

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



## Why PayPal Stablecoin Will Not Affect Markets

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We wrote recently about how a [traditional finance company](#) is entering the world of decentralized finance. PayPal, the global money-sending business, has a new stablecoin. PayPal sends more than a trillion dollars a year through its worldwide system. We speculated in our article that if even a small percentage of their business starts using crypto to send and receive money that it could end up being far more than is currently being sent using crypto. However, others, like Bank of America, contend differently and explain why the PayPal stablecoin will not affect markets.

## What Is Happening with the New PayPal Stablecoin?

The new PYUSD stablecoin is being issued by Paxos Trust Co. It is what is known in business as a white label product. It is made by one entity but is branded for another, in this case, PayPal. In other words, PayPal is not getting into the business of mining stablecoins. They do intend to use the new PYUSD stablecoin to send and receive money more efficiently. Thus, the main reason for PayPal doing this is to make their money-sending business more efficient.

## PYUSD Will Not Pay Interest to Customers

Part of how PayPal makes a profit is by gaining short term interest on the money that passes through their system. When someone pays for a product or service and the money is sent through PayPal, neither the sender nor the receiver receives any interest on the money in transit. The new stablecoin will be backed by cash and short term securities which will make it a perfectly stable stablecoin. However, PayPal will keep the interest on all of that money too.

## Tether and Circle Stablecoins Pay Interest While PYUSD Does Not

While the two major stablecoins are commonly used to retain value of assets held in the crypto world, they also pay interest. Interest payments were not so important before inflation hit the economy and the Federal Reserve started raising interest rates. Now that the highest interest rates in stablecoins run as high as 12% it can make a huge difference to anyone holding a substantial sum as a cryptocurrency. The point of a stablecoin is to maintain a stable value, as opposed to the potential for wild fluctuations in Bitcoin and other cryptocurrencies. However, it is common practice for institutions like banks to pay interest even on short term deposits and the crypto stablecoin world has followed suit. That is a big part of why the [PayPal stablecoin debut faces headwinds](#).

## Efficiency of Sending Money with PYUSD

We wrote recently about the efficiency of [sending money with crypto](#). As we noted in that article, the process of sending money with crypto is far less expensive than sending with dollars or other currencies. The problems begin when a person receives a cryptocurrency instead of dollars. Who will exchange PYUSD for a local

currency? Will it be easy to change PYUSD for another stablecoin like Tether or Circle? Currently PYUSD does not have an exchange trading pair nor does it have crypto wallet compatibility with other stablecoins. While using a stablecoin to make money transfers may work for PayPal in reducing the cost of doing business, it will not necessarily attract more customers and certainly will not attract investors who can make interest on their stablecoin deposits elsewhere!

A last issue is that the dust has not even settled in the world of crypto regulation. It is entirely possible that PayPal will trip over some regulatory hurdle that will cost them money and negate the benefits they expect to get from sending money more cheaply.

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