ECRI IN-DEPTH ANALYSIS

STABLECOINS: CONVERGENT RULES ON THE SURFACE, DIVERGENT REGIMES IN PRACTICE

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SUMMARY

Seven jurisdictions have now legislated for stablecoins. Read side by side, their rules look surprisingly alike: full or near-full backing in liquid assets, segregated reserves, the exclusion of algorithmic instruments, and the prohibition of yield to holders. What diverges is twofold: the political and supervisory interpretation these rules receive, most visibly in how foreign-issued stablecoins are treated; and the redistributive weight of choices presented as technical, most notably the composition of reserves.

On the first count, the seven regimes are moving away from a hard binary of admission or exclusion towards a spectrum of graduated approaches: the US is constructing a comparability-based pathway under the GENIUS Act, conditioned on home-jurisdiction equivalence and US-located reserves; the UK and Singapore operate two-tier architectures that admit foreign-issued tokens for certain uses while reserving the regulated label or domestic-payment use for locally licensed instruments; and the EU risks emerging as the most restrictive of the seven, despite a legal text that on its face permits multi-issuance, if the institutional resistance to that reading hardens into operational exclusion.

On the second count, the seven regimes direct reserves into materially different parts of the financial system: commercial bank balance sheets in the EU, short-dated sovereign debt markets in the US and Singapore, central bank deposits and gilts in the UK's systemic tier, and trust-held government securities in Japan. Where the reserve float lodges is a redistributive choice with consequences for bank funding, sovereign debt markets and central bank balance sheets that the prudential rules' technical framing has so far obscured.

This ECRI In-Depth Analysis paper compares the EU, US, UK, Hong Kong, Singapore, Japan and the United Arab Emirates along four dimensions: the treatment of foreign-issued tokens, reserve composition, the choice between anchoring stablecoins in pre-existing legislation and creating new categories, and what each regime includes within and excludes from its perimeter. The paper concludes with three policy recommendations: that a structured framework for mutual recognition should be built, one that is grounded in graduated and proportionate restrictions rather than blanket exclusion; that the redistributive consequences of reserve composition should be made explicit in the policy debate rather than buried in prudential rule-making; and the need to address the prohibition of yield to holders as the substantive policy choice it is, on a coordinated basis across jurisdictions, rather than through the indirect channel of reserve rules.

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INTRODUCTION

Seven major jurisdictions now regulate stablecoins. Their rules look surprisingly alike on the surface. Outcomes based on interpretation or technical details do not. All seven require full or near-full backing in liquid assets. All require segregation and bankruptcy-remote custody. All exclude algorithmic instruments. All prohibit yield to holders. MiCA Title IV and the GENIUS Act share most of their substantive provisions. What separates the regimes is not the rule but the political and supervisory interpretation it receives, and the weight of choices presented as technical. How foreign-issued stablecoins are treated is the clearest manifestation of the first; the composition of reserves is the clearest manifestation of the second.

The scale of what's at stake has changed quickly. The aggregate stablecoin market reached approximately USD 317 billion in December 2025, more than half of what it was a year earlier, and credible projections from Citi and others point to between USD 0.5 trillion and 3.7 trillion by 2030. Seven major jurisdictions have now legislated or are in the late stages of doing so:

- The EU under MiCA.
- The US under the GENIUS Act.
- The UK through the FSMA 2000 (Cryptoassets) Regulations 2026 and a Bank of England regime for systemic stablecoins.
- Hong Kong under the Stablecoins Ordinance.
- Singapore through the MAS framework.
- Japan under amendments to the Payment Services Act.
- The United Arab Emirates through the federal CBUAE regime alongside its free-zone alternatives.

Stocks, however, capture only one dimension of the relevant scale. On the flow side, on-chain stablecoin transfer volumes already run in the multi-trillions of dollars annually, with non-trading uses growing faster than trading-related flows for the first time. None has yet operationalised an uncontested pathway for foreign-issued instruments, although several admit them under graduated terms that fall short of full mutual recognition. Each has made distinct choices about what counts as a stablecoin, who can issue it, what reserves must back it, and on what terms it may be offered to local users.

This ECRI In-Depth Analysis paper compares the seven regimes along four dimensions: the treatment of foreign-issued tokens, reserve composition, the choice between anchoring stablecoins in pre-existing legislation and creating new categories, and what each regime includes within and excludes from its perimeter.

The comparison draws on primary legal texts, Level 2 and Level 3 instruments and the supervisory guidance that operationalise them, and the publicly stated positions of the institutions charged with implementation, on the premise that the operative provisions alone do not capture what stablecoin regulation does in practice.

Two structural findings emerge from reading the regimes in this way. The first concerns how foreign-issued stablecoins are treated, which is shifting from a hard binary of admission or exclusion towards a spectrum of graduated approaches: the legal status of a token varies with its use, global fungibility is shaped less by outright closure than by jurisdiction-specific use restrictions and the EU may, paradoxically, prove the most restrictive of the seven if

institutional resistance hardens against the multi-issuance reading that its own legal text permits.

The second concerns reserve composition, presented across regimes as a technical prudential rule but is actually a redistributive decision about where the stablecoin float lodges in the financial system, with materially different consequences for bank funding, sovereign debt markets and central bank balance sheets.

THE STABLECOIN UNIVERSE AND ITS REGULATORY PERIMETER

A WORKING TAXONOMY OF STABLECOINS

The word 'stablecoin' is now applied to a family of instruments that share two defining features: a design intention to maintain a stable value against some reference and a technological form — blockchain-native bearer tokens transferable peer-to-peer, 24 hours a day, without a payment-system operator. The second feature is what distinguishes stablecoins from electronic money in the conventional sense. What stabilises them, what they are pegged to, and who issues them differ so widely that treating them as a single object obscures more than it reveals. The regulated perimeter, when it has emerged, has captured a very specific part of this universe, except for the EU's MiCA, which is the most comprehensive legal framework. Calling algorithmic constructs, crypto-collateralised tokens, hybrids, basket-referenced tokens, commodity-backed tokens 'stablecoins' is an analytical convenience that masks substantive differences in risk profile, governance, and prudential treatment, and it is the first source of confusion in a debate that is already fragmented enough.

Six technical categories, arranged by stabilisation mechanism and reference asset, capture the relevant variation:

- *Fiat-backed, single-fiat-pegged tokens* are referenced to a single official currency and backed by off-chain reserves – cash, bank deposits, short-dated sovereign debt, money market funds. Examples of this are USDT, USDC, FDUSD, PYUSD, USAT, and the European EURCV. This is the type that the major regulatory frameworks address.

- *Fiat-backed, basket-pegged tokens* are referenced to a basket of currencies, commodities or other assets, also off-chain. Few are in circulation today, but the original Libra/Diem proposal would have fallen here, and it is the type that MiCA addresses through the asset-referenced token (ART) category.

- *Commodity-backed tokens* are pegged to physical commodities, most often gold, and backed by the commodity itself or by claims on it; PAXG (Paxos Gold) and Tether Gold (XAU₮) are the leading examples. These would also fall under MiCA's ART category.

- *Crypto-backed tokens* are over-collateralised by other crypto-assets held on-chain, with stability maintained through liquidation mechanisms; DAI was the archetype, although its successor USDS now substantially relies on off-chain assets, blurring the line. MiCA also covers this category under ART.

- *Algorithmic tokens* rely on algorithmic supply adjustment with no or minimal collateral; the failure of TerraUSD in May 2022 effectively ended the model as a serious commercial proposition, and most regimes now exclude algorithmic instruments.

- *Hybrid tokens* combine elements of the above: FRAX, originally fractional-algorithmic, has since transitioned towards a fully collateralised model (frxUSD), illustrating how unstable the hybrid category itself has been.

A second axis cuts across the technical typology – namely who issues the token:

- *Centralised, off-chain issuers* are corporations operating under traditional legal forms (Tether, Circle, Paxos); they hold the reserves, control mint and burn, and are the issuer model presupposed by every regulated regime considered in this paper.

- *Decentralised, on-chain protocols* issue tokens through smart contracts governed by token-holder vote (MakerDAO/Sky for DAI/USDS); the 'issuer' is a protocol rather than a legal person, which is why these tokens fit so awkwardly into existing regulatory frameworks.

- *Bank-issued tokens* are emerging as a distinct category as commercial banks bring stablecoins onto their balance sheets (JPM Coin, Société Générale-Forge's EURCV), although the precise legal vehicles vary: JPMorgan describes JPM Coin as a tokenised deposit rather than a stablecoin in the MiCA sense, and Société Générale-Forge issues EURCV through a dedicated electronic-money institution rather than its banking-licensed entity. Other recent entrants — Quivalis in France, the Deutsche Bank/DWS-supported AllUnity in Germany — illustrate the same pattern of bank-affiliated issuance through separate authorised vehicles; their legal status varies by jurisdiction but tends to converge with deposit-like treatment.

The intersection of these two axes, i.e. what stabilises the token and who issues it, is summarised in Table 1.

Table 1: A working taxonomy of stablecoins by stabilisation mechanism and issuer model

Category	Stabilisation mechanism	Typical issuer model	Examples	Regulatory status
Fiat-backed, single-fiat-pegged	Off-chain reserves (cash, deposits, short-dated sovereign debt, MMFs) referenced to a single official currency.	Centralised off-chain issuer; bank-issued variant emerging	USDT, USDC, FDUSD, PYUSD, USAT, EURCV	Within regulated perimeter under all seven regimes.
Fiat-backed, basket-pegged	Off-chain reserves referenced to a basket of currencies, commodities or other assets.	Centralised off-chain issuer (no live decentralised example)	Original Libra/Diem proposal (not launched)	Within MiCA (ART) and UK (qualifying stablecoin includes multi-fiat); outside the other regimes

Category	Stabilisation mechanism	Typical issuer model	Examples	Regulatory status
Commodity-backed	Pegged to a physical commodity, backed by the commodity itself or by claims on it.	Centralised off-chain issuer	PAXG (Paxos Gold), XAU₮ (Tether Gold)	Within MiCA (ART, e.g. PAXG, Tether Gold); outside the other regimes (under SEC/CFTC or commodity rules in the US; UK Phase 2; outside HK, Singapore, Japan, UAE)
Crypto-backed	Over-collateralised by other crypto-assets held on-chain; stability maintained through liquidation mechanisms.	Decentralised on-chain protocol	DAI (legacy), USDS (Sky)	Within MiCA (ART, e.g. DAI); outside the other regimes (under crypto-asset or securities rules where applicable)
Algorithmic	Algorithmic supply adjustment with no or minimal collateral.	Decentralised on-chain protocol	TerraUSD (collapsed May 2022); few survivors	Excluded universally after Terra/Luna
Hybrid	Combination of mechanisms (e.g. partial collateral plus algorithmic supply control)	Decentralised on-chain protocol	FRAX (originally fractional-algorithmic, since fully collateralised as frxUSD)	Treatment depends on configuration: fully collateralised hybrids may fall under EMT/ART or the GENIUS regime; partially algorithmic configurations are typically outside.

Source: Authors' own elaboration.

The EU's MiCA is the most expansive regime: EMTs cover fiat-backed single-fiat-pegged tokens and ARTs cover everything else that purports to maintain a stable value – basket-pegged tokens, commodity-backed tokens (PAXG, Tether Gold), and even crypto-backed tokens (DAI, and notionally USDe before BaFin refused Ethena's MiCA authorisation in 2025).

The other regimes considered here draw narrower perimeters. The US GENIUS Act covers only payment stablecoins designed to maintain a stable value against a fixed monetary value, effectively single-fiat-pegged tokens; commodity-backed and crypto-backed tokens fall outside and remain under SEC or CFTC jurisdiction. The UK's qualifying stablecoin covers single-fiat and multi-fiat-pegged tokens but explicitly defers algorithmic and commodity-backed tokens to a later regulatory phase. Hong Kong, Singapore, Japan and the UAE's federal regime each define their perimeter around fiat-pegged tokens, leaving commodity-backed and crypto-backed tokens outside. Algorithmic tokens are excluded almost universally — a post-Terra consensus.

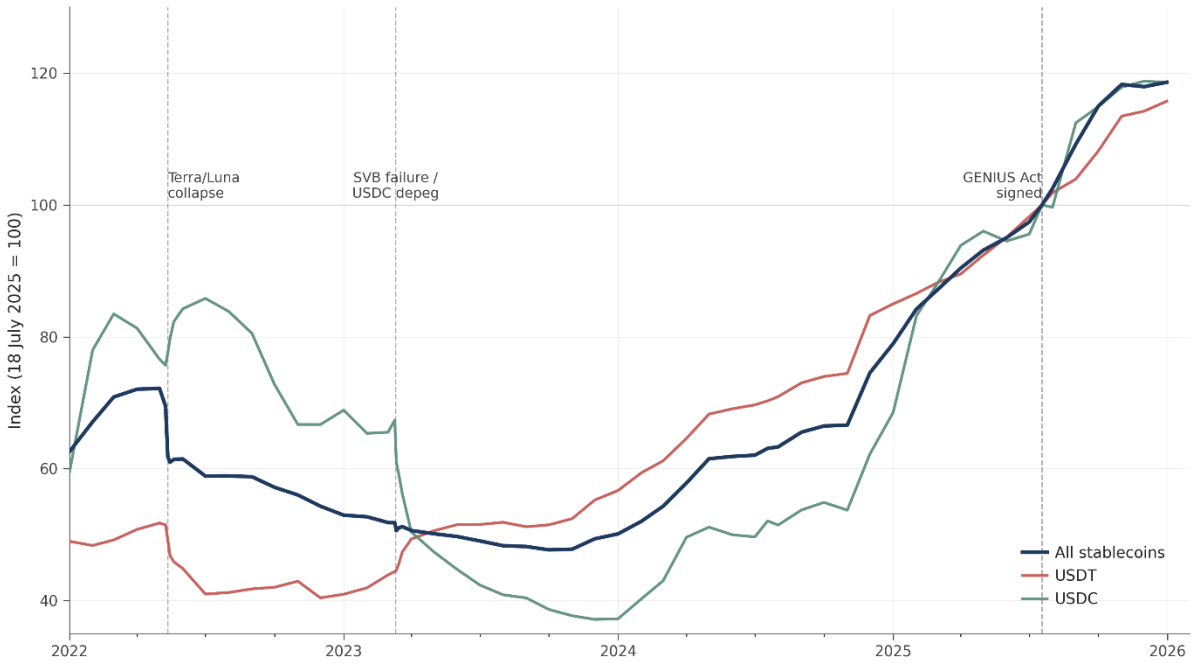
The most relevant category marketwise is the one all seven jurisdictions regulate: fiat-backed, single-fiat-pegged tokens issued by centralised off-chain issuers.

THE CATEGORIES IN REGULATED USE, JURISDICTION BY JURISDICTION

Figure 1 illustrates the scale and recent dynamics of single-fiat-pegged tokens issued by centralised off-chain issuers. The aggregate stablecoin market reached an aggregate capitalisation of approximately USD 317 billion in December 2025, more than 50 % above what it had been year earlier; USDT and USDC together account for roughly 85 % of that total.

Three features of the figure are worth noting. *First*, the aggregate has grown markedly since 2024 and accelerated further after the GENIUS Act was signed into law on 18 July 2025, the date used here as the index anchor – an early indication that the regulatory framework is itself shaping the market it regulates. *Second*, USDT and USDC have followed asymmetric trajectories. The March 2023 Silicon Valley Bank failure hit USDC hard, with a loss of more than six index points within days, while USDT moved only marginally; the gap widened over the following months. After the GENIUS Act, the pattern reversed: USDC grew faster than USDT (roughly 19 % versus 16 % against the anchor) as institutional flows favoured the issuer with the more developed regulatory footprint. *Third*, the May 2022 Terra/Luna collapse depressed the aggregate without producing a comparable USDT-USDC divergence, a reminder that systemic events outside the fiat-backed perimeter impact the regulated segment differently from idiosyncratic shocks within it.

Figure 1: Stablecoin market capitalisation, 2022–2025



Note: Index normalised to 18 July 2025 = 100, the date the US GENIUS Act was signed into law. On that date, total stablecoin market capitalisation was approximately USD 260 billion. Annotations mark the Terra/Luna collapse (May 2022), the Silicon Valley Bank failure and accompanying USDC de-peg (March 2023), and the signing of the GENIUS Act. Stablecoin market capitalisation has historically tracked rises and falls in broader crypto-asset prices, although the correlation has weakened recently: the early-2026 dip in crypto-asset valuations caused the growth of stablecoin capitalisation to pause rather than reverse.

Source: Author's own elaboration based on Federal Reserve, FEDS Notes (April 2026), citing DefiLlama data.

This market is regulated by the seven jurisdictions as described below.

The **EU** regulates single-fiat-pegged stablecoins under the electronic money tokens (EMTs) category, which are tokens that purport to maintain a stable value by reference to a single official currency; they are treated as e-money under the E-Money Directive (Directive 2009/110/EC) and are also subject to specific MiCA requirements on white papers, reserve composition, segregation and redemption rights. The market term 'stablecoin' appears in the Regulation only in recitals and in subsequent Level 2 and Level 3 instruments; the operative provisions speak only of EMTs. The choice is doctrinally significant – rather than creating a new category, the EU anchored stablecoin regulation in the existing e-money perimeter, which meant that EMT issuance inherits the institutional infrastructure, supervisory experience and case law of the e-money regime. On reserve composition, MiCA requires at least 30 % of EMT reserves to be held as deposits in credit institutions, with the remainder in highly liquid low-risk instruments meeting MiCA's specific HQLA criteria; reserves must be segregated from the issuer's own assets and bankruptcy-remote.

Two qualifications matter. *First*, where the EMT issuer is itself a credit institution, MiCA reserve rules do not apply: the bank's balance sheet, governed by CRR/CRD, serves as the stabilisation mechanism. This in principle gives banks a structural advantage as EMT issuers, as they could leverage their balance sheet rather than holding a fully collateralised reserve. In practice this route has not yet been chosen by banks: Société Générale-Forge, AllUnity and Quivalis have all opted to issue through separate electronic-money institution vehicles subject to the standard reserve regime.

Second, where an EMT is classified as significant under Article 56, the bank-deposit floor rises to 60 %. Yield to holders is expressly prohibited under Article 50 for EMTs, with the prohibition extending to any benefit linked to the duration of holding. Foreign-issued stablecoins may be offered to the EU public, but only through a multi-issuance arrangement. The the issuer must also be licensed in the EU and must hold MiCA-compliant reserves for the tokens issued or offered to EU users. This regime's interpretation has been contested, particularly by the European Central Bank, but the legal text permits multi-issuance and implementing it is for the Commission and the Court of Justice rather than the central bank.

In the **US**, the GENIUS Act establishes a single category, the permitted payment stablecoin, defined as a digital asset used or designed to be used as a means of payment, redeemable on demand at a fixed monetary value. The statutory definition is currency-neutral: GENIUS' political framing is about the dollar, but nothing in the operative provisions formally restricts the regime to USD-pegged tokens. The Act expressly excludes deposits, regulated securities and similar instruments from the category. The boundary between payment money and investment instrument is therefore drawn at the level of the statutory definition itself, not left to be settled in litigation. Issuance is reserved to permitted payment stablecoin issuers, a category that includes FDIC-insured banks operating through subsidiaries, OCC-supervised non-bank issuers under a federal prudential regime, and state-licensed issuers under regimes deemed substantially equivalent by federal regulators.

Final implementing rules are due in mid-2026, with the regime fully effective from January 2027. Reserves must back stablecoins on a 1:1 basis and may consist of US dollars (including insured bank deposits, subject to limits), short-dated US Treasury bills with up to 93 days residual maturity, repos and reverse repos collateralised by such Treasuries, and money

market funds invested only in those instruments. Yield to holders is expressly prohibited – issuers are not permitted to pay interest or any form of remuneration for merely holding the stablecoin, although they retain the carry on the underlying Treasury reserves. Still, the prohibition reaches the issuer but not intermediaries; whether exchanges and wallets can continue to pay rewards on stablecoin balances is still being debated.

Foreign-issued stablecoins may be offered in the US only if their home jurisdiction is determined comparable by the US Treasury and the issuer registers with the OCC and holds US-located reserves sufficient to meet the liquidity needs of US customers; non-comparable foreign issuers will be excluded after a transition period.

The UK regime is by design divided into two branches. Under the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, qualifying stablecoins are being brought within the FCA's perimeter through new regulated activities; the FCA's perimeter guidance, set out in an April 2026 consultation paper with final guidance expected in autumn 2026, proposes that issuing a qualifying stablecoin in the UK requires the firm to carry on all three constituent elements — offering, redemption, and maintaining value through backing assets — from a UK establishment. A firm carrying on only one of those elements falls outside the issuance perimeter. This composition test is taxonomically distinctive: the UK defines the regulated activity by the bundle of functions performed, not by the label of the product. Where HM Treasury subsequently recognises a stablecoin as systemic, the issuer becomes subject to the Bank of England's prudential regime under FSMA 2023, with joint Bank/FCA supervision.

The two-tier structure is designed for transition: success at the FCA tier triggers entry into the Bank tier, which carries materially more onerous reserve and conduct requirements. The FCA's authorisation gateway opens on 30 September 2026 and fully commencing on 25 October 2027. Reserve requirements differ across the two tiers. At the FCA tier, backing must consist of HQLA held under a statutory trust for holders' benefit; the consultation envisages a notably flexible composition where only around 5 % of backing assets must be held as cash deposits, with the remainder available for short-dated sovereign and high-quality liquid securities, with detailed composition rules still under consultation. At the Bank of England tier for systemic stablecoins, the Bank's proposed regime requires a substantial proportion of backing assets (around 60 %) to be held as short-dated UK gilts, with the remainder, around 40 %, placed as unremunerated deposits at the Bank of England, a structure that compresses reserve carry deliberately. Yield to holders is expressly prohibited at both tiers.

The UK regime also envisages individual holding limits of around GBP 20 000 for natural persons and GBP 10 million for businesses. A May 2026 HM Treasury proposal would, in addition, restrict UK domestic payment use to UK-regulated, UK-issued stablecoins, while continuing to admit overseas-issued tokens for cross-border and other uses – in effect a two-tier structure like the Singaporean approach. If the May 2026 HM Treasury proposal is adopted, the UK regime will move towards an explicitly tiered approach in which UK-regulated, UK-issued stablecoins enjoy a privileged position for domestic payments while overseas-issued tokens will remain admitted for cross-border and other non-payment uses.

Hong Kong's Stablecoins Ordinance, in force since 1 August 2025, establishes a statutory licensing regime administered by the HKMA. It covers tokens pegged to one or more official currencies or other reference values specified by the HKMA, with mandatory licensing, reserve, redemption and disclosure requirements. The HKMA has signalled that initial licensing will be

selective rather than open. The first batch, expected in early 2026, is reported to comprise only a handful of issuers, on a quality-over-quantity model that is itself a regulatory philosophy. Reserves must back stablecoins fully and must consist of highly liquid, low-risk assets denominated in the peg currency, held by a third-party custodian on segregated and bankruptcy-remote terms; specific composition rules are set out in HKMA guidelines. Issuers may not pay interest on stablecoin holdings. Foreign issuers fall outside the licensing regime as such, but HKD-pegged tokens issued abroad are caught extraterritorially whenever they are offered to the Hong Kong public or used in connection with regulated activities carried out in Hong Kong.

Singapore produces the narrowest perimeter among major regimes. The MAS framework distinguishes a regulated single-currency stablecoin (SCS) category from the broader Digital Payment Token (DPT) regime that captures other crypto-assets. To qualify as an SCS, a token must be pegged to the Singapore dollar or any G10 currency, issued in Singapore by a MAS-licensed issuer, par-redeemable on demand, and backed by high-quality liquid reserves on the terms set out in the framework. The combination of issuance in Singapore plus G10-currency reference functions as a deliberate filter rather than an incidental requirement. Reserves must equal 100 % of outstanding SCS at all times, denominated in the peg currency, and held in cash, cash equivalents, or debt securities with up to three-month residual maturity issued by the government or central bank of the peg currency or by international organisations with a minimum AA– credit rating; custody must be segregated and attestations are independent and monthly. Yield to holders is not permitted, and issuers are additionally prohibited from lending, staking or any other non-issuance activity that could generate yield indirectly. Stablecoins issued outside Singapore are excluded from the MAS-regulated SCS label and may circulate in Singapore only under the DPT regime; there is currently no equivalence pathway for foreign issuers.

Japan has classified fiat-referenced stablecoins as electronic payment instruments through amendments to the Payment Services Act, a category formally distinct from crypto-assets. Issuance is reserved to a closed list of entity types: licensed banks, registered funds-transfer service providers and trust companies. There is no open licensing channel for non-bank fintechs as such; the standard route for non-bank issuance is the trust-type electronic payment instrument, where the token represents a beneficial interest in trust assets segregated under fiduciary law.

The PSA architecture thus situates stablecoins firmly within the payment-instrument perimeter, deliberately separated from the crypto-asset regime, and channels non-bank issuance through a trust structure that constrains both reserve composition and operational autonomy. Full backing is required, but Japan permits a more flexible composition than peer jurisdictions: for trust-type EPIs, up to 50 % of reserves may be held in low-risk government bonds or term deposits, with the remainder in demand deposits. Holders do not receive interest on the stablecoin itself. Offshore-issued stablecoins fall outside the EPI regime and may not be used for payment within Japan; domestic distribution requires intermediation through a Japanese licensed entity.

The United Arab Emirates has an additional layer of complexity. The federal CBUAE Payment Token Services Regulation governs payment tokens, defined as crypto-assets referenced to one or more fiat currencies and used as a medium of exchange and store of value in payment, transfer or settlement contexts. The Regulation requires full backing and excludes algorithmic

and unbacked tokens, as well as tokens referenced to securities or commodities. Alongside the federal regime, the UAE's financial free zones operate parallel regulatory frameworks: VARA in the Dubai mainland, the FSRA in ADGM, and the DFSA in DIFC, each with its own categorisation of fiat-referenced tokens. The result is internal regulatory pluralism that externally mirrors what federal systems handle through pre-emption.

Under the federal CBUAE regime, payment tokens must be fully backed by low-risk, highly liquid assets denominated in the peg currency; specific composition rules differ across the federal regime and the free-zone regimes (VARA, FSRA-ADGM, DFSA-DIFC). The federal regime does not allow interest to be paid to holders. Under the federal CBUAE regime, payment-token activity is restricted to entities licensed by the central bank, but foreign-issued tokens may find accommodation within the free-zone regimes (VARA, FSRA-ADGM, DFSA-DIFC) under their respective rules.

Table 2: Operative legal categories for stablecoins (early 2026)

Jurisdiction	Perimeter	Operative category	Eligible issuers	Reserves	Yield	Foreign-issued
European Union	E-money perimeter (Directive 2009/110/EC) + MiCA overlay	EMT (single fiat); ART (basket)	Credit institutions; authorised e-money institutions; for ARTs, additional MiCA authorisation	≥ 30 % bank deposits; remainder HQLA per MiCA criteria; segregated, bankruptcy remote. If EMT classified as significant, the deposit floor rises to 60%	Prohibited (Art. 50 EMT, Art. 40 ART)	Permitted via multi-issuance: foreign issuer must also be EU-licensed and hold MiCA-compliant reserves for tokens offered to EU users; interpretation contested, with institutional resistance pushing towards *de facto* exclusion
United States	Federal payment-stablecoin regime (GENIUS Act); excludes deposits and securities by definition	Permitted payment stablecoin	FDIC banks via subsidiaries; OCC-supervised non-banks; state-equivalent issuers	1:1 backing; USD cash, ≤ 93-day T-bills, repos, MMFs in those instruments	Prohibited for issuer; reach over intermediaries (rewards by exchanges/wallets) under debate	Permitted only if home jurisdiction comparable, OCC-registered, US-located reserves.
United Kingdom	Bifurcated: FCA (general) + BoE (systemic), under FSMA 2000 / FSMA 2023	Qualifying stablecoin (FCA); systemic stablecoin (BoE)	FCA-authorised firms with full UK establishment (offering + redemption + value maintenance); BoE-authorised for systemic	FCA tier: HQLA in statutory trust. BoE tier: ≈60 % short gilts + ≈40 % unremunerated BoE deposits	Prohibited at both tiers	Foreign-issued tokens admitted for circulation through FCA-authorised intermediaries; May 2026 HMT proposal would restrict UK domestic-payment use to UK-issued instruments while preserving overseas-issued tokens for cross-border and other uses; overseas-recognition regime foreseen
Hong Kong	HKMA statutory licensing regime; extraterritorial reach for HKD-pegged tokens	Specified stablecoin	HKMA-licensed entities (selective initial batch)	Full backing, peg-currency HQLA; segregated bankruptcy-remote third-party custody	Non-interest bearing	Foreign issuers outside regime; HKD-pegged tokens caught extraterritorially when offered to the HK public

Jurisdiction	Perimeter	Operative category	Eligible issuers	Reserves	Yield	Foreign-issued
Singapore	Narrow MAS perimeter (SCS); other tokens fall under DPT regime	Single-Currency Stablecoin (SCS)	MAS-licensed; Singapore-incorporated	100 % peg-currency; cash, cash equivalents, ≤ 3-month sovereign / AA– IO debt; monthly attestations	Non-interest bearing; lending and staking prohibited	Foreign-issued tokens admitted under the broader DPT regime but denied the SCS label, which is reserved for tokens issued and licensed in Singapore; no equivalence pathway to SCS
Japan	Payment-instrument perimeter (PSA), separated from crypto-assets	Electronic payment instrument; trust-type EPI	Closed list: banks, funds-transfer providers, trust companies	Full backing; trust-type EPIs may hold ≤ 50% in low-risk gov bonds / term deposits	Non-interest bearing	Outside EPI regime; domestic distribution requires Japanese licensed intermediary
United Arab Emirates	Federal CBUAE regime + parallel free-zone regimes (VARA, FSRA, DFSA)	Payment token	CBUAE-licensed (federal); free-zone alternatives	Full backing in low-risk HQLA, peg-currency; composition varies across regimes	Non-interest bearing (federal regime)	Federal regime restrictive; free-zone regimes may accommodate foreign-issued tokens

Source: Author's own elaboration based on MiCA (Regulation (EU) 2023/1114), the GENIUS Act 2025, the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) and FCA CP26/13, the Hong Kong Stablecoins Ordinance, the MAS framework documents on single-currency stablecoins, the Japanese Payment Services Act (as amended), and the CBUAE Payment Token Services Regulation. 'HQLA' refers to high-quality liquid assets as defined in each respective regime. The table summarises the operative position.

ANALYTICAL IMPLICATIONS

Three observations follow from the comparative analysis set out above. The first two are the structural claims of this In-Depth Analysis paper: first, the treatment of foreign-issued stablecoins is the clearest case in which similar rules produce divergent outcomes through divergent political and supervisory interpretation, and second, the composition of reserves is the clearest case in which a choice presented as technical carries political and redistributive weight. The third describes a regulatory choice with consequences for institutional learning, namely whether to anchor stablecoin regulation in pre-existing legislation or to create entirely new categories.

***First*, the treatment of foreign-issued stablecoins is moving away from a hard binary of admission or exclusion towards a spectrum of graduated approaches.** As the country regimes set out above show, the operative variable is not whether a foreign-issued token is admitted but the use it is permitted to perform locally. The UK and Singapore exemplify the graduated end of the spectrum – foreign-issued tokens may circulate but are denied either the most sensitive use cases (UK domestic payments) or the regulated label itself (Singapore SCS). Hong Kong, Japan and the federal UAE regime sit at the closed end, although the UAE's free-zone regimes accommodate foreign-issued tokens in parallel. The EU is less clear cut as MiCA legally permits multi-issuance but significant institutional resistance pushes it towards *de facto* exclusion. The US, on paper, is closer to the graduated end through the GENIUS Act's comparability mechanism but implementation is still pending.

The result is not uniform regulatory enclosure but a patchwork, in which a stablecoin's legal status varies sharply with the use to which it is put. Paradoxically, the EU risks emerging as the most restrictive of the seven, despite a legal text that at face value permits multi-issuance, if the institutional resistance hardens into operational exclusion. In short, the brand may be global but the regulatory treatment is not.

Second, the composition of reserves is not a technical question but a political one. It is a decision about where the float sits in the financial system and who benefits from it. The seven regimes converge on a prudential floor of full or near-full backing in liquid, low-risk assets, segregated and bankruptcy-remote. The composition rules within that floor diverge in ways that reveal deeper monetary policy preferences. The EU mandates a substantial bank-deposit component, at least 30 % for EMTs and 60 % for significant EMTs (with the qualification that bank issuers fall outside the MiCA reserve regime altogether), embedding the float in the bank funding base and channelling part of the seigniorage to the credit institutions that hold the reserves. The banks holding those deposits typically pay interest to the issuer on commercial terms, so that the issuer retains part of the carry. The European choice is best read as deposit-base protection: requiring stablecoin issuers to place reserves with credit institutions limits the disintermediation that an unconstrained migration of payment balances into stablecoins could cause.

The cost is that bank failures can now transmit directly to stablecoins. The March 2023 Silicon Valley Bank failure, in which Circle held a substantial portion of USDC reserves at the bank and the token temporarily depegged, made the channel concrete. The US privileges short-dated Treasuries, generating direct demand for federal debt and concentrating the carry in the issuer's hands, since the prohibition on yield to holders does not extend to the issuer's right to retain the spread. The UK's systemic tier combines both effects in a single architecture: roughly

60 % of backing assets must be held as short-dated UK gilts, generating direct demand for sterling sovereign debt and the remaining 40 % must be held as unremunerated deposits at the Bank of England, deliberately compressing reserve carry and routing part of the seigniorage to the central bank. Japan permits a more flexible composition, with a significant share of government bonds held within trust structures that constrain the issuer's capacity to retain the yield.

Each regime determines where in the financial system the stablecoin float lodges, who bears its rate risk, and who captures the rents that monetary float generates. The seven regimes converge on the appearance of a prudential rule and diverge sharply in who benefits from the allocation. As the stablecoin float grows from hundreds of billions today towards plausibly several trillion within the decade, the cumulative significance of these choices for bank funding, sovereign debt markets, and central bank balance sheets will become increasingly difficult to ignore.

Third, anchoring versus creating is a regulatory choice, but a less binary one than it first appears, and the choice is sometimes made differently within a single regime. The EU illustrates this most clearly. MiCA *anchored* its treatment of single-fiat-pegged tokens by classifying them as electronic money under the E-Money Directive, with additional MiCA requirements layered on top, while it *created*, in the same Regulation, the *sui generis* asset-referenced token category for everything else: basket-pegged, commodity-backed and crypto-collateralised tokens. The result is a single jurisdiction with two doctrinally distinct treatments running in parallel. EMTs inherit the institutional infrastructure, supervisory experience and case law of the e-money regime; ARTs constitute MiCA's most genuinely novel construct and start from a thinner interpretive base.

Other regimes have made cleaner choices. Japan has *anchored* throughout, situating EPIs within the payment-instrument tradition rather than the crypto-asset one. The US has *created*: the permitted payment stablecoin under GENIUS is a *sui generis* construct without a direct pre-existing analogue in the same body of law. The UK and Hong Kong sit between the two extremes. Their substantive categories are new, but the regulatory machinery is grafted onto pre-existing legislation, FSMA 2000 in the UK and the HKMA's licensing infrastructure in Hong Kong. The choice, and especially the EU's hybrid choice, signals a regulatory self-conception. Anchoring treats stablecoins as an evolution of existing money forms; creating treats them as a genuinely new financial instrument requiring its own regime. Anchored categories carry forward the doctrinal commitments of their parent body of law, with consequences that are only beginning to surface in supervisory practice. Created categories must build their interpretive infrastructure from scratch, with the supervisory uncertainty that this implies during the early years of any new regime.

Two findings carry weight beyond the technical level. First, beneath a substantially convergent regulatory text, what diverges across the seven regimes is the political and supervisory interpretation those rules receive, with the treatment of foreign-issued stablecoins as the clearest illustration. The EU may, paradoxically, prove the most restrictive of the seven if institutional resistance hardens into outcomes more closed than its legal text contemplates. Second, decisions presented as technical, most notably the composition of reserves, are in fact redistributive choices about who captures the seigniorage that monetary float generates, and the seven regimes route that seigniorage to very different beneficiaries.

The three policy recommendations that follow build on these two findings. The convergence of both patterns is most visible at the level of branded issuers. USDC presents a fragmented profile. It operates as a globally-issued token, as an EMT issued by Circle France SAS in the EU, and as a permitted payment stablecoin under GENIUS in the US. The same brand carries different regulatory identities depending on the jurisdiction of issue and use, with materially different reserve, redemption and consumer-protection profiles attaching to each.

POLICY RECOMMENDATIONS

None of these three recommendations requires a new global treaty or a wholesale realignment of regulatory ambitions. All of them require coordination of a kind that the seven regimes have thus far avoided.

First, an architecture of mutual recognition is now more urgent than the slow pace of regulatory cooperation suggests – and the policy choice should not be framed as a choice between full insulation and unrestricted openness.

Five years into the global cycle of stablecoin regulation, no jurisdiction operates a fully operational and uncontested pathway for foreign-issued instruments, although several admit them under graduated terms that fall short of full mutual recognition. The **principle that should guide the construction of those pathways is proportionality**. Regulatory treatment should be calibrated to the risks the relevant uses pose, and the burden imposed should match the size and systemic relevance of the segment regulated.

There are two implications. First, jurisdictions should not impose very restrictive or exclusionary regulation while the regulated market remains small. The European Systemic Risk Board has issued repeated warnings about multi-issued stablecoins at a time when the total capitalisation of MiCA-authorised stablecoins is only a few billion euros – a tiny share of the European financial system, which does not justify the breadth of the response being considered. The regulatory approach does not need to be all-or-nothing from the beginning; it can be tightened as the market develops.

Second, several jurisdictions are already implementing more nuanced architectures. The recent UK proposal to confine domestic payment use to UK-regulated, UK-issued stablecoins, while admitting foreign-issued tokens for cross-border and other uses, is one example. Singapore's reservation of the 'regulated single-currency stablecoin' label for tokens issued and licensed locally, while allowing foreign-issued tokens to circulate under the broader digital-payment-token regime, is another. These two-tier approaches address the risks regulators care about in a targeted way, preserve the global fungibility on which the principal use cases depend, and create a meaningful incentive to local issuance without resort to exclusion.

The case for proportionate restriction is strongest when the underlying concern is specifically domestic payments: a foreign-issued stablecoin used only for cross-border settlement does not need to be regulated to the same standard as one used for domestic retail transactions. The closure is partly intentional, as with Hong Kong, Japan and the federal UAE regime, and partly the consequence of slow implementation, as with the US and the UK. In the EU, MiCA permits multi-issuance, but some institutional positions tend towards seeking the effective exclusion of multi-issued global stablecoins on prudential and monetary grounds. The cost of closure rises with market scale. With aggregate stablecoin issuance now above USD 300 billion and projections from Citi and others pointing to between USD 0.5 trillion and 3.7 trillion by

2030, a fragmented landscape where a stablecoin regulated in one jurisdiction is unlawful to offer in another is simply not sustainable.

The costs of closure are concrete. Firms denied access to globally fungible regulated stablecoins face structural disadvantages in cross-border payments, treasury management and settlement in tokenised markets. Jurisdictions that exclude global stablecoins forfeit influence over emerging digital finance standards and become rule-takers rather than rule-makers. Closure fragments supervisory oversight by pushing demand offshore rather than eliminating it and can paradoxically hinder the development of locally denominated alternatives, which depend on access to the deep, liquid trading pairs and global settlement networks that dollar-denominated stablecoins dominate today.

A workable architecture should not aim for full equivalence, which would require legal harmony that no regime is prepared to accept. It can rest instead on a structured multi-issuance framework, in which the same globally fungible stablecoin is issued by locally regulated entities across jurisdictions, each holding adequate local reserves and granting enforceable redemption rights to local users. The operational tools required to manage its risks, including reserve rebalancing, territorial redemption rights, supervisory cooperation and stress testing of cross-border flows, are already familiar to international supervision. The IOSCO Crypto and Digital Assets Recommendations and the FSB's 2023 High-Level Recommendations provide the substantive baseline; what is missing is the operational architecture to translate it into mutual market access.

Second, the redistributive consequences of reserve composition should be made visible in the policy debate, rather than embedded in technical reserve rules.

The seven regimes have made distinct choices about where the stablecoin float lodges. These choices are not interchangeable and they are not technical. The EU's mandated bank-deposit floor channels seigniorage into the bank funding base; the US privileges Treasury demand and concentrates the carry in the issuer; the UK combines sovereign debt demand with central-bank-deposit sterilisation; Japan diffuses the carry through trust structures.

None of these choices are wrong but each has consequences that extend well beyond prudential safety. As the stablecoin float continues to grow, these consequences will become material for bank funding, sovereign debt markets, and central bank balance sheets. **The first step towards rational coordination is honesty: regulators should articulate their reserve-composition choices as the redistributive decisions they are**, in white papers and public consultations, and not only as technical prudential rules. **The second step is research**: the BIS, the FSB and the IMF are able to model the international consequences of divergent reserve regimes and to surface trade-offs that no single jurisdiction can clearly see from its own vantage. Without this groundwork, international coordination on the political economy of stablecoin reserves will continue to be displaced by coordination on technical prudential standards alone.

Third, the prohibition on yield to holders, where it exists, raises a more fundamental question that needs to be answered, namely over what kind of financial instrument a stablecoin should be.

If stablecoins are akin to cash, then yield to holders is conceptually inappropriate and prohibition is the natural consequence. If stablecoins are closer to money market fund shares,

then yield is the natural compensation for using capital and the prohibition becomes a regulatory choice that requires justification. Every regime considered here has chosen the first analogy and prohibited yield, but few have stated the choice as a substantive policy decision rather than as a technical reserve rule.

The US illustrates the cost. The GENIUS Act prohibits issuer-paid yield but is silent on intermediary-paid rewards, and the banking industry has responded by conditioning its support for the broader CLARITY Act on an amendment to close that loophole . The compromise text, agreed in May 2026, prohibits intermediary rewards 'economically or functionally equivalent to interest on an interest-bearing bank deposit# while preserving activity-based rewards. A defensible reading is that the amendment actually settles the underlying question, at least for the US, in favour of the payment-money model: passive yield is excluded throughout the distribution chain, while activity-based rewards – closer in nature to e-money cashback or merchant incentives – remain available. In short, the patch works.

The choice between payment money and investment instrument has consequences beyond yield: it shapes prudential treatment, supervisory architecture, and the boundary between the regulated stablecoin perimeter and the regulated fund perimeter. A jurisdiction that prohibits yield while neighbouring jurisdictions permit it, even through intermediaries, creates regulatory arbitrage and competitive disadvantage for its issuers. International standard-setters, working through IOSCO and the FSB, are well placed to make this choice the explicit subject of coordinated discussion. Whatever the answer, it should be the same answer, applied coherently across the chain of distribution and across borders.

The wider implications of these patterns for the future of the international monetary system, including the dollar's position as a digital reserve currency and the role of central bank digital currencies as alternatives or complements, lie beyond this In-Depth Analysis paper's scope. Yet they follow on naturally and should be the natural subject of further research.

CONCLUSIONS

The first global cycle of stablecoin regulation has produced a landscape where the operative rules have substantially converged. What diverges, beneath that convergence, is the political and supervisory interpretation those rules receive and the redistributive significance of choices presented as technical.

The seven jurisdictions surveyed have agreed that algorithmic instruments are dangerous, that reserves must be liquid and segregated and that holders should not receive yield. Within that convergence, they have made distinct choices about which instruments fall inside the perimeter, who may issue them, where the float lodges, and on what terms foreign-issued tokens may be offered to local users. How foreign-issued stablecoins are being treated is the clearest expression of the first divergence. The EU may, paradoxically, prove the most restrictive of the seven, despite a legal text that at face value permits multi-issuance, if institutional resistance hardens into operational exclusion.

The composition of reserves is the clearest expression of the second. The seven regimes converge on a prudential rule and route the seigniorage that the rule allocates to very different beneficiaries. The treatment of foreign-issued instruments has produced a global market where the hard binary between admission and exclusion has begun to give way to graduated approaches in which overseas tokens are admitted but restricted in targeted ways. That

graduation is the most promising direction for the international architecture of stablecoin regulation, and the one most consistent in terms of going from regulatory ambition to market reality.

These two patterns will shape the architecture of digital finance over the coming decade. They will have wider implications for the international monetary system, for the role of public versus private money in tokenised settlement, and for the geopolitics of the digital dollar. All this is the natural subject of further research, which this ECRI In-Depth Analysis paper very much encourages.

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