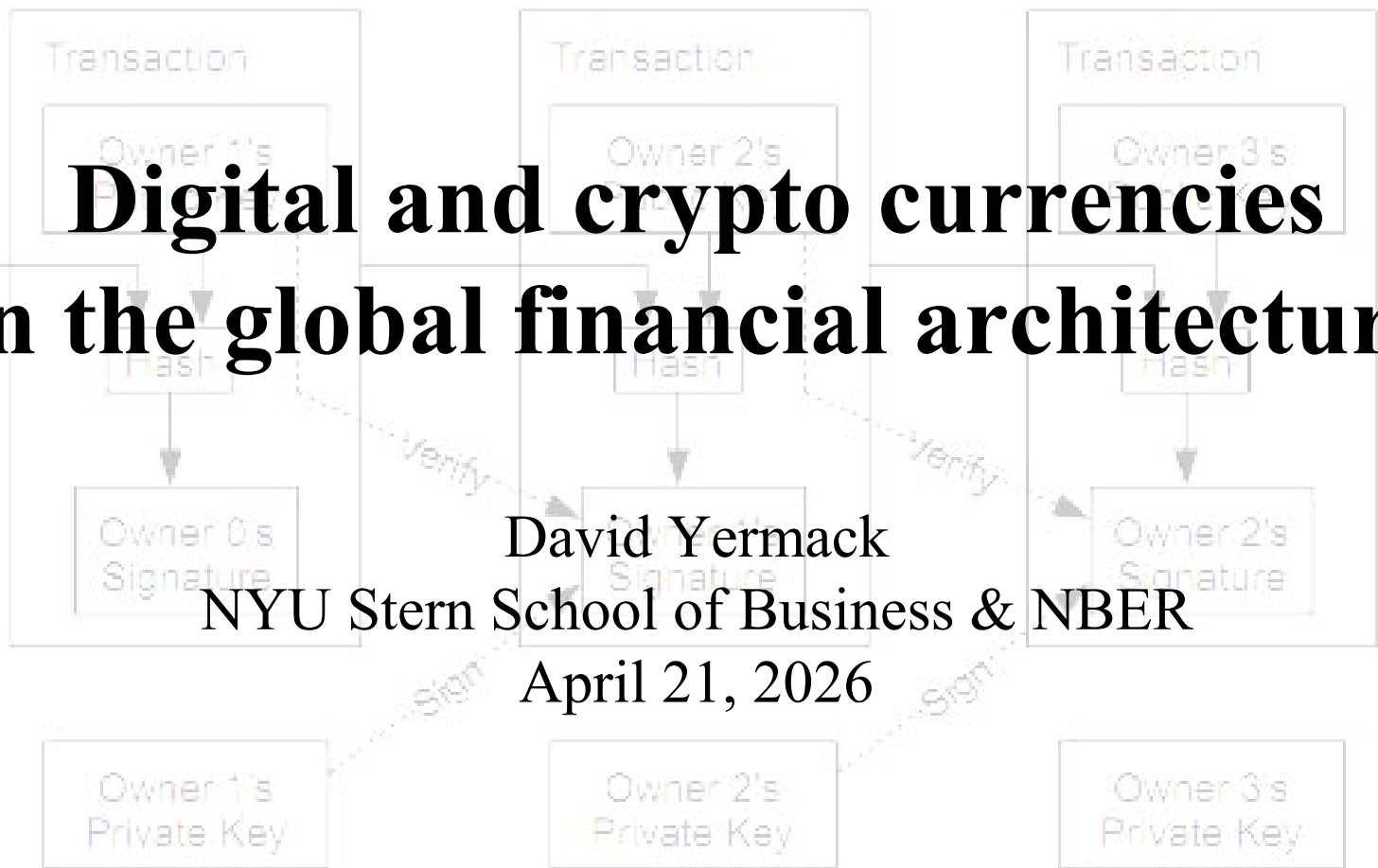


Digital and crypto currencies in the global financial architecture

David Yermack

NYU Stern School of Business & NBER

April 21, 2026



Total cryptocurrency market value

\$2.5 trillion as of April 13, 2026

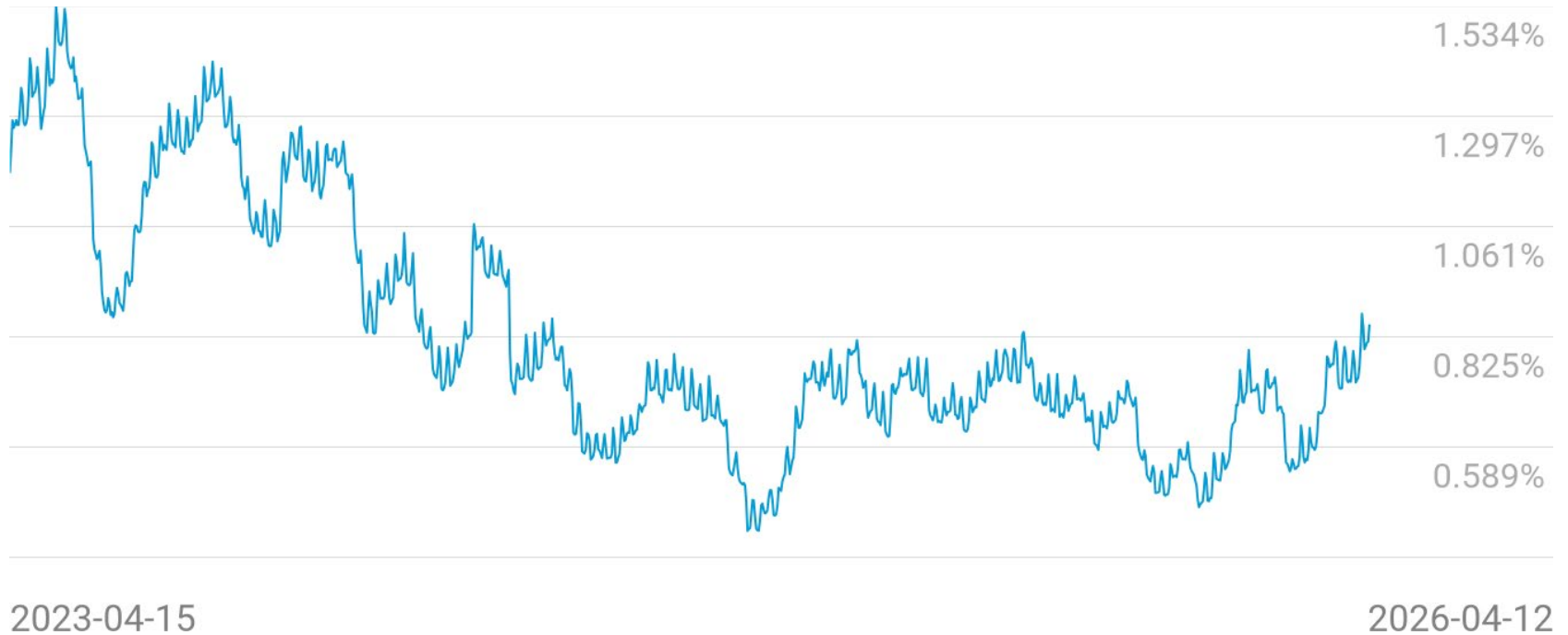


Financial innovation due to crypto

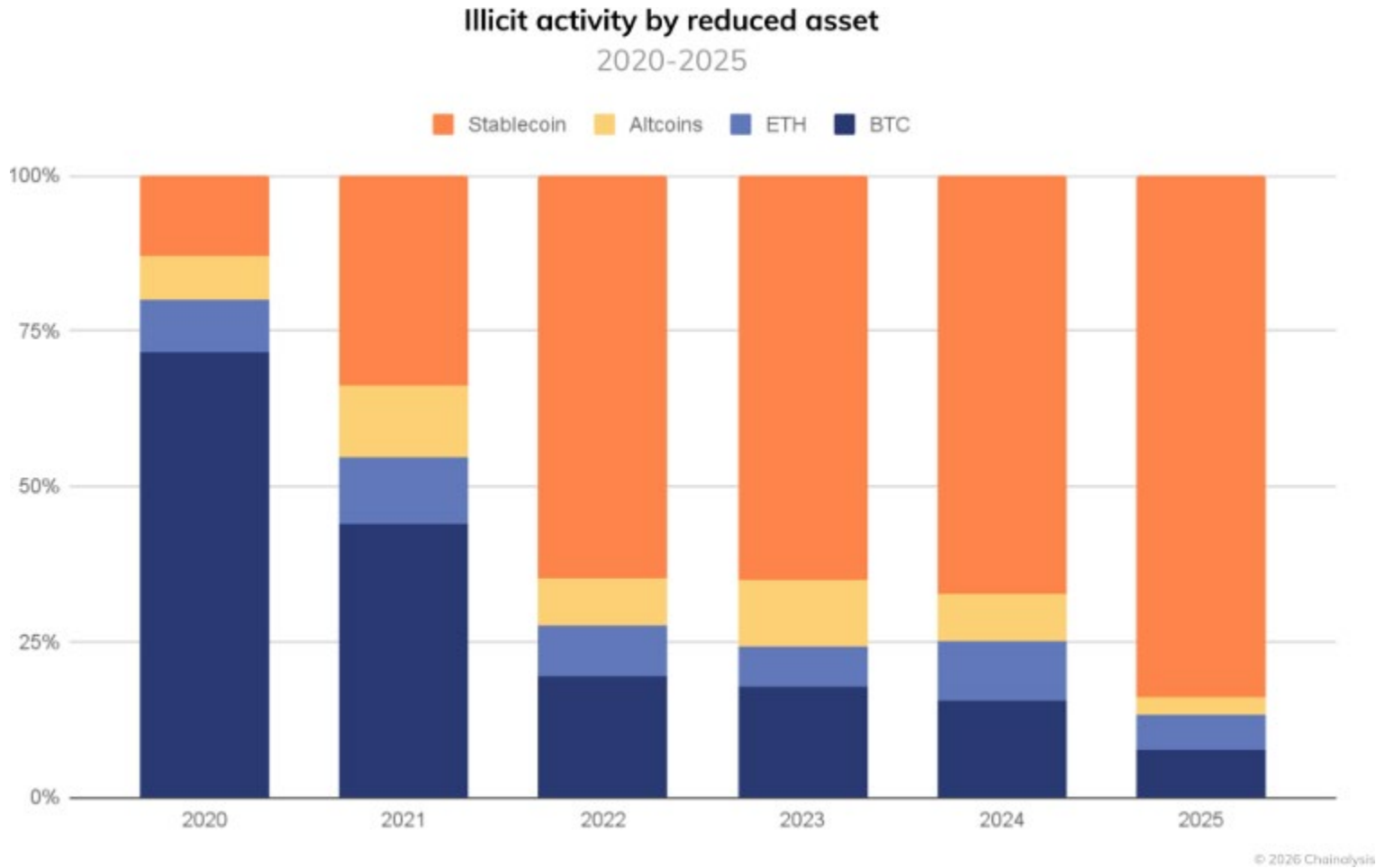
- 24/7 market access; immediate clearing and settlement
 - Onyx (renamed “Kinexys by JPMorgan”) – interbank repo market
 - Chicago Mercantile Exchange – BTC and ETH futures contracts
- Product innovation – often off-shore or cloud-based
 - Perpetual futures and other derivatives
 - Smart contracts and “flash loans”
- Stablecoins
- Tokenization and DeFi

Cost of money transfer on Bitcoin

(compare to 2% historical banking system cost, c. 7% SWIFT cost)



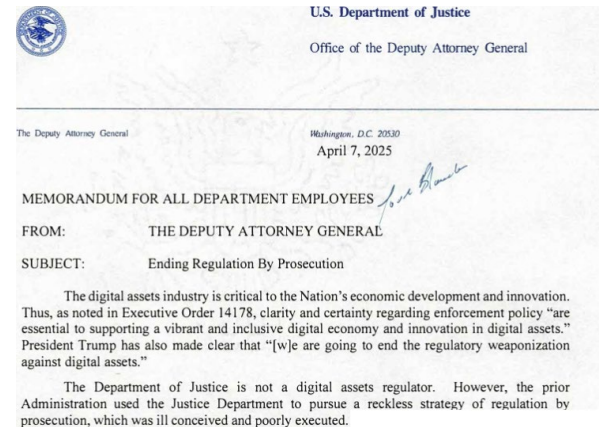
Instruments used for “illicit” finance



Source: Chainalysis Crypto Crime Report (2026)

What has happened under Trump II?

- Withdrawal of “regulation by enforcement” strategies of SEC, Treasury, and Justice Department
 - “Blanche memo” issued April 7, 2025
 - “De-banking” halted
- Promotion of bipartisan legislation in Congress for cryptocurrency
 - GENIUS Act signed into law on July 18, 2025
 - CLARITY Act passed House on July 17, 2025, awaiting Senate action

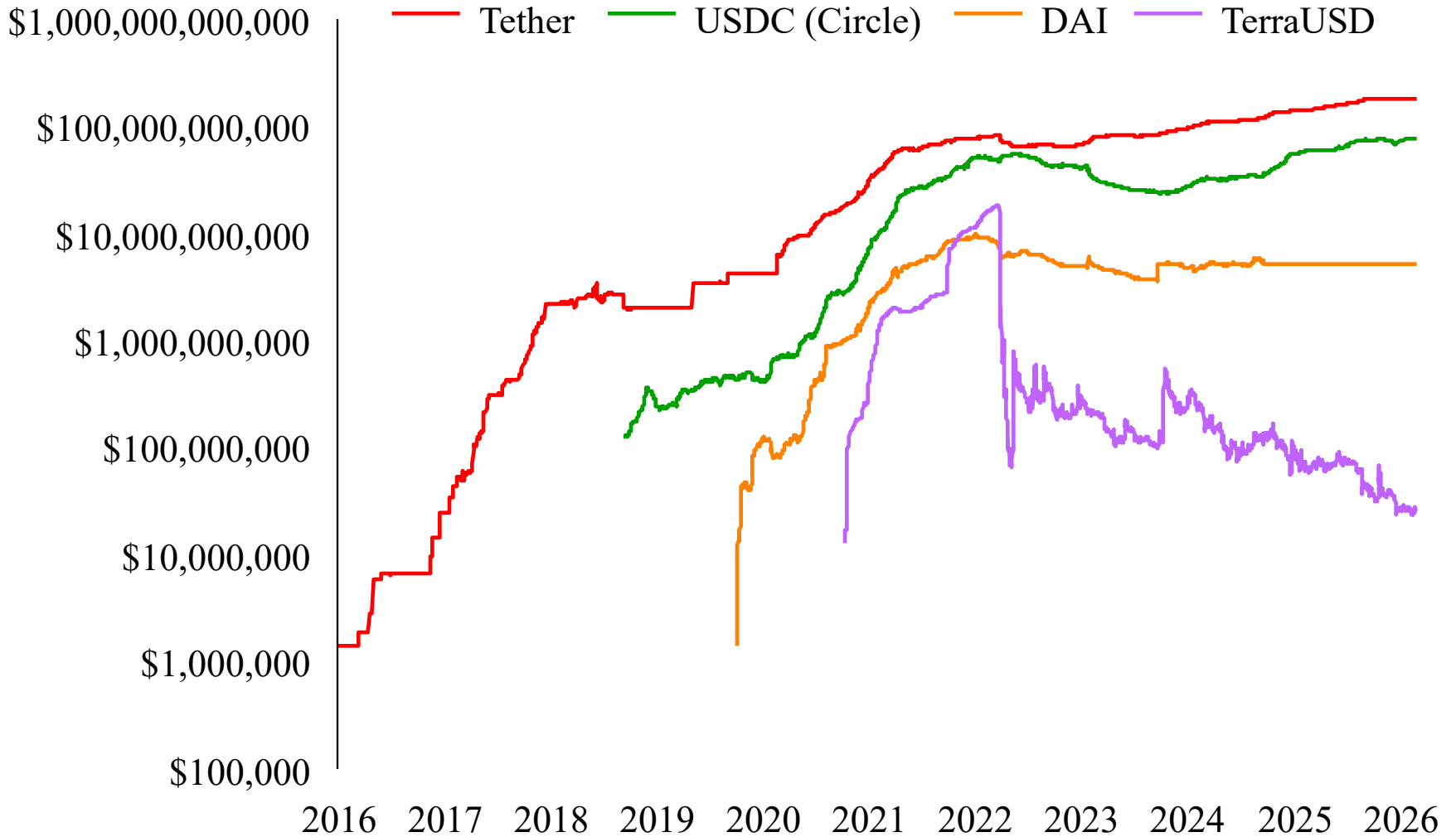


EU and US stablecoin regulation

- European Union MiCA, 2023-24
 - Crypto companies must register, publish “white papers,” make disclosures as part of marketing, etc.
 - Stablecoins are one type of asset
 - Also regulations for securities, commodities, etc.
 - Crypto issuers must meet financial requirements
- United States GENIUS Act, 2025-26
 - Similar disclosure, registration, and reserve requirements as MiCA
 - Payment of interest prohibited
 - Banking license required

Important stablecoins

Daily market capitalization, 2016-2026



Are stablecoins risky for the real economy, or will they be helpful?

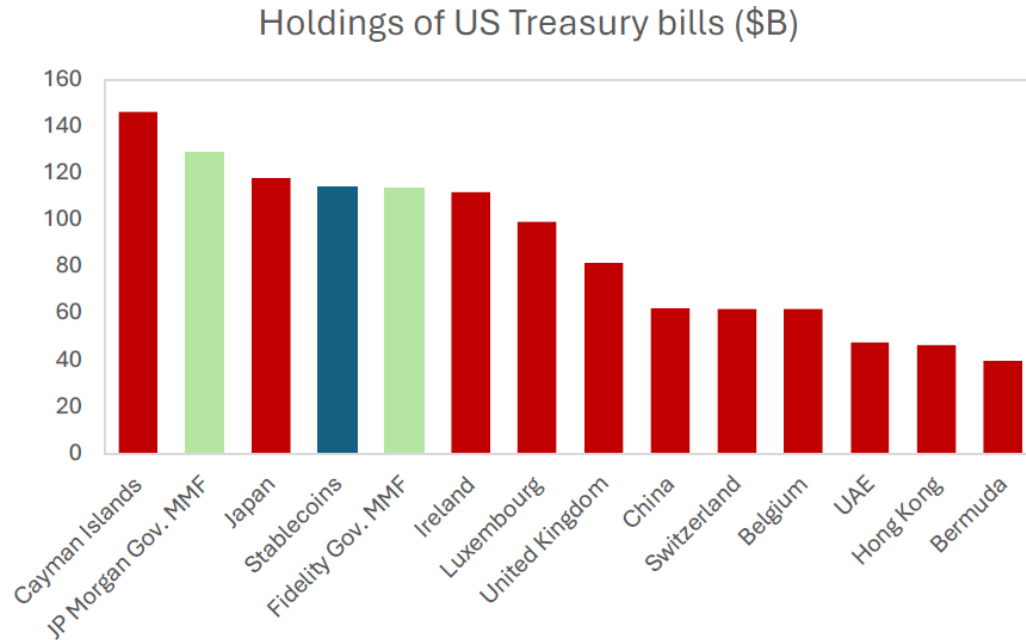
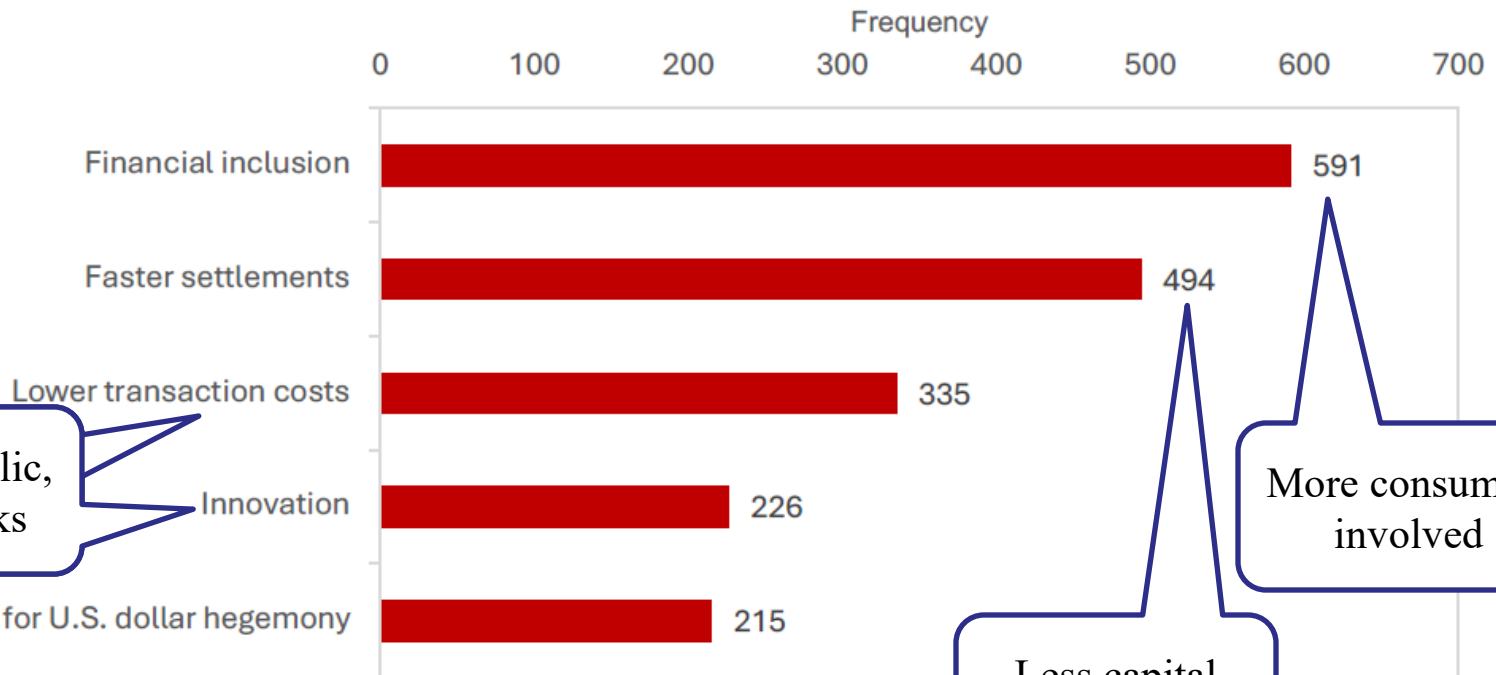


Figure 10: The figure plots US T-bill holdings of stablecoin issuers, foreign countries, and government money market funds (GMMFs). Stablecoin holdings are the sum of Circle and Tether reported T-bill positions as of December 2024 including indirect T-bill holdings through money market funds. Foreign country and GMMF holdings of T-bills as of January 2025. Source: Ahmed and Aldasoro (2025) and authors' calculations.

Source: Ahmed, Clouse, Natalucci, Rebucci & Sun (2025)

Are stablecoins risky for the real economy, or will they be helpful?

Top 5 stablecoin benefits - podcast mentions



Good for public,
bad for banks

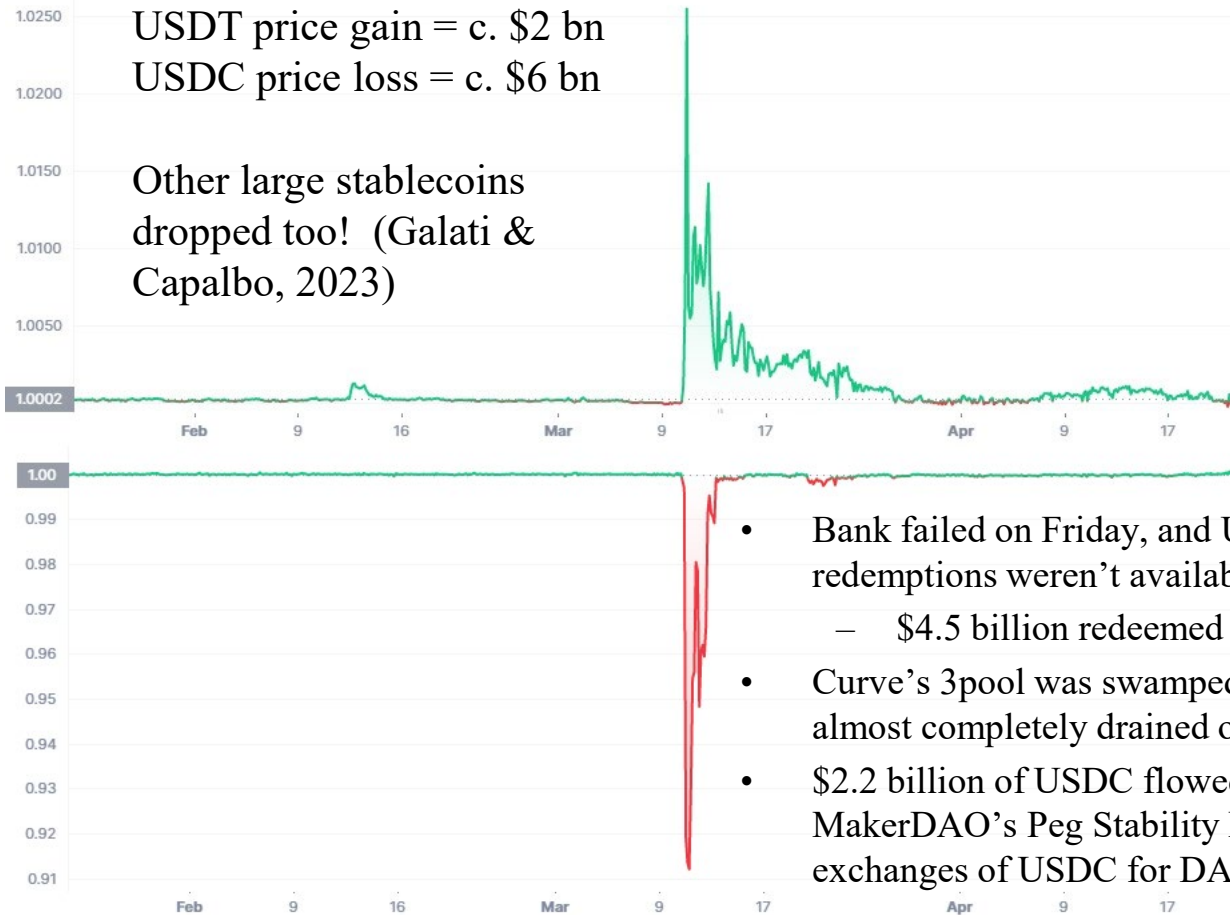
More consumers
involved

Less capital
tied up

Source: Ahmed, Clouse, Natalucci, Rebucci & Sun (2025)

USDT and USDC, 11 March 2023

USDC discloses that it has 8% of its reserves in Silicon Valley Bank



Redemption of stablecoins during periods of market disruption

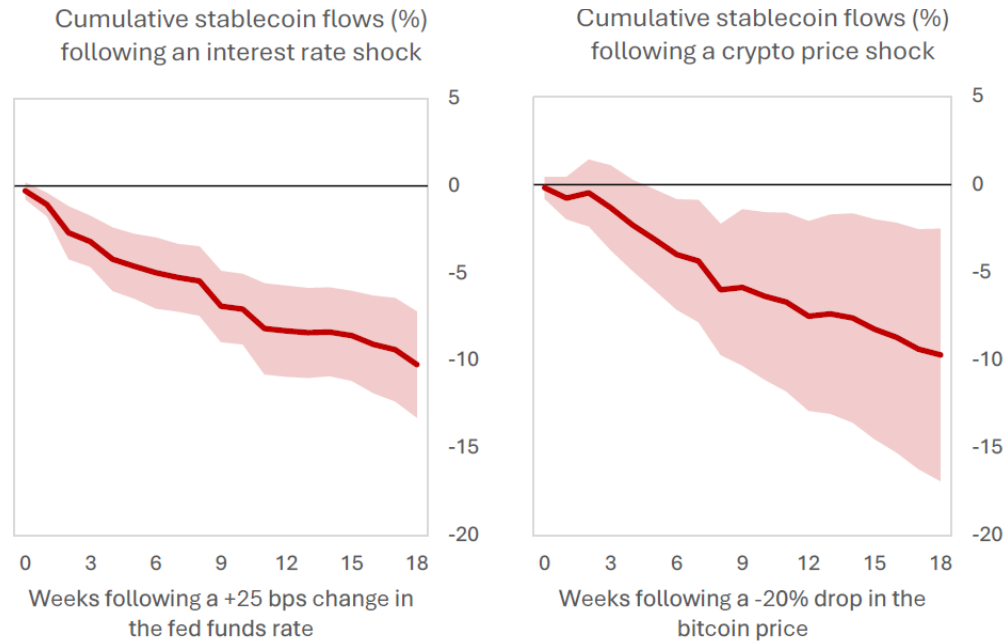


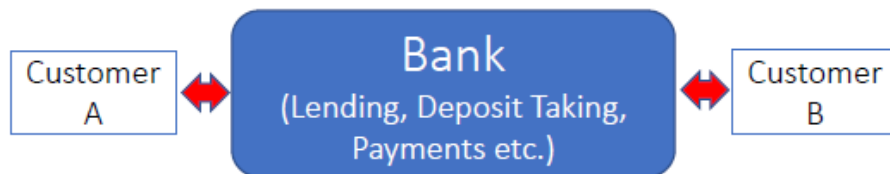
Figure 8. The left-panel plots the response of stablecoin market capitalization following a 25 basis point increase in the fed funds rate. The right-panel plots the impulse response function of stablecoin market capitalization following a 20 percent decrease in the bitcoin price. Shaded regions cover 95 percent confidence bands. Technical details provided in Appendix C. Source: CoinMarketCap, FRED, and authors' calculations.

Source: Ahmed, Clouse, Natalucci, Rebucci & Sun (2025)

Where is this headed?

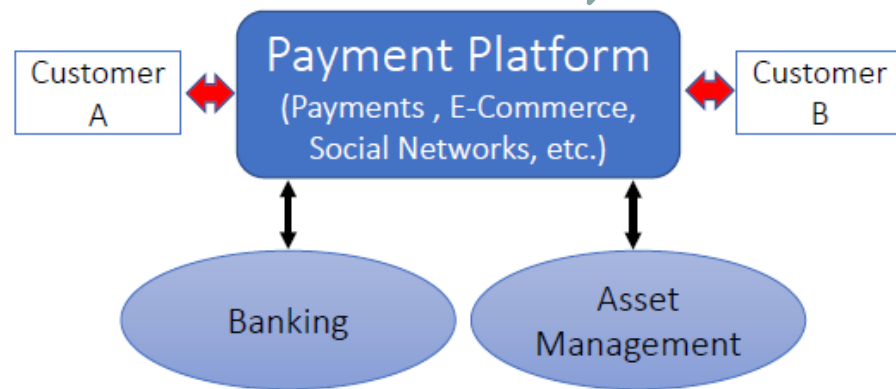
The inversion of financial services

Panel A: Bank-Centric Model



Deposit centric model; bank provides store of value

Panel B: Payment-Centric Model



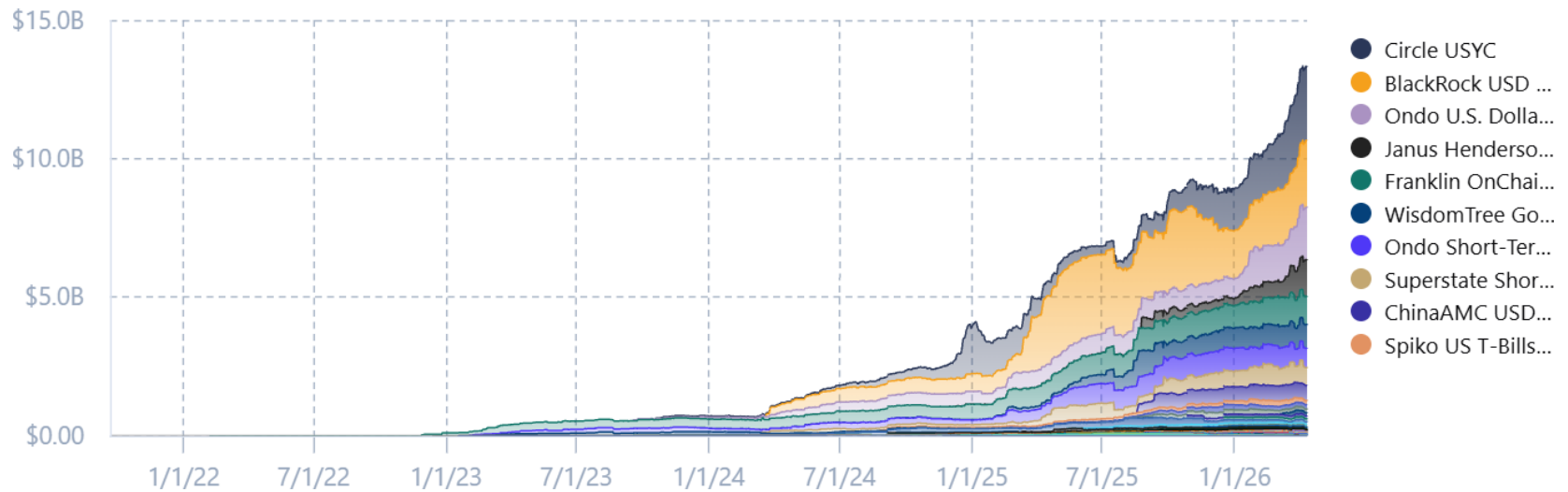
Payment centric model; bank (or Fintech) provides medium of exchange and harvests data

Social media platforms are already doing this well; will central banks need to adopt this model?

Where is this headed?

Tokenization of real-world-assets

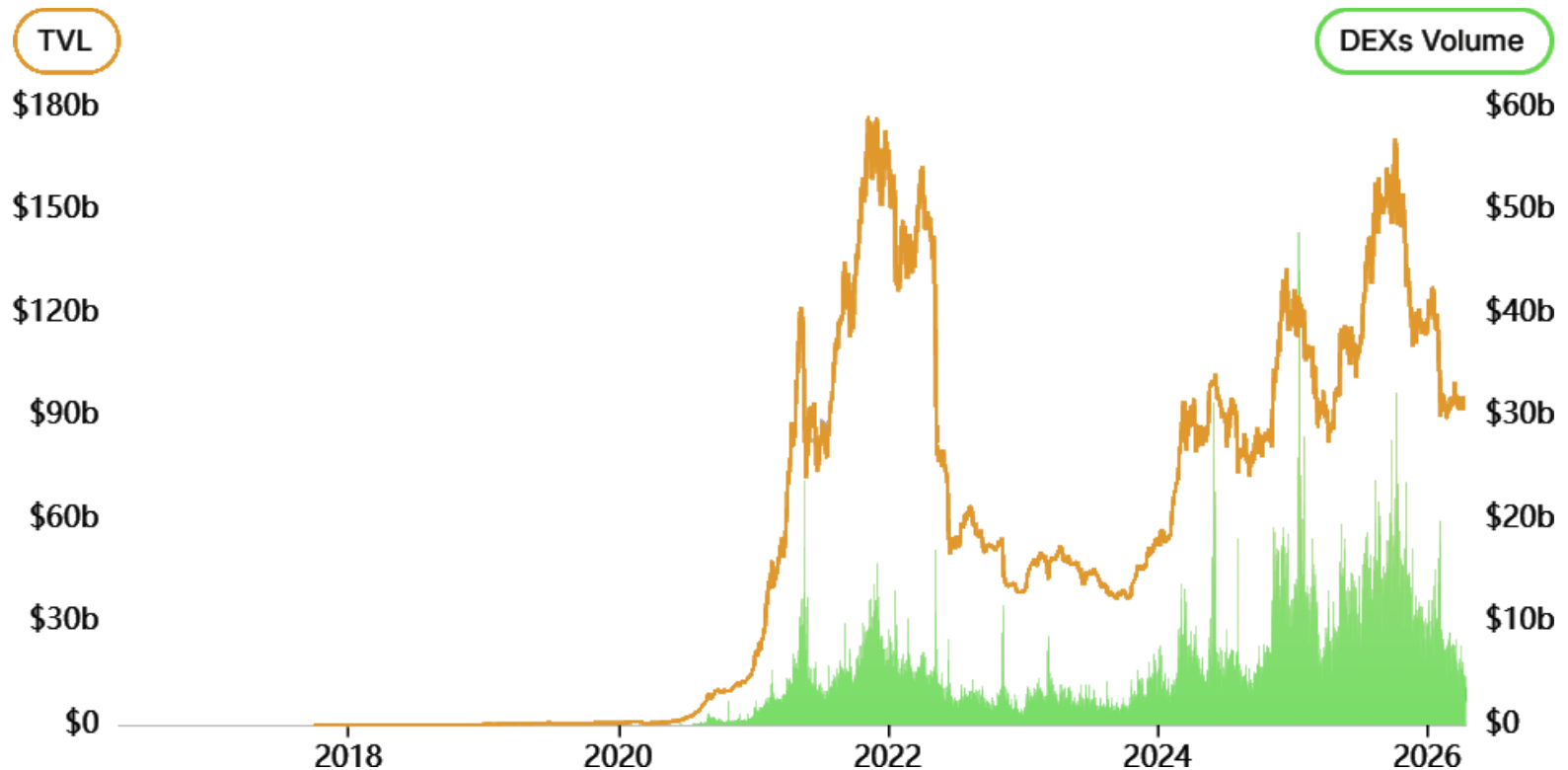
U.S. Treasuries



Decentralized finance (DeFi)

“Locked” assets are generally used as collateral for smart contracts

Data as of April 13, 2026



Automated market makers (AMMs)

Investing via a Uniswap liquidity pool

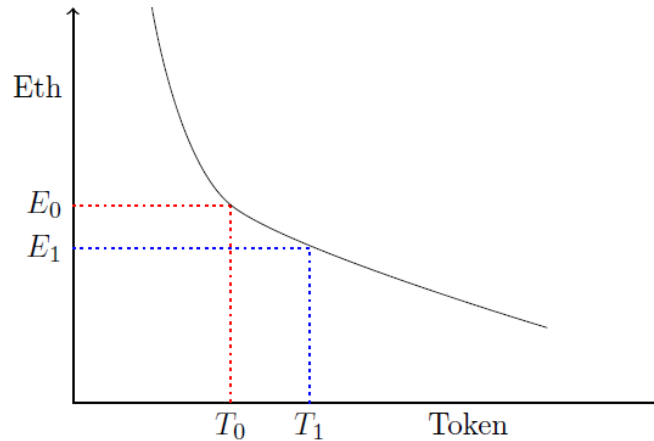
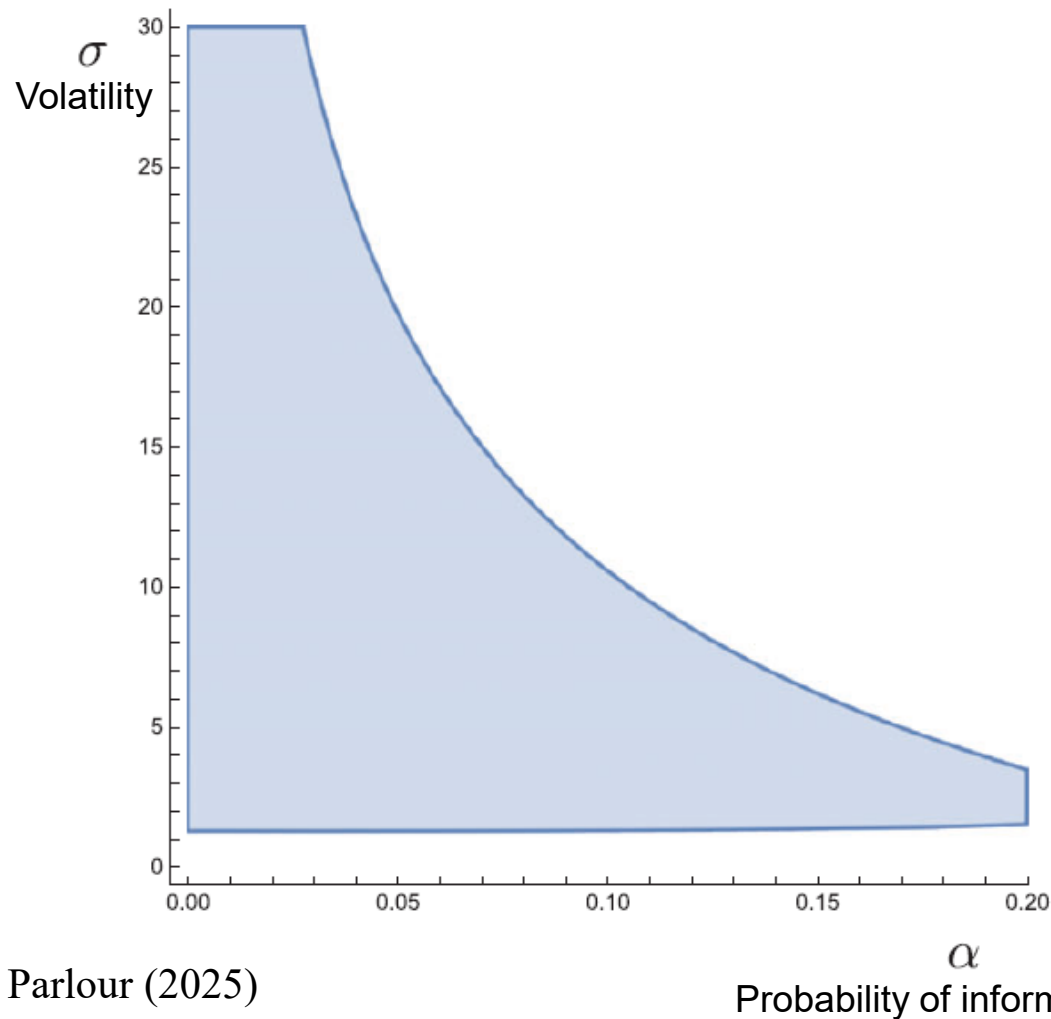


Figure 1. A bonding curve. From an initial amount of Eth and Tokens of E_0 and T_0 respectively, a trader deposits $T_1 - T_0$ tokens (sells) in exchange for $E_1 - E_0$ Eth. the price impact of this trade is determined by the bonding curve.

- The *bonding curve* is a price schedule specified by the programmer; in principle any function could be chosen
- Uniswap uses a hyperbola
 - Trade $(T_1 - T_0)$ for $(E_1 - E_0)$ such that $T_0 E_0 = T_1 E_1 = k$
- This function assures that the pool can never go bankrupt

Source: Lehar & Parlour (2025)

When is the AMM cheaper to trade with compared to the order book?



Source: Lehar & Parlour (2025)

Probability of informed trading