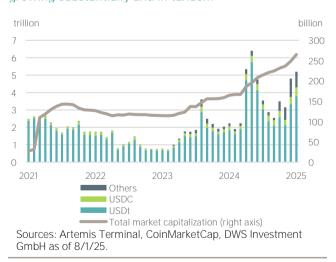
## Stablecoins have the potential to transform the payment infrastructure

Regulated euro stablecoins set the standard for efficiency, liquidity and institutional acceptance

In recent years, stablecoins have evolved from a niche product into a vital component of the digital financial landscape. With a market capitalization exceeding USD 250bn and transaction volumes surpassing those of Visa and Mastercard combined, stablecoins have long transcended their role as a tool for crypto traders. Notably, stablecoins such as USDT (Tether) and USDC (USD Coin) have become liquid, globally tradable and price-stable instruments. These characteristics make them increasingly attractive to private and institutional investors.

Stablecoins' appeal lies in their function as a bridge between the traditional financial world and the blockchain economy. They provide fast and cost-effective access to global markets around the clock, eliminating the need for intermediaries. For investors this potentially leads to high liquidity, tight spreads and ease of trading, which is particularly relevant in periods of market volatility.

## Both transaction volumes and market capitalization are growing substantially and in tandem



Regulation is a key factor in the growing acceptance of stablecoins. With the introduction of MiCAR (Markets in Crypto-Assets Regulation), the EU has established a transparent legal framework intended to foster confidence among institutional investors and retail customers alike. Against this background, AllUnity developed its EURAU euro stablecoin. It is fully regulated, backed one-to-one by euros and subject to financial supervision by the German financial regulator BaFin. This offers investors greater transparency and protection from regulatory risks, as well as providing a reliable alternative to other unregulated stablecoins.

However, regulation alone cannot account for the success of stablecoins. Liquidity is also a key factor that influences price stability and scalability, which can be measured via central exchanges, decentralized platforms and cross-chain solutions. For investors, liquidity is a measure of market quality and an indicator of potential returns. After all, one may only take advantage of opportunities when quick and efficient action is feasible to begin with.

Another driver is the increasing interoperability. Stablecoins are being integrated into an increasing number of banks, treasury systems, and B2B payment processes. Connecting blockchain infrastructures to traditional payment systems creates new opportunities, including mass payments, automated settlements, and integration to digital business models. These new ecosystems may have significant upside potential as they generate network effects for investors.

Of course, there are still risks, such as liquidity bottlenecks and the possibility of regulatory intervention. This is where regulated stablecoins, such as EURAU, come in, offering new perspectives that we believe may be of particular interest to more risk-averse investors.

"Stablecoins exemplify the transformation of the financial system by combining stability with innovation, as well as efficiency with security," says Alexander Bechtel, Global Head of Digital Strategy, Products and Solutions at DWS. "They are opening up new ways for investors to participate in the digital transformation." Although stablecoins currently have limited use cases, we see a good chance they will appear in many more areas in the future – some of which are undoubtedly beyond our current imagination.

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## Glossary

A blockchain is a chain of blocks of data that are immutably chained together via cryptography and stored on a distributed and decentralized database.

Federal Financial Supervisory Authority, better known as BaFin, is Germany's integrated financial regulatory authority.

A stablecoin is a digital token that is pegged to an asset, like a national currency or gold.

USDC (USD Coin) is a stablecoin designed to maintain a value of 1 US dollar. It is issued by the Circle company and is fully backed by U.S. dollars and dollar-denominated assets, ensuring a 1:1 value relationship.

USDT stands for Tether, a cryptocurrency that is pegged to the U.S. dollar, meaning it maintains a stable value of approximately 1:1 with the dollar. Tether was created in 2014 and has become the largest stablecoin by market capitalization.

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as of 9/29/25; 107595\_1 (09/2025)