



# The Power of USDC

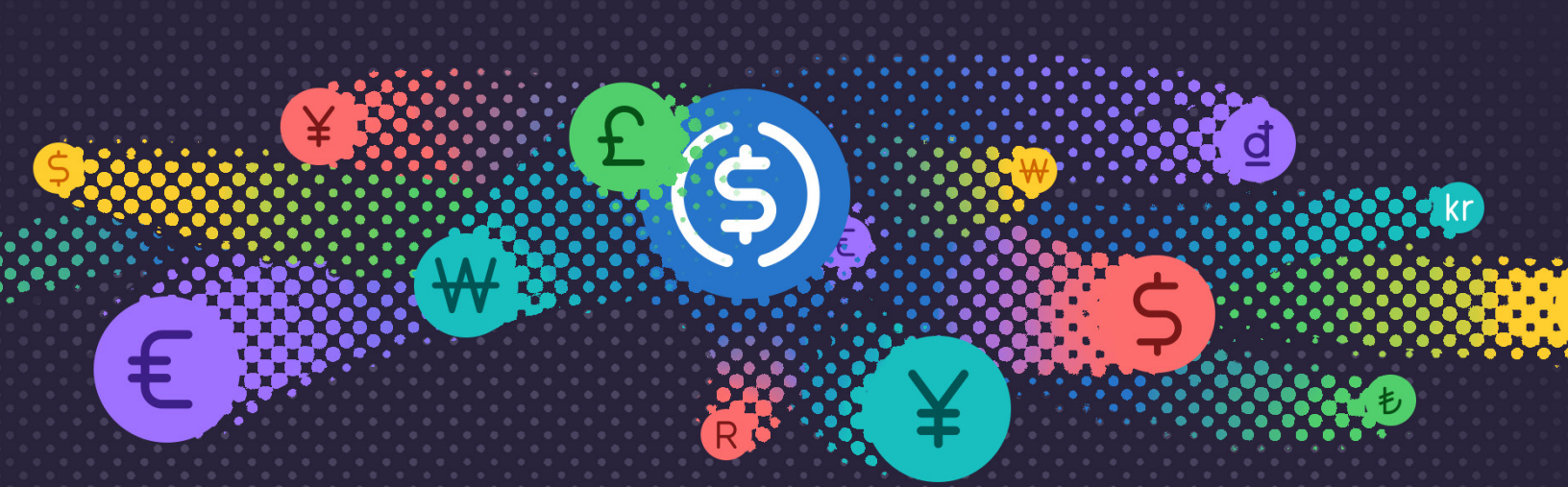
## OTC DESKS

What does a crypto OTC desk do with stablecoins?

Crypto over-the-counter (OTC) trading desks are an essential part of the crypto asset trading ecosystem and stablecoins like USD Coin (USDC) play an integral role in making sure OTC desks can efficiently capitalize on market movements.

This piece will detail what stablecoins are, what makes USDC special, how OTC trading desks work at a high level, and **why, exactly, OTC desks like to use stablecoins.**





# What is a stablecoin? What is USDC?

Stablecoins are just that: Stable. They're cryptoassets designed to maintain a stable value. Where cryptoassets like bitcoin are known for their price volatility, stablecoins maintain a consistent and predictable level of buying power.

**USDC is a fiat-backed stablecoin.** It is backed 1:1 by US dollars, meaning each USDC is always worth one US dollar—in fact, every month, Circle's US dollar reserves for USDC are attested to by a top accounting firm, Grant Thornton LLC.

**USDC lets people seamlessly and quickly move value globally.** In fact, more than \$1 billion USDC has been issued since it was launched in September 2018 and more than \$23 billion has been traded on exchange.

**USDC is easy to get and redeem for US dollars.** Because USDC was introduced by the CENTRE Consortium, a joint venture co-founded by Circle and Coinbase, it has a leg-up on other stablecoins: Customers can go to Circle or Coinbase to get or redeem USDC for US dollars. Circle doesn't charge fees for **tokenizing or redeeming USDC**.

**Convert local currencies from 80+ countries to USDC**

If you want to try USDC, find out how at [circle.com/tokenizer](https://circle.com/tokenizer).

# What are crypto OTC desks?

Crypto OTC desks exist to help traders who trade in volumes that would be difficult to execute on exchanges without moving the market. In today's market, if you were to buy several million dollars worth of BTC via an exchange, you would not end up buying at the prevailing market price due to the limit exchange liquidity.

OTC transactions are also executed on a private basis. The names of the counterparties involved, trading volumes, and execution prices are not revealed to the public. This added privacy of trading OTC helps investors who want to buy (or sell) large amount of crypto as their intentions are not telegraphed to the market through exchange order books.

## There are two types of OTC desks: agency and principal

An agency desk acts solely as an intermediary that matches buyers and sellers for a fixed commission.

A principal desk uses its own funds to purchase the asset its counterparty wants to buy and assumes the risk of the trade in the process. Counterparties in the OTC markets include high-net-worth individuals, institutions, crypto funds, miners, and companies dealing in cryptocurrency as part of their business operations.

Among the most popular OTC-traded assets are bitcoin (BTC) and ether (ETH). Given that these two digital assets have the highest market capitalizations that should come as no surprise.

# How do OTC desks use stablecoins?

OTC desks use stablecoins in three ways: as trading capital, as a quote currency, and as a counterparty settlement instrument.

Prior to the emergence of stablecoins, crypto traders who preferred to remain in crypto used BTC as their quote currency. Due to the volatility

Today, thanks to stablecoins, traders have the possibility to move in and out crypto using fiat currency in tokenized form. Dollar-pegged stablecoins like USDC effectively function as cash but with added flexibility. For OTC desks (and its customers) that means USDC is the ideal quote currency to use for trading.

## Any given trading day

Principal OTC trading desks, like Circle Trade, will regularly start their trading days with a sizeable amount of USDC (and other stablecoins) as their trading capital. This enables the desk to immediately start trading with its customers without having to wait for wire transfers. Additionally, at the end of the trading day, OTC desks can convert their crypto holdings into cash by holding their funds in stablecoins overnight.

Stablecoins are also a popular quote currency for trading. Both trading desks and their counterparties use stablecoins to move in and out of crypto while assets are conveniently priced in dollars.

of bitcoin, this was not ideal for professional traders. Alternatively, traders could trade fiat-to-crypto by linking up their bank accounts to exchanges but slow wire transfers were a persistent issue for traders.

For example, **Circle Trade** receives an order from a high-net-worth individual (perhaps an early bitcoin adopter) who wants to sell 1,000 BTC (~\$8,200,000). The customer is happy to exchange BTC for USDC as she prefers to remain in crypto but wants to park her funds in a stable currency.

Let's assume the desk accepts the trade—at an agreed price of \$8,200—and buys 1,000 BTC in exchange for USDC. The first leg of the trade is done and the client order is filled.

The next step for the desk is to close out the other leg of the trade, and sell the \$8.2 million worth of BTC it has just purchased at a price higher than \$8,200. Traders on the desk will then contact their counterparties—starting with the ones they know are looking to buy BTC—to find a buyer who would be happy to buy 1,000 BTC. Once a buyer (or multiple buyers) have been found, an execution price is agreed and the \$8.2 million in BTC are sold by the desk.

Let's assume that one buyer took the full 1,000 BTC at a price of \$8,225. In this instance, the

OTC desk made a trading profit of \$25,000 while both counterparties were able to execute at near mid-market rates.

## OTC trading at the speed of crypto

Finally, stablecoins act as an excellent settlement instrument because it is faster and more transparent than fiat currency wire transfers. While bank transfers offer a secure method of

sending funds, trading counterparties regularly have to wait hours (if not days) for the payment to arrive and there is no possibility to view where the funds are in the process.

Conversely, a USDC transaction can be tracked on the public Ethereum blockchain, which enables counterparties to see exactly how many confirmations the transaction has received and when it will settle. Moreover, a USDC transaction on the Ethereum blockchain only takes minutes, which speeds up the settlement process.

What's more, because USDC is easy to create and redeem a trading desk doesn't have to

have a bunch of USDC on hand (although some do) to help settle a trade. They can just convert US Dollars to USDC to help settle a trade. This process is nearly instantaneous because Circle is part of the **Silvergate Exchange Network (SEN)**, a leading provider of innovative financial services to institutional participants in the cryptocurrency industry.

SEN enables Silvergate Bank's digital currency and institutional investor clients to send US Dollars 24 hours a day, 7 days a week, 365 days a year between eligible and connected Silvergate SEN bank accounts. This can be done via Silvergate's API or online banking portal, enabling near real-time transfers and immediate availability of funds.

## For further reading

[Get USDC](#)

[Report: Celebrating the First Anniversary of USDC, the World's Fastest Growing Stablecoin](#)

[A Deeper Look at Stablecoins and USDC](#)

[Getting Started with USDC and the Silvergate Exchange Network](#)