CARF White Paper · No. 01 — EN · March 2026

Keeping Capital Onshore:

The Case for a Domestic Stablecoin in Türkiye

Assoc. Prof. Cenk C. Karahan
Boğaziçi University, Center for Applied Research in Finance (CARF)

Prof. Vedat Akgiray
Boğaziçi University, Center for Applied Research in Finance (CARF)

ABSTRACT

Türkiye leads the world in stablecoin transaction volume relative to GDP: two-way stablecoin trading flows reached 4.3% of GDP (~USD 38 billion) in April 2023–March 2024, and cross-border stablecoin payments exceeded USD 63 billion in 2024. As the overwhelming majority of this activity flows to foreign issuers holding reserves in foreign sovereign debt instruments, it constitutes a structural capital outflow — a risk documented by the IMF in its 2025 Understanding Stablecoins report. Law No. 7518 (July 2024) and the Capital Markets Board's March 2025 communiqués establish a licensing regime for crypto-asset service providers; secondary legislation specific to stablecoin issuance remains pending. This paper proposes a two-phase domestic stablecoin model: a fully collateralized, dollar-denominated stablecoin backed by domestic assets, followed by a lira-denominated instrument as macroeconomic stability improves. Domestic fintech ventures serve as primary issuers within an institutional framework provided by the CBRT, the CMB, Takasbank, and the Ministry of Treasury and Finance. Beyond stemming outflows, the model offers a strategic opportunity to attract foreign capital and serve as a regional payment hub.

Please cite as:

Karahan, C. C., & Akgiray, V. (2026). Keeping Capital Onshore: The Case for a Domestic Stablecoin in Türkiye. In CARF White Paper Series (Vol. 2026, Number 01 - EN). Center for Applied Research in Finance (CARF).
https://doi.org/10.5281/zenodo.19656053

1. Türkiye's Crypto Reality

Türkiye has emerged as one of the fastest-growing crypto asset markets in the world. In the 2023–24 period, approximately twenty percent of the adult population holds direct exposure to crypto assets, placing Türkiye third globally in adoption rate. Stablecoins form the gravitational center of this ecosystem. According to Chainalysis' April 2024 report, two-way transaction volume between the Turkish lira and stablecoins reached 4.3% of GDP — approximately USD 38 billion — in the twelve months to March 2024, the highest ratio among all countries surveyed. A separate Chainalysis estimate, cited by Morgan Stanley, puts Türkiye's cross-border stablecoin payment flows at over USD 63 billion for the full year 2024, reflecting a broader cross-border methodology.

Between July 2024 and June 2025, total on-chain crypto transaction volume in Türkiye — encompassing Bitcoin, altcoins and stablecoins — reached approximately USD 200 billion, making Türkiye the dominant crypto market in the Middle East and North Africa (MENA) region, roughly four times the size of the UAE, the region's second-largest market.

This is not reducible to speculative appetite. The Turkish lira has lost more than 80% of its value against the dollar over the past five years — from approximately 8 TRY/USD in early 2021 to over 44 TRY/USD by March 2026. Against this backdrop, stablecoins have become a rational instrument for households seeking to preserve purchasing power. Türkiye is a leading case study in what the IMF terms 'crypto-driven currency substitution' in emerging markets.

In late 2024, the market's composition underwent a notable structural shift. The 31-day moving average of daily stablecoin trading volume fell from above USD 200 million to approximately USD 70 million by mid-2025, while altcoin volume surged from USD 50 million to USD 240 million, overtaking stablecoins for the first time. Chainalysis characterizes this transition as 'desperate yield-seeking behavior.' The structural implication is significant: capital leaving Türkiye is not merely moving into relatively safe stablecoin instruments, but increasingly flowing into higher-risk vehicles with lower probability of repatriation.

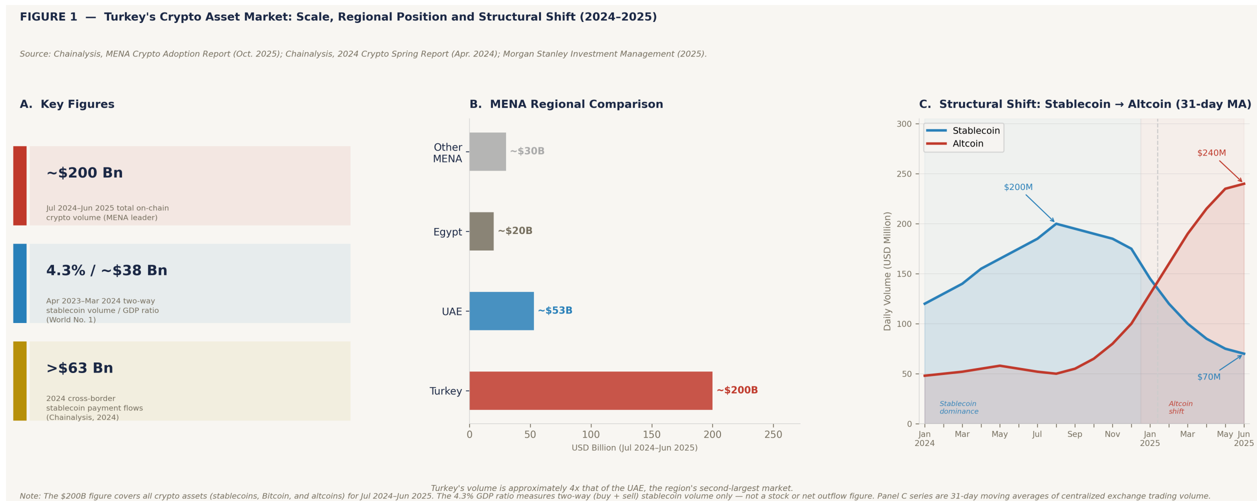

Figure 1. Türkiye's Crypto Asset Market: Scale, MENA Comparison, and Structural Shift (2024–2025). Source: Chainalysis MENA Crypto Adoption Report (Oct. 2025); Chainalysis 2024 Crypto Spring Report (Apr. 2024); Morgan Stanley Investment Management (2025).

2. The Underlying Mechanism: A Structural Capital Outflow

Nearly all stablecoins in circulation in Türkiye are issued by foreign entities. The two dominant issuers — Tether (USDT) and Circle (USDC) — invest their reserves predominantly in foreign sovereign debt instruments and short-term government paper. According to Tether's December 2024 reserve report, 65.7% of USDT reserves are held in US Treasury bills. The implication is direct: every stablecoin purchase by a Turkish investor routes capital into the balance sheets of foreign governments.

Quantifying this outflow precisely is methodologically challenging — blockchain transactions are pseudonymous and existing estimates rely on allocation assumptions that vary across methodologies. The mechanism, however, is clear and well-documented. The IMF's December 2025 *Understanding Stablecoins* report explicitly identifies dollar-denominated stablecoin adoption in emerging markets as a structural channel of capital outflow and currency substitution, with Türkiye cited as one of the most acute examples globally.

Currency Volatility and Stablecoin Demand

There is a well-established and intuitive correlation between lira depreciation episodes and spikes in stablecoin demand. From approximately 8 TRY/USD in early 2021, the lira has weakened past 44 TRY/USD as of March 2026 — a decline of over 80% in five years. Each acute currency pressure episode has been accompanied by a measurable acceleration in stablecoin trading volumes. The consequence is compounding: currency stress both drives more capital into foreign stablecoin issuers and depletes the domestic reserve base at an accelerating rate. In the absence of a domestic alternative, every episode of lira weakness reinforces the structural outflow.

USDT and USDC: A Meaningful Distinction

The two dominant issuers differ substantially in transparency and regulatory compliance. Circle (USDC) publishes monthly reserve reports independently examined by Deloitte, restricts reserves to cash and short-term US government securities, listed on NYSE in June 2025, and is the only major stablecoin fully compliant with the EU's Markets in Crypto-Assets Regulation (MiCA — the EU's comprehensive 2024 crypto-asset regulatory framework). Tether (USDT) commands a larger market capitalization (~USD 142 billion) and greater liquidity, but its quarterly reserve reports fall short of a full independent audit, and the reserve mix — Bitcoin, gold, and secured loans alongside Treasury bills — introduces opacity that has led several major European exchanges to delist it under MiCA. Circle's monthly examination and clean reserve composition are the appropriate reference standard for a domestic model.

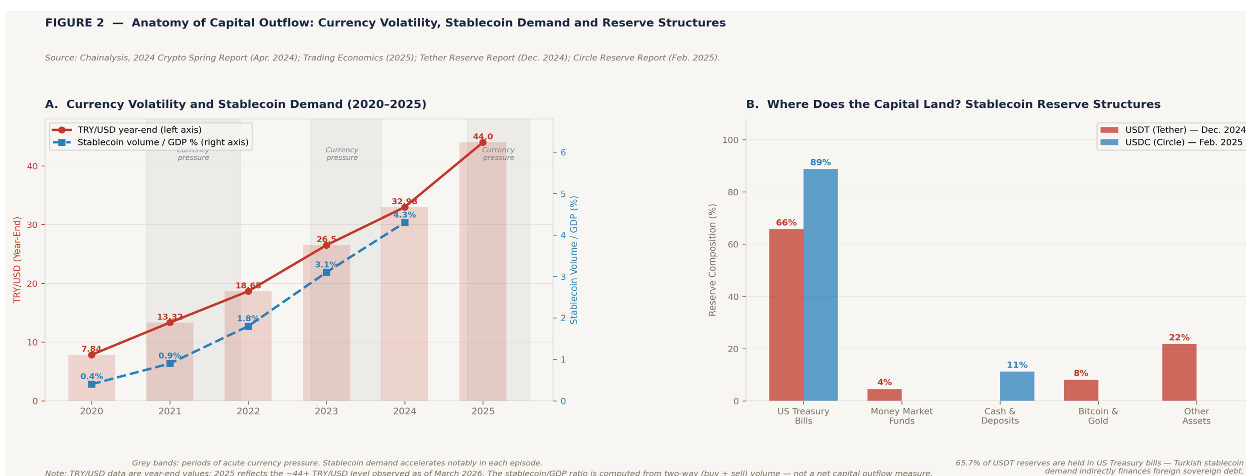

Figure 2. Anatomy of Capital Outflow: Currency Volatility, Stablecoin Demand and Reserve Structures. Source: Chainalysis (2024); Trading Economics (2025); Tether Reserve Report (Dec. 2024); Circle Reserve Report (Feb. 2025).

3. Regulatory Framework and the Policy Window

Türkiye's crypto regulatory architecture has advanced substantially. Law No. 7518 — formally the Law Amending the Capital Markets Law No. 6362 — entered into force on 2 July 2024 (Official Gazette No. 32590), bringing crypto-asset service providers under CMB supervision for the first time. Article 35/B grants the CMB authority over the initial sale or distribution of crypto assets, with operational standards delegated to secondary regulation. In March 2025, the CMB published Communiqués III-35/B.1 and III-35/B.2 (Official Gazette No. 32840), establishing licensing requirements, minimum capital thresholds, governance standards, and proof-of-reserve audit obligations.

Crucially, secondary legislation governing stablecoin issuance licenses and issuer-specific reserve management standards has not yet been enacted. This gap simultaneously represents Türkiye's most important near-term regulatory task and its most significant

policy opportunity. The legal architecture to support a domestic stablecoin exists in outline; what remains is the secondary framework to activate it. The window is narrow: 2025 has seen both the US enact the GENIUS Act — the first federal stablecoin law, requiring 1:1 liquid reserves and monthly public reserve disclosures — and MiCA's stablecoin regime reach full implementation in Europe. Türkiye's regulatory timing is, for once, well-positioned to move proactively rather than reactively.

4. Proposed Model: A Two-Phase Domestic Stablecoin Architecture

Phase One: Dollar-Denominated, Domestically Backed Stablecoin

Turkish investors' preference for dollar-denominated instruments reflects a rational response to chronic currency depreciation. Suppressing that preference is neither feasible nor desirable; redirecting it toward domestically anchored instruments is both achievable and strategically necessary.

The model envisions domestic fintech ventures as the primary issuers, operating within an institutional framework provided by the CBRT, the CMB, Takasbank, and the Ministry of Treasury and Finance — acting as both the regulatory and operational backbone of the architecture. Firms with deep knowledge of Türkiye's crypto ecosystem, the technological capacity to build rapidly, and direct access to the user base should lead issuance. The subsequent participation of banks and larger financial institutions would add scale and credibility.

In the first phase, a fully collateralized, dollar-denominated stablecoin backed by domestically held reserves is proposed. The reserve portfolio would consist primarily of short-dated Turkish Treasury Eurobonds, supplemented by liquid dollar assets — short-term deposits, repo agreements, and bank receivables. Turkish government bonds are the principal reserve instrument and principal custodied with the CBRT, consistent with its role as the primary custodian of government securities in Türkiye; other liquid assets would be held with Takasbank or other institutions permitted under applicable regulation. Monthly independent reserve examinations and public reporting — modeled on Circle's standard — would anchor user trust and ensure capital remains onshore.

Phase Two: Lira-Denominated Stablecoin

The second phase envisions a lira-denominated instrument backed by government domestic debt securities (DIBS) and deposits held at Turkish banks. As macroeconomic stability is restored and confidence in the lira rebuilds, a domestic digital lira would give investors a familiar and fully regulated alternative. This instrument would complement rather than compete with the Central Bank's ongoing Digital Turkish Lira (CBDC) project, serving as a private-sector layer on top of the public monetary infrastructure.

Regional Dimension: Attracting Capital and Facilitating Trade

A domestic stablecoin is also a strategic asset for attracting inward investment and facilitating regional trade — both material for an economy running a structural current account deficit. Türkiye is a significant trade hub for the Middle East, the Balkans, Central Asia, and Africa, but its cross-border payment corridors in these regions are active and costly. A domestically issued stablecoin would provide a faster, cheaper settlement layer for precisely these flows, positioning Türkiye alongside the UAE as a regulated digital finance hub for the wider region.

5. Risks and Risk Management

Fully reserved stablecoin models are not risk-free. USDC briefly lost its peg in March 2023 when Silicon Valley Bank — which held a portion of Circle's reserves — failed; USDT has experienced smaller, shorter deviations in periods of market stress. The proposed model is designed to minimise these risks through short-dated, liquid reserve assets and continuous, independently verified disclosure.

Reserve Adequacy Risk

Reserve adequacy risk — the risk that the market value of reserves falls below the outstanding stablecoin supply — is managed primarily through strict duration control. Reserves must consist exclusively of short-dated instruments; long-dated or credit-risky assets are excluded. Duration management keeps interest rate sensitivity low. Returns generated by the reserve portfolio can be retained as an additional buffer, contributing to the model's long-run sustainability.

Türkiye's Specific Reserve Trade-off

Turkish Eurobonds and comparable domestic dollar instruments offer higher yields than US Treasury bills but carry more limited secondary market liquidity. This trade-off can be managed through careful portfolio construction — weighted toward the shortest maturities — and the maintenance of a liquidity buffer in overnight repo and short-term deposits. The incremental yield relative to pure Treasury-backed models provides both a sustainability advantage and an additional reserve buffer.

Liquidity Risk

Liquidity risk — the risk that large concurrent redemption requests cannot be met — is addressed through dedicated liquid buffers held in overnight repo and short-term deposits. CBRT and Takasbank's custodial and settlement infrastructure provides the institutional backbone. Monthly independent reserve examinations and real-time public reporting are the most effective first-line defences against self-fulfilling liquidity crises.

Access to International Liquidity Pools

The most critical structural prerequisite of the model is ensuring that domestic reserve assets can be converted to international liquidity when needed. This requires establishing direct or intermediated connections — through correspondent banking relationships or direct partnerships with international crypto infrastructure providers, including established issuers such as Circle or Tether — so that large redemption requests can be met without disrupting the domestic reserve portfolio. Securing these linkages is the most important organisational challenge in bringing this model to life, and the one where regulatory facilitation by the CMB and CBRT is most decisive.

Institutional Trust Framework

Active coordination across regulators and public institutions is essential. The CMB must establish a transparent issuance licensing framework; the CBRT must clarify the relationship between domestic stablecoins and monetary policy; the Ministry of Treasury and Finance must define mechanisms enabling Eurobonds and short-term instruments to qualify as reserve assets; and the CBRT and Takasbank must ensure their custody and settlement infrastructure is operationally ready. This coordination eliminates the regulatory uncertainty that currently deters prospective issuers.

6. Policy Recommendations

Realising this model requires coordinated action across institutional actors.

For Regulators: Priority Actions

1. CMB: Initiate secondary regulation for stablecoin issuance licenses and reserve management standards; define dollar-denominated and lira-denominated stablecoins as distinct regulatory categories.
2. CBRT: Establish an interoperability framework between domestic stablecoins and the Digital Turkish Lira project; clarify alignment with monetary policy objectives.
3. BDDK (Banking Regulation and Supervision Agency): Clarify deposit and liquidity obligations for banks holding stablecoin reserves; publish AML/KYC standards proportionate to FATF requirements.
4. Ministry of Treasury and Finance: Define mechanisms enabling short-term Eurobonds and other dollar instruments to qualify as stablecoin reserve assets.

For Domestic Ventures and Market Participants

1. The primary role falls to domestic fintech ventures: they are the issuers, technology builders, and user-base creators that will drive this ecosystem.
2. Government bond reserves to be held with the CBRT as principal custodian; other liquid assets with Takasbank or other institutions permitted under applicable regulation. Monthly independent reserve examination to be a condition of the issuance license.
3. Pilot phase: launch a limited pilot targeting institutional investors and licensed crypto platforms before scaling to retail.
4. International liquidity linkages — with correspondent banks and established global stablecoin infrastructure providers — must be established from the outset.

Long-Term Architecture

1. The lira-denominated stablecoin should be introduced in the second phase under conditions of macroeconomic stability; integration with domestic payment systems first, then regional trade infrastructure.
2. Alignment with the EU's MiCA framework from the outset would maximise international recognition and facilitate cross-border use of the domestic stablecoin.
3. Both dollar-denominated and lira-denominated instruments can serve as cross-border payment rails with regional partners — the Middle East, the Balkans, Central Asia, and Africa — directly supporting Türkiye's regional financial hub ambitions.

7. Conclusion

Türkiye is the world's leading stablecoin market relative to GDP, yet the current architecture routes that activity almost entirely through foreign issuers whose reserves sit in foreign sovereign debt instruments — a self-reinforcing outflow that deepens with every episode of lira weakness. A domestic, fully reserved, transparently governed stablecoin can reverse this dynamic: retaining capital onshore while opening a new channel for inward investment and regional trade. The two-phase model proposed here is designed to be achievable within the existing regulatory perimeter, requiring only the secondary legislation already in preparation. The groundwork is largely in place. What is missing is not a legal foundation or a technical blueprint — both exist. What is missing is the secondary legislation that converts an outline into an operating framework, and the coordinated institutional will to put it to work.

References

1. Chainalysis. (April 2024). *2024 Crypto Spring Report.* Chainalysis Inc.
https://go.chainalysis.com/2024-crypto-spring-report.html

2. Chainalysis. (October 2024). *The 2024 Geography of Cryptocurrency Report.* Chainalysis Inc.
https://go.chainalysis.com/2024-geography-of-cryptocurrency-report.html

3. Chainalysis. (October 2025). *MENA Crypto Adoption Report 2025.* Chainalysis Inc.
https://www.chainalysis.com/blog/middle-east-north-africa-crypto-adoption-2025/

4. Partz, H. (20 August 2024). Türkiye leads world in stablecoin purchases as share of GDP. *Cointelegraph.*
https://cointelegraph.com/news/stablecoin-buys-turkey-4-percent-gdp

5. Morgan Stanley Investment Management. (2025). Stablecoins: Modernizing Financial Infrastructure.
https://www.morganstanley.com/im/en-us/institutional-investor/insights/articles/modernizing-financial-infrastructure.html

6. IMF. (December 2025). *Understanding Stablecoins.* IMF Monetary and Capital Markets Department.
https://www.imf.org/-/media/files/publications/dp/2025/english/usea.pdf

7. Reuter, M. (July 2025). Decrypting Crypto: How to Estimate International Stablecoin Flows. *IMF Working Paper WP/25/141.*
https://www.imf.org/en/Publications/WP/Issues/2025/07/11/Decrypting-Crypto-How-to-Estimate-International-Stablecoin-Flows-568260

8. Tether Limited. (December 2024). *Consolidated Reserves Report.*
https://tether.to/en/transparency/

9. Circle Internet Financial. (February 2025). *USDC Reserve Report.*
https://www.centre.io/usdc-transparency

10. Grand National Assembly of Türkiye. (2 July 2024). Law No. 7518 Amending the Capital Markets Law. *Official Gazette,* No. 32590.
https://resmigazete.gov.tr/eskiler/2024/07/20240702-1.htm

11. Capital Markets Board of Türkiye. (13 March 2025). Communiqué III-35/B.1 on Establishment and Operating Principles of Crypto-Asset Service Providers. *Official Gazette,* No. 32840.
https://spk.gov.tr/data/67d281ad8f95db1558974f68/Kripto_13032025.pdf

12. Capital Markets Board of Türkiye. (13 March 2025). Communiqué III-35/B.2 on Working Procedures and Capital Adequacy of Crypto-Asset Service Providers. *Official Gazette,* No. 32840.
https://www.resmigazete.gov.tr/eskiler/2025/03/20250313-6.htm

13. Capital Markets Board of Türkiye. (2025). Press Release on Crypto-Asset Service Provider Communiqués.
https://spk.gov.tr/duyurular/basin-duyurulari/2025/kripto-varlik-hizmet-saglayicilarina-iliskin-iki-teblig-yayimlandi

14. US Congress. (18 July 2025). Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act), Pub. L. 119-xx.
https://www.congress.gov/bill/119th-congress/senate-bill/1582