

The Influencers Podcast: Preview

Stablecoins Beyond the Hype: What Institutions need to know with Luke Kovic, Applied Blockchain

By James Walker

“If a major corporate has two to three thousand bank accounts around the world in multi-currencies, the capital efficiency that treasury departments would now receive from being able to send money between operating businesses with near instant settlement would remove that trapped capital which is just in transit on a daily basis”

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Will stablecoins bring tokenization to the masses?

In this episode of the Influencers Podcast, IUA’s Tom Hughes and Hogan Lovells’ Karishma Paroha welcomed Luke Kovic, Applied Blockchain. The IUA (International Underwriting Association) is a trade association representing (re)insurance companies operating in the London company market. Hogan Lovells is a leading global law firm, specialising in highly regulated sectors, offering exceptional legal services worldwide.

Luke Kovic works for Applied Blockchain, an organisation focused on assisting institutions and enterprises moving blockchain from an idea into real-world financial infrastructure used to expand and grow their organisations. He works at the crossroads of finance, regulation, and blockchain engineering, but has a particular speciality on stablecoins which we explore in this episode.

Luke shares why many institutions misunderstand the true stress-point of a stablecoin, and what they should test instead...

Stablecoins: The Breadth of Risks and Opportunities

Luke examines the characteristics that differentiate a “resilient” stablecoin from a more fragile coin, focusing on fundamental design principles. The most important considerations include reserve quality, segregation of reserves in custody, and the smart contract component, which will be of particular significance to insurers.

But can stablecoins bring about meaningful change?

When it comes to opportunities, they are many and varied. Consider the upsides of global, immediate payment settlement. Individuals can gain the flexibility to transfer funds at any time, no longer restricted by traditional banking hours.

Despite their upsides, Luke reinforces that describing stablecoins as resilient is generous and discusses how, despite efforts to ensure stability, certain conditions could threaten their reliability. This uncertainty may provide opportunities to insurers wishing to offer products to those active across the stablecoin chain.

From a risk perspective, the key drivers surround the structure and logistics of reserve composition; what the coin is pegged to, who controls and custodies the reserves, and where those assets are held. There's also cross-border, legal and regulatory uncertainties.

Key Learnings

For institutions, the central question is not whether a stablecoin keeps a steady price in normal markets, but what makes it durable under stress. The episode highlights practical due diligence areas, how reserves are structured, and where technical failure or governance gaps can create sudden liquidity or redemption risk. Therefore, stakeholders can begin to assess stablecoins as financial infrastructure, and a potentially different prospect to other digital currencies.

This discussion highlights Luke's journey through tokenization, and how the journey of stablecoins has run in parallel. It considers how insurers may wish to view stablecoins as part of their growing tech-driven infrastructure.

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