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THE IMPACT OF STABLECOINS ON GLOBAL FINANCE

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Abstract: *Stablecoins represent a rapidly growing segment of the cryptocurrency market, aiming to overcome the high volatility of cryptocurrencies. Their primary goal is maintaining a stable value, usually pegged to fiat currencies (e.g., the US dollar), which facilitates their use in international payments, as assets within decentralized finance (DeFi), and as protection against inflation. This article explores blockchain technology, the development of stablecoins, methods of ensuring stability, and the reasons for their popularity among users. Special emphasis is placed on regulation at both the EU and US levels, evaluating the compliance of the most widely used stablecoins within legal frameworks. This research investigates advantages and risks, including their use in criminal activities, legal ambiguities, and potential instability. Quantitative and qualitative methods were utilized, including analysis of market capitalization, stability assurance mechanisms, and regulatory policies. Findings reveal that investors trust stablecoins backed by fiat currency reserves (particularly USD) the most, with Tether (USDT) holding the largest market share, despite its lack of full legislative compliance. The article highlights the key challenges and opportunities stablecoins present to individuals and financial markets.*

Keywords: *cryptocurrency, decentralised finance, stablecoin*

INTRODUCTION

In 2024, significant events occurred in the cryptocurrency market, including the emergence of financial products that mark the entry of cryptocurrencies into the traditional financial world. Among these, it is important to highlight the option of trading Exchange-Traded Funds (ETFs), which enable the indirect purchase of cryptocurrencies on traditional securities exchanges. (Lapuh Bele, 2025). In this article, we focus on stablecoins, which also serve as a bridge between traditional and decentralized finance. Decentralized Finance (DeFi) refers to financial systems built on blockchain technology that facilitate transactions without intermediaries such as banks or traditional financial institutions. These systems leverage smart contracts and decentralized protocols to enable secure, transparent, and autonomous financial interactions, reducing reliance on centralized entities while enhancing accessibility and efficiency within the financial ecosystem.

Stablecoins are cryptocurrencies that maintain their value by being tied to a specific reference asset or value, such as the fiat currency USD. A key characteristic of cryptocurrencies is their volatility—their prices can fluctuate significantly, which enables investors to gain large

profits or suffer major losses. As a result, cryptocurrencies have been popular among speculative investors. These are individuals or institutions willing to take on high levels of risk, aiming for significant returns due to short-term price movements. For cautious investors, cryptocurrencies were not appealing for a long time. They were primarily purchased by technology enthusiasts and speculative traders.

As shown by cryptocurrency market capitalization data, the crypto market has expanded considerably over the past five years (Figure 1). Many new technological solutions and their associated offerings have attracted researchers, the interested public, and investors. We decided to study stablecoins because they represent a fascinating phenomenon whose growing popularity gives rise to numerous research questions.

This article presents stablecoins and the technologies associated with them, legal considerations, and their usefulness in various contexts, including criminal activity. We formulated research questions and sought answers to them.

CRYPTO-ASSETS

The theoretical framework introduces blockchain technology and its practical relevance, placing a specific focus on stablecoins. It outlines the core concept of stablecoins, examines their regulatory treatment across major global economies, and investigates their links to illicit activities and the criminal underworld.

Blockchain Technologies

Blockchain technology and the first associated cryptocurrency, Bitcoin (BTC), were introduced by an anonymous individual using the pseudonym Satoshi Nakamoto. He envisioned a digital means of payment and a secure technology that functions transparently and reliably without the need for central institutions such as banks. Payments are made directly between users (Nakamoto, 2008).

Blockchain technology represents a significant advancement in secure data storage and transfer. It establishes a decentralized digital ledger where data is organized into sequential blocks. This system is maintained by a distributed network of computers, called nodes, which collectively verify and preserve data integrity. Since data is distributed across the network and the transaction ledger can be stored by any user, this architecture reduces the risk of cyberattacks and errors.

Before a new block is added to the chain, the network must reach consensus, typically ensured by verification algorithms. Every transaction is publicly accessible and immutable, enabling high transparency and reliable traceability (Nakamoto, 2008).

The Utility of Blockchain Technology

The original purpose of blockchain technology was to create a digital medium of exchange. However, neither Bitcoin nor any other cryptocurrency has succeeded in replacing traditional state-backed currencies, commonly referred to as fiat currencies (Lapuh Bele, 2025), despite the fact that numerous countries are in the process of developing their own official digital currencies. Nakamoto (2008) did not foresee that Bitcoin would evolve into a vehicle

for speculative investment. Due to its high volatility and substantial transaction fees, Bitcoin has become impractical as a means of payment for small transactions.

Although Bitcoin continues to hold a dominant share of the cryptocurrency market, other significant digital assets have emerged. As illustrated in Figure 1, Bitcoin accounts for the largest proportion of total market capitalization (approximately 51% when converted to USD), followed by Ethereum (12%), stablecoins (10%), while the remaining 27% consists of other crypto-assets.

Research indicates that individuals invest in cryptocurrencies for a variety of reasons, with profit-seeking being the most prominent motivation (Mitra, 2022). This profit-driven incentive, however, does not typically apply to investors in stablecoins.

Figure 1

Source: Charts (CoinMarketCap, 2025d)

Ethereum, which ranks second to Bitcoin in terms of market capitalization, was not designed as a means of payment. Rather, it serves as a decentralized platform for the deployment of smart contracts—self-executing agreements in which the terms are directly written into code and automatically enforced once predefined conditions are met. The native cryptocurrency of this platform is Ether, which functions as both a medium of exchange and a fuel for computational operations within the Ethereum network.

The versatility of blockchain-based technological solutions extends far beyond financial transactions. Blockchain enables innovative applications in logistics, supply chain management, decentralized finance (DeFi), digital rights protection, legal processes, and other domains where transparency, reliability, security, immutability, and automatic enforceability of transactions are paramount (Lapuh Bele & Turk, 2024).

A particularly noteworthy application of smart contracts is the emergence of stablecoins. Their increasing adoption and integration into financial systems have elevated their

presence in economic statistics and motivated further scholarly investigation. This growing relevance inspired us to conduct an in-depth exploration of stablecoins as a distinct phenomenon within the crypto ecosystem.

While the term cryptocurrency has become widely used, it is increasingly seen as restrictive and insufficient in capturing the diversity of digital assets being developed. Each new blockchain network inherently gives rise to its own native digital coin. In addition to these coins, tokens can also be created—typically on existing blockchains like Ethereum—through the deployment of smart contracts. For instance, a project that issues a smart contract on Ethereum will have its own token, even though it does not create a new blockchain.

To more accurately describe this complex landscape, the term crypto-asset has emerged as the most inclusive and appropriate designation. This terminology has also been formally adopted by the European Union in its Regulation on Markets in Crypto-Assets (MiCA) (EU, 2023). The regulation establishes a comprehensive legal framework for crypto-asset markets and is binding across all EU member states, marking a significant step toward regulatory harmonization and investor protection in the digital asset space.

Stablecoins

Stablecoins are a form of cryptocurrency whose value is pegged to an external reference, such as a fiat currency (e.g., the US dollar), a commodity (e.g., gold), or a financial instrument. Their primary objective is to mitigate the high volatility associated with leading cryptocurrencies, such as Bitcoin (BTC), which renders many crypto assets unsuitable for everyday transactional use (Hayes, 2024).

The first stablecoin, BitUSD, was introduced in 2014 and promised a one-to-one peg with the US dollar. This innovation marked a significant step toward expanding the cryptocurrency market to a broader user base (Hayes, 2024). However, as illustrated in Figure 1, significant interest in stablecoins only emerged around 2021, with market capitalization steadily growing since then.

Two prominent examples of USD-pegged stablecoins are Tether (USDT) and USD Coin (USDC). Among them, USDT dominates the market share, followed by USDC (CoinMarketCap, 2025b).

Most stablecoins are deployed on existing blockchain infrastructures. For instance, USDT was initially launched as an Omni Layer token on the Bitcoin blockchain. Today, it is available on several blockchains, including Ethereum (as an ERC-20 token), Tron (TRC-20), Binance Smart Chain (BEP-20), and others (CoinMarketCap, 2024).

USDT is issued by Tether Limited Inc., while USDC is issued by Circle. Market data suggest that investors favor coins with a track record of price stability and institutional credibility. However, it is crucial to note that investor trust in stablecoins is largely based on confidence in the issuing entities, as there are no institutional guarantees akin to those backing sovereign currencies like the US dollar.

Typically, crypto coins and tokens are issued by individuals or companies, often accompanied by the publication of a white paper. A stablecoin white paper usually includes the following key components (Mattos, 2023):

- Introduction – explanation of the coin's purpose and an overview of the current cryptocurrency market landscape;
- Technical architecture – details of the technological implementation, including blockchain selection, smart contract frameworks, and algorithms used to maintain price stability;
- Stability mechanism – description of how price parity is maintained, whether through fiat reserves, crypto collateral, or algorithmic strategies;
- Use of funds – disclosure of how the funds raised through issuance will be utilized and managed;
- Regulatory framework – explanation of how the coin addresses legal compliance and potential regulatory challenges;
- Team and partners – introduction of core project contributors and strategic collaborators;
- Development roadmap – timeline for future development, expansion, and technical improvements.

Stablecoin issuers pursue price stability using different forms of backing (Hayes, 2024), yet it is important to recognize that investors receive no guarantee for the preservation of their capital. For instance, purchasing a USD-pegged stablecoin does not entail any guarantee from the U.S. government, the Federal Reserve, or any other institutional authority. This raises a pertinent question: why would an investor choose to hold USDT instead of actual U.S. dollars? This issue will be examined in the empirical section of this article.

Fiat-backed stablecoins maintain value parity through reserves of fiat currency. In the case of Tether, for each USDT in circulation, an equivalent amount of U.S. dollars is held in reserve at a financial institution (Tether, 2025a). This model operates on a simple principle: each stablecoin must be redeemable at any time for its fiat equivalent (Mattos, 2023).

Crypto-pegged stablecoins, such as DAI, are collateralized by other cryptocurrencies, usually Ethereum. Despite Ethereum's robust infrastructure and history of successful smart contract deployments, assets on its network—including ETH and tokens—remain highly susceptible to market fluctuations. Consequently, crypto-backed models offer less reliability than fiat-backed alternatives. Some stablecoins rely on algorithmic stabilization mechanisms. These do not involve backing by any tangible assets; instead, they utilize pre-programmed rules that automatically adjust coin supply in response to market demand, thereby maintaining a stable value (Kwon, 2024). Notable algorithmic stablecoins include USDD, USTC, USDX, CUSD, and AMPL (CoinMarketCap, 2025c).

Beyond price stability, two additional dimensions are vital: liquidity and regulatory clarity. Stablecoins offer high liquidity and can be swiftly converted into fiat or other assets, without the volatility experienced by most other cryptocurrencies. When issued in jurisdictions with comprehensive regulatory frameworks, the role of supervisory authorities becomes essential in ensuring transparency and investor protection.

The utility of stablecoins is evident across various use cases (Chainalysis, 2024):

- Payments – ideal for international transactions due to their low fees and fast processing;
- Inflation hedging – pegged stablecoins provide a store of value, especially in economies experiencing national official currency devaluation;
- Decentralized Finance (DeFi) – foundational tools for lending, borrowing, and providing liquidity in blockchain-based financial systems.

Nevertheless, stablecoins have increasingly been exploited in organized crime. Since 2021, law enforcement agencies have noted a declining use of Bitcoin in illicit transactions, with a concurrent rise in the use of stablecoins (Chainalysis, 2025; Europol, 2024).

Given the exponential market growth, regulators are closely monitoring stablecoin issuers, recognizing their potential to impact global financial stability (Hayes, 2024). However, regulation remains fragmented. Many issuers operate from countries with underdeveloped or ambiguous legal frameworks. For investors, it is generally safer to opt for stablecoins issued under the legal oversight of economically and institutionally robust jurisdictions.

Investor motivations vary. Some allocate portions of their portfolio to high-risk, speculative assets, including cryptocurrencies. Others seek to preserve capital or pursue modest growth. In countries with chronic inflation and currency instability—such as Turkey, Venezuela, and Argentina—citizens are increasingly turning to stable assets like the U.S. dollar and USD-pegged stablecoins to safeguard their wealth. Interestingly, stablecoins are also widely used in countries like the United States, where currency devaluation is not a primary concern (Chainalysis, 2024).

The fundamental goal of stablecoins is value preservation. Nevertheless, investors must remain aware that all cryptocurrencies are inherently risky, and no government or financial institution guarantees their value or offers protection against market losses.

Regulatory Framework for Stablecoins

Until recently, trading in crypto-assets was largely unregulated in most jurisdictions. However, as trading volumes and the share of household and institutional wealth allocated to crypto-assets increased, economically significant countries began introducing legal frameworks to govern this rapidly evolving domain. The use of cryptocurrencies is associated with several systemic risks, including money laundering, terrorist financing, illicit activities, and consumer protection issues. The International Monetary Fund (IMF, 2021) has warned that the absence of adequate regulation may cause financial instability, disruptions to traditional banking systems, and difficulties in enforcing anti-money laundering and anti-terrorism financing laws. Moreover, cryptocurrencies are frequently used as a payment method by criminal organizations. Victims often pay ransoms in crypto-assets, and cryptocurrencies are widely accepted as a medium of exchange on the dark web (Lapuh Bele, 2021).

Different jurisdictions have taken markedly different approaches to these legal challenges. This article focuses on three of the world's most influential economies—the European Union (EU), the United States (US), and China—where regulatory strategies diverge significantly. The EU has introduced a comprehensive, unified regulatory framework via the Markets in Crypto-Assets Regulation (MiCA). In contrast, the US regulatory regime remains

fragmented, with no single overarching federal law for crypto-assets. China has banned privately issued stablecoins altogether and is instead pursuing the development of its central bank digital currency (CBDC) (Adejumo, 2024). Interestingly, Hong Kong, a special administrative region of China, has adopted a more permissive stance and implemented its own crypto-asset trading regulations.

The European Union: A Unified Approach

As of December 31, 2024, the Markets in Crypto-Assets Regulation (MiCA) is in force across the EU. It provides a standardized regulatory framework for all member states and introduces legal requirements for issuers of crypto-assets as well as service providers operating within the sector.

While MiCA does not explicitly use the term stablecoins, it categorizes such instruments under two main classifications:

- Asset-Referenced Tokens (ARTs): Tokens backed by a basket of assets, including fiat currencies, commodities, or other crypto-assets.
- E-Money Tokens (EMTs): Tokens pegged to a single fiat currency, such as the euro or US dollar, and functionally similar to electronic money.

MiCA thereby covers both fiat-pegged stablecoins and those linked to other asset types. The regulation sets specific compliance requirements for both categories, including reserve backing, transparency standards, and regulatory oversight to ensure price stability and consumer protection. Issuers must publish a white paper and comply with disclosure and governance obligations, under the supervision of the European Banking Authority (EBA).

According to MiCA, white papers for ARTs and EMTs must contain key investor protection information, including:

1. Details about the issuer;
2. Token characteristics – type, technical description, and total supply;
3. Stability mechanisms and reserve management procedures;
    - For ARTs: a detailed description of the underlying assets or asset baskets (e.g., currencies, commodities) and the methods used to maintain price stability;
    - For EMTs: clear identification of the fiat currency peg (e.g., the euro) and an assurance of 1:1 convertibility;
4. Holder rights and obligations;
5. Risk disclosures;
6. Governance and compliance policies – Description of the issuer's internal policies on anti-money laundering and counter-terrorism financing; information on compliance with MiCA regulatory requirements, including permissions obtained from the competent authority.

Notably, MiCA prohibits algorithmic stabilization for both ARTs and EMTs. The stability of these tokens must be supported by real, liquid reserves, such as fiat currencies or other high-quality liquid assets.

The United States: A Fragmented Regulatory Environment

In the United States, the regulatory landscape for cryptocurrencies is highly fragmented, with different agencies overseeing distinct aspects of the crypto-asset market. The Securities and Exchange Commission (SEC) is currently the primary authority responsible for overseeing crypto-assets, asserting that many digital coins and tokens meet the legal definition of securities under the Securities Act.

We asked ChatGPT-4o how the U.S. currently regulates stablecoins and which agencies are involved. The model responded: The SEC is actively evaluating whether stablecoins qualify as securities. If they do, the issuers must comply with the full scope of U.S. securities laws. The Commodity Futures Trading Commission (CFTC) classifies certain crypto-assets as commodities or derivatives, and enforces regulatory actions where applicable.

Indeed, the CFTC has already taken enforcement actions against stablecoin issuers. In October 2021, it fined Tether Holdings Ltd. $41 million for misrepresenting that its stablecoin USDT was fully backed by U.S. dollar reserves (CFTC, 2021).

Stablecoin regulation in the U.S. is still under active development, with multiple legislative initiatives and regulatory bodies seeking to address the complex challenges posed by these instruments. As of now, no unified federal statute exists that comprehensively governs stablecoins, although legislative efforts are underway. One key proposal is the Clarity for Payment Stablecoins Act, which aims to provide clear regulatory guidelines for stablecoin issuers (Congress.gov, 2023). According to analysts, if enacted, the bill could curb the market dominance of non-compliant stablecoins (Wynn, 2024).

Stablecoins and Criminal Activity

Cryptocurrencies have become both a target and a medium of exchange in various forms of cybercrime as well as broader criminal activity, including terrorist financing, sanction evasion, illicit trade, and money laundering (Chainalysis, 2025). In 2023, a marked increase was observed in the use of cryptocurrency swapping services, which enable the conversion of one digital asset into another. These services are often exploited by criminal actors to obscure transaction trails and preserve the value of illicitly acquired funds.

Swaps are generally executed for two primary reasons: anonymity and stability. For anonymity, widely used cryptocurrencies such as Bitcoin are exchanged for privacy coins, such as Monero, which offer advanced obfuscation techniques. For price stability, criminals increasingly convert their holdings into stablecoins, such as USDT (Tether) (Europol, 2024).

While the regulated financial system has significantly reduced the incidence of money laundering through stringent laws and robust enforcement, this success has prompted criminal networks to seek alternative financial channels. Stablecoins are emerging as a preferred vehicle for laundering illicit proceeds. According to recent data, 63% of all cryptocurrency transactions linked to criminal activity involved stablecoins, making them the dominant instrument for illicit finance within the crypto ecosystem (Chainalysis, 2025).

RESEARCH QUESTIONS

Given the substantial market share and dynamic growth of stablecoins (Chainalysis, 2024), this study aims to explore several key aspects of their development and usage. We therefore formulate the following research questions:

1. Which stablecoins have the highest market capitalization, and what share of the total stablecoin market do they represent?
2. To what extent are the most capitalized stablecoins compliant with relevant regulatory frameworks?
3. What are the main motivations for consumers to purchase a USD-pegged stablecoin instead of holding actual USD?
4. Which factors most significantly contribute to the volatility of stablecoins?
5. Does the mechanism of value stabilization influence consumers' choice of stablecoin?

RESEARCH METHODOLOGY

We applied the following quantitative methods:

- Analysis of market capitalization data for major stablecoins;
- Evaluation of market share data for stablecoins across global regions and individual countries;
- Comparative analysis of inflation rates in countries where stablecoin-based saving holds a significant market share.

Additionally, we employed a qualitative document analysis method, examining regulatory frameworks and whitepapers of selected stablecoins. For this purpose, we used the Grok 3 artificial intelligence model to support our analytical process.

All data on market capitalization were collected on March 13, 2025, which is also the date on which Grok 3 was prompted to generate regulatory and whitepaper analyses.

ANALYSIS AND RESULTS

Due to the methodological challenge of acquiring a representative global sample of stablecoin users, we were unable to conduct an empirical survey. Instead, we addressed the research questions using publicly available statistical data and qualitative analyses relevant to our study objectives.

Stablecoins by Market Capitalization and Market Share

As of March 13, 2025, data retrieved from CoinMarketCap indicate that the four largest stablecoins by market capitalization were:

- Tether (USDT): 64.90%
- USD Coin (USDC): 26.87%
- Ethena (USDe): 2.51%
- Dai (DAI): 2.47%

All other stablecoins combined accounted for only 3.25% of the market. These proportions are calculated after excluding data marked as self-reported and potentially unreliable, in accordance with the platform's data transparency notices.

Regulatory Compliance of Leading Stablecoins

On February 20, 2025, the European Securities and Markets Authority (ESMA) published a list of ten entities authorized under the MiCA regulation, collectively issuing 15 MiCA-compliant stablecoins (Coinspaidmedia, 2025). Among the top four stablecoins by market capitalization, only USDC, issued by Circle, meets MiCA compliance requirements.

Tether (USDT) has faced regulatory challenges in the United States, including fines and trading restrictions on platforms like Coinbase and Crypto.com due to non-compliance with MiCA (Adejumo, 2024b). Furthermore, Tether's involvement in high-risk jurisdictions (e.g., Iran, Venezuela, Russia) has attracted scrutiny for facilitating transactions outside traditional financial oversight. Despite lacking full regulatory approval in both the U.S. and EU, Tether claims to actively cooperate with regulators to enhance compliance (Tether, 2025b).

Investor confidence remains disproportionately concentrated in Tether and Circle, suggesting either a lack of awareness regarding regulatory risks or trust in issuer assurances. This concentrated exposure increases systemic risk and underscores the need for greater transparency.

Motivations for Purchasing USD-Pegged Stablecoins Over USD

Using Grok 3, ChatGPT-4o, and Microsoft Copilot, we conducted a qualitative inquiry into consumer motivations for choosing USD-pegged stablecoins over fiat USD. Sources cited by AI models were cross-verified for accuracy and relevance. The key motivations include:

- International Payments: Stablecoins facilitate fast, low-cost cross-border transactions, especially in countries with limited access to stable currencies (e.g., Ethiopia, Nigeria).
- Accessibility: They are globally accessible, even in jurisdictions with restricted access to USD (e.g., Venezuela, Nigeria).
- Decentralized Finance (DeFi): Stablecoins enable access to DeFi services in regions with advanced crypto infrastructure (e.g., U.S., U.K., Vietnam, India).
- Anonymity: They offer higher transactional privacy compared to traditional banking systems, appealing to privacy-conscious individuals, businesses in sensitive sectors, users in sanctioned economies, crypto advocates, and illicit actors.

Factors Influencing the Instability of Stablecoins

We conducted a qualitative study using ChatGPT-4. We posed the following query: "What factors most significantly influence the instability of stablecoins?" We requested sources in APA7 format and specific examples for each factor. We utilized the Deep Research function and received a comprehensive response, which we have summarized for this report.

Stablecoins have experienced sudden value losses or deviations from their target value in practice. In recent years, several high-profile cases have revealed various causes for this phenomenon. According to Moody's analysts (2023), the factors contributing to instability include technical, financial, legal, and other issues, such as governance problems or unexpected events within the crypto ecosystem.

Technical Factors

Software bugs, algorithmic flaws, or protocol vulnerabilities can cause de-pegging. For instance, the DAI stablecoin faced a crisis in 2020 due to an Ethereum crash and smart contract malfunction. TerraUSD (UST) collapsed due to inherent design weaknesses in its algorithmic stabilization.

Financial and Economic Factors

Instability may result from:

- Inadequate or illiquid reserve assets
- Insufficient collateralization
- Exposure to volatile macroeconomic conditions

A notable example occurred in March 2023, when USDC briefly de-pegged following the collapse of Silicon Valley Bank, which held ~8% of Circle's reserves (Howcroft & Jaiswal, 2023). Although Circle rapidly restored confidence, the event highlighted even fully collateralized stablecoins' exposure to systemic banking risks. Similar concerns have affected Tether (USDT) due to doubts over reserve transparency, as in the October 2018 Noble Bank incident.

Legal and Regulatory Factors

The lack of legal clarity and supervision has led to instability. Regulatory crackdowns, such as the SEC's 2023 action against Binance USD (BUSD), caused sharp declines in market capitalization. Investigations into Tether and Bitfinex revealed periods of insufficient fiat backing, further affecting trust.

External Ecosystem Shocks

Contagion from broader crypto market events, such as the collapse of FTX in 2022, impacted stablecoin prices, including USDT. Mass redemptions and fear-based sell-offs led to temporary de-pegging.

Governance and Market Psychology

Poor issuer governance and delayed responses can erode market confidence. Fear-induced sell-offs may lead to self-fulfilling devaluation spirals. Effective communication and credible reserve audits are thus essential for maintaining peg stability.

Impact of Collateralization Mechanism on Investor Choice

Due to the lack of global survey data, we assessed investor preferences through market capitalization and the nature of reserve backing.

Our findings indicate that the most popular stablecoins—USDT and USDC—are fully backed by fiat USD reserves. These two coins jointly control over 90% of the market, suggesting a strong investor preference for fiat-collateralized coins over crypto-backed or algorithmically stabilized alternatives. Algorithmic stablecoins attract the least trust due to their instability history.

CONCLUSIONS

Stablecoins serve as a bridge between traditional and decentralized finance, playing an increasingly vital role in global financial systems. Their use in inflation-prone economies and international payments demonstrates their practical utility and potential for financial inclusion.

However, stablecoins also present significant risks, particularly in the realms of regulatory uncertainty, technical flaws, reserve opacity, and market vulnerabilities. The dominant market share of USDT, despite its incomplete regulatory alignment, underscores either user misinformation or complacency about legal compliance.

The MiCA regulatory framework introduces greater safeguards and could enhance investor trust, although it may also constrain innovation. The future of stablecoins will depend on a delicate balance between technological advancement, legal clarity, and user confidence.

Further empirical research is essential to uncover user perceptions and attitudes toward different stabilization mechanisms, which will likely shape the trajectory of stablecoins and the broader digital asset ecosystem.

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