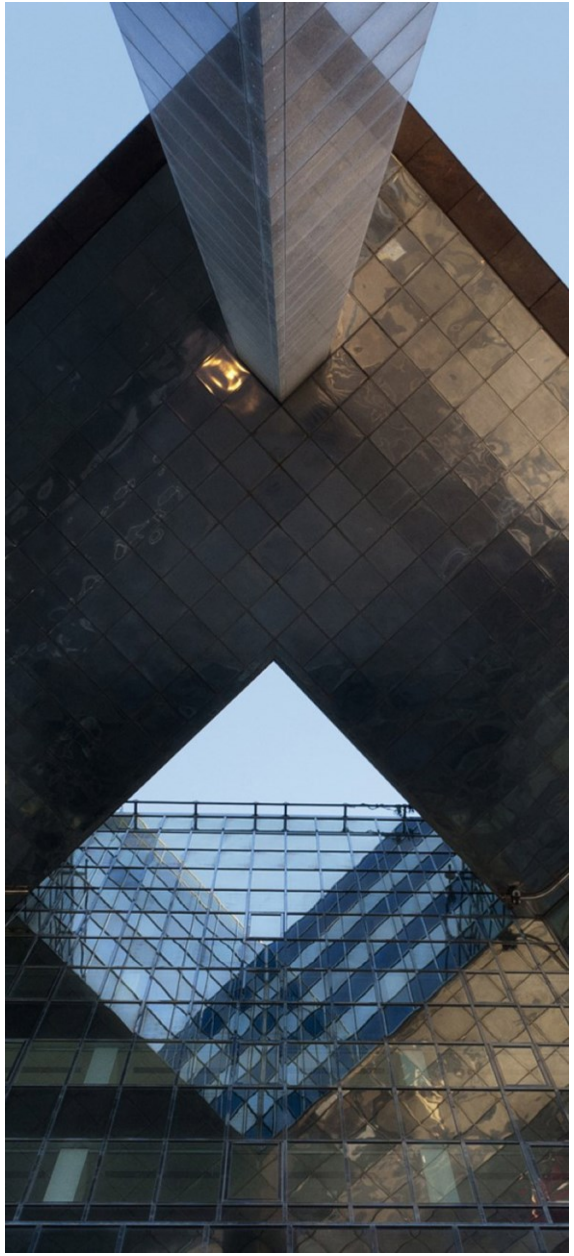
BNP PARIBAS WM CIO OFFICE

Stablecoins: a Primer

Edmund Shing PhD, Hiba Mouallem
Global Chief Investment Office, BNP Paribas Wealth Management
October 2025

BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world



Contents

01

Background

BNP PARIBAS
WEALTH MANAGEMENT

Stablecoins: a not so volatile blockchain based digital token

Stablecoins are **blockchain based digital tokens pegged and tied to traditional assets and currencies** such as the US dollar. Although the first stablecoin debuted in 2014, their importance has been growing the past few years with forecast of expansion over the following years.

Central banks are currently thinking of issuing their own digital currencies (CBDC), CBDCs will be issued and controlled by central banks in opposition to **stablecoins** which **are issued by private entities**.

Types of Stablecoins

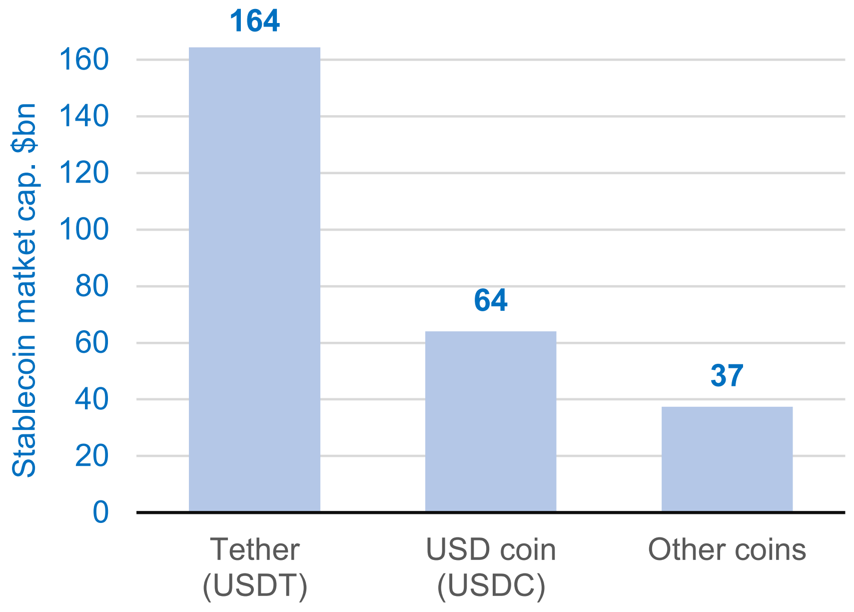
Type	Backed by	Examples
Fiat Backed	Fiat Currency	Tether USDT, Circle USDC, Binance BUSD
Crypto Backed	Collateralized by cryptocurrencies	DAI,
Commodity Backed	Backed by commodities or RE	Tether Gold
Algorithmic	No reserve assets, not backed	TerraUSD

2 main differences exist between stablecoins and cryptocurrencies:

(a) **Stablecoins pegged to traditional assets** such as fiat currency have a more **stable price** as other cryptocurrencies prices are determined by **supply and demand**.

(b) Cryptocurrencies are usually held for investment while **stablecoin are mainly used for transfers and payment settlements.**

Stablecoins: $265bn in circulation today



Source: Coinmarketcap.com

Although regulations related to cryptocurrencies have existed for a while, regulation on stablecoins are fairly recent

Country	Regulation	Year
USA*	Guiding and Establishing National Innovation for US Stablecoin (GENIUS Act)	July 2025
EU	Markets in Crypto Assets Regulation (MiCAR)	2023
Hong Kong	Stablecoins Bill	May 2025**
Singapore	Stablecoin Regulatory Framework	2023
UAE	Payment Token Services Regulations	2024
Bahrain	Stablecoin Issuance and Offering (SIO) Module	July 2025
Japan	Regulatory Framework for Crypto Assets and Stablecoins	2022

** 2 Other crypto bills were passed in the USA, the Digital Asset Market Clarity Act & anti-CBDC Surveillance State Act*

*** Effective August 1st*

With the growth of adoption of stablecoins, **concerns related to the introduction of stablecoins, supervision and transparency topics** have led countries to **accelerate the review of regulations** applied to these tokens.

The USA for example established in July of this year the **GENIUS Act – first federal regulatory framework for stablecoins** - requiring **regulatory supervision, financial reporting and compliance with sanction laws.** This law also allows US banks to launch their own digital stablecoins linked to S dollars.

While stablecoins offer many advantages, they have drawbacks

Strengths

Stablecoins offer many advantages:

- Advantages for their users as they provide them with **quicker transaction settlements** and **lower fees** compared to the traditional banking system especially for across borders transfers.
- Allow an **easier access to financial services to users**.
- Stable store of value in electronic format, **avoiding the volatility of cryptocurrencies** such as Bitcoin and Ethereum.
- **Convenient access to US dollar stability** for users based in countries with volatile domestic currencies e.g. Venezuela.

Weaknesses

- The rise of Stablecoins if not well regulated **can facilitate illegal transfers** as it preserve privacy and allows person to person transfers
- As per the GENIUS Act, **issuers of stablecoins are prohibited from offering yield or interest for holders** which makes those tokens less attractive compared to bank deposit or Money Market Funds which provide returns to their owners. However, the companies are giving reward programs as incentives to attract clients.
- Stablecoins are **not covered by deposit insurance**

Tether and Circle are the 2 largest firms issuing stablecoins

Tether

Tether Limited is the issuer of the USDT token, world's largest stablecoin.

The company represented the 7th largest buyer of U.S. Treasuries in 2024 when compared to countries.

Tether USDT stablecoin is pegged to the US dollar but its reserve not only comprises short-term Treasuries but also other assets. Tether will be thus launching a new token called USAT, that will be compliant with the new US regulation.

Circle

Circle Internet Group is a financial technology company that operates the USDC stablecoin. It represents the second largest stablecoin in the world by market cap.

Circle recently went public in June 2025 on the NYSE with shares climbing 168% showing a growing interest and enthusiasm for digital currencies.

Growing Interest in Stablecoins

Source: Bloomberg, BNP Paribas

02

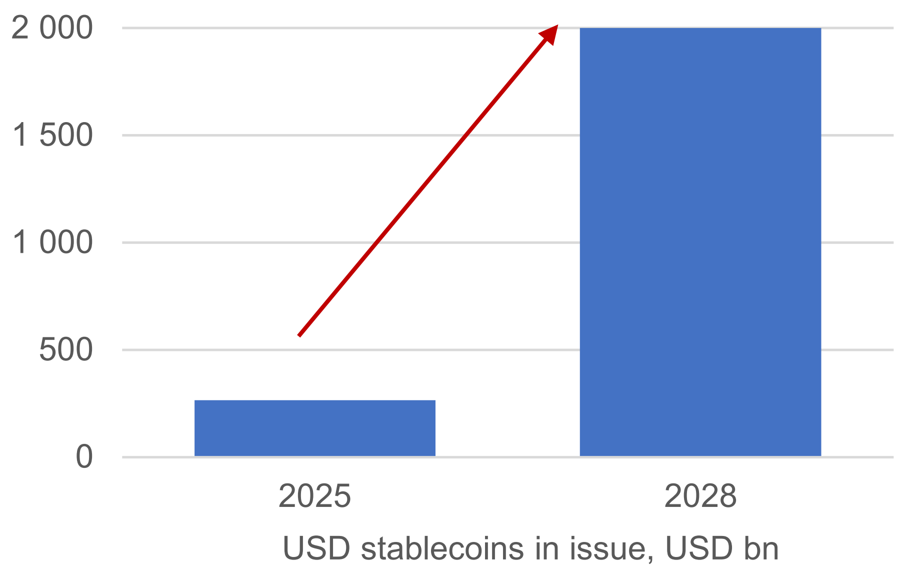
Stablecoin adoption in the financial system

BNP PARIBAS
WEALTH MANAGEMENT

Stablecoin adoption in the wider financial system

- On the payments front, stablecoin adoption is gaining traction in remittances and e-commerce.
- Major US card schemes (Visa and Mastercard) are already integrating stablecoins into their global offerings.
- Some of the biggest merchants in the United States (Walmart and Amazon) are exploring the use of stablecoins. They could potentially shift their high volumes of cash and card transactions, handling them outside the traditional financial system.
- Retailer-specific stablecoins could serve as a quasi-loyalty system, not paying interest but instead providing other "perks" to users;
- Stablecoins can serve as settlement assets. They are commonly used for settling trades in decentralised finance, crypto exchanges and tokenised asset markets, and for cross-border payments.
- In emerging institutional use cases, they support delivery-versus-payment and interbank transactions. Their appeal lies in speed, global accessibility and interoperability.

Treasury Secretary Bessent forecasts $2tn stablecoin market in 2028e



Source: Bloomberg

03

Benefits of US dollar stablecoins

BNP PARIBAS
WEALTH MANAGEMENT

Why is the US Government promoting USD stablecoins?

- **Increased medium of exchange:** US dollar international access for cross-border US dollar-based transactions;
- **Store of value:** boost USD role as international store of value, especially for those people in emerging markets without bank accounts;
- **Boost demand for US dollars** and thereby for US Treasury bonds which back US dollar stablecoins on a 1:1 basis;
- Ultimately, USD stablecoins should generate more demand for dollars, allowing the US government to create more dollars. This would then extend the USD's "exorbitant privilege", maintaining the US government's lower cost of funding.

The US dollar dominates global currencies

Source: BIS, BNP Paribas

04

Risks and Future Directions for Stablecoins

What are the potential risks around stablecoins?

This year, the Bank for International Settlements (BIS) issued a **stark warning about stablecoins**. Its concerns include:

- the potential for stablecoins to **undermine monetary sovereignty**,
- **transparency issues**, and
- the **risk of capital flight** from emerging economies.
- the growth in stablecoin demand will naturally **increase the need for short-term government bonds.**

The BIS pointed out that many stablecoins have seen substantial deviations from par, highlighting the "**fragility of their peg**".

Other risks include:

- **Hacking/fraud risk** on crypto exchanges/platforms (as with other cryptocurrencies);
- **Counterparty risk** (for instance, if stablecoins are not backed 1:1 by short-term US Treasury bonds but instead by more volatile assets);
- **Risk of a run** on a stablecoin on loss of confidence in the underlying issuer, like a bank run;
- **Regulatory risk**
- **Difficulty of integration with traditional financial systems**.

Questions, future directions

Why would US households use USD stablecoins?

- Remember, the **Genius Act prohibits the remuneration of US dollar stablecoins** with interest, to avoid cannibalising assets (totaling USD 7.3 trillion) held today in US money market funds.
- However, a number of US companies could potentially issue their **own proprietary stablecoins** for use in online transactions (think airlines or Amazon for example) which **could then be "remunerated" with a loyalty points system instead of cash interest payments.**
- **USD stablecoin** support already being **integrated within existing credit/debit card payment systems** by Mastercard and Visa.
- **US banks** are highly **incentivised** to issue their **own stablecoins** given the potential competitive pressures from this financial innovation.

Why would USD stablecoins be adopted quickly outside the US?

- USD stablecoins are likely to **integrate deeply with traditional finance in the near future**, acting as programmable, fast and transparent digital cash accepted globally.
- They could become **central to cross-border payments** and other corporate financial operations.

What use might a euro-based stablecoin or ECB-issued "digital euro" have?

- **Ease and speed of electronic payments** within the euro area at zero cost to the consumer.
- **Benefits to retailers** as they would not have the inconvenience and cost of handling and banking cash on a daily basis.
- Allows the **ECB to more easily control the euro area's money supply**.

BNP PARIBAS WEALTH MANAGEMENT
CHIEF INVESTMENT ADVISOR (CIA) NETWORK

Edmund SHING
Global Chief Investment Officer

ASIA

Prashant BHAYANI
Chief Investment Officer

Grace TAM
Chief Investment Advisor

BELGIUM

Philippe GIJSELS
Chief Investment Advisor

Alain GERARD
Senior Investment Advisor, Equities

Patrick CASSELMAN
Senior Commodities Strategist

ITALY

Luca IANDIMARINO
Chief Investment Advisor

LUXEMBOURG

Guy ERTZ
Deputy Global Chief Investment Officer

Edouard DESBONNETS
Senior Investment Advisor, Fixed Income

GERMANY

Stephan KEMPER
Chief Investment Strategist

FRANCE

Charles GIROT
Senior Investment Advisor

Isabelle ENOS
Senior Investment Advisor

DISCLAIMER

This marketing document is provided by the Wealth Management business of BNP Paribas, a French public limited company with a capital of € 2.261.621.342, registered office 16 bd des Italiens 75009 Paris - France, registered at RCS Paris under number 662,042,449, authorised in France, under the number 662,042,449, approved in France by the Autorité des Marchés Financiers (AMF). As a marketing document, it has not been produced in accordance with regulatory constraints to ensure the independence of investment research and is not subject to the prior transaction ban. It hs not been submitted to the AMF or other market authority. This document is confidential and intended solely for use by BNP Paribas SA, BNP Paribas Wealth Management SA and companies of their Group (‘BNP Paribas’) and the persons to whom this document is issued. It may not be distributed, published, reproduced or revealed by recipients to other persons or reference to another document without the prior consent of BNP Paribas.

This document is for informational purposes only and does not constitute an offer or solicitation in any State or jurisdiction in which such offer or solicitation is not authorised, or with persons in respect of whom such offer, solicitation or sale is unlawful. It is not, and should under no circumstances be considered as a prospectus. The information provided has been obtained from public or non-public sources that can be considered to be reliable, and although all reasonable precautions have been taken to prepare this document, and, in the event of any reasonable precautions, the accuracy or omission of the document shall not be recognised. BNP Paribas does not certify and guarantees any planned or expected success, profit, return, performance, effect, effect or profit (whether from a legal, regulatory, tax, financial, accounting or other point of view) or the product or investment. Investors should not give excessive confidence in theoretical historical information relating to theoretical historical performance. This document may refer to historical performance; Past performance is not a guide to future performance.

The information contained in this document has been drafted without taking into account your personal situation, including your financial situation, risk profile and investment objectives. Before investing in a product, the investor must fully understand the risks, including any market risk associated with the issuer, the financial merits and the suitability of such products and consult its own legal, tax, financial and accounting advisers before making an investment decision. Any investor must fully understand the characteristics of the transaction and, if not otherwise provided, be financially able to bear the loss of his investment and want to accept such risk. The investor should remember that the value of an investment as well as the income from them may fall as well as rise and that past performance is not a guide to future performance. Any investment in a product described is subject to prior reading and to an understanding of the product documentation, in particular that which describes in detail the rights and duties of the investors and the risks inherent in an investment in that product. In the absence of any written provision, BNP Paribas does not act as an investor's financial adviser for its transactions.

The information, opinions or estimates contained in this document reflect the author's judgement on the day of his drafting; they must not be considered as authority or be substituted by anyone in the exercise of his or her own judgement and subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity will be liable for any consequences that may arise from the use of the information, opinions or estimates contained in this document.

As a distributor of the products presented in this document, BNP Paribas may receive distribution fees on which you can obtain further information on specific request. BNP Paribas, its employees or Directors may hold positions in or relationship with their issuers.

By receiving this document you agree to be bound by the above limitations.

Pictures from Getty Images.

BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world