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US Digital Assets

The Race for the New Money Movement Stack: Issue #1

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CITI'S TAKE

Stablecoins/RWA Tokenization are becoming less of a crypto trading tool and more of a programmable settlement layer for global money movement. The key debate is not simply whether these methods replace card networks/processors, cross-border networks/correspondent banking, or security settlement rails. The better framing is that stablecoins introduce a new settlement substrate that each incumbent and crypto-native player will likely seek to control, abstract, monetize, or defend against. We begin a diary of developments in the space complementing our Crypto coverage. In this edition, we attempt to map out the major components of the emerging stablecoin/RWA tech stack/ecosystem… and yes, it's a lot more than just a token. BLSH, BTGO, COIN, and SOFI (MCO/SPGI too) each have unique exposures to this theme. CRCL remains our top pick given its strong positioning across multiple elements of the value chain, affording a holistic approach towards category leadership and multiple avenues for growth.

Mastercard Expands Stablecoin Strategy — The company announced it is enabling issuers and acquirers to settle transactions using regulated stablecoins (including USDC, PYUSD, USDG, USDP, RLUSD, and SofiUSD) alongside traditional fiat rails while broadening support across multiple blockchain networks including Arbitrum, Base, Canton, Ethereum, Polygon, Solana, Stripe/Tempo, and Ripple/XPRL (Mastercard Press Release, 6/3). We view the announcement as further evidence that Mastercard is positioning itself as an asset-agnostic orchestration layer rather than simply a card network, allowing participants to route value across stablecoins, bank deposits, and traditional payment rails. Importantly, the initiative supports a growing list of stablecoins and settlement networks, reinforcing Mastercard's vision for its Multi-token Network (MTN) as a liquidity and interoperability layer for the emerging digital asset ecosystem. For reference, Visa primarily supports USDC across 9 chains including Circle's Arc, Ethereum, Solana, Avalanche, Stellar, Base, Polygon, Canton, and Stripe/Tempo.

Mapping the Digital Asset Money Movement Value Chain — A complex technology stack is forming beneath the surface of stablecoins and RWA tokenization. We map out this ecosystem in Figure 1 illustrating the various components/players across the stack including: (i) Custody/Reserve Management, (ii) Issuance, (iii) Wallet/Custody Infrastructure, (iv) Smart Contracts, (v) Settlement Networks, (vi) Data Infrastructure/Oracles, (vii) Interoperability, and (ix) Payment/Agentic Commerce Orchestration. This value chain is developing for two potentially large themes: payment and real-world asset movement. We intend to reference and iterate this framework as competitive positioning evolves and value creation accrues.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Figure 1. Digital Asset Money Movement Tech Stack / Value Chain (Version #1)

Custody/Reserve Portfolio Management

- **Manage Treasury Reserves, Audits**
- **Reserve Custody / Safekeeping**

Reserve Managers

- *USDT - Tether Treasury*
- *USDC - BlackRock*
- *RLUSD - Ripple Labs*
- *USDS - Decentralized*
- *FDUSD - First Digital Trust*
- *TUSD - Ethena + Asset Mgrs.*
- *USAT - Tether/Cantor Fitzgerald*
- *USDG, PYUSD, USDP - Paxos*
- *SoFiUSD - BitGo*

Custody / Safekeeping

- *BNY Mellon (USDC, EURC, RLUSD)*
- *Cantor Fitzgerald (USDT, USAT)*
- *Paxos - USDG, PYUSD, USDP*
- *BitGo - USD1, SoFiUSD*
- *Copper - USDe*
- *Ceffu - USDe*
- *First Digital Trust - FDUSD*
- *Anchorage - USDtb*

Stablecoin Issuance

- **Mint/Burn Mechanics**
- **Reserve Management, Attestations**

Branded Stablecoins

- *Tether: USDT*
- ***Circle: USDC, EURC***
- *Ripple: RLUSD*
- *Sky/Maker: USDS*
- *First Digital: FDUSD*
- *Ethena: TUSD*
- *PayPal USD: PYUSD*
- *Global Dollar Network (Robinhood, Kraken, Galaxy, etc.): USDG*
- *SoFiUSD*

Stablecoin-as-a-Service Providers

- *Paxos (USDG, PYUSD, USDP)*
- *BitGo (SoFIUSD, USD1, frxUSD)*
- *Anchorage (USAT)*
- *Stripe: Bridge Open Issuance*

RWAs

- *Tokenization Engines: Superstate, Ondo, Tokeny, Securitize*
- Transfer Agents: Computershare, Bullish+Equiniti

Wallet/Custody Infrastructure

- **Wallet Infrastructure**
- *Key mgmt., Policy Controls, Compliance, Recovery*
- *MPC, Agentic Workflows*
- *Settlement Connectivity, Tokenized Asset Support, Stablecoin Support*

Asset First

- ***Circle Wallets***
- *Coinbase*
- *Paxos / ForDefi*
- *Ripple*

Full Stack Providers

- *BitGo*
- *Fireblocks*
- *Anchorage Digital*

Wallet Infrastructure

- *Turnkey*
- *Stripe - Privy*

Potential: Securities Wallet Platforms

- *DTCC, Broadridge, Bullish+Equiniti (BitGo), Computershare*

TradFi Providers

- *BNY Mellon, State Street, Northern Trust*

Smart Contracts

- **Payments:** *Minting/Burning, Transfer Rules, Freezing, Blacklisting, Restrictions, Identity, Recovery, Chargebacks*
- **RWAs:** *Ownership, Voting Rights, Dividends, Corporate Action, Transfer Restrictions, Shareholder records, NAV Calculations, Redemptions, Yield Accrual*

Smart Contract Language Platforms

- *EVM: Solidity - Circle/Arc, Ethereum, Base, Arbitrum, Polygon, Optimism, Consensys*
- *Solana: Rust*
- *Canton: Daml*
- *Aptos+Sui: Move*
- *Ripple: XPRL*
- *R3 Corda: R3*
- *Hyperledger: Linux / Hyperledger Fabric*
- *Specialty: Securitize, Tokeny, Ownera, Fireblocks, Aleo, Aztec*

Settlement Networks

- **Immutable Settlement**
- **Smart Contract Execution**

Permissioned Blockchains

Payments Focus	RWA Focus	Deposits Focus
Circle: Arc	***Circle: Arc***	
	Digital Asset: Canton Network	*Digital Asset: Canton Network*
JPMorgan: Kinexys	*JPMorgan: Kinexys*	*JPMorgan: Kinexys*
Stripe/Paradigm: Tempo		
Fnality International		*Fnality International*
	R3 / Corda	*R3 / Corda*
	Avalanche Evergreen	*Hyperledger*
	In Development: DTCC, EuroClear, Broadridge	

Permissionless Blockchains

Payments Focus	RWA Focus	Deposits Focus
Solana	*Solana*	*Solana*
Coinbase / Base	*Coinbase / Base*	*Coinbase / Base*
Ethereum	*Ethereum*	*Ethereum*
Ripple / XPRL	*Ripple / XPRL*	*Ripple / XPRL*
Polygon	*Polygon*	
	Avalanche	
	Aptos and SUI	

Data Infrastructure / Oracles / Compliance

- **External RT Data Feeds**
- *Asset Prices, FX Rates, Interest Rates, Treasury Yields, Identity, Reserve Reporting, Corporate Actions, Proxy Voting, Trust Data, Credit Events, Market Data, Weather, Data Consumption, Power Consumption, Milestone Achievement*

Oracle Networks

- *Chainlink*
- *Pyth Network*
- *RedStone*

Financial Market Providers

- *Moody's Corp*
- *S&P Global*
- *Potential: Trust Banks, Broadridge, Market Data Providers*

Identity / Compliance

- *TRM Labs*
- *Chainalysis*
- Elliptic
- Sardine

Interoperability

- **Stablecoin Mobility**
- **Asset Mobility**

Stablecoin Mobility

- ***Circle CCTP***
- *Chainlink CCIP*
- *LayerZero*

Asset Mobility

- *Canton Networks*
- *Chainlink CCIP*
- *Ownera*

Bank Connectivity

- *SWIFT*
- *Canton Networks*
- *Chainlink CCIP*

Cross Network Settlement

- *Canton Networks*
- *Chainlink CCIP*
- *Fnality*
- *SWIFT*

Payment Orchestration

- **Integrate with Real World Payments, Agentic Commerce**
- **On/Off Ramps**
- *Merchant acceptance*
- *What stablecoin, what chain, fiat conversion, FX, wallet funding, settlement rules, taxes*

Full Stack Orchestration

- *Stripe + Bridge*
- ***Circle Payment Network***
- *Ripple Payments*

Agentic Commerce Infrastructure

- ***Coinbase Developer Program:*** *Agent Identity, Wallets, Payment Execution, Machine-to-Machine Pymts, Micropayments, Stablecoin Native Payments, Developer Tools, Consumer Workflows*
- ***Circle Agent Stack:*** *Agent Identity, Wallets, Payment Execution, Machine-to-Machine Pymts, Micropayments, Stablecoin Native Payments, Developer Tools*
- ***Stripe/Bridge:*** *Agent Identity, Wallets, Payment Execution, Checkout, Merchant Acceptance, Stablecoin Native Payments, Fiat Connectivity, Enterprise & Consumer Developer Tools*
- ***Mastercard:*** *Agent Identity, Partner Wallets, Payment Execution, Checkout, Merchant Acceptance, Fiat Connectivity, Enterprise & Consumer Developer Tools*
- ***Visa Intelligent Commerce:*** *Agent Identity, Partner Wallets, Payment Execution, Checkout, Merchant Acceptance, Fiat Connectivity, Enterprise & Consumer Developer Tools*

On/Off Ramps - Liquidity Hubs

Stablecoin Hubs	Exchange / Bank Hubs	RWA Hubs	Treasury Hubs
Circle Payment Network	*Coinbase*	***Circle Payment Network***	***Circle Payment Network***
Bridge (Stripe)	*Bullish*	*Canton*	*SAP*
Mastercard MTN	*Kraken*	*Ondo*	*Mastercard MTN*
Ripple	*JPM Kinexys*	*Superstate*	*JPM Kinexys*
Zero Hash	*Trust Banks*	*Franklin Templeton*	*Oracle Treasury*
		Securitize	*Trovata*

Orchestration Infrastructure

- **Crypto Native:** Alchemy Pay, Coinbase / Base, MoonPay, Zero Hash
- **FinTech / TradFi:** Mastercard / BVNK, Visa, JPMorgan / Kinexys

Note this is our first version of mapping the stablecoin/RWA tech stack/value chain with some areas/providers omitted for brevity.

Source: Citi Research

Circle Internet Group

(CRCL.N; US$90.13; 1H; 03 Jun 26; 16:00)

Valuation

Our $243 target price is based on Circle's 5-year growth potential, expanding operating leverage, and low capital requirements. We also include a conservative payment volume contribution assumption from CPN along with a correspondingly low 50bps take-rate assumption. Formulating a 2031 EBITDA and FCF scenario, we then discount our calculated terminal EBITDA multiple. Our discounted terminal multiple approach assumes the following:

• USDC circulation 5-year CAGR of 40% vs. a reserve return rate of 2.80% and a decline in distribution costs resulting Circle net reserve income of ~$5.6 bn in 2031, making-up 74% of our total 2031 revenue scenario.

• For CPN we assume the payments network processes $300bn of payments volume annually, representing 0.15% of total customer directed cross border transfers. We also assume a conservative take-rate assumption of 0.50%, producing $1.5bn or 20% of our 2031 total revenue scenario.

• We assume opex grows at 25% CAGR. Under these conditions our Adj. EBITDA / RLDC margin is ~81%. Furthermore, our 80% FCF cash flow conversion assumption results in $5.3bn of FCF in our 2031 scenario.

• We assume a terminal growth rate of 2.0%, which comes below the IMF's 3.1% global GDP forecasts for 2027. We assign a WACC of 9.0%. Adjusting for post-IPO net cash of $1.6bn, we arrive at a target price of $243 per share.

Risks

We rate CRCL High Risk based on Citi's quantitative model which screens the stock as High Risk given the recent IPO (limited trading history):

We note the following risks which could prevent the shares from achieving our target price:

• Circle's reserve income driven model leaves it susceptible to interest rate risk. Coupled with high operating leverage, a 25bps decline in SOFR would result in a mid-single-digit revenue decline and a ~mid-teens EBITDA decline. Furthermore, a prolonged period of low/zero interest rates would significantly impair the company's operating model.

• Earnings Volatility: We anticipate our estimates for Circle's revenue, profitability, cash flows, and target price will change more often than other companies in our coverage universe. It is also likely that our va
framework will change overtime as stablecoin adoption, and t
prospects evolve.

• Regulatory/Geopolitical Shifts can be Significant: The globa
environment for crypto assets is highly active presenting opp
Circle, though there's potential risk the company's operating
cost base may be impacted by negative regulatory conditions
including the obligation to maintain a safety reserve.

• If a stablecoin issuer loses its peg due operational failures or cyber-attack, a proverbial “run on stablecoins” could emerge.

If any of these risk factors has a greater downside impact than we anticipate, the share price may not achieve our price target.