Who Controls Stablecoin Payment Networks?

A model of distribution dependence and bargaining power

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Abstract

This paper develops a model of bargaining between fiat-backed stablecoin issuers and the platforms through which customers acquire, hold, spend, and redeem tokens. Issuance gives an issuer control over reserve management and token supply. Distribution can give a wallet, exchange, or payment processor control over access to customers. The model predicts that a distributor's share of joint surplus depends on how much payment activity would remain with the issuer if the relationship ended, how effectively the distributor could support a rival token, and how the parties bargain over the remaining gains from cooperation. A contractual example and three propositions motivate an empirical design. The model is conceptual.

1. Research question

Chapters 9 and 10 of Dollar on Chain examine vertical integration by exchanges and the migration of the financial interface toward technology platforms (Shim, 2026a). This paper asks when those interfaces confer bargaining power. The question matters because a token may operate on multiple public chains while most customers in a particular market still use a small number of providers for onboarding, conversion, or merchant settlement. Technical transferability and effective commercial switching can differ.

Two-sided market theory explains how platforms build usage by attracting both sides and allocating prices across them (Rochet and Tirole, 2003). Here the focus is the division of gains between an issuer and an access provider. Shim (2026b) studies how retained reserve income may finance payment network expansion. This paper examines how much of the cooperative surplus the issuer can retain and how dependence on a distributor affects that division.

2. Mechanism and model

Consider a stablecoin issuer and a distributor serving a particular payment corridor. The distributor's services may include identity onboarding, custody, fiat conversion, order routing, or merchant integration. Dependence is corridor-specific. Switching the token listed in an app can be easier than migrating merchant settlement, local bank integrations, and user balances to another provider.

Let S denote transferable joint surplus from cooperation, measured before transfers between the parties and net of operating costs. Let I_0 and D_0 denote their respective expected profits without an agreement. Assume S exceeds $I_0 + D_0$ and that a contract can

transfer value. Let β denote the distributor's bargaining weight, between zero and one. A weighted Nash split implies:

Distributor profit = $D_0 + \beta \times (S - I_0 - D_0)$.

Issuer profit = $I_0 + (1 - \beta) \times (S - I_0 - D_0)$.

Holding S and β fixed, an improved issuer outside option reduces distributor profit by β per unit. An improved distributor outside option raises distributor profit by $1 - \beta$ per unit. The model concerns profit under an agreement. The contract's actual cash payment also reflects each party's operating contribution and revenues earned directly.

In a hypothetical corridor, joint surplus is 10, issuer and distributor outside profits are 2 and 1, and bargaining weights are equal. Distributor profit is 4.5. If independently routed integrations raise issuer outside profit to 4, distributor profit falls to 3.5 with joint surplus held fixed. In practice, switching options may also change the total surplus. The example isolates the bargaining channel.

3. Testable propositions

P1. Issuer portability. Among otherwise similar agreements, access to independent distributors able to preserve merchant and fiat conversion coverage should improve issuer terms at renewal. Adding chains without adding usable alternatives should have a weaker association with those terms.

P2. Distributor substitutability. A distributor that can redirect customers to a credible rival stablecoin while preserving payment functionality should obtain better terms, holding its service contribution and issuer alternatives comparable. Credibility depends on supported corridors and redemption capacity.

P3. Concentration and bargaining. Distributor concentration should predict stronger bargaining outcomes chiefly where merchants cannot reroute settlement or users cannot easily switch fiat access providers. Balance concentration alone may reflect idle holdings and should be compared with corridor-level activity.

4. Observable case and empirical design

Circle's 2025 annual report describes arrangements under which payments to Coinbase depend in part on USDC held on its platform and on broader ecosystem allocations. The filing establishes that distribution and reserve-related economics can be contractually linked. A single disclosed arrangement provides an illustration and cannot identify bargaining weights or establish the mechanism across the sector.

Build a panel of issuer–distributor agreements and corridor-level integrations. Code fee schedules, default settlement choices, renewal dates, coverage of independently controlled fiat ramps, and substitutability of listed tokens. Where available, use negotiated distribution expense net of separately identifiable operating services. Estimate exposure to a provider using a share of completed commercial settlement or conversions, supplemented by balances and provider concentration. Distinguish payment flows from transfers between affiliated accounts.

Compare renewals around launches of credible independent routing alternatives, checking pre-trends and market-wide fee or demand shifts. Use contract text and partner interviews to distinguish genuine switching options from nominal availability. Strategic timing of integrations, contract confidentiality, and differences in costs limit causal interpretation. Where payments are undisclosed, report observable terms and qualitative evidence rather than imputing contractual profit shares.

5. Implications

Two stablecoins with similar issuance can offer issuers different capacity to fund expansion if one relies on a distributor that is difficult to replace. For merchants and oversight authorities, a practical question is which provider can interrupt or redirect commercial access in a given corridor. The model gives a way to test how interoperability and operational alternatives shape that power.

References

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