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Stablecoin remuneration on centralised exchanges

Wenqian Huang, Nikola Tarashev and Xinyi Wang

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Stablecoin remuneration on centralised exchanges

Key takeaways

- *Centralised exchanges remunerate stablecoin holders, using the return on the issuer's reserve assets or income from market activity.*
- *Under the reserve-based model, yields track policy rates – akin to yields on cash-management instruments – whereas under the activity-based model, yields are much more volatile.*
- *By turning stablecoins into substitutes for bank deposits or money market funds or into funding instruments for exchanges' risky activities, remuneration models may shape the macro-financial implications of wide stablecoin adoption in the future.*

Several features of stablecoins are of natural interest to holders. To be worthy of their name, stablecoins need to trade at par, with credible redemption arrangements and backed by liquid and low-risk reserve assets. Once these criteria are met, individuals and companies may consider other aspects. For instance, they may find value in potential payment efficiencies that stablecoins offer. And it may also be important to holders whether their stablecoins are remunerated with a yield – ie a return for holding funds over time – and how risky this yield is.¹

The remuneration of stablecoins shapes their economic functions. A non-remunerated stablecoin may serve mainly as a payment and settlement instrument or – pegged to an international currency – help some users hedge inflation risk (Aldasoro et al (2026)). Remuneration tied to low-risk benchmark yields would in turn raise the stablecoin's appeal as a money-like savings vehicle. By contrast, a stablecoin with a highly volatile yield may resemble a risky investment instrument. Stablecoins' use cases may thus reflect the risk exposure stemming from their remuneration model.

At present, direct interest payments by stablecoin issuers are prohibited in most jurisdictions,² so user-facing yields tend to be offered instead by centralised exchanges. Such exchanges serve as gateways between traditional fiat money and the tokenised financial system. They may simply keep stablecoins in custody, letting the holders decide whether to use their balances for payments, savings, collateral or trading. Alternatively, the exchanges may themselves deploy stablecoins into lending, margin finance or arbitrage strategies (Garcia Ocampo (2025)).

Leveraging a new data set on stablecoin yields in 2023–25, this Bulletin discusses two prevailing models of stablecoin remuneration on centralised exchanges. The two remuneration models give rise to different risk exposures for stablecoin holders. They could thus have different macro-financial implications should stablecoins be widely adopted in the future.

¹ Different exchanges may market stablecoin yields as rewards or loyalty programs.

² While offshore issuers, such as Tether, may face weaker formal constraints, abstaining from direct interest payments would help these issuers mitigate legal and market access risks in jurisdictions where the stablecoin circulates.

Two models of stablecoin remuneration

The two remuneration models differ in the roles that the centralised exchange and the stablecoin issuer play in generating a yield for stablecoin holders. If the exchange draws on its revenue from stablecoin-related market activities to pay this yield, it implements “activity-based” remuneration. Alternatively, if the exchange simply transmits part of the return on stablecoin reserve assets from issuers to holders, it provides “reserve-based” remuneration. While many exchanges offer a yield to stablecoin holders,³ Binance and Coinbase are the prominent representatives of the activity- and reserve-based remuneration models, respectively.⁴ Data availability leads us to focus on these two exchanges.

Activity-based remuneration model

Activity-based remuneration is rooted in (collateralised) lending, trading, market-making and other intermediation activities of the exchange. To optimise its revenue, the exchange has an incentive to attract stablecoin balances, so that they are available when intermediation opportunities arise. It thus enters an implicit or explicit revenue-sharing arrangement with stablecoin holders, paying them more when funding in stablecoins is more profitable. For instance, as the US dollar Tether (USDT) borrowing rate rose to 40–50% amid the crypto rallies of the first and fourth quarters of 2024, the USDT holding yield on Binance exceeded 20% (Graph 1.A).⁵ More generally, the arrangement surfaces as a strong co-movement between the interest rate for borrowing stablecoins from Binance and the stablecoin holding yield it pays out (Graphs 1.A and 1.B).⁶

Reserve-based remuneration model

Holdings of the US dollar Coin (USDC) earn a much more stable yield on Coinbase than they do on Binance (compare Graph 1.C with Graphs 1.A and 1.B). On Coinbase, the yield closely follows the monetary policy rate, which in turn is a proxy for the return on USDC’s reserve assets (ie Treasury bills, reverse repo instruments collateralised by Treasury bills, and bank deposits). This points to a different remuneration model, one based on stablecoin issuers’ income from reserve assets.

Coinbase and Circle (the issuer of USDC) jointly implement reserve-based remuneration of USDC holders. In this way, the exchange and the issuer seek to support the USDC’s broad adoption, which would make it easier to trade with this stablecoin, use it for payments or convert it to dollars. If successful, such a strategy would generate strong network effects, whereby the holdings of a stablecoin on one exchange begets use of the same stablecoin on other venues.

Graph 2.A illustrates the arrangement between the exchange and the stablecoin issuer, using data from the first half of 2025. The reserves backing USDC create two layers of income for Coinbase. The first is tied to the revenue generated from the reserves backing only those USDC that are held on Coinbase itself. Over the period in focus, this income stream accounted for roughly 20% of the total income generated by USDC reserve assets (dark red bar). The second layer of income for Coinbase originates in the reserves backing USDC held on *other* venues. Coinbase and Circle split the bulk of the return on these assets, each receiving about 40% (light red and light blue bars).

³ For example, Bitfinex, Gemini Earn and a range of “exchange earn” products implement activity-based models, while the remuneration on OKX, Kraken rewards on USDG and PayPal rewards on PYUSD are best described as reserve-based.

⁴ These two exchanges are economically relevant examples: reportedly, more than 15% of USDT was held on Binance, while around 25% of USDC was held by customers on Coinbase in the first quarter of 2026. They also illustrate that the boundary between the two remuneration models is fuzzy. Coinbase also engages in intermediation activities, such as crypto collateralised lending. Binance entered a revenue-sharing arrangement with Circle in November 2024. However, these additional activities and arrangements are currently secondary.

⁵ Such high yields may reflect compensation for counterparty risk, as customer stablecoins may be used for the exchange’s own activities – in contrast to traditional securities intermediaries, which fully segregate clients’ funds. Indeed, the collapse of centralised exchange FTX illustrates the attendant counterparty risks (Garcia Ocampo et al (2026)).

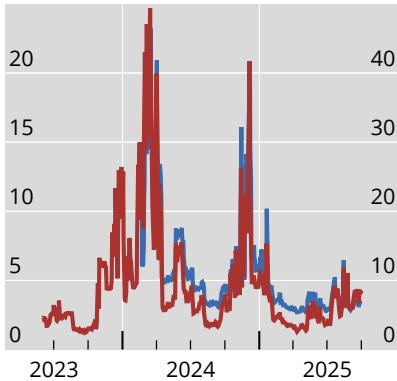
⁶ Gorton et al (2026) study the return holders can earn by directly lending stablecoins to leveraged traders. The stablecoin yields that we focus on may reflect similar crypto funding demand but are offered through exchange remuneration products.

Activity-based remuneration vs reserve-based remuneration

In per cent

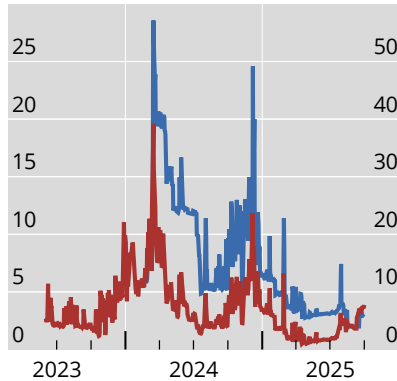
Graph 1

A. USDT yield on Binance moves in tandem with the borrowing rate...¹



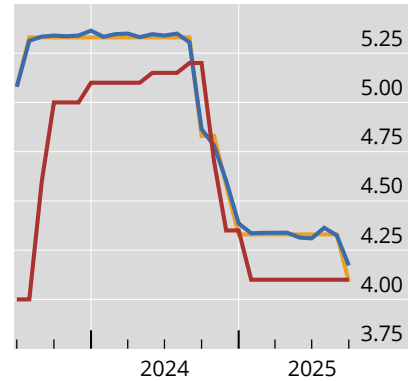
Binance:
 — USDT yield (lhs)
 — USDT borrowing rate (rhs)

B. ...as does USDC yield on Binance¹



Binance:
 — USDC yield (lhs)
 — USDC borrowing rate (rhs)

C. USDC yield on Coinbase closely tracks the reserve asset yield²



— Reserve asset yield
 — Federal funds rate
 Coinbase: — USDC yield

USDT = US dollar Tether; USDC = US dollar Coin

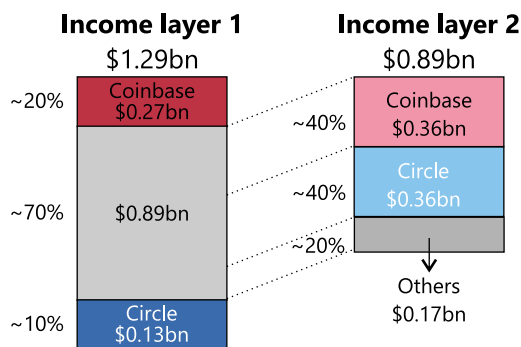
¹ Yields offered through the Binance Simple Earn programme, flexible maturity products only. ² The reserve asset yield is a weighted average of Treasury bill rates and the Broad General Collateral Rate. The Coinbase USDC yield refers to the USDC holding rate offered by Coinbase, scraped from Wayback Machine.

Sources: Federal Reserve Bank of New York; Federal Reserve Bank of St Louis, FRED; US Department of the Treasury; Binance; Circle; Coinbase; authors' calculations.

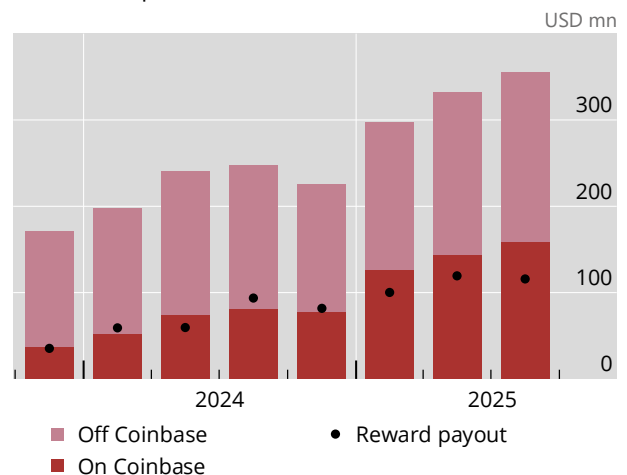
Exchanges have incentives to promote stablecoins¹

Graph 2

A. Revenue sharing: a stablecoin issuer and an exchange²



B. Coinbase profits from broad USDC use³



USDC = US dollar Coin

¹ See the online annex for more detail. ² First half of 2025. The revenue-sharing arrangement is based on the USDC Collaboration Agreement disclosed in Circle's Form S-1 Registration Statement. In layer 1 of the arrangement, Coinbase receives a custody-based share of USDC reserve income. In layer 2, the reserve income from USDC held elsewhere is split between Coinbase, Circle and other approved partners. ³ Bars plot Coinbase's USDC-related income, attributing it to stablecoins held on Coinbase and on other venues (off Coinbase). Reward payouts are to Coinbase users, estimated as customers' USDC held on the platform, excluding Coinbase's own corporate USDC holdings, multiplied by the USDC yield.

Sources: Circle; Coinbase; authors' calculations.

These two layers of income for Coinbase seem to perform complementary economic functions. The first one largely serves to fund the payouts for USDC holdings on Coinbase (Graph 2.B, dark red bars closely tracking the black dots). This is consistent with the narrow spread between the Coinbase-offered yield and the relevant policy rate (Graph 1.C), a defining feature of the reserve-based remuneration model. In turn, Coinbase has benefited from the rising USDC use on other venues, which forms the reserve base for the second income layer (light red bars).

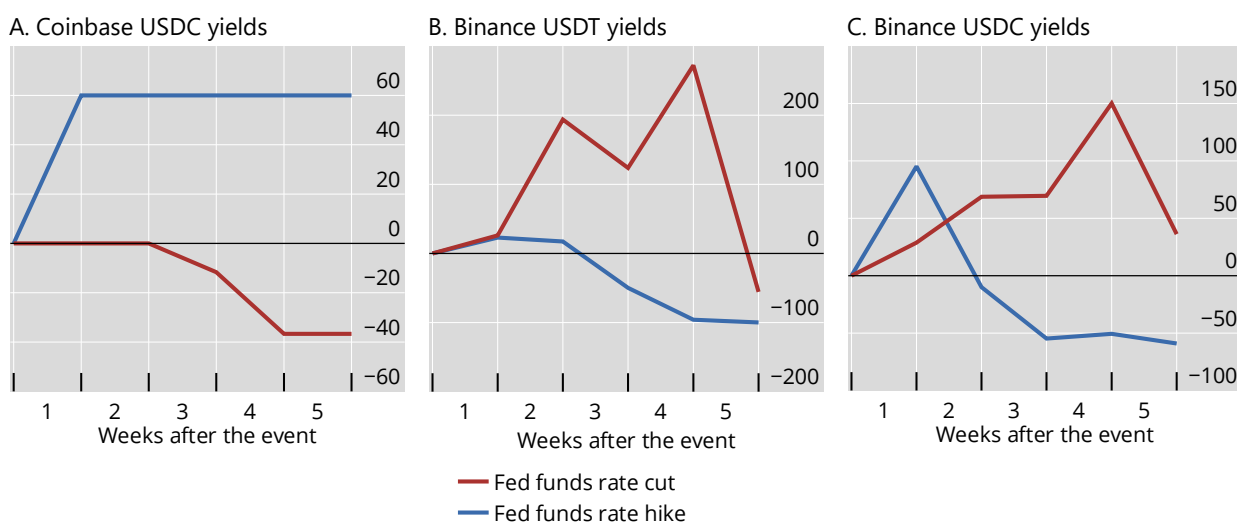
Drivers of stablecoin yields – differences between remuneration models

The two remuneration models imply different yield dynamics after a change in the policy rate.⁷ Under the reserve-based model, the link is direct: changes in the policy rate alter the general level of benchmark yields in the economy, thus altering the return on reserve assets and, ultimately, the yield paid to holders. Consistent with the message of Graph 1.C, the holding yield on Coinbase has always moved in the same direction as the policy rate, although with some delay after a rate cut (Graph 3.A).

How stablecoin yields respond to monetary policy changes¹

Average change, in basis points

Graph 3



USDT = US dollar Tether; USDC = US dollar Coin

¹ Over the sample period, from 18 June 2023 to 5 October 2025, there was one 25 basis point federal funds rate hike, one 50 basis point cut and three 25 basis point cuts.

Sources: Federal Reserve Bank of St Louis, FRED; Binance; Coinbase; authors' calculations.

Under the activity-based model, however, the holding yield reflects two channels, involving benchmark yields and the scale of stablecoin-related activities. The benchmark yield channel works as under the reserve-based model. A higher scale of stablecoin-related activities would in turn strengthen exchanges' willingness to raise the holding yield in order to attract funding in stablecoins. Importantly, the two channels may work in opposite directions. For instance, a policy rate hike raises benchmark yields, which should increase stablecoin holding yields, but it may also tighten broad financial conditions and reduce crypto market activity, thus putting downward pressure on holding yields. Consistent with the two effects offsetting each other, the USDT yield on Binance has tended to remain flat for two weeks after a policy rate hike (Graph 3.B, blue line). In turn, the systematic rise in both the USDT and USDC yields after

⁷ Barbon et al (2025) examine how US monetary policy affects stablecoin yields on decentralised finance lending platforms. Our focus is complementary: we study yields on stablecoins held on centralised exchanges.

a policy rate cut suggests that the activity channel dominates after a loosening in monetary policy (Graphs 3.B and 3.C, red line).

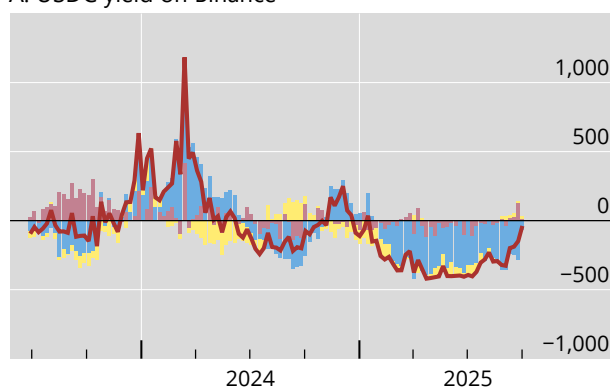
The messages of Graphs 3.B and 3.C call for a closer look at the relative importance of alternative drivers of the holding yield under Binance’s activity-based remuneration model. Concretely, drawing on three variables – the change in the Binance stablecoin holding yield, the change in the US two-year Treasury yield and the return on Bitcoin – we identify two latent risk factors. The first proxies the generic benchmark yield, strongly influenced by the monetary policy stance. The second relates to activity in crypto markets. Following the methodology in Adams et al (2024), we then decompose the cumulative changes in USDC and USDT yields on Binance into these two factors and a residual (Graph 4).

Stablecoin yield decomposition¹

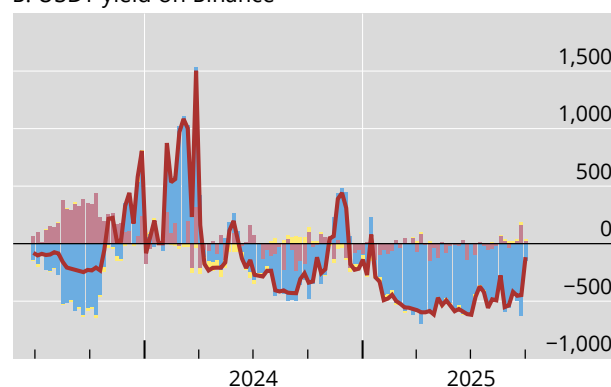
Cumulative changes, in basis points

Graph 4

A. USDC yield on Binance



B. USDT yield on Binance



■ Benchmark yield ■ Crypto activity

■ Other ■ Total Change

USDT = US dollar Tether; USDC = US dollar Coin

¹ Based on a sign-restricted structural vector autoregressive model, estimated separately for USDC and USDT using three variables: (i) the weekly change in the relevant stablecoin holding yield; (ii) the weekly change in the US two-year Treasury yield; and (iii) the weekly log return on Bitcoin. A monetary policy shock is identified as one that raises the two-year Treasury yield and the stablecoin yield while lowering the Bitcoin return. A crypto demand shock is identified as one that raises both the Bitcoin return and the stablecoin yield and may move the Treasury yield in any direction. “Other” stands for the estimation residual. See the online annex for more detail.

Sources: Gürkaynak et al (2007); Binance; CoinGecko; authors’ calculations.

The econometric findings suggest that crypto activity determines the direction of stablecoin holding yields on Binance, while benchmark yields often dampen the overall effect. Against the backdrop of generally stable or declining policy rates, the dominant role of crypto activity stands out particularly sharply during the crypto rallies in the first and fourth quarters of 2024. The rallies likely boosted the use of stablecoins in trading and (collateralised) borrowing (Graph 4, blue bars). A notable exception to the general pattern occurs during the 2023 monetary policy tightening. In that period, benchmark yields seem to be an important driver of the stablecoin holding yields on Binance (Graph 4.A, red bars). In sum, under the activity-based remuneration model, holding yields serve to secure enough stablecoin balances that support the exchange’s crypto market activity.

Macro-financial implications

If stablecoins become widely used in the future and demand for them closely follows the return to their holders, their underlying remuneration model could have macro-financial implications.

One implication relates to the risk exposures faced by stablecoin holders. Under the reserve-based model, demand for stablecoins could closely follow the monetary policy cycle, rising and declining as

policy rates raise or reduce benchmark yields. In comparison, the appeal of stablecoins remunerated according to the activity-based model would depend more directly on borrowing and trading demand as well as general market conditions. It would thus be important to analyse how the corresponding risk factors could generate boom-bust dynamics, with massive inflows into stablecoins followed by abrupt conversion back into fiat instruments as the remuneration risk factors evolve. If the resulting redemption pressures lead to runs, there could be adverse implications for the issuers of and markets for stablecoins' backing assets. And since these issuers – notably, sovereigns and banks – are at the centre of the financial system, the overall repercussions could be broad-based.⁸

In addition, the impact of stablecoin adoption on financial intermediaries could affect monetary policy transmission. If reserve-based remuneration leads to shifts between bank deposits and stablecoins (Ahmed and Aldasoro (2026)), it may influence the policy rate sensitivity of bank funding and, in turn, of bank lending conditions. And the effect of similar shifts involving Treasuries or government money market funds could influence core bond market dynamics (BIS (2026)). By contrast, activity-based remuneration may help exchanges alter the amount of funding for their stablecoin-related activities as general financial conditions evolve. In its own way, each remuneration model could thus determine how stablecoins influence monetary policy effectiveness.

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⁸ Capital and liquidity regulation of stablecoin issuers may help to mitigate such spillovers. See Goel et al (2026).