

Stablecoins Explained

Part Two: Real-World Applications and Future Outlook

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Introduction

This report is the second of a three-part series, “Stablecoins Explained,” which aims to provide readers with a fundamental understanding of the increasingly popular digital asset category, stablecoins. This module focuses on specific applications, real-world use cases, and stablecoin usage by market segments. It also provides a brief overview of the current regulatory landscape and potential future market developments.

Key takeaways from this report include:

- Stablecoin activity and usage across different geographical regions
- Stablecoin usage by market segment
- Overview of regulatory and legislative developments
- Future outlook and where further adoption may occur

Global Usage

Stablecoins are becoming a popular application of blockchain technology with an increasingly widespread reach. As a result, the stablecoin market has seen considerable international growth with a broad range of use cases emerging across different markets and regions.

Stablecoins have seen considerable adoption over the past several years, with the total stablecoin market cap reaching over \$308 billion as of December 19, 2025. New supportive regulatory frameworks across the U.S., Europe, and Asia could continue driving this growth, which could ultimately increase corporate and retail interest across various use cases.

Stablecoins can serve several functions, including acting as an inflation hedge and store of value, providing a more efficient medium of exchange, enabling financial trading and speculation, and facilitating decentralized finance (DeFi) market applications. Each of these use cases are explored in further detail below.

Inflation Hedge and Store of Value in Emerging Market Countries

As of December 19, 2025, the U.S. dollar is on at least one side of 89% of all foreign exchange transactions, indicating a strong demand for dollars and likely driving the popularity of USD-backed stablecoins due to their ability to bring dollars on-chain. This functionality has broadened the scope of dollarized savings and wealth preservation in countries with volatile currencies, particularly in regions subject to currency debasement and devaluation.

For example, retail use of stablecoins for remittances and savings has increased in regions experiencing high inflation such as Argentina, Venezuela, Pakistan, and sub-Saharan Africa. Stablecoins offer users in these regions an alternative savings vehicle that is largely independent of local banking infrastructure, government corruption, and currency debasement.

In areas where individuals struggle to preserve purchasing power in their local currencies, stablecoins can be a more attractive option for wealth storage compared to other digital assets due to their inherent lack of volatility and backing through various collateralization mechanisms—assuming the stablecoin acts as intended and does not de-peg.

Furthermore, stablecoins have become more appealing to users in emerging markets who desire financial stability via assets linked to stronger fiat currencies. Due to the volatile nature of inflation and exchange rates in regions such as Latin America, accessing digital dollars for purposes of wealth preservation and payments has grown as a core application of global stablecoin usage.

Efficiency Improvements as a Medium of Exchange

Many traditional financial payment rails operate during limited hours and are associated with higher fees—particularly for cross-border payments—whereas stablecoins can provide settlement on a 24/7 basis because they are built on blockchain foundations. This offers users an alternative to traditional banking practices with potentially lower fees and faster settlement by comparison.

Further, stablecoins provide valuable access to dollars and payment services for those in regions that otherwise would not have access to them. For example, an individual in a rural village without a bank branch or in a region with underdeveloped banking infrastructure could still create a wallet and utilize stablecoins so long as they have access to the internet and a smartphone.

More international businesses in countries with high levels of currency devaluation are also using stablecoins as a medium of exchange. These businesses experience similar challenges as individuals as it relates to currency debasement. In turn, they are increasingly leveraging stablecoins as a payment mechanism to improve inefficiencies and access the dollar's relative stability.

In underdeveloped economies lacking adequate banking infrastructure or access to dollar-denominated capital—such as several regions across Africa and Latin America—stablecoin holders can access international dollar-denominated payments without physical fiat currency having to enter or leave the country. This has provided a valuable solution for those seeking access to a stable fiat currency for cross-border remittances, transfers, and payments.

Stablecoins may also offer a useful financial safeguard against currency debasement for digital companies with dollarized expenses. Global businesses operating in multiple jurisdictions can use stablecoins to manage payments in different currencies and facilitate international transfers to stakeholders. As a result, stablecoins are growing in popularity as a payment alternative used to hedge against inflationary pressures. This trend may continue in the future as global businesses seek to expand the usage of stablecoins for purposes beyond the scope of capital preservation.

To unlock cross-country and cross-entity settlement efficiencies for global businesses, the industry will likely require an established institutional entrant from a major accounting or corporate finance platform to embed stablecoins in its offerings. Although this development may take some time, it could serve as a catalyst for meaningful adoption and multinational business use cases by making stablecoins readily accessible to corporates.

As of December 2025, stablecoins combined to settle just under \$13 trillion in transaction volume solely on Ethereum year-to-date.¹ When looking at the overall stablecoin market, the aggregate rolling

one-year transfer value stands at just under \$23 trillion as of December 1, 2025. It should be noted that this metric only captures transfer activity on Ethereum, Solana, Avalanche, and Tron. This metric also does not account for stablecoins held in collateral accounts. However, these stablecoins do enable and support trading activity on exchanges, derivative platforms, and decentralized applications. Without them, fiat cash would sit idle in exchange accounts. So, although stablecoin holdings may appear inactive, they are in fact actively facilitating these operations.

Although this calculation is not an exact science and these values may be inflated due to complex, automated, and artificial transaction activity, the trend is clear: Stablecoin usage and velocity is growing rapidly. This could continue as bringing dollars on-chain in a lower-cost, borderless, and near-instant settlement capacity with ample liquidity provides an ideal environment for payments related to global transactions and remittances.

Below we show the stablecoin rolling one-year transfer value on Ethereum. This represents the total transfer value of stablecoins on Ethereum over the previous 365 days, as of each respective date on the x-axis. As of mid-December 2025, approximately \$13.4 trillion in stablecoins had been transferred on Ethereum over the preceding 12 months.

Stablecoin Rolling One-Year Transfer Value (Ethereum)



Source: Fidelity Digital Assets® Research via Coin Metrics, 12/19/25.

Trading

One of the most prominent use cases for stablecoins is digital asset market trading. Since stablecoins are designed to maintain a stable and consistent value through their pegging mechanisms to an underlying reserve asset, they are often a preferred trading pair on digital asset trading venues. Converting back to fiat currencies can be inefficient and costly for traders, so the flexibility of stablecoins to enter and exit trading positions without the need to convert is ideal.

Stablecoins also provide liquidity and price stability, making it easier for traders to access the digital asset market by acting as a bridge between fiat currencies and digital assets. As of December 19, 2025, USDT is the most traded stablecoin by volume, eclipsing \$105 billion in 24-hour trading volumes. Following USDT is USDC at \$13 billion, and FDUSD at \$5 billion.² By comparison, the two largest non-stablecoin digital assets by market capitalization—bitcoin and ether—had trading volumes of \$49 billion and \$30 billion respectively over the same period.

As of Q3 2025, Tether (USDT) accounts for over 82.5% of global stablecoin trading volume and is involved in 66% of stablecoin trades on centralized exchanges. More than 60% of spot digital asset trades include USDT pairs, and in DeFi, USDT appears in over 43% of stablecoin liquidity pools. Although other use cases are emerging alongside digital asset trading, we expect that this application of stablecoins could continue to thrive.

DeFi

Stablecoins play a crucial role in DeFi applications such as lending, borrowing, swapping, and yield farming. This demand is created through the desire for market participants to utilize a stable asset for collateralizing loans, borrowing funds, and earning interest within the DeFi ecosystem.

The DeFi ecosystem leveraging stablecoins highlights the additional value that traditional financial (TradFi) intermediaries bring to DeFi. Although decentralized stablecoins do exist, market participants still seemingly prefer dollar-denominated transactions, relying on the crossover of DeFi and TradFi to meet this demand. In this instance, the execution of the trades or facilitation of the respective activity is done on a decentralized platform, but the holders of the real-world underlying assets are centralized institutions.

Additionally, stablecoins facilitate more seamless transactions within DeFi platforms, allowing users to trade, pay, and transfer value without worrying about price fluctuations often associated with other digital assets. Numerous DeFi protocols leverage smart contracts to automate transactions and depend on the price stability of stablecoins to help ensure smooth execution. Stablecoins have enhanced the reliability and precision of executing these contracts, thereby fortifying the DeFi ecosystem's foundation.

Many DeFi platforms also use stablecoins for lending and borrowing. Users can lend stablecoins to earn interest or borrow them by providing other digital assets as collateral. Stablecoins are often used in liquidity pools on decentralized exchanges (DEXs), allowing users to trade assets with minimal slippage and providing liquidity to earn rewards or yields. Likewise, stablecoins are popular in yield farming strategies in which users stake their assets in DeFi protocols to earn rewards. This process often involves providing liquidity or participating in lending activity.

Aave, the largest decentralized lending protocol, illustrates how popular this use case is with a total value locked (TVL) of over \$54 billion, including borrowed amounts, as of December 19, 2025. On Ethereum,

Aave holds a total supplied USDT amount of \$6.5 billion and a total outstanding borrowed amount of \$4.4 billion. The second largest stablecoin, USDC, has \$4.7 billion total supplied and \$3.7 billion total borrowed.

Given the popularity of the platform and the amount of capital contained on Aave, it is clear that stablecoins are foundational in supporting this ecosystem. Stablecoin suppliers can generate a yield and earn passive income by providing liquidity (lending), and borrowers are able to receive stablecoin or other digital asset denominated loans in a more streamlined and convenient way. As the DeFi market and its associated applications and infrastructure continue developing, stablecoins have the potential to remain in high demand within this market segment.

Future Outlook

Evolving regulatory landscapes, concerns related to centralized control over issuance and management, and algorithmic risks could continue throughout 2025 until further progress is made. It is important to closely monitor regulatory and legislative developments to see what impacts regulatory frameworks will have for stablecoin-based projects.

While it is encouraging that these developments are actively evolving, further time may be needed for these regulations to effectively align and enable a more seamless global 24/7 cross-border payment system that serves individuals and corporations.

Despite these near-term challenges, we anticipate growing opportunities for stablecoins across various sectors including savings, payments, remittances, international trade, and DeFi. Although stablecoins may be a core component of many digital asset native applications, their recent growth and adoption toward use cases outside of DeFi transactions may potentially accelerate going forward.

Innovation could also advance as new technologies and applications emerge from past market lessons, improving the structure and stability of the stablecoin ecosystem. Developing use cases such as yield-bearing stablecoins are expected to continue evolving, and these applications may draw more attention from investors, issuers, and regulators alike.

Regulation and Legislation

Both the House and Senate in the U.S. made efforts throughout 2022 to 2024 to propose comprehensive federal legislation for stablecoin issuers. However, a lack of consensus on issues such as the Federal Reserve's authority over state issuers prevented the Chambers from reaching an agreement. Despite this, stablecoin legislation remained a high priority for the 118th Congress. Disagreement stemmed from varying opinions on the Federal Reserve's authority over state issuers. In the absence of Federal legislation, state regulators continued to provide comprehensive regulatory framework to oversee issuers while federal legislation remained unrealized.

While the digital asset community is looking forward to more comprehensive regulatory frameworks taking shape in the U.S. for stablecoins, existing guidance from regulators has already helped to shape today's framework. For instance, USDC is regulated by the NYDFS, one of the first U.S. regulators to establish guidance on stablecoin requirements and reserves. Meanwhile, regulatory developments abroad, such as the Markets in Crypto-Assets (MiCA) regulation enacted in the European Union, has shared insights into the direction the U.S. has started to take.

While stablecoins do not have FDIC or SIPC coverage, they are arguably different instruments that require regulatory frameworks uniquely crafted to meet their specific characteristics. As outlined in the first module of this series, the NYDFS initially issued guidance on USD-backed stablecoins in June 2022, which established the first concrete requirements for stablecoin issuers regulated by a U.S. financial regulator.

U.S. Senator Bill Hagerty (R-TN) introduced the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) on February 4, 2025. The Act passed Congress with bi-partisan support 308-122 in the House and 68-30 in the Senate. It is the first piece of major federal legislation on digital assets to pass in the U.S. and was signed into law on July 18 by President Trump.

The law will take effect on the earlier of two dates: January 18, 2027, or 120 days after federal regulators issue all final regulations. Its implementation depends on a multi-step rulemaking process. First, agencies will propose rules, each followed by a public comment period. After final rules are published, the Act's requirements—including strict reserve standards, disclosure obligations, and compliance measures—will become enforceable.

Key aspects of the bill include:

- The establishment of clear regulations for stablecoin issuers
- Federal and state-level supervision and oversight stipulations
- Reserve requirements
- Public disclosures of redemption policies and reserve attestations
- A regulatory classification specifying that permitted payment stablecoins are not considered securities under established securities laws

Additional key components of the GENIUS Act include a one-to-one reserve requirement from issuers, ensuring the stablecoins are fully backed. The new bill also prohibits the issuance of unbacked, algorithmic stablecoins and creates both federal and state regulatory oversight for stablecoin issuers to provide a clear legal framework. Further, the new legislation looks to enhance consumer protection by including measures to prevent the illicit or unauthorized use of stablecoins.

Following the bipartisan momentum of the GENIUS Act, which established a regulatory framework for payment stablecoins, the CLARITY Act of 2025 (H.R. 3633) advances the broader effort to define and regulate digital assets across U.S. markets. The bill delineates oversight responsibilities between the CFTC and SEC, introduces a formal definition for digital commodities, and creates a limited fundraising exemption for issuers operating on "mature blockchains." Having cleared key House committees in July, the CLARITY Act now awaits Senate consideration, signaling continued legislative progress toward comprehensive digital asset regulation.

More specifically, CLARITY specifies that the CFTC, not the SEC, holds jurisdiction over most digital assets, but establishes a clear anti-fraud and anti-manipulation oversight role for the SEC. The CLARITY Act allows tokens to transition from securities (under the SEC's jurisdiction) to commodities (under the CFTC's jurisdiction) when the blockchain is "mature" and reinforces that stablecoins are regulated under the GENIUS Act.

In parallel, the Senate Banking Committee has released a draft market structure bill proposing a hybrid SEC-CFTC framework, including new rules for “ancillary assets,” which reflects a more nuanced approach to digital asset oversight and sets the stage for bicameral negotiations on regulatory alignment.

This market structure legislation aims to clarify regulations for digital assets and encourage innovation while protecting consumers. The draft legislation, which builds on the CLARITY Act, introduces new concepts like the aforementioned “ancillary assets” and proposes a framework for regulating digital asset intermediaries. According to the draft, intermediaries such as exchanges, brokers, and custodians would need to register with either the SEC or CFTC, depending on the nature of the digital assets they handle. The draft also includes enhanced requirements for cybersecurity, audit, and customer disclosures to safeguard investor assets.

The discussion draft is part of a broader effort to create comprehensive digital asset market structure legislation, building upon recent legislative efforts like the CLARITY Act. The goal is to create a balanced regulatory framework that encourages innovation while protecting investors and ensuring financial stability.

More recently, the Presidential Working Group (PWG) on Digital Asset Markets released its policy roadmap report that reinforces the central role of USD-backed stablecoins in the evolving U.S. digital asset policy framework, aligning closely with recent legislative momentum from Congress and strategic priorities outlined by the White House. The report highlights stablecoins as a cornerstone of digital financial infrastructure, emphasizing their potential to support dollar dominance, enhance payment efficiency, and reduce systemic risk—provided they are subject to consistent federal oversight.

Echoing the regulatory clarity advanced by the GENIUS Act and the CLARITY Act, the Working Group calls for comprehensive legislation to define asset classes, assign regulatory responsibilities, and establish uniform standards for stablecoin issuance, custody, and risk management. It explicitly critiques the fragmented, enforcement-driven status quo and urges Congress to replace it with a statutory framework that fosters innovation while safeguarding market integrity.

This alignment between the executive branch, financial regulators, and bipartisan congressional efforts signals a maturing policy consensus—one that increasingly views stablecoins not as a regulatory anomaly, but as a foundational component of the future U.S. financial system.

Outside of the U.S., the EU’s MiCA regulation distinguishes two distinct types of stablecoins: electronic money tokens (EMTs) and asset-referenced tokens (ARTs). EMTs fall under similar current regulation to electronic money: They require fiat backing and must aim to maintain a stable value relative to a single currency. In contrast, ARTs are supported by multiple assets, which may include various currencies, commodities, or other financial instruments. This diversified structure theoretically spreads risk but demands rigorous oversight due to the diverse underlying assets.

MiCA classifies fiat-backed EMTs as electronic money, necessitating that issuers either possess or secure authorization as electronic money institutions (EMIs) or credit institutions. To gain authorization, an issuer must apply to the relevant supervisory authority in its home member state. EMT issuers are required to maintain liquid reserves equivalent to the tokens in circulation, ensuring they can be redeemed at par value at any time. Under MiCA, at least 30% of these reserves (or 60% for certain EMTs) must be held in separate accounts at credit institutions. The rest of the reserves must be invested in stable, secure, and highly liquid financial instruments denominated in the same currency as the EMT.

Issuers of ARTs face similar regulatory requirements, including obtaining authorization from their respective authority unless the issuer is an authorized credit institution. Issuers will also be subjected to these requirements if they issue tokens below a €5 million threshold over a 12-month period or restrict token sales to qualified investors. ART requirements impose that issuers must redeem tokens upon request.

We will continue to monitor global regulatory developments closely. It is increasingly likely that future regulatory frameworks will offer clearer guidance, providing stablecoin projects more certainty about their projected use cases. While not all proposed legislation may pass, and existing legislation may be subject to change, these proposals remain highly relevant for industry oversight and highlight the growing prioritization of stablecoins by lawmakers and regulators. Many of these proposals will most likely share common themes—such as reserve requirements, regular audits, and prohibitions of underlying asset rehypothecation—while also addressing unique aspects of issuer regulation.

Where Further Adoption May Occur

We expect to see continued market growth from stablecoins in the near future. However, new projects may gain traction with novel approaches or backing from larger corporate entities.

The passage of the GENIUS Act marks a pivotal regulatory milestone that has the potential to accelerate institutional adoption of stablecoin infrastructure across the traditional financial sector. By establishing a clear federal framework for the issuance and oversight of payment stablecoins, the legislation reduces legal uncertainty and operational risk—two of the primary barriers that have historically limited bank and fintech participation.

With regulatory clarity now in place, large financial institutions are increasingly positioned to integrate stablecoins into core functions such as settlement, cross-border payments, and tokenized asset platforms. This alignment between legislative action and market infrastructure could potentially result in a new wave of public-private collaboration in digital finance.

Stablecoin adoption could advance across various sectors—particularly for payments and as a store of value—as more individuals and institutions seek efficient, alternative methods to access dollars to enable faster and less costly transactions. This is particularly appealing to regions with high levels of currency debasement and inflation, as this allows dollar-based international remittances to be facilitated more effectively.

Because stablecoins serve as a foundation for various DeFi applications, it is expected that this area of the market continues to gain traction as the DeFi market ecosystem and infrastructure continue to mature and develop.

Stablecoins have entered the market as a breakthrough application and disruptive use case of blockchain technology. Despite gaining significant traction in the realm of digital assets, they are a burgeoning subset of the larger globalized financial system. Although stablecoins still represent a relatively smaller market share, we expect these assets to continue flourishing internationally as individuals and businesses alike become more aware of their many transformative applications.

Interested in discussing the different use cases for stablecoins with our team?

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¹ Coin Metrics, December 2025.

² CoinMarketCap, Today’s Cryptocurrency Prices by Market Cap, December 2025.