

Chiara
Munaretto

How does Stablecoin Custody work?

+ key players map at the end

Self-directed

Safe{Wallet}

Trust Company Custodians

coinbase | Custody

BitGo

MPC platforms direct custody

Fireblocks

Copper

cobo

Chartered digital banks & bank-backed custodians

anchorage digital

zodia CUSTODY

KOMAINU

Wallet infrastructure and WaaS

privy

Dfns

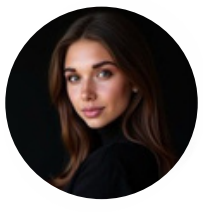
turnkey

Incumbent Banks & AM

BNY

Fidelity DIGITAL ASSETS

macsdirectory.com



In crypto, everyone says ***"Not your keys, not your coins."*** But in institutional stablecoin markets, custody is much more complex.

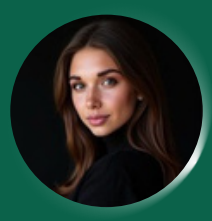
Holding a token in a self-custody wallet is fundamentally different from keeping cash in a bank, holding a stock at DTC, or using a FinTech app like Revolut.

I break down:

- What custody means
- The 4 asset types and how custody changes
- The 3 key management tech stack options
- Key Market Players

Enjoy the reading.

How does Stablecoin Custody work?



What is Custody?

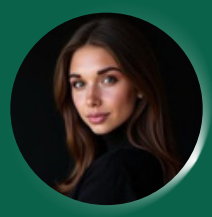
How does Stablecoin Custody work?



Custody is **holding** an **asset** on someone else's behalf, with a legal obligation to keep it **safe** and to release it only on their instruction.

! It is not ownership, the custodian never owns the asset, it just controls access to it.

How does Stablecoin Custody work?



Custody role depends on the asset

How does Stablecoin Custody work?



Custody of a security

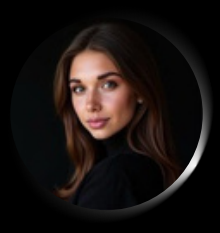
A specialized institution (a depository) keeps a digital ledger that lists you as the owner, collects your dividends, and updates the list when you buy or sell.

When you buy 10 shares of Apple on E*TRADE, no paper changes hands. The DTC simply updates its master ledger to show: " brokerage firm X holds 10 shares of Apple for User Y."

They also make sure Apple’s dividend payments reach your account.



How does Stablecoin Custody work?



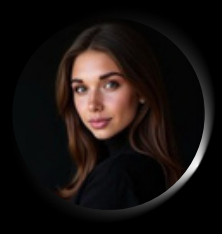
Custody of Cash at a Bank

Putting money in a bank is an IOU. The moment you hand cash to a bank, it becomes the bank's money.

You deposit $1,000 in savings. The bank doesn't put those specific bills in a vault with your name on it. Instead, they keep maybe $100 on reserve and lend the other $900 to your neighbor to buy a car. The bank owes you $1,000 (a liability), but they don't hold your exact cash.



How does Stablecoin Custody work?



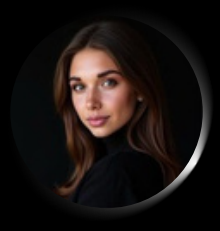
Custody of a Token (like a stablecoin)

On a blockchain, the asset itself is the digital entry. You don't hold the token in a digital pocket, holding a token just means holding the secret password (private key) that lets you move it.

Owning 1 Bitcoin doesn't mean a file named "Bitcoin" sits on your phone. It means a public ledger records that a specific wallet address has 1 BTC. If you have the private key (password) to approve transactions for that wallet, you control the Bitcoin.



How does Stablecoin Custody work?



Custody of a Stablecoin at FinTech / Neobank

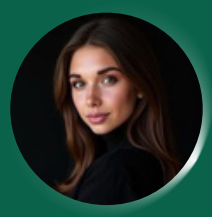
You don't hold the private keys or the actual token on the blockchain. The neobank (or its institutional partner) keeps the tokens in its own main digital vault. What you see on your app screen is an IOU from the neobank

You deposit $100 into a digital app like Revolut, Coinbase, or a crypto neobank to hold USDC. The app doesn't create a personal blockchain wallet for you. Instead, the neobank holds 1,000,000 USDC in one giant master wallet for all its users, and its internal software database marks down: "User X has a claim on 100 USDC."

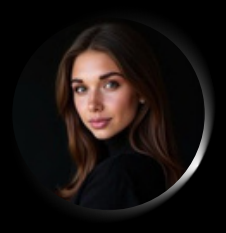
If you lose your app password, customer support can recover your account, but if the neobank goes bankrupt, your funds could be tied up in court because you hold an IOU from them rather than the private key.



How does Stablecoin Custody work?



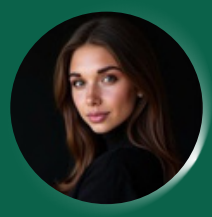
3 ways to hold one key



There are 3 main technological ways to **manage crypto keys for institutional custody**:

Self-Custody	*Self-Custody (with vendor software)*	*Third-Party Qualified Custody*
Multi-Signature (Multi-Sig)	**Multi-Party Computation (MPC)**	**HSM Custody (Hardware Security Module)**
Funds sit in a **smart contract** on the blockchain **set with a public rule.**	Instead of multiple separate keys, multiple parties run an algorithm together to produce a **single valid signature** on the blockchain without ever putting the full key back together in one place.	Private keys live inside **tamper-resistant hardware** managed by a regulated bank or chartered trust company. You don't touch keys, you send an instruction to the bank, and they review it, verify your identity, and sign it **on your behalf**.
Example: 3 out of 5 designated people must sign to move money	Example: A crypto trading firm executes hundreds of algorithmic trades daily across multiple exchanges, using split key shards so they can move funds instantly without waiting on physical multi-sig signers.	Example: An SEC-registered institutional fund hires a federally chartered trust bank to legally custody its digital assets.

How does Stablecoin Custody work?



Who are the Players ?



A firm can be excellent infrastructure and **still not be a custodian in any legal sense**. Regulatory approval is key.

Self-directed

Safe{Wallet}

MPC platforms direct custody

Fireblocks

Copper

cobo

Wallet infrastructure and WaaS

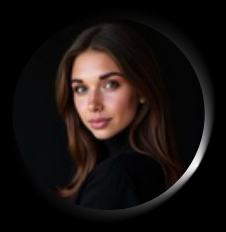
privy

Dfns

turnkey

FULL CUSTODY ECOSYSTEM MAP TOMORROW!

How does Stablecoin Custody work?



A firm can be excellent infrastructure and **still not be a custodian in any legal sense**. Regulatory approval is key.

Trust-company custodians

coinbase | Custody

BitGo

Chartered digital banks & bank-backed custodians

anchorage digital

KOMAINU

zodia CUSTODY

Incumbent banks & AM

BNY

Fidelity DIGITAL ASSETS®

FULL CUSTODY ECOSYSTEM MAP TOMORROW!

How does Stablecoin Custody work?

Stablecoin Insider

How does Stablecoin Custody work?

Good knowledge is built together.

Feel free to send me feedback, ideas, topics you would like to read more, or directly collaborate with me on the next post.

Share if you find this valuable.



Chiara Munaretto