Stable Coins

July 23, 2025 • vajiramandravi.com

Stable Coins Latest News

The US House of Representatives recently passed the Genesis Act, a bill to regulate US dollar-pegged stablecoins.

About Stable Coins

- Stablecoins are a **type of cryptocurrency** whose **value is pegged to another asset, such as a fiat currency or gold, to maintain a stable price.**
- They strive to provide an **alternative to the high volatility of popular cryptocurrencies,** making them potentially more **suitable for common transactions.**
- Stablecoins can be **utilized in various blockchain-based financial service**s and can even be **used to pay for goods and services.**
- Although the term “stablecoin” is commonly used, there is **no guarantee that the asset will maintain a stable value** in relation to the value of the reference asset when traded on secondary markets or that the reserve of assets, if there is one, will be adequate to satisfy all redemptions.

- **Types of Stablecoins:** There are primarily **three types** of stablecoins: **fiat-collateralized, crypto-collateralized, and non-collateralized (algorithmic).**
    - **Fiat-collateralized stablecoins** are **pegged to** a specific asset, such as a **fiat currency.** The **entity** behind the stablecoin **maintains a reserve of the asset** or assets backing the stablecoin, supporting the value of the digital currency.
    - On the other hand, **non-collateralized (algorithmic) stablecoins use software algorithm**s to **automatically adjust the supply** of the stablecoin **based on demand**, aiming to maintain a stable price.

What is Cryptocurrency?

- **Cryptocurrencies** are **digital or virtual currencies** in which **encryption techniques are used to regulate the generation of their units and verify the transfer of funds.**
- These currencies **operate independently of a central bank.**
- The economic **transactions** underlying cryptocurrency **are decentralized, distributed, and disbursed.**
- The **first and most famous** cryptocurrency, **Bitcoin** was introduced in 2009.
- **Technology**:
    - Most cryptocurrencies are built on **blockchain technology.**
    - Blockchain is a **decentralized and distributed database on a peer-to-peer network** which works on the basis of a **consensus mechanism involving every node (computer) on the network.**
    - Blockchain is a peer-to-peer distributed network that **records a public history of transactions without actually recording identities of the parties or the transaction details.**

Source: NOA
