

A Theory of FinTech: Stablecoins

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Abstract

In this talk, I will give a brief overview of Fintech research based on my recent cryptocurrency papers. (1) How to create a good stablecoin is an important issue for payments within blockchain networks, whereby being often called the “Holy Grail of Cryptocurrency.” In this topic, we attempt to design a dual-barrier structure that offers fixed-income stablecoins pegged to a traditional currency. (2) How to evaluate stablecoin is of great interest to both policymakers and investors. In this topic, we build a model to optimize stablecoin structure by extending the Leland-Toft endogenous default model based on geometric Brownian motion.

Keywords: Stablecoins, continuity correction, credit risk, endogenous default.