

The Future of Stablecoins: Stablecoins and the Evolution of Digital Payments

Remarks by Ignazio Angeloni

Senior Fellow, IEP Bocconi and SAFE

DIGITAL ASSETS SUMMIT 2026

Cyprus, 7 July 2026

The American physicist Freeman Dyson, one of the great scientists of the 20th Century, is reported to have said: “It is better to be wrong, than to be vague”.

Today I've chosen to follow his advice: I'll be very clear and explicit in my message. You be the judge of whether I'm wrong!

1. Payment innovation and the role of stablecoins

The fundamental point I want to make is that stablecoins, in their present form, are not a very promising form of financial innovation.

Stablecoins are a “new entry” in the payment universe. Before the pandemic they barely existed. Now they are central to all discussions about the payment system.

Views are divided. According to some, they are the frontrunners of the monetary system of the future. For others, they are another example of financial madness. Where is the truth? Is it at one of these extremes, or somewhere in between?

To answer, we need to consider two separate questions:

1. What are the requirements a good monetary instrument must possess?
2. Do stablecoins fulfil these requirements, so as to be successful as a general purpose payment means?

2. Features of a good payment instrument

Let me start with question 1.

Theory and experience demonstrate that a good monetary instrument must possess certain characteristics.

The most important one is general acceptance: to receive an instrument in payment, people must be confident they will be able to give it out in the future.

This is a self-fulfilling process. The more people use a given form of money, the more others will accept it because they know they can give it away later. This “network externality”, favors incumbents. Initially new forms of money struggle to be accepted, but then a virtuous circle may set in whereby they become increasingly popular.

All digital instruments we use every day – cards, smartphone applications, PayPal, etc. – went through this cycle, initially challenging incumbents and then becoming incumbents themselves.

General acceptance in turn requires two characteristics.

One is “singleness”. Every unit must be equivalent to any other, otherwise it cannot provide a good measure of value. In order to have this property, a payment instrument must be convertible without limit in central bank money at a fixed rate. Central bank money (banknotes, bank reserves) is the trusted standard of value. Bank deposits are guaranteed a constant value by contractual arrangements that ensure convertibility with no limit or cost. The deposit contract also includes a deposit guarantee backed by the government.

The other condition is stability over time. Money’s value must be reliable. Nobody wants to hold a “money” whose value changes at any point in time, because this makes holding risky and use for future transactions doubtful. Money is a bridge in time: I accept money today counting on the fact that I can use it in the future. Stability in value is an essential condition for that bridge to be solid.

General acceptance; singleness; stability: these are the benchmarks we must use to judge if a monetary instrument is, or is not, adequate for payments.

3. Do stablecoins possess those features?

Let’s move now to our second question.

Stablecoins barely existed before 2020. Stablecoins rose initially as an ancillary instrument of other crypto assets, largely bitcoin. Traded on the same crypto platforms, stablecoins are the “money” that crypto holders conveniently use when transacting in and out of other crypto instruments. This is the main function they still have today.

One interesting measure of popularity is the frequency of quotes in the internet, which one can obtain from Google Trends. The frequency of quotes of stablecoins in the web is highly correlated with political events: Russia’s invasion of the Ukraine, Trump’s second term in the White House. As well known, the Trump administration made stablecoins a center piece of the administration’s financial policies. It is never a good sign when a financial instrument is propped up for political reasons. The GENIUS Act was passed in July last year; this coincided with a peak in popularity of stablecoins. In spite of that, stablecoin capitalization remains relatively small: barely above 300 billion UD dollars. Far from increasing, it has flattened out lately.

Let’s look in some detail at what stablecoins are essentially.

They are private, tokenized assets exchanged in blockchains on distributed ledgers. “Private” means that they are issued by private intermediaries, banks or other. “Tokenized” means that their contractual characteristics are bundled in a digital token. “Distributed” are ledgers all participants have access to and have some control over. Finally, “blockchain” denotes the way transactions take place, not one transaction at a time in batches (“blocks”), requiring an algorithmic procedure to be validated.

Financially speaking, stablecoins are assets whose value is supposedly backed by portfolios of liquid collateral, including bank deposits and treasury bills. The collateral supports the peg to an official currency: one stablecoin is supposed to always equal one dollar, or one euro. Collateral pools are regulated by law; respectively, MiCA in the EU, which is already in force, and GENIUS Act in the US, which will enter into force next year.

It is important to understand that these characteristics I mentioned (private issuance; tokenization; distributed ledgers, blockchain) are not inextricably linked. They can be separated. It is possible to have private money which is neither tokenized or exchanged on distributed ledgers; for example, bank deposits. It is also possible to have public money traded on a distributed ledger, though this is less common. The project Pontes launched by the ECB, whose pilot is to go live later this year, consists of tokenized central bank money exchanged on a permissioned distributed ledger.

I am getting closer to my central point. Let's consider again the three criteria – general acceptance, singleness, stability.

As of today, stablecoins are not generally accepted. Not yet, perhaps? Could they be in the process of becoming incumbents, like others have done? I doubt it. For one, exchange on distributed ledgers is cumbersome, slow and costly, not suitable for daily transactions. Stablecoins remain largely confined to crypto circles. They are also used widely for criminal activities, which not a good premise for general acceptance.

Stablecoins fail to fulfil the other two conditions as well.

Being private assets backed by collateral, their value depends on the creditworthiness of the issuer. Like banknotes in the “free banking” era of the 19th century were subject to a risk discount, so stablecoins prices move up and down and differ from one another. The “singleness of money” is jeopardized.

In spite of their name, stablecoins are not guaranteed to remain stable in time either. Unlike for bank deposits, whose value is protected by a deposit guarantee, no similar protection exist for stablecoins not is it foreseen to be put in place by regulators, either in Europe or elsewhere.

4. Concluding observations

I am approaching my conclusions.

For the reasons I have outlined, stablecoins as presently designed are unlikely to exit their narrow boundary and acquire general use. This is particularly true for retail, because retail traders value stability and certainty more than anything else. But the same problems also make their use for wholesale transactions problematic.

That said, certain features of stablecoins are promising and likely to find broader applications. Tokenization allows for efficient asset exchange by bundling and trading together contractual characteristics and facilitating programmability. Bundling and programmability are not necessary everywhere, but can be useful in certain contexts.

A few days ago, at the ECB conference in Sintra the governor of the central bank of Korea, Hyun-Song Shin, has described a project developed in his country, HANGANG, which will permit the tokenization of a number of financial arrangements, possibly including public procurement contracts. Tokenization reduces costs and speeds up transactions in situations where multiple contractual characteristics are conveniently bundled and traded together.

At the same time, structured trades, where several contractual features are linked, are also more rigid. My impression is that tokenization may be important in some areas, but will never be pervasive in the broader financial system.

The advantages of tokenization can be exploited in combination with features of the mainstream monetary sector and the associated prudential framework. The market is moving spontaneously in this direction. Recently, it was announced that a group of US banks, including the largest ones, has created a consortium to launch tokenized deposits, combining the traditional safety net of bank deposits, with exchange on a permissioned blockchain. The project, with a network of participating banks acting as clearing house, is designed to serve the wholesale payment needs of large corporations.

In Europe, project Pontes will add a distributed ledger onto Target, the ECB payment infrastructure among central bank counterparties. This will make tokenization and programmability of central bank money possible.

These are steps in the right direction.

Crypto markets may appear puzzling on occasions, contradicting economic logic. But eventually market innovation – especially if well regulated, which also means not excessively regulated – can be counted on to move in the right direction. I think sablecoins will prove useful, even if some elements of them are eventually discarded.

Thank you for your attention.