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US Digital Assets

The Race for the New Money Movement Stack, Issue #3: Stripe/PYPL Implications

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CITI'S TAKE

According to press reports (CNBC, 7/15), the Stripe consortium bid for PayPal is framed as a unified acquisition with no immediate breakup plans, though we think longer-term strategic asset moves cannot be ruled out. The central variable for stablecoin market structure is where PYUSD lands and how operationally committed its owner is to deploy it as a distribution default. In our view, a Stripe-controlled PYUSD embedded in Braintree's merchant network would represent a significant competitive event in regulated stablecoins; whereas, a PE-controlled PYUSD may signal a managed retreat, while a consumer platform bundle represents a structurally important but slower-moving shift in retail digital dollar distribution. Irrespective of outcome, stablecoin competition in 2026 is a default-setting game. With reserve quality and GENIUS compliance effectively table stakes among regulated issuers, scale accrues to whichever stablecoin is set as default across the largest merchant, consumer wallet, or autonomous agent transaction base.

What Happens to PYUSD? — From a Digital Assets perspective, the transaction's significance derives from the potential reallocation of PYUSD's distribution infrastructure across materially different ownership profiles. We identify three non-mutually exclusive post-close scenarios: **(i) Stripe controls PYUSD:** combining Bridge, Tempo, Braintree's approximately 25bn annual transactions, and 440m consumer wallets into the first fully vertically integrated private digital dollar stack; **(ii) PYUSD remains with PE:** a managed retreat reverting institutional counterparties toward incumbents and reinforcing our view that stablecoin competition is a distribution problem, not a reserve quality or tech problem; and **(iii) PYUSD transfers via a Venmo sale to a consumer platform**: stratifying the market into (a) institutional stablecoins (i.e. USDC) serving treasury and DeFi flows and (b) consumer stablecoins (PYUSD) capturing retail digital dollar adoption, shaping who controls the onramp for the next cohort of digital dollar adopters.

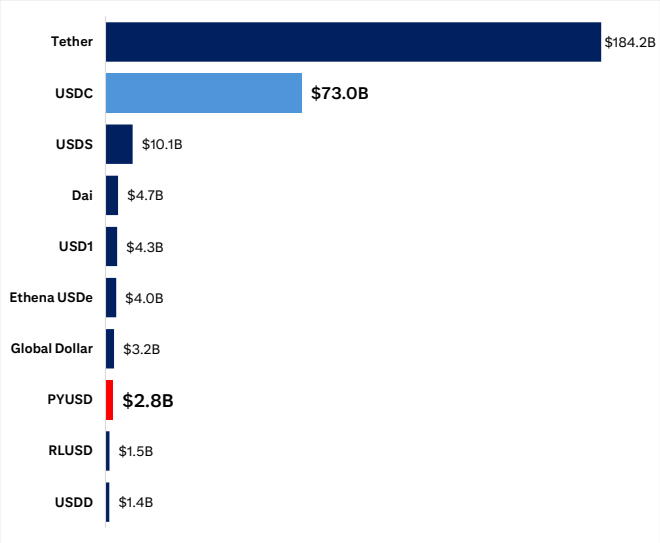
The Agentic Default — Beyond merchant networks and consumer wallets, AI agents autonomously executing payments represent a third distribution vector for the winning stablecoin, and the one where default-setting is most sticky and least reversible. Circle is not a passive observer: its USDC Developer Platform, nanopayment infrastructure, and CCTP-based cross-chain interoperability give it a meaningful first-mover advantage, with USDC currently the stablecoin most natively integrated into developer tooling, AI framework SDKs, and autonomous agent orchestration platforms. A Stripe-controlled PYUSD would alter this dynamic not by being technically superior, but by setting PYUSD as the path of least resistance across its agentic stack programmatically, with developer inertia doing the rest. That said, USDC's open-ecosystem **neutrality**, Circle's proven cross-chain interoperability, and its regulatory positioning including a Federal Reserve master account application, potentially makes Circle the preferred counterparty and a better-positioned player in the Agentic Commerce world than perceived.

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

What Happens to PYUSD?

Our focus is on the single question: what are the structural implications for stablecoin market competition, specifically as they relate to PayPal USD (PYUSD)? PYUSD is a fully reserved, GENIUS Act compliant, fiat-backed ERC-20/SPL payment stablecoin issued by Paxos (NYDFS-regulated) under a white-label arrangement with PayPal, which holds commercial distribution rights. Paxos retains minting, burning, and wallet-level freeze authority. From a Digital Assets perspective, the transaction's significance derives from the potential reallocation of PYUSD's distribution infrastructure across materially different ownership profiles.

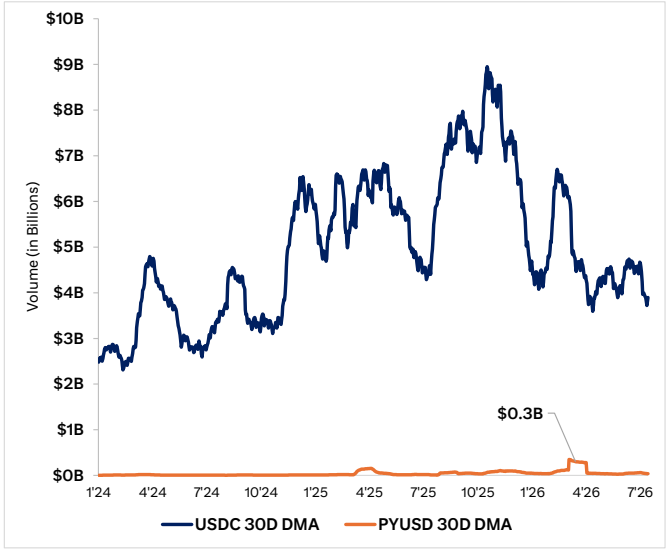
Figure 1. Top 10 Stablecoins by Circulation



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Source: Citi Research, CoinGecko

Figure 2. PYUSD vs. USDC Volume



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Source: Citi Research, Coinmetrics

We identify three, non-mutually exclusive, post-close scenarios with divergent implications for stablecoin market structure:

Scenario #1: Stripe Assumes Control of PYUSD

Stripe owns Bridge, a leading infrastructure platform for stablecoin issuance and programmatic movement, and is developing Tempo, a payment-optimized Layer 1 blockchain. The incremental addition of PYUSD would, in our view, produce the first fully vertically integrated private digital dollar stack in the market, encompassing: **(i) Issuance and reserve management:** PYUSD infrastructure, **(ii) Settlement and movement rails:** Bridge + TEMPO, **(iii) Enterprise merchant processing:** Braintree: approx. 25bn annual transactions, 200+ markets**), (iv) Consumer wallet distribution:** approx. 440m PayPal and Venmo registered accounts.

- **Circle:** A Stripe-controlled PYUSD embedded across Braintree's merchant network would challenge Circle at the commerce distribution layer, not at the reserve quality or GENIUS Act compliance layer where USDC and PYUSD are broadly equivalent, potentially challenging USDC as the commerce-layer default (potentially including agentic commerce) while leaving Circle's institutional and DeFi franchise largely intact near-term.

- **Coinbase** carries dual exposure: economically via USDC revenue share compression as PYUSD captures merchant and consumer distribution, and strategically via the direct architectural overlap between Base (Coinbase's L2)

and Stripe's Tempo blockchain, with a consolidated Stripe/PYUSD consumer wallet base of approximately 440m representing a retail digital asset footprint materially larger than Coinbase's current reach.

- **OpenUSD:** Stripe has previously committed to OpenUSD (The Banker, 7/6) as its default checkout stablecoin for its merchant base. A consolidated PYUSD deployment could challenge that commitment, establishing a proprietary commerce-layer stablecoin with simultaneous captive supply-side (millions of Stripe and Braintree merchants) and demand-side (440m consumer wallets) distribution. This configuration has no current precedent in the stablecoin market. The structural consequence would be a direct challenge to the open, multi-issuer model that has characterized stablecoin market development to date.

- **Card Networks:** A Stripe/PYUSD vertical integration at the merchant processing layer via Braintree would reduce the addressable surface area for card network stablecoin settlement by potentially internalizing a meaningful share of cross-border and e-commerce volume that currently traverses card rails.

Scenario #2: PYUSD Remains With PE

In this scenario, private equity assumes stewardship of PYUSD, either as a standalone Holdco asset or embedded within a retained PayPal consumer business. We surmise, the private equity playbook is likely not conducive to the product investment and developer ecosystem commitments required to scale a stablecoin as a competitive settlement default. Institutional counterparties and developers that had begun evaluating PYUSD as an enterprise settlement alternative would, in our view, revert allocation toward incumbent options in the absence of a credible distribution strategy. This outcome validates one of our core stablecoin structural observations: stablecoin competitive advantage in 2026 is a distribution problem, not a reserve quality or broadly a tech problem (at least initially given our positive view of CRCL's stack capabilities).

Scenario #3: PYUSD is Transferred to a Consumer Platform

This scenario is contingent on PE executing a Venmo divestiture to a consumer-facing platform acquirer. In this context, if PYUSD is bundled with Venmo in a sale to a platform with existing consumer distribution infrastructure, the near-term stablecoin competitive landscape is largely unchanged. However, the long-duration structural implication is a market stratification into two durable layers:

- **Institutional and on-chain stablecoins (e.g., USDC):** continuing to serve cross-border corporate treasury, DeFi protocols, and developer ecosystems

- **Consumer and social stablecoins (PYUSD in this scenario):** capturing retail digital dollar adoption through social payments, creator monetization, and in-app commerce. A platform acquirer with existing stablecoin infrastructure integrations and global consumer reach, combined with Venmo's approx. 100m US user base, would represent the largest consumer stablecoin distribution footprint assembled to date.

This likely does not disintermediate institutional stablecoin incumbents in the near term but materially shapes which entity controls the retail onramp for the next incremental cohort of digital dollar adopters, with downstream implications for reserve economics and long-term market structure, in our view.

Does this change the calculus for Big Tech's pathway to stablecoins?

Press reports earlier this year (Tech Buzz, Apr 29) opined on the potential of large tech platforms acquiring Venmo. Specific to stablecoins, it is important to note that the GENIUS Act includes explicit prohibitions preventing "large tech companies" (defined by market cap thresholds) from issuing payment stablecoins directly, reflecting concern that dominant consumer platforms could leverage proprietary stablecoin issuance to entrench market power, undermine monetary policy transmission, and displace bank deposit funding. This provision, however, likely does not prohibit a platform from engaging with a white label stablecoin issuer.

As for possible rationales… Meta's existing global consumer distribution across WhatsApp, Instagram, and Facebook, combined with its abandoned Libra/Diem initiative, provides a documented rationale for embedding a regulated stablecoin as a default settlement layer for creator monetization, peer-to-peer transfers, and in-app commerce across its platform ecosystem (see: Mashable, 6/18/19 and CNBC, 4/20/21). More broadly, large consumer technology platforms with established payment layer control and merchant acceptance infrastructure present a plausible rationale for integrating a regulated stablecoin as a settlement or wallet rail, particularly as programmable payments and autonomous agent transactions grow in strategic relevance. Similarly, we think FinTech operators with open financial infrastructure mandates, existing consumer wallet ecosystems, and adjacent digital asset exposure would find a PYUSD distribution bundle consistent with stated strategic objectives around expanding digital dollar reach.

The Agentic Default

AI agents autonomously executing payments/settlement represent a distinct distribution vector for the winning stablecoin. Unlike consumer wallets or merchant acceptance, agentic payment defaults are set programmatically at the infrastructure layer, making them sticky in a way that consumer behavior never is. Stripe is likely well-positioned here, its developer infrastructure already powers a significant share of internet commerce, with native API integrations across leading AI model providers. Whichever stablecoin gets embedded as the default in Stripe's agentic stack inherits that distribution without needing to win over a single consumer or merchant. A Stripe-controlled PYUSD would not compete for agentic commerce share so much as simply arrive first, set as the default before the market is contestable, potentially a dynamic not addressed in the GENIUS Act.

Circle's Agentic Stack and Nanopayments Positioning

Circle's USDC Developer Platform has been explicitly extended to support agentic commerce use cases, including programmable payment flows, automated treasury management, and multi-agent transaction routing. Critically, Circle has invested meaningfully in nanopayment infrastructure, enabling sub-cent, high-frequency settlement flows that are native to agentic and machine-to-machine commerce in a way that traditional payment rails structurally cannot support. Circle's CCTP provides the cross-chain interoperability layer that allows USDC to move programmatically across Ethereum, Solana, Base, and other supported networks without wrapped token exposure, giving AI agents a technically reliable and chain-agnostic settlement instrument.

At present, USDC holds a meaningful first-mover advantage in the agentic stack: it is the stablecoin most natively integrated into developer tooling, AI framework SDKs, and autonomous agent orchestration platforms. Although still quite nascent, USDC already processes on-chain machine-to-machine payment flows, and Circle's direct API relationships with leading AI infrastructure providers give it a

distribution footprint in the agentic layer that Bridge, as an orchestration layer, currently routes around rather than displaces.

We think the competitive calculus shifts materially if Stripe consolidates PYUSD alongside Bridge and Tempo. Stripe's agentic payment tooling is developer-facing and is embedded at the commerce execution layer where AI agents are most actively transacting today, including automated procurement, subscription management, API monetization, and multi-party settlement. A Stripe-controlled PYUSD would have the ability to be set as the default settlement instrument across these flows programmatically, with Bridge handling the stablecoin movement and Tempo providing the settlement finality layer. This would likely not require Circle's USDC to be technically inferior or less liquid; it would simply require Stripe to set PYUSD as the path of least resistance in its agentic stack, and developer inertia would do the rest.

The nanopayments dimension is particularly relevant here: Bridge's orchestration capabilities, combined with Tempo's throughput optimization, could enable PYUSD to support high-frequency, sub-cent agentic settlement flows at scale, directly contesting the nanopayments use case that Circle has been building toward. The structural risk to Circle is not displacement in DeFi or institutional treasury, where USDC's liquidity and cross-chain infrastructure remain entrenched, but rather the loss of the agentic commerce default before that market reaches the scale at which switching costs become prohibitive.

That said, Circle retains several durable structural advantages that a Stripe/PYUSD combination does not easily neutralize:

- **Neutrality Remains Paramount:** USDC's open-ecosystem positioning is a feature, not a vulnerability, for much of the developer and institutional market. Enterprises, DeFi protocols, and cross-border treasury operators have an explicit preference for a non-proprietary settlement instrument not controlled by a single commercial operator with competing commercial interests, and that preference does not diminish with scale.

- **Interoperability is also Key:** Circle's CCTP-based cross-chain interoperability is chain-agnostic and operationally proven at institutional scale, whereas Tempo is an unproven Layer 1 still in early deployment. It is our understanding that Bridge/TEMPO remain reliant on third parties for interoperability capabilities.

- **Regulatory Head Start:** Circle's regulatory capital, transparency standards, and institutional relationships, including its Federal Reserve master account application and ongoing banking charter pursuit, position it as the structurally preferred counterparty for regulated financial institutions integrating stablecoin settlement into existing compliance frameworks.

- **Agentic Commerce is likely Not Winner-Take-All:** Enterprise AI agents operating in regulated environments will require settlement instruments with auditable, non-proprietary infrastructure, and USDC is structurally better suited to that requirement than a Stripe-controlled PYUSD.

In our view, Circle's most credible path to durable competitive pos
agentic commerce world is to accelerate its developer stack integr
nanopayments infrastructure, and lean into the open-ecosystem
regulated, institutionally trusted alternative to a vertically integrat
dollar. The Stripe/PYUSD scenario, if it materializes, is a competiti
for Circle as much as it is a threat, and one that Circle's current infr
positioned to respond to than the market is currently pricing.



Figure 3. Stablecoin Value Chain/Tech Stack Mapping (version #2)

Stablecoin Issuance

Mint/Burn Mechanics

Reserve Management, Attestations

Wallet/Custody Infrastructure

Wallet Infrastructure

Key mgmt., Policy Controls, Compliance, Recovery

MPC, Agentic Workflows

Settlement Connectivity, Tokenized Asset Support, Stablecoin Support

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*

Settlement Networks

Immutable Settlement

Smart Contract Execution

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 Achievment

Interoperability

Stablecoin Mobility

Asset Mobility

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

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

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), Compuetrshare

TradFi Providers

BNY Mellon, State Street, Northern Trust

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

Permissioned Blockchains

Payments, Crossborder Focus	RWA Focus	Deposits Focus
	Circle: Arc	
	Digital Asset: Canton Network	
	JPMorgan: Kinexys	
	SWIFT	
Stripe/Paradigm: Tempo		
Fnality International		
	Figure/Provenance	
		Fnality International
	R3 / Corda	
	Avalanche Evergreen	*Hyperledger*

In Development: DTCC, EuroClear, Broadridge

Permissionless Blockchains

Payments Focus	RWA Focus	Deposits Focus
	Solana	
	Coinbase / Base	
	Ethereum	
	Ripple / XPRL	
	Polygon	
	Avalanche, Apto, SUI	

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

Stablecoin Mobility

Circle CCTP

Chainlink CCIP

LayerZero

Wormhole

Bridge uses most 3rd parties

Asset Mobility

Canton Networks

Chainlink CCIP

Ownera

Bank Connectivity

SWIFT

Canton Networks

Chainlink CCIP

Cross Network Settlement

Canton Networks

Chainlink CCIP

Fnality

SWIFT

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*
BVNK (Mastercard)	*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

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Source: Citi Research

Companies Mentioned:

BitGo Holdings Inc (BTGO.N; US$5.16; 1H; 15 Jul 26; 16:00) | BNY Mellon Corporation (BNY.N; US$162.35; 2; 15 Jul 26; 16:00) | Bullish (BLSH.N; US$25.13; 1H; 15 Jul 26; 16:00) | Circle Internet Group (CRCL.N; US$65.69; 1H; 15 Jul 26; 16:00) | Coinbase Global Inc (COIN.O; US$167.21; 1H; 15 Jul 26; 16:00) | Computershare (CPU.AX; A$38.96; 2; 15 Jul 26; 16:00) | Galaxy Digital Inc (GLXY.O; US$24.58; 2H; 15 Jul 26; 16:00) | JP Morgan Chase & Co (JPM.N; US$346.91; 2; 15 Jul 26; 16:00) | Mastercard Inc (MA.N; US$535.21; 1; 15 Jul 26; 16:00) | Meta Platforms Inc (META.O; US$681.31; 1; 15 Jul 26; 16:00) | Moody's Corporation (MCO.N; US$504.46; 1; 15 Jul 26; 16:00) | Northern Trust Corporation (NTRS.O; US$191.13; 2; 15 Jul 26; 16:00) | Oracle Corporation (ORCL.K; US$132.49; 1; 15 Jul 26; 16:00) | PayPal Holdings Inc (PYPL.O; US$55.52; 2; 15 Jul 26; 16:00) | S&P Global, Inc. (SPGI.N; US$444.48; 1; 15 Jul 26; 16:00) | SAP SE (SAPG.DE; €136.98; 1; 15 Jul 26; 17:30) | State Street Corporation (STT.N; US$186.59; 1; 15 Jul 26; 16:00) | Visa Inc (V.N; US$355.14; 1; 15 Jul 26; 16:00)