AN OVERVIEW OF STABLECOIN
What Is a Stablecoin?

Stablecoin is a different type of cryptocurrency. These coins always have a stable price. As the prices of cryptocurrencies are highly volatile, stablecoin is a solution to this problem.

Stablecoins can act as a substitute for fiat currency for crypto investors as these coins tend to mimic the nature of fiat currency.

Stablecoins can also increase the liquidity of the crypto markets and are perfectly suited for any enterprise organization.
Types of Stablecoin

- Fiat-Backed Stablecoin
- Commodity-Backed Stablecoin
- Cryptocurrency-Backed Stablecoin
- Seigniorage-Style/Non-collateralized Stablecoin
Fiat-Backed Stablecoin

Backed up by fiat currency. Typically, has the same value as any regular paper-based money. The ratio of stablecoin:fiat currency = 1:1.

This type of stablecoin is somewhat centralized as the fiat currency is controlled by centralized banks.

The network will take fiat money and issue stablecoins on the network, and when you want to sell your tokens, the network will transfer you the fiat money and destroy the tokens on the network.
Fiat Backed Stablecoins are very stable compared to other stablecoins as real money backs them up.

These coins don’t have to deal with legal issues as everything falls under legal terms.

Developing these coins is fairly simpler as the architecture is not complex, and the algorithm is straightforward.
The stablecoin follows a centralized system; thus, it can be vulnerable to attacks.

Trust plays a huge part here, as users have to trust the network blindly about the fiat-backed tokens, which is against the nature of blockchain.

Users have to adhere to regulations and rules as they are using fiat money. This is absent in typical cryptocurrencies.
Backed by commodities such as Valuable Metals, Gas, Oil, Gold, etc. These offer fungibility as you can trade them for fiat money.

Users can find a more secure and better way to invest in commodities, as they don’t have to store the commodities themselves.

Once requested, a vendor will provide the commodity, and the custodian will store it. Based on that, stablecoins will get minted on the platform, and the users will get tokens representing the commodity.
Users can redeem the assets anytime as these coins are backed by real assets.

Typically, the values of commodities aren’t volatile. Thus, it can be a good source of investments for its stable nature.

Tokenizing commodities increases the liquidity of the coins.
Major Drawbacks

- These tokens have to use commodities to back up the coins, which involves too many participants such as custodians, vendors, etc.
- Third-party influences on the coins make it more centralized in nature.
- These coins have to go through regular audits to ensure trust to their users, which takes a lot of time and resources.
Cryptocurrency-Backed Stablecoin

Backed up by a combination of cryptocurrencies such as Bitcoin, Ethereum, etc. It can also be backed up by a single cryptocurrency.

Here, when a price of a cryptocurrency drops, other cryptocurrencies back it up to keep the stable value of the coin.

Typically, these stablecoins are overly collateralized to prevent any sudden crash. Users will have to lock their base cryptocurrencies, and the network will mint them stablecoins based on that.
This stablecoin uses a decentralized network to function properly, meaning no centralized interference.

It offers a higher efficiency as it’s easy to convert one type of cryptocurrency to another type.

As all transactions get recorded on the public ledger system, it ensures transparency.

Does It Have Any Advantages?
Comparatively more volatile than other types of stablecoins as they are backed by cryptocurrencies.

Minting new tokens is a complex process as it needs many factors to function properly.

Liquidifying these coins are easy; thus, it can affect the price range if users start to panic selling their coins.
Seigniorage-Style/Non-collateralized Stablecoin

- Does not have any type of asset backing these up. These use a complex algorithm that burns or add stablecoins based on the market value.
- These coins have a self-governing method that ensures the stable value of the coin.
- When the demand rises, the network mints new coins; when it falls, the network burns some coins.
The stablecoin runs on a fully decentralized network, so there are no third-party influences.

As it does not have any collateral backing it up, users don’t have to stress over the collateral price fluctuations.

The algorithm makes sure the stable value of the coin prevails at all times.
Major Drawbacks

- It's difficult for developers to recreate algorithms that can balance the value of this stablecoin.
- The coin depends on the future demand of itself to be successful.
- The process is new and complex; thus, most of the projects are unsuccessful.
- Does not offer the security that enterprise companies need in order to incorporate a digital currency.
Examples of Stablecoin Projects

**Fiat-Backed:**
- **Tether (USDT)**
  - Backed up by USD
- **Gemini (GUSD)**
  - Backed up by USD

**Commodity-Backed:**
- **Digix Gold (DGX)**
  - Backed up by Gold
- **Tiberius Coin**
  - Backed up by 7 types of metals – Platinum, Cobalt, Gold, Tin, Nickel, Aluminum, and Copper.
Examples of Stablecoin Projects

Cryptocurrency-Backed:
- **MakerDAO (DAI)**
  - Backed up by Ethereum (over-collateralized)
- **Synthetix (Havven)**
  - Backed up by SNX token

Seigniorage-Style/Non-collateralized:
- **Ampleforth (AMPL)**
  - Holders own a fixed fraction of the AMPL rather than tokens
- **Empty Set Dollar**
  - Has an elastic supply; tokens are minted when the value is above $1
What Are the Real-World Applications?

- Acts as an Everyday Currency
- P2P Payments and Streamlining
- Affordable and Fast Remittances
- Security from Currency Crashes
- Stabilizes Cryptocurrency Exchanges
Are There Limitations?

- Centralized
- Trust Issues
- Regulations
- Unstable Nature
Suitable Masterclasses

- **Stablecoin Fundamentals Masterclass**
  - [Link](https://academy.101blockchains.com/courses/stablecoin-masteclass)

- **Blockchain in Finance Masterclass**
  - [Link](https://academy.101blockchains.com/courses/blockchain-in-finance)

- **Central Bank Digital Currency (CBDC) Masterclass**
  - [Link](https://academy.101blockchains.com/courses/central-bank-digital-currency)
101 Blockchains Certifications

Certified Enterprise Blockchain Professional
https://academy.101blockchains.com/courses/blockchain-expert-certification

Certified Enterprise Blockchain Architect

Certified Blockchain Security Expert
Why You Must Go With 101 Blockchains Certification Courses?

- High-Quality Research Information
- First-class Training Content
- Interactive Exercises
- Flexible Learning Using Modular Approach
- Access to Bonus Training Materials
- Various Training Strategies for Faster Learning
- Tangible Proof of Course Completion
- Weekly Hands-on Assignments
- Professional Instructors
- Premium Support
101 Blockchains

Trusted By 15,000+ Professionals!

Read real stories on Trustpilot and G2Crowd.

- Best Support: Spring 2021
- High Performer: Small Business Spring 2021
- High Performer: Spring 2021
- High Performer: Europe Spring 2021
- Users Love Us

Trustpilot

★★★★★

410 reviews
The presentation is not intended to provide any investment advice and should not be taken as such. Claims made in this webinar do not constitute investment advice and should not be taken as such. *Do your own research!*

While the information contained in this document and presentation has been obtained from sources believed to be reliable, 101 Blockchains disclaims all warranties as to the completeness or accuracy.

Although 101 Blockchains research and training may address business, financial, investment and legal issues, 101 Blockchains does not provide any business, financial, legal or investment advice and this training should not be construed or used as such.

101 Blockchains shall not be responsible for any loss sustained by any person who relies on this presentation.
Thank You