Stablecoin Risk

Christine Parlour and Uday Rajan

Discussion by

Cyril Monnet
University of Bern | Study Center Gerzensee

Central Bank of Ireland-Riksbank-DNB-Bundesbank
10th annual macroprudential conference

What the paper does

- Stablecoins are new means to pay
- ... which compete with bank's deposits... and can shift lending to NBFIs
- We shouldn't care if there are no frictions (Modigliani-Miller irrelevance result)
- ... but banks are useful because there are (information) frictions
  there are good reasons to think SC will affect equilibrium allocation

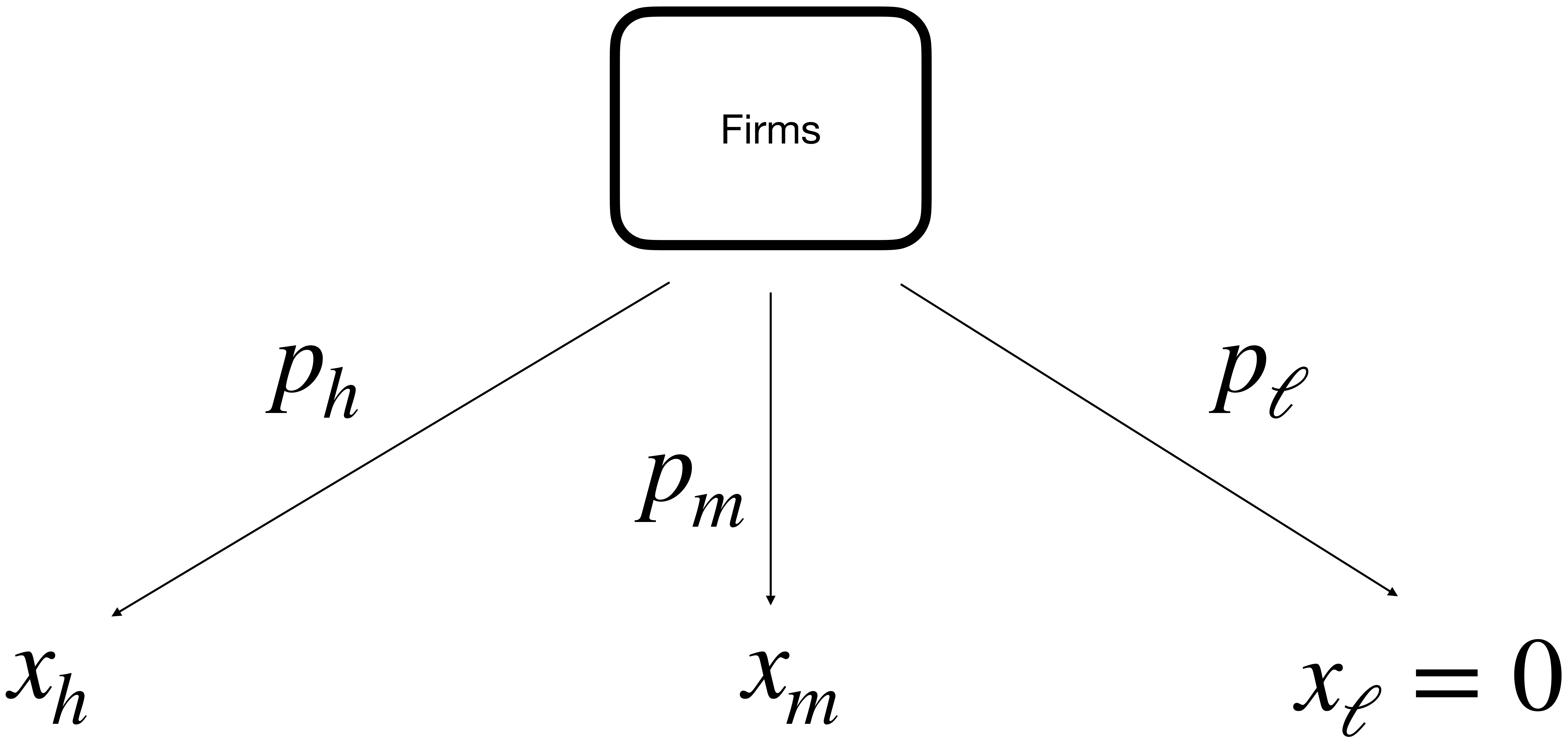
What the paper does

Firms

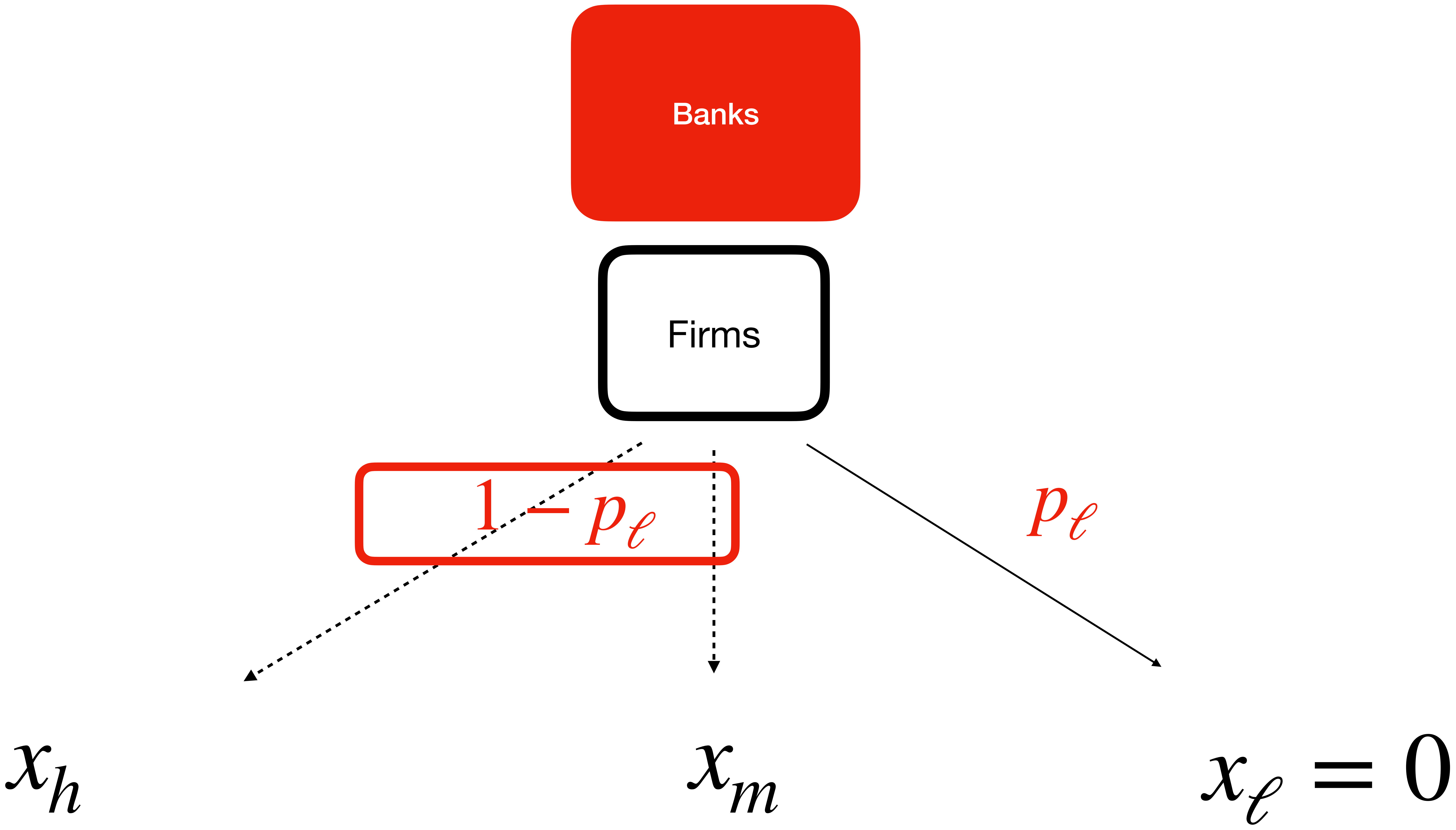
cash flows

x_h $\quad$ x_m $\quad$ $x_\ell = 0$

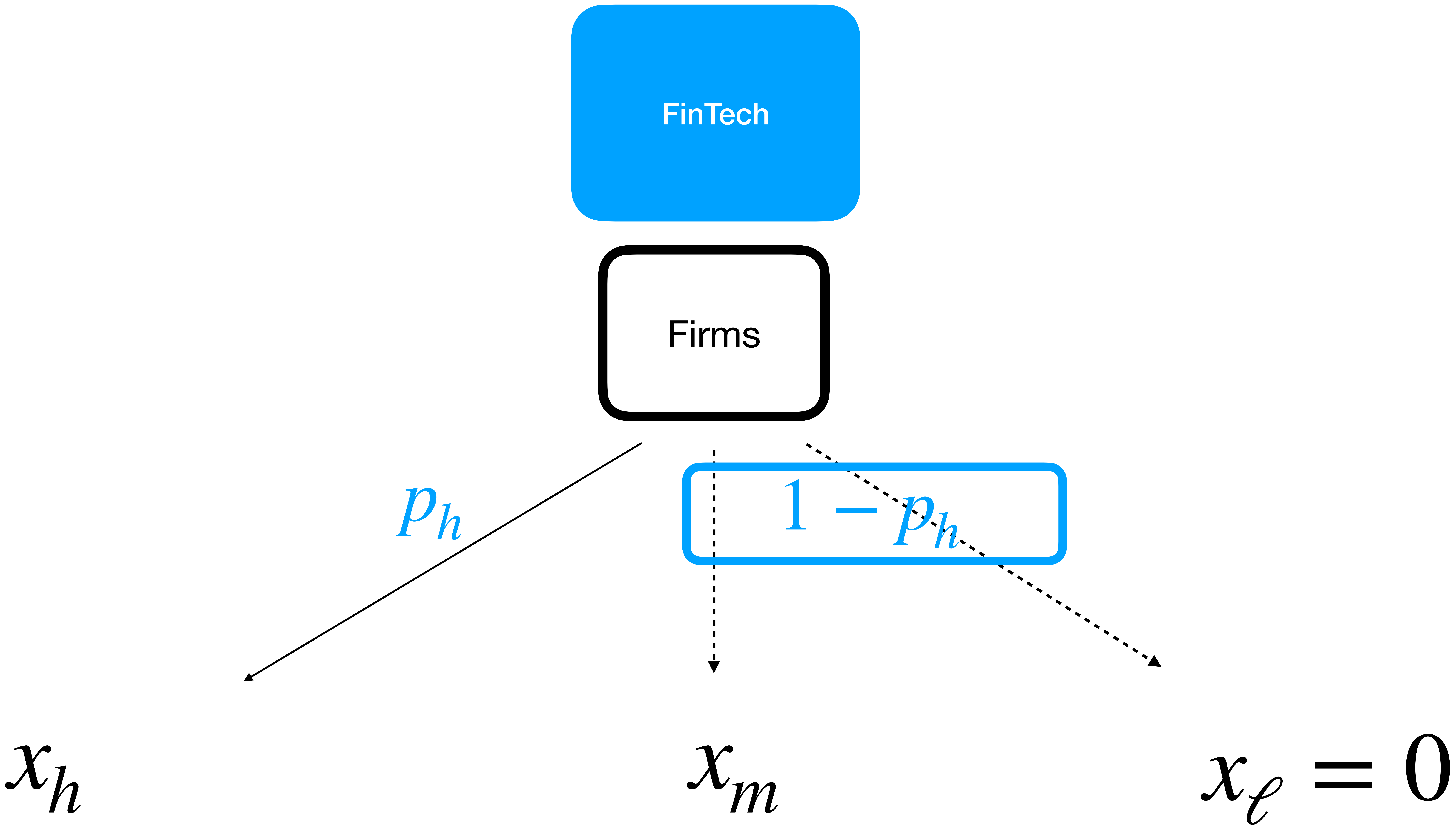
What the paper does



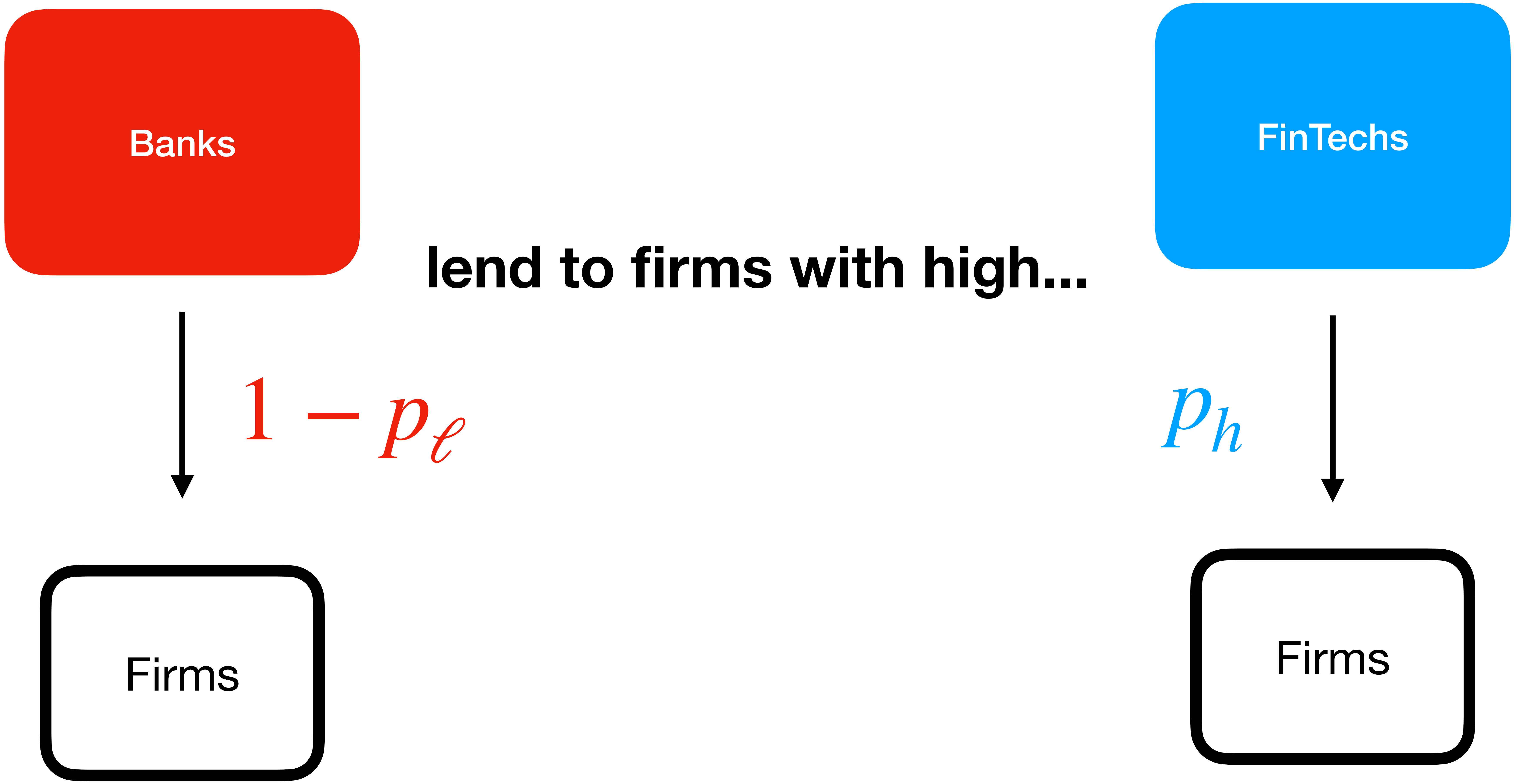
What the paper does



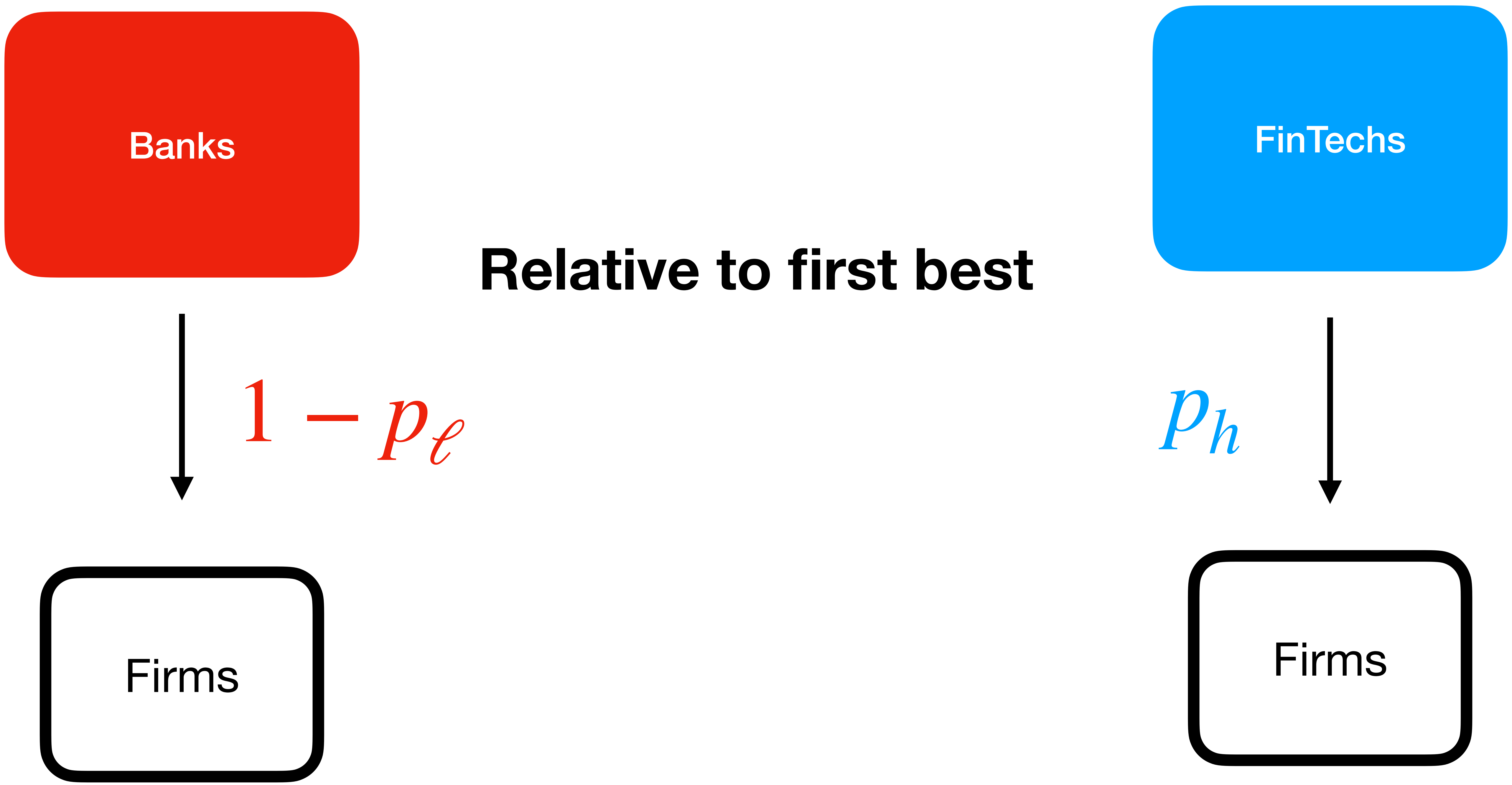
What the paper does



What the paper does



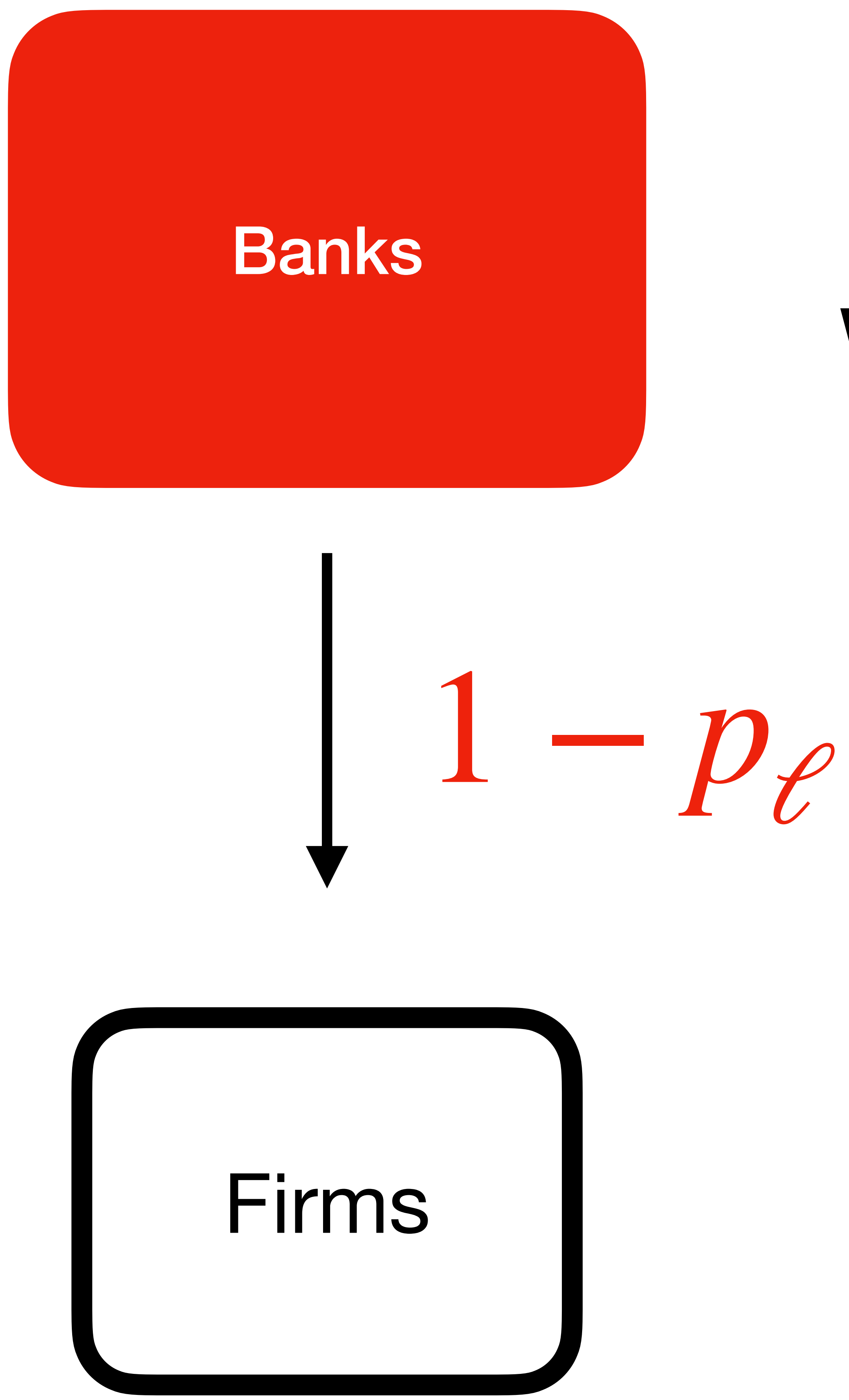
What the paper does



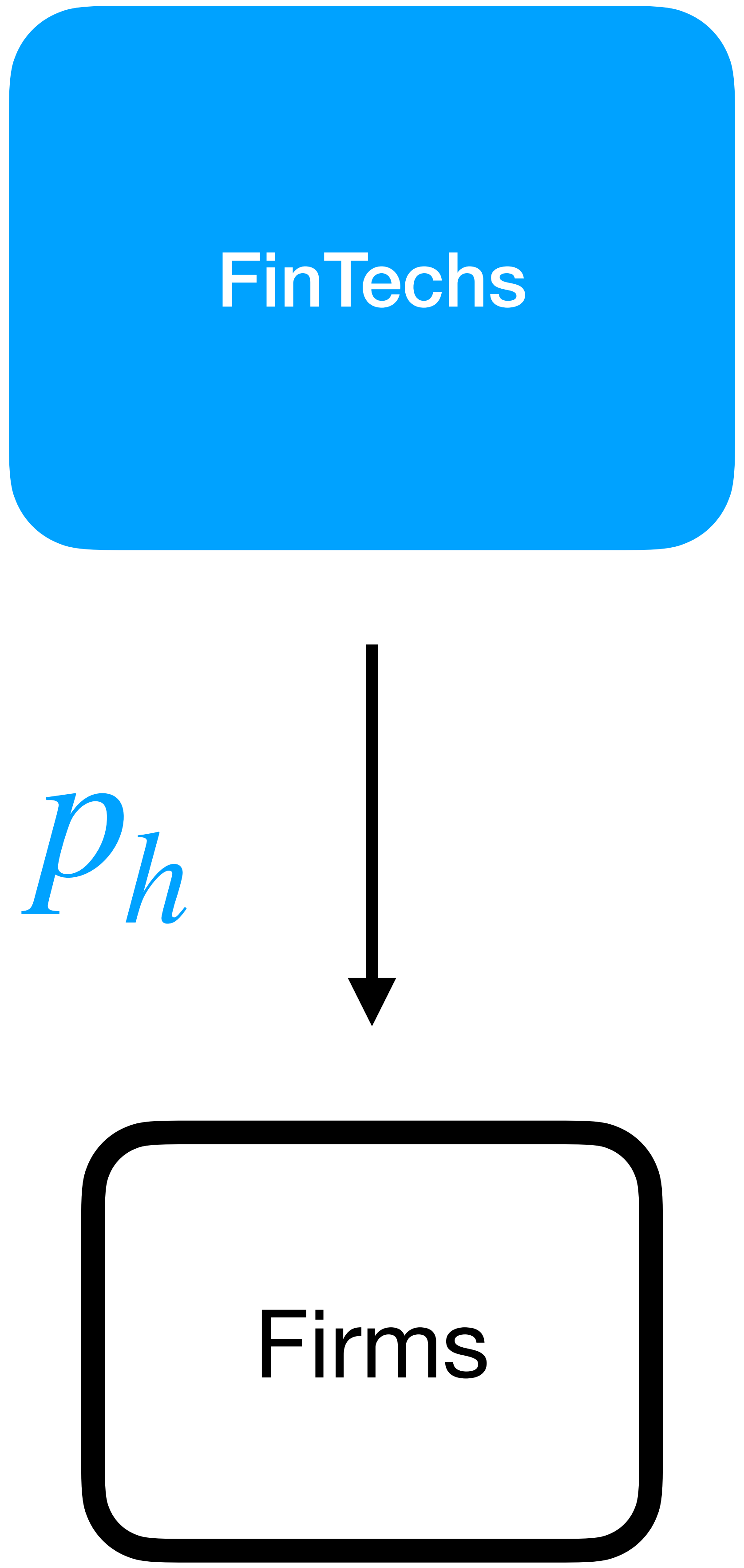
more loans... of lower quality

less loans... of better quality

What the paper does



Welfare can be lower with only FinTech lending



more loans... of lower quality

less loans... of better quality

Comment 1 : payments or screening technology?

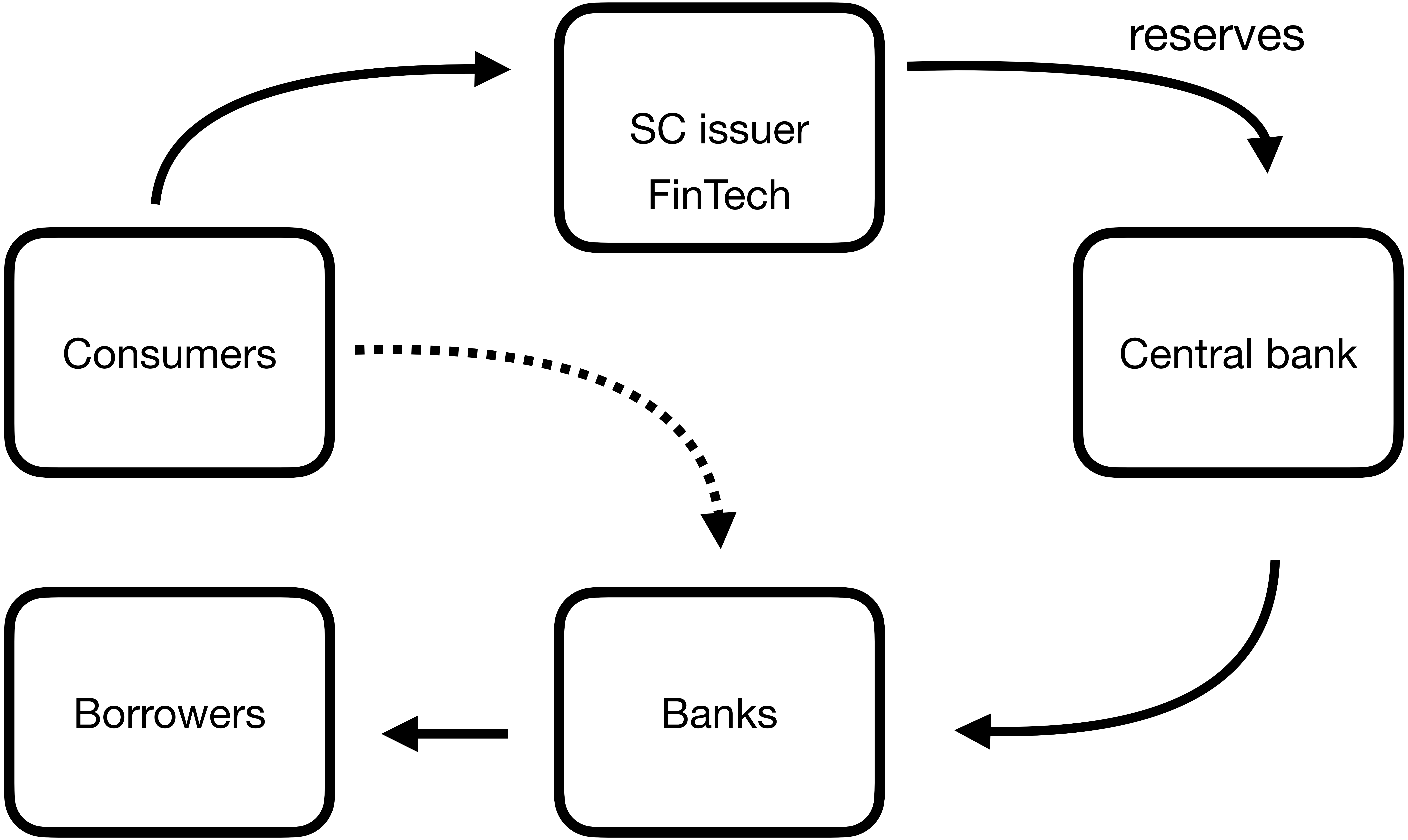
- The rise of non-bank lending to firms predates stablecoins. Is this about payments, or about competing screening technologies?

- To sharpen the over-/under-investment result → add venue choice for borrowers → self-selection into banks vs. FinTech

- Related: digital payments preserving privacy can erode banks' informational rents — but too much privacy shifts the rent to borrowers and can choke off lending (Ahnert et al. 2025)

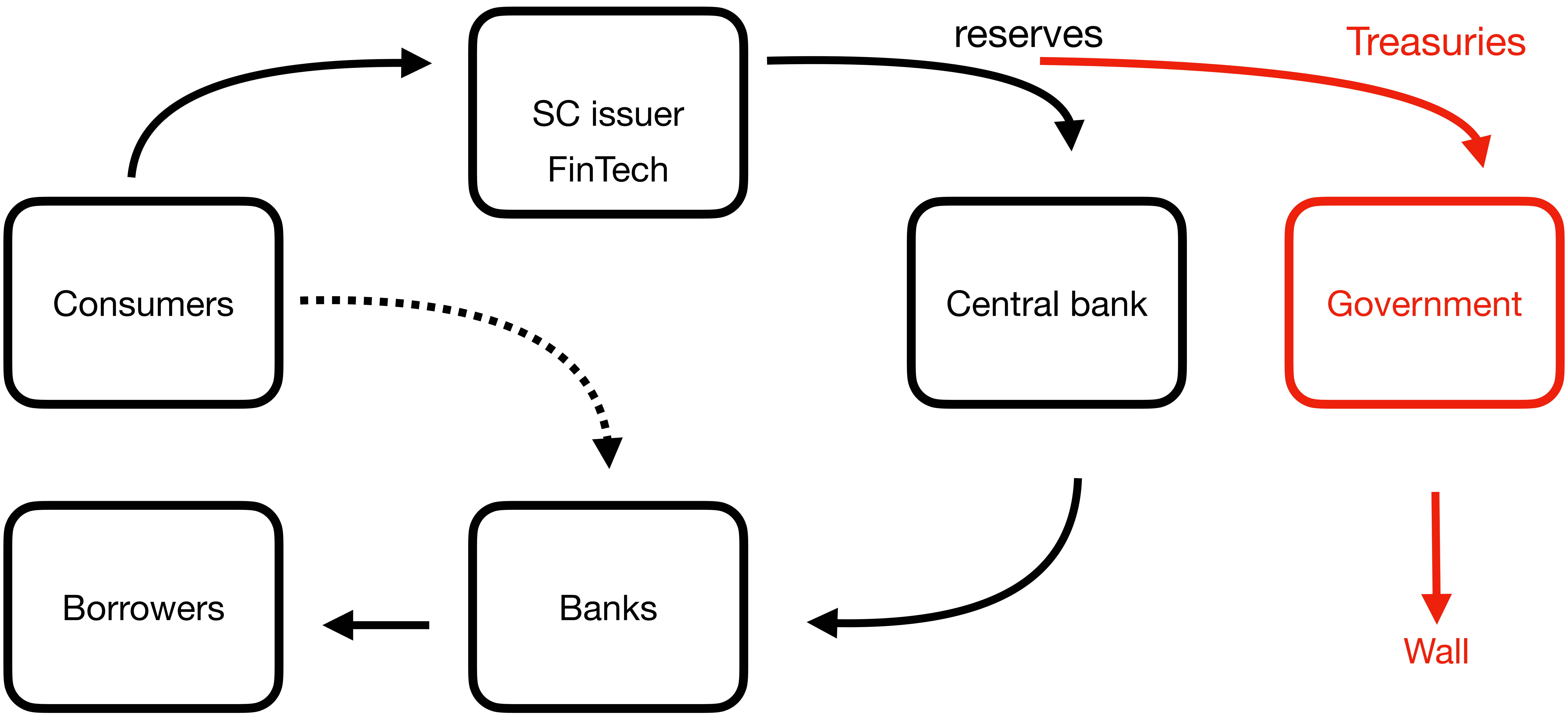
Comment 2: Macro Modigliani Miller

Different from Brunnermeier-Niepelt (2019) -- MMM for CBDC



Comment 2

Different from Brunnermeier-Niepelt (2019) -- MMM for CBDC



Comment 3: distinct stablecoin risks

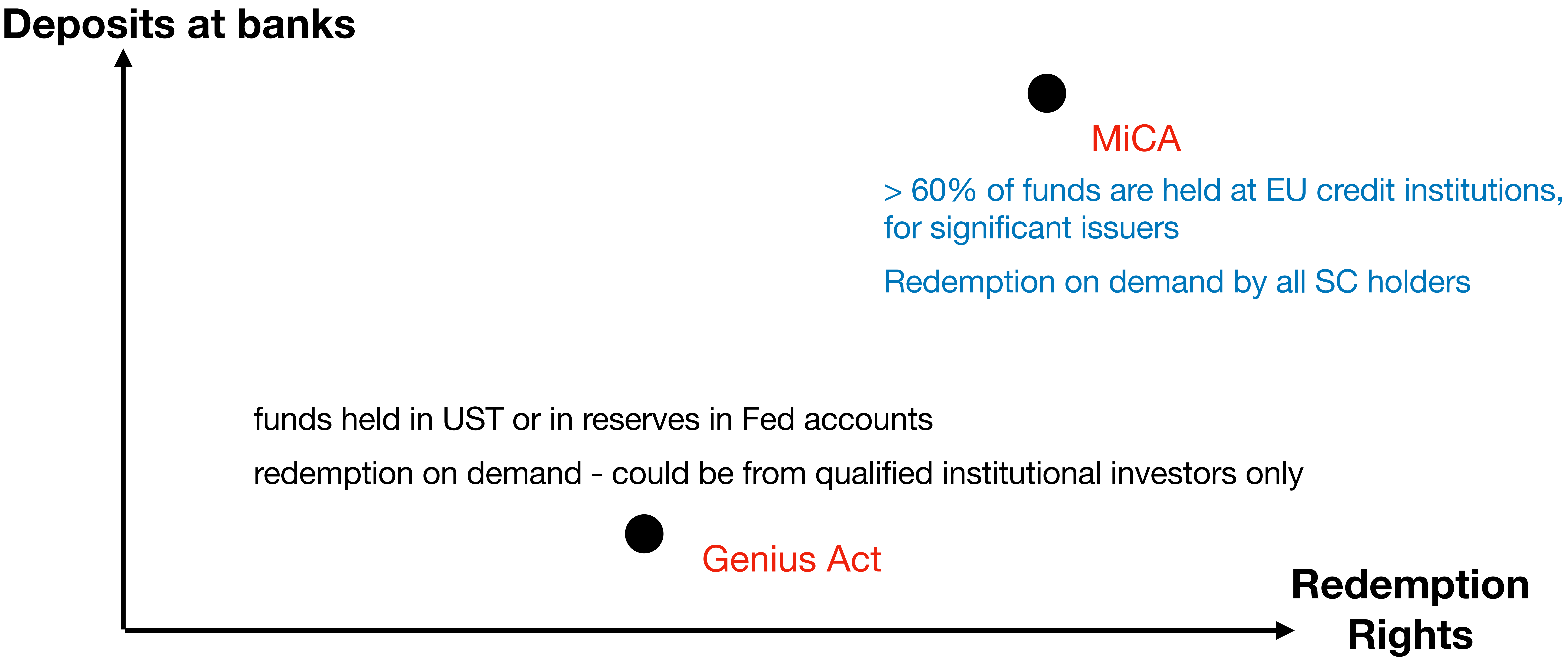
- **Risk 1**: regulatory competition on compliance

- **Risk 2**: financial stability spillovers

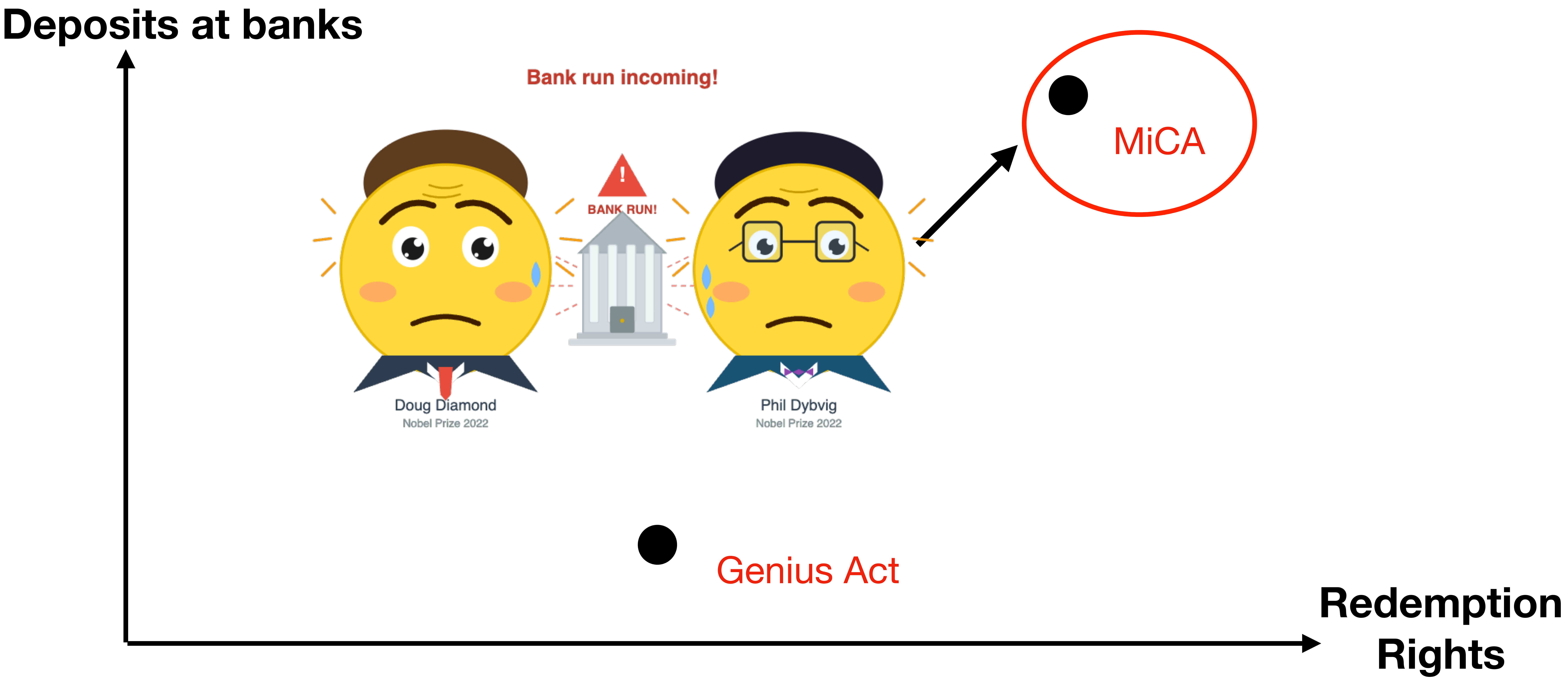
Risk 1: Reg competition on compliance (Chiu et al. 2026)

- SC: a new X-border payments rail competing with correspondent banking...
- Countries compete for the global acceptance of "their" stablecoins
- ... → race to the (compliance) bottom

Risk 2: Financial Stability (Genius Act vs EU MiCA)



Risk 2: Financial Stability (Genius Act vs EU MiCA)



Conclusion

- The paper would gain from leaning harder into what's distinct about SCs

- Paper studies one stablecoin risk: they deprive banks of useful information

- Correct... but this risk is shared by other type of nonbanks digital payments

- SC risk may lie with compliance arbitrage, currency competition, or run dynamics