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Stablecoins in the Payments Ecosystem: Reflections on Responsible Innovation

Welcome address by Chiara Scotti*
Deputy Governor – Banca d'Italia

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Ladies and gentlemen, distinguished guests and colleagues,

Welcome to the XIV edition of the 'Economics of Payments Conference'.[1] It is a pleasure to host this prestigious gathering of policymakers, regulators, academics, and private sector professionals who are at the forefront of the evolution in payments. Banca d'Italia, in collaboration with the Committee on Payments and Market Infrastructures (CPMI), is pleased to welcome you for two days of rigorous dialogue, data-driven insights, and collaborative vision-setting. In a period marked by both profound uncertainty and unparalleled opportunities spurred by technological innovation, such dialogue is more essential than ever.

This year, we are especially delighted to welcome Professor Fernando Alvarez, from the University of Chicago, and Miguel Díaz, Head of Strategy at the BIS Innovation Hub, as keynote speakers. The program features 27 papers across 7 themed sessions, showcasing perspectives from central banks, international institutions, academia, and fintech.

Sessions span topics from the macroeconomics of digital currencies, payments, and payment choices to the granular realities of payment instrument adoption, cross-border payments and remittances, interoperability, and financial stability. Additional poster sessions will allow for deep dives into new data and methods for the study of retail payments and into the nuts and bolts of payment infrastructures.

With its rich menu, the conference offers not only food for thought but hopefully some viable considerations for guiding practice and policy. The variety of topics in fact confirms the vivacity of payments in the current environment, which makes an integrated view comprising technical, academic, and policy perspectives crucial to support innovation that is secure, efficient, inclusive, and resilient.

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1 Banca d'Italia - Conference on the Economics of Payments.

And it is hard to speak about payments innovation without mentioning the increased role played by the crypto-assets market and stablecoins. In the remainder of my remarks, I will thus focus on recent developments in the stablecoin market, an area that has attracted growing interest for its potential use cases but that continues to present relevant challenges.

On the one hand, that is, stablecoins are often presented as promising tools for lowering transaction costs, enhancing efficiency, and enabling 24/7 availability.[2] On the other hand, they carry inherent vulnerabilities such as run risk and interconnectedness, which could lead to financial stability concerns. Having discussed these risks in other venues,[3] today I would like to focus on two open issues: regulatory fragmentation and multi-issuance models.

Market snapshot and recent developments

Stablecoins are digital tokens recorded on distributed ledgers ('on-chain') that aim to maintain a stable value relative to a reference asset, including fiat currency such as the US dollar or euro. In the case of fiat currency, stability is achieved by ensuring – or attempting to ensure – convertibility at par value, on demand. Unlike unbacked crypto-assets, such as Bitcoin or Ether, stablecoins are designed to be redeemable and anchored to external value reserves which are often, but not always, held in (the form of) liquid and low-risk assets.[4]

As of last week, global crypto-asset capitalization exceeded 4 trillion US dollars. Stablecoins now represent nearly 300 billion dollars – about 7.5 per cent of the crypto market – marking a 75 per cent year-over-year growth.

The sector remains heavily concentrated.[5] Tether's USDT accounts for 56 per cent of the market; followed by Circle's USDC with 25 per cent.[6] Together, these two US dollar-pegged stablecoins dominate 80 per cent of the space. In total, stablecoins that aim to maintain parity with the USD make up 98 per cent of the global market.

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2 Currently, more than 100 fast payments systems – such as Target Instant Payments Systems (TIPS) – exist at international level, allowing the settlement of payment on a 24/7 basis. Many jurisdictions are exploring interlinking arrangements between their domestic FPS and those of other countries in order to increase the efficiency of cross-border payments. See Frost, J., Wilkens, P.K., Kosse, A., Shreeti, V. and Velasquez, C., 'Fast payments: design and adoption', BIS Quarterly Review, 2024.

3 For an in-depth analysis of this aspect, see: C. Scotti et al, 'The Financial Stability Implications of Digital Assets' (2022), C. Scotti 'Financial and Tax Regulation for the Digital Era: Charting the Path Forward' (2025); Banca d'Italia, 'The Governor's Concluding Remarks' (2025).

4 R. Ahmed and I. Aldasoro (2025), 'Stablecoins and safe asset prices', BIS Working Paper 1270.

5 S. Cecchetti and K. Schoenholtz (2025), 'Crypto, tokenization, and the future of payments', CEPR Policy Insight No 146.

6 According to the latest published report, as of 30 June 2025, USDT was backed by the following asset categories: approximately 80 per cent in cash, cash equivalents, and other short-term deposits – including U.S. Treasuries and repurchase agreements – 5.4 per cent in precious metals, 5.5 per cent in Bitcoin, 6.2 per cent in secured loans, and slightly less than 3 per cent in other investments. Corporate bonds were also present but represented less than 0.01 per cent of the total reserves. As for USDC, as of 31 July 2025, the token was primarily backed by US Treasuries and repurchase agreements, which accounted for around 86 per cent of the reserves. The remaining 14 per cent was held as cash at regulated financial institutions.

In stark contrast, euro-denominated stablecoins account for about 620 million dollars in market capitalization – about 0.2 per cent of the total. The largest are EURC (Circle) and EURS (Stasis), collectively holding 60 per cent of this subsegment.

At present, stablecoin demand is spurred by four main drivers.[7] First, stablecoins primarily serve as a transactional bridge for entering and exiting the crypto-asset ecosystem.[8] Their role is closely tied to enabling liquidity flows across trading platforms and decentralized finance (DeFi) protocols, where they function as readily transferable digital tokens.

Second, in emerging markets plagued by inflation, currency volatility, and high remittance costs, stablecoins may offer an alternative to more traditional solutions to store value and transfer funds, such as those operated by banks and money transfer operators (MTOs).[9]

Third, although retail adoption is still limited, many companies are testing stablecoin integrations for programmable B2B payments.[10] Some stablecoins issuers have partnered with major payment networks to embed stablecoin use in settlement layers.

Fourth driver is the potential for illicit activity – such as fraud, money laundering, and sanctions evasion – which can overlap with the other use cases and remains a significant concern. Stablecoins' ease of use, global accessibility, and the limited traceability of certain protocols make them particularly susceptible to misuse. Although accurately quantifying such activity remains challenging,[11] these features underscore the need for strong regulatory oversight and effective monitoring mechanisms as their adoption grows.[12]

A recent analysis has attempted to quantify the primary use of the existing stablecoins described above.[13] According to this research, crypto trading activities represent the most important use case (about 90 per cent of volume) while payments use cases (cross-border remittances, corporate treasury and P2P) represent a small fraction (roughly 6 per cent).

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7 Notably, although the structure of stablecoins resembles that of money market funds, their demand does not behave as though they were safe assets. See Aldasoro et al. (2025), 'Stablecoins, money market funds and monetary policy', Economics Letters, Volume 247, 112203.

8 The US Federal Reserve Board estimates that more than 80 per cent of trade volume on major centralized crypto exchanges involve stablecoins. See Christopher J. Waller, 'Reflections on a maturing stablecoin market', Board of Governors of the Federal Reserve System, February 12, 2025; 'Share of Trade Volume by Pair Denomination', The Block, September 10, 2025.

9 See Auer et al. (2025), 'DeFiying gravity? An empirical analysis of cross-border Bitcoin, Ether and stablecoin flows', BIS Working Paper n.1265.

10 A survey run by Artemis, involving a sample of 33 stablecoins-based payments companies and firms on different type of stablecoins payments (B2B, P2P, B2C, Card etc.), B2B payments are the most important, ($36 billion), followed by P2P ($18 billion run), card-linked payments ($13.2 billion), B2C ($3.3 billion), etc.

11 According to Chainalysis, stablecoins represent 63 per cent of all crypto transaction volume associated with illicit activity in 2024 – see Chainalysis' 2025 Crypto Crime Report.

12 Italy's Financial Intelligence Unit, 'Annual Report 2024'; Manna et al. (2025) 'Report on crypto-assets and the risk of money laundering' and Chainalyis, '2025 Crypto Crime Trends: Illicit Volumes Portend Record Year as On-Chain Crime Becomes Increasingly Diverse and Professionalized', 15 January 2025.

13 Boston Consulting Group, 'Stablecoins, five killer tests to gauge their potential', 2024.

Whether stablecoins truly offer a faster and more cost-effective alternative to traditional payment channels (e.g. banks and remittance services) remains an open question. In this regard, it is worth noting that while various types of crypto products are used as a means of payment, only stablecoins pegged to a single fiat currency are suitable for this function, also because they offer a high level of customer protection through the right to redemption at their nominal value.[14]

According to the World Bank, the average global cost to send a 200 USD remittance in 2024 stood at around 6.5 per cent, with significant regional variation depending on provider, corridor and regulatory framework.[15] Other sources[16] estimated that using stablecoins to send a 200 USD remittance from sub-Saharan Africa reduces costs by approximately 60 per cent compared to traditional methods.[17] And some market operators claim that stablecoins can enable low-cost settlement, with transaction fees often below 0.01 USD on certain Layer 2 networks.[18] However, these figures typically exclude critical components of the payment chain – such as 'last mile' delivery costs, on/off-ramp fees, and foreign exchange charges. As a result, the overall efficiency of stablecoins may be overstated, particularly when evaluated against the full end-to-end expense of cross-border payments.

Focusing on the largest stablecoins (Circle and Tether) a recent analysis run by the IMF[19] confirms that Tether's USDT is more popular in regions with the most emerging economies – Africa and the Middle East, Asia and the Pacific, and Latin America and the Caribbean – while Circle's USDC is more prevalent in regions with more advanced economies, i.e. Europe and North America.

As to the use of euro-denominated stablecoins, while data remains rather limited, early evidence suggests that they are primarily exchanged against dollar-denominated stablecoins. Internal analyses[20] also indicate that the euro-dollar exchange rate may influence the market capitalization of euro-denominated stablecoins: periods of euro depreciation tend to coincide with increased demand for euro stablecoins, possibly reflecting European investors' search for positive returns during dollar appreciation.

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14 See Regulation (EU) 2023/1114 (MiCAR), Titles IV, which set out requirements for stablecoins, including redemption at par value and consumer protection measures for e-money tokens pegged to a single fiat currency.

15 World Bank Remittance Prices Worldwide, March 2025.

16 Chainalysis (2024): The 2024 Geography of Crypto Report, October.

17 Although stablecoins may address the aforementioned frictions, they can pose risks, especially when denominated in a foreign currency and operating from a foreign jurisdiction. These risks include currency substitution and potential loss of seigniorage, as well as volatile capital flows. In addition, currency substitution could undermine the ability of authorities to control the monetary policy. For more information, see CPMI's 'Considerations for the use of stablecoin arrangements in cross-border payments', October 2023.

18 a16zcrypto, 'State of Crypto Report 2024'.

19 M. Reuter, 'Decrypting Crypto: How to Estimate International Stablecoin Flows', IMF Working Paper, June 2025.

20 Di Iorio et al (2025), 'The euro-stablecoin market and the impact of MiCAR', Banca d'Italia, mimeo.

Traditional institutions are responding to shifting dynamics in the stablecoin market and to the growing use cases just described. Several banks in the US and Europe have announced plans to issue their own stablecoins, often citing client demand for more efficient digital payment solutions. Recent strategic alliances – involving large international banks and crypto-exchanges – aim to bridge the gap between fiat and crypto ecosystems. Meanwhile, some BigTech platforms are developing embedded stablecoin solutions.

Challenges and risks

As the financial system continues to evolve, stablecoins and other innovative instruments deserve our close attention. These instruments may offer novel solutions to long-standing issues in payments and financial intermediation, particularly in the cross-border context. However, their growth also raises important questions about governance, stability, their potential misuse for illicit purposes, and the consistency of oversight across jurisdictions.[21] As we navigate this landscape, it is essential that we remain open to the opportunities presented by modern technologies, while carefully evaluating their potential impact on the broader financial system. Striking the right balance between enabling innovation and safeguarding key policy objectives – such as financial stability, monetary sovereignty, financial inclusion, consumer protection, and trust in money – remains a major challenge for public authorities.

Today I would like to highlight two vulnerabilities that, in my view, are particularly relevant, not only because of their potential systemic impact, but also because of the specific institutional and regulatory context in which we operate.

Regulatory fragmentation

At an international level, several jurisdictions have either adopted or are finalizing dedicated regulatory frameworks for crypto-assets.[22] While the institutional approaches may differ, they all share the same objective: to establish clear rules that enhance legal certainty, strengthen consumer protection, and safeguard market integrity. I will focus on a comparison between the European and American frameworks, sharing some preliminary thoughts with you.

Both the EU's Markets in Crypto-Assets Regulation (MiCAR) and the US Genius Act provide a regulatory regime for stablecoins, including licensing regimes, operational and compliance requirements, and restrictions on the composition of reserve assets for issuers. However, the two frameworks differ in important respects, particularly when it comes to scope, enforcement, and the degree of holders' protection.

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21 See, for example, Ma, Y. et al. (2025), 'Stablecoin Runs and the Centralization of Arbitrage', NBER Working Paper Series n. 33882; Lyons, R.K. and G. Viswanath-Natraj (2023), 'What keeps stablecoins stable?', Journal of International Money and Finance, Volume 131, 102777; Aldasoro, et al. (2025), 'Stablecoin growth – policy challenges and approaches', BIS Bulletin n. 108.

22 See Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto assets, article 2.4 (Scope), and Working Group on Digital Assets (2025) 'Strengthening American Leadership in Digital Financial Technology'.

In terms of scope, the US framework is narrower, focusing specifically on payment stablecoins. By contrast, MiCAR applies to a much broader category of crypto-assets that are not already covered by existing financial regulation. In terms of enforcement, MiCAR introduces a robust supervisory framework for crypto-asset service providers (CASPs), requiring authorization from national competent authorities and imposing detailed obligations regarding governance, capital, the segregation of client assets, and the conduct of business. The Genius Act takes a lighter-touch approach and currently leaves many service providers outside its scope.[23] Regarding crisis management, MiCAR requires stablecoin issuers to draw and maintain recovery and resolution plans, whereas the Genius Act provides only limited tools.

Another difference concerns redemption fees. MiCAR requires that stablecoin issuers guarantee the redemption of single-currency stablecoins at par without imposing fees, while the US rules allow for users to be charged for payment stablecoins.[24]

In addition, unlike the Genius Act, MiCAR addresses issues of market abuse directly. In this sense, the European framework adopts a broader approach to investor protection and market integrity.

Other jurisdictions are moving in different directions. For instance, in the United Kingdom, draft legislation published by the UK Treasury[25] proposes that only stablecoins issued from within the UK should be subject to regulatory oversight – those issued abroad could still be traded on UK exchanges. Meanwhile, Japan, Singapore, and Hong Kong have developed their own models. These divergences raise concerns about regulatory fragmentation and the potential for arbitrage, which could undermine supervisory coherence.

This brings me to the second issue I would like to discuss today.

Multi-issuance stablecoins

Multi-issuance stablecoins (MISC) are tokens issued under a single brand by multiple entities operating in different jurisdictions. Those tokens are fully fungible, regardless of the issuer.[26] Under this scheme, EU stablecoin issuers could receive redemption requests from third-country token holders. If sufficient reserves are unavailable in the EU to meet these requests, the third-country entity is expected to transfer assets.

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23 In the United States, Congress is working on the so-called Clarity Act, which will introduce definitions and compliance requirements for the rest of the digital asset ecosystem.

24 Neither the Genius Act nor MiCAR allows for interest payments to stablecoin token holders. In Europe, this provision also applies to CASPs. Without an explicit prohibition on exchanges acting as a distribution channel for stablecoin issuers or business affiliates, this requirement can easily be circumvented or undermined. On this point, see Banking Policy Institute (2025), 'Closing the Payment of Interest Loophole for Stablecoins'.

25 New crypto-asset rules to drive growth and protect consumers - GOV.UK

26 See General Secretariat of the Council of the European Union (2025), 'Non-paper on EU and third country stablecoin multi-issuance'.

Although this architecture could enhance global liquidity and scalability, it poses significant legal, operational, liquidity and financial stability risks at EU level, particularly if at least one issuer is located outside the European Union. In these cases, liquidity risk is heightened, as each co-issuer could be held liable for the entire outstanding token volume, even though they only hold a small fraction of the corresponding reserve assets, simply because holders, whether resident or non-resident, view all tokens as interchangeable. This can lead to a mismatch between obligations and available reserves, especially if redemptions are concentrated in the EU while reserves are held abroad or on the balance sheets of other issuers.

Further complications arise from inter-issuer agreements, such as reserve rebalancing mechanisms, which may shift liabilities across jurisdictions in an uncoordinated manner. In a crisis, these flows could be triggered rapidly, leaving authorities with limited oversight and delayed reaction capacity. This structure challenges not only the prudential resilience of the individual issuers, but also the integrity of the broader regulatory framework.

This structural fragility is exacerbated by legal and operational risks. When an EU-based issuer holds reserves in a foreign currency (i.e. US dollars), those assets are usually located in the country where they were issued, often outside the EU. This means the reserves may be subject to foreign capital controls, regulatory restrictions, or settlement delays, particularly in times of market stress. Without strong safeguards – such as regulatory equivalence, the mutual enforceability of redemption rights, and the free transfer of reserve assets across borders – these arrangements become more vulnerable, opening the door to fragmented investor treatment, moral hazard, and broader systemic vulnerabilities.

In addition, in a multi-issuance model, third-country issuers are not necessarily subject to the same consumer protection, transparency, and disclosure requirements as those set out in MiCAR. This asymmetry may leave European token holders with lower levels of protection.[27]

To mitigate these risks and avoid regulatory blind spots, issuance should be limited to jurisdictions that uphold equivalent regulatory standards, ensure redemption at par, and enforce cross-jurisdiction crisis protocols. The robustness of a multi-issuer framework hinges on strong cross-border cooperation among supervisory authorities, including mechanisms to consistently monitor and verify the adequacy of reserves in terms of size, quality, and location.[28]

Without such coordination, there is a real risk of regulatory arbitrage, whereby activity gravitates towards the jurisdiction with the least stringent regulations, thereby undermining financial stability and investor confidence. For this reason, clarity at the

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27 Odinet, C. and A. Tosato (forthcoming, 2026), 'Regulating Stablecoins: Comparing MiCAR and the GENIUS Act', Notre Dame Law Review Reflection.

28 A further element confirming this need is the fact that stablecoin holders could be prompted to massively demand the return of their value as a result of turbulence concerning issuances linked to less stringent jurisdictions. This could lead to systemic effects capable of undermining the payment system and financial stability.

legislative or standard-setting level would be both timely and valuable – helping to establish a common playing field, to prevent free-riding, and to promote a more coherent and resilient global approach to stablecoin oversight.

In search of a path: policy reflections

Amidst growing risks and challenges, innovation is reshaping the financial ecosystem. Stablecoins, other crypto-assets, tokenized deposits, central bank digital currencies, and additional novel instruments are being explored as potential solutions to reduce frictions in the payments landscape.

For this transformation to be meaningful and sustainable, these new forms of money and services must address users' needs, without compromising financial stability, market integrity, and inclusion. But the pace of change, the complexity of emerging use cases, and uneven regulation across jurisdictions require a consistent and forward-looking policy response.

Let me share a few reflections on how we might navigate these uncharted waters.

First, international cooperation remains vital because digital technologies transcend borders. Guidelines and recommendations by international standards bodies and the G20's roadmap on cross-border payments provide a solid foundation on which to develop an effective regulatory framework. But fast-moving progress demands continuous dialogue, adaptable frameworks, and shared accountability.

Second, innovation must be fostered responsibly, establishing clear rules and standards that balance openness to new technologies while safeguarding financial stability, consumer protection, and sound market functioning.

Third, data are critical. To identify risks early and to tailor effective responses, we need common metrics and close collaboration with the scientific community and the private sector in order to develop better tools and models.

Returning to the topic of stablecoins, we need specific safeguards for multi-issuance stablecoins, which pose complex cross-border challenges. These arrangements require a high degree of trust and transparency between jurisdictions. Key safeguards should include regulatory equivalence, mutual enforceability of redemption rights, and the absence of legal or operational barriers to asset transfer, especially during crisis periods.[29] One of the key lessons (learnt) from the global financial crisis is that ring-fencing cannot substitute coordination. In a globally interconnected system, divergence only amplifies risks.

Supervisory frameworks also need to evolve. Activities such as staking, yield farming, and crypto-lending often replicate traditional banking functions but without equivalent

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29 Arnal J. (2025), 'Multi-issuance stablecoins and MiCA's first real credibility test'.

oversight. The principle of 'same activity, same risk, same regulation' must guide our approach.

Finally, competition must be preserved. While stablecoins may comply with financial regulations, their integration into global digital platforms could create potential market imbalances. Ensuring a level playing field is critical for protecting consumer choice and maintaining trust. In this regard, the European Commission's 2024 review of the definition of relevant markets for antitrust purposes is a timely and welcome step.

Through all of this, the role of central banks remains clear: to provide certainty in uncertain times. We must enable innovation while preserving trust, encourage competition while ensuring cohesion, and support progress without compromising prudence.

The path ahead may be complex but it is also full of potential. It is a path that we must navigate together – with clarity, coordination, and commitment.

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