Transcript of Payments Innovation Conference:
Stablecoin use cases and business models
October 21, 2025

SUSAN FOLEY. So we're back for our second panel, and we're going to be talking about stablecoin use cases and business models. As a reminder, questions will be open during the entire panel, so please use Slido for submitting them. And now, I'm going to introduce our moderator, Kyle Samani. Kyle is a Co-Founder and Managing Partner at Multicoin Capital, an investment firm that specializes in crypto assets, tokens, and blockchain companies. I'm now turning it over to Kyle. Thank you.

KYLE SAMANI. Awesome. Good morning, everyone. Thank you all so much for being here. Governor Waller, thank you so much for organizing everything for us all. In order to kick things off, it'd probably be good to do a quick round of intros. So, gentlemen, please take it away.

CHARLES CASCARILLA. Hi, my name is Chad Cascarilla. I'm the CEO and Co-Founder of Paxos. We are a blockchain infrastructure company that both provides crypto infrastructure, as well as issuance infrastructure for stablecoins.

TIM SPENCE. Tim Spence, Chairman and CEO of Fifth Third, pending the closure of the merger that we recently announced with Comerica. We're the ninth largest bank in the U.S. But apropos to this discussion, we are a much larger payment facilitator. So we facilitate about $17 trillion a year in transactions, of which the Fifth Third branded business is the anchor tenant, but we're fortunate to do business with several people who have been on the stage today, in addition to many of the other leading fintechs and third-party payment processors.

FERNANDO TERRES. I am Fernando Terres. I'm the co-founder and CEO of DolarApp, which is the leading fintech app for the mass affluent demographic in Latin America, backed by

the best investors in the world. And with more than 1 million users, we allow them to dollarize their capital, grow it, and be able to transact globally, leveraging on stablecoins. Prior to that, I was the lead in crypto at Revolut. I also held a prominent role in helping build its growth engine, as well as taking its path to profitability.

HEATH TARBERT. Heath Tarbert, President of Circle, we like to say the world's largest regulated stablecoin issuer. We're issuer of USDC, and we also have a number of other products and blockchain technology. In a prior life, I was Assistant Secretary of the Treasury for International Markets, representative on the Financial Stability Board, and chairman of the CFTC.

KYLE SAMANI. All right, guys. So let's jump into this. I think the intended framing for this dialogue, this is really supposed to be a conversation about technology. On stage, we have an issuer, a bank, and an app. So I wanted to try and cover kind of all perspectives for all of this. We will jump in with you, Fernando, first. You are B2C directly and close to a lot of end users who are using stablecoins every day. What are you seeing in terms of demand, usage patterns, feedback across Mexico versus Argentina and Brazil? And it would be really helpful if you could share one end-to-end journey that shows why it's simple, fast, and useful.

FERNANDO TERRES. Cool. Effectively, we're live in four markets, which are Mexico, Argentina, Colombia, and Brazil. And the use cases are pretty different country by country. And some cases are more around the store of value idea. So imagine you're a Colombian person, and you want to dollarize your savings. But there's also elements on the transactional side. So imagine you're a Mexican person, living close to the border, and you'd like to travel with your family to the U.S., right? And you want to be able to spend internationally. Or also, if you're a backend engineer living in Buenos Aires, and you want to work for a company in Europe, in the

U.S., and receive your payroll. So those would be some of the use cases, which are pretty consistent across all of the markets. When it comes to the flow of funds, so to speak, or how we structure it, we have locally regulated e-money licenses where we partner with them. And then, of course, with our crypto entity, we execute the rest of the flow. We're also principal members of both MasterCard and Visa. So the way we try to run the company is having these pools of capital, sometimes in fiat, sometimes in blockchain, to be able to bridge the world so that we, as product people, swallow the complexity so we can give the customers the simplicity and the benefits without them having to go through the complexity.

KYLE SAMANI. And Fernando, to follow up here, you know, based on that journey, I guess, you've been iterating now for a while, what's been maybe one major change in product or go-to-market that you all have learned from hearing real feedback from customers?

FERNANDO TERRES. Well, I guess the first one I kind of mentioned already. Like, perhaps intuition could have been the store of value. But it turns out that transaction matters, right? So that's one of the country intuitive ones that allowed us to actually dip into the transactional piece of the equation, which is interesting because the more use cases you can serve, the more times you can bring your product to the customer, right? And then the second one, which kind of correlates to this one, is the fact that many of our customers are actually on the mass affluence side of the equation. So people who travel, people who work in technology and finance, people who save, who invest their capital. So pretty traditionally, most of the fintechs in Latin America had gone after the bottom side of the pyramid in terms of wealth and perhaps were penetrating from the top. So starting with the top 30 percent of the demographic pyramid, I would say.

KYLE SAMANI. Got it. All right, next, let's move maybe over to Tim. Tim, as a bank here, you offer a service, which is, you know, the utility and the benefit of stablecoins. What are some of the problems that your customers, either consumer and their enterprise, finance treasury teams, are trying to solve right now?

TIM SPENCE. That's a great question. And I think maybe I'll get there, but I want to make a couple of points here just based on some of the conversations we had on other panels because I think it's instructive as we think about pathways for innovation where to look. Like, one of the rules that we use at Fifth Third is don't unsolve solved problems. Okay? And I was listening to the discussions about interoperability and discounts and otherwise, and I couldn't help but think back to Thompson's Bank Note Guide, which, at least the folks from the Federal Reserve will remember, existed in the U.S. during the free banking era prior to the presence of the Federal Reserve, where individual banks had to figure out how to discount notes that were issued by other people. And I think the end outcome there, the conclusion there, was that we were better off with a single currency that was valued at par and that would facilitate commerce. So our focus has been on looking at the solutions that are in the market and finding ways, whether it's through partnerships or just through introductions and places, where we need to provide them and to utilize things that can become industry standards.

So, you know, our clients, when you look at the issues that they face, were principally U.S. domestic, but we have a huge manufacturing base because the legacy footprint of the bank is Midwest and Southeast. So moving money across borders is a significant issue today. That's a problem that we solve by referring business to other banks. And as a matter of practice, another rule we try to follow is don't enable your competitors. So we have spent a great deal of time in the stablecoin ecosystem looking at ways in which we could utilize stablecoins to solve the

interoperability issues and both the FX risk associated with the delay in clearance and the need to work through another financial institution to move money overseas. And that, from my point of view, will be the first and most powerful use case for the Fifth Third brand.

The more interesting things to me, though, have to do with the sort of infinite divisibility of stablecoins and the programmability and the things that we're going to be able to do through the business that we have as an infrastructure provider, a little bit like Jackie, to leading fintech companies, and others to help them function in a world where agentic commerce is a material share of the economy and where we can do more and more, whether it's for compliance purposes, or to prevent fraud, or just to facilitate the linkage between contractual terms and payment settlement with the programmability of stablecoins.

KYLE SAMANI. Next up, Tim, another follow-up for you here. Given a lot of these outcomes, how do y'all think about buying versus building?

TIM SPENCE. Yeah. My view is, there are a handful of truly global banks that probably would benefit from having their own stablecoin, like, that facilitates book transfers. So if you're J.P. Morgan, if I were J.P. Morgan, I would be doing what J.P. Morgan's doing. But there are like 4,996 banks in the U.S. that aren't J.P. Morgan or Citigroup or Bank of America or Wells Fargo. And for the rest of us, it's important that we move toward something that approximates more of an industry-standard solution. That's the way that you solve for interoperability from my perspective, as opposed to layering more technology onto it. It's also how you solve for adoption, right? The tech here is obviously better than, you know, 150-year-old payment rails. Like, forget COBOL for a minute. Imagine what the Fedwire was originally built on, given the comments that Governor Waller made at the beginning of the session.

What doesn't exist today, in most cases, is the governance, right? And the governance layer is a thing that multiple parties need to be able to agree on here. And then we need to be able to drive user adoption. Like, you know, Zelle was late to the party in peer-to-peer transfers, but it dominates today in terms of total volumes. And the reason it dominates is there's a single brand and a governance mechanism that is embedded into something like, I think they have 80 percent coverage in DDAs in the U.S. at this stage of the equation. And it, therefore, made it much easier for people who weren't in college and splitting pizzas to move on to a world where they were sending money P2P via an instant payment rail. And partnerships make that possible in a way that, you know, going back to a world where we were issuing our own currency probably wouldn't.

KYLE SAMANI. All right, next up, let's move to Chad. Chad, from the issue operator seat, when should a bank build, partner, or just distribute?

CHARLES CASCARILLA. How about now? There we go. I think it's difficult for any individual bank to issue, just like Tim was mentioning here. Even for the largest banks, I think it becomes difficult because the same reason Tim also mentioned. He doesn't want to fund his competitors, one of his number one rules. And I think you end up in a world where that would be the case if everyone started to use someone else's stablecoin. That's kind of the beauty of it, is that because it's not just contained on your own systems, but it's moving into other people's systems, you have to really create a value proposition to enable others to want to enable that. And so, if you're the largest banks, you might be able to. But from everything I've seen, actually, some of the largest firms all are trying to figure out how they can do this together. Maybe a la Zelle, and there's a Zelle bank effort. There's a global bank effort that was announced, I guess, almost two weeks ago now.

And so, that's what we have seen, is that -- And maybe I should mention a third point, which is there was a little bit of a skittishness because some of the large banks don't want to necessarily end up having their own token that could be facilitating across border illicit activity, and that there could be brand risks from that perspective as well.

So that is all, I think, ended up pushing institutions to try to think about how can they use something that is brand agnostic, that has the interoperability, that allows them to be able to capture the economics. And I think there are a number of different ways you can do that without having to build it yourself. Obviously, building it yourself could create brand recognition. It can create better economics if you're able to create a way in which the market would create widespread adoption. And that's where there is this push and pull of the network effect that's inevitable. Largely, stablecoins today, and I don't certainly believe this will be the case in two or three years, are for the crypto ecosystem. And so, can you get it in all the wallets? Can you get it on all the exchanges? Can you get it in the DeFi protocols? Can you enable it to have the right on-ramps and off-ramps through all the other parts of the payment system? Visa, MasterCard, the merchant acquirers. That's a lot of different gating points, and all of those gates have to say yes, we would like to be able to accept this. And, you know, that means you're not going to end up with thousands of stablecoins that will be a rail. I think you'll end up with maybe two to five stablecoins that could be a rail. You can end up with thousands of stablecoins that look like a prepaid debit card or a co-branded card. I'm old enough to remember MBNA, who basically built almost 20 percent of the credit card market based off of having, you know, a Notre Dame credit card. I had one of those, too, when I graduated. And so, you can imagine having lots of choice, almost infinite level of divisibility because of the technology and because the GENIUS Act and blockchain have set standards and set interoperability.

So I can see there being so many different types of stablecoins, but not really so many stablecoins that, ultimately, you will use on a global basis. And that's what I think every institution has to think about no matter how big you are. Where do you want to be? Are you large enough to maybe try to make a run at that? And most institutions aren't. So how could you instead find a way to work cooperatively?

TIM SPENCE. Can I add one thing to that? Because I think I totally agree with the point you were making. I was sitting in the audience earlier, gritting my teeth at the term "TradFi" every time it comes up because Fifth Third is an old bank, that's true, but it's the least interesting thing about us. So I am, at the moment, I'm going to propose that we go with ScaledFi versus DeFi. At least there was one other bank in the room because there were some claps over here. And I know Jennifer feels the same way. But the point you're making, Charles, which I think is so critical and the reason why we probably do need to arrive at a standard and have a couple of different networks, is in order to scale, you can't have an artisan model. Like, you have to have an industrial scale model. You have to have agreed-upon governance principles, and you have to be able to support lots of different endpoints. And there's just no way to do that when you have so many different potential solutions in the market. So I totally agree.

KYLE SAMANI. Yeah. I'll just add my own little commentary. As someone who is a very active user of DeFi systems, I think most folks trying to get into the space don't appreciate the nuances or the complexity of the DeFi protocols and the on and off ramps and the wallets and making all those things work. It really is pretty difficult from a user experience perspective. All right, next up, we're going to Chad and Heath on this next one. What are the top two bottlenecks at the perimeter? So things like KYC, AML, wallet, UX, things of that nature. What are the two

biggest bottlenecks, and then what's fixed, and what do you think is going to change in the next couple quarters?

CHARLES CASCARILLA. You sure? I feel like we should give you a chance to talk.

HEATH TARBERT. All right. Well, my wife doesn't always say that. But so look, at a high level, when I think about frictions and sort of what are the things that are barriers to stablecoin use case, right, or just using stablecoins, I'd say there are really two big buckets, two meta buckets. The first is, is the thing trusted, compliant, and transparent? In other words, do I need the Thompson's Bank Note Guide or something like it to know whether or not I'm actually going to get my dollar back, right? I think the GENIUS Act largely solves that problem, particularly as it's implemented, because all stablecoins aren't equal, and all stablecoins aren't stable. So I think making sure that we have payment stablecoins that actually are held to very high standards is job number one. Good news is, is this country's made a very important decision on a broad bipartisan basis, and I feel like that problem is being solved.

Second aspect, though, is, assuming the dollar is solid, the stablecoin is solid, is it actually useful? Does it have utility? Does it have liquidity? One example I like to give is, suppose at the end of this conference, the Federal Reserve Board says, good news, we're going to give each, everybody money to buy your dinner at Reagan Airport, but we're not going to give you a Federal Reserve note. We're going to give you 50 euros. Would you be able to actually buy your dinner at Reagan with euros? It's a perfectly solid currency. It's an outstanding one. It holds its value, but it's not necessarily have utility in certain settings. And so, two big barriers to utility and liquidity are number one, and this was mentioned earlier, the banking rails, making sure that you can move in and out of fiat currency back into something like a USDC or a Paxos stablecoin as quickly and seamlessly as possible.

So Circle, for example, has spent years building out this network of reserve banks and partner banks for customers. In fact, we're pleased that Fifth Third is a part of that network. So that's the first thing. And then the second thing for barriers would be the blockchains themselves. USDC is natively on 28 different blockchains, but it's very difficult to move currencies among blockchains. We have something called the Cross-Chain Transfer Protocol. But again, if your stablecoin only works on one or two blockchains, again, that's another barrier point.

CHARLES CASCARILLA. And maybe what I'll add is, maybe break it into two categories. One is, some of the friction in the stablecoin world is how do you get back out of the stablecoin world? And he's describing a lot of those. Especially when you live in a world where you have to move money 24-7. And so, this adds quite a bit of complexity if you think about, well, if someone shows up with a stablecoin and they want dollars and it's, you know, 11:30 on a Friday. How do you make that possible? And there are plenty of examples of that. And then on the other hand, it could be, you know, I'm in Asia and I'm putting money to work, and I want to make sure that I'm able to get a stablecoin. And, you know, you're tied to U.S. banking hours. And so, there's many different types of complexities around interacting with the traditional financial system while being able to have an effective stablecoin product that works.

The second component is exactly what Kyle was describing, which is I'd say DeFi and crypto is still not abstracted away enough where it's solving just the problem as opposed to requiring you to actually understand the underlying mechanics. To date myself, I kind of think back to trying to get on the internet. And it was like trying to get on when there was a thing called Freenet. And, you know, you had to like dial up, and you put this like receiver on a thing, and like you got some weird noises, and you could get like a little line of text that would come down. By the way, like, as absurd as that sounds, that's actually not that unusual when you kind

of go through the DeFi ecosystem, you know? And it really shouldn't be that way, or frankly, just the crypto in general. I think that'll all get abstracted away with great consumer products that allow you to solve a problem. Just like, you know, no one knows how the phone works, or at least almost nobody does, but yet everyone knows how to use it. Crypto, blockchain, DeFi, stablecoins need to be just like that, which is I think what DolarApp is, for instance, doing, which is just making it so I can solve my problem because I want to be able to move dollars. I want to be able to hold dollars. I want to be able to have it happen instantaneously. It needs to be that simple at all times.

There are so many different complexities depending on exactly what your use case is for stablecoins still. And so, I think those things are all problems that can be easily solved. People are working really hard at solving them, and I think that they will absolutely get there. There are large firms, like PayPal, which launched a stablecoin several years ago, and they were one of the first to come out and say they wanted to launch it being a scaled financial institution. We don't want to call it -- Yes, you're welcome. And I don't think we call them [inaudible]. They're a real fintech company, really huge in terms of their scale. And they launched a stablecoin. And that's an example of someone being able to take this technology and be able to move it into the traditional system and be able to try to solve problems in a way that you couldn't otherwise. That's how I look at what can happen here.

KYLE SAMANI. All right. Next, Heath, you got a solo one. What are some programmable features, maybe things like allowlist, conditional transfers, and others that are going to make stables invisible in workflows in the next six to 12 months? Hopefully, we can overcome some of these challenges.

HEATH TARBERT. Yeah. The whole goal -- I was thinking about this the other day. And I remember about 20 years ago, you would talk to someone, a family member, and you'd say, well, we should go out and we should buy this thing. And someone would say, well, I'm going to go on the internet and buy it, right? We don't say that anymore. We just buy it. It's just assumed. And so, we're going to get to a point where stablecoins themselves are just floating around like any other form of electronic money, like credit cards, debit cards, most of which, by the way, are not legal tender.

And so, what are some of the programmable use cases that sort of we're thinking about? You know, Circle is focused on all use cases, but particularly thinking about enterprises, right? And so, I'm often overseas. I'm talking to, let's just say, a Korean manufacturer who wants to sell goods overseas to Latin America. It takes five days for the money to move and sometimes is extremely costly. So you can imagine a scenario where all of this is built in. And the moment the goods leave the factory floor, through smart contract technology and programmability, the money is automatically sent or when it's received on the other end. So trade finance and just trade in general is something that could be supercharged through stablecoins and the programmability that it offers.

Another thing we're seeing is treasury functions, right? And even for scaled financial institutions, we have a large-scaled financial institution that is actually using USDC, for example, to move money inside the institution across borders. And so, again, a lot of that is programmatic and the features matter.

I will say that, in some ways, we need more than just programmable money. We also need the underlying rails to be enterprise-grade. So one of the things that Circle is doing is we're reading the CPMI-IOSCO paper, we're reading stuff from the BIS. And we're saying what are the

barriers to large enterprise use of blockchains so we can actually make programmability really effective? And so, we're developing something called Arc, which is sort of an enterprise-grade L1 blockchain that has, you know, sub-second deterministic finality that makes it very, you know -- You send the money, boom, it's done. You don't have to wait. There's no probability, There's no 51 percent attack concern. Using something that's very stable like a USDC as gas and other features as well, including privacy layers. So it's just very important to say you got to combine the programmability with the underlying infrastructure as well to really unlock these use cases.

TIM SPENCE. The -- If I can just jump in on that one. I think there's a lot to be done here. I think one point of encouragement for anybody who is building -- Like, we have a fairly sizable business, essentially selling software, like subscription software to corporates to automate payment workflows. About a third of the total revenue the bank does annually now is attached to people who utilize software to eliminate some manual step, whether it's recon or payment scheduling or otherwise. There's a lot you can do with programmability that is technically better than people using BillPay services to schedule a payment, right? But it has to be much better in order for people to change the behavior. Like, the law of good enough works against any new technology because if the existing method works well and it doesn't cost much, and especially on the consumer side of the equation, most payment initiation is free in the U.S. You have to be able to demonstrate some significantly better value. So demonstrating programmability, showing people, hey, you can program the payment so that it moves consistent with, you know, your payment contract is not meaningfully better than just pre-programming, you know, whatever sourcing software you're using to initiate an ACH instruction at the point in time when you've hit the date that the payment is due. You have to actually focus on the integration, right? That is the place where you can improve a step. So instead of having to pass contracts and have somebody

sitting, you know, in a bullpen somewhere working AP files, that there are agreements that are standardized at the time of the procurement that then pass straight through to the financial institution or the wallet provider that then automate it. That's the step we're going to have to take here because just because we can doesn't mean anybody will.

KYLE SAMANI. All right. And then I think we have a follow-on here for Heath. What's actually production-ready now for enterprises and specifically around things like illicit activity detention, and where are false/positives still going to bite us?

HEATH TARBERT. Yeah. So the whole area of making sure you're on something that's trusted, right, is, in many ways, critical for enterprise adoption, right? And enterprise is going to be extremely hesitant to risk its reputation to go on a blockchain where, potentially, North Korea is a validator, right? And so, there are a number of factors like that that we're taking into account. So, for example, Arc, the blockchain that we're creating, will actually have permission validators. So everyone will be vetted in advance. And also making sure that the institution that you're getting the digital assets from has an AML/CTF program, it's compliant with the Patriot Act. All of those things matter.

KYLE SAMANI. All right. Next up, we're going to interoperability and orchestration. This one's for all of y'all. So feel free to jump in. Keep it clean out there, boys. And where is interop already good enough, and where is it brittle? What orchestration layer or layers are going to enable a truly tech-agnostic experience?

FERNANDO TERRES. Actually, I can get started from the consumer standpoint. I think it's not so expensive to maintain some liquidity buffers to orchestrate because, even today, like, it's still pretty aggregated. Like, the question is, what happens if we end up in one of these like

radical situations where it's so atomized? But right now, you know, from the consumer standpoint, I would say we don't see that being a big issue. You need to hold some liquidity buffers. But again, you don't really have FX exposure. You have some credit risk that you need to manage. But we haven't encountered that being a big problem. Keen to see, like on the scale side, how you guys perceive it. But on our end, it hasn't been a big deal.

TIM SPENCE. Given the interest that we express in cross-border payments, it's the on-ramps and the off-ramps. It's the point you made earlier about the need to cobble together your own ecosystem if you want to move money utilizing stablecoins today. The actual use of the rail is much easier than getting money in and then getting it out in another jurisdiction, ensuring that the person that you're paying has the ability to accept it and to convert it back to fiat. My big fear, like, I think there are lots of really interesting things that can be done with tokenized deposits, but that's the place where I think the interoperability issue is the biggest. If we can land on a handful of, call it standard stablecoin payment rails, I don't know that interoperability is a problem so much as it is just getting to a point where the adoption on both sides of the network, on the send and the receive side, are native as opposed to through a third party and then a transfer.

CHARLES CASCARILLA. We're in a bit of a strange interregnum where the GENIUS Act has passed. And you can be forward-looking GENIUS compliant, but you aren't GENIUS compliant today. And so, that's actually created a huge proliferation of stablecoin issuers from a white label side and otherwise. And so, I actually think if you had a moment of risk where something could go wrong, it's probably between now and 18 months from now because you have so many different firms that are operating in ways that may or may not end up looking like they've aged well.

But I do think that once GENIUS comes into effect, when the rules are put into place and everyone has to follow them, which I guess gets you all the way to three years from when it passed, you're going to have a clear set of rules. And that should create a level of fungibility that can be relied upon as long as, you know, the standards are widely enforced and I think also adopted in a number of different international jurisdictions, so that you create this capacity where it is truly cash and cash equivalents. And I think that's where we'll go. And so, between blockchain and standards, you do create a capacity to have interoperability in a forward-looking basis. You don't today because stablecoins still have counterparty risks to them, depending on exactly how they're constructed. Most of them still do, and certainly, a lot of the new ones also do as well. And so, that's where there's a real interesting dynamic that exists right now.

I think that also, and this is really I think Tim's point, there is a lot of complexity around having to be able to manage that liquidity because those are not the same liabilities. They're almost, in some ways, akin, though not the exact same thing as a deposit because, you know, you have the counterparty risk related to them. I think that will all get worked out over time, and, you know, we'll get to that end state, where I think that will lessen maybe either the capital that you might have to hold against stablecoins, the amount of risk limits that you would have to put into place, the counterparty capital charges that you might need to carry. But I don't think we're there yet. So we're getting there, but there's a lot more work to be done yet.

HEATH TARBERT. Maybe you asked about orchestration, I think. And this goes to sort of Tim's point about sort of not unsolving problems that have been solved. You know, a lot of the domestic payment system works rather well. There are obviously improvements that can be made. But once you step outside U.S. borders, it becomes a lot more complex.

So one example of orchestration is something we've created called the Circle Payments Network, where we have institutions on various sides that are orchestrating FX flows using what Governor Waller has called the stablecoin sandwich. But right now, to send money to Brazil from the United States or from the European Union to the United States, it can take up to 72 hours going through various correspondent bank accounts. We've been able to get that down to 72 seconds using basically fiat on either end and then the stablecoin rails in between. So it's a great example of where orchestration, as you asked the question, actually can make a difference to solve a problem that is a real barrier to use case.

The other point I just want to think about is tokenized deposits. We've mentioned it a couple of times. There's a couple of lines in the GENIUS Act that just gives a scant reference to it, but this country has never really thought about tokenized deposits and the potential impact on the banking system. And as a former regulator myself, I'd ask the question. I think you used 4,996 banks in the United States. Yeah. If, in fact, 5,000 banks in the United States, many of which are communities, smaller banks, immediately overnight tokenized their deposits, they moved at the speed of the internet 24/7, as a bank regulator, I might be a little concerned about that, right? And so, I think if we are going to go down the road of tokenized deposits, unlike stablecoins that are backed one-to-one with very high-quality liquid assets, if we're using the fractional reserve banking system, which is subject to deposit insurance, the discount window, and essentially a government intervention model, and we're going to tokenize that and move it quickly through blockchains, I think more public policy work should be done.

KYLE SAMANI. All right. Then we're getting to the last question here before we open it up for Q&A. This is for all of you all, so please jump in. [Inaudible] tech always lets you do old things better and some new things that you couldn't do before. Could y'all each please give one

example of a use case that you think are going to become possible using stablecoins in the next one to two years that are maybe not possible today? And maybe as a bonus, if you want to get AI agents in there somehow. But y'all go for it.

FERNANDO TERRES. I guess I can get started, but it was kind of mentioned already by Tim before. But the idea of having a large financial institution initiating a transaction on blockchain is literally a game changer because you suddenly move into 24/7 money movement made instant, right? So that would be like the, you know, biggest change to expect on that side, I would say.

TIM SPENCE. I'm really excited about the potential for fungible collateral that can move around the world and across exchanges and otherwise. We have a couple of clients who run large exchanges who are exploring that sort of mobility, and it would make a material difference to the institutional investors and counterparties that trade on those exchanges.

CHARLES CASCARILLA. I think one of the interesting components is that if you really kind of look at the dollar on a first-principles basis, it's basically a wrapper. You know, it's kind of a wrapper today for government securities, maybe some gold, some other things that are on the Fed Balance Sheet. It's a wrapper. But, you know, essentially, a stablecoin is an even smaller subset of what the dollar is. It's basically only cash and cash equivalents, only T-bills, only overnight repo, and some bank cash.

And you can imagine, once you start having tokenized treasuries and tokenized repo, as Tim was saying, you can actually completely change the way in which the collateral mechanisms work for how you could run repo programs, how you'd be able to instantaneously be able to create a stablecoin on chain. A lot of the frictional elements of stablecoins start to disappear. It

actually becomes, you know, quite democratized. And, you know, I think there's so many questions that come up around, well, you can't really have stablecoins pay interest. And I think the GENIUS Act struck a good compromise there. But in some ways, I think that really just becomes a bit of a sideshow when you have tokenized treasuries because you're then able to immediately swap in and out of something that's giving you yield into something that isn't giving you yield. And so, then, you know, you can have that artificial construct, which makes sense in some sense. But, you know, that's not really the ultimate end space for what stablecoins are going to look like or even the financial system will look like because you can have the underlying assets themselves be able to move just like a stablecoin moves.

HEATH TARBERT. One area you asked specifically about AI that I think about, and this may be beyond 12 to 18 months, but there are people right now that are thinking through these issues and working on them. It's sort of the economics of AI itself, right? If I have a website, an encyclopedia, and AI is visiting that website, calling data from it, it's possible in the future no one will visit my website anymore. So I'm a producer of data. I'm a producer of content. And at some point, you've got to interact with the AI and perhaps charge something. And I can't help but think that agentic payments plus programmable money, stablecoins, could play a role in that whole new emerging economic system that we're still trying to figure out.

KYLE SAMANI. All right. And now, we will jump into Q&A. Our first question here, of course, is coming from Anonymous. And this one's for Charles and Heath. Fast-forwarding a decade, how do you think proof of reserves will work, and how will it be different from how it works today?

HEATH TARBERT. Well, the good news is we've got the GENIUS Act. That'll be implemented. So we'll have the transparency that's there. But I think if you potentially combine

that with AI agents and zero-knowledge proofs, there could be something there as well. But right now, the GENIUS Act solves that through transparency, through audits, so sort of the old-fashioned way. It's entirely possible there could be other ways of making sure that those reserves are confirmed as well.

CHARLES CASCARILLA. The way it works today is I think Circle and us, we do monthly attestations. We have KPMG, and they look at what's in the bank accounts, which is actually the hard part. And then they look what's on-chain and they say, yes, that matches up. And you could try to do that more frequently, but it's actually the complexity is not what's on-chain. It's what's off-chain. You know, how can you get that snapshot and, you know, be able to get it reliably? And maybe the way I was just answering the prior prompt is that when you start having the underlying assets on-chain for the stablecoin, well, then, you know, it's very simple. You know, it's very easy to do that match and be able to see it completely directly in real-time at all times. And so, I don't think it's going to take 10 years to get there. I think, you know, the tokenized treasury market is already starting to grow, and it could be quite significant in a relatively short period of time. I could imagine in something like three or four years a situation where, you know, maybe the percentage of your reserves for a stablecoin that are not held in on-chain format could be quite low. But ultimately, you have to have it be 100 percent in order to be able to really have it be 100 percent matched same to same. But I certainly think we're going to get there.

KYLE SAMANI. All right. Next one here is for large-volume financial market settlements. What resilience features should stablecoins have beyond those required in the GENIUS Act? This one's for anybody. Maybe the GENIUS Act is perfect. All right. I guess no one's got anything. GENIUS Act is perfect. There you go. Thank you, Senator Hagerty and team.

All right. Chad, here's the question you were expecting, of course. With the problems last week, what went wrong with the minting process? Did the blockchain work as expected? And I guess for context, for those that don't know, I think last week, PayPal, for 24 minutes or thereabouts, printed 300 trillion U.S. dollars and then unprinted them.

CHARLES CASCARILLA. We printed it, actually. Don't cast aspersions here. The mistake was entirely ours. Certainly, we didn't operate at the standards that we expect of ourselves. You know, there is an interesting situation where you try to determine where does it make sense to be fully automated and where does it make sense to have manual interventions in order to be able to create additional levels of security. And in this case, our operational manual processes were put into place for a deliberate reason in terms of being able to create very secure cold minting processes. But it's something that we rarely use. And so, that led to an error in how much was minted. We knew within, you know, a minute or two. It all was contained on our system. It never left our system, which, by the way, should never diminish how seriously we take this. But it did, of course, lead to there being an over-mint of a fantastically large number and, of course, the unwind of it.

I think that, you know, the importance of this, to me, is it underscores the value of the blockchain. It actually shows the transparency that you can immediately have into what's going on. And so, in this case, an operational error that was entirely internal to our systems is now immediately visible to everybody. So I'm sitting here, of course, talking about this and making it really clear about what we could do better. But that's important because that means you can have this level of transparency throughout the entire financial system over time. That's a really positive thing. You know, it's, of course, painful to go through. But I think you could just imagine having a world where you would be able to see exactly what's happening in real-time and being

able to have that level of transparency to understand how firms are functioning. And that can create confidence in the financial system in a way that the opacity that exists today has really limited. And that's why you get accelerator effects, and that's why you get run on banks. It is because you don't know what you don't know. And so, you're never going to have a perfect world where everything is completely transparent. But the more transparency you have, I think the better the financial system will be over time.

KYLE SAMANI. All right. I think we have time for maybe one more question in here. And, of course, this is a nice one for us to wrap it up. If stablecoin issuers can theoretically have Fed payment accounts themselves, what need is there for banks in the workflow?

FERNANDO TERRES. Well, there is a big value intermediation, right? And, you know, like, if you don't have bank deposits, then the bakery perhaps cannot get a loan. And there's a massive value in that. And I think, like, anyone who's rejecting that value is not really understanding how the economy works. So, of course, it would be a lot of value for banks. And perhaps this might be like a sort of Marxist view, but if stablecoins eventually bring transactional value, cost to zero and the margins get compressed in transactional business, perhaps the implication would be that financial technology would be all about balance sheet in the end, right? So perhaps the question would be the opposite, and, you know, banks would be even more important.

TIM SPENCE. And I may just leave it at that. I don't know that -- I think the point that you made, Fernando, that's dead on is I don't know how much people understand about the business, and not just the role that we play as a safekeeper of deposits, but as a provider of multiple payment services, as a lender, the role that we play in maturity transformation, which is important from an economic perspective, to your point.

And I just think at the end of the day, all complex ecosystems require integrators. Okay? They just do. And for the average individual, potentially short of health care, is no more complex, opaque, harder-to-navigate ecosystem than managing your personal finances. And the byproduct of that is, with the exception of people who live day-to-day, there will be value to bundling and to the build-out. There will be value to bundling and to the build-out of services around the actual currency itself. Because if that wasn't the case, then, you know, for the last 50 or 100 years, we would have just been carrying stacks of cash around in wheelbarrows, right?

HEATH TARBERT. And maybe I'll add my two cents with two hats on. First, my circle hat, then as a former regulator. So wearing my Circle hat, I mean, we put billions back into the banking system. It's really important to us that we're able to put money back into the banking system so it is, in fact, continuing to do credit, you know, generation, credit intermediation. And I think, you know, we are very supportive of that. The last thing we want to do is have a situation where the banking system is disintermediated, right? Stablecoins are meant to be a payment mechanism, meant to be a version of cash.

Wearing my former regulator hat, there are, however, certain instances, and I witnessed those as CFTC chairman during the COVID crisis, where our clearinghouses in the United States, the large, important financial market utilities that didn't necessarily have a Title VIII designation and, therefore, didn't have Fed accounts, found themselves awash with cash, tons of cash with variation in initial margin with no place to put it. Because the banks, to argue your point out there, is the supplemental leverage ratio disincentivized banks to hold cash. And therefore, we had a scenario where the clearinghouses had all this cash on hand. Banks didn't want to take the cash, and we were in a major conundrum. So I would say there are instances where having a deposit-only account, not discount window access, not any kind of, you know,

borrowing facilities, but just a safe place to put cash in certain circumstances would probably provide a stability backstop for the stablecoin industry.

CHARLES CASCARILLA. I also think, you know, one of the important benefits of GENIUS and having payment stablecoins is that you can now separate fractional money, which I think is very important, from money that you're using in the payment system. And so, having non-fractional money that is able to move through the payment system creates a capacity for there to be more resilience in financial crisis, where you can have accelerator effects or you can have run-on banks. And when they were conjoined together, which they really had to be because of just the limitations from a technological standpoint, you know, you had whole parts of the payment system that were locking up when certain banks were having problems. And actually, having some capacity to have those not be totally intertwined can be very effective in times where I think there are systemic risks that really become endemic in the system. And certainly, part of that could be having use of a Fed master account. And it doesn't even have to be necessarily being able to go into debit at the Fed. It's simply being able to have funds that you're able to put at the Fed. And so, in that way, you can not necessarily disintermediate the banking system, but you can create a mechanism for intermediation to continue through the payment system even when there are times of stress.

KYLE SAMANI. All right. Actually, we do have a few more minutes. I misread the clock. So a couple more for y'all guys. Any thoughts from this group on how the issue of revocability might be addressed in the stablecoin ecosystem?

HEATH TARBERT. That's probably for me. Yeah. So it's very important that transactions on blockchains are irrevocable. And as I said before, one of the things that the Basel Committee and others have said is an issue with certain blockchains is the fact that you have the possibility

of having 51 percent attacks and you have probabilistic settlement as opposed to final deterministic settlement. So no question that anytime something is on a blockchain, we really do need settlement finality. That's a separate issue than the one which is in a world of consumer payments, where chargebacks have become an important part of the way that our consumer payment system works. Is there the ability to create some kind of opt-in as an application layer on a blockchain to facilitate chargebacks, right, to bring some of those great things that we have in the scaled financial system of today into the Web3 world? So that's the way I think it's -- If there is a need for something like that, it would be done through an application layer that everyone would opt into voluntarily and, at the same time, preserving the irrevocable nature of the underlying blockchain transaction.

KYLE SAMANI. All right. Going on a list here.

TIM SPENCE. Can I just say one –

KYLE SAMANI. Go for it.

TIM SPENCE. I think there's a really interesting question on this one because, given your point, like, there are some use cases that are not amenable to being switched, right? One of the things that drives me nuts is whenever we try to compare the cost of accepting a stablecoin to the cost of accepting a credit card payment because if the decision on what sort of payment to accept was entirely in the hands of the merchant, right, they wouldn't be accepting credit cards today. The reason they accept credit cards is because people want to pay with them. And people want to pay with them because they want float or credit or rewards or the consumer protection associated with the ability to charge back a payment that you didn't make, right? So those are features of the product. We spend too much time on the -- And those features require economics to be able to

provide them, right? It's a simple utility. And the economics around the payment, you know, then are attached to the provision of those sorts of features. And my own personal view on this one is we could spend a lot of time trying to replicate the feature functionality of all the different legacy payment methods and get nowhere because what would happen is the cost to accept a stablecoin would have to go up in order to support all of these sorts of benefits. And in turn, you wouldn't see any sort of value shift, whereas we have payments that move today in places where revocability isn't a requirement, right? It's not a valuable feature. And just mining those markets has got to be a huge tam for people who are out there. So trying to get every rail to do everything doesn't seem to me to be the right long-term solution. You know, given that the rail that exists, the tech that exists today, there's a massive capacity overhang to do things where some of the things they can't do aren't a big problem.

KYLE SAMANI. All right. Going next on the list here. Are we more likely to see existing payment rails like SWIFT move to leverage stablecoins or see new rails for banks to adopt?

TIM SPENCE. Man, I feel like that one's mine. I'm fond of I think it's one of the a16z folks. But, you know, the saying that the sort of battle for any market comes down to whether the incumbents get the innovation faster than the disruptors get distribution, right? And that's what you're going to see with all of the legacy payment utilities here, is that legacy payment utilities have to find a way to rewire around new technologies, new protocols faster than the insurgents find, you know, financial institutions that are interested in riding on the rails. And I don't know that I would handicap that. But things that move large volumes have to be built to avoid hard right turns. And it means, inherently, they have to be slower, right? And, you know, in this particular case, like our stance as a company has been to keep our options open. You know, I tend

to think that the insurgents may get the escape velocity faster than a lot of the incumbents are able to adopt the innovations in this particular market. But there's no -- That that's by no means settled.

KYLE SAMANI. All right. Another one for Tim. What's the net impact of stablecoin adoption on credit creation? Do stablecoins drain capital from banks, institutions that primarily extend credit?

TIM SPENCE. I mean, they wouldn't drain capital. They would drain deposits. And deposits are the more relevant factor here because we hold a buck in capital for every 10 dollars in loans that we make, right? And therefore, we need the deposits to be able to support the level of lending. That comes down to the rules that need to be written around anti-circumvention on the GENIUS Act. Okay? It's clear to me that the intention behind the law was to prevent stablecoins from earning interest. It's not clear to me based on the behavior in the market that everybody intends to abide by those rules. And if stablecoins are allowed to pay interest, they pose a threat that is equivalent to, but potentially far greater than, money market mutual funds did when they were introduced many, many years ago. And that would have a direct impact, you know, on credit formation. I think there are some clever strategies there. So to the point that Heath made earlier, Circle round-trips deposits back into the banking system. You know, that's quite useful in terms of supporting the ability to form credit. But if my read is right and the intention of the law was to prohibit people from paying interest, we should just get about prohibiting people from paying interest, whether they call it rewards or anything else, right?

KYLE SAMANI. All right. Speaking of yield-bearing stablecoins, Heath, this one's for you, but others feel free to jump in. Why should or shouldn't we have regulated yield-bearing stablecoins in the United States?

HEATH TARBERT. Well, the answer is we do. They're called tokenized money market funds. And so, that's the Circle position, is that a stablecoin is the effect of the equivalent of cash. We think the Genius Act got it right. Backed one for one. Anytime you're paying out and it's paying out interest, it obviously introduces more risks. But that said, we do think there's a need, obviously, for interest-bearing instruments and interest-bearing digital collateral. And so, we've created, it's not available in the United States, but something called USYC, which does precisely that. But Circle's always taken the position that it's a security. It's a tokenized money market fund. And so, I think those distinctions make a great deal of sense, and they're consistent with current law, including the Genius Act.

KYLE SAMANI. All right. I think we've actually made it through all of the questions. And I think we're probably coming in on time as well. So I think we landed the plane successfully, gentlemen. Thank you all.

[Applause]

SUSAN FOLEY. Thanks to Kyle and all the panelists.