

The Ethics of Stability: Examining USDC, Banking Dependence, and the GENIUS Act

By Kathryn Sullivan

What is Cryptocurrency?

- ❖ Cryptocurrency is digital money that exists only online
- ❖ It doesn't go through banks - instead, every transaction is recorded on a public system called the blockchain, which anyone can view but no one can change.

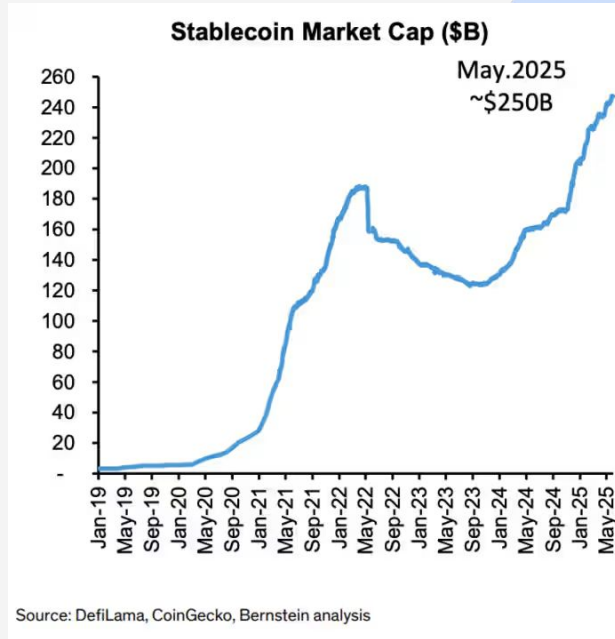


Now... What is Stablecoin & USDC?

- ❖ **Stablecoins = Digital dollars that stay at \$1**
 - Backed by real cash or safe assets held by **Circle**
 - Traded through blockchains
 - Used for fast, global payments without banks
- ❖ USDC, issued by Circle, is one of the most widely used stablecoins today.



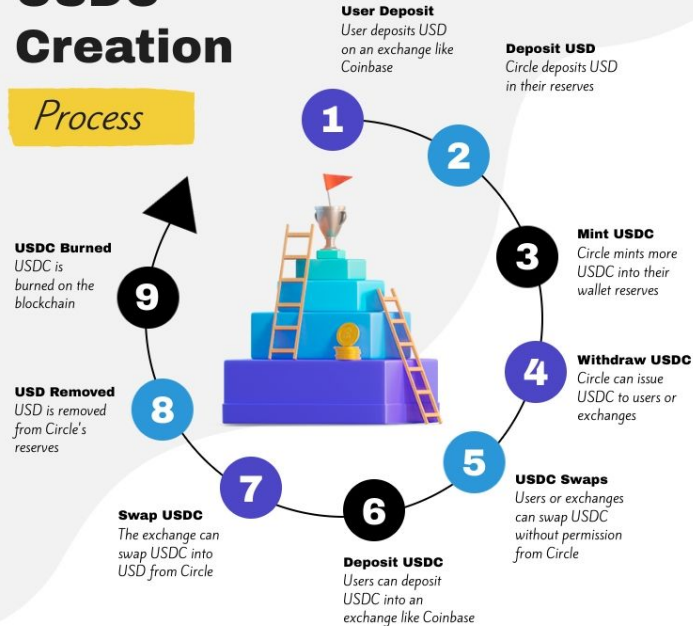
Now... What is Stablecoin & USDC?



How Does it Work?

USDC Creation

Process



How Does it Work?

BLOCKCHAIN

Bitcoin Balance
11,087.89543311 BTC \$42,964,375.86

Send Request

All Bitcoin... All Received Sent Trans

Date	Amount	Balance
11/03/19 @ 7:06 am	Sent \$6,588.27	1.70874321 BTC
11/03/19 @ 7:05 am	Sent \$3,352.35	0.87446629 BTC
11/03/19 @ 7:00 am	Sent \$4,532.34	1.17549906 BTC
11/03/19 @ 6:54 am	Sent \$9,734.57	2.51785326 BTC

TODAY'S PAYOUT

10:37

Transactions

All types Assets (1)

Bought BTC	Apr 15, 2020	+\$24,997.62	+3.55 BTC
Bought BTC	Feb 12, 2020	+\$24,000.00	+2.26 BTC
Bought BTC	Dec 17, 2019	+\$23,868.00	+3.48 BTC
Bought BTC	Dec 16, 2019	+\$25,000.00	+3.45 BTC
Bought BTC	Oct 16, 2019	+\$25,000.00	+3.08 BTC
Bought BTC	Mar 27, 2019	+\$24,542.07	+6 BTC

Blockchain.com Account DeFi Wallet

Accounts Balance €37,87

Buy Sell Swap Deposit Send Add cash Cash out

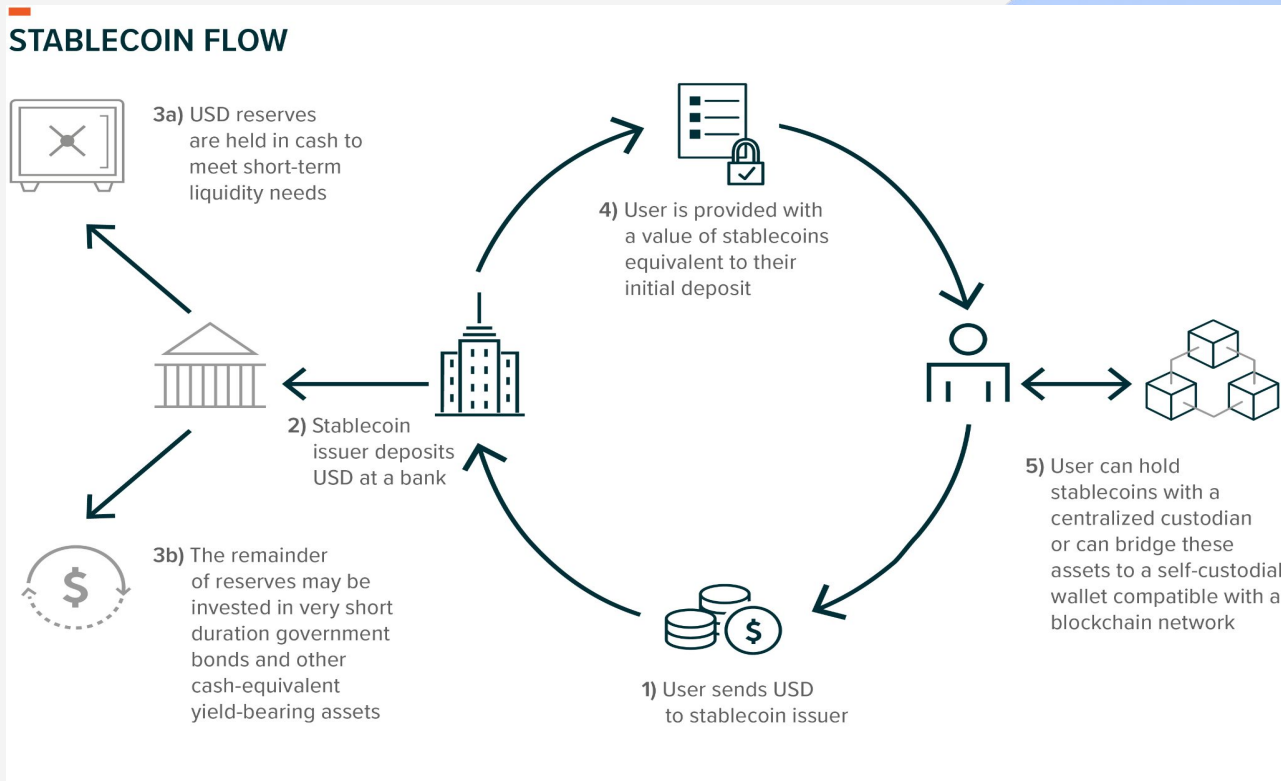
Net Worth €43,45

Asset	Balance
BTC Bitcoin	€28.26 (0.00026623 BTC)
XLM Stellar	€2.90 (28,482,2845 XLM)
USDP Pax Dollar	€0.60 (0.66484089 USDP)
DOT Polkadot	€0.22 (0.04723621 DOT)
Euro EUR	€13.89
British Pound GBP	€0.00
US Dollar USD	€0.00

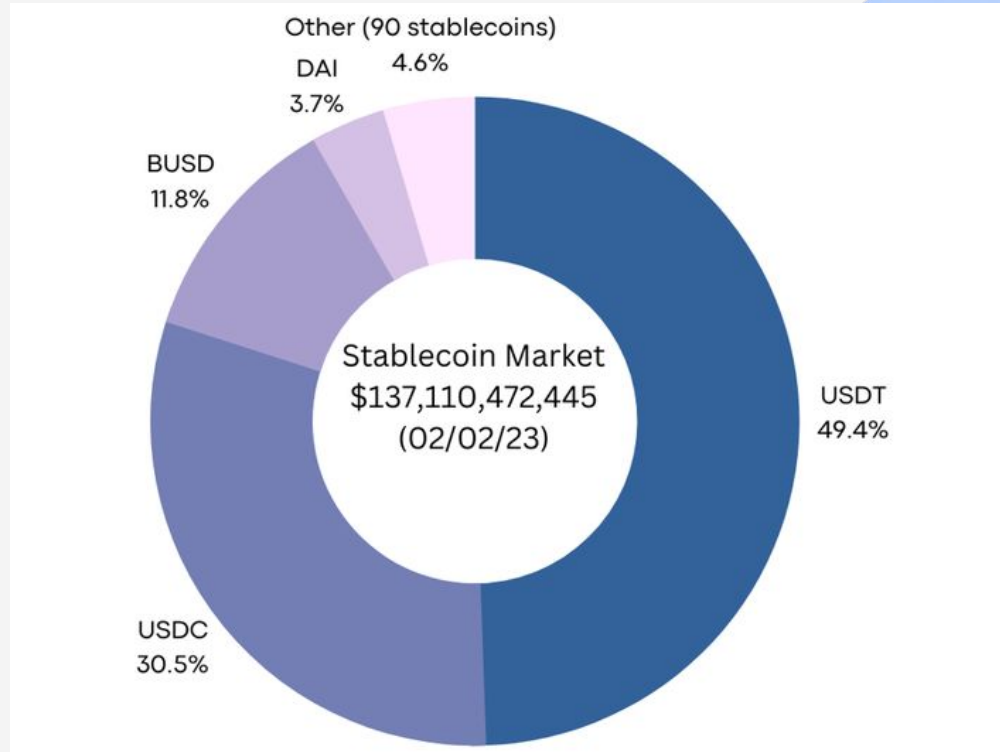
Stablecoins

Tether USDT	0.011255 USDT (€0.01)
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How Does it Work?



Circle Market Share



The GENIUS Act (2025)

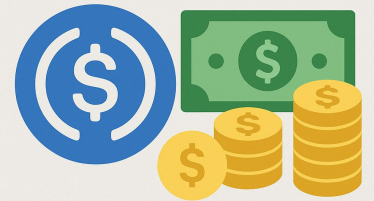
- ❖ First U.S. federal framework for stablecoins like USDC passed by President Trump
- ❖ Requires reserves held in cash or Treasuries, regular audits, and 1:1 redemption rights
- ❖ But loopholes remain — state oversight differs and compliance costs may exclude smaller players
 - Interest Income



The Ethics of “Stability” in USDC

- ❖ Marketed as “fully stable” and is truly stable per the Genius Act
- ❖ Question of is it ethically right for Circle to make interest income off investors money, and are they fully transparent about this?
- ❖ Per Genius act get priority in case of bankruptcy of company

INTEREST INCOME



The Ethics of “Stability” in USDC

In the following analysis, we modeled the impact of hypothetical changes in interest rates on our reserve income and distribution and transaction costs for the following twelve-month period. We assume that the amount of USDC in circulation throughout this period is equal to the amount of USDC in circulation as of June 30, 2025, due to the inherent uncertainties described above in respect of predicting or forecasting USDC in circulation; such changes in interest rates occur on July 1, 2025 and are held constant through the period and impact all reserve assets equally; and our allocation of reserve assets do not change, as we are unable to predict the market and yield reactions to interest rate changes. The table below summarizes the hypothetical impact on our operating results for the following twelve-month period based on our internal modeling, which are subject to uncertainties and limitations as discussed above (in millions):

Change in interest rates from average yield of 4.26% on June 30, 2025		Estimated change in reserve income		Estimated change in distribution and transaction costs
+200 bps	\$	1,235	\$	631
+100 bps	\$	618	\$	315
-100 bps	\$	(618)	\$	(315)
-200 bps	\$	(1,235)	\$	(631)

The Ethics of “Stability” in USDC

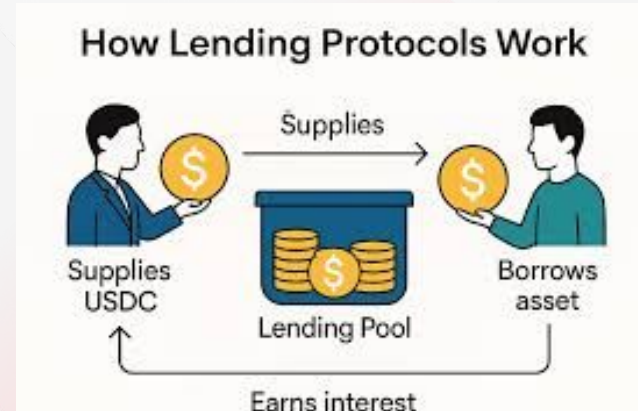
How Some Platforms Let Users Earn Interest

While **Circle** itself doesn't pay yield, **third-party platforms** sometimes offer interest-bearing versions of USDC:

- **Coinbase, Aave, Compound**, and other DeFi protocols lend USDC or stake it, distributing returns to users.
- This “DeFi yield” comes not from the reserve interest, but from **lending activity** — and carries **additional risk** (counterparty risk, smart contract vulnerabilities, or market volatility).

So there are **two very different systems**:

1. **Circle's reserve yield** → low risk, Circle keeps profit.
2. **DeFi/Exchange yield** → higher risk, users get variable returns.



Is Circle Helping Unbanked Populations?

“Stablecoins like USDC can provide access to the financial system for people who are underbanked or excluded from it — allowing them to store value and make payments digitally without a traditional bank account.”

– Circle Impact Report and blog statements, 2023-2024

Is Circle Helping the Underbanked?



[Platform](#)

[Use Cases](#)

[Partners](#)

[Developer](#)

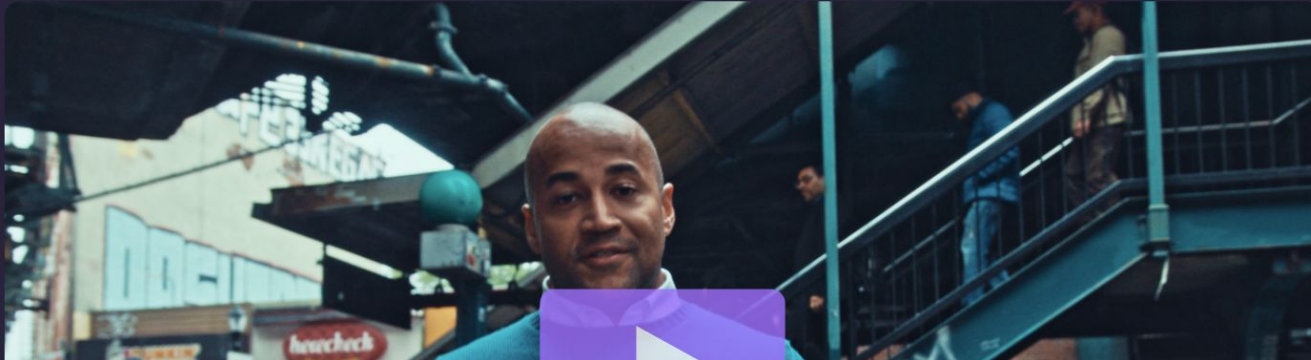
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Serving the Unbanked with USDC



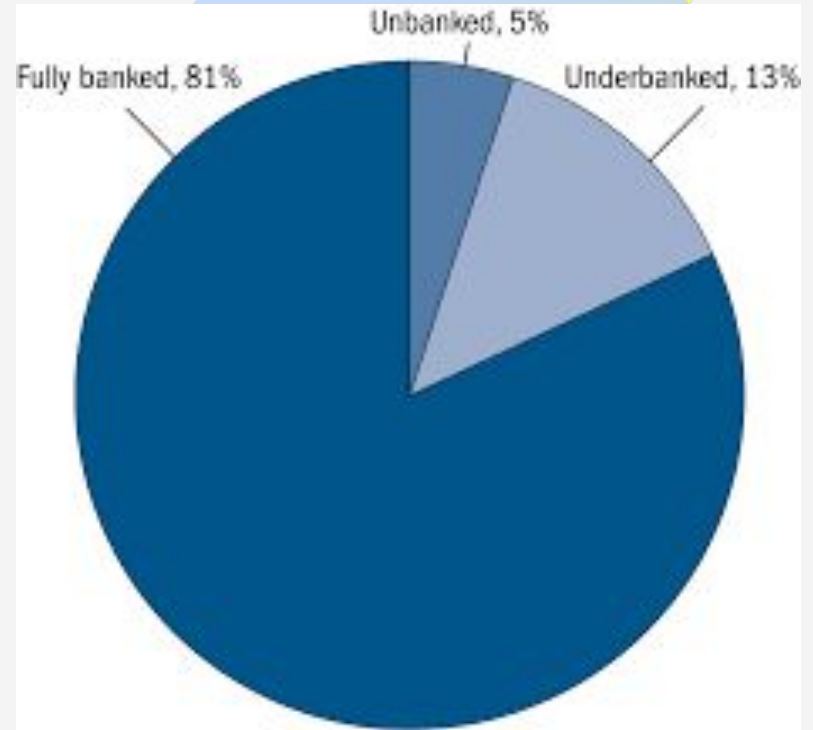
Is Circle Helping Unbanked Populations?

Unbanked: Households where *no one has a checking or savings account*.

- Operate fully outside the traditional banking system.
- Rely on cash, prepaid cards, or check-cashing services.
- Common causes: high fees, lack of trust, limited access, or poor credit.

Underbanked: Households *with a bank account* but still using non-bank financial services.

- Use payday loans, pawn shops, or money transfers despite having accounts.
- Often due to convenience, credit barriers, or affordability issues.



Is Circle Helping the Underbanked?



A 2016 study from Pew Research Center found that “about 6 in 10” unbanked consumers had a smartphone.



The same Pew study found that among unbanked smartphone-owners, only about **39%** had ever used mobile-payments tech (paying a bill, sending/receiving funds) vs ~64% for banked smartphone-owners.

Who Does USDC Really Benefit?



Circle and partner banks earn millions in interest from the reserves backing USDC



Users hold the coin but receive no share of that interest unless they invest in coinbase or other interest earning platforms

Who Does USDC Really Benefit?



Value of Stake at
\$7.2B Valuation

- Executives
- Investors

\$54M
Nikhil Chandhok,
Chief Product Officer

\$391M
Oak Investment
Partners

\$468M
Breyer

\$376M
Fidelity Management
& Research

\$663M
General Catalyst

\$652M
IDG Capital

\$359M
Accel

\$564M
Jeremy Allaire, CEO

\$167M
Sean Neville,
Co-Founder

Source: Circle's S-1 as of June 2, 2025.
Based on Class A and Class B common
stock as of March 31, 2025.

*Valuation based on pricing at \$28/share
(high end of price range).

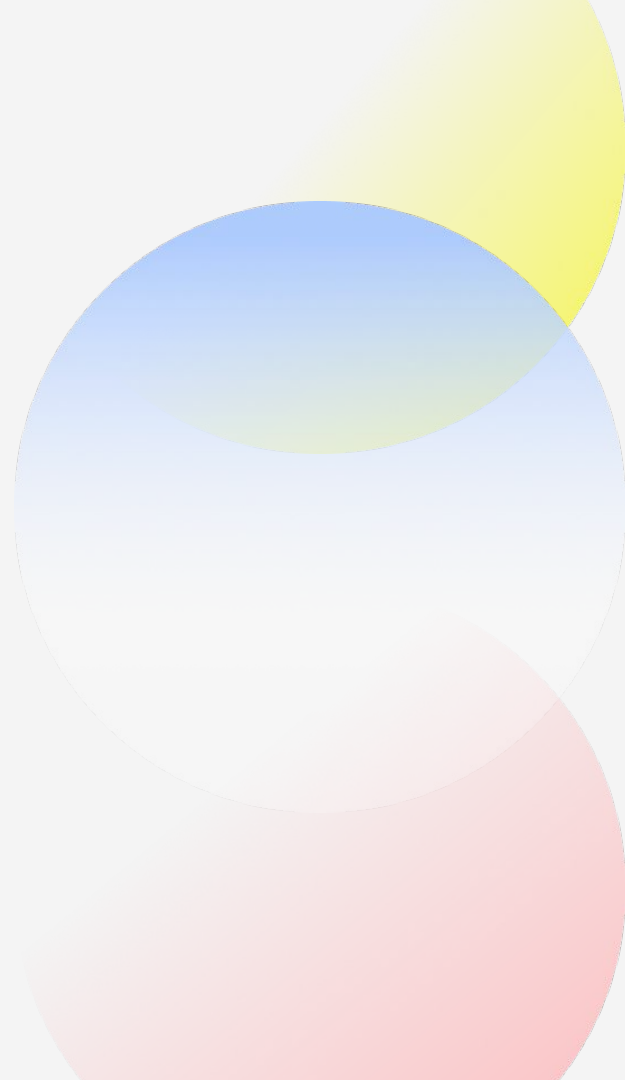
Stakeholder Risk & Benefits

Stakeholder	Benefits	Risks
Circle (Issuer)	Builds trust and profit from reserves (Inv Income)	Bank dependence and transparency pressure
Regulators	Gain oversight and consumer protection role	Hard to enforce rules evenly
Investors / Institutions	Enjoy stable, liquid transactions	Vulnerable if confidence drops
Everyday Users	Faster, cheaper digital payments	No profit share; rely on private issuers
Unbanked Populations	Potential new access to finance	Barriers to use and least protection

A Life Worth Living: Who Is Stability For?

- ❖ **Circle profits from interest on user reserves**
 - Ethical: Fiduciary Responsibility
 - Unethical: targeting of unbanked or underbanked populations
- ❖ **Genius Act**
 - Ethical: next step toward adoption of stablecoins in US
 - Unethical: left some loopholes (foreign issuance, token coins)
- ❖ **Unbanked Populations**
 - Unethical: change the word 'unbanked' to primarily 'underbanked'
 - Unethical: Creative Marketing

Q & A



Thank you!

