

Stablecoins, Fiat Rails, and the Unique Characteristics of KRW Crypto Markets

Table of Contents

Stablecoins, Fiat Rails and Currency Markets - 4

Overall Stablecoin Market Structure - 4

Benchmarking Fiat Markets with Existing Stablecoins - 6

The KRW as the Main Access Point to the Korean Crypto Market - 8

Measuring KRW Dominance Across Fiat and Stablecoin Markets - 8

Market Quality of KRW Pairs - 10

Evaluating the Role of the Main Korean Exchanges - 11

Implications and Opportunities for a KRW-Stablecoin - 13

Evaluating the Place of Stablecoins in the Korean Market - 13

Perspective in Light of the Efficiency of Existing KRW Markets - 14

Overview

Stablecoins have become a core component of digital asset market infrastructure. By combining the relative price stability of fiat currencies with the speed and availability of blockchain networks, they have transformed the way liquidity circulates across crypto markets. Today, this role is largely dominated by USD-backed stablecoins such as USDT and USDC, which, when available, function as the main settlement rails for global crypto trading and highlight the central position of the US dollar in digital asset markets.

Against this backdrop, the Korean market presents a distinctive case. Korea remains anchored in its currency, with Korean won (KRW) pairs dominating trading activity on major Korean exchanges. This report examines how stablecoins interact with fiat rails, why KRW remains the main access point to the Korean crypto market, and what opportunities could emerge for a won-backed stablecoin in a market that is already highly active, liquid, and fiat-native.

Researched by:  **Kaiko** Research

In partnership with: 

Stablecoins, Fiat Rails and Currency Markets

Stablecoin Market Structure Overview

As digital asset markets have grown, one of their core challenges has been the need for a stable unit of value that can circulate as efficiently as crypto-native assets. Traders, exchanges, and increasingly institutions require an instrument that can move across platforms, settle transactions quickly, and reduce exposure to crypto volatility without relying constantly on traditional banking rails.

A stablecoin is a digital asset designed to maintain a stable value relative to a reference asset. It aims to replicate the value of a monetary unit through a stabilization mechanism. In the case of fiat-collateralized stablecoins, issuers state that they hold reserves, such as cash, bank deposits, Treasury bills, or other liquid instruments, to guarantee the convertibility of the token.

The fundamental value of a stablecoin lies in combining two properties. On the one hand, it seeks to provide the nominal stability of a traditional currency. On the other, it uses blockchain infrastructure, enabling programmable, near-instant, and continuously available transfers.

On exchanges, stablecoins often replace traditional fiat pairs because they make it possible to quote, buy, and sell digital assets without systematically going back through the banking system. This function is important because traditional fiat rails are not always consistent across jurisdictions. Direct access to USD, KRW, or EUR on an exchange depends on local availability and the regulatory constraints of the banking infrastructures. Stablecoins can reduce operational friction in digital asset settlement by enabling tokenized value to move across platforms, while issuance, redemption, and compliant access remain connected to regulated financial infrastructure. They do not fully replace fiat rails, since their creation and final redemption still require a connection to the banking system, but they significantly reduce operational dependence on those rails once the underlying fiat value has been tokenized.

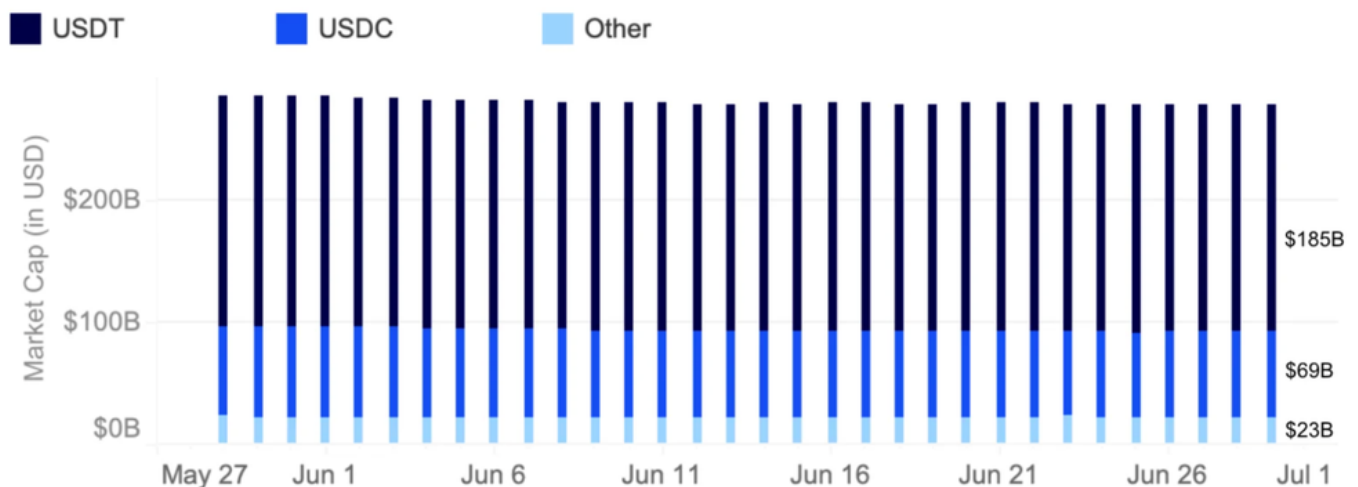
The stablecoin market is currently largely dominated by USDT and USDC. Their combined weight is such that they account for the vast majority of stablecoin market capitalization. USDT remains the undisputed leader, with a market cap of approximately \$185 billion in June 2026, compared with around \$69 billion for USDC. Liquidity follows a similar pattern, though the gap between the two stablecoins is narrower: based on average 0.1% market depth in bitcoin markets, USDC's liquidity ranges from \$1.2 million to \$2 million, compared to USDT's \$2.0 million to \$2.8 million.

The reason USDT and USDC dominate so widely today is that they benefit from a network effect that is very difficult to compete with. They are already listed everywhere, used by market makers, and integrated into exchanges, wallets, DeFi protocols, and payment infrastructures. The more liquid and widely accepted a stablecoin is, the more users it attracts, and the harder it becomes for a new entrant to replace it. Their advantage is therefore not solely technological, but also stems primarily from distribution, operational trust, and market depth accumulated over time.



Stablecoins Market Capitalization Comparison

In 2026, Across all Exchanges

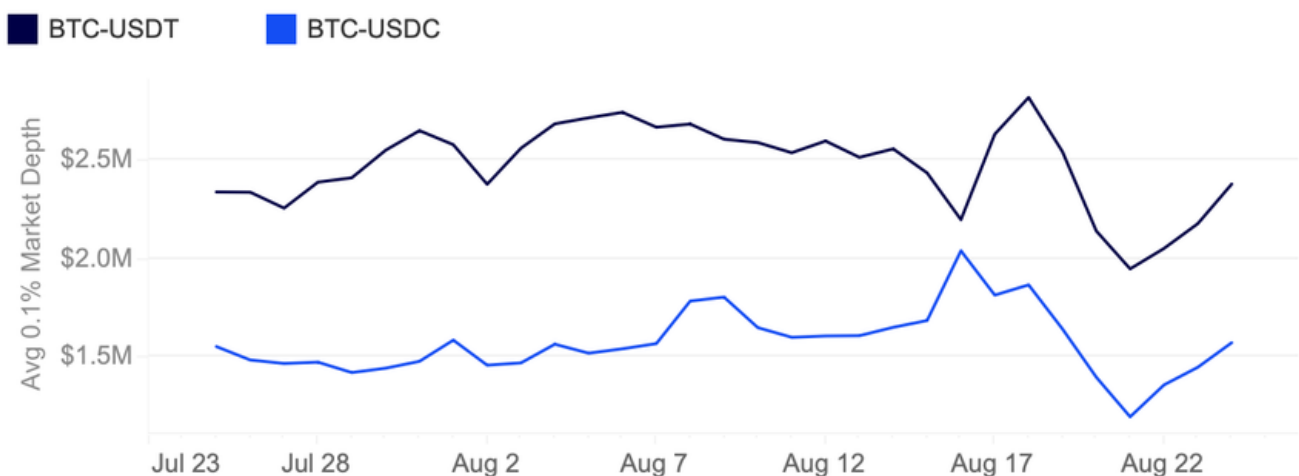


Source: Kaiko Market Explorer
Other: dai, eurc, pyusd, riusd, usd1, usdd, usde, usdg, fdusd, tusd, eurcv



USDT & USDC Average 0.1% Market Depth

On the BTC-USDT and BTC-USDC pairs, Daily, In 2026



Source: Kaiko Market Explorer
Exchanges: Upbit, Crypto.com, Coinbase, Bitstamp, Kraken, OkEX, Gemini, Binance, Bullish
Note: The data has been normalized



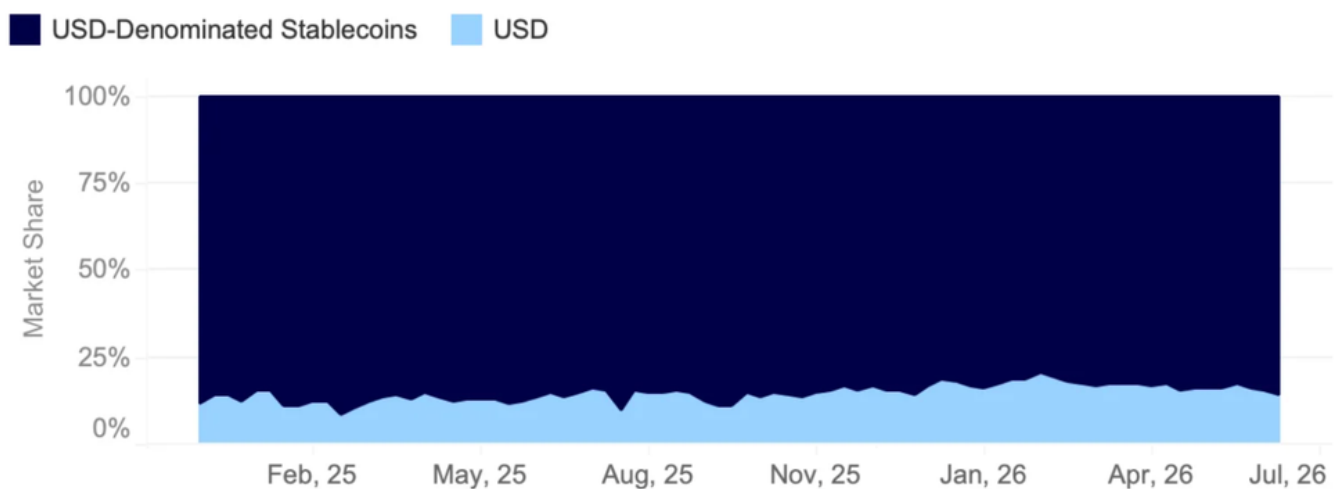
This structure reveals a market that is heavily centered on the US dollar, where stablecoins serve as liquidity rails. In practice, USDT and USDC have become the primary monetary infrastructure for crypto markets. While their dominance enhances market efficiency, it also creates dependency.

Fiat vs. Stablecoin Markets

A useful starting point is the USD market, where stablecoins have reached their most advanced level of adoption. Dollar-denominated trading volumes are overwhelmingly dominated by stablecoins, while USD fiat pairs represent only a secondary share, generally between 10% and 20% of weekly volumes.

This dominance is explained by their ability to reduce frictions associated with traditional banking rails. USDT is particularly used for cross-border payments, money transfers, and access to dollars in markets where banking rails are less efficient. By contrast, USDC tends to be more widely used in compliance-focused, institutional, and regulated environments.

Weekly Trading Volume USD Stablecoins vs. USD Fiat

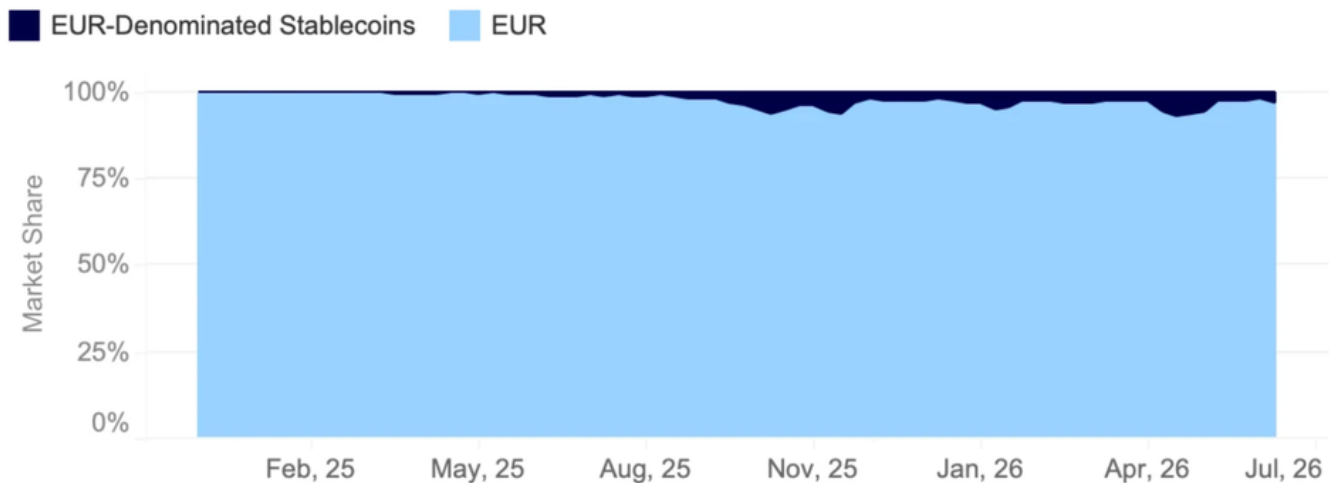


Source: Kaiko Market Explorer

The EUR market shows the opposite pattern. EUR-denominated trading volumes remain dominated by EUR fiat pairs, while EUR-denominated stablecoins account for only a marginal share of weekly volumes. This indicates that, within crypto markets, the euro continues to circulate primarily through traditional banking rails rather than in tokenized form. EUR stablecoins do exist, but they have not yet reached a level of adoption comparable to USD stablecoins.

This divergence reflects differences in both demand and market infrastructure. The dollar remains the dominant unit of account in global crypto markets, creating a natural demand for liquid and widely accepted USD stablecoins. The euro, by contrast, remains more closely tied to regional markets, where users often have direct access to efficient banking rails.

Weekly Trading Volume EUR Stablecoins vs. EUR Fiat



Source: Kaiko Market Explorer



That said, EUR-denominated stablecoins are gradually gaining traction. While their market share remains small compared with EUR fiat pairs, it has been increasing from a low base. The clearer European regulatory framework introduced by MiCA has also provided more visibility for issuers and market participants, helping to support the interest in euro stablecoins.

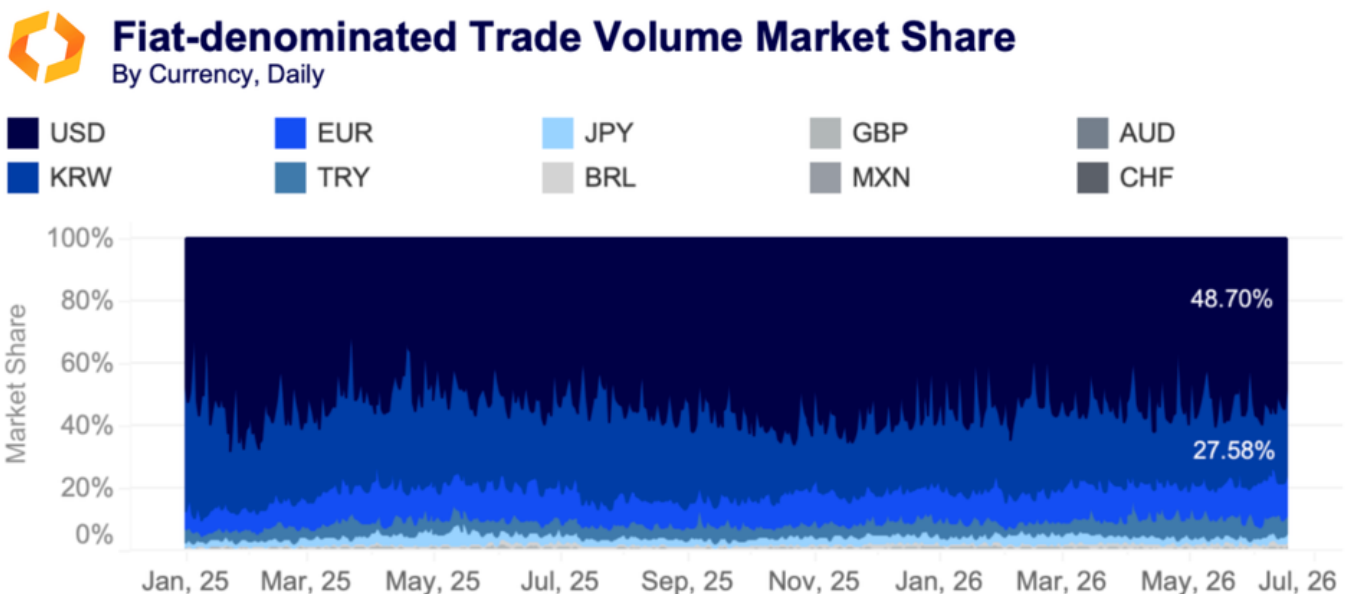
* * *

The KRW as the Main Access Point to the Korean Crypto Market

Measuring KRW Dominance Across Fiat and Stablecoin Markets

Korea contrasts with the stablecoin-led USD market, while sharing with the EUR market a continued reliance on fiat-denominated trading pairs. International crypto liquidity is largely organized around USD-denominated stablecoins, the Korean market remains anchored in its currency.

The Korean crypto market occupies a unique position because it is connected to global digital asset markets while maintaining a highly KRW-denominated market structure. KRW is the main access point for investors, acting as the primary on-ramp and off-ramp across major Korean exchanges. This is reflected in trading activity where, among the fiat currencies observed, KRW represents one of the largest shares of global trading volume after USD, accounting for roughly a quarter of fiat-denominated crypto volumes. This makes the won one of the most important fiat currencies in global crypto trading.



Source: Kaiko Market Explorer

This dominance is even more visible within Korean exchanges themselves. Trading activity is highly concentrated in KRW pairs, while non-KRW pairs represent only a marginal share of total volumes. Across major Korean platforms, KRW pairs regularly generate daily volumes in the billions of dollars, whereas other pairs remain close to negligible levels by comparison.

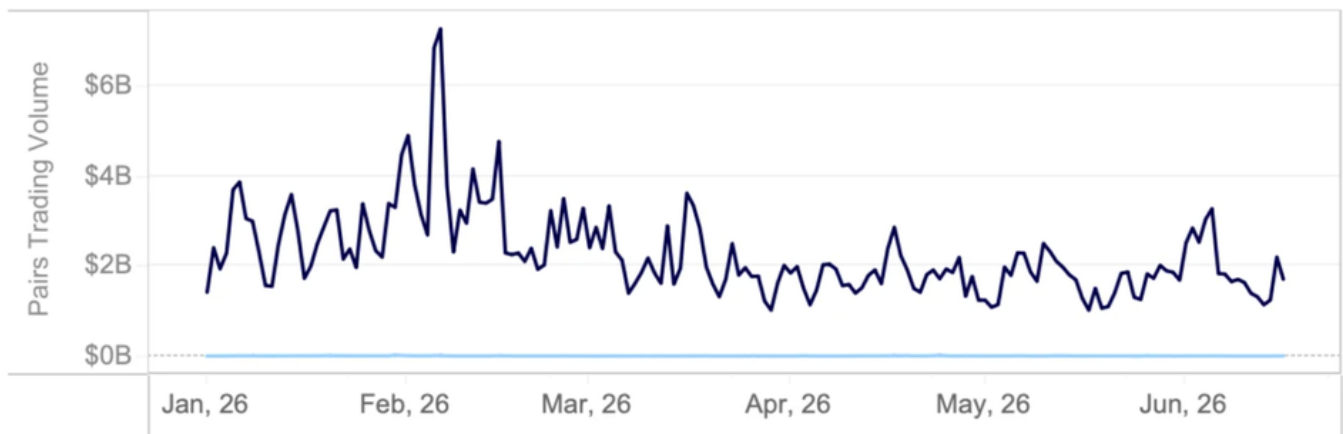
Liquidity formation, price discovery, and user activity are centered on KRW-denominated markets.



KRW Pairs vs. Other Trading Volume

Across Major Korean Exchanges

■ KRW Pairs ■ Other Pairs



Source: Kaiko Market Explorer
Exchanges: Upbit, Bithumb, Coinone, Korbit

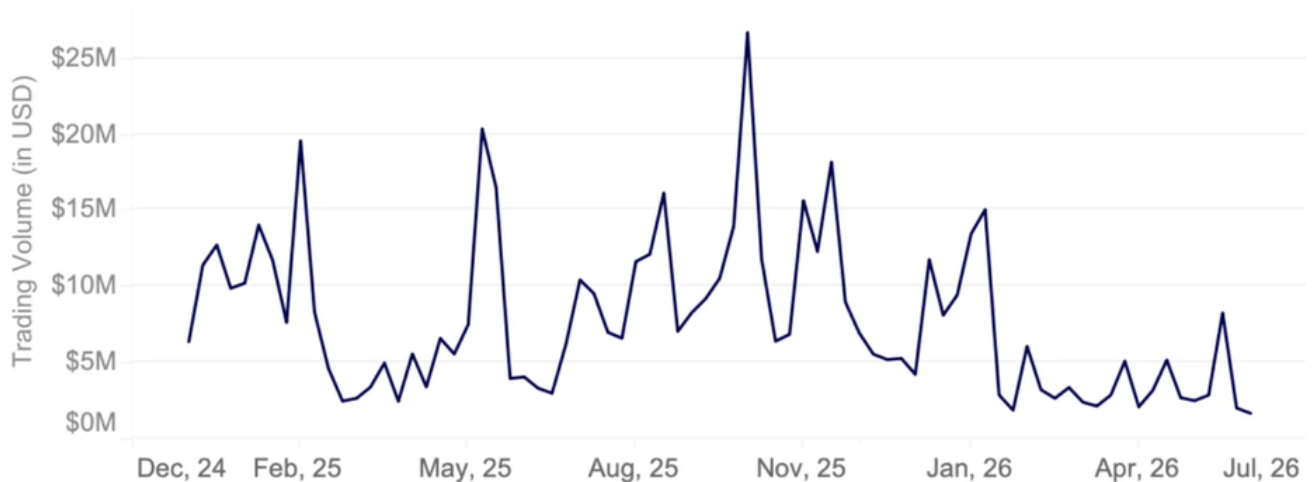


While KRW fiat pairs continue to play a central role in Korea's crypto markets, global stablecoins such as USDT and USDC are available on Korean exchanges. The limited role of stablecoins in Korea is particularly clear when looking at USDT trading activity on Korean exchanges. USDT-denominated volumes remain small compared with KRW-denominated activity.



USDT-Denominated Trading Volume

Weekly, Across Korean Exchanges



Source: Kaiko Market Explorer
Exchanges: Upbit, Bithumb, Coinone, Korbit



Market Quality of KRW Pairs

KRW’s dominance sets the foundation, but understanding the Korean market also requires looking at how this liquidity behaves across individual pairs.

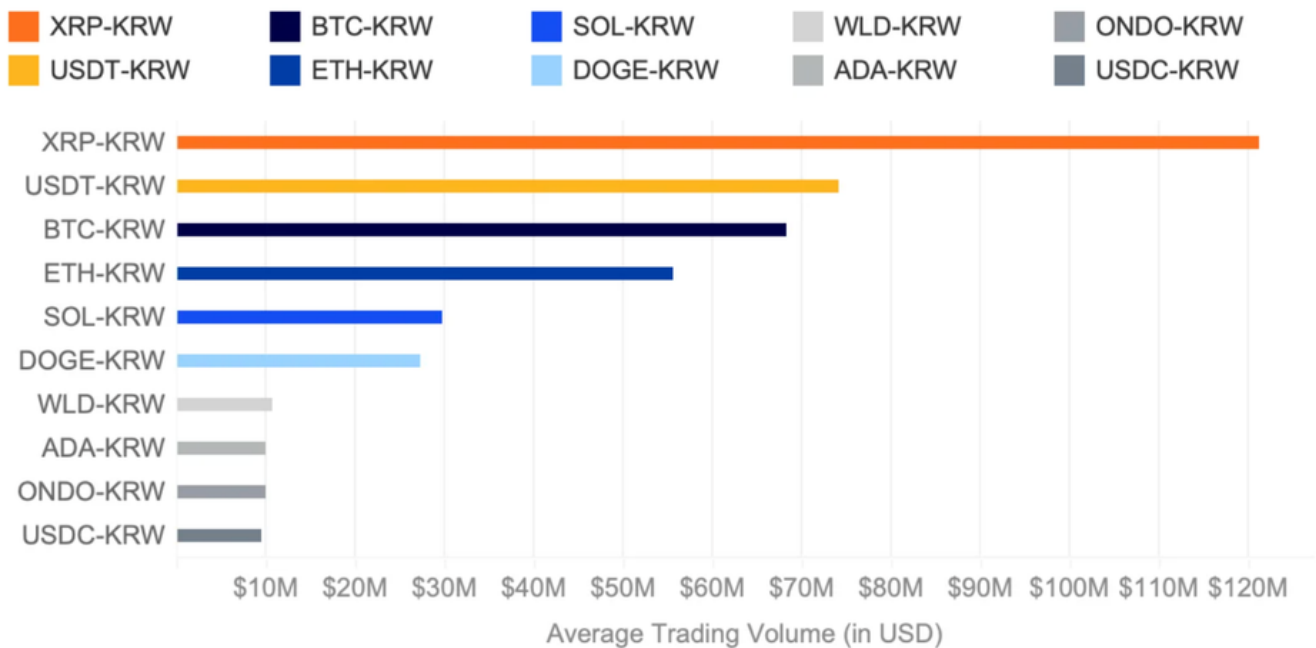
The main KRW pairs show notable activity, with XRP-KRW standing out as one of the most dynamic pairs. BTC-KRW, ETH-KRW, and SOL-KRW also rank among the most important pairs.

The presence of pairs such as USDT-KRW and USDC-KRW among the leading pairs is also significant. It shows that stablecoins do exist within the Korean ecosystem, but primarily as assets traded against KRW rather than as dominant settlement rails. Stablecoins do not replace KRW in the Korea-regulated market structure. Instead, they are themselves integrated as assets quoted in won. This configuration confirms that the Korean market remains fundamentally fiat-native, with KRW at the center of liquidity.



Top 10 Main Pairs by Trading Volume

Across Major Korean Exchanges



Source: Kaiko Market Explorer
Exchanges: Upbit, Bithumb, Coinone, Korbit

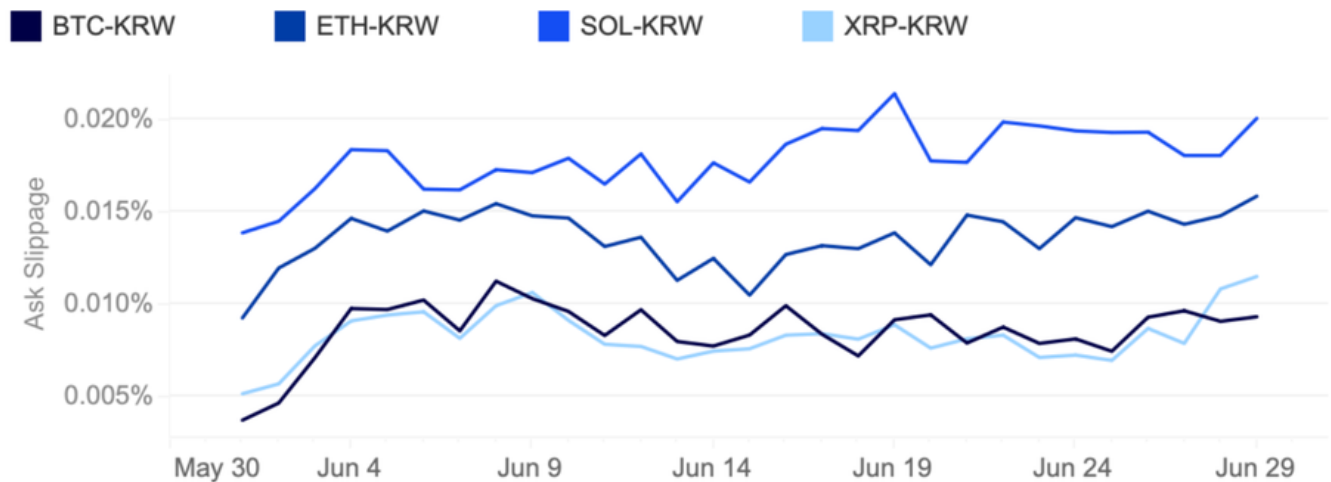


On Upbit, buy-side slippage for a 10 million KRW order remains generally low across major KRW pairs, typically ranging from 0.005% to 0.02%. This suggests that the order books for major pairs are sufficiently liquid to absorb moderately sized orders without a significant impact on prices.



Main Korean Pairs Ask Slippage

Daily, in 2026, Ask Slippage for a 10,000,000 KRW order



Source: Kaiko Level 1 & Level 2 Data
Exchange: Upbit



Evaluating the Role of Main Korean Exchanges

KRW-denominated activity is concentrated among a limited number of regulated venues. The volume metric measures the intensity of activity and the attractiveness of a platform to users. High trading volume indicates that an exchange concentrates a significant share of orders, retail flows, and overall market activity.

Market depth complements this view by assessing the ability of order books to absorb trades without causing excessive price movements.

The distinction between volume and depth is essential. Volumes indicate where activity is concentrated, while depth measures the actual quality of available liquidity. In the Korean market, both volume and depth metrics suggest that KRW liquidity is concentrated among larger Korea-regulated venues, while relative liquidity conditions may vary by asset, side of book, and observation window.

The dominance of KRW as a liquidity rail only matters if the exchanges supporting it are sufficiently active and efficient.

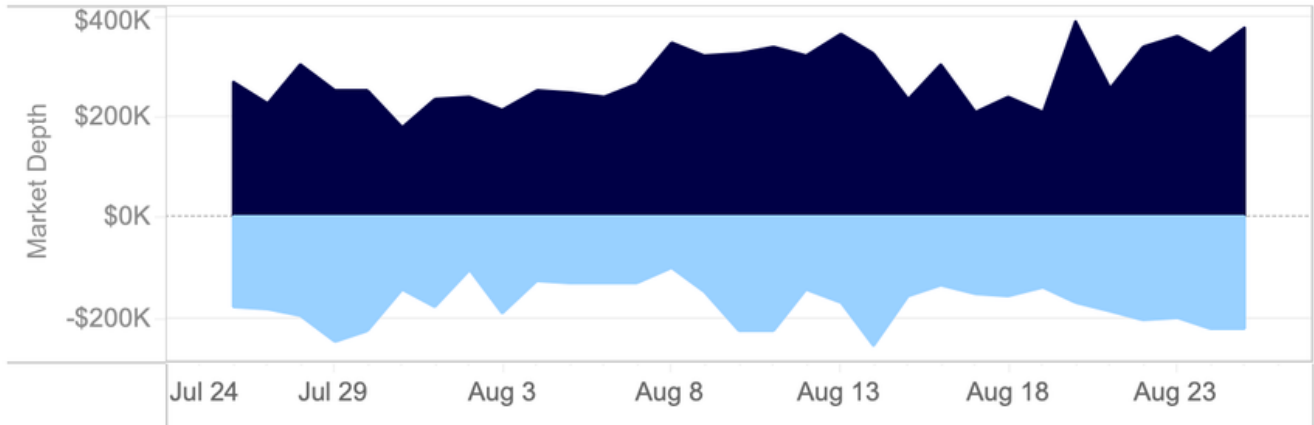


BTC-KRW Average 0.1% Market Depth

On Upbit, in 2026

Avg. 0.1% Ask Volume

Avg. 0.1% Bid Volume



Source: Kaiko Market Explorer
Note: The data has been normalized



Implications and Opportunities for a KRW-Stablecoin

Evaluating the Place of Stablecoins in the Korean Market

The Korean market stands out for its distinctive structure. On the one hand, it is one of the most active crypto markets in the world, with strong retail participation, significant trading volumes, and liquidity supported by established KRW trading infrastructure and regulated fiat access channels. On the other hand, stablecoins still play a secondary role compared with KRW.

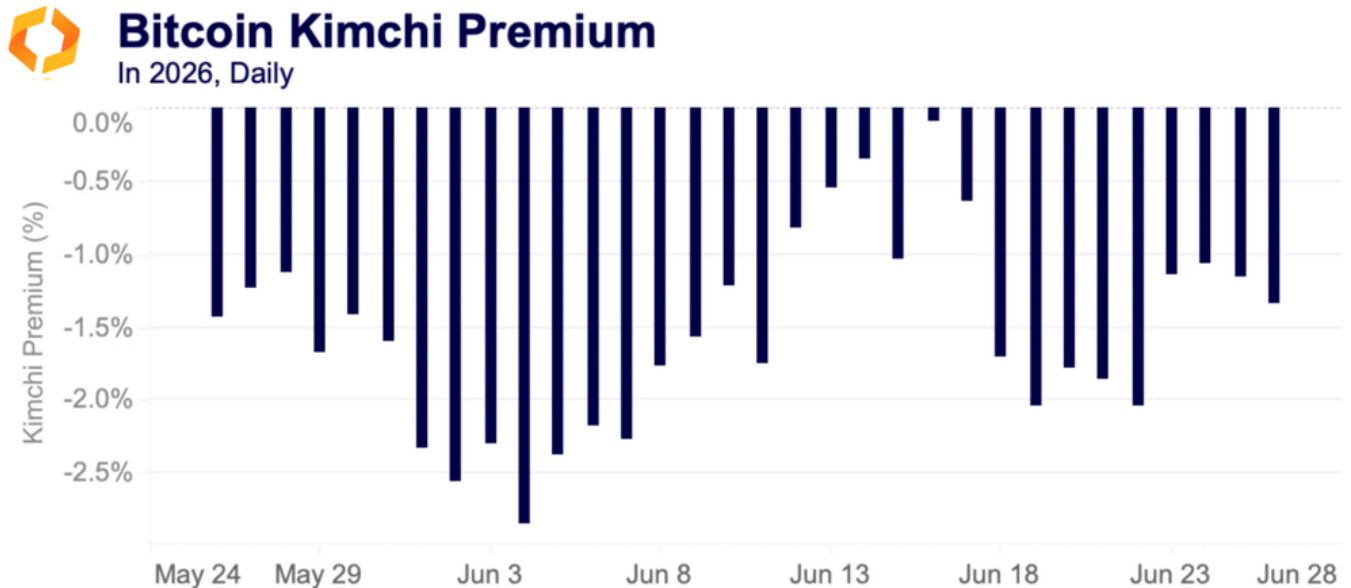
Korea's regulatory and banking framework is designed to keep crypto activity closely connected to regulated institutions, supporting financial stability and oversight. Korean exchanges are integrated with the banking system through verified bank accounts, strict KYC requirements, and dedicated rules for KRW deposits and withdrawals. This allows investors to access crypto markets directly through their national currency, reducing the need for stablecoins as on- and off-ramp instruments.

A won-backed stablecoin could nevertheless offer several important opportunities. The first relates to onchain settlement. Today, KRW operates primarily through Korean banking rails, which makes it efficient locally but less interoperable with international markets and blockchain applications. A KRW stablecoin would make it possible to represent the won directly onchain, enabling instant transfers that are continuously available. The second opportunity relates to access outside traditional banking rails. Even though existing rails are relatively efficient for Korean users, they remain constrained by the local banking framework, operating hours, and compliance controls.

Recent market discussions around KRW-denominated stablecoins illustrate growing interest in tokenized won use cases. Its potential value lies in creating a bridge between the Korean market, which remains highly fiat-native today, and onchain environments. However, adoption remains early, and any future role would depend on regulation, reserve standards, redemption rights, exchange integration, and market demand.

Korea's limited use of stablecoins and the dominance of KRW fiat pairs are also central to understanding the persistence of the Kimchi Premium. It describes a situation in which cryptocurrency prices, especially Bitcoin, may temporarily differ between South Korean exchanges and global platforms. This short-term price gap is usually caused by temporary imbalances between supply and demand. When the premium increases, traders with access to both Korean and international markets may try to arbitrage the difference, helping prices in South Korea move back in line with global markets.

A Korean stablecoin could affect the Kimchi Premium by making it easier to move value between the Korean crypto market and global crypto markets. If traders can use a liquid Korean stablecoin to buy, sell, and transfer value more efficiently across exchanges, correcting the imbalance could become easier. This would likely reduce the Kimchi Premium, because price differences would be corrected faster.



Source: Kaiko Level 1 & Level 2 Data, Federal Reserve Bank of St. Louis
Exchange: Upbit

Perspective in Light of the Efficiency of Existing KRW Markets

The outlook for a Korean stablecoin should be understood in a context where KRW markets already function relatively efficiently. As discussed earlier, investors have direct access to exchanges through verified bank accounts, KRW pairs represent the bulk of trading volumes, and the main platforms offer solid liquidity on major assets. A won-backed stablecoin would therefore not address the same need as USDT or USDC in international markets.

The Korean crypto regulatory framework is still under development. Current debates focus in particular on the conditions for issuing KRW stablecoins, reserve protection, redemption rights, and the required level of supervision. Given the importance of regulated bank accounts in the Korean exchange model, authorities may favor a framework where banks or closely supervised entities play a key role in issuance and reserve management.

The question of central bank digital currencies (CBDCs) is part of the same broader debate. A CBDC is a digital currency issued directly by the central bank, unlike a private stablecoin, which relies on reserves and the issuer's promise of redemption. In Korea, a CBDC could be used to modernize payments or institutional settlement, while a KRW stablecoin would be more focused on crypto, DeFi, or tokenized use cases. The two instruments could therefore be complementary rather than competing.

The efficiency of KRW markets reduces the immediate need for a Korean stablecoin as an access rail for trading. However, it does not remove its strategic relevance. A KRW stablecoin could become useful because it would allow the won to circulate in environments where traditional banking rails are less suitable.

One potential advantage of a KRW stablecoin would be to create benefits for cross-border use cases. It could enable faster and more programmable payments between Korean firms, overseas partners, and digital platforms, particularly in areas where traditional payment rails are slower or more costly.

From a broader strategic perspective, a regulated KRW stablecoin could help strengthen the role of the won in onchain digital markets. In the absence of local-currency stablecoins, stablecoin liquidity remains denominated in USD. A won-backed stablecoin would give Korean market participants a way to transact onchain in their domestic currency, while allowing regulators to define standards within a domestic framework.

Overall, the case for a KRW stablecoin would be to extend the won's utility into new digital environments.

* * *

Conclusion

Korea contrasts with the stablecoin-led USD market, but shares with the EUR market a continued reliance on fiat-denominated trading pairs. KRW is the central liquidity rail for domestic crypto activity, supported by strong exchange infrastructure, deep markets, and close integration with the banking system. KRW-denominated activity remains concentrated among major Korea-regulated exchanges, reflecting the importance of regulated fiat access and established KRW trading infrastructure, while stablecoins such as USDT and USDC remain secondary, used more as traded assets against KRW than as dominant settlement instruments.

This does not mean that a KRW stablecoin lacks strategic value. Its opportunity lies less in replacing existing fiat rails for KRW-denominated trading and more in extending the won into onchain environments, cross-border settlement, DeFi, and tokenized financial applications. If supported by clear regulation, strong reserves, exchange integration, and sufficient liquidity, a KRW stablecoin could become a bridge between Korea's fiat-native crypto market and the broader global digital asset ecosystem.

As South Korea remains a key player in the digital asset market, transitioning domestic fiat-KRW flows onchain could expand the utility of KRW stablecoins beyond basic payments and settlements into broader applications like trading and yield farming. Even within a global marketplace heavily dominated by the USD, capturing a localized footprint for the KRW would represent a meaningful shift, allowing KRW stablecoins to serve as a modest yet impactful pillar in diversifying the broader stablecoin ecosystem.

About the Data

Kaiko is the global independent leader in digital asset market data, analytics, indices, and pricing for institutional investors, financial services firms, and regulators.

This report is based on instrument-level market data, including Level 1 and Level 2 data such as executed trades and order book liquidity metrics. It also incorporates aggregated token and exchange-level data to illustrate broader trends in liquidity and trading volumes across the selected exchanges. For FX rate data, the Federal Reserve Bank of St. Louis was used as the source.

[**Learn More About Kaiko Data**](#)



Sign up for a Free Kaiko Research account today to access:

Chart Books

Kaiko's free weekly chart book regarding the state of the market.

Index in Focus

Detailed index analysis and insights

Research Reports

Focused research on specific topics or sectors.

Data Points

Key data insights and market analysis with a specific focus on cryptocurrencies.

Data Debriefs

Weekly explorations of the data behind the week's financial market headlines.

Talk Data to Me

Search Kaiko's market data using AI to answer your crypto questions.

Subscribe

Disclosure

This research report was produced in partnership with Upbit, but written independently by Kaiko. This content is for informational purposes only, does not constitute investment advice, and is not intended as an offer or solicitation for the purchase or sale of any financial instrument. For any questions, please email research@kaiko.com.