Examining User Perceptions of Stablecoins: Understandings and Risks

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Background

- Stablecoins are a type of crypto-assets designed to maintain a stable value.
- The stablecoin market has grown considerably, with a market cap of 130 billion USD in 2023.
- Less research comprehensively explores users' perspectives on stablecoins.

Research questions

1. How do users perceive and interact with stablecoins?

2. What security risks do users perceive when using stablecoins?

Methods

1. Case analysis of various stablecoin projects.
2. Conduct semi-structured interviews with 16 participants to explore their experiences and practices.
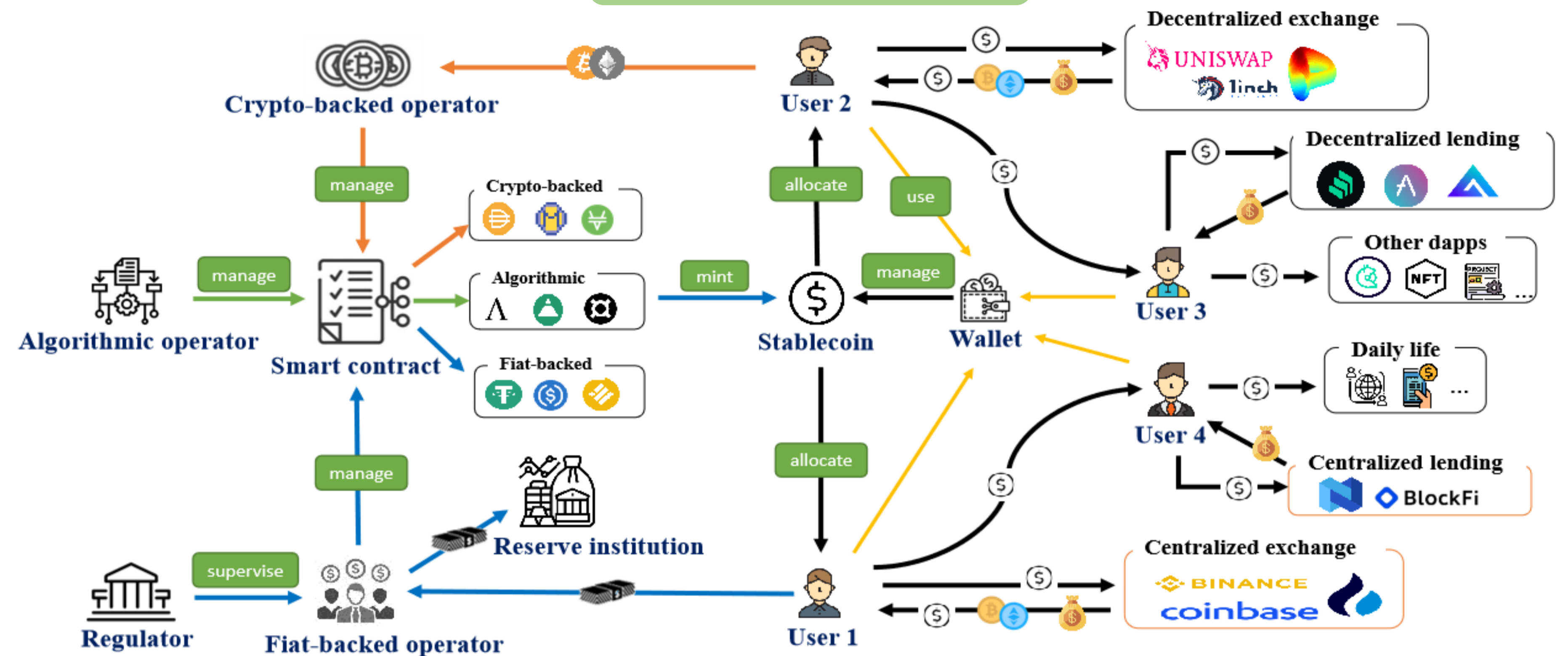
Findings

Figure 1. The workflow of creating stablecoins and use cases

Table 1. Summary of the findings regarding three types of stablecoins

			Fiat-backed stablecoin	Crypto-backed stablecoin	Algorithmic stablecoin
Perceptions	Understanding		Participants who hold various types know more than those who hold a single type.		
	Misunderstandings		Misjudging relationships between operators and regulators	Misunderstanding of the stability mechanisms of crypto-backed and algorithmic stablecoin	
	Roles	Risk hedging	✓		
		Medium of exchange	✓	✓	✓
		Investment tool	✓	✓	✓
		Mean of payment	✓		
Risks	Endogenous risks	Operator risks	(1) Lack of credit endorsement (2) Lack of transparency (3) Centralized control		
		Collateral risks	Inadequate reserve	Drastic fluctuation in the price	
		Operation risks			Complex algorithms (1) Lack of resilience (2) Code vulnerability
	Exogenous risks	Third-party risks	✓	✓	
		Regulatory risks	✓	✓	