

Circle's IPO and the new era of stablecoin regulation in the U.S.

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The digital asset landscape is evolving rapidly and few sectors have experienced as much transformation as stablecoins. Designed to bridge the volatility of cryptocurrencies with the stability of fiat currencies, stablecoins have become a cornerstone of the emerging digital economy.

Recent developments in U.S. regulation signal a decisive shift toward a comprehensive legal framework. Within this context, the planned Initial Public Offering (IPO) of Circle Internet Group — the issuer of USDC, the second-largest stablecoin by market capitalization — is more than a corporate milestone. It marks a pivotal moment in the maturation of the industry and the growing integration of digital assets into traditional finance.

The regulatory imperative: from wild west to defined borders

Stablecoins are digital assets designed to maintain a stable value by being pegged to a reserve asset, typically the U.S. dollar. They offer the benefits of cryptocurrencies — speed, programmability, and global reach — without the volatility of assets like Bitcoin or Ethereum. Unlike central bank digital currencies (CBDCs), which are issued by central banks, stablecoins are issued by private entities.

Designed to bridge the volatility of cryptocurrencies with the stability of fiat currencies, stablecoins have become a cornerstone of the emerging digital economy.

For years, stablecoins operated in a regulatory gray zone, raising concerns about consumer protection, financial stability, and illicit finance. Issuers faced uncertainty over whether their products would be classified as securities, money-market funds, or payment instruments. This ambiguity hindered institutional adoption, limited banking relationships, and kept many mainstream firms on the sidelines. The high-profile

collapse of the algorithmic stablecoin TerraUSD in 2022 underscored these risks and catalyzed calls for regulatory clarity.

That clarity began to emerge in 2025. Two landmark bills — the House's Stablecoin Transparency and Accountability for a Better Ledger Economy (STABLE) Act and the Senate's Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act — have advanced swiftly through Congress with bipartisan support and backing from the Trump administration. Both await full consideration and floor votes in their respective chambers.

Key provisions of the STABLE and GENIUS acts

Both bills require stablecoin issuers to obtain either a federal or state license. The GENIUS Act introduces a tiered approach: State-licensed issuers may remain under state oversight until their issuance exceeds \$10 billion, at which point federal regulation becomes mandatory.

The STABLE Act allows indefinite state oversight, while also permitting federal licensing. This flexibility aims to accommodate the diverse landscape of financial regulation in the U.S., while still seeking to establish a baseline of robust oversight.

Additional provisions include:

Reserve requirements. Issuers must maintain one-to-one reserves in high-quality, highly liquid assets (e.g., U.S. dollars, short-term Treasuries, or central bank reserves). Rehypotheication or reuse of reserves is greatly restricted. This aims to prevent de-pegging events and ensure stablecoin redeemability.

Transparency and audits. Regular independent audits and public disclosures of reserve composition are mandated to build trust and ensure operational integrity.

AML and sanctions compliance. Issuers must comply with the Bank Secrecy Act, including robust anti-money laundering (AML) and sanctions programs. This is a critical step in addressing national security concerns associated with digital assets.

Interest prohibition. Stablecoins cannot pay interest or yield, reinforcing their role as payment instruments rather than deposit substitutes, thereby mitigating potential impacts on bank lending and financial stability.

Insolvency protections. Stablecoin holders receive priority claims on reserves in the event of issuer insolvency.

Consumer protections. Clear rules are established to safeguard users.

Securities clarification. Payment stablecoins are explicitly excluded from being classified as securities.

Government backing disclaimer. Issuers are prohibited from claiming that their stablecoins are backed or guaranteed by the U.S. government or covered by FDIC insurance.

Both bills set aggressive deadlines for regulatory implementation — 180 days for the STABLE Act, one year for the GENIUS Act. If passed before Congress' August recess, as targeted by President Trump, federally authorized stablecoin issuers could emerge as early as 2026.

Circle's IPO: a defining moment for digital assets

Amid this shifting regulatory landscape, Circle announced its IPO on the New York Stock Exchange under the ticker "CRCL."

More than just a capital raise, Circle's IPO is a strategic move to legitimize USDC and stablecoins within traditional finance.

Launched in May 2025, it is the first major public listing by a U.S. stablecoin issuer. According to its S-1 filing, Circle originally aimed to raise approximately \$624 million at a valuation of around \$6 billion. Its S-1 filing revealed that ARK Investment, led by Cathie Wood, intends to purchase \$150 million in shares — an indication of strong institutional interest.

On the day of the IPO (June 5), the shares were priced at \$31 a share (above its expected range), at a valuation of around \$6.9 billion. Circle and some of its shareholders sold 34 million shares at this price. Shares then opened at \$69, more than double the IPO price, and closed the first day at \$83.23. The message seems clear that Wall Street is clamoring to buy stock in stablecoins.

Circle's revenue model is closely tied to interest earned on USDC reserves, making its business model sensitive to interest rate fluctuations. In 2024, 99% of its \$1.68 billion in revenue came from this source. As of March 31, 2025, approximately \$60 billion in USDC was in circulation.

This is Circle's second attempt to go public; a 2021 SPAC deal was abandoned in 2022 due to regulatory and market headwinds. The renewed IPO effort would seem to reflect

Circle's confidence in the future of stablecoins and its belief that clearer rules will unlock broader institutional adoption.

Circle has consistently prioritized regulatory compliance and transparency. Unlike some competitors, it has embraced U.S. regulatory standards. USDC is regulated as a stored-value instrument and Circle holds money transmitter licenses in numerous states. Notably, it was the first company to receive a BitLicense from the New York State Department of Financial Services (NYDFS), a rigorous regulatory regime. This proactive approach to compliance, with monthly attestations of its USDC reserves by independent accounting firms, aligns well with the direction of proposed federal legislation.

More than just a capital raise, Circle's IPO is a strategic move to legitimize USDC and stablecoins within traditional finance. By becoming a publicly traded company, Circle will subject itself to the scrutiny of U.S. securities laws, quarterly earnings reports, and enhanced regulatory disclosures. This level of oversight is designed to engender trust from risk-averse enterprises, banks, and governments that have historically viewed crypto with skepticism due to its opaque nature. The IPO is seen as a crucial moment for bridging traditional finance and the decentralized future, solidifying stablecoins' role in the mainstream financial system.

Circle's IPO and regulatory posture may also pressure competitors to increase transparency or risk losing market share. As just one example, Tether (USDT), the largest stablecoin by market cap, has long faced scrutiny over its reserve practices.

Challenges and the path forward

Despite the momentum, challenges remain. Circle has flagged the still-evolving U.S. regulatory environment as a key legal risk. The debate over interest-bearing stablecoins continues, with critics arguing that a ban could stifle innovation.

Coordination between federal and state regulators must be carefully managed to avoid fragmentation or regulatory arbitrage. Moreover, while the current legislative focus is on payment stablecoins, other digital assets — including algorithmic stablecoins and tokenized securities — still lack clear regulatory guidance.

Circle's IPO is a watershed moment. It's a statement of confidence from a leading stablecoin issuer that the U.S. regulatory environment is maturing and that digital assets are indeed here to stay, and will play an increasingly vital role in the global financial system. The IPO pricing at higher than expected, and the price surge on the first day of trading shows Wall Street's enthusiasm for stablecoins.

The success of Circle's public offering, coupled with the ongoing legislative efforts, will undoubtedly shape the trajectory of stablecoins, pushing them further into the mainstream and solidifying their position as a bridge between traditional finance and the decentralized future. The coming months will be crucial in observing how this story unfolds,

as the U.S. endeavors to stabilize the sands of digital money and pave the way for a more integrated and efficient global financial landscape.

The opinions expressed are those of the author and do not necessarily reflect the views of Baker McKenzie or its clients.

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