



Stablecoins & CBDCs

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CryptoCompare Research
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Mission Statement

About CryptoCompare

CryptoCompare is an FCA-authorised benchmark administrator and global leader in digital asset data, providing institutional and retail investors with high-quality real-time and historical data. Leveraging its track record of success in data expertise, CryptoCompare's thought-leadership reports and analytics offer objective insights into the digital asset industry.

About This Report

The stablecoin sector has grown in size and interest over the past year. Pegged to the value of an asset, stablecoins serve as the fundamental means for trading cryptoassets, allowing for the on-ramp of fiat-pegged money into blockchain applications. However, recent developments surrounding stablecoins, including the collateralisation of Tether and the collapse of TerraUSD, have raised concerns from investors and regulators.

Cryptocompare's Stablecoins Report aims to capture the key developments within the stablecoins sector. Our review focuses on analysis that relates to market capitalization and trading volume of stablecoins, segmented by their type based on collateral, and the pegged asset, among others.

CryptoCompare's Stablecoins Report is conducted monthly and caters to both the crypto-enthusiast interested in a broad overview of the stablecoins sector, as well as investors, analysts and regulators interested in more specific analyses.

Explore CryptoCompare's API

For those interested in accessing CryptoCompare's data for their own purposes, including cryptocurrency trade data, order book data, blockchain data, social data or historical data across thousands of cryptocurrencies and 300+ exchanges, please take a look at CryptoCompare's API here: <https://min-api.cryptocompare.com>.

Disclaimer

Due to the nature of exchange API endpoints and the practice of backfilling data, there may be data discrepancies between this edition and previous reports. The data presented below is correct up to the release date of this report.

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Latest News

Topic	Story	Date
Regulations	Japan Plans to Allow Local Listing of 'Foreign' Stablecoins Such as USDT and USDC	Dec 27
BUSD	Declining Demand for Binance's BUSD Represents New Chapter in Stablecoin Wars	Jan 5
CBDCs	UK 'Fully Behind' Stablecoin for Wholesale Settlements, Treasury Official Says	Jan 10
CBDCs	UK MP says stablecoin is a gateway to CBDC, only crypto can 'disrupt' settlements	Jan 10
Tether	Crypto.com delists USDT for Canadian users following OSC ban	Jan 10
USDC	USDC's ERC-20 transfer volume hit 5X USDT's in fallout from FTX collapse	Jan 11
CBDCs	Iran and Russia want to issue new stablecoin backed by gold	Jan 16
USDC	Circle CEO: US Stablecoin Legislation Is 'Lowest-Hanging Fruit'	Jan 19
CBDCs	Davos-launched blockchain project aims to be the 'SWIFT' of stablecoins and CBDCs	Jan 23

Key Insights

Market Cap Falls For the Tenth Consecutive Month

In January, the total market capitalization of stablecoins fell 0.62% to \$137bn as of the 22nd of January, the lowest stablecoins market cap recorded since September 2021, and the tenth consecutive month of decline.

Binance Admits Under Collateralisation of BUSD

Binance acknowledged that the Binance-pegged BUSD was undercollateralized by a shortfall of \$1.2bn during the period between September 2020 and July 2021 due to operational inefficiencies.

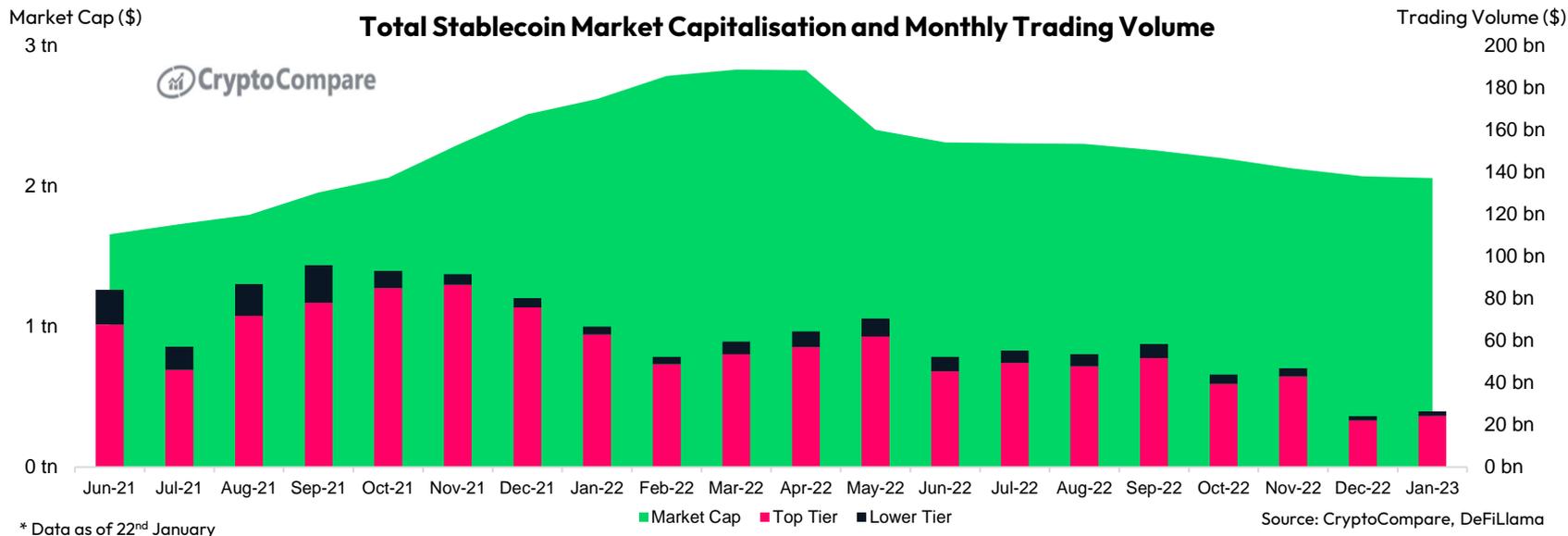
Stablecoin Outflows Hit Recent Highs

Stablecoin net flows reached its highest level since November 2021, with \$3.65bn leaving exchanges in December after concerns over Binance's solvency emerged earlier in the month.

Algorithmic Stablecoins Continue to Falter

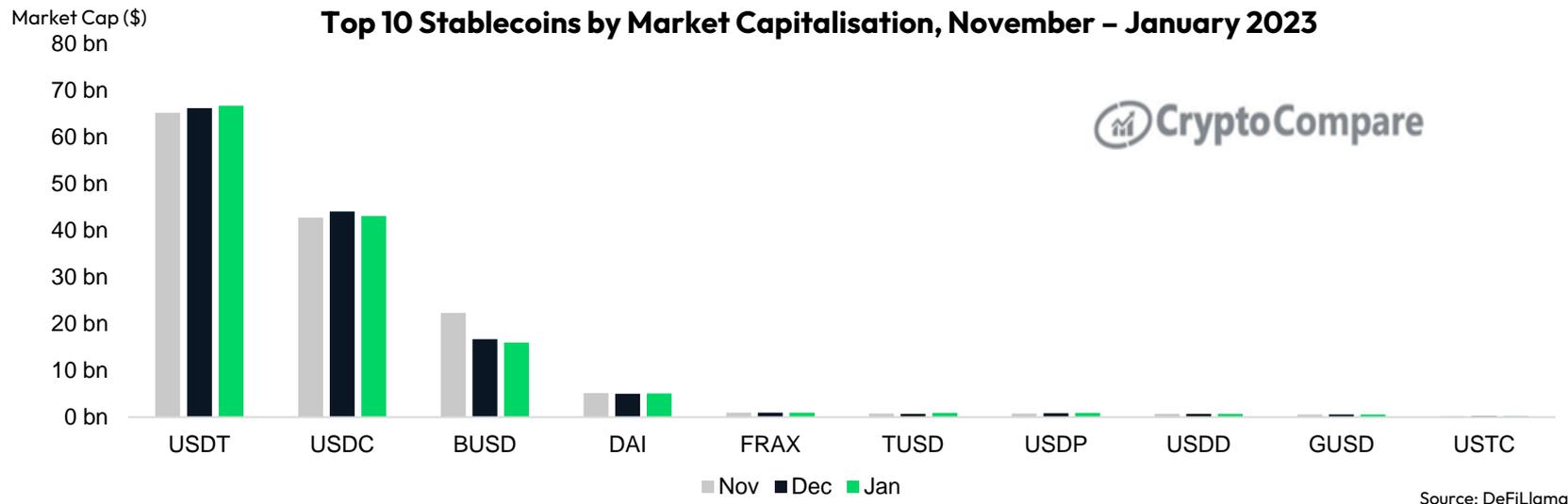
Developers announced the shutdown of Waves' NeutrinoUSD and Vader Protocol's USDV after failing to restore their peg, the latest additions to the list of failed such stablecoins. The market share of algorithmic stablecoins is currently at 1.71%, down from an all-time high of 12.4% in April 2022.

Stablecoins Market Cap & Volumes



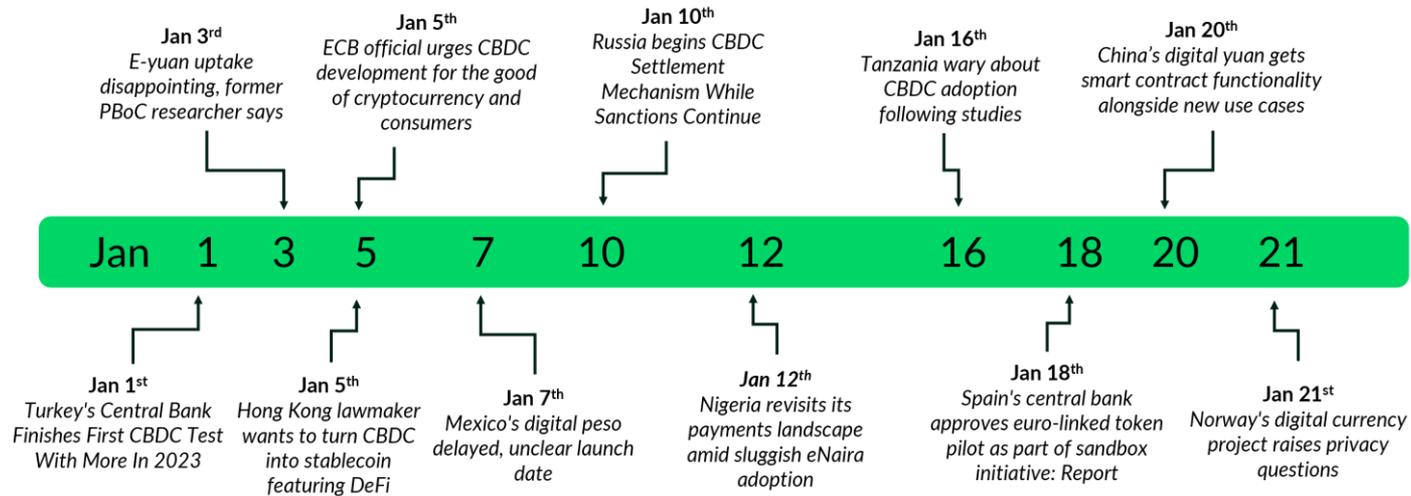
- In January, the total market capitalization of stablecoins fell 0.62% to \$137bn, the lowest stablecoins market cap since September 2021. This is the tenth consecutive month of decline in stablecoins market capitalisation.
- Stablecoins market dominance is currently at 12.4%, falling from the all-time high of 16.5% in December. The decline in stablecoin dominance suggests market participants are rotating out of stablecoins and into risk assets.
- Monthly stablecoins spot trading volume as of January 22nd has already surpassed the trading volume in December, rising 9.46% to \$397bn, buoyed by the return of volatility in the market.

Stablecoins Overview: Top 10 Stablecoins



- The top 10 stablecoins remained unchanged with USD Coin (USDC), Binance USD (BUSD) and Gemini Dollar (GUSD) being the only stablecoins to record a decline in market capitalisation in January. The market capitalisation of Tether (USDT) rose 0.82% to \$66.7bn, increasing its market share to 48.7% - the highest dominance recorded since October 2021.
- The market capitalisation of True USD (TUSD) and TerraClassicUSD (USTC) rose 24.5% and 13.1% to \$940mn and \$225mn, respectively, with the former surpassing Pax Dollar (USDP) in market cap this month. Meanwhile, USDC and BUSD saw their market capitalisation fall 2.27% and 3.97% to \$43.1bn and \$16.1bn respectively.

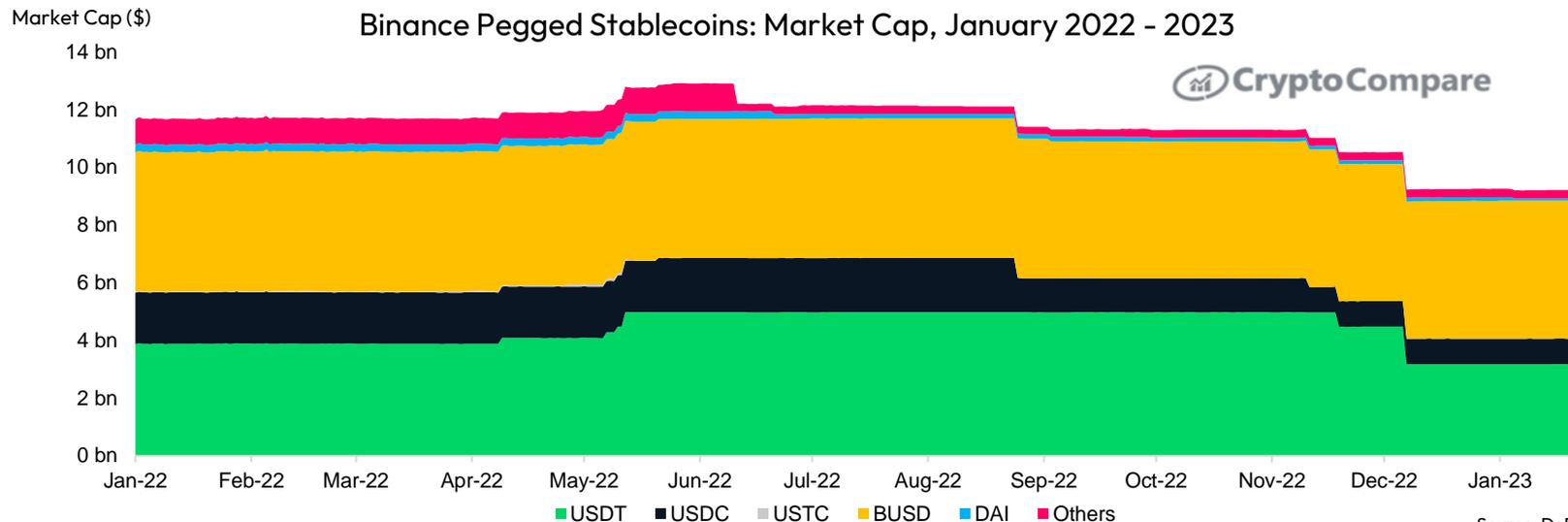
CBDCs Overview: January Events



- In January, Turkey announced the completion of their first pilot phase of the digital Lira with more testing programmes to be conducted later this year.
- Meanwhile, the Bank of Spain, which announced the launch of its CBDC program last month, approved the pilot program of the Euro-linked token, EURM. The programme is expected to last between six to 12 months.
- As of January, there are 15 CBDC projects being tested on various pilot programs and 86 projects in the research phase. Jamaica's JAM-DEX and Bahamas' Sand Dollar remain the only two CBDCs that are currently launched as of January 2023.

Binance-Peg Stablecoins

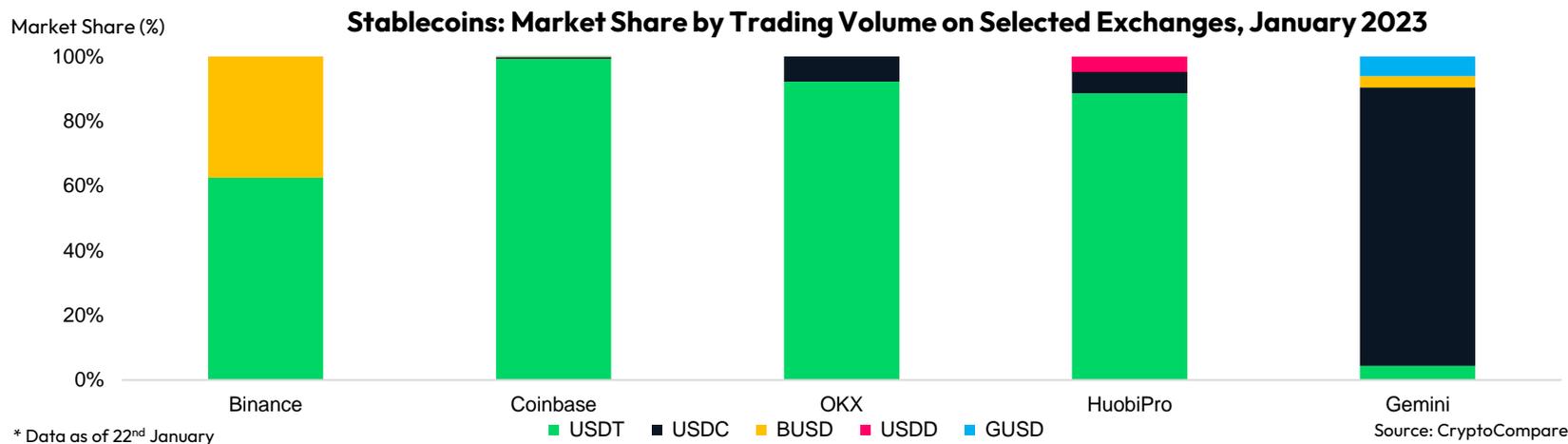
Binance Acknowledges Under Collateralization of Pegged Assets Due to Operation Errors



- Binance acknowledged that Binance-pegged BinanceUSD were undercollateralized between September 2020 and July 2021, due to operational inefficiencies. Binance mints the Binance-pegged BUSD by purchasing BUSD from Paxos, which then issues the stablecoin on the Ethereum chain. However, analysis from ChainArgos found that the asset was undercollateralized by a shortfall of \$1.2bn.
- Further analysis from ChainArgos also revealed that other Binance-pegged stablecoins, including USDC and TUSD, were undercollateralized previously. The total market cap of Binance-pegged stablecoins is currently at \$9.21bn.

Stablecoin Wars 2.0

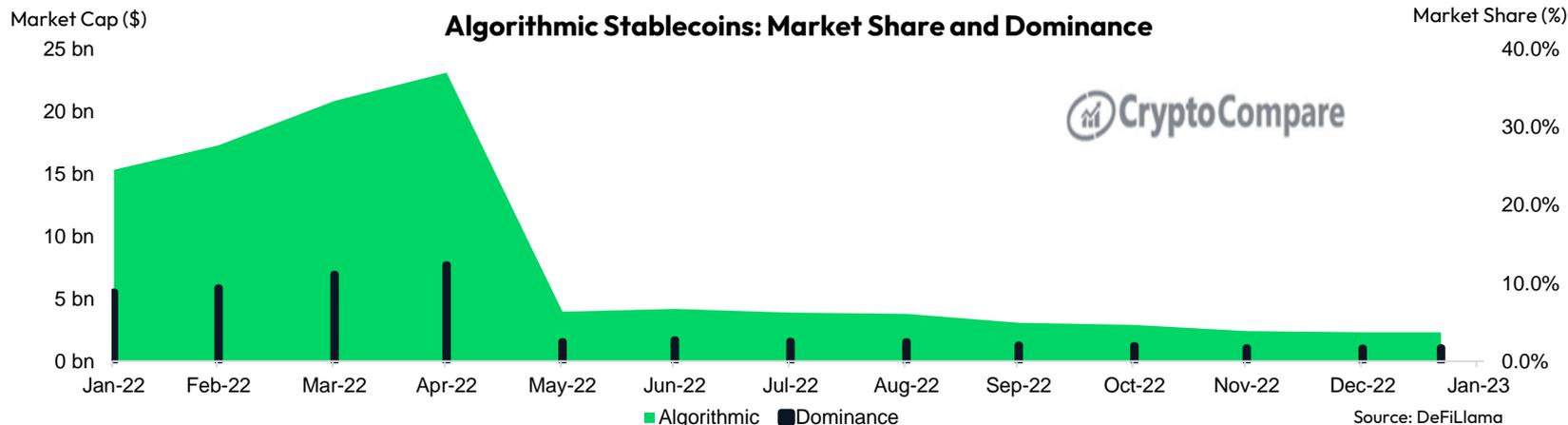
Stablecoin Wars Heats Up as Coinbase Encourages Swapping USDT to USDC



- On December 8, Coinbase made an announcement introducing a zero-fee trade to swap USDT for USDC, the latest turn of events in the ‘Second Great Stablecoin War.’ The exchange, which co-founded USDC in partnership with Circle, cites that stability and trust is the main driver for the support for the stablecoin. USDC currently accounts for less than 1% of the stablecoins trading volume on Coinbase.
- Exchanges are appearing to show a preference for certain stablecoins, thus encouraging - or at times forcing - users to switch to a stablecoin of its choice. For example, earlier in 2022 Binance introduced its BUSD auto-conversion feature, which automatically converted users’ balances of USDC, USDP and TrueUSD to BUSD on a 1:1 basis, to enhance liquidity and capital efficiency.

Algorithmic Stablecoins: Market Cap

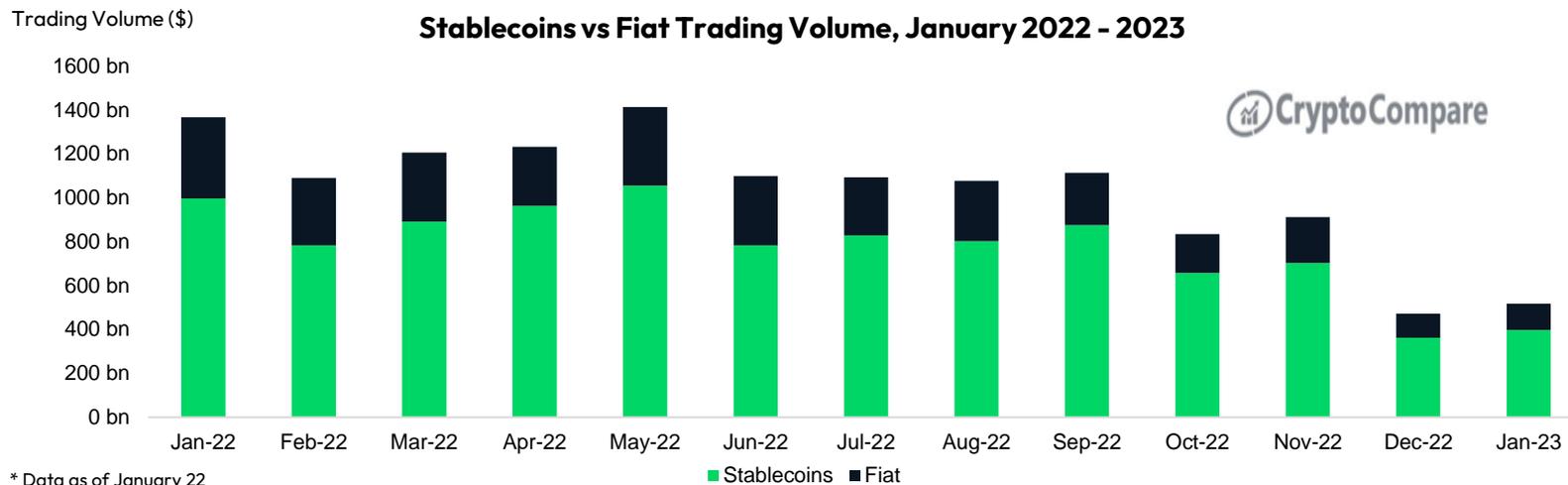
Algorithmic Stablecoins Continue to Falter as USDN and USDV Shuts Down



- Algorithmic stablecoins received heavy scrutiny after the high-profile collapse of TerraUSD last year. This subsector of the stablecoin industry has continued to be in turmoil, with developers recently announcing the shutdown of Waves' Neutrino USD (USDN) and Vader Protocol's USDV projects.
- Vader Protocol paused the minting operations of USDV after the collapse of TerraUSD and spent the last six months looking for a more sustainable and capital-efficient algorithmic stablecoin design, which proved to be in vain. Meanwhile, NeutrinoUSD, which has a market cap of \$20.7mn as of the 22nd of January, was unable to recover its peg after being off parity for more than five months.
- The market capitalisation of algorithmic stablecoin is currently at \$2.33bn, recording a market share of 1.71% from an all-time high of 12.4% in April 2022 with TerraUSD accounting for 79.8% of the market share.

Stablecoins vs Fiat

Fiat Dominance Rises for the Fourth Consecutive Month

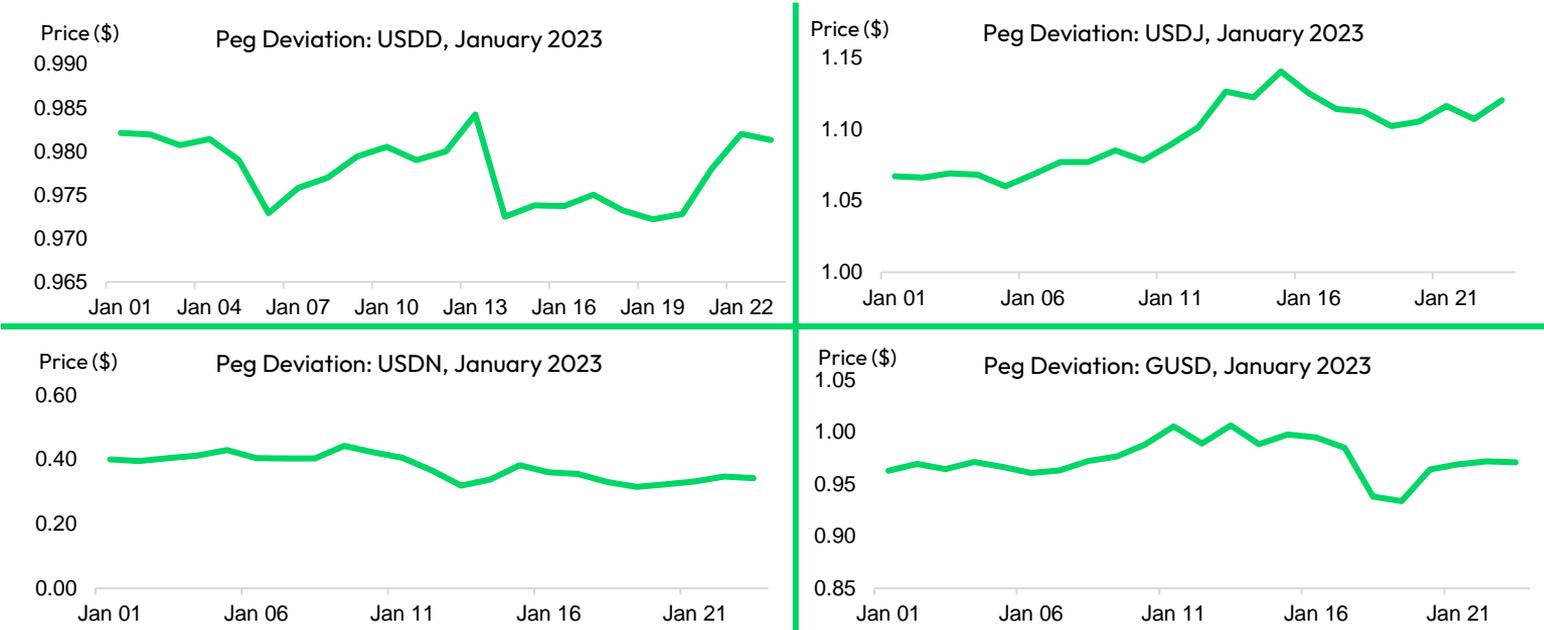


- Crypto markets have seen an influx of volatility and rising price action in January with the spot trading volume on centralized exchanges as of January 22nd having already surpassed the trading volume recorded in December.
- The stablecoins trading volume rose 9.46% to \$397bn whereas the spot trading volume rose 10.2% to \$121bn in January. This resulted in the fiat dominance rising to 23.4% from 23.1% in December, recording the fourth consecutive increase after making an all-time low of 21.1% in October.

Stablecoins: Depegs

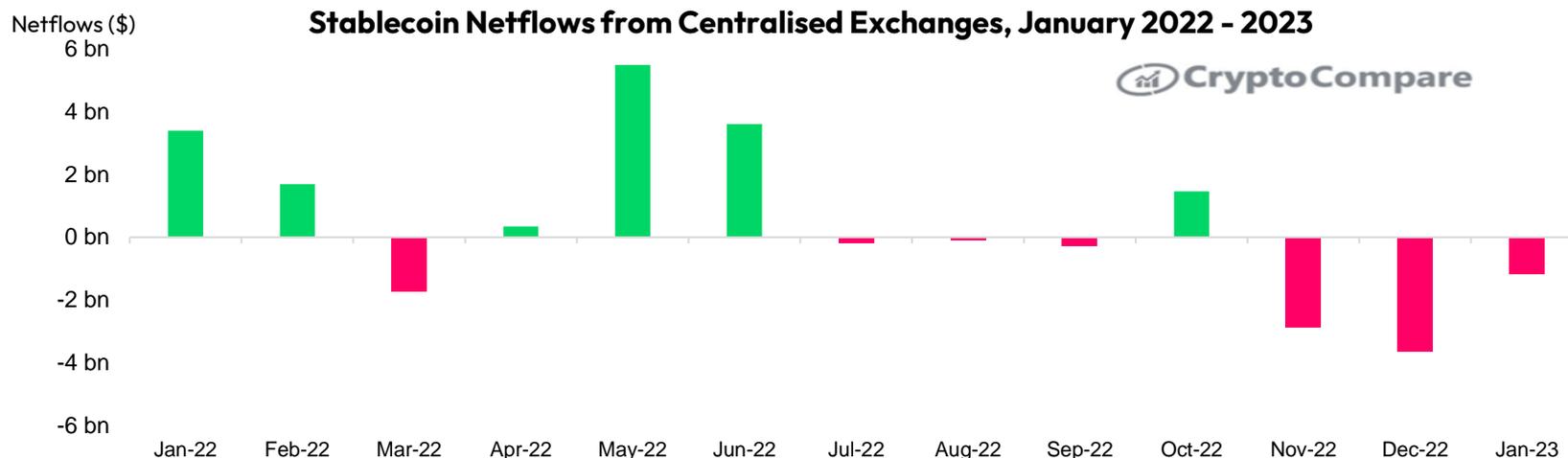
Trouble in Tron Ecosystem, while GUSD Struggles due to Genesis Trading Bankruptcy

Concerns over the solvency of the centralised exchange, Huobi, which is partly owned by Justin Sun, coincided with the depeg of stablecoins in the Tron ecosystem. USDD which is an overcollateralized stablecoin backed by TRX, BTC, USDT and USDC depegged to a low of \$0.973, while USDJ to a high of \$1.126 in January. Meanwhile, Gemini’s GUSD lost its parity after the bankruptcy filing of crypto lender Genesis on January 20, as the exchange struggles to recapture the funds of Gemini Earn users. The now defunct NeutrinoUSD has been off its peg since September 2022.



Stablecoins: Net Flows

Net Outflows From Centralised Exchanges Hits Recent Highs



* Data as of 22nd January

- Centralised exchanges saw the largest net outflow of stablecoins since November 2021 in December 2022, with rumours over the solvency of Binance leading to net outflows of \$3.65bn from all CEXs. Binance saw a record net outflow of \$13.1bn in December after a discrepancy in the scope of its Proof of Reserves audit raised concerns over its liquidity.
- January data as of the 22nd shows that the current trend of users moving their assets off exchanges is likely to continue with CEXs recording a net outflows of \$1.17bn.

Glossary

- **Stablecoins:** Cryptocurrencies whose value is pegged to another currency, commodity, or financial instrument.
- **CBDCs:** Government-backed digital currencies used by consumers and businesses
- **Centralised Stablecoins:** Stablecoins that are collateral backed with corresponding assets by a third-party custodian.
- **Decentralised Stablecoins:** Non-custodial stablecoins that are issued by a DeFi protocol or DAO.
- **Fiat-Backed stablecoins:** Stablecoins that are backed 1:1 by fiat currencies and other short-term assets.
- **Algorithmic stablecoins:** Stablecoins where price stability is achieved using specialized algorithms and smart contracts that manage the supply of tokens in circulation.
- **Crypto-backed stablecoins:** Stablecoins that are backed by another cryptocurrency as collateral. Most decentralised stablecoins that use smart contracts instead of relying on a central issuer are crypto-backed.

This report currently covers 91 stablecoins. This includes 16 centralized stablecoins including Tether, USDC, and BUSD. The rest of the 75 decentralised stablecoins covered in this report include DAI, MIM and USTC.

The report covers 22 fiat-backed stablecoins, 16 algorithmic stablecoins, and 53 crypto-backed stablecoins.

As of January 2023, the trading volume data consists of the 31 stablecoins that are currently trading on the centralized exchanges integrated with CryptoCompare API.

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