Digital Assets

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Global Research 6 October 2025

Stablecoins - Implications for EM

- . Stablecoins raise the risk of diversification away from banks, especially in EM
- We identify nine factors across 48 countries to help define where the greatest vulnerabilities lie
- We see the potential for USD 1tn to leave EM banks over the medium term
- EM authorities seek to improve their regulatory and macro frameworks to lower risks from stablecoins

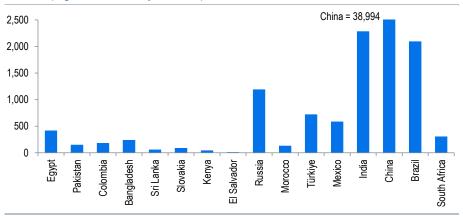
Will the stablecoin summer create unexpected winters?

We expect increasing stablecoin adoption globally to accelerate a trend that is already in place: payment networks and other core banking activities gradually shifting to the nonbank sector. Stablecoins - digital assets typically pegged to a fiat currency like the USD - also introduce the risk of diversification away from banks. Particularly in EM, stablecoin usage gives consumers and corporates a new channel of access to what is effectively a USD-based bank account. Stablecoin ownership has been more prevalent in EM than DM, suggesting that such diversification is also more likely in EM. While the recently passed US GENIUS Act aims to mitigate deposit flight by prohibiting US-compliant stablecoin issuers from paying direct yields, stablecoins are still likely to be adopted even in the absence of yield – as return of capital matters more than return on capital.

We use nine metrics to gauge the risk of outflows from traditional banks to stablecoins across 48 jurisdictions globally; we place economies into three buckets based on their level of vulnerability to such outflows (Figures 1 and 4). Among the 16 economies that screen as more vulnerable, some have experienced balance-of-payments crises in the recent past or are under IMF stabilisation programmes. Given weakness on several metrics, we see a relatively high risk that deposits in Egypt, Pakistan, Bangladesh and Sri Lanka will flow into stablecoins as local depositors seek an external store of value. Other countries in this group include Türkiye, India, China, Brazil, South Africa and Kenya. Many of them (with the key exception of China) face twin deficits, which may indicate vulnerability.

We see the potential for USD 1tn to leave EM banks and move into stablecoins in the next three years or so. While this is a large number in absolute terms, it represents just 2% of aggregate deposits in our 'high-vulnerability' countries.

Figure 1: More vulnerable countries and their current deposit bases USD bn (higher vulnerability from left)



Source: IMF, World Bank, Standard Chartered Research

Geoff Kendrick +44 20 7885 6175

Geoffrey.Kendrick@sc.com Global Head of Digital Assets Research Standard Chartered Bank

Madhur Jha +44 20 7885 1143 Madhur.Jha@sc.com Global Economist & Head, Thematic

Standard Chartered Bank

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We define an opportunity-risk continuum for EM countries

Opportunities and risks

The passage of the GENIUS Act in July created a US regulatory framework for stablecoins, paving the way for a surge in adoption globally. We expect stablecoin market cap to reach USD 2tn by end-2028 (see *Stablecoins – USD hegemony and UST bills*); the US Treasury has adopted this forecast since we published it in April 2025. We think the stablecoin boom may have unexpected consequences, which have received little or no attention. We explore these consequences – particularly for EM, where we see both opportunities and threats – in this report. We have established metrics to define where each economy sits on the opportunity-threat continuum today, before the expected surge in stablecoin adoption. How well and how quickly local authorities adapt to this new technology will determine where on the continuum each economy ends up after the surge.

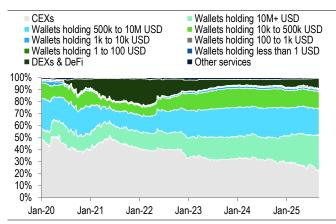
Stablecoins - Accelerating changes in TradFi

By accelerating changes in TradFi, stablecoins may give rise to unexpected consequences Regulatory changes following the global financial crisis (GFC) of 2008 were designed to shore up bank balance sheets and introduce new oversight guidelines. Banks responded to these changes by retreating from risky lending and arbitrage businesses, leaving room for asset managers and non-bank fintech startups to step into this space. The solutions offered by these new entrants cut costs, increased access for non-traditional bank users, and accelerated transactions. But at the same time, liquidity, credit and payments – the core of banking – started shifting to asset managers, tech platforms and decentralised networks, many of which operated outside the regulatory environment.

Stablecoins are the culmination of this shift away from traditional banking. Originally built as on- and off-ramps to centralised exchanges for digital assets, they have now morphed into savings and transaction vehicles themselves. The share of total stablecoins that are on centralised exchanges (digital asset platforms run by a central company or authority) has fallen to 23% today from 50% at the start of 2020 (Figure 2).

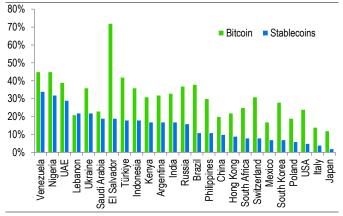
The regulatory changes that shored up banks' balance sheets after the GFC have since led to broader changes in payment networks. These payment changes have given rise to demand for stablecoins, which have now started to pose new threats to banking even in developed markets. We see stablecoins having two main potential negative impacts on banking as a whole:

Figure 2: Stock of stablecoins by wallet size %



Source: Tether analysis based on Chainalysis and Artemis data, Standard Chartered Research

Figure 3: Plenty of room for stablecoin adoption
% of survey respondents who have ever owned Bitcoin and
stablecoins



Source: Cornell Bitcoin Club, Standard Chartered Research



- Bank deposits are likely to decline gradually over time, despite the GENIUS Act requiring zero yield on stablecoins (in order to protect bank deposits). As the Fed enters a rate-cutting cycle, the foregone yield on stablecoins will decrease at the same time that their benefits (24/7 trading, instantaneous settlement, lower costs) come to fruition.
- 2. Correspondent banking, payments and FX revenue are likely to decline.

These risks could be partly offset as banks start banking the stablecoin issuers and integrating stablecoins into their own processes. Stablecoins have the potential to increase banks' efficiencies in capital usage, settlements, custody, record-keeping, loan origination, interbank payments, trade finance and treasury management.

For banks in EM, a key risk is that stablecoin usage gives local consumers and corporates new access to an effective USD-based bank account. Furthermore, stablecoins are 100% backed by USD, as mandated by the GENIUS Act, representing a lower credit risk than holding USD in EM banks. This makes deposit flight a greater risk in EM than in DM, in our view. Ownership of stablecoins has been more prevalent in EM than DM so far; while the current percentage of people who have ever owned stablecoins is already meaningful in EM, it still has scope for significant growth (Figure 3).

Existing demand for stablecoins is greatest in EM

Stablecoin demand could cause USD 1tn to exit EM banks by the end of 2028 Of the USD 280bn of current stablecoin supply globally, we estimate that about two-thirds is savings held by individuals in emerging markets, in stablecoin accounts that are equivalent to a USD-denominated bank account (these currently consist mostly of the large wallets shown in Figure 2). This represents two broader developments: (1) the democratisation of access to the USD and (2) access to financial infrastructure in emerging markets where large portions of the population have previously been unbanked. We expect this savings use case to continue to grow, maintaining its current two-thirds share of total stablecoin use through end-2028.

Indeed, future growth in stablecoin use for savings is likely to expand from a small number of wallets with large balances currently to a large number of wallets with small holdings. At scale, small holdings will be significant; this growth is likely to occur mostly in EM, where demand for a liquid, 24/7, trustworthy alternative to local banks is greater.

Based on these trends, we project that stablecoins used for savings in EM will increase from around USD 173bn today to USD 1.22tn by end-2028. This would mean more than USD 1tn exiting EM banks in a period of just over three years. While this is a large number in absolute terms, it represents just 2% of bank deposits in the countries in our 'high-risk' category (shown in Figure 1).

Our opportunity-risk continuum

We use a series of metrics to define country-level risk from stablecoin adoption We use several metrics to establish where a country sits on the opportunity-risk continuum (shown in Figure 4):

1. Inward remittances (% of GDP). Inward remittances can bypass the local banking system, and recipients may choose to save this cash in stablecoin wallets – which lower costs, are instantaneous, and provide a store of value independent of the local currency or banking system. Countries with higher inward remittances are more likely to already have stablecoin infrastructure set up, facilitating the use of stablecoins to store cash, conduct local transactions or transfer funds across



borders. Over the longer term, higher inward remittances (as stablecoins make remittances more efficient) may be positive for the domestic economy by boosting GDP. However, this process is likely to be gradual, and official data may not effectively capture it. The IMFs BPM7 (Balance of Payments and International Investment Position Manual), released in March 2025, attempted to classify digital asset flows for the first time. While we applaud this, we suspect that accurate data collection on cross-border digital asset flows may take time.

- 2. **Inflation.** Higher local inflation rates are likely to drive increased demand for access to USD (for capital protection), which stablecoins facilitate.
- 3. **Current account and fiscal balances.** Large deficits increase the risk of a currency crisis if capital moves from local banks into stablecoins.
- 4. FX reserves. We use the ratio of broad money to FX reserves to gauge an economy's FX adequacy and vulnerability to a currency crisis. If money supply is large compared to FX reserves, this could make the economy vulnerable to deposit flight and a move into stablecoins.
- 5. Technological connectivity. We use broadband and mobile phone subscriptions for this metric. The more tech-savvy the local population is, the more likely they are to seek instruments like stablecoins and find ways (such as using VPNs) to circumvent local restrictions on stablecoin usage.
- 6. **Political and legal framework.** We use two of the World Bank's Worldwide Governance Indicators for these metrics: (1) political stability and absence of violence/terrorism, and (2) rule of law. Political instability and a lack of rule of law are both more likely to drive deposit flight and demand for alternative stores of value. (The colour categories shown for these metrics in Figure 4 are based solely on the World Bank indicators.)

Using these metrics, we group economies into three buckets (low, medium and high vulnerability), reflecting their relative risk of flows from traditional banks into stablecoins. To arrive at the overall ranking for each economy, we rank each factor, take a simple unweighted average of its rankings on each metric, and rank the averages.

We acknowledge that our metrics are not perfect. Given the high-level nature of the indicators we use, they may mask nuances that could lower the risk level. For example, an economy that has a large current account deficit due to investment in infrastructure and productivity enhancement is likely to be less at risk. The openness of an economy's capital account is also a key consideration, but it is difficult to quantify. Countries where depositors are already able to diversify into foreign-currency deposits might be less vulnerable.

Our metrics do provide a broad gauge of past and future flows into stablecoins. Some of the economies in the 'red' category in Figure 4 (denoting higher vulnerability) have experienced BoP crises in the recent past and/or are under IMF stabilisation programmes. Given weakness on several of our metrics, Egypt, Pakistan, Bangladesh and Sri Lanka screen as relatively vulnerable to a shift in deposits to external stores of value.

Other countries in this category include Türkiye, India, China, Brazil, South Africa and Kenya. Many of them (with the key exception of China) have twin deficits that leave them relatively vulnerable to global risk aversion and sudden sharp currency depreciation. Morocco and India also have high inward remittances, which has already made them among the fastest-growing markets for stablecoin adoption.



At the other end of the spectrum, economies like Oman, Singapore, Canada, the UAE and Japan are much more resilient to the risk of significant deposit outflows to stablecoins given their strong macro fundamentals, broad political stability, and credible rule of law.

Local authorities' reaction

Local authorities can get ahead of these risks

The above analysis aims to provide a static view of risks. It assumes no response from local authorities. In the real world, however, a number of countries are already taking steps to get ahead of this technology-driven risk.

- 1. Almost all emerging markets are exploring the viability of a central bank digital currency (CBDC) to improve financial inclusion, reduce the use of cash and enhance regulatory oversight. Nigeria has fully launched a CBDC. However, it remains to be seen whether CBDCs, private stablecoins, or a combination of the two would be more effective at creating a bridge from old payment platforms to new ones while avoiding the risk of rapid deposit flight.
- 2. Governments or central banks are sponsoring fintech innovation and promotion of digital literacy. Government-sponsored digital initiatives such as India's Unified Payments Interface have enabled much faster and more efficient payments. In Sub-Saharan Africa, the share of the population holding an e-money account jumped to 40% in 2024 from 27% in 2021 (World Bank). This rise in mobile money banking is significantly increasing financial inclusion and lowering the number of unbanked people.
- 3. Policy makers in many emerging markets are also allowing payment infrastructure to be upgraded to 'fast payment systems' such as Mexico's Sistema de Pagos Electrónicos Interbancarios (SPEI) or India's Immediate Payment Service (IMPS), that allow almost instantaneous retail and wholesale payments on a 24/7 basis.
- 4. Many EM commercial banks are trying to front-run the coming changes by integrating stablecoins into their own services. At the same time, banks are increasingly teaming up with new fintechs to provide more diverse services to customers, including faster payments and loan services. Fintechs in these economies are better able to access payment infrastructure on either side of a cross-border transaction, allowing them to work with banks to provide more efficient cross-border services.

Structural macroeconomic changes should also help to mitigate the risks posed by stablecoins. Since the GFC, many emerging markets have taken steps to strengthen their macro resilience. Despite multiple subsequent shocks to the global economy (especially the COVID pandemic), many emerging markets were cautious on using fiscal stimulus to support their domestic recoveries. Relative to DM countries, these economies saw much smaller rises in debt-to-GDP ratios and inflationary pressures.

At the same time, many economies have adopted more credible monetary frameworks that are helping to anchor medium-term inflation expectations. For example, Brazil, Thailand, Türkiye and Peru have introduced or enhanced laws to strengthen central bank independence. Many EM economies – including Brazil, India, Indonesia and Mexico – have moved towards inflation targeting over the past 20 years. In addition, most central banks have improved the transparency of their communication and forward guidance to reduce market volatility and anchor long-term expectations. These structural improvements should mitigate risks to EM economies from the stablecoin boom.



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Figure 4: Opportunity-risk continuum

Ranked by category (unweighted); green = low vulnerability, amber = medium, red = high

Rank	Market	Inflation average, % (2022-24)	Broad money supply to FX reserves ratio	Remittances received, % of GDP	Current account balance, % of GDP	Budget balance, % of GDP	Fixed broadband subscriptions (per 100 people)	Mobile phone subscriptions (per 100 people)	World Bank political stability (percentile rank)	World Bank rule of law (score out of 1)
1	Oman	•		•	•	•	•	•	•	
2	Singapore	•			•	•	•	•	•	•
3	Canada			•	•	•	•	•	•	•
4	UAE	•	•		•	•	•	•	•	•
5	Switzerland			<u> </u>	•	•	•	•	•	
6	Japan	•	•	•	•	•	•	•	•	•
7	Czech Rep.	<u> </u>	•	•	•	•	•	•	•	•
8	Australia	•	•	•	•	•	•	•	•	•
9	Hong Kong	•		•	•	•	•	•	•	•
10	Spain	•		•	•	•	•	•	•	•
11	Germany	<u> </u>		•	•	•	•	•	•	•
12	Portugal	•		•	•	•	•	•	•	•
13	Korea	•	•	•	•	•	•	•	•	•
14	Ecuador	•	•	•	•	•	•	•	•	•
15	Malaysia	•	•	<u> </u>	•	•	•	•	•	•
16	Indonesia	•	•	•	•	•	•	•	•	•
17	Thailand	•	•	•	•	•	<u> </u>	•	•	•
18	Peru	•	•	•	•	•	•	•	•	•
19	Vietnam	•	•	•	•	•	•	•	•	•
20	Hungary	•	•	•	•	•	•	•	•	•
21	Italy	•		0	•	•	•	•	•	•
22	Chile	•	•	•	•	•	•	•	•	•
23	Saudi Arabia	•		•	•	•	•	•	•	
24	New Zealand	•	•	•	•	•	•	•	•	•
25	Jordan	•	•	•	•	•	•	•	•	•
26	Argentina	•	•	•	•	•	•	•	•	•
27	Nigeria	•	•	•	•	•	•	•	•	•
28	Poland		•	•	•		•	•	•	•
29	Ghana	•	•	•	•	•	•	•	•	•
30	France	•		•	•	•	•	•	•	•
31	US	•	•	•	•	•	•	•	•	•
32	UK			•		•	•	•	•	•
33	South Africa	•	•	•	•		•	•		•
34	Brazil	•	•	•	•	•	•	•	•	•
35	China	•	•	•	•		•	•	•	•
36	India	•		•	•		•	•		•
37	Mexico	•	•	•	•	•	•	•	•	
38	Türkiye		•	•	•	•	•	•		
39	Morocco	•	•	•		•	•	•	•	•
40	Russia			•	•	•	•	•	•	•
41	El Salvador	•	•	•	•	•	•	•	•	
42	Kenya	•	•		•	•	•	•	•	•
43	Slovakia	•		•			•	•	•	•
44	Sri Lanka			•	•	•	•	•	•	•
45	Bangladesh		•	•	•	•	•	•	•	
46	Colombia		•	•		•	•			•
47	Pakistan		•	•	•	•	•	•	•	•
48	Egypt	•	•	•	•	•	•	•	•	•

Source: World Bank, IMF, CEIC, national sources, Standard Chartered Research



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Document approved by

Eric Robertsen
Global Head of Research | Chief Strategist

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