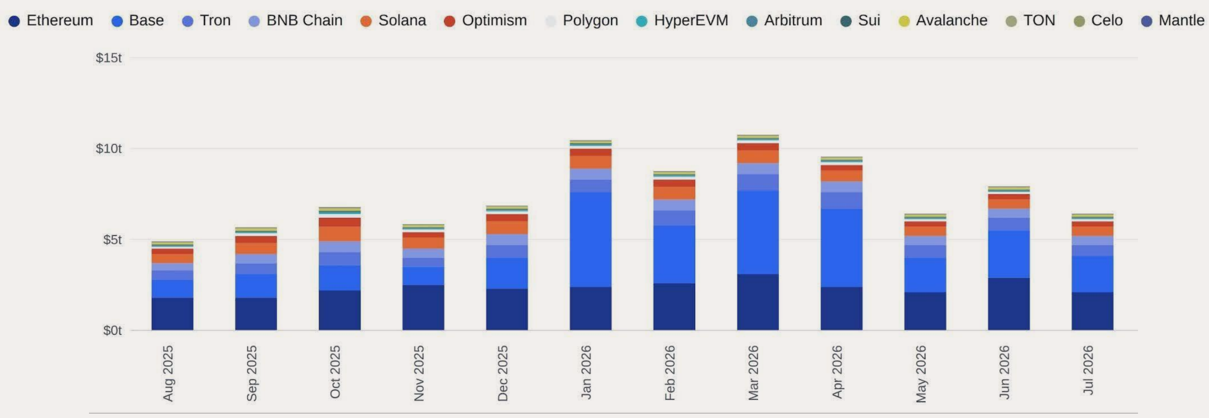


Source: Token Terminal, Teroxx Research

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 roughly $91 billion in stablecoin value, nearly all of it USDT. Tron serves as USDT's primary transport layer, accounting for a substantial share 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.

The rise of new chains. The ecosystem is increasingly multi-chain. Solana holds approximately 5% of stablecoin value, while Ethereum's Layer-2 solutions, Base, Arbitrum, and Polygon, and newer entrants such as HyperEVM are gaining traction. A significant structural trend is the move by major issuers toward vertical integration through proprietary Layer-1 blockchains, exemplified by Circle's Arc initiative. By owning the full stack, a purpose-built chain can offer predictable, dollar-denominated transaction fees and embedded institutional-grade compliance, pointing toward a future in which the largest stablecoin ecosystems operate their own high-performance financial networks.

Monthly On-Chain Volume of Stablecoins by Chain (Aug 2025 to Aug 2026)



Source: Artemis Analytics, Teroxx Research

The Issuer Duopoly: Circle & Tether

The Issuer Duopoly: Circle & Tether

The digital dollar economy rests on the balance sheets of two firms. Tether and Circle together dominate stablecoin value, yet the more important point for this chapter is not their combined size but the sharp contrast between them: one private and diversified, the other public and conservative. That contrast defines the risk spectrum of the entire sector. This chapter examines both, because understanding the market means understanding the two very different business models at its core, and how each is now positioning for a phase of intensifying competition.

Circle: The Public, Regulated Model

Following its initial public offering on June 5, 2025, Circle (NYSE: CRCL) became the first major stablecoin issuer to trade publicly. The IPO priced at $31 per share; the stock surged 167% on its first day and rallied to an all-time high near $263 to $299 within weeks. The period since has been a study in volatility, and, more recently, in the market's attempt to price a business whose fortunes are tied to interest rates, competition, and regulation simultaneously.

The Stock: From Euphoria to Repricing

After its June 2025 peak, CRCL retraced sharply, falling roughly 80% from its all-time high to a trough near $50 in early 2026 before a strong Q4 2025 earnings report triggered a partial recovery. Through 2026, the shares have traded broadly lower, weighed by three overlapping pressures: a declining reserve return rate as the rate-cutting cycle advances, the competitive shock of the Open USD announcement, and a broader digital asset market contraction. As of early August 2026, CRCL traded near the low-$60s, down roughly 20% year-to-date, even as the S&P 500 gained, and well below its IPO-week highs.

Circle (CRCL) Weekly Share Price (NYSE), Since IPO

Source: TradingView (NYSE: CRCL), Teroxx Research

The Open USD announcement on June 30, 2026 was a discrete catalyst: CRCL fell roughly 16% to 18% intraday to around $63, as traders weighed the competitive threat, though the same week's index reconstitution likely amplified the move through passive selling. The episode crystallized the market's central concern, that Circle's reserve-income moat is precisely what a consortium model is designed to erode.

Q2 2026 Results: Decoupling from Crypto Beta

On August 5, 2026, Circle reported second-quarter results that management framed as evidence of USDC's decoupling from speculative digital-asset trading. The headline metrics were mixed, solid on volume and circulation, softer on the rate-sensitive top line:

Circle Performance Updates

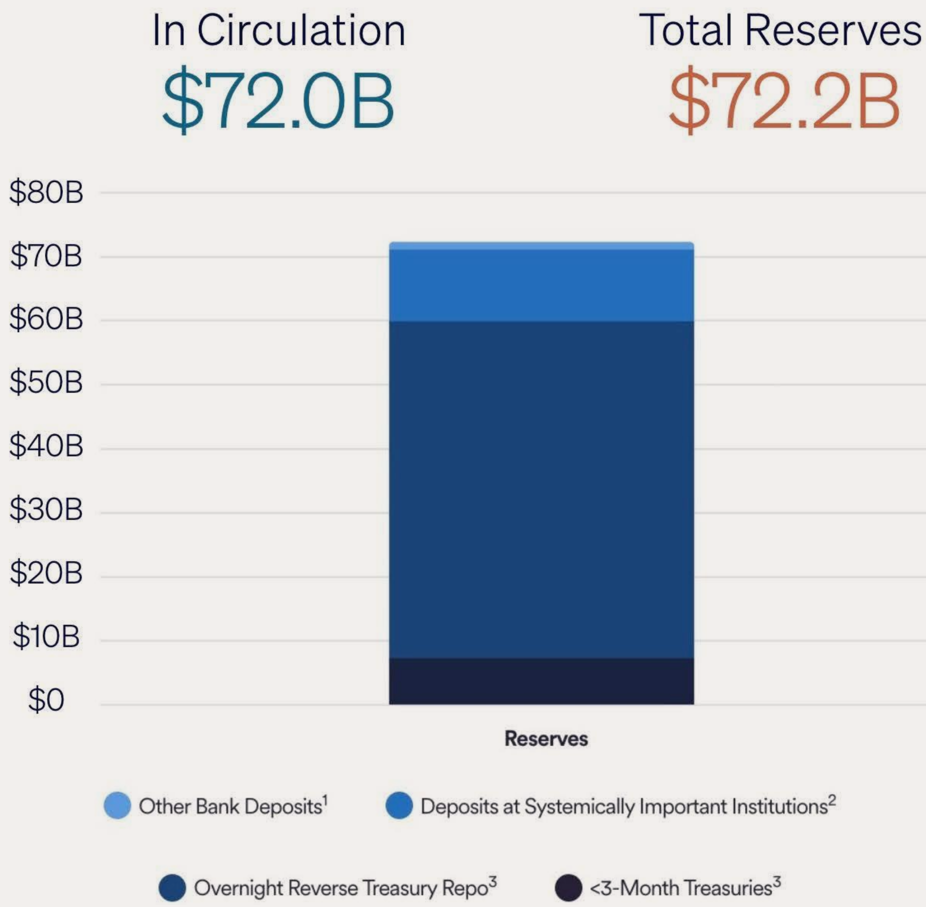
Metric (Q2 2026)	Result	Year-over-Year
USDC in circulation (quarter end)	$73.3 billion	+19%
Average USDC in circulation	$76.5 billion (record)	+25%
USDC on-chain transaction volume	$14.8 trillion	+151%
Total revenue & reserve income	$701 million	+7%
Net income (continuing operations)	$48 million	+$530M
Adjusted EBITDA	$143 million	+8%
Reserve return rate	3.48%	-66 bps

Source: Circle, Teroxx Research

The central theme was resilience amid a weak tape. While the overall digital asset market capitalization contracted roughly 40%, USDC circulation still grew 19% and average circulation reached an all-time high of $76.5 billion. Circle also noted that USDC's share of stablecoin transaction volume reached nearly 70% in June, up from 36% a year earlier. The soft spots were rate-driven: the reserve return rate fell 66 basis points to 3.48%, and sequential revenue was essentially flat against the March quarter, with adjusted EBITDA and EPS slipping quarter-over-quarter.

Circle's reserves remain highly conservative and liquid. As of early August 2026, roughly $72.0 billion was in circulation against approximately $72.2 billion in total reserves, concentrated in short-dated U.S. Treasury debt, overnight reverse repo, and bank deposits held via the SEC-registered Circle Reserve Fund.

Circle (USDC) Reserve Composition (As of Aug 03, 2026)



Source: Circle, TradingView (NYSE: CRCL), Teroxx Research

Strategic Developments: Arc, the Trust Bank, and the Platform Pivot

Beyond the headline financials, three strategic developments reshaped Circle's positioning during the quarter:

- **Federal trust bank charter.** Circle received final approval from the U.S. Office of the Comptroller of the Currency to establish Circle National Trust, making it one of the first stablecoin issuers to hold a federal bank charter, a significant regulatory milestone that deepens its institutional credibility.
- **Arc mainnet launch.** Circle set September 16, 2026 for the public mainnet launch of Arc, its purpose-built Layer-1 for enterprise stablecoin applications, with a founding validator cohort that includes BlackRock, DTCC, Visa, Mastercard, ICE, and Standard Chartered. Management more than doubled full-year "other revenue" guidance to $310 to $330 million, partly on the back of a $242 million Arc token presale.
- **Payments network scaling.** Circle Payments Network (CPN) reached roughly $15 billion in annualized total payment volume, rising toward $23 billion by late July, as Circle pivots from a pure issuer toward a broader platform business.

EURC and Circle's Regulatory Advantage in Europe

While USDC anchors Circle's business, one of the most strategically significant developments has been the rise of EURC, its euro-denominated stablecoin, which has become the clearest beneficiary of Europe's regulatory transition. Circle secured a French Electronic Money Institution license in 2024, giving it a single passport to operate across all EU member states and positioning EURC as a MiCA-compliant e-money token from the moment the rules took effect. That head start proved decisive.

As non-compliant euro tokens were delisted from regulated European venues, EURC captured the resulting vacuum. Its supply grew roughly fourfold between early 2025 and 2026, and its market capitalization climbed toward the mid-hundreds of millions of dollars, giving it a commanding share of a regulated euro stablecoin market that itself more than doubled over the year to approach the high hundreds of millions. EURC now runs natively across multiple chains, including Ethereum, Solana, Base, Avalanche, and Stellar, and Circle has been extending it into real payment infrastructure through integrations with partners spanning card networks and point-of-sale terminal providers. Crucially, EURC maintained its peg through the delisting turbulence that saw several rival euro tokens depeg, reinforcing its credibility.

Greater MiCA acceptance than Tether. This European position marks perhaps the sharpest strategic divergence between the two leaders. Circle embraced MiCA early and turned compliance into a competitive moat: both USDC and EURC remain available on licensed EU platforms, and EURC is a purpose-built euro instrument fully within the framework. Tether, by contrast, declined to pursue EMT authorization for USDT and withdrew its earlier euro token from the compliant field, ceding the regulated European market almost entirely. Where Tether has prioritized global scale and profitability, Circle has prioritized regulatory alignment, and in Europe that choice has handed it a structural advantage that its larger rival cannot easily contest.

Tether: The Private, Diversified Incumbent

If Circle represents the transparent, publicly traded, conservative face of the industry, Tether represents its opposite pole: a privately held, highly profitable, and structurally more aggressive incumbent that continues to dominate the market it helped create. USDT remains the undisputed leader, with approximately $184.6 billion in circulation as of the end of Q2 2026 and a market share above 60%. Notably, USDT circulation still grew during the quarter even as the broader market contracted, though this was the slowest quarterly supply growth in more than two years, a sign that consolidation is affecting even the market leader.

Q2 2026 Results: Profitability Amid a Thinner Cushion

Tether's Q2 2026 attestation, prepared by BDO, presented a nuanced picture that rewards careful reading. The company reported approximately $1.5 billion in net operating profit, a near 50% increase over the first quarter, driven primarily by income from its U.S. Treasury holdings and repurchase agreement activity. Yet the same quarter saw its excess reserve buffer nearly halve.

Tether Performance Updates

Metric (Q2 2026)	Value	Detail
USDT in circulation	$184.6 billion	+$446M vs. Q1
Market share	>60%	Sector leader
Net operating profit	~$1.5 billion	+~50% vs. Q1
Total assets	$187.75 billion	vs. $183.64B liabilities
Excess reserves	$4.11 billion	Down from $8.23B in Q1
U.S. Treasury holdings	~$115 billion	Core reserve asset
Gold holdings	146.2 tons (~$18.8B)	+14 tons in quarter
Bitcoin holdings	98,933 BTC (~$5.8B)	+1,796 BTC in quarter

Source: Tether, Teroxx Research

The buffer paradox. A company that earned $1.5 billion in operating profit ended the quarter with roughly half the reserve cushion it started with, a decline from $8.23 billion to $4.11 billion. The explanation lies in the distinction between operating and comprehensive results. Tether's headline figure is an operating profit that excludes unrealized mark-to-market losses on its non-cash reserves. During Q2 2026, both gold and Bitcoin fell more than 10% in value, with Bitcoin declining from roughly $68,200 to $58,600. On a comprehensive basis, incorporating those unrealized losses, Tether's first-half 2026 result was materially negative. The working rule for anyone sizing exposure to USDT is straightforward: read the operating line for how Tether earns, and read the comprehensive line for what actually happened to the cushion behind the token.

The Diversified Reserve Model and Transparency Trajectory

Tether builds its reserves on a foundation of U.S. government debt, cementing its position as one of the world's largest private holders of U.S. Treasuries. However, it differentiates itself with a more diversified, and higher-risk, strategy than Circle, including roughly $18.8 billion in physical gold (over 146 metric tons) and $5.8 billion in Bitcoin, alongside money market funds and secured loans. This generates higher yields than Circle's Treasury-only model, contributing to Tether's outsized profitability, but introduces market risk not present in its rival's structure. Historically, the principal critique of Tether has centered on transparency; that is changing, as the company engaged KPMG in early 2026 to conduct its first full financial audit, a process still underway as of the Q2 attestation.

Emerging Topics in the Stablecoin World

Emerging Topics in the Stablecoin World

Beyond the established duopoly, several emerging developments are reshaping the competitive and structural landscape of the stablecoin market. Chief among them is the consortium model embodied by Open USD, but the broader shift toward vertically integrated chains, tokenization convergence, and non-dollar instruments is equally consequential for the sector's next phase.

Open USD: The Consortium Model

The single most significant development of 2026 was not a price move or a market-cap milestone, but an architectural one. On June 30, 2026, an independent entity called Open Standard announced Open USD (OUSD), a U.S. dollar stablecoin backed by a coalition of more than 140 companies. The announcement reframed the entire competitive contest, from a race between individual issuers to a battle between ecosystems.

A note on naming: written as two words, "Open USD" refers to the payments stablecoin discussed here. Written as one word, "OpenUSD" refers to Pixar's Universal Scene Description, an unrelated 3D graphics format. They share letters and nothing else.

What Open USD Is

Open USD is a partner-governed dollar stablecoin operated by Open Standard, a newly formed independent company led by Zach Abrams, co-founder of Bridge (the stablecoin infrastructure firm acquired by Stripe in late 2024). Rather than a retail crypto product, it is positioned as shared payments infrastructure for large businesses. The project rests on three stated principles:

1. **Zero-cost access.** Businesses can mint and redeem OUSD at no cost, with no artificial volume caps.
2. **Shared reserve economics.** Partners keep nearly all reserve earnings, net of a small management fee, rather than the issuer retaining the float income.
3. **Collaborative governance.** Decisions sit with a board of partner institutions, rather than a single controlling company.

Why It Matters: The Attack on Reserve Income

The design directly targets the most valuable and least-discussed feature of the stablecoin business model: reserve income. Both Circle and Tether earn substantial economics from the cash and short-duration government assets backing their tokens. For a payment network or remittance platform routing billions of dollars through a stablecoin, the difference between paying fees on top of an issuer's product and sharing in the float income of a jointly governed one is significant. The governance angle is equally important: a partner board reduces single-issuer policy risk, sitting structurally closer to how interbank rails such as ACH or SWIFT are governed than to how USDC or USDT are governed today.

The Coalition

Open USD is a partner-governed dollar stablecoin operated by Open Standard, a newly formed independent company led The breadth of the partner list is what distinguishes Open USD from prior challenger stablecoins. Signatories span the full stack of global finance and commerce: payments and fintech (Visa, Mastercard, American Express, Stripe, Adyen, Klarna, Western Union); banking and asset management (BlackRock, BNY, Standard Chartered, DBS, OCBC); technology and commerce (Google, Shopify, IBM, Cloudflare); and crypto-native firms (Coinbase, Solana, Aave, Ripple). Notably, Stripe has indicated it will make OUSD the default stablecoin for businesses transacting on its platform, while Coinbase has confirmed OUSD will come to Base and other chains.

Two Competing Architectures

Single-Issuer vs. Open Consortium

Dimension	Single-Issuer (USDC / USDT)	Consortium (Open USD)
Governance	Controlled by one company	Board of partner institutions
Reserve income	Retained by the issuer	Shared with distributing partners
Mint / redeem	Fees and terms set by issuer	Zero-cost, no volume caps
Distribution	Issuer-led partnerships	140+ aligned partners at launch
Policy risk	Single-issuer roadmap dependence	Shared, ACH/SWIFT-like model
Status (Aug 2026)	Live and at scale	Announced; launch H2 2026

Source: Teroxx Research

Teroxx assessment. The "Circle killer" framing that accompanied the announcement is largely noise; the signal beneath it is an architecture decision about who controls a stablecoin and who is paid for holding its reserves. Until Open USD is live and its economics are proven at scale, it remains an announced consortium rather than a spendable instrument, and meaningful questions, the legal issuer, the reserve manager, the custodian, the precise yield split, are unresolved. But the strategic message is unambiguous: the incumbents now face not a rival token, but an aligned coalition of the very institutions that control global payment distribution.

Other Emerging Themes

Open USD is the most visible emerging topic, but three further structural shifts are shaping the market's trajectory:

- **Vertically integrated issuer chains.** Major issuers are moving toward proprietary Layer-1 blockchains, exemplified by Circle's Arc, to gain full control over the user experience, eliminate reliance on third-party networks, and offer predictable, dollar-denominated fees and embedded institutional-grade compliance. This points to a future in which the largest stablecoin ecosystems operate their own self-contained financial networks.

- **Convergence with tokenization.** Stablecoins are increasingly the settlement layer for a broader tokenization wave. As tokenized treasuries, money market funds, and eventually equities move on-chain, stablecoins provide the native cash leg for atomic settlement, positioning them as the connective tissue of an emerging on-chain financial system rather than a standalone crypto product.
- **Non-dollar and yield-bearing instruments.** While the market remains 99.6% dollar-denominated, the early traction of euro instruments (Circle's EURC, SG-FORGE's EURCV) and yen tokens (JPYC), alongside a growing tier of yield-bearing tokenized-treasury products (Ondo's USDY, BlackRock's BUIDL), signals a gradual diversification of stable value on-chain beyond the simple fiat-backed dollar peg.

The Regulatory Endgame: The CLARITY Act

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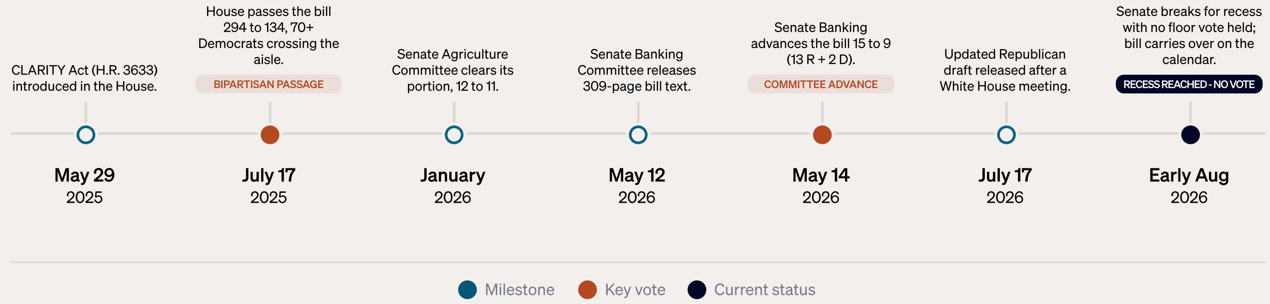
The United States now operates a two-track approach to digital asset regulation. The GENIUS Act, in force since July 2025, governs payment stablecoins and their issuers, establishing reserve, disclosure, and licensing requirements. The Digital Asset Market CLARITY Act (H.R. 3633) is the second, broader pillar: it would define which digital assets are securities versus commodities and divide oversight between the SEC and the CFTC. Together, the two would complete the core U.S. framework for the digital asset market.

The Clarity Act Timeline

As of early August 2026, the CLARITY Act is the most advanced digital asset market-structure bill in U.S. history, and it is stuck. The legislative timeline is as follows:

CLARITY Act Regulation Timeline

Tracking H.R. 3633 from House introduction through the Senate calendar. The market-structure bill reached the August 2026 recess without a floor vote, carrying over the next work period.



Source: Coindesk, Teroxx Research

The Three Disputes

Three unresolved issues have blocked the path to a bipartisan floor vote:

1. Stablecoin Yield, The Central Fight

The most contentious element concerns how the law should treat interest or returns generated by stablecoins. The GENIUS Act already bars issuers from paying interest on payment stablecoins. Banks want that prohibition extended to close what they call the "exchange loophole", the practice whereby platforms pay rewards on stablecoin balances that the issuer itself cannot. Crypto firms want those rewards preserved. Neither side has blinked, and the fight has bled directly into CLARITY negotiations. The Senate Banking Committee's draft attempted a compromise: prohibiting interest or yield on idle stablecoin balances while permitting activity-based rewards. This single issue, the economics of who may pay holders for holding digital dollars, sits at the heart of the competitive dynamics discussed throughout this report, and directly bears on the consortium and reserve-sharing models now emerging.

2. Ethics Provisions

A politically sensitive dispute concerns provisions aimed at barring senior government officials, including the president, vice president, members of Congress, and their spouses, from issuing or sponsoring a digital asset for consideration while in office. This is directly entangled with the USD1 controversy (see below). The Republican draft's version would sunset the prohibition in January 2029 and would not apply retroactively. A competing proposal from Senators Tillis and Gallego was under White House review in early August, and its acceptance could move Democratic votes.

3. Illicit Finance & Market Structure Details

Provisions addressing illicit-finance controls, a DeFi trading-protocol framework, an insolvency safe harbor for digital commodity transactions, and agriculture-committee jurisdictional issues remain under active negotiation.

The Political Overlay: 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. That the administration signed the GENIUS Act into law while a Trump-affiliated entity stands to benefit from its provisions has generated significant conflict-of-interest concerns. Reports that UAE interests agreed to purchase a substantial stake in WLFI, combined with the firm's application for a federal bank charter, have intensified scrutiny. While USD1 has reached roughly $4 billion in circulation, its political baggage represents a novel form of reputational risk for the broader sector's credibility, and it is precisely why the ethics provisions have become a sticking point in CLARITY negotiations.

The European Dimension: MiCA's First Enforcement Year

While Washington debates its framework, the European Union has already moved from legislation to enforcement, and the results offer a live case study in how regulation reshapes competitive dynamics. The transitional grace period for the Markets in Crypto-Assets regulation (MiCA) ended on July 1, 2026, requiring all crypto-asset service providers operating in the European Economic Area to comply with strict rules governing e-money tokens (EMTs, single-currency-pegged stablecoins) and asset-referenced tokens (ARTs, basket-backed instruments).

The most consequential outcome has been a structural bifurcation of the market. Because Tether chose not to seek EMT authorization, USDT has been systematically removed from the shelves of licensed EU platforms, not banned for individuals to hold or transfer, but prohibited from being offered or marketed by regulated CASPs. Circle, by contrast, secured first-day compliance through a French electronic-money license obtained in 2024, positioning USDC and its euro-denominated sister token EURC as the default compliant settlement rails for European commerce. As of mid-2026, USDC and EURC are effectively the only widely available EMT-authorized stablecoins on regulated EU exchanges, a position that has drawn scrutiny for having inadvertently handed a single U.S. company a dominant position in regulated European crypto markets. Under Article 23, non-euro EMTs also face a cap on payment usage (a daily threshold of one million transactions or EUR 200 million), explicitly designed to protect the euro's monetary sovereignty.

Implications for the Stablecoin Market

The near-term implications of the stalled U.S. bill are more about timing than existential risk. Critically, the CLARITY Act contains no provision that would render any stablecoin, exchange, or asset illegal if it fails to pass by the recess. GENIUS already provides a functioning framework for payment stablecoins, so the digital dollar market can continue operating regardless of CLARITY's fate. However, delay carries real cost: should the bill miss the August window, comprehensive market-structure legislation could slip toward the next Congress, with many operational provisions potentially not taking effect until late 2027 even in an optimistic scenario.

The broader trajectory remains constructive. Despite near-term U.S. legislative gridlock, the overall direction, from Washington to Brussels to Tokyo to Hong Kong, reflects a global recognition of stablecoins' importance and a maturing dialogue between innovators and regulators. The United States leads with the GENIUS Act and, pending, the CLARITY Act; the EU has a functioning MiCA framework already in enforcement; the UK's regime is expected to be fully enforced in the coming years; and jurisdictions across Asia and the Middle East are advancing their own licensing regimes. The endgame is a safer, more clearly defined environment. The open questions are the pace of the final stretch in Washington and the degree to which cross-border standards can be harmonized in a multipolar regulatory world.

The Future of Stablecoins & Payments

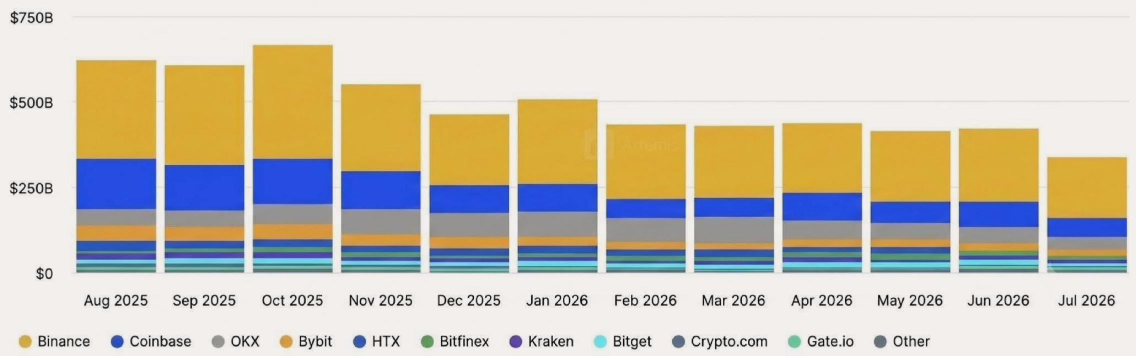
The Future of Stablecoins & Payments

Stablecoins are transitioning from a niche crypto-asset into a serious competitor in global payments. The clearest evidence lies not in market capitalization, which has plateaued, but in transfer volume and real-world payment adoption, the metrics that reveal genuine economic utility.

The Payments Market: A Challenge to Traditional Finance

The scale of stablecoin settlement now rivals that of legacy payment networks. Annual stablecoin transfer volume reached approximately $33 trillion in 2025 (+72% year-over-year on an unadjusted basis), after surpassing the combined throughput of Visa and Mastercard for the first time in 2024. Even after filtering out bot activity, MEV, and DeFi routing to isolate genuine payment volume, approximately $390 billion in 2025, the underlying trend is a rough doubling year-over-year. A significant share of this transfer activity is intermediated by the major centralized exchanges, which remain critical liquidity hubs for the stablecoin economy.

Monthly Stablecoin Transfer Volume by Exchange (Aug 2025 to Jul 2026)



Source: Artemis Analytics, Teroxx Research

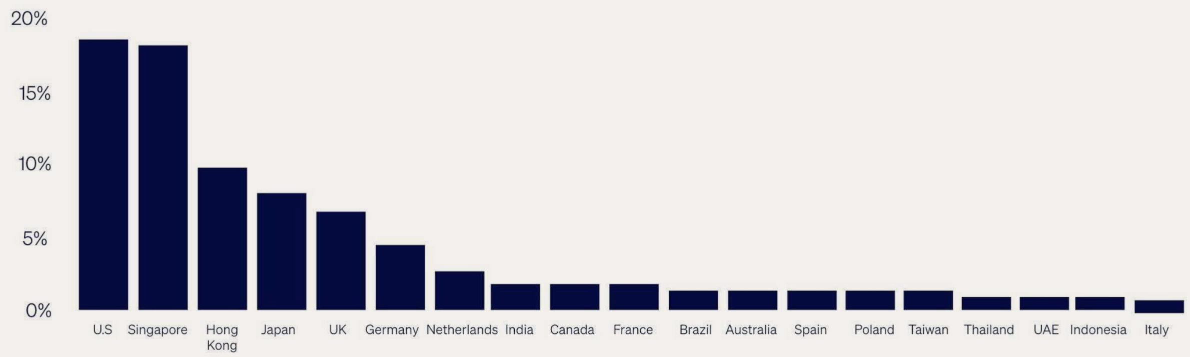
The comparison to traditional rails is instructive. The ACH network, a cornerstone of U.S. banking, processed roughly $93 trillion in 2025 (+7.9% year-over-year in value). Stablecoin daily trading volume, at approximately $120 billion, now represents a meaningful fraction of a typical ACH daily value. More tellingly, Same Day ACH, the segment most directly comparable to stablecoins' real-time settlement, processed roughly $3.92 trillion in 2025, a figure that stablecoin genuine payment volume is rapidly approaching. Blockchain rails are now processing a scale of value comparable to legacy systems, with the added benefits of 24/7 availability, near-instant settlement, and global reach.

Real-World Adoption and Cross-Border Utility

The macro trend is underpinned by tangible adoption. B2B stablecoin payment volumes grew over 730% year-over-year in 2025, reaching approximately $226 billion, and Stripe reported roughly $400 billion in total stablecoin payment volume, with the majority being B2B. Against an addressable B2B market estimated at $16.5 to $23.7 trillion, current adoption remains in its earliest stages.

Cross-border remittances remain the clearest value proposition. Traditional remittance fees average around 6.5% globally and reach nearly 9% in the highest-cost corridors, whereas stablecoin transfers on networks such as Tron and Polygon can cost fractions of a cent, a reduction of over 99% in many corridors. This disparity has driven meaningful adoption and has not gone unnoticed by incumbents, with established remittance providers integrating stablecoin rails into their networks.

Stablecoin Flows by Country (Percentage of characterized payment flows by sender country)



Source: Visa Onchain Analytics, Teroxx Research

The geographic distribution of payment flows reveals a globally diverse user base, with the United States and Singapore leading, followed by Hong Kong, Japan, and the United Kingdom, a spread that underscores stablecoins' role as genuinely cross-border infrastructure rather than a single-market phenomenon.

What to Expect: Three Forces Shaping the Next Phase

1. The Velocity Question and Market Sizing

Institutional forecasts for the market's size vary widely, and the divergence is instructive. Citi projects the market could reach roughly $1.9 trillion by 2030 in a base case, or up to $4 trillion in a bull case; Standard Chartered estimates $2 trillion by 2028; more conservative estimates from JPMorgan place it nearer $500 to $600 billion by 2028. The gap reflects a genuine analytical debate: as stablecoins become embedded in payments, their velocity, the rate at which they circulate, matters more than the absolute stock outstanding. A high-velocity payment network can support enormous transaction volumes on a comparatively modest supply base, precisely the dynamic visible in the divergence between flat supply and rising on-chain volume documented earlier in this report.

2. The Shift to Shared Infrastructure

The Open USD announcement signals a structural shift from single-issuer products toward shared, consortium-governed infrastructure. If the model succeeds, competition will move from owning the largest token toward building the largest financial network, and the greatest value may accrue not to any individual stablecoin but to the platforms and applications built atop shared programmable-money rails. Different forms of digital money, fiat-backed stablecoins, tokenized bank deposits, and potentially CBDCs, are likely to coexist, each finding its niche.

3. Convergence with Tokenization

Stablecoins are increasingly the settlement layer for a broader tokenization wave. As tokenized treasuries, money market funds, and eventually equities move on-chain, stablecoins provide the native cash leg for atomic settlement. Issuer strategies are converging on this vision: Circle's Arc, Tether's diversified reserve and infrastructure ambitions, and the institutional validators lining up behind enterprise chains all point toward a future in which stablecoins are the connective tissue of an on-chain financial system rather than a standalone crypto product.

Conclusion

Conclusion

The stablecoin market of mid-2026 is defined by a productive tension. Supply has consolidated while usage has scaled; the established leaders persist while a consortium of the world's largest financial institutions has aligned to contest their economics; and the regulatory framework is maturing even as its final pillar sits stalled on the Senate calendar. None of these tensions is a sign of weakness. Each is the mark of a market graduating from experimentation into infrastructure, and together they explain why the questions that matter have changed.

The headline figures tell a story of consolidation rather than contraction. Total market capitalization has settled near $300 billion after two years of rapid growth, and it would be easy to read that plateau as a loss of momentum. The transaction data says otherwise. On-chain volume has continued to climb into the multi-trillion-dollar range each month, and stablecoins are now being turned over, moved, and settled at a pace that resembles a payment system far more than a speculative asset. The market has learned to do more with a broadly stable supply base, which is precisely what maturation looks like.

Beneath that surface, the competitive order is quietly reordering itself. Circle and Tether remain the anchors of the market, but they are specializing rather than converging. Circle has leaned into the public, regulated, transparency-first model, decoupling USDC growth from crypto speculation, securing a federal trust charter, building the Arc chain, and turning early MiCA alignment into a genuine advantage in Europe through EURC. Tether has taken the opposite path, remaining private and highly profitable on the strength of a diversified reserve that carries real market risk, while retaining an unrivalled grip on emerging-market retail and remittance flows. Around them, a widening tier of challengers continues to expand, and for the first time the contest is defined less by which token is largest than by which model is best suited to a given use case.

The most consequential shift of the year concerns the economics themselves. Open USD reframed the competition by attacking the least-discussed feature of the incumbent model, the reserve income that issuers have quietly retained, and proposing instead to share it with the very institutions that control payment distribution. Whether or not it succeeds at scale, it has already changed the terms of the debate, moving the prize from owning the largest token toward building the largest network and forcing the incumbents to compete on distribution, compliance, and infrastructure rather than brand alone.

Regulation remains the swing factor that will set the pace of everything else. The GENIUS Act has given payment stablecoins a working framework in the United States, and the CLARITY Act would complete the picture, but its progress has stalled on the same unresolved question of yield that runs through the whole market. Europe, meanwhile, has already shown how powerfully regulation can shape outcomes: MiCA has divided the market into authorized and non-authorized tokens, handed compliant issuers a durable advantage, and, through its protections for the euro, begun to open real space for euro-denominated instruments to develop. The global direction of travel is constructive, but its pace and coherence will do much to determine how quickly the next phase arrives.

Ultimately, the destination is payments. Transfer volume reached roughly $33 trillion in 2025, genuine payment volume is closing on the scale of same-day settlement in traditional banking, and the addressable market for business-to-business flows is measured in the tens of trillions. Against remittance costs that stablecoins can undercut by more than ninety-nine percent in many corridors, the direction is unmistakable, and institutional forecasts that range from roughly $1.9 trillion to $4 trillion by the end of the decade capture both the scale of the opportunity and the uncertainty that still surrounds it.

The stablecoin story is therefore no longer about whether digital dollars work; that question has been answered. It is about who will control their issuance, who will capture their economics, and under what rules they will operate. The market is shifting from token competition toward network competition, from single-issuer control toward shared infrastructure, and from a crypto-native settlement asset toward contested global payments infrastructure. For institutions positioning around digital assets, the moment to engage is now, by understanding these structural shifts, by watching the regulatory perimeter being drawn simultaneously in Washington and Brussels, and by building the operational and compliance capabilities that a market of this scale will demand. The concept has been proven. What remains to be decided is who builds, and who owns, the digital dollar economy that follows.

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