

Understanding Stablecoins: A Beginner's Guide

Faster Payments Council: *Solutions Payments Conference*

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06/25/2025



Federal Reserve
Bank of Atlanta

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Federal Reserve's Role in Payments



Leader/Catalyst



Advocate, educator, change agent, and influencer in payment processes and payment system policy



Service Provider



Provider of payments services to U.S. depository institutions that include ACH, check, cash, funds and security transfer, and national settlement



Fiscal Agent



Provider of a broad set of services to the U.S. Treasury, government agencies, and other fiscal principals in their capacity as a fiscal agent and depository



The Federal Reserve's payments Mission is, "to foster the integrity, efficiency, and settlement systems in support of financial stability and economic growth".

Payments Forum: Purpose

- Services to Financial Institutions and the Public for the purpose of Financial System Research and Strategic Planning
- Includes research and strategic outreach initiatives that the Federal Reserve undertakes its role as a Central Bank
- These initiatives seek to:
 - a) generate financial industry (societal) benefits through innovation and increased efficiency throughout the payments/financial system;
 - b) Provide financial institutions and the public with appropriate access to services provided by the financial services industry; and
 - c) Assure safety and soundness of the financial system

Headlines



Latest Updates



Walmart and Amazon Are Exploring Issuing Their Own Stablecoins

Corporate coins could take payments activity away from banks and the traditional financial system

Updated June 13, 2025 4:51 pm ET



Visa and Bridge Partner to Enable Stablecoin-Linked Cards

BY PYMNTS | APRIL 30, 2025

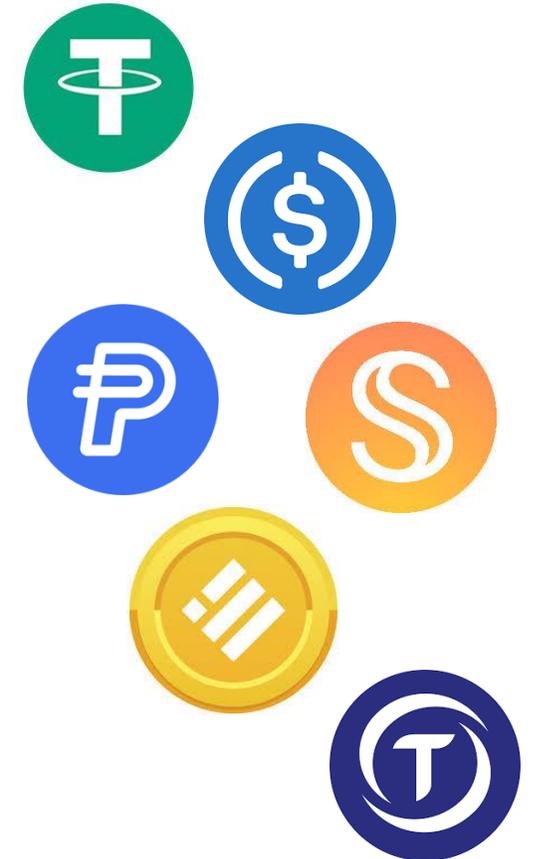


Big Banks Explore Venturing Into Crypto World Together With Joint Stablecoin May 22, 2025

The discussions involve payments companies co-owned by JPMorgan Chase, other large banks

What is a Stablecoin?

- Type of Cryptocurrency
- Digital tokens designed to maintain values, usually pegged to fiat (e.g., USD)
- Collateralized to value of underlying asset
- Bridge between crypto and traditional finance



Stablecoin Purpose

Combine the benefits of digital assets with the price stability of traditional currencies

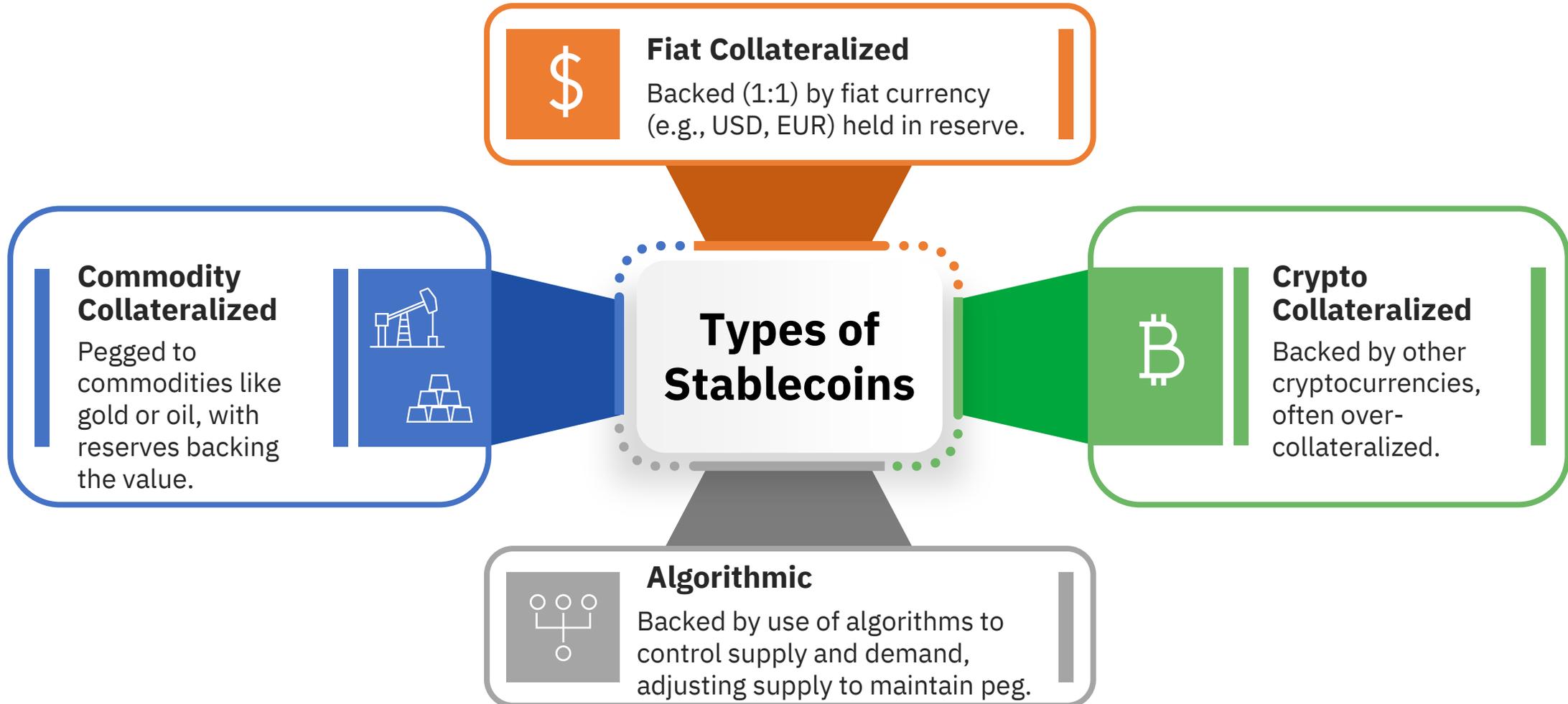


Source: <https://www.coingecko.com/en/coins/usdc>

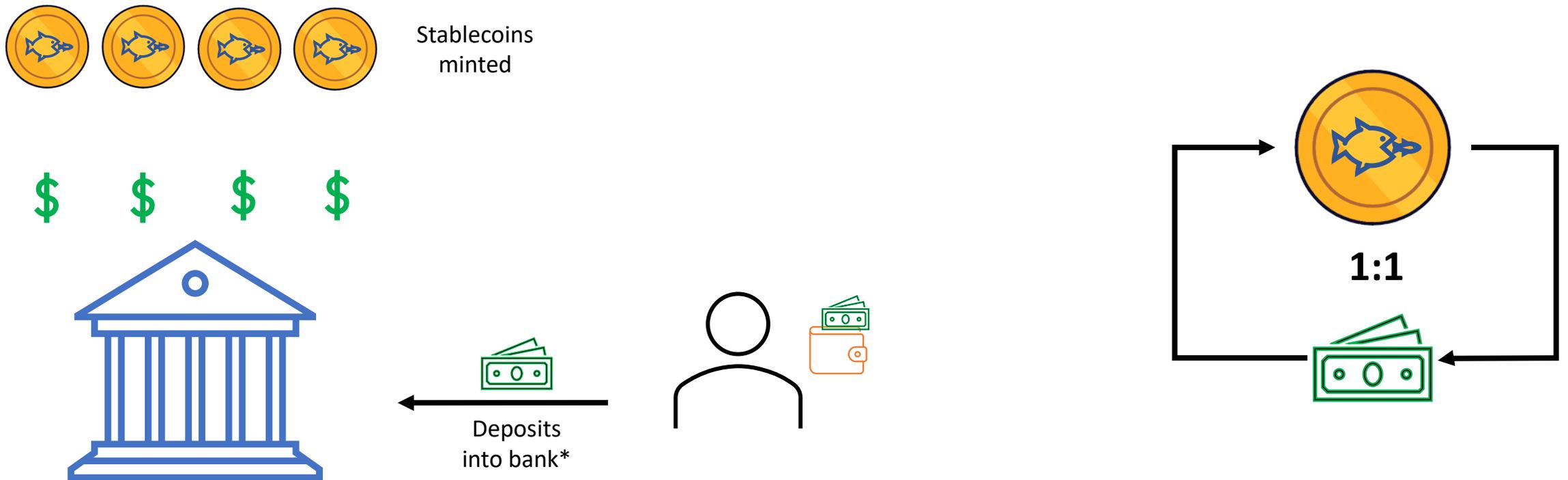


Source: <https://www.coingecko.com/en/coins/bitcoin>

Types of Stablecoins



Fiat-backed (“Pegged”) Stablecoin



Why Were Stablecoins Created?

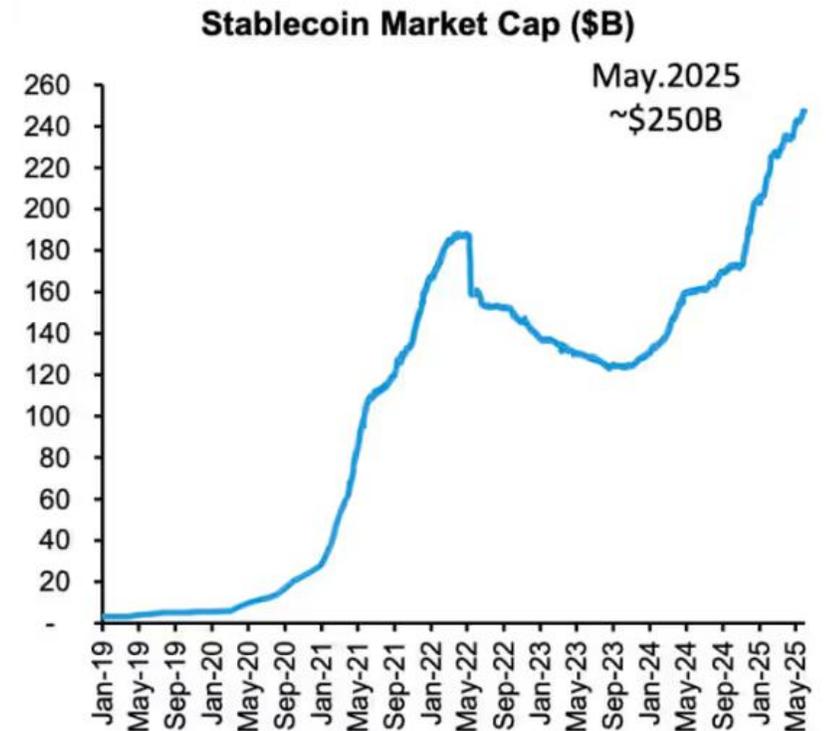
- Bridge between traditional finance and crypto
 - Serve as a translation layer between traditional finance and blockchain. Allow access to crypto services without exposure to volatility, and enable settlement without constant fiat conversion
- Need for price-stable digital assets
 - Volatile cryptocurrencies made daily use impractical. Stablecoins offer predictability and usability, fulfilling core monetary functions: store of value, medium of exchange, and unit of account
- Enable faster, global, always-on transactions
 - Enable near-instant, 24/7 global transfers with lower fees. Ideal for remittances, global payroll, and cross-border commerce
- Address limitation of fiat-based infrastructure
 - Legacy systems are slow and exclusionary. Stablecoins are programmable, internet-native, and accessible globally, enabling financial innovation and broader inclusion

Stablecoin Use Cases



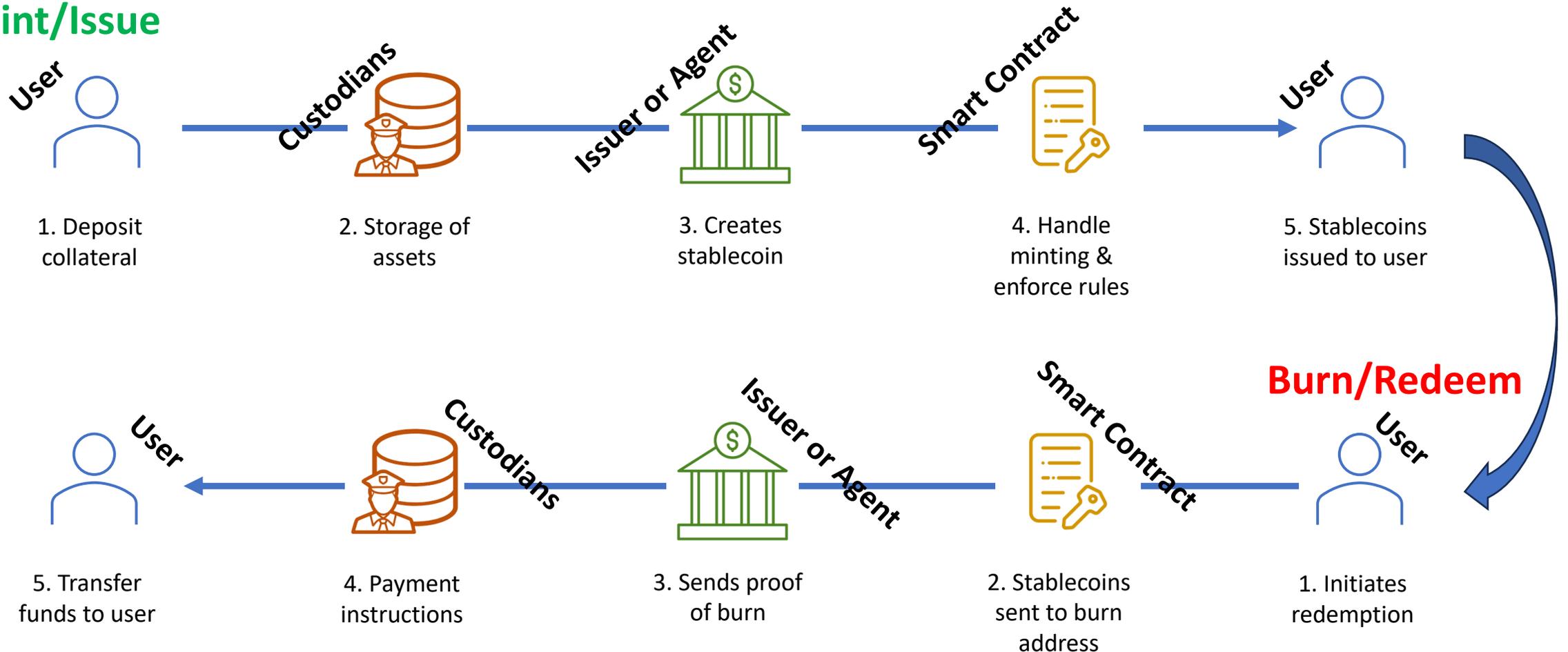
Market Snapshot (June 16th)

- Total Stablecoin Supply ~\$250B
- Top Issuers: Tether , Circle , Ethena, Dai , and First Digital 
- Chains: Ethereum , Solana , Tron 
Base , etc.
- Transaction Volume (24 hr.): ~\$103.4B
- Increasing integration into fintech, e-commerce, and banking APIs

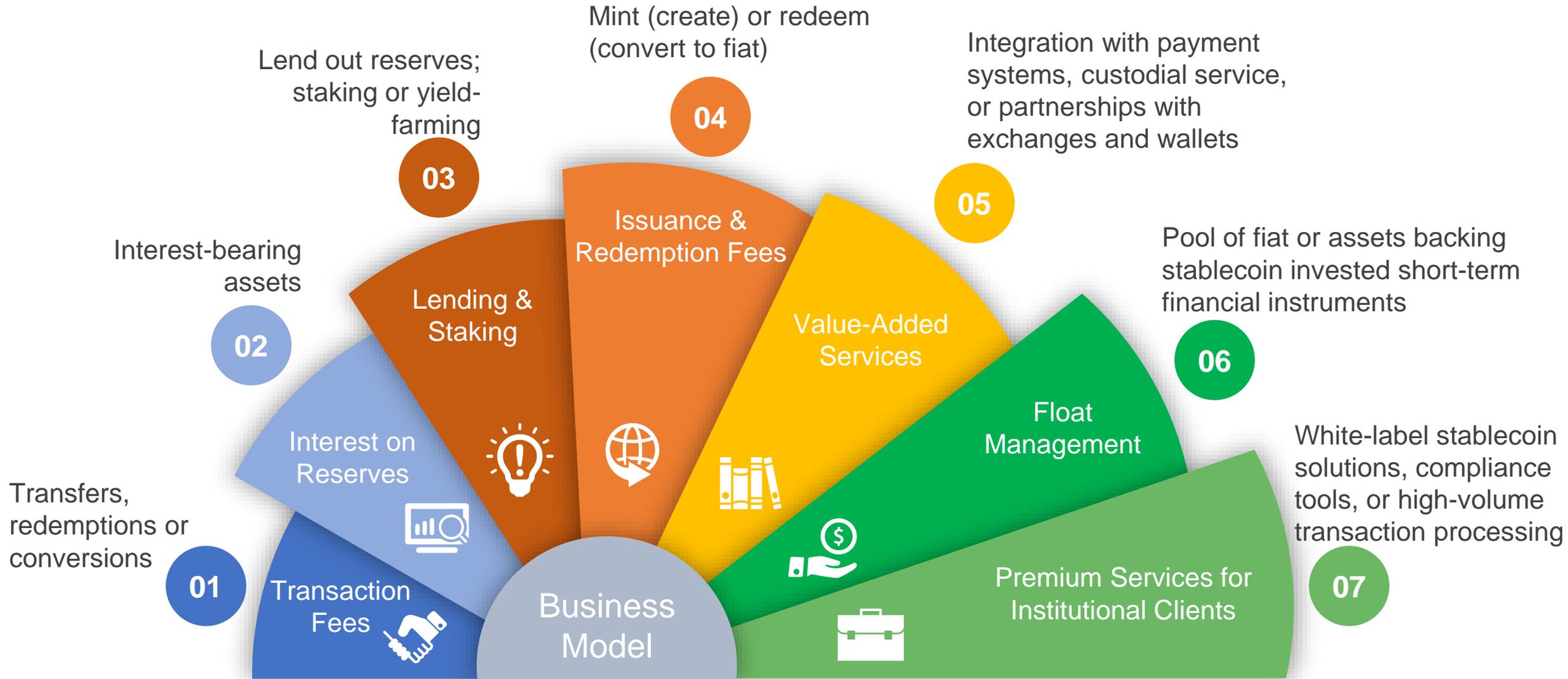


How Stablecoins Work

Mint/Issue



How Issuers Earn Money



What is Cryptocurrency

Crypto Coins

- Digital assets secured by cryptography, often decentralized
- Key Features
 - Blockchain-based
 - Peer-to-peer transactions
 - Supply varies



Bitcoin vs. Stablecoin

Bitcoin

- Decentralized digital currency
 - Alternative to fiat currencies
 - Primarily used as a store of value
 - Price driven by market demand & speculation
-
- Fully decentralized
 - Governed by protocol & consensus
 - No central authority
 - Prioritizes privacy using cryptography
-
- Operates solely on its own blockchain
 - Open-source and decentralized
 - Limited cross-chain flexibility
 - Enables continuous innovation and development

VS

Purpose

- Designed for price stability
- Pegged to fiat (e.g., USD)
- Primarily used for payments & settlements
- Backed by reserves for stability

Management

- Mostly centralized
- Issued by single entities
- Backed by 1:1 reserves
- Holder trusts issuer to manage reserves

Interoperability

- Operates across multiple blockchains
- Improves resilience, liquidity, and efficiency
- Supports DeFi integration
- Creates competition
- Technically complex & requires coordination between blockchain communities & stakeholders

Stablecoins: Deposits, Not Bank Deposits

- Bank Deposits = Leverage
 - Deposits are loans to banks, used for credit creation
 - Banks operate with fractional reserves and systemic risks
- Stablecoins = Fully-Backed Digital Cash
 - Properly regulated stablecoins are 100% backed by safe, liquid assets held off balance sheet
 - Not lent out
- Unbundling Money & Banking
 - Stablecoins separate payments from credit intermediation
 - Enable value storage and transfer without exposure to bank risk

Stablecoins are deposits – but not bank deposits. They’re a new financial primitive for programmable, secure value exchange

Thank you!

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