

Presto Original

Stablecoin 2.0: Falling Yield and Revsharing

October 10, 2025

Peter Chung | Head of Research

peterchung@prestolabs.io

Contents

- | | |
|---|--|
| Summary | 3. Long-Term: Emerging New Market Dynamics |
| 1. Introduction | 3.1. Stablecoin 2.0 Era |
| 2. Short-Term: Rate Cut's Impact | 3.2. Case Study: Open Issuance |
| 2.1. History Rhymes | 4. Winners & Losers |
| 2.2. Mutatis Mutandis ("Adapting
Lessons to Current Conditions") | 4.1. Losers |
| 2.3. Three Takeaways | 4.2. Winners |



Source: Presto Research

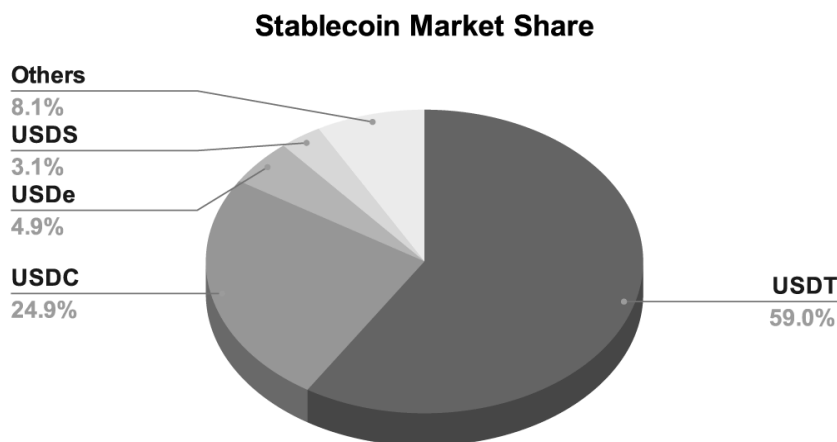
Summary

- Anticipated interest rate declines will intensify competition among stablecoin issuers, as they race to expand asset bases and offset revenue losses.
- This pressure is compounded by an emerging structural shift: white-label solution providers offering revenue-sharing models are capturing market share from intermediaries seeking to launch branded stablecoins. Bridge's Open Issuance exemplifies the customizable solutions demanded in the next phase of stablecoin evolution.
- Losers in the Stablecoin 2.0 era include incumbents, capital control regimes, and slow-reacting TradFi intermediaries. Winners are select white-label solution providers, asset managers, and nimble banks.

1. Introduction

As stablecoins attract growing attention, the sector's landscape is poised for significant shifts both in the short and long term. In the short term, rising expectations for a lower federal funds rate over the next 12 months signal a reduced yield environment for stablecoin reserves. In the long term, Hyperliquid's open auction for USDH heralds not only the proliferation of branded stablecoins but also the advent of revenue-sharing models between issuers and intermediaries. Against this backdrop, this report examines impending changes in the stablecoin issuance market and key issues in identifying potential winners and losers in the space.

Figure 1: How Long Will It Stay This Way?



As of 10/6/25

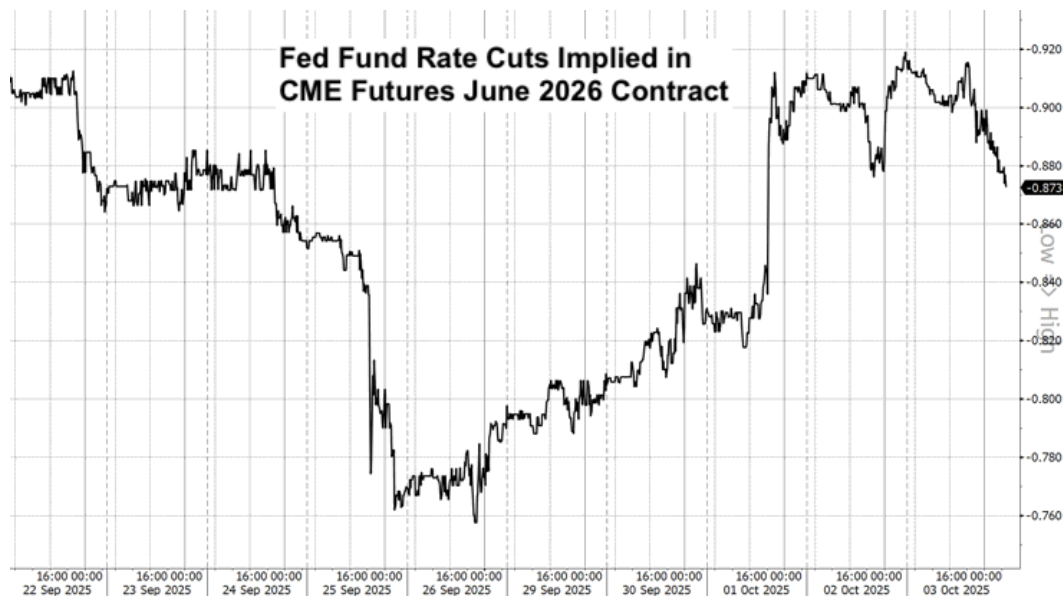
Source: DefiLlama

2. Short-Term: Rate Cut's Impact

Often overlooked amid the hype surrounding stablecoins is the fact that stablecoin issuers' profitability is beholden to the interest rate cycle; their revenue derives solely from interest income on their reserves, such as 3-month US Treasury bills. In essence, the stablecoin issuers' business model resembles that of a hedge fund manager running a money market fund, where revenue is proportional to return on their asset and the size of the AUM

This is especially relevant now, as expectations are rising for short-term interest rates to decline over the next 12 months. The CME futures market currently prices in a 75-100 bp rate cut through the first half of 2026 (Figure 2).

Figure 2: 75-100 bp Rate Cuts Expected by June 2026



Source: Bloomberg

If market expectations materialize and push the 3-month Treasury bill rate down to, say, 3% from the current 3.86% (as of 10/3/25), simple math indicates that stablecoin issuers in aggregate would lose about \$2.6B in annual interest income ($= \$300\text{B market cap} \times 0.86\%$). That said, this calculation assumes *ceteris paribus* (other things equal), without accounting for the rate cuts' second-order effects. In reality, a rate cut of this magnitude would significantly alter investors' risk appetites, triggering capital reallocation across all asset-spectrums. To assess what this entails, we examine a recent rate cut episode as a reference – namely, the Fed's 100 bp rate cuts from September. through December last year.

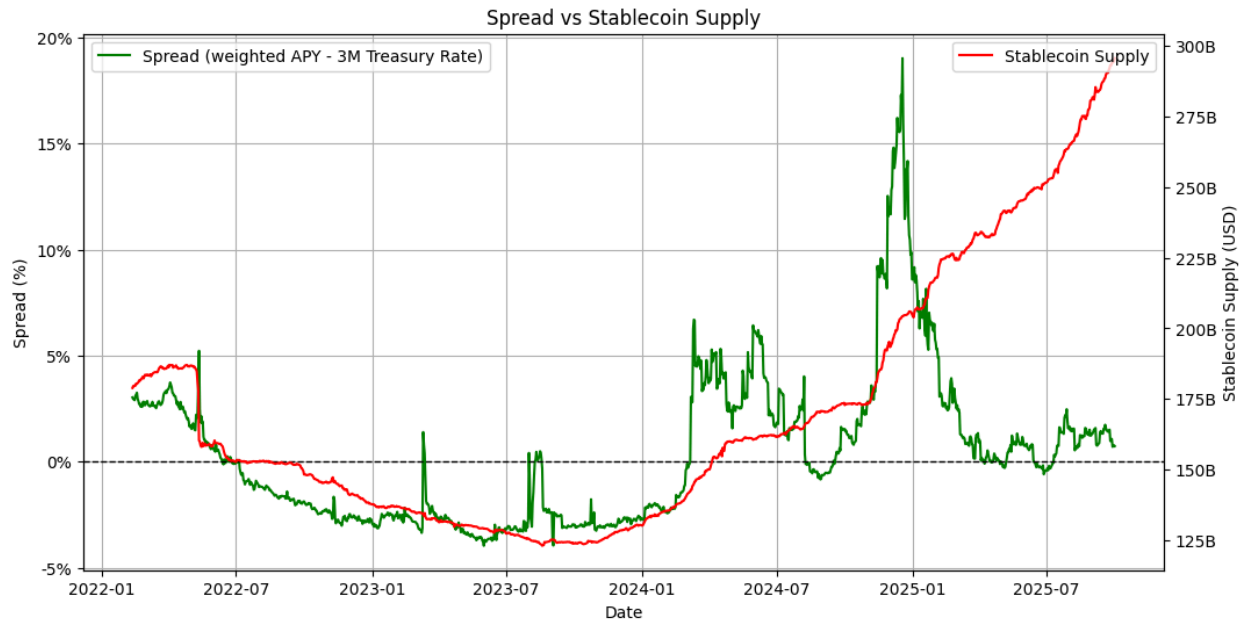
2.1. History Rhymes

During the Q4 2024 rate-cutting cycle, the yield on the 3-month U.S. Treasury bill declined from 4.65% to 4.25%. The cuts also ignited greater risk appetite, sparking rallies across risk assets, including crypto assets (Figure 3). This fueled demand for leverage and elevated stablecoin borrowing rate. As a result, the spread between on-chain USD yields and the 3-month Treasury bill widened, attracting yield-hungry capital from traditional banking. This dynamic drove a surge in stablecoin issuance, as stablecoins serve as the primary gateway for fiat on- and off-ramps (Figure 4). Presto's 4/8/25 research report [Unpacking Stablecoin's Dual Drivers](#) explores the relationship between the on-chain yield spread and stablecoin supply in greater detail.

Figure 3: Risk Assets Rallied During 4Q24 Rate-Cut Cycle



Source: Bloomberg

Figure 4: Positive On-Chain Yield Spread Helps Stablecoin Issuance

Source: DefiLlama, Presto Research

2.2. Mutatis Mutandis ("Adapting Lessons to Current Conditions")

To analyze the impact of a lower yield environment more dynamically, we first project stablecoin supply at the end of the first half of 2026. We do this by applying the framework from the report [Unpacking Stablecoin's Dual Drivers](#) to updated supply data, and assigning differentiated growth rates according to demand types. Our estimate is \$454B, based on the assumptions outlined in Figure 6. Assuming 3% 3-month Treasury Bill rate in end-June 2026, the stablecoin issuers in aggregate are estimated to generate \$2.2B revenue (Figure 5).

Figure 5: Supply Increase More Than Offsets Impact From Yield Decline

	Supply	3M T-Bill Yield (10/3/25)	3M T-Bill Yield (1H26 Estimate)	Income Gain	Income Loss	Net Gain
Stablecoin Market Cap (10/3/25)	\$297B	3.86%	3.0%		\$2.6B	
New Issuance	\$157B		3.0%	\$4.7B		
Stablecoin Market Cap (1H26 Estimate)	\$454B					\$2.2B

Source: DefiLlama, Bloomberg, Presto Research

Figure 6: Estimating Stablecoin Supply Based on Three Demand Drivers

Primary Demand Driver		On-chain Yield Spread	USD Access	Payment Integration (the GENIUS Act)	
Tokens		USDT ERC-20 USDC Branded Stablecoins Others	USDT TRC-20	USAT USDC PYUSD Branded Stablecoins Others	
Where Demand Originates		Global	Emerging Markets	US	
Cyclical vs. Secular		Cyclical Growth	Secular Growth	Secular Growth	
Growth Rate (Quarterly)		+17.4%	+7.9%	+4%	
Growth Rate Volatility		High	Low	Low	
Reasoning		We assume that 1) stablecoin's DeFi usage started with Compound's token launch on June 15, 2020, which kicked off the DeFi Summer of 2020, 2) stablecoin supply growth excluding USDT TRC-20 during that period captures speculative demand.	We assume that USDT TRC-20's growth trend during the June 2022-March 2024 period, when the on-chain yield spread remained negative, best captures the stablecoin's non-speculative demand.	We conservatively assume the payment integration will drive stablecoin demand at 1/2 of the emerging market demand growth rate, factoring in the competition from the incumbents.	
Comment		Applying the framework from 4/8/25 report	Applying the framework from 4/8/25 report	New assumption	Total Stablecoin Supply
Stablecoin Supply	3Q25	\$222B	\$76B	-	\$298B
	4Q25	\$261B	\$82B	-	\$342B
	1Q26	\$306B	\$88B	\$0.200B	\$394B
	2Q26	\$359B	\$95B	\$0.208B	\$454B

Source: DefiLlama, Presto Research

2.3. Three Takeaways

The analysis yields three takeaways.

First and foremost, although the overall stablecoin market is poised for growth, competition among issuers will intensify as never before. This pressure is acute as issuers scramble to offset impending yield declines by expanding their asset bases.

Second, reserve yields face mounting pressure to be shared between issuers and intermediaries – a trend crystallized by Hyperliquid's public USDH auction. Intermediaries will increasingly demand a slice of the issuance economics, rendering reserve yields alone insufficient as the primary revenue model in the Stablecoin 2.0 era. Depending on the pace of this shift, even the \$2.2 billion annual profit estimate for issuers above carries downside risk; the next section explores this more.

Finally, while the analysis reaffirms the importance of high yields on short-term sovereign debt for stablecoin issuers, it underscores an uncomfortable reality for most non-U.S. jurisdictions: their yields are too low. This is a critical yet often overlooked point in an industry steeped in U.S.-centric narratives. Moreover, some regions lack well-functioning, liquid money markets to enable seamless stablecoin operations comparable to that of the USD stablecoin.

Figure 7: Not Lucrative Enough

G7 Countries	3-Month Sovereign Yield
United States	3.94%
Japan	0.47%
Germany	1.59%
United Kingdom	4.07%
France	1.97%
Italy	1.88%
Canada	2.37%

As of 10/9/25

Source: tradingeconomics.com

3. Long-Term: Emerging New Market Dynamics

3.1. Stablecoin 2.0 Era

Over the next few years, stablecoin issuers' business models are likely to undergo profound changes, driven by three emerging trends summarized below (Figure 8).

Figure 8: Emerging Trends in Stablecoin Sector

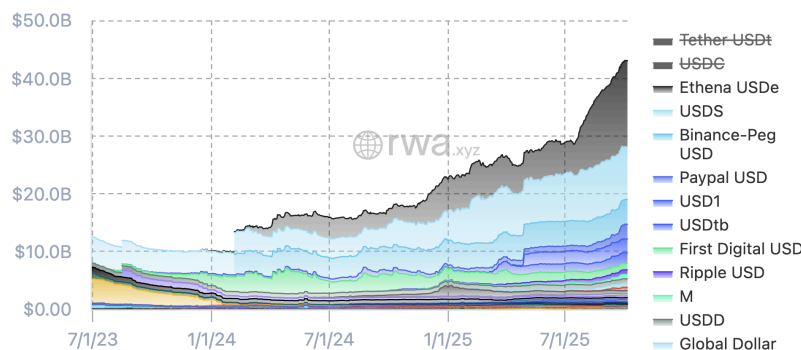
Demand From:	Supplied By:	Supporting infrastructure
Intermediaries with sticky end-users	New generation of stablecoin issuers	Interoperability solutions
<u>What They Want:</u> <ul style="list-style-type: none"> - Access to reserve yield - Tailored-configuration - Control over minting & burning 	<u>What They Deliver:</u> <ul style="list-style-type: none"> - Customizable white-labeling solutions with revsharing at a minimal cost 	<u>What They Enable:</u> <ul style="list-style-type: none"> - Easy cross-chain swaps - Solving liquidity fragmentation problem
<u>Who:</u> Hyperliquid, Phantom, Metamask, Dakota	<u>Who:</u> Anchorage, Brale, M0, Agora, Bridge	<u>Who:</u> CCTP, Stargate, Across, Open Issuance

Source: Presto Research

These shifts place immense pressure on incumbents' models, which depend entirely on reserve yields for revenue. The clearest evidence comes from Circle: its SEC filings show that it funnels more than half its revenue to distribution partner Coinbase, which then redistributes it to USDC depositors as "rewards."

In recent months, a new cohort of issuers has emerged, offering white-label solutions designed for yield-sharing and steadily eroding market share from Tether and Circle. The chart below depicts the rapid growth of these newcomers this year, many of whom split yields with intermediaries. Competition will only escalate as banks enter the market in the post-GENIUS Act era. Castle Island Ventures' Nic Carter offers an incisive [overview](#) of this shifting competitive landscape.

Figure 9: Under-estimate Newcomers At Your Own Peril



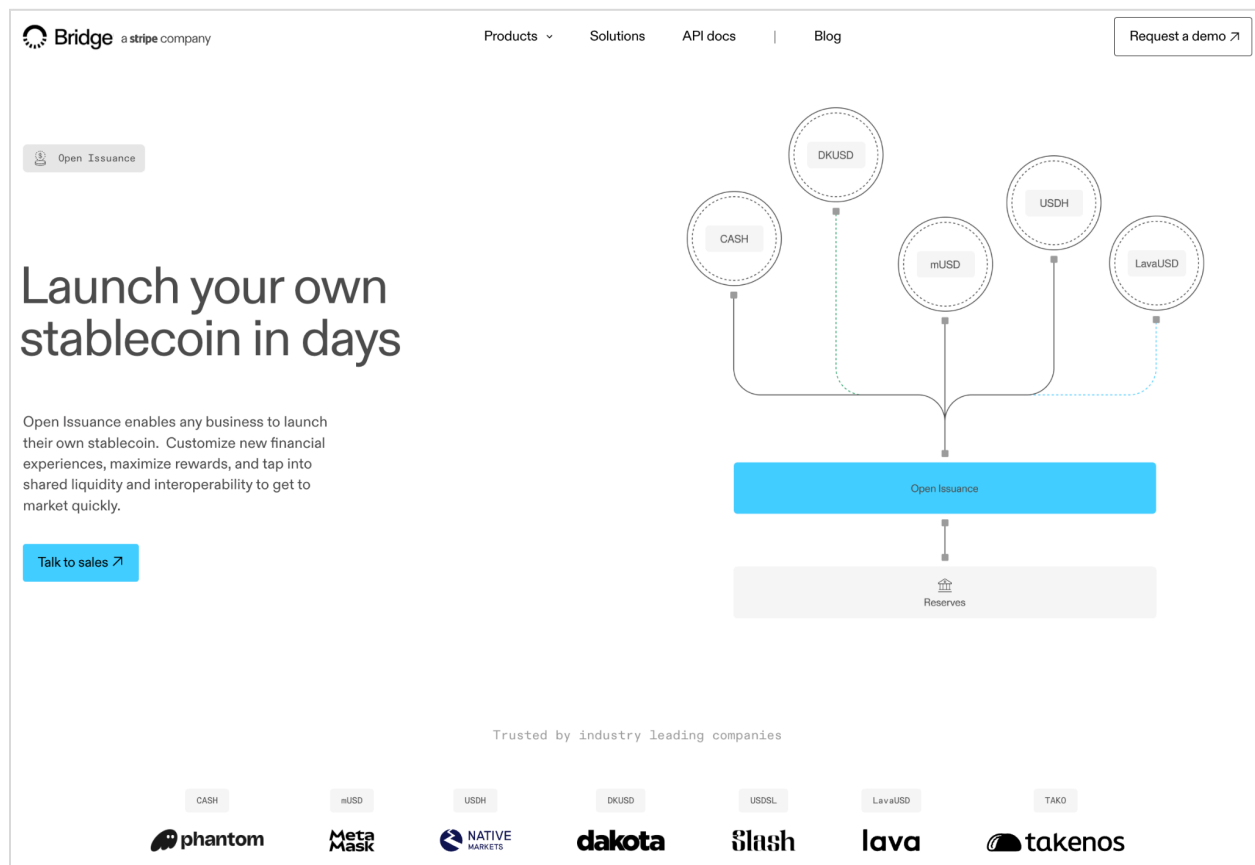
Source: rwa.xyz

3.2. Case Study: Open Issuance

Bridge's Open Issuance exemplifies the solutions demanded by this new breed of issuers. Launched on September 30, 2025, it delivers customizable white-label platforms for intermediaries to create and manage branded stablecoins tailored to their specifications. Beyond granting access to reserve yields, it allows customization of reserve compositions, issuance across preferred blockchains, and full control over minting and burning. Its integrated interoperability network enables seamless conversions between any two USD stablecoin variants or supported fiat currencies, reducing liquidity fragmentation. Phantom and MetaMask have already launched their branded stablecoins (CASH and mUSD, respectively) via Open Issuance.

These bespoke features are essential, as each business faces distinct requirements. For example, in a recent podcast, Bridge CEO Zach Abrams recounted how a startup neobank using the platform recovered a customer's funds after the loss of multi-signature wallet access: Bridge simply wired the cash equivalent while the neobank remotely burned the stablecoin, a maneuver impossible with USDC or USDT.

Figure 10: New Kid on the Block



Source: bridge.xyz

4. Winners & Losers

Various commentators have offered views on likely winners and losers in the Stablecoin 2.0 era. Here, we highlight [key insights](#) from Zero Knowledge Group CEO Austin Campbell, paraphrasing and supplementing with our own where appropriate.

4.1. Losers

Incumbents (Tether & Circle): As intermediaries increasingly recognize they have no reason to cede reserve yields to incumbents given viable alternatives, their margins will likely erode over time, though Tether's may prove stickier due to its emerging-market exposure. Both Tether and Circle's launches of proprietary Layer 1 blockchains may partly stem from efforts to safeguard assets under custody within controlled ecosystems. Another potential counter may be integrating white-label solutions into their offerings. Either way, the margin collapse seems unavoidable.

Capital Control Regimes: Many nation-states enforce capital account restrictions. But their citizens can now readily circumvent these through USD stablecoins, provided they have internet access and tradable value. The era of governments confining populations to dysfunctional banking systems via capital controls is drawing to a close. Many Asian jurisdictions – except Japan, Hong Kong, and Singapore – fit this profile, at least according to MSCI, which periodically evaluates global jurisdictions' investability based on market accessibility and other factors (Figure 11).

Slow TradFi intermediaries: Stablecoin 2.0 offers opportunities for the few visionary and agile in this group. For the rest who do nothing – whether banks, broker-dealers, or payment/remittance firms – it poses an existential threat.

Figure 11: Capital Account Restrictions in Emerging Markets

MSCI Market Classification:

Economic Development | Size & Liquidity Requirements | Market Accessibility

Developed Markets				Emerging Markets			
Americas	EMEA		APAC	Americas	EMEA		APAC
Canada USA	Austria Belgium Denmark Finland France Germany Ireland Israel Italy	Netherlands Norway Portugal Spain Sweden Switzerland UK	Australia Hong Kong Japan New Zealand Singapore	Brazil Chile Colombia Mexico Peru	Czech Egypt Greece Hungary Kuwait Poland	Qatar Saudi Arabia South Africa Turkey UAE	China India Indonesia Korea Malaysia Philippines Taiwan Thailand

Source: MSCI

4.2. Winners

White-Label Solution Providers: Competition will be fierce, so not all will prevail, but early outperformers can rapidly achieve escape velocity through network effects.

Asset Managers: As noted, reserve management forms a cornerstone of stablecoin operations. While some issuers may internalize it, many will outsource, opening doors for asset managers – especially those with expertise in money market products.

Nimble TradFi Banks: Banks are uniquely positioned to thrive in Stablecoin 2.0 by 1) supporting issuers with reserve management (e.g., repo trading) and fiat on-/off-ramps, or 2) issuing branded stablecoins themselves. Most will be slow and stumble, but a select few could upend the industry.

Consumers: Campbell articulates this most eloquently:

[currently] your bank offers you a terrible value proposition. When you deposit, they pay you nothing, they make a bunch of risky loans, and if it works, they pay themselves huge bonuses, and if it doesn't work, they stick you with the losses if you were above the FDIC limit [...]

Now you have an option to get away from that, so long as you have the internet. Put simply: well-regulated USD stablecoins will be one of the largest expansions of human rights in the past 50 years.

About Presto

Presto is an algorithmic trading firm where researchers and engineers solve challenging problems in global financial markets. Our core strength lies in combining engineering, mathematics, and science to navigate both digital asset and traditional finance markets with precision. Presto Research, our research unit, provides expert-driven insights to help navigate these markets effectively.

Find out more at <https://www.prestolabs.io>.

Follow Presto for more content: [X](#), [LinkedIn](#)

Follow Presto Research for latest research : [X](#), [Telegram](#)

Authors

Peter Chung, Head of Research [X](#), [Telegram](#), [LinkedIn](#)

Required Disclosures

Any expression of opinion (which may be subject to change without notice) is personal to the author and the author makes no guarantee of any sort regarding accuracy or completeness of any information or analysis supplied. The views and opinions expressed herein are those of the author(s) and do not necessarily reflect the views of Presto or its affiliates. This material by itself, is not and should not be construed as an offer or a solicitation to deal in any investment product or to enter into any legal relations. This material is for informational purposes only and is only intended for sophisticated investors, and is not intended to provide accounting, legal, or tax advice, or investment recommendations, or an official statement of Presto or its affiliates. Presto, its affiliates and its employees make no representation and assume no liability to the accuracy or completeness of the information provided. Presto, its affiliates and its employees also do not warrant that such information and publications are accurate, up to date or applicable to the circumstances of any particular case. Certain statements in this document provide predictions and there is no guarantee that such predictions are currently accurate or will ultimately be realized. Prior results that are presented here are not guaranteed and prior results do not guarantee future performance. Recipients should consult their advisors before making any investment decision. Presto or its affiliates may have financial interests in, or relationships with, some of the assets, entities and/or publications discussed or otherwise referenced in the materials. Certain links that may be provided in the materials are provided for convenience and do not imply Presto's endorsement, or approval of any third-party websites or their content. Any use, review, retransmission, distribution, or reproduction of these materials, in whole or in part, is strictly prohibited in any form without the express written approval of Presto. Presto Research and related logos are trademarks of Presto, or its affiliates.