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Stablecoin Issuers and the Public Markets:

Accounting and Tax Implications
of Going Public and Shareholder Distributions



Foreword from the Chair

As the global financial system continues its inevitable evolution, the intersection of blockchain innovation and traditional capital markets is coming into sharper focus. Among the most significant developments in this journey is the emergence of stablecoin issuers—like Circle—taking steps toward becoming publicly traded entities.

At the Wall Street Blockchain Alliance, we've long advocated for thoughtful engagement between the digital asset ecosystem and the broader financial and regulatory infrastructure. This whitepaper, authored by Dr. Sean Stein Smith, is a vital contribution to that dialogue.

In it, we find more than just an academic exercise. We see a roadmap for accounting and finance professionals tasked with navigating a growing list of responsibilities—from reserve classification and revenue modeling to shareholder tax implications and international compliance obligations.

These are not hypothetical concerns. They are the pressing realities of a marketplace that is maturing in real time. And the professionals who step up to meet these challenges will be the ones helping to define the financial architecture of tomorrow.

Stablecoin Issuers and the Public Markets: Accounting and Tax Implications of Going Public and Shareholder Distributions

When Circle, the company behind USDC, first started gaining traction, few imagined a future where it would sit at the intersection of crypto innovation and Wall Street tradition. But as digital assets mature, so too do the questions they raise—especially when stablecoin issuers set their sights on public markets.

Stablecoins, in general, are the bedrock of tokenized finance. They're the glue that binds DeFi protocols, crypto payments, and institutional adoption. And within that growing category, fiat-backed players like USDC dominate the conversation. The reason? Their design is intuitive: every token is backed 1:1 by real U.S. dollars or their equivalents. That makes them predictable, reliable, and increasingly trusted.

But Circle's ambitions extend beyond simply issuing a stablecoin. With IPO aspirations—whether through a traditional offering or a SPAC route—it wants to become the first major stablecoin issuer to go fully public. For CPAs in the crypto space, this evolution opens up a wide spectrum of new responsibilities, particularly in tax and accounting.

Let's start with Circle's revenue model. There are three primary streams: interest income from USDC reserves, transaction fees from B2B payments, and income from APIs that developers use to integrate USDC. Each has to be correctly classified—interest income might be operating

or non-operating, depending on how essential it is to the company’s core mission. And API revenue? That’s straightforwardly operational. More subtly, when USDC is issued, it’s not revenue—it’s a liability. The company owes that money back to token holders. So how it appears on the balance sheet matters deeply.

Accounting for the reserves themselves introduces another layer of complexity. These assets might include Treasuries, repo agreements, or other cash equivalents. Depending on classification, they could fall under “cash,” “cash equivalents,” or be treated differently altogether under GAAP or IFRS. If reserve management is handled through subsidiaries, consolidation rules might apply, dragging new entities into Circle’s financial reporting.

Then there’s the question of redemptions. Each USDC token is redeemable for a dollar, meaning Circle must always have those funds ready. That liability shows up on the balance sheet—and depending on how redemptions are structured, Circle could also face accounting for embedded derivatives. It’s a complex web of obligations and disclosures.

Current reserve reporting by stablecoin issuers carries critical financial and regulatory implications. Accurate and timely disclosure of reserve composition—whether cash, short-term Treasuries, or other liquid assets—is essential to maintaining user trust and meeting compliance requirements. Inconsistent or opaque reporting can lead to concerns about solvency and redemption capacity. Financial statements must reflect reserve balances as either custodial assets or liabilities, depending on legal structure. Auditors may require enhanced assurance procedures to verify reserve sufficiency and segregation. As regulatory frameworks evolve, including under the GENIUS Act, issuers may need to provide monthly attestations, fair value assessments, and enhanced transparency into reserve management. In addition, the AICPA’s [2025 Stablecoin Reporting Criteria](#)¹ offers a recognized framework for reporting on stablecoin issuance, reserve sufficiency and availability, and the controls governing issuance, redemption, and reserve management processes.

And of course, there’s tax. The moment Circle goes public, it’s not just the company’s taxes that matter—shareholder tax dynamics come into play too. Interest on reserves is taxable, and cross-border operations could trigger transfer pricing requirements. API and transaction fees are taxable, but some activities may qualify for R&D credits. Meanwhile, shareholders face capital gains on stock appreciation and possibly dividend taxation, which could vary based on holding period and geography. Non-U.S. investors? FATCA and treaty-based withholding rules must be navigated carefully.

Implications Of Pro-Crypto Legislation

The passage of the GENIUS Act and progress made on the CLARITY Act in the House of Representatives significantly reshapes the tax landscape for stablecoin issuers like Circle. By formally recognizing payment stablecoins as non-securities and imposing clear reserve,

¹ <https://www.aicpa-cima.com/resources/download/stablecoin-reporting-criteria>

reporting, and issuance standards, these laws reduce regulatory ambiguity that previously complicated tax treatment. Circle may now face more structured tax obligations related to interest income on reserves, with clarified recognition and reporting requirements. Additionally, the mandated public disclosures and audit requirements enhance IRS visibility, increasing compliance burdens. While not eliminating stablecoins' classification as property under current IRS rules, these acts pave the way for future reforms on transactional tax treatment.

Circle's treasury operations also open the door to more choices—and risks. Interest income can be reported via mark-to-market or amortized cost methods. The decision can influence volatility in earnings, not to mention jurisdictional tax exposure. Structuring matters, and poor planning could lead to unintended base erosion or permanent establishment problems abroad.

Stablecoin issuers that rely primarily on interest income face distinct financial reporting and disclosure considerations. This income, typically earned from holding reserves in short-term U.S. Treasuries or similar instruments, must be clearly classified and disclosed in financial statements. Transparency around the nature, duration, and risk profile of reserve assets is essential, especially under regulatory frameworks like the GENIUS Act. Auditors may scrutinize how interest income supports operational sustainability and stablecoin redemption guarantees. Issuers must also address potential volatility in interest earnings and disclose sensitivity to interest rate changes, as these factors influence revenue stability and long-term financial viability in investor assessments.

The prohibition on interest or yield payouts by stablecoin issuers under the GENIUS Act could have a dampening effect on their valuation, particularly for firms seeking to position themselves as public or institutionally-backed financial entities. In traditional markets, the ability to distribute dividends signals profitability, financial health, and the potential for steady investor returns. Without the option to return profits directly to shareholders through dividends, stablecoin issuers like Circle must rely solely on capital appreciation and strategic reinvestment narratives to attract and retain investors. This could limit their appeal compared to more conventional fintech or banking peers that can offer both capital growth and regular distributions.

Moreover, dividend restrictions may hinder the ability of these issuers to justify premium valuations during funding rounds or public offerings. Investors often use dividend potential as a component of valuation models such as discounted cash flow (DCF) and dividend discount models (DDM). The absence of this feature introduces uncertainty around monetization strategies and exit opportunities, particularly for institutional investors with income-focused mandates.

This limitation also signals regulatory conservatism, reinforcing the view that stablecoin issuers are not yet treated on par with fully chartered financial institutions, despite performing analogous functions. As such, these restrictions could suppress broader institutional confidence and reduce investor demand, ultimately affecting market capitalization. For firms heavily reliant on interest income from reserves—often held in short-term Treasuries or cash equivalents—the inability to distribute that revenue further disconnects operational performance from shareholder

reward, creating a valuation ceiling.

In sum, while the GENIUS Act and the overall pro-crypto pivot underway in the United States is helping to create a clear and credible regulatory framework, the ban on interest payments introduces a structural constraint that could limit valuation growth, discourage investor participation, and prompt stablecoin issuers to seek alternative, and potentially less efficient, mechanisms for shareholder value creation.

Additionally, stablecoin issuers may pursue monetization strategies through tiered access to data analytics, premium KYC/AML services, or tokenized asset offerings that complement core stablecoin functions. As TradFi players erode their share of the interest income pool, these issuers must shift toward value-added services to retain clients and scale operations sustainably.

The passage of the GENIUS Act, in addition to clarifying some issues for crypto-native and/or existing issuers, creates opportunities for states, corporate issuers, and other institutions that have yet to enter the stablecoin space. This include larger crypto-native issuers, as well as state-issued tokens and the potential for private corporate stablecoins to enter the market as well.

Crypto Native Stablecoin Issuers

As of 2025, the U.S. stablecoin market is dominated by five issuers: Tether (USDT), USD Coin (USDC), Ethena's USDe, MakerDAO's Dai (DAI), and PayPal USD (PYUSD). Collectively, these tokens account for over \$250 billion in circulating supply and form the backbone of digital asset liquidity, DeFi protocols, and tokenized payment systems. Each has a distinct model. Tether, though offshore, is the largest by far and a critical source of market liquidity. USDC, issued by Circle, is the most integrated with U.S. financial institutions, benefiting from transparent reserve attestations and alignment with potential public-listing ambitions. Ethena's USDe represents the rise of algorithmic and synthetic stablecoins that use derivatives and staking mechanisms for collateralization—models that require enhanced risk disclosures under GAAP.

DAI is decentralized and over-collateralized, raising questions about valuation of crypto reserves and impairment testing. PYUSD, meanwhile, is a corporate-issued stablecoin with direct regulatory oversight, positioning it as a blueprint for other fintech and Big Tech entrants. For accountants, auditors, and regulators, the “big five” illustrate the spectrum of financial reporting challenges: from classifying reserve assets and redemption liabilities to evaluating fair-value measurement of collateral pools. They also underscore how tax and compliance obligations diverge depending on structure, domicile, and underlying asset exposure. Taken together, these stablecoins are not only reshaping liquidity management but also redefining expectations for transparency, disclosure, and corporate governance in tokenized finance. Their continued growth ensures that CPAs and CFOs must stay current on evolving standards across GAAP, IFRS, and U.S. tax codes.

Snapshot - Tether (USDT)

Tether (USDT) remains the largest and most widely used stablecoin in the global market, with a circulation exceeding \$160 billion. While not headquartered in the U.S., its influence on American capital markets, crypto exchanges, and institutional flows is undeniable. USDT functions as the primary liquidity instrument for digital asset trading, serving as a substitute for dollars on platforms that lack direct banking access. From an accounting standpoint, Tether presents unique challenges because of its historically opaque reserve disclosures. Though the company now publishes attestation reports and has increased transparency into its U.S. Treasury holdings, questions remain regarding the classification of commercial paper, secured loans, and other assets previously in the portfolio.

CPAs evaluating counterparties or financial statements that reference USDT exposure must carefully assess counterparty risk and redemption capacity. Regulatory pressure has intensified, with U.S. policymakers scrutinizing whether stablecoins backed by offshore entities pose systemic risk. Tax implications also exist for institutional holders who use USDT in lending or staking arrangements, where interest income may be taxable and must be reported under evolving IRS guidance. In short, Tether's scale makes it an indispensable part of global crypto liquidity, but its non-U.S. domicile and past disclosure controversies continue to raise red flags. For American financial professionals, USDT is both a case study in market dominance and a reminder of the importance of robust reserve transparency and standardized reporting frameworks to protect investors and ensure market stability.

Snapshot – PayPal USD (PYUSD)

Launched in 2023, PayPal USD (PYUSD) is one of the first stablecoins issued by a publicly traded U.S. company. Fully backed by U.S. dollar deposits, short-term Treasuries, and cash equivalents, PYUSD is managed by Paxos Trust Company, a New York-regulated entity. Its issuance represents a pivotal step toward mainstream adoption of stablecoins in retail payments. Unlike crypto-native issuers, PayPal already serves over 400 million active accounts worldwide, giving PYUSD an embedded distribution network unmatched in scale. This positions the token to become a default digital settlement rail within PayPal's ecosystem, powering peer-to-peer transfers, merchant payments, and cross-border remittances. From an accounting perspective, PYUSD demonstrates how a regulated trust structure can provide auditors and regulators with greater confidence in reserve composition and redemption rights.

For CPAs, PYUSD raises practical questions about revenue recognition, as PayPal may generate income through interest on reserves as well as reduced interchange fees in its payments business. Tax considerations are also relevant: PYUSD transactions remain subject to capital gains treatment under current IRS rules, though the GENIUS Act could eventually shift policy. For regulators, PYUSD serves as a test case for how a large U.S. fintech integrates blockchain into existing payment infrastructure while maintaining compliance with consumer protection and anti-money-laundering rules. For practitioners, PayPal's initiative highlights how stablecoins are

moving from crypto-native niches into mainstream corporate finance, creating new assurance, reporting, and tax planning opportunities.

Wyoming's Frontier Token: A State-Led Digital Asset Model

Wyoming's Frontier token initiative represents one of the most ambitious experiments in tokenized finance undertaken by a U.S. state. Built atop Wyoming's well-established digital asset legal framework, the Frontier token is designed to function as a fully collateralized, blockchain-native settlement asset, backed 1:1 by U.S. dollars or cash-equivalent instruments such as short-term Treasuries. The goal is to offer a transparent, auditable, and programmable medium of exchange that can be used for government transactions, commercial settlement, and potentially interbank activity. From an accounting perspective, the Frontier token provides a real-world case study for applying GAAP to tokenized liabilities and custodial reserves. Because it is state-issued, professionals must consider how to report and audit reserve balances, how to account for token issuance and redemption, and whether fair-value disclosures are required under evolving FASB guidance.

The policy significance of the Frontier token extends beyond Wyoming. By providing regulatory clarity and demonstrating operational feasibility, Wyoming is creating a blueprint for other states—and perhaps federal agencies—to follow. This initiative could catalyze competition among jurisdictions to attract blockchain innovation while preserving consumer protection and systemic stability. Importantly, the Frontier token underscores a key theme: tokenization is no longer theoretical. CPAs, auditors, and CFOs must prepare for a world where state-backed and potentially federally recognized digital assets coexist with bank deposits, challenging existing accounting frameworks and calling for regulations clearly defining assurance standards, including enhanced attestation of reserve sufficiency and redemption capacity. The GENIUS Act represents a solid first step toward establishing standards, but additional guidance remains necessary as the stablecoin sector continues to expand rapidly.

Corporate Stablecoins: Amazon, Walmart, and the Future of Payments

The idea of corporate-issued stablecoins has shifted from speculation to a plausible near-term reality. Companies like Amazon and Walmart possess the infrastructure, user base, and balance sheet strength to issue proprietary stablecoins that could reshape consumer payments and supply-chain finance. Distinct from the interest/yield prohibitions of GENIUS Act, an Amazon Coin or Walmart Dollar could be fully collateralized with short-term Treasuries or cash, functioning as a closed-loop payment asset within their ecosystems. This would allow these firms to bypass traditional payment processors, reduce interchange fees and offer instant settlement for vendors and customers. Such a move could also enable new loyalty programs, where stablecoin usage earns rewards (separate from the interest ban included in the GENIUS Act) or discounts, further deepening customer engagement.

From an accounting and finance standpoint, these corporate stablecoins would create significant reporting challenges and opportunities. The tokens would be treated as liabilities,

requiring precise disclosure of reserve assets, redemption rights, and potential exposure to interest rate fluctuations. Revenue recognition policies would need to be updated to address interest income from reserves, which could become a material contributor to earnings.

Regulatory clarity provided by measures such as the GENIUS Act—and potentially future market structure legislation like the CLARITY Act—would be critical to enabling these initiatives at scale. If paired with federal recognition of payment stablecoins as non-securities, corporate stablecoins could accelerate the shift toward tokenized finance, putting pressure on banks and card networks to innovate. For CPAs and CFOs, this trend presents a new frontier—integrating blockchain-based assets into core financial reporting, tax planning, and treasury strategy.

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Conclusion

The decision by a stablecoin issuer to enter the public markets represents a critical inflection point—not just for the company itself, but for the broader digital asset space. It signals a commitment to transparency, regulatory engagement, and long-term integration into the global financial system.

For accounting, tax, and audit professionals, this moment brings both heightened responsibility and unprecedented opportunity. As this whitepaper makes clear, the ability to interpret complex transactions, assess reserve treatment, and guide clients through multi-jurisdictional frameworks will be indispensable.

At WSBA, we remain committed to equipping our members and the broader professional community with the resources and expertise they need to thrive in this new paradigm.

To the practitioners reading this: your work will help determine whether the promise of tokenized finance is fulfilled responsibly and sustainably. Your stewardship will help shape the next chapter in financial history.

Ron Quaranta

Chairman, Wall Street Blockchain Alliance