

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



## Traditional Finance Companies Enter the Crypto Realm

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There used to be decentralized finance and then there was traditional finance. Traditional businesses lived in the world of dollars and cents. DeFi businesses lived and worked in the cryptocurrency world. Now, as traditional finance companies enter the crypto realm the distinction has become blurred. One example of this move by traditional finance into DeFi is creation of a stablecoin by PayPal, the traditional money transfer company.

### PayPal USD (PYUSD) Is a New Stablecoin

PayPal Holdings, Inc is a financial tech company headquartered in the USA but operating everywhere in the world where online money transfers are supported. It acts as a payment processor for commercial users including auction sites and other online vendors. For much of its earlier years it was part of eBay but was spun off as a separate entity in 2015. A glance at [PayPal Statistics](#) tells us that in 2022 PayPal processed 22.3 billion transactions with a total worth of \$1.36 trillion. That fact that PayPal has launched a [US Dollar Stablecoin PYUSD](#) is significant news for the crypto world.

### How Stable is the PayPal Stablecoin?

An issue during crypto winter was the collapse of multiple algorithmic stable coins. Stablecoins with sufficient capital to back them, like Tether and Circle survived. However, the entry of PayPal into this market may pose risks for even the most secure stablecoins. PayPal has a market cap of more than \$68 billion. Its stablecoin is backed by US dollars, short term financial instruments like US treasuries, and other cash equivalents. The stability of this new stablecoin is not a question.

### Why Is PayPal Creating a New Stablecoin?

Folks in DeFi have been making the point for years that money transfers using cryptocurrencies are faster, more efficient, and cheaper than traditional money transfers. The word is that PayPal wants to tap into this degree of efficiency for its global business. The current estimated size of the crypto money transfer market is about \$1.6 billion. If only a fraction of PayPal's \$1.35 trillion in yearly money transfers are switched to crypto via its PYUSD stablecoin, the effect will be tremendous.

### How Will the PayPal Stablecoin Affect other Stablecoins?

A valid question as PayPal starts using stablecoins to send money is this. Will they simply cut into the stablecoin market and thus diminish the shares held by Tether, USD Coin and the rest? Or will they expand the market as more and more people adopt stablecoins as an efficient way to send money? This year USD Coin has taken a hit in its market cap as Binance quit using USD Coin. Meanwhile Tether grew in market cap to be two-thirds of the whole stablecoin market. At this point USD Coin is 20.6%, DAI is 3.2%, Binance is 2.85%, and all of the rest account for 6.35%. If even a small percentage of PayPal's transfers end up using their PYUSD

stablecoin it could become a significant part of the stablecoin realm even to the point of bypassing all of the rest. Again, the question will be if the PayPal stablecoin just cuts out a share of the total “pie” or adds more total value to the niche.

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