LMAX Digital deepens dollar-based liquidity by pooling U.S. dollars and USD Coin (USDC)

THE OPPORTUNITY

Strengthening liquidity with a highly trusted dollar digital asset

As the crypto ecosystem matures and more institutions enter the space, traditional exchanges are enhancing their business models to capture new opportunities. With near-instant settlement, low transaction costs and stablecoins that can connect traditional funds with digital venues, exchanges can provide access to a broader range of assets for more customers.

At the forefront of this trend is LMAX Group, a global financial technology company and a leading independent operator of multiple institutional execution venues for FX and cryptocurrency trading. The Group’s portfolio of venues includes LMAX Exchange, LMAX Global and LMAX Digital, an institutional crypto currency exchange that now serves more than 600 clients globally. Launched in 2018, LMAX Digital handles $2 billion in daily institutional spot crypto trading volume and is the world’s second largest bitcoin exchange by volume.

Let’s take a look at how they have recently deepened dollar-based liquidity by shifting settlement flows to USDC, a highly trusted dollar digital currency.

THE JOURNEY

Expanding access to digital assets for institutional customers

The recent rise of stablecoins has given investors an important way to navigate digital assets quickly, while keeping funds on-chain and avoiding the need to interact with the traditional financial system. While not required to offer stablecoin access, LMAX Digital began exploring the benefits for its business and customers. After conducting thorough diligence, LMAX Digital decided to build with USDC. Unlike other stablecoins, USDC is fully backed by cash and short-dated U.S. government obligations consisting of U.S. Treasuries with maturities of three months or less, so that it’s always redeemable 1:1 for U.S. dollars.

USDC reserves are kept in the custody of leading financial institutions, including U.S. Bank and BNY Mellon, and managed by U.S. Bancorp Asset Management and BlackRock. Each month, Grant Thornton LLP provides attestation reports on Circle’s USDC reserves.
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“We are always looking at ways that we can build out our offering to customers in order to enhance their trading experience on our exchanges,” explains LMAX Group CEO David Mercer. “USDC is the only dollar digital currency we hold because it is transparent, and we trust that one-to-one ratio and redeemability. Long-term institutional conviction in crypto currency remains undented, even at times of volatility, when trust and transparency are more critical than ever. And in recent events, we’ve seen a flight to quality.”

**THE SOLUTION**

**Enhancing dollar-based liquidity by pooling USD and USDC**

LMAX Digital delivers a market-leading solution for physical trading and custodial services for the most liquid cryptocurrencies, including USD-based trading pairs for Bitcoin (BTC), Ether (ETH), Litecoin (LTC), Bitcoin Cash (BCH), SOL (Solana) and more.

“We treat USDC and U.S. dollars as one and the same”, says Jenna Wright, Managing Director, LMAX Digital. “Our integrated USDC stablecoin offering means clients can be assured that their crypto trades are fully reserved, highly liquid and always equal to a US dollar. With $2 billion average daily volume traded on LMAX Digital our clients depend on institutional quality infrastructure, global distribution and consistent, precise execution.”

At Circle, we’re helping banks and financial firms make the move to digital dollars by removing the complexity, managing the risks, and accelerating the speed to market. For banks that want to join the “money movement” from traditional to digital, it’s the right time to get started.

Visit circle.com or contact us at hello@circle.com