



**ASSESSING THE IMPACT OF STABLECOINS ON EXCHANGE RATE  
VOLATILITY: EVIDENCE FROM EMERGING MARKET ECONOMIES**

***Key points:***

- *Stablecoins are cryptocurrencies designed to maintain a stable value, offering a new way to transfer money across borders for payments and investments including crypto assets. The stablecoin market has grown rapidly, with US dollar-pegged stablecoins (USD stablecoins) accounting for about 99% of the total market capitalisation.*
- *Some cryptocurrency exchanges enable users to buy and sell USD stablecoins using fiat currencies other than the USD. As buyers do not require prior conversion to USD, this market feature is particularly attractive to investors in emerging market economies (EMEs), given the less developed nature of their financial markets and their constraints on accessing foreign assets. As a result, there have been substantial transaction flows between EME currencies and USD stablecoins.*
- *The increase in flows from EME currencies to USD stablecoins could have important implications for exchange rate volatility for EMEs, as such flows ultimately involve conversions between EME currencies and the USD in the foreign exchange (FX) market to complete the transactions. Consequently, increased FX activity in EME currencies arising from flows driven by stablecoins can lead to greater volatility in these currencies.*
- *Against this background, this study examines the linkage between stablecoin trading and exchange rate volatility in EMEs. Focusing on the transaction flows of USD Tether (USDT, the largest USD-linked stablecoin) vis-à-vis 12 EME currencies, this study finds that:*
  1. *EME currencies with stronger transaction flows vis-à-vis USDT exhibit increased exchange rate volatility, even after accounting for other relevant factors. For a one-standard-deviation increase in transaction flows, the*

*median increase for EME currencies with strong flows to USDT is found to be around 3.6% of historical volatility, compared with only 0.35% for currencies with low flows.*

2. *Instability in stablecoin prices induces additional exchange rate volatility for EME currencies that are more exposed to stablecoins. This indicates that stress in stablecoin markets could transmit to the FX market.*
- *Overall, our findings suggest that as stablecoin adoption continues to grow in EMEs, USD stablecoin transactions vis-à-vis EME currencies could be one significant channel through which exchange rate volatility could be affected. This warrants policy measures to reduce the price instability of stablecoins, such as capital adequacy and reserve liquidity requirement, which could help dampen the impact of the growth of stablecoin adoption on exchange rate volatility.*

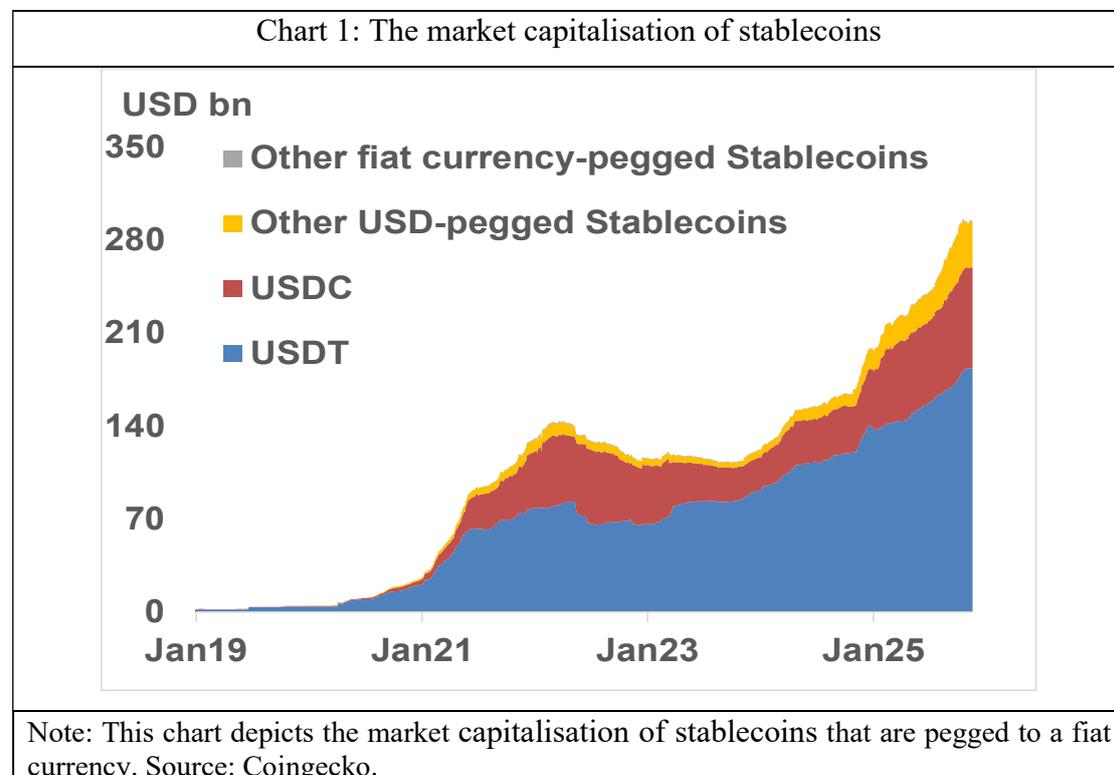
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<p>The views and analysis expressed in this paper are those of the authors, and do not necessarily represent the views of the Hong Kong Monetary Authority.</p>
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## I. INTRODUCTION

Stablecoins are cryptocurrencies designed to maintain a stable value,<sup>1</sup> offering a new way to transfer money across borders for payments and investments including crypto assets (Auer et al., 2025; European Central Bank, 2025; Reuter, 2025). The stablecoin market has grown rapidly in recent years (Chart 1). An important feature of this market is the prevalence of stablecoins pegged to the US dollar (“USD stablecoins”), which account for approximately 99% of stablecoin market capitalisation. This segment is dominated by USD Tether (USDT), representing around 60% of total stablecoin market capitalisation in November 2025, followed by USD Coin (USDC), representing around 25%.



Some cryptocurrency exchanges enable users to buy and sell USD stablecoins using fiat currencies other than the USD. As buyers do not require prior conversion to the USD, this market feature is particularly attractive to investors in emerging market economies (EMEs), given the less developed nature of their financial markets and their

<sup>1</sup> Throughout this paper, “stablecoins” refers specifically to those whose values are pegged to a fiat currency (“fiat currency-pegged stablecoins”). According to CoinGecko (as of 19 November 2025), these account for over 97% of the total market capitalisation of all stablecoins, with the remainder consisting of stablecoins whose values are linked to other assets (such as cryptocurrencies or commodities).

constraints on accessing foreign assets. As a result, there have been substantial transaction flows between EME currencies and stablecoins.

The increase in flows from EME currencies to USD stablecoins could have important implications for exchange rate volatility in EMEs, as such flows ultimately involve conversions between EME currencies and the USD in the foreign exchange (FX) market to complete the transactions. Consequently, increased FX activity in EME currencies arising from flows driven by stablecoins can lead to greater volatility in EME currencies.

To broaden understanding of this issue, this study first provides an overview of stablecoin transactions vis-à-vis EME currencies and illustrates their potential linkages with exchange rate volatility. We then present anecdotal evidence and empirical results suggesting that EME currencies tend to be more volatile when stablecoin transaction flows vis-à-vis these currencies increase. Furthermore, instability in stablecoin prices may induce greater exchange rate volatility in EME currencies that are more exposed to stablecoins.

This study contributes to discussion of the macro-financial implications of stablecoins, particularly with respect to exchange rate dynamics. There has been growing attention to the financial stability risks associated with cryptocurrencies (Consultative Group of Directors of Financial Stability, 2023; Financial Stability Board, 2024; Bank for International Settlements, 2025; European Central Bank, 2025; International Monetary Fund, 2025). Rapid shifts in cryptocurrency flows may influence supply and demand in traditional FX markets, potentially leading to abrupt exchange rate movement and complicating exchange rate management, particularly in EMEs, where capital flow management measures are commonly employed to mitigate external shocks (International Monetary Fund, 2023).

However, empirical research on the relationship between stablecoin adoption and exchange rate dynamics remains limited. A recent study finds that higher bilateral exchange rate volatility is associated with increased cross-border flows of stablecoins (Auer et al., 2025). Another study identifies the weakness of local currencies as a key factor influencing the trading of bitcoin against fiat currencies (Di Casola et al., 2025). Higher bitcoin activity may in turn induce more stablecoin adoption. Our research contributes to this discussion by examining the impact of the direct transactions of

stablecoin vis-à-vis EME currencies facilitated by cryptocurrency exchanges, and by highlighting the potential for the price instability of stablecoins to transmit to exchange rate volatility.

The paper is structured as follows. The next section introduces the institutional background of stablecoin transaction flows vis-à-vis EME currencies, illustrating how such transactions may increase exchange rate volatility. Section 3 introduces the data and descriptive analysis. Section 4 presents the results of empirical analysis conducted to test the linkage between stablecoin transaction flows and exchange rate volatility. Section 5 concludes.

## **II. STABLECOIN TRANSACTION FLOWS VIS-À-VIS EME CURRENCIES**

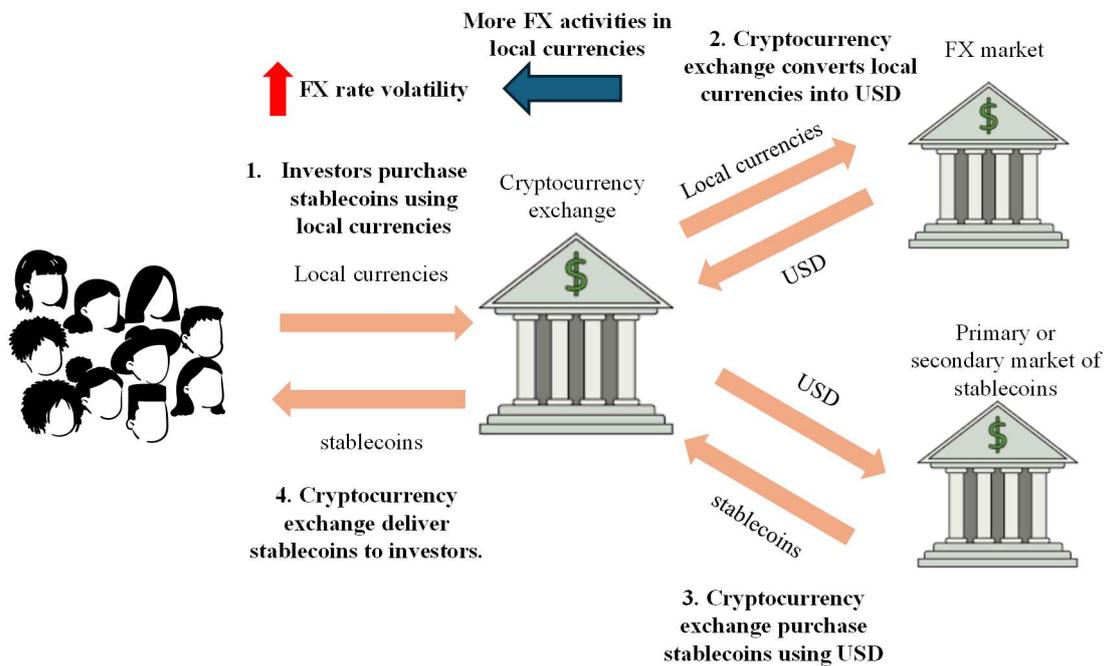
Chart 2 provides a schematic overview of how the purchase of USD stablecoins using non-USD fiat currencies can induce exchange rate volatility. By the same token, sales of USD stablecoins can also induce exchange rate volatility. Permitting direct purchases by EME currencies enables investors in EMEs to obtain USD stablecoins without the intermediate step of converting their funds into the USD in the FX market. Operationally, FX conversion is facilitated by local cryptocurrency exchanges or market makers, which quote stablecoin prices in the local currency and accept settlement in that currency.

To complete these transactions, cryptocurrency exchanges or market makers need to acquire the corresponding stablecoins for delivery to clients, necessitating the conversion of local-currency payments into the USD.<sup>2</sup> Under this arrangement, a greater volume of stablecoin transactions vis-à-vis EME currencies leads to increased conversion activities in the FX market, potentially inducing volatility in these currencies. In addition to using local currencies directly for stablecoin transactions, EME residents may acquire them using USD obtained by first converting their local currencies in the FX market. While such transactions can likewise affect exchange rate volatility, they are not captured in our study due to data limitations.

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<sup>2</sup> Crypto exchanges/market-makers that accept EME currencies obtain the USDT required to complete transactions from either the primary market (where the USDT issuer only accepts USD for new issuances) or the secondary market (mostly likely the USDT/USD market, given the much deeper USDT market in USD). In both cases, the crypto exchanges/market-makers require the proceeds of EME currencies to be converted into the USD to purchase USDT to deliver to their clients.

Chart 2: Illustration of transactions between USD stablecoins and non-USD local currencies



The level of stablecoin activity in EME currencies may be influenced by a number of factors. For instance, Auer et al. (2025) find that higher inflation and greater bilateral exchange rate volatility tend to increase cross-border stablecoin flows, and that cross-border remittance cost is an important driver of greater stablecoin usage in EMEs.

The stability of stablecoins may also influence stablecoin transaction flows vis-à-vis EME currencies. A distinguishing feature of stablecoins, compared with other cryptocurrencies, is their commitment to exchange for fiat currencies at a predetermined fixed price (“peg”). While the market price of a stablecoin may deviate from its peg due to changes in market demand and supply, such deviations are generally corrected through an arbitrage mechanism, keeping them minimal (Lyons & Viswanath-Natraj, 2023; Hui et al., 2025; Ma et al., 2025).<sup>3</sup>

<sup>3</sup> When a stablecoin’s market price is above its peg, arbitrageurs mint new coins from the issuer at the peg value and sell them on the market for a profit. This increases the market supply of the stablecoin and pushes its price down towards the peg. When the market price is below the peg, arbitrageurs purchase coins on the market and redeem them at the peg. This reduces the market supply and helps lift the price back towards the peg.

However, significant deviations may occur, for instance during periods of instability in the broader cryptocurrency market.<sup>4</sup> These episodes highlight concerns regarding the run risk of stablecoins, which can be influenced by multiple factors, including the quality and transparency of reserve assets (Ahmed et al., 2024), the liquidity management and capital requirement of the issuer (Goel et al., 2025), and the structure and efficiency of arbitrage mechanisms (Ma et al., 2025). The instability of stablecoins may further transmit to the financial market. For instance, Ahmed and Aldasoro (2025) show that the growing footprint of stablecoins exposes the U.S. Treasury market to fire-sale risk in the event of a stablecoin run. A similar transmission mechanism may also apply to the FX market. Specifically, substantial price deviations from the peg can spur greater activity in stablecoins, including transactions involving EME currencies. This, in turn, may contribute to volatility in EME currencies, as discussed above.

### III. DATA

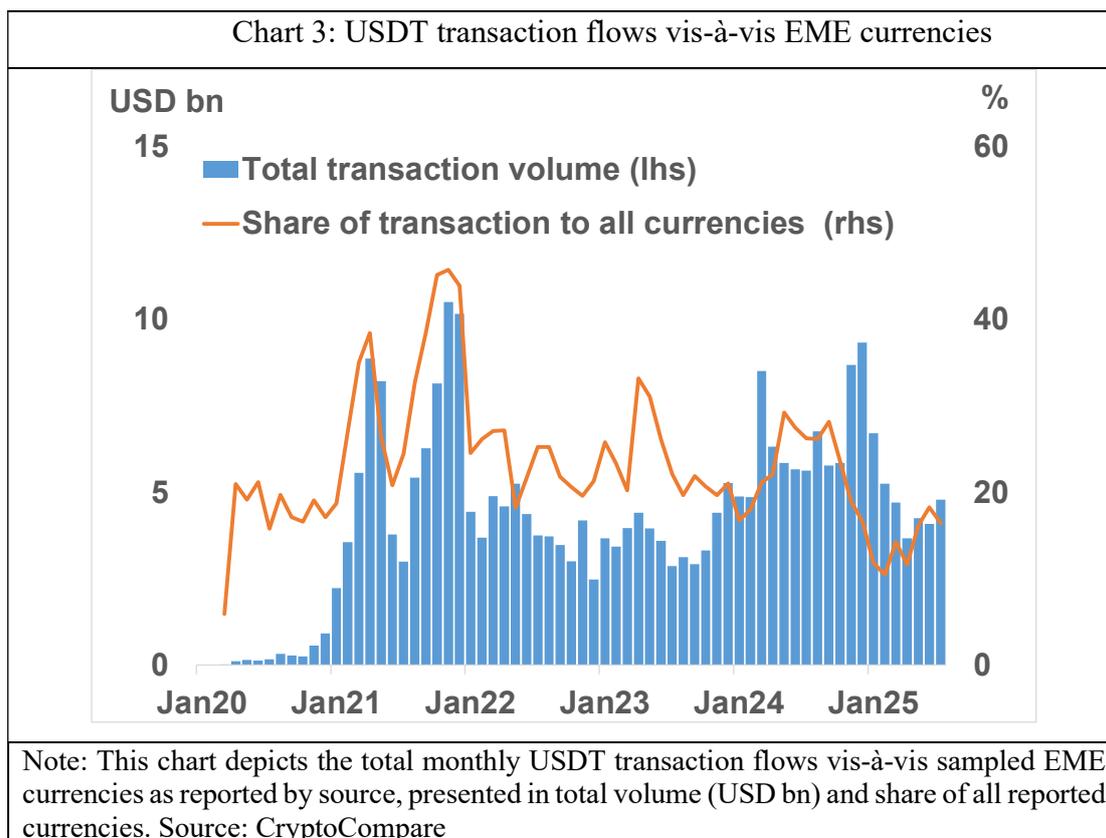
To examine the linkage between stablecoin transaction flows and exchange rate volatility in EME currencies, we use transaction volume data for USDT vis-à-vis 12 EME currencies,<sup>5</sup> sourced from CryptoCompare. This platform aggregates cryptocurrency transactions vis-à-vis different fiat currencies, as reported by different crypto exchanges.<sup>6</sup> Chart 3 provides an overview of monthly stablecoin flows vis-à-vis EME currencies. As shown in the chart, USDT transaction flows vis-à-vis the sampled EME currencies account for a notable share (around 20%) of the total USDT transaction flows vis-à-vis all reported fiat currencies.

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<sup>4</sup> For example, during the U.S. banking turmoil in March 2023, the price of USDC fell below USD0.90, as a large amount of its cash reserves was held at Silicon Valley Bank. Similarly, the collapse of Terra (UST) in May 2022 triggered widespread sell-offs across the crypto market, and the price of USDT dropped to USD0.95.

<sup>5</sup> The currencies are the Argentine peso, Brazilian real, Colombian peso, Indonesian rupiah, Nigerian naira, Polish zloty, Romanian leu, Russian ruble, Thailand baht, Turkish lira, Ukrainian hryvnia, and South African rand.

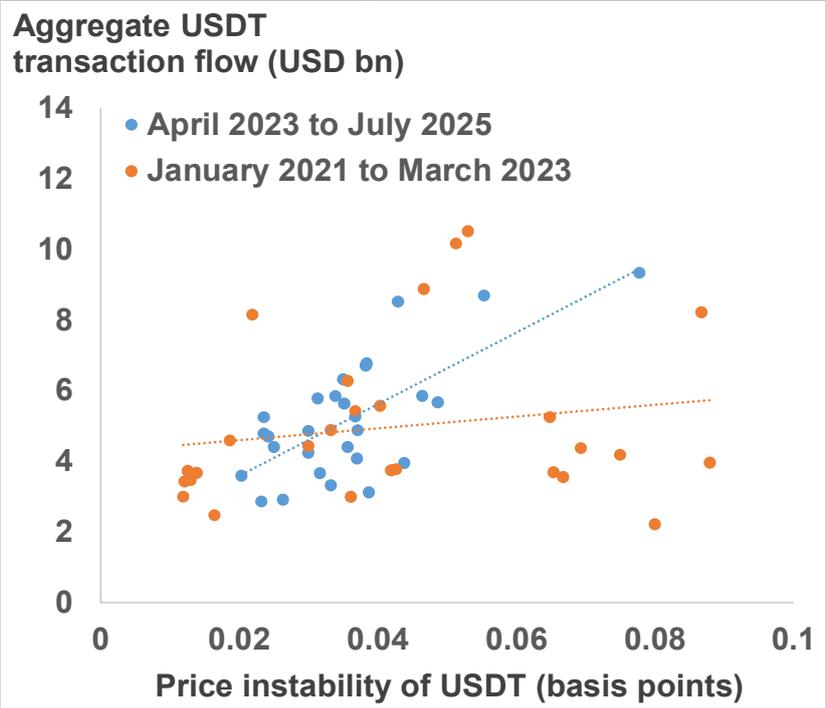
<sup>6</sup> CryptoCompare collects data from over 300 cryptocurrency exchanges worldwide (as of November 2025), compiling daily transaction volumes against different fiat currencies for various cryptocurrencies (including stablecoins).



There is anecdotal evidence that the price instability of stablecoins drives stronger flows vis-à-vis EME currencies, particularly in more recent periods. Chart 4 presents a scatter plot showing aggregate monthly USDT transaction flows vis-à-vis sampled EME currencies against the monthly average of USDT’s daily deviation from its peg since 2021. Observations before 2021 were discarded due to much smaller transaction flows (see Chart 3). To assess whether the relationship has evolved over time, the observation period is further split into two halves, as indicated in Chart 4.

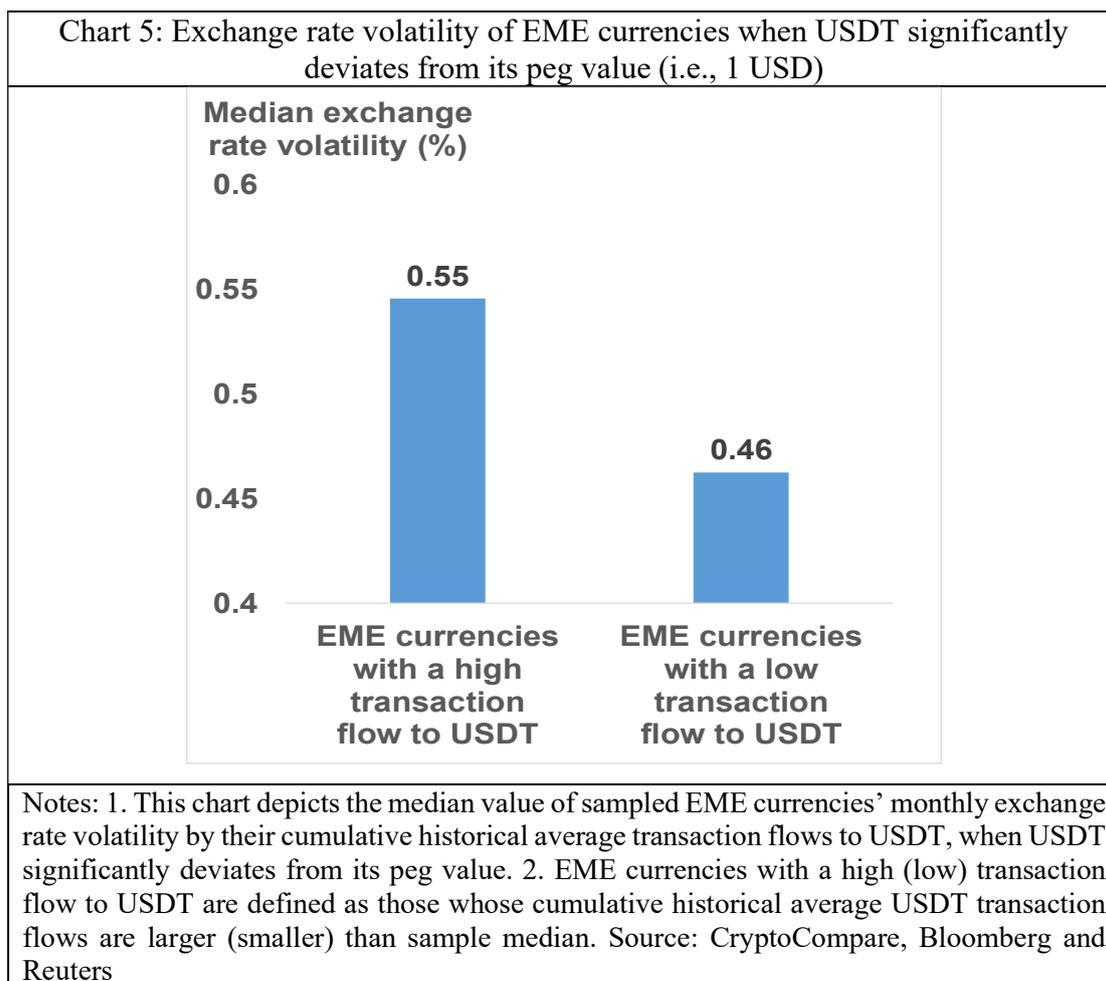
Chart 4 shows that in the earlier periods, when USDT’s price was more volatile, the relationship between price instability and aggregate transaction flows was positive but weak (orange dots in Chart 4, with a correlation coefficient of 0.18). In the latter period, the relationship strengthened markedly (blue dots, with a correlation coefficient of 0.7), evident at both lower and higher levels of price instability.

Chart 4: The price instability of USDT and aggregate USDT transaction flows vis-à-vis sampled EME currencies.



Note: This chart plots aggregate monthly USDT transaction flows vis-à-vis sampled EME currencies against the price instability of USDT since 2021, split into two halves as indicated in the chart. Source: CryptoCompare and Coingecko

We further provide evidence that the level of stablecoin transactions vis-à-vis EME currencies may play a role in driving the respective exchange rate volatility. We measure monthly exchange rate volatility as the standard deviation of daily returns of the exchange rate against the USD. Chart 5 compares the median monthly exchange rate volatility for the sampled EME currencies, grouped by their cumulative historical average transaction flows to USDT (from the start of the sample period up to  $t-1$ ) when USDT significantly deviates from its peg value (i.e., 1 USD). For a given month, USDT is considered to significantly deviate from its peg value when the average daily absolute deviation from the peg exceeds the sample median (which is about 0.04 basis points). During these periods, EME currencies with higher historical average transaction flows to USDT (i.e., larger than the sample median) tend to show greater exchange rate volatility.



#### IV. EMPIRICAL ANALYSIS

In this section, we report panel regression analyses conducted to test whether the above observed patterns persist after accounting for other drivers of exchange rate volatility and addressing potential endogeneity issues. The estimation is conducted using monthly observations from February 2021 to December 2024.<sup>7</sup>

$$FX\ vol_{i,t} = \beta_{USDT} USDT\_flow_{i,t-1}^{detrended} + \beta_{BTC} BTC\_flow_{i,t-1}^{detrended} + \sum_{k=1}^m \beta_k Control_{i,t} + FE_t + FE_{i,q} + \epsilon_{i,t} \quad (1)$$

Equation (1) presents our baseline panel regression model, which examines the relationship between exchange rate volatility and stablecoin transaction flows vis-à-vis

<sup>7</sup> As shown in Chart 3, aggregate USDT transaction flows vis-à-vis sampled EME currencies were very small prior to 2021. In addition, Bai-Perron's (1998) structural break test is used to examine the time series of the deviation of USDT price from its peg, and a structural break is found between January and February 2021. To reduce the undue influence of these observations, our empirical analysis uses observations starting from February 2021.

the sampled EME currencies. The dependent variable,  $FX\ vol_{i,t}$ , measures monthly realised exchange rate volatility for currency  $i$  in month  $t$ . It is calculated as the standard deviation of daily exchange rate returns during the month, capturing the degree of short-term fluctuations in the FX market.

The key explanatory variable is  $USDT\_flow_{i,t-1}^{detrended}$ , representing the lagged and de-trended USDT transaction flows vis-à-vis currency  $i$ , measured in billions of USD. This variable serves as a proxy for the level of stablecoin transaction activity and is our main focus of interest. We lag the transaction flows by one month to mitigate potential endogeneity, as it could be argued that higher exchange rate volatility itself induces more stablecoin transaction flows (Auer et al., 2025). In addition, we de-trend the lagged flows by subtracting their 12-month trailing average from the observed flows. The primary aim of this de-trending is to avoid potential non-stationarity issues (Di Casola et al., 2025). The resulting measure captures short-term deviations in USDT flows for each currency relative to its longer-term trend, allowing us to assess how these fluctuations are associated with exchange rate volatility.

In addition to USDT flows, the baseline model includes bitcoin transaction flows vis-à-vis currency  $i$  ( $BTC\_flow_{i,t-1}^{detrended}$ ) to control for broader cryptocurrency transactions vis-à-vis EME currencies, which may also influence FX activity. Like  $USDT\_flow_{i,t-1}^{detrended}$ ,  $BTC\_flow_{i,t-1}^{detrended}$  is lagged by one period and de-trended. Equation (1) also incorporates month-fixed effects ( $FE_t$ ) to capture common time-varying influences (e.g. global financial and crypto market conditions) and currency-quarter fixed effects ( $FE_{i,q}$ ) for slow-moving currency-specific factors (e.g., macro-economic fundamentals, financial market development). We also include a set of monthly currency-specific controls ( $Control_{i,t}$ ) that are not accounted for by the month-fixed or currency-quarter fixed effects but may still affect the exchange rate, following the literature (Caporale et al., 2017; Calderón & Kubota, 2018; Lafarguette & Veyrune, 2021; Castillo et al., 2024; Chen et al., 2024). These include inflation differential with the U.S., capital flows proxied by equity market fund flows, the currency's bid-ask spread, and FX market intervention by the authorities. Table A1 in the annex presents the definitions and data sources of the variables, and Table A2 presents their summary statistics.

Column (1) of Table 1 presents the estimation results for Equation (1), showing that the estimated coefficient on  $USDT\_flow_{i,t-1}^{detrended}$  is positive and statistically significant (0.13). This suggests that stablecoin transaction flows vis-à-vis EME currencies are a significant driver of exchange rate volatility. To gauge economic significance, we first separate the EME currencies into two groups, high- and low-flow groups. The former group includes EME currencies for which the average flows of the currency to USDT are larger than the median over the full sample, while the latter group contains the remaining EME currencies. We then assume an increase in USDT transaction flows by one standard deviation (SD) based on the historical distribution of each currency and further estimate the impact on exchange rate volatility for each currency based on the estimation results in Column (1) of Table 1. For the high-flow group, the median impact on the exchange rate volatility is around 3.6% of the historical volatility, which is much larger than that of the low-flow group (i.e., 0.35% of the historical volatility).

We then examine whether stablecoin market conditions, specifically the price instability of USDT, may also induce exchange rate volatility. USDT price instability can trigger arbitrage, portfolio adjustments, or hedging activity, leading to increased stablecoin flows and potentially greater exchange rate volatility. We conjecture that this impact is stronger for currencies with historically higher USDT activity.

$$\begin{aligned}
FX\ vol_{i,t} = & \\
& \beta_{USDT} USDT\_flow_{i,t-1}^{detrended} + \beta_{dev} USDT\_deviation_t + \beta_{deveexp} USDT\_deviation_t * \\
& ExpCur_{i,t} + \beta_{exp} ExpCur_{i,t} + \beta_{BTC} BTC\_flow_{i,t-1}^{detrended} + \sum_{k=1}^m \beta_k Control_{i,t} + \\
& \sum_{z=1}^n \beta_z Month_t + FE_{i,q} + \epsilon_{i,t} \tag{2}
\end{aligned}$$

To test the above conjecture, we extend the baseline model to include  $USDT\_deviation_t$ , which measures the price instability of USDT, in Equation (2). This variable is defined as the monthly average of the daily absolute deviation of USDT's price from its peg.<sup>8</sup> We also include a dummy variable,  $ExpCur_{i,t}$ , to classify

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<sup>8</sup> One modification from Equation (1) concerns the treatment of factors that are common across currencies. More specifically, instead of applying month-fixed effects ( $FE_t$ ), we include  $Month_t$  which is a set of monthly common factors including log changes in the USD Index (controlling for USD conditions), log changes in the VIX Index (controlling for global market volatility), and bitcoin return volatility (controlling for cryptocurrency market volatility). This change is necessary because  $USDT\_deviation_t$  is common across currencies and would be fully absorbed by month-fixed effects if they were retained.

the group of EME currencies that are more exposed to USDT in a given month.  $ExpCur_{i,t}$  is defined as 1 if in month  $t$ , a currency's cumulative historical average USDT transaction flows (from the start of the sample period up to  $t-1$ ) exceed the median of all sampled currencies, and 0 otherwise. We include an interaction between  $USDT\_deviation_t$  and  $ExpCur_{i,t}$  to test the hypothesis that during periods of price instability in USDT, EME currencies that are more exposed to USDT find that such instability has a stronger impact on their exchange rate volatility. We expect to find a positive  $\beta_{devexp}$ .

Column (2) of Table 1 reports the estimation results of Equation (2). As expected, the estimated  $\beta_{devexp}$  is positive and statistically significant (3.55), supporting the hypothesis that during periods of USDT price instability, the exchange rate volatility of EME currencies that are more exposed to USDT is more sensitive to price instability in USDT. This positive empirical relationship remains statistically significant when accounting for the total effect (i.e. the sum of the estimated  $\beta_{devexp}$  and  $\beta_{dev}$ , 3.56). However, the estimation result for currencies that are less exposed to USDT price instability, which is reflected by the coefficient estimate of  $\beta_{dev}$ , is found to be statistically insignificant. Finally, the estimation results for Equations 1 and 2 remain largely similar when lagged exchange rate volatility is included as an additional control variable, as reported in Columns (3) and (4) of Table 1, respectively. Overall, the results indicate that EM currencies with stronger transaction flows tend to exhibit higher exchange rate volatility during periods of USDT price instability. This relationship, as suggested by Columns 2 and 4, is consistent with the pattern shown in Chart 5.

Table 1: Estimation relationships between exchange rate volatility, USDT transaction flows, and the price instability of USDT

Columns (1) and (2) report the estimation results for Equations (1) and (2), respectively. In all columns,  $FX\ vol_{i,t}$  is the exchange rate volatility of currency  $i$  in month  $t$ .  $USDT\_flow_{i,t-1}^{detrended}$  and  $BTC\_flows_{i,t-1}^{detrended}$  are the detrended USDT and bitcoin transaction flows vis-à-vis currency  $i$  respectively. In Column 2,  $USDT\_deviation_t^{\square}$  measures the price instability of USDT, while  $ExpCur_{i,t}^{\square}$  is a dummy variable indicating whether a currency is exposed to USDT in a given month  $t$ . Columns (3) and (4) report the estimation results for Equations (1) and (2), respectively, with lagged exchange rate volatility included as an additional control. \*\*\*, \*\*, and \* indicate that the estimated coefficient is statistically significant at the 1, 5, and 10% levels, respectively.

	$FX\ vol_{i,t}$			
	(1)	(2)	(3)	(4)
$USDT\_flows_{i,t-1}^{detrended}$ ( $\beta_{USDT}$ )	<b>0.13***</b>	<b>0.09***</b>	<b>0.20***</b>	<b>0.14***</b>
$USDT\_deviation_t^{\square}$ ( $\beta_{dev}$ )		0.01		0.28
$USDT\_deviation_t^{\square} * ExpCur_{i,t}^{\square}$ ( $\beta_{devexp}$ )		<b>3.55*</b>		<b>3.21*</b>
$ExpCur_{i,t}^{\square}$ ( $\beta_{exp}$ )		0.01		0.01
$FX\ vol_{i,t-1}$			<b>-0.17**</b>	-0.17
$BTC\_flows_{i,t-1}^{detrended}$ ( $\beta_{BTC}$ )	0.08	0.09	0.10	0.12
Monthly currency-specific controls	Yes	Yes	Yes	Yes
Monthly controls ( $Month_t$ )	No	Yes	No	Yes
Month-fixed effects ( $FE_t$ )	Yes	No	Yes	No
Currency-quarter fixed effects ( $FE_{i,q}$ )	Yes	Yes	Yes	Yes
Number of observations	494	472	494	472
Number of currencies	12	12	12	12
$USDT\_deviation_t^{\square} + USDT\_deviation_t^{\square} * ExpCur_{i,t}^{\square}$ ( $\beta_{dev} + \beta_{devexp}$ )		<b>3.56*</b>		<b>3.49*</b>

## V. CONCLUSION AND DISCUSSION

Using data on the transaction flows of USDT (the largest USD stablecoin) vis-à-vis 12 EME currencies, this study finds that exchange rate volatility tends to increase with larger stablecoin flows. Furthermore, instability in stablecoin prices may induce exchange rate volatility in EME currencies that are more exposed to stablecoins. The results suggest that as stablecoin adoption continues to increase in EMEs, there could be one significant channel through which exchange rate volatility may be affected. This warrants policy measures that can reduce the price instability of stablecoins, such as capital adequacy and reserve liquidity requirements, which could help dampen the impact of the growth of stablecoin adoption on exchange rate volatility.

Finally, while stablecoins are presently used predominantly within the crypto-asset ecosystem, their emerging applications in cross-border transfers and payments suggest considerable potential for wider adoption, particularly in EMEs, where access to traditional financial services is limited. The wider adoption of stablecoins as an alternative to fiat currencies could have implications for monetary systems in EMEs, extending beyond the exchange rate volatility examined in this study. The extent of stablecoin adoption in these economies and its impact on their monetary systems will depend on the robustness of regulatory and supervisory frameworks for stablecoins' governance and investors' protection, as well as the stance of national authorities on their use. Policymakers should closely monitor development, assess potential macro-financial impacts, and calibrate policy responses accordingly.

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## ANNEX

Table A1: Definition and data source of variables

Variable	Definition	Data source
Exchange rate volatility	monthly standard deviation of daily FX returns for respective currency against the USD	Bloomberg and Reuters
bid-ask spread	monthly average of daily bid-ask spread for respective currency against the USD	
USDT flow	monthly transaction volume of USDT vis-à-vis respective fiat currency	CryptoCompare
Bitcoin flow	monthly transaction volume of bitcoin vis-à-vis respective fiat currency	
USDT price deviation	monthly average of daily absolute deviation of USDT's price from its 1 USD peg value, in basis points	Coingecko
inflation differential	the difference between the inflation in the US and in the respective EME country	International Monetary Fund
capital flows	equity market fund flows in respective EME as percentage of GDP	EPFR
FX market intervention	Foreign exchange intervention (sum of spot and derivative) as percentage of GDP	Adler et al. (2021)

Table A2: Summary statistics

	Observations	Mean	Median	SD
Exchange rate volatility	494	0.57	0.46	0.61
bid-ask spread	494	0.12	0.23	2.79
USDT flow	494	0.05	0	0.53
Bitcoin flow	494	-0.01	-0.002	0.22
USDT price deviation	494	0.04	0.04	0.02
inflation differential	494	19.4	4.21	43.23
capital flows	494	-0.01	0	0.04
FX market intervention	494	0.03	0.02	0.63