



THE STATE OF STABLECOINS



CONTENTS

01

Introduction

02

Landscape

03

Use Cases

04

Adoption

05

Looking Ahead

01

INTRODUCTION

STABLECOIN PROJECTS HAVE PROLIFERATED

There is a total of 57 identified stablecoins, 39% of which are live.

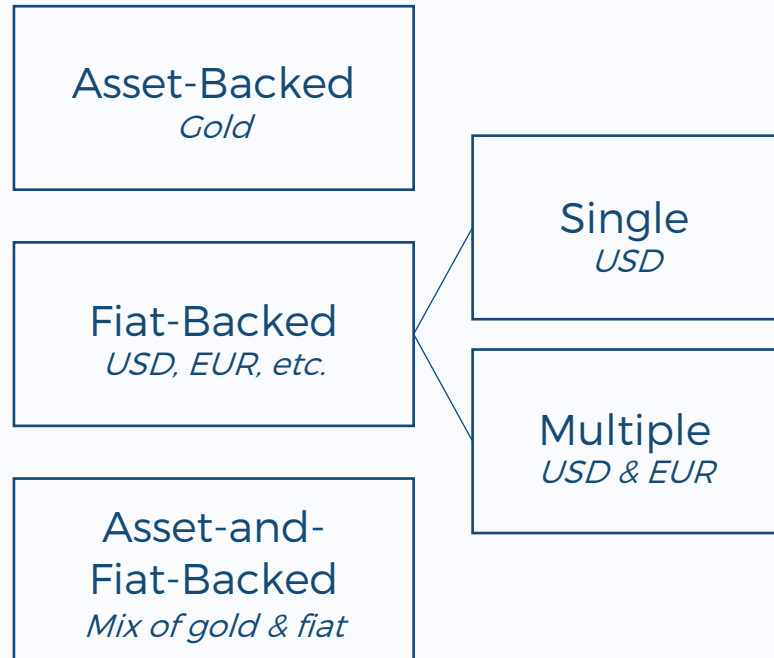


Source: Mosaic.io

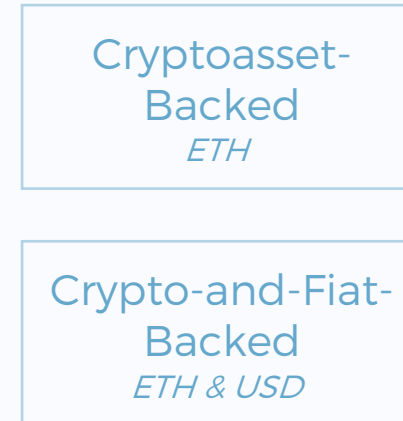
TAXONOMY

COLLATERAL-BACKED

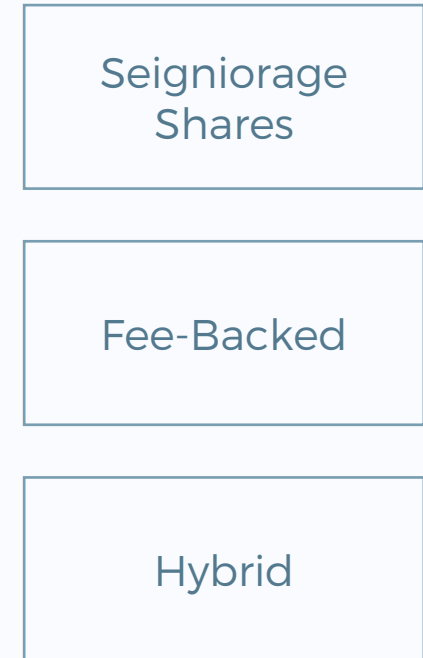
Traditional Collateral



Crypto Collateral



ALGORITHMIC



EMPIRICAL DATA SUMMARY

- Size: a total of 57 live and pre-launch stablecoins were identified for the research study sample
- Maturity: 23 stablecoins (40%) are live and 34 stablecoins (60%) are at the pre-launch phase
- Timing: the number of active stablecoin projects has dramatically increased over the past 12-18 months and more than a dozen project teams have stated they plan to launch in the coming weeks/months
- Stability: live stablecoins have had mixed results to date in achieving price stability, with asset-backed coins (e.g., Tether) generally delivering on their stability promise and outperforming algorithmic coins (e.g., NuBits)
- Stablecoins can be broadly divided into two main stability mechanism categories: algorithmic and asset-backed, with 77% of our total sample asset-backed
- Of the asset-backed stablecoins, a higher percentage (54%) utilize on-chain collateral (i.e., cryptoassets like ether) versus off-chain collateral (46%) (i.e., US dollars held in escrow)
- The US dollar is the most common stability benchmark or 'peg' and is utilized by 66% of stablecoins; other benchmarks include other fiat currencies (e.g., euro, yen), commodities (e.g., gold), and inflation (e.g., G10 average country inflation)

EMPIRICAL DATA SUMMARY

- 51% of stablecoins offer some type of 'dividend' or incentive mechanism built into the design of the stablecoin system (e.g., 'seigniorage shares', transaction fee dividends)
- Stablecoins are already an important part of the digital assets ecosystem: Tether (USDT) is the second most actively traded cryptocurrency (~60% of BTC daily trading volume) and earlier this year entered the top-10 cryptoasset rankings by market value
- Stablecoins are listed on over 50 different exchanges at present, with Tether featuring the greatest number of total individual exchange listings (at least 46)
- Stablecoins have had success gaining listings on major exchanges, with eight stablecoins (42% of live coins) featuring one or more Tier-1 exchange listings: Tether (6), TrueUSD (5), SteemDollar (4), NuBits (2), BitBay (2), Gemini (2), Paxos (2), Numins (1), STASIS (1), HelloGold (1)
- Even with the success of new entrants like TrueUSD in gaining listings on major exchanges, Tether continues to dominate with approximately 98% of total stablecoin daily trading volume
- The total market value of all stablecoins is \$3 billion, or 1.5% of the total market value of all cryptoassets; Tether comprises 93% of the all stablecoin market value

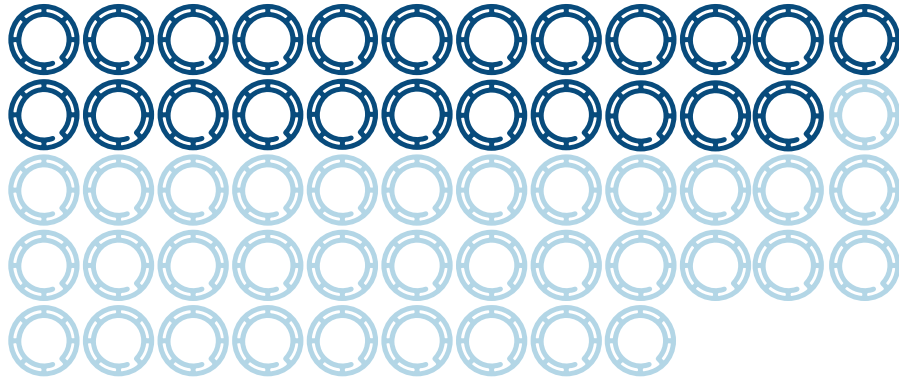
EMPIRICAL DATA SUMMARY

- None of the Tier-1 wallets have made any extra effort to support stablecoins to date, creating incentives for stablecoins to run on Ethereum and piggyback on broadening ERC20 token support
- While Ethereum is by far the most widely used technology platform for stablecoins, fewer than two thirds of all stablecoins (60%) are building exclusively on top of Ethereum
- Other technology platforms chosen for use by at least two stablecoins include Bitcoin, NEO and Stellar
- Over two-thirds of project teams (69%) have made their stablecoin code (e.g., smart contract) open-source for audit inspection
- Little clarity exists around code licensing, with very few projects disclosing or having made final decisions about how their code can be used or licensed by third-parties
- \$350m in venture funding has been raised by all stablecoin project teams to date, and the present value of funding held by stablecoin projects is estimated to be around \$533m (primarily due to appreciation of Digix's ETH holdings)
- Algorithmic stablecoins have raised more funding (\$174m, or 50% of the total) than traditional asset-backed stablecoins (\$144m, 41%), with crypto-collateralized stablecoins lagging behind (\$33m, 9%)
- Stablecoins are legally domiciled in a wide variety of legal jurisdictions, with the US (10) and Switzerland (7) leading
- The leading home for stablecoin teams is the US (17), with Europe (13) the second most popular location

02

LANDSCAPE

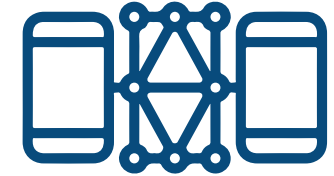
OVERVIEW OF THE STABLECOIN ECOSYSTEM



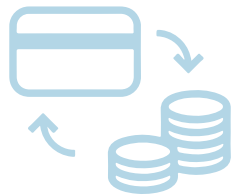
57 stablecoin projects identified, 23 of which are live



12 projects (23%) have implemented an 'algorithmic central bank' to achieve a stable price



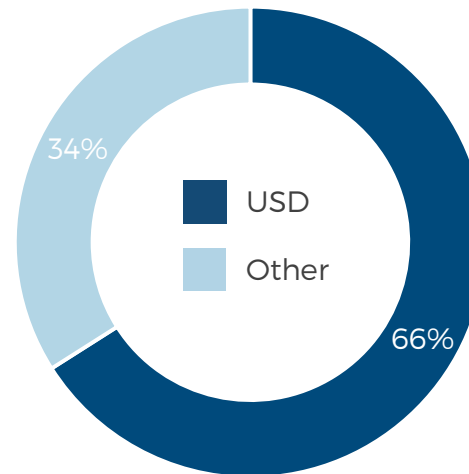
60% Of stablecoins intend to use or have launched on just the Ethereum platform



77% of stablecoins are asset backed

54%

Slightly more asset-backed coins are using crypto vs fiat collateral



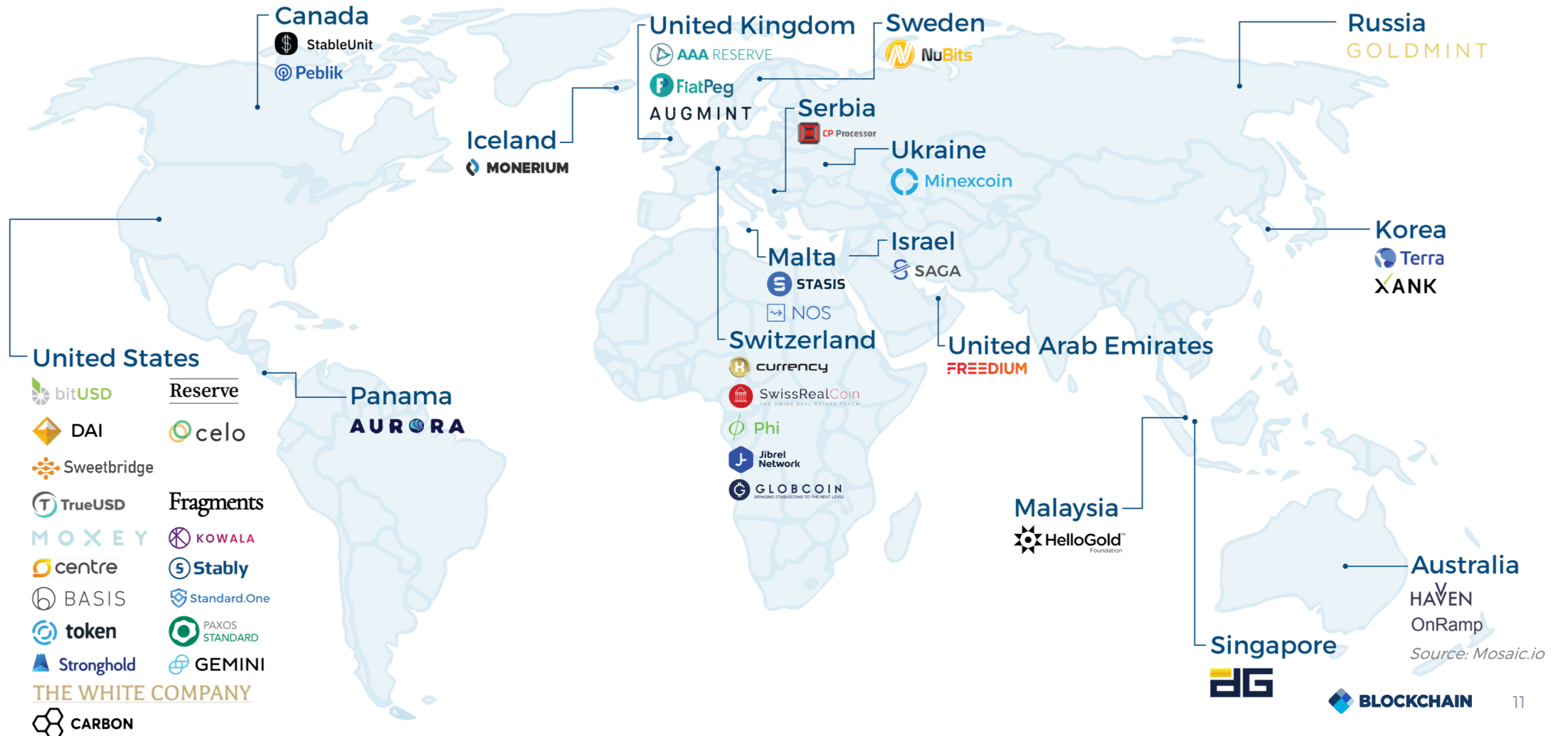
USD is the dominant peg

Pegs include fiat currencies such as the U.S. dollar and Euro, commodities (e.g., gold), or inflation (e.g., G10 inflation) as a stability benchmark

Sources CoinMarketCap, Mosaic.io

STABLECOINS TEAMS ARE SPREAD GLOBALLY

United States, United Kingdom, & Switzerland are the most popular team locations

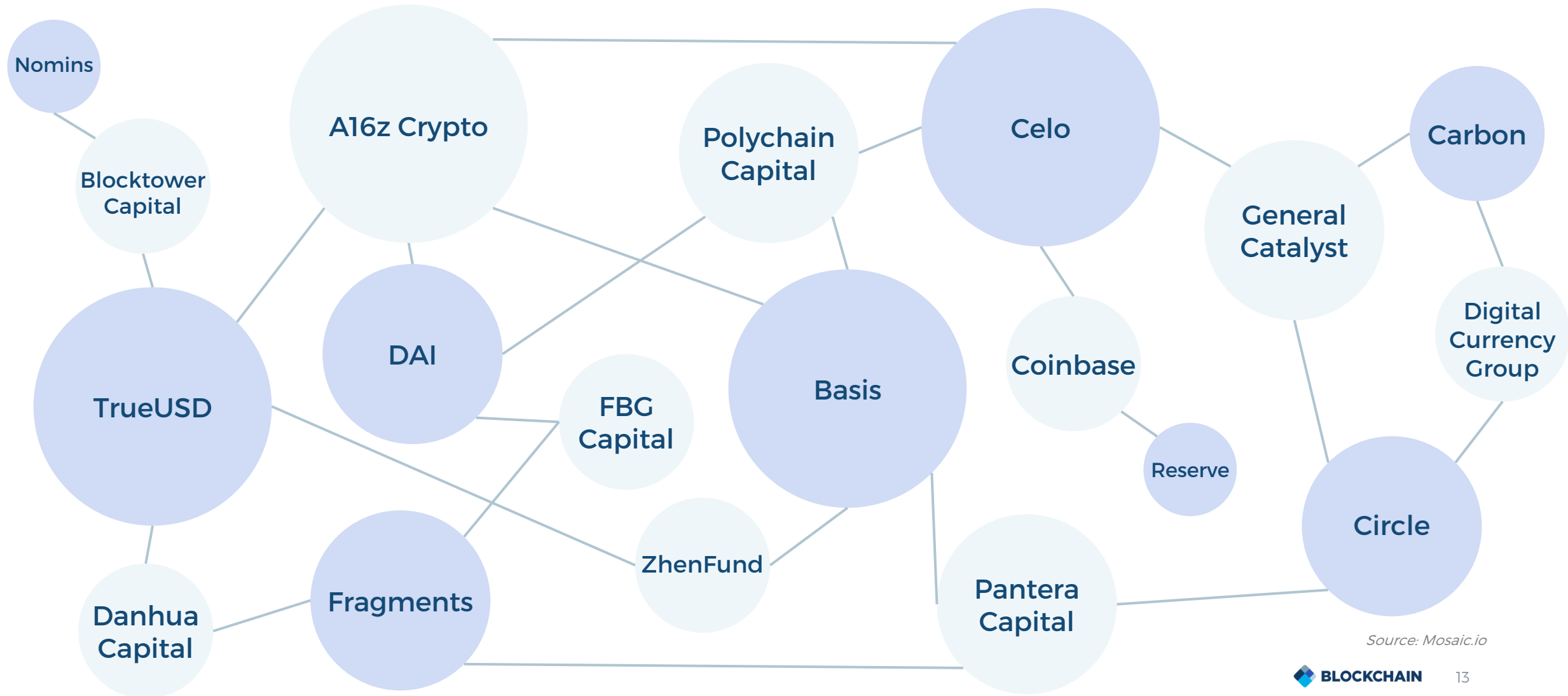


STABLECOINS ARE GLOBALLY DOMICILED

Switzerland & United States are leading jurisdictions

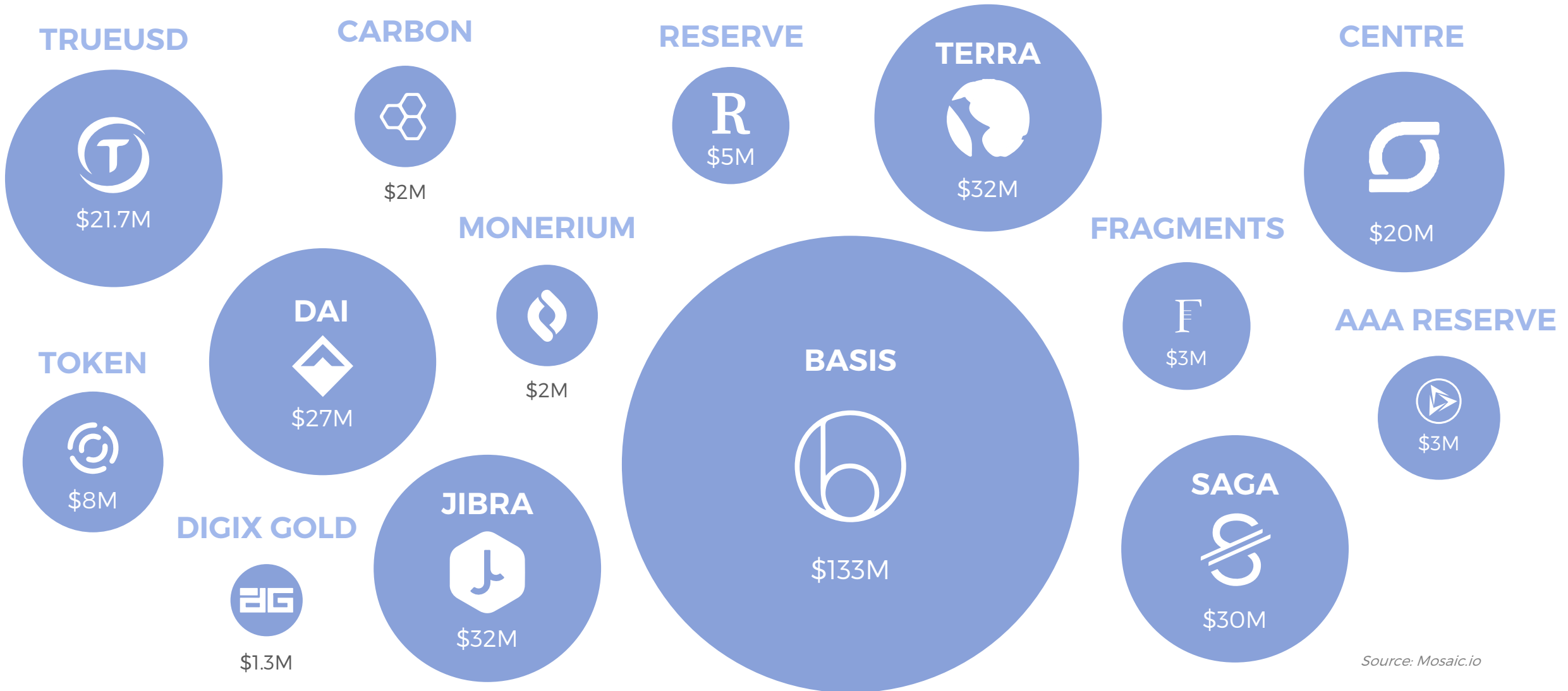


MOST ACTIVE STABLECOIN INVESTORS



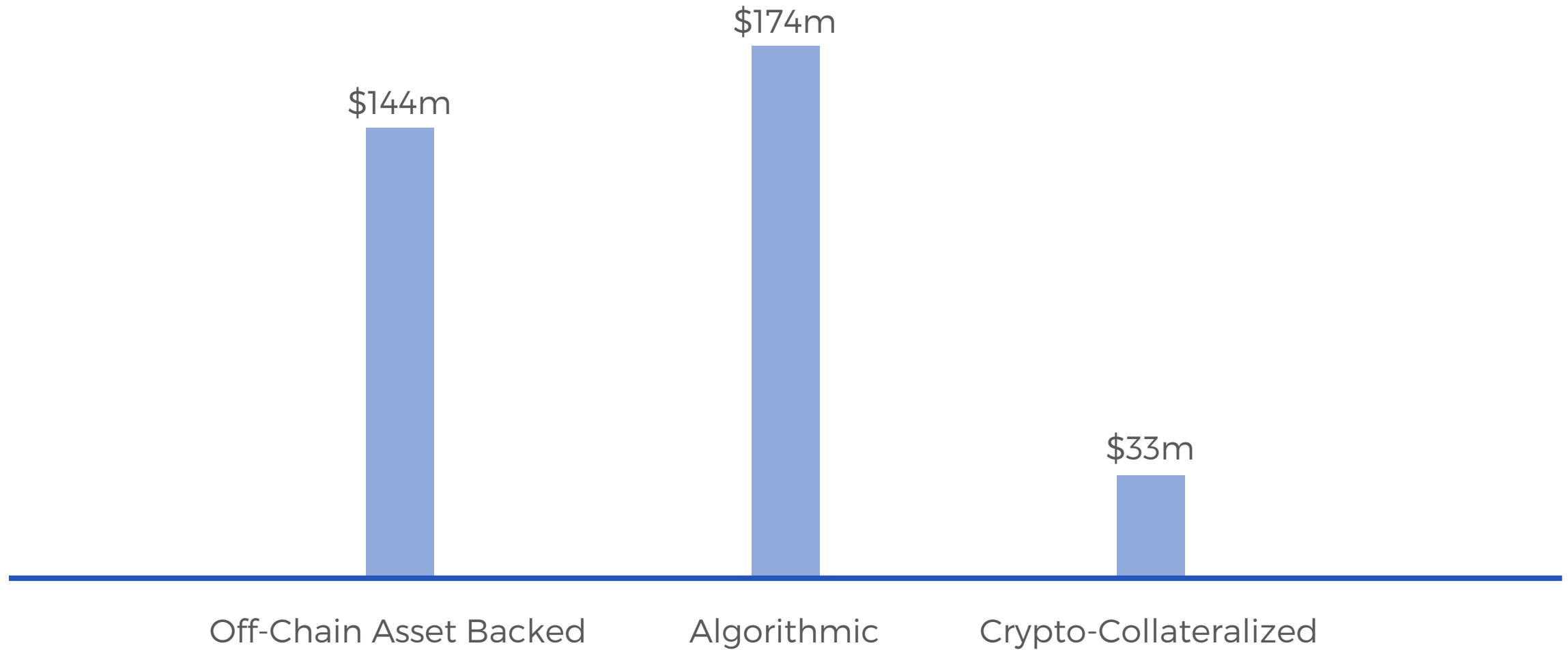
Source: Mosaic.io

FUNDS RAISED



Source: Mosaic.io

FUNDING BY STABLECOIN TYPE

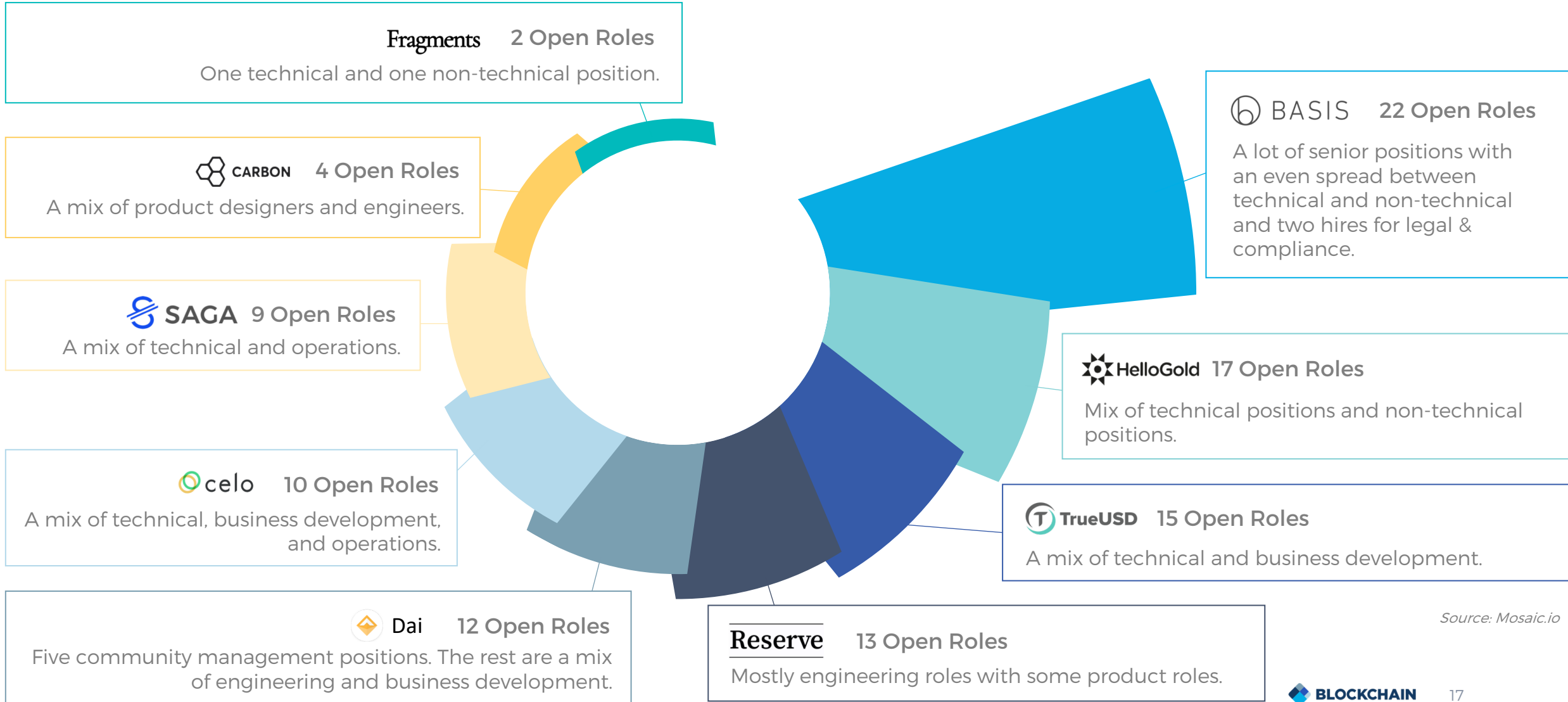


OVERVIEW OF THE STABLECOIN ECOSYSTEM

| Platform | Stablecoin | Transparency | Automation | Complexity |
|---------------------------|-------------------|--------------|-------------|-------------|
| Ethereum | AAA Reserve (AAA) | Low Medium | Low | Low |
| | Augmint | High Medium | High Medium | Medium |
| | Basis | High | High Medium | High |
| | Bridgecoin (BCO) | Low Medium | Medium | Medium |
| | Dai (DAI) | High | High Medium | High |
| | Digix Gold (DGX) | Medium | Medium | Low |
| | Fragments | High Medium | High Medium | High |
| | HelloGold (HGT) | High | Medium | High |
| | Kowala | Low Medium | High Medium | High Medium |
| | nomins (nUSD) | High | High Medium | High |
| | SAGA (SGA) | High Medium | Medium | High |
| | Stably | High Medium | Low Medium | Medium |
| | TrueUSD (TUSD) | Medium | Low Medium | Low |
| x8c | Low Medium | Low Medium | Medium | |
| Omni Protocol | Tether (USDT) | Low | Low | Low |
| Hedera Hashgraph | Carbon (CUSD) | High Medium | Medium | Low |
| Nano | NOS | High Medium | Medium | Medium |
| Dfinity | Phi | TBD | TBD | TBD |
| Proprietary | Celo | TBD | TBD | TBD |
| Stablecoin Neutral | USDC | High Medium | Low Medium | Medium |
| TBD | Borreal (Aurora) | TBD | N/A | N/A |
| | Stableunit | TBD | High Medium | High |
| | Terra | High Medium | High Medium | High |
| N/A | Reserve | High | High | Medium |

Source: Mosaic.io

STABLECOIN RECRUITING



Source: Mosaic.io

03

USE CASES

STABLECOIN USE CASES



Store of Value



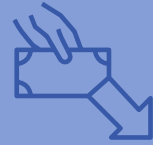
Medium of Exchange



Performance Measurement



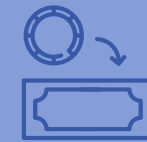
Unit of Account



Remittance



dApps



Pegged Lending



Synthetic Gold

PROJECTS ARE TARGETING DIFFERENT USE CASES

Store of Value
Short-Term



Digital US Dollar



Digital Fiat



Store of Value
Long-Term



Synthetic Gold



Currency Basket



Pegged Lending



Unit of Account
Long-Term



Algorithmic
Central Bank



Remittances



dApps Medium
of Exchange



USE CASES

SMART INSURANCE

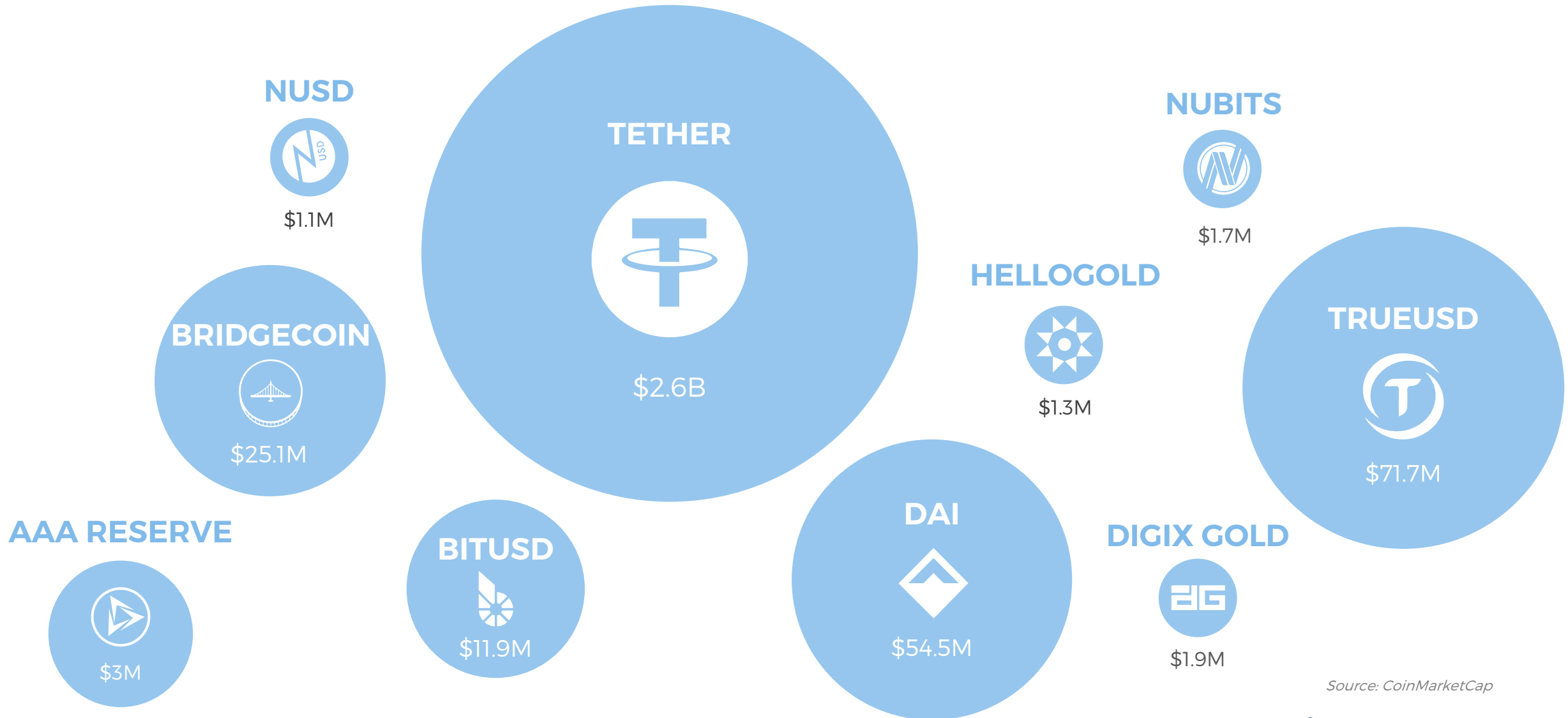
- Stablecoins are a more appropriate currency than other cryptocurrencies for smart insurance.
- ‘Smart travel insurance’ is one compelling example of the application of this technology
- Approximately 600k annual passengers do not file eligible insurance claims for delayed/cancelled UK flights
- A delayed/canceled flight is a public record that can be queried by a ‘smart flight insurance’ software application
- If the flight is delayed or canceled then the smart contract automatically pays the claimant, eliminating the painful claims process
- Insurance premium can also be escrowed ‘on-chain’ to eliminate counterparty risk

Source: [BankInnovation](#)

04

ADOPTION

MARKET CAP



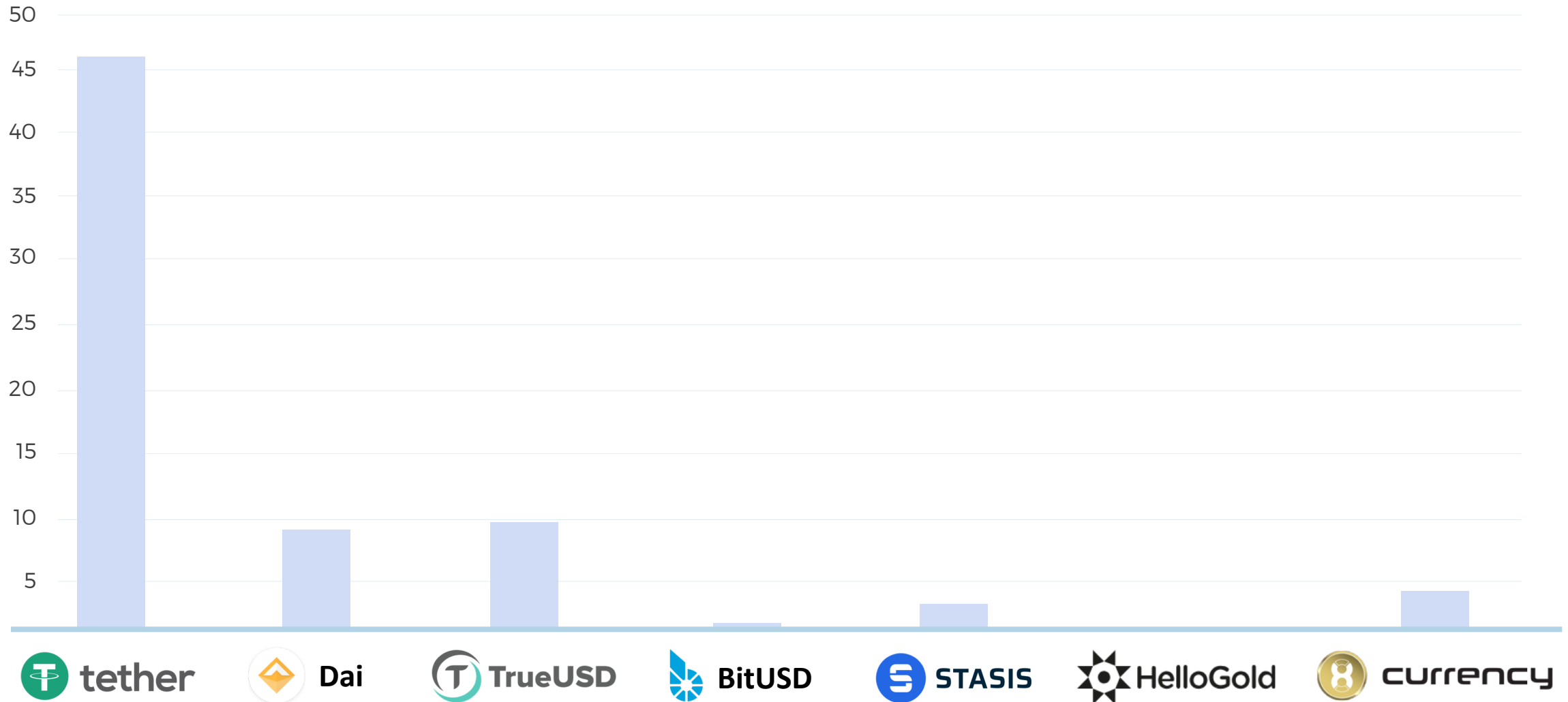
Source: CoinMarketCap

NUMBER OF FOREX PAIRS

| | Tether (USDT) | Dai (DAI) | TrueUSD (TUSD) | BitUSD | AAA Reserve (AAA) | Digix Gold Token (DGX) | STASIS | HelloGold (HGT) | x8c | Strong USD |
|------------------------|---------------|-----------|----------------|--------|-------------------|------------------------|--------|-----------------|-----|------------|
| Number of Fiat Pairs | 1 | 0 | 2 | 0 | 3 | 0 | 2 | 0 | 0 | 1 |
| Number of Crypto Pairs | 159 | 17 | 6 | 23 | 0 | 1 | 13 | 3 | 4 | 1 |

Source: CoinMarketCap

NUMBER OF EXCHANGE LISTINGS



Source: CoinMarketCap

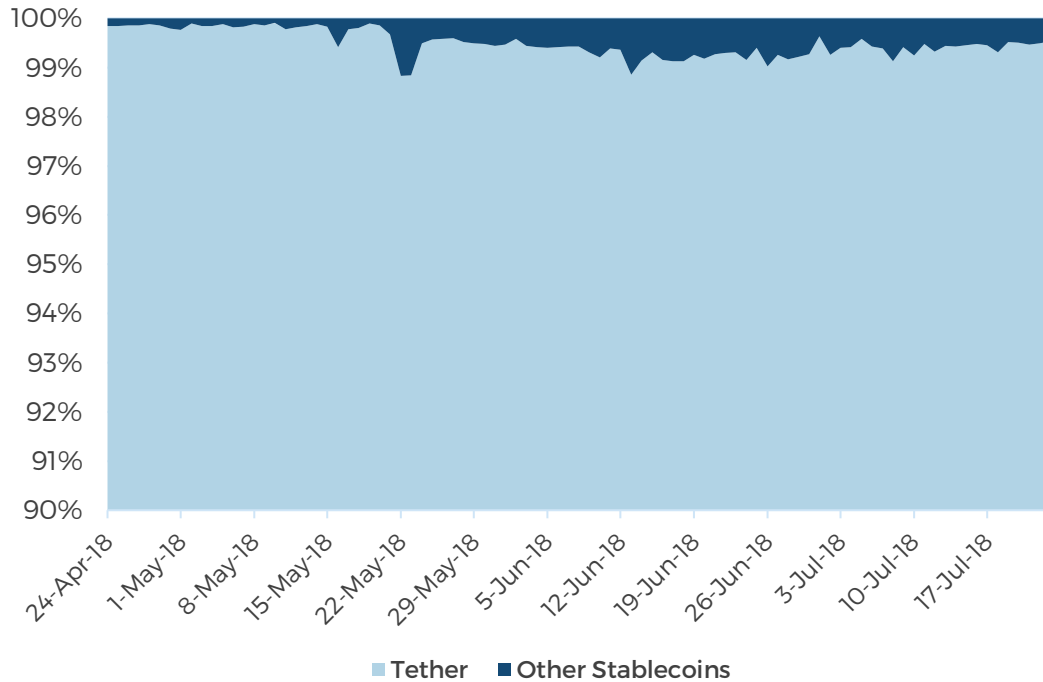
NUMBER OF TIER-1 EXCHANGE LISTINGS



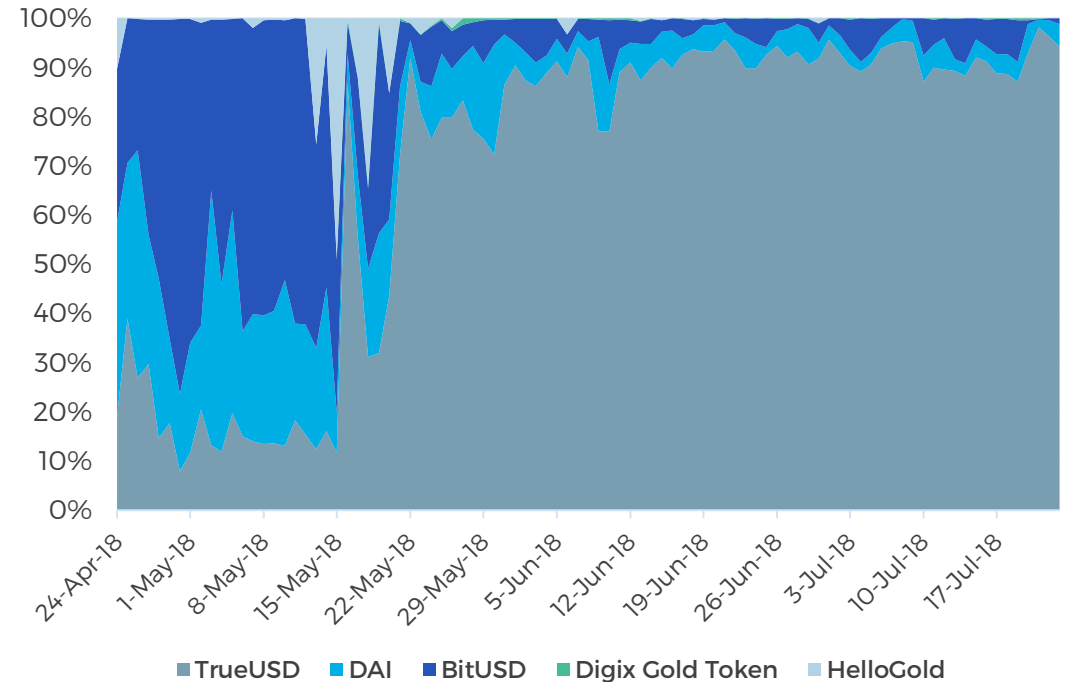
Source: CoinMarketCap

LIQUIDITY 2018 - TETHER DOMINATES

Trading volume: Tether vs. other Stablecoins



Trading volume: other Stablecoins (sans Tether)



Source: CoinMarketCap

OVERVIEW OF LIVE STABLECOINS

| Coin | Backing | Decentralization | Community Trust | Stability | Current Market Use |
|--------------------------------|------------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tether (USDT) | USD | Low | Poor, a lot of doubt surrounding USD reserves. Claim to be redeemable for actual USD but are not in practice. Supply has only been reduced once. | Very Good. The price has seen little to no variation from its peg. | Other than BTC, USDT has the most trading volume, a number normally larger than its market cap giving it a daily velocity of +1. Used as trading gas in the crypto ecosystem |
| TrueUSD (TUSD) | USD | Medium/Low | Good, Far more transparent and actually redeemable. | Good, price hike after it was added to Binance due to trading bots, other than that it has stuck to its peg. Trades at a 1% premium due to improved community trust to tether. | Starting to gather trading volume, with most expecting it to play a similar role in the crypto ecosystem to tether. |
| DAI (DAI) | ETH in a CDP | High | Medium. It is still very new, and there is some community distrust. Community trust will never be great as DAI's value is backed by ETH, a very volatile asset. | Good, had a slightly volatile start but is getting there | Very low trading volume. This suggests it is not being used in the same way as tether/ true USD. Probably mainly being used to margin trade ETH. |
| Digix Gold Token (DGXD) | 99% LMBA Standard Gold | Medium/Low | Medium. Users are able to track DGX transactions in a transparent way with the corresponding on-chain transaction. | Good. Generally stays in sync with its peg, though has only been trading since May. | Extremely low trading volume. Project is not yet well known. |
| AAA Reserve (AAA) | Multi-currency: fixed income | Medium/Low | Unclear | Very good | Low, tiny in size. |

05

LOOKING AHEAD

VIEWPOINT SUMMARY

- While there is a great deal of excitement surrounding stablecoins, the technology is still nascent and it is highly unlikely that the perfect stablecoin design exists at present; further experimentation (and innovation) is expected
- Due to the aforementioned design uncertainty, as well as regional factors (e.g., local regulations), space may exist for approximately 5-8 significant stablecoins in the short to medium-term
- Many cutting-edge algorithmic stablecoin designs will initially launch with hybrid Tether-esque fiat backing (due to price stability concerns), which risks dampening some of the enthusiasm for algorithmic stablecoins
- Stablecoins are more complementary than competitive with other cryptocurrencies like bitcoin or ether, with many stablecoins relying on the security, compatibility and infrastructure provided by such cryptocurrencies
- Stablecoins will continue to see an increase in listings on more cryptoasset exchanges, and these listings will be motivated for reasons beyond simply offering traders options to reduce exposure to market volatility
- Key near-term regulatory issues include whether stablecoins (or aspects of stablecoin systems) are in compliance with securities and money service laws in some jurisdictions

VIEWPOINT SUMMARY

- Overall, stablecoins are best viewed as a form of infrastructure or foundational layer for cryptoassets that will generate immense value for the digital assets ecosystem
- A stablecoin could help create a tipping point for much broader cryptoasset adoption by successfully addressing concerns around volatility, which are often cited as a key reason why many institutions and individuals have remained on the digital assets sidelines to date
- Due to competition and other factors, it is unclear how much direct, long-term financial profits stablecoins will generate for their creators; greater long-term value may be derived from stablecoin-powered products and services (e.g., smart insurance)
- Some stablecoins may be deemed to pose greater direct competition to fiat currencies than bitcoin and may spark a competitive response or regulatory backlash from central banks, which in many jurisdictions have largely remained on the sidelines of cryptocurrency regulation to date
- The rise of stablecoins may weigh on the prices for some cryptocurrencies, such as bitcoin, that will face greater competition for certain medium of exchange (MoE) and store of value (SoV) use cases



Please send questions and
comments

research@blockchain.com

BLOCKCHAIN