

Staff memo

# Stablecoins could lead to better payments, but risks remain

November 2025

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## Staff Memo

A Staff Memo provides members of the Riksbank's staff with the opportunity to publish advanced analyses of relevant issues. It is a publication for civil servants that is free of policy conclusions and individual standpoints on current policy issues. Publication is approved by the appropriate Head of Department. The opinions expressed in staff memos are those of the authors and are not to be seen as the Riksbank's standpoint.

# Summary

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Stablecoins are digital, distributed ledger technology (DLT)-based assets specifically designed to maintain a stable value relative to a reference asset. This staff memo focuses on stablecoins that reference official currencies. It describes why and how stablecoin use has increased, how stablecoin arrangements function, and the policy questions that they have given rise to across the globe.

Stablecoins differ from commercial bank money, which is the most common form of money, in three main ways. First, they are primarily issued on a distributed ledger technology (DLT) network which is accessible, in principle, to anyone. Second, they are backed by specific assets and cannot be used to fund lending to the general public. Third, they are not covered by any deposit insurance scheme. They bear some resemblance to e-money and are defined as e-money in EU regulations.

While stablecoins are still mostly used for crypto trading, other real-world use cases are emerging. They are used to facilitate transactions within decentralised finance, or DeFi. This market is still small but is growing. Stablecoins could also be used for cheaper and faster cross-border payments. As such payments remain expensive and slow, this feature could make a welcome contribution.

In jurisdictions with low confidence in their monetary authority, stablecoins could also be a way to hold and use foreign currency, mainly US dollars (USD). For the unbanked population in some jurisdictions, the decentralised structure of stablecoins might make them easier to access than traditional banking and payments services.

The market for stablecoins has grown rapidly in recent years. From a total value of stablecoins referencing official currencies of 4 billion USD in January 2020, their issued value is 272 billion USD as of October 2025. Ninety-nine per cent of these reference the US dollar.

This rapid growth has prompted regulatory responses on global and national levels. The Financial Stability Board (FSB) issued global regulatory guidelines for stablecoins in 2023. In the EU, the Markets in Crypto Assets (MiCA) Regulation was enacted in December 2024 and is still being implemented. MiCA stipulates that stablecoin issuers and service providers have to register with national supervisory authorities. Stablecoins are required to be fully backed and subject to free and immediate redemption at par value.

So far, a handful of stablecoins and stablecoin issuers have been authorised under MiCA. Among these are European financial institutions, such as Société Générale, and global stablecoin providers, such as Circle and Paxos. A consortium of European

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banks, including the Swedish SEB, has recently announced plans to launch a joint Euro stablecoin under MiCA through a new company in the Netherlands.

In July 2025 the GENIUS (Guiding and Establishing Innovation for US Stablecoins) Act was passed by the US Congress. GENIUS governs stablecoins referencing the US dollar, allows for a broad range of backing assets, and does not require free redemptions but stipulates fee transparency. The US administration has said that it will encourage stablecoin growth. This is both to increase global use of US dollars, and to increase demand for US treasury bonds, which are a common backing asset.

The rise of stablecoins has also fuelled concerns globally. One is that USD-referenced stablecoins could lead to increased dollarisation in some countries. Connected to this is the concern that countries become dependent on foreign stablecoin and infrastructure providers, undermining their autonomy in payments. This is similar to concern over Visa and Mastercard's dominance in some countries.

Other concerns are connected to financial stability and consumer protection. Large-scale redemption of stablecoins could lead to fire sales of backing assets. This could undermine stablecoin issuers' ability to redeem at par without delays while adversely affecting other institutions that hold similar assets. If individuals choose to hold stablecoins rather than bank deposits, banks' funding stability could be impacted. This would affect banks' funding costs, and thus their lending rates.

The possibility to use stablecoins without intermediaries increases the risk of illicit use—and makes it harder to tackle. Friction in redeeming different stablecoins could give rise to a situation in which some stablecoins are only accepted at a discount. This could significantly undermine the efficiency of the current monetary system where all forms of regulated monies in a given currency can be used to pay without a loss of value. Stablecoins could also become widely used as settlement assets if tokenisation of traditional assets were to increase, potentially crowding out the risk-free settlement in central bank money.

Central banks are pondering how to approach stablecoins. Policy decisions include deciding whether to give stablecoin issuers access to central bank settlement systems and standing facilities and liquidity backstops, and whether to allow central bank money as a backing asset. They are also deciding whether and how to provide settlement services for transactions with tokenised forms of traditional assets and monies. Different jurisdictions have so far taken different approaches.

In conclusion, stablecoins have the potential to deliver better payment services to users. At the same time, the challenges discussed in this staff memo remain and need to be resolved. International cooperation will help to mitigate the most significant concerns around stablecoins' growth, borderlessness, and interconnections.

## FACT BOX –Stablecoins terminology

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**Stablecoins** are crypto assets that aim to maintain a stable value relative to a specified asset, or a pool or basket of assets.<sup>2</sup> There are two types: those which reference an official currency, and those that do not. This staff memo focuses on the former.

**E-money tokens (EMTs)**, under EU regulations, are stablecoins that aim to stabilise their value to a single official reference currency, for instance the US dollar. They bear resemblance to payment stablecoins under US regulations. This is the largest group of stablecoins.

**Asset-referenced tokens (ARTs)**, under EU regulations, are stablecoins that reference an asset, or basket of assets, rather than a single official currency. This basket of assets could include commodities like gold, multiple official currencies, or other crypto assets.

**Algorithmic stablecoins** are stablecoins that use an algorithm, for instance to influence supply and demand, to maintain a “peg” to a set value, for instance the US dollar. They are not fully backed by reserve assets.

**Backing assets** are the reserves, for instance bank deposits, government bonds, or crypto assets, that are held to maintain a stablecoin’s value and ensure it can be redeemed at par.

A **Blockchain** is a sub-type of a distributed ledger technology (DLT) network that is used to process stablecoin transactions and keep records of earlier transactions.

**Tokens** are a representation of something else. In the context of money and other financial assets, digital tokens are entries in a database that are recorded digitally and that can contain information and functionality within the tokens themselves.<sup>3</sup> Some tokens are unique to a specific DLT network (“native tokens”) and sometimes tokenised forms of other assets.

**Tokenised deposits** are digital representations of bank deposits on a DLT network. They remain a liability of the issuing bank.

**Unbacked crypto assets**, like Bitcoin or Ether, have no underlying backing asset and derive value from supply and demand. They are highly volatile and primarily used for investment and speculation rather than payments.

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<sup>2</sup> See FSB (2020), Regulation, Supervision and Oversight of “Global Stablecoin” Arrangements.

<sup>3</sup> See BIS (2023), Blueprint for the future monetary system: improving the old, enabling the new.

# 1 Introduction to stablecoins

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Stablecoins are perceived as private money, similar to e-money. Although they are similar to other kinds of money, there are some differences. They aim to maintain their stability by referencing other assets, primarily real-world currencies like the US dollar and the euro. In recent years, their use and value have increased sharply. Regulations in both the EU and the US have given stablecoins a measure of regulatory certainty that has encouraged further growth.

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## 1.1 What are stablecoins?

Stablecoins are digital assets specifically designed to maintain a stable value relative to a reference asset, often an official currency.<sup>4</sup> Although there are stablecoins that do not reference official currencies, this discussion focuses on only those that do.<sup>5</sup>

Like unbacked crypto assets such as Bitcoin, stablecoins rely on distributed ledger technology (DLT), cryptography, and consensus mechanisms for issuance and transfer. The intention is to make them better suited for use as a means of payment than volatile unbacked crypto assets.

The private actors that have issued stablecoins have used different models for maintaining the stable value, as summarised in Table 1. The three first categories use backing assets to safeguard the issuer's ability to redeem the stablecoin at par.<sup>6</sup> A smaller subset, known as algorithmic stablecoins, relies on algorithmic supply-adjustment mechanisms rather than actual reserves—though these have proven riskier.<sup>7</sup>

For asset-backing to work as a safeguard, assets are ring-fenced from the finances of the issuer, i.e. the assets are tied directly to the stablecoins issuance and cannot be used for operational expenses. This means that in the event of the issuer's insolvency, the backing assets are available for stablecoin redemption, not to satisfy debts to other creditors.<sup>8</sup>

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<sup>4</sup> Sveriges Riksbank (2022), An overview of fintech and cryptoassets.

<sup>5</sup> Under MiCA, these are e-money tokens.

<sup>6</sup> The revenues from these backing assets, for instance yields on treasury bonds, are one of stablecoin issuers' main sources of income. They also derive income from issuance fees, and collaborations with traditional financial actors like banks.

<sup>7</sup> One well-known algorithmic stablecoin failure is that of TerraUSD (UST) in May 2022. Its algorithmic design relied on a dual-token mechanism with a sister token, LUNA, to maintain a peg at par to the US dollar. When UST began to lose its peg, the algorithm attempted to restore it by issuing large amounts of LUNA, causing hyperinflation and a rapid loss of confidence. This triggered a death spiral where both tokens plummeted in value, wiping out tens of billions of dollars in market capitalisation and highlighting the systemic risks of algorithmic stablecoins.

<sup>8</sup> Stablecoins backed by high-quality liquid assets such as short-term treasuries are sometimes compared to money-market funds. They also exhibit some other characteristics that are similar to money market funds. See BIS (2024), Stablecoins, money market funds and monetary policy

**Table 1. Different kinds of stablecoins have different kinds of backing.**

Stablecoin Type	Backing Assets	Market Cap (16-09-2025)	Examples
Fiat-Backed <sup>9</sup>	Cash, Treasuries	183 bn USD (USDT) 76 bn USD (USDC)	USDT, USDC
Crypto-Backed <sup>10</sup>	Ether, Bitcoin	5 bn USD (DAI)	DAI
Backed by other assets <sup>11</sup>	Gold, commodities	1.5bn USD (XAUT) 1.3bn USD (PAXG)	XAUT, PAXG
Algorithmic	Limited or no backing assets. Uses algorithms to maintain backing, typically by manipulating supply and demand	500 m USD (USDD)	USDD

A defining feature of stablecoins is the separation of who issues a stablecoin, where stablecoins are issued and transactions are logged, where stablecoins are held, and how redemption occurs (see Figure 1).

Stablecoin exchanges act as an intermediary between stablecoin issuers who mint new stablecoins against backing assets (process 1) and others who want to buy the issued coins (process 2). These exchanges also handle stablecoin redemptions (process 4), and where appropriate return stablecoins to the issuer for what is called burning, or the destruction of the stablecoins.

Stablecoins are both issued and transferred on public DLT networks, which are shared by multiple stablecoins and other crypto assets (see process 3). These DLT networks also keep records of all previous transactions and issuances and are maintained in a distributed fashion. They are typically not operated by stablecoin issuers. This means that an issuer cannot influence what occurs on a public DLT network, for instance by responding to illicit transactions using their issued stablecoins.<sup>11</sup>

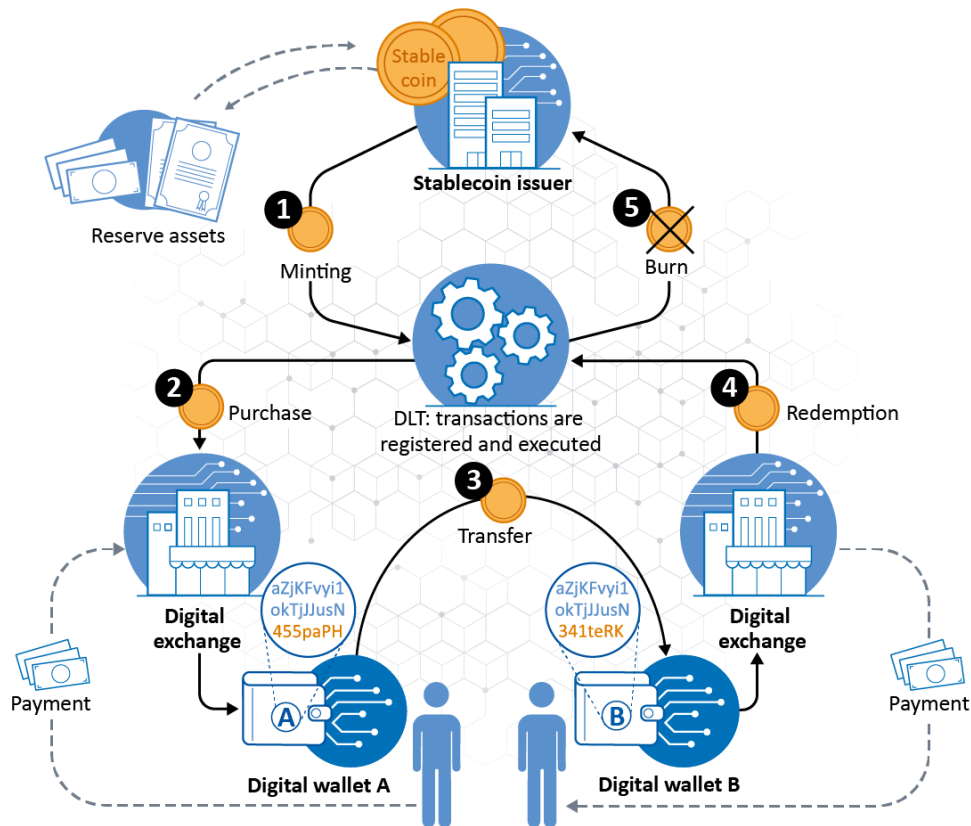
Custody of stablecoins is often managed by a wallet, which can be either offered by a service provider (custodial wallet) or self-hosted (non-custodial wallet). Both kinds of wallet are typically independent of both the stablecoin issuer and the public DLT network. There is also a model where end users interact directly with the issuer, eliminating the need for an exchange as intermediary. One may also have a combination of the two models.

<sup>9</sup> E-money tokens under the Markets in Crypto Assets Regulation (MiCA) in the EU.

<sup>10</sup> Asset-referenced tokens under the EU's MiCA Regulation.

<sup>11</sup> This is to some extent similar banknotes where the issuer (central bank) cannot see the transactions or the holdings.

**Figure 1. Simplified schematic of the actors and processes involved in a stablecoin arrangement**



## 1.2 How do stablecoins differ from commercial bank money?

The most common form of money is commercial bank money in the form of deposits. Legally, many stablecoins fall under the definition of e-money, as they represent a monetary value stored electronically and issued against backing assets. However, they differ from commercial bank money in the following ways:

- 1) They are typically issued as tokens on public or private DLT networks;
- 2) They are backed by liquid assets at least equal to the issued value; and
- 3) They are not covered by deposit insurance.

Stablecoins are typically issued as tokens on public or private DLT networks. This is in contrast to commercial bank money that is held in an account structure within the bank where the deposits are held. In principle, a bank could tokenise deposits, but such tokenised deposits can only be used for payments between the customers of that specific bank. Stablecoins are issued to be used in a more open context, including payments between institutions, their customers and even across borders.

Commercial bank money is primarily created through lending by regulated banks. Banks are only required to hold a fraction of their deposit liabilities as reserves (either



high-quality liquid assets or central bank reserves). However, bank deposits are typically covered by stringent capital regulations as well as deposit insurance schemes and have access to central bank facilities. Stablecoins, on the other hand, are not covered by any deposit insurance but are required to keep full backing of safe and liquid assets. Appendix 1 gives a summary of different types of money.

### **Use cases today are mostly in crypto trading**

Stablecoins are currently extensively used as a cash leg, both on centralised and decentralised markets, for transactions involving crypto assets. Many crypto exchanges and automated market makers pair volatile assets with stablecoins to create trading pools at decentralised exchanges.

They have also begun to be used as a stable measure of value in the otherwise highly volatile market of decentralised finance, or DeFi.<sup>12</sup> About 263 billion USD of issued stablecoins is used in DeFi protocols, some of which is for providing liquidity and about half of which is “locked” as a form of collateral for other transactions. Together, crypto-asset trading and DeFi make up around 90 per cent of stablecoin transactions.<sup>13</sup>

They also serve as collateral in lending and borrowing protocols, allowing users to pledge stablecoins to borrow other assets or vice versa without exposure to extreme price swings. In addition, they give traders hedging and arbitrage opportunities.

### **Emerging use cases**

Payment services generally need to exploit network effects and economies of scale to become successful. Several use cases may therefore emerge if stablecoins become more widely used and accepted.

Globally, cross-border payments face challenges such as high costs, low speed, limited access and insufficient transparency.<sup>14</sup> The global nature of public DLT networks may allow the use of stablecoins for cheaper and faster peer-to-peer cross-border payments, for instance remittances. Stablecoins could be used for cross-border payments without the involvement of official currencies. Another alternative is for stablecoins to be used as a “bridge” where the payer uses one official currency to buy stablecoins, for instance a USD-denominated one, and the payee exchanges the stablecoins for another official currency.<sup>15</sup> BVNK, which is thought to be one of the largest players, has around 15 billion USD in annual cross-border payments volume. Around half of this is thought to be business-to-business payments, the largest segment for cross-border

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<sup>12</sup> DeFi builds on DLT to offer services such as trading, lending and investing without using a traditional centralised intermediary. For a detailed discussion, see BIS (2023), *The Technology of Decentralised Finance (DeFi)*

<sup>13</sup> BCG (2025), *Stablecoins: Five killer tests to gauge their potential*.

<sup>14</sup> Cross-border payments have been on the agenda of international bodies and standard setters for several years. The G20 Roadmap lays out a comprehensive set of actions covering 19 building blocks. The Committee for Payments and Financial Infrastructure (CPMI) leads the implementations of building blocks 11–19, where building block 19 explores the use of CBDC for cross-border payments. For more information, see Bank for International Settlements (n.d.). *Cross-border Payments*.

<sup>15</sup> This is sometimes referred to as a “stablecoin sandwich”.

payments.<sup>16</sup> Global businesses may also use stablecoins for business-to-consumer payouts in emerging markets.

Stablecoins are also a way to hold and use foreign currency, today foremost US dollar. This is primarily attractive in jurisdictions with high inflation and low confidence in their monetary authorities (see the policy discussion in Section 3). In some countries, stablecoins may also be more easily accessible to the non-banked population than traditional banking and payments services.<sup>17</sup>

Stablecoins are also used for trade with tokenised traditional assets, such as tokenised securities, commodities and corporate debt. The markets for such assets are small compared to traditional financial markets but have grown rapidly in recent years and are expected to continue to grow. As an example, in Switzerland tokenised shares of more than 80 companies are on the *Aktionariat* platform.

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<sup>16</sup> FXC Intelligence (2025), The State of Stablecoins in Cross-Border Payments.

<sup>17</sup> Estimates of bilateral regional stablecoin flows between self-custodial wallets indicate substantial intra- and inter-regional flows, see Davidovic, S. et al (2025), The rise of stablecoins and implications for Treasury markets.

## 2 Recent developments

Stablecoins have been in circulation since 2014,<sup>18</sup> but they have recently come into broader use. We have discussed stablecoin use cases in the previous section. This section looks at how and where the market for stablecoins has grown, and at regulations.

### 2.1 Market developments

#### The growing market for stablecoins

The market for stablecoins has grown and changed rapidly in recent years. At the time of writing,<sup>19</sup> the value of stablecoins that reference official currencies was 272 billion USD, an increase from 4 billion USD in January 2020 to 122 billion USD in January 2024. Much of this development has thus happened relatively recently.

Around 270 billion USD of issued stablecoins—or 99 per cent of the total value issued—are pegged to the US dollar. Two stablecoins, USDT (issued by Tether) and USDC (issued by Circle) account for 94 per cent of the total value of issued stablecoins (see Figure 2).

Around 445 million USD worth of stablecoins are denominated in euro (see Figure 3). Stablecoins that reference to the British pound, Singaporean dollar and the Japanese yen make up most of the rest of the stablecoin market (see Table 2). Even so, there are also stablecoins that reference other currencies—including one referencing the Chinese renminbi. This stablecoin pre-dates the passing of legislation in Hong Kong allowing registration of stablecoins.

**Table 2. US dollar-pegged stablecoins make up the lion's share of global stablecoins**

	Value of issued stablecoins	Number of stablecoin issuers	Dominant stablecoin in October 2025 (percent of market)
Pegged to USD	270 bn USD	59	USDT (65%)
Pegged to EUR	445 mn USD	13	EURC (58%)
Pegged to GBP	580 mn USD	2	VGPB (98%)
Pegged to SGD	687 mn USD	1	XSGD (100%)
Pegged to JPY	488 mn USD	1	GYEN (100%)

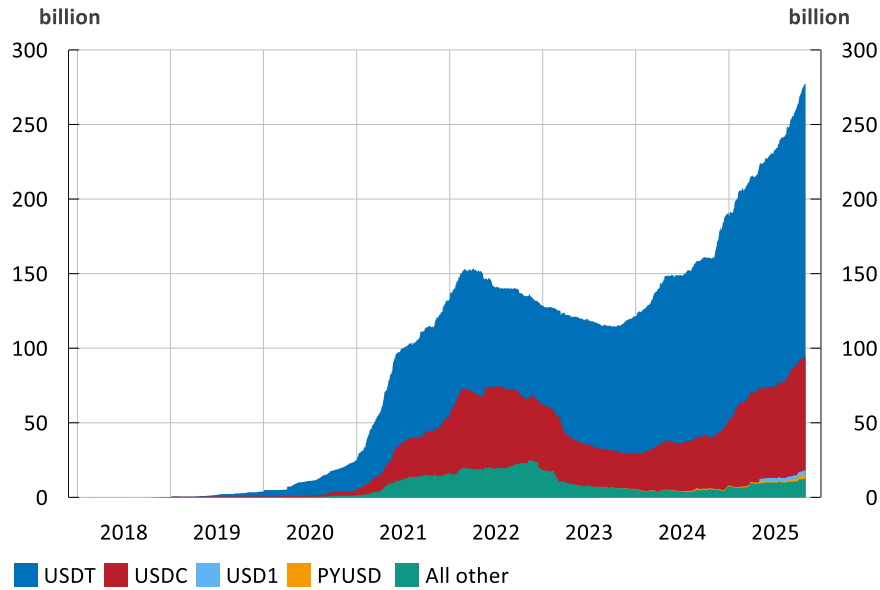
Source: DeFiLlama.

<sup>18</sup> The first stablecoin, BitUSD, was released in 2014. See Dionysopoulos, L., and Urquhart, A. (2024), 10 years of stablecoins: Their impact, what we know, and future research directions.

<sup>19</sup> October 2025.

**Figure 2. The stablecoin market is dominated by two USD-pegged coins**

Issued value of the largest stablecoins, in billion USD

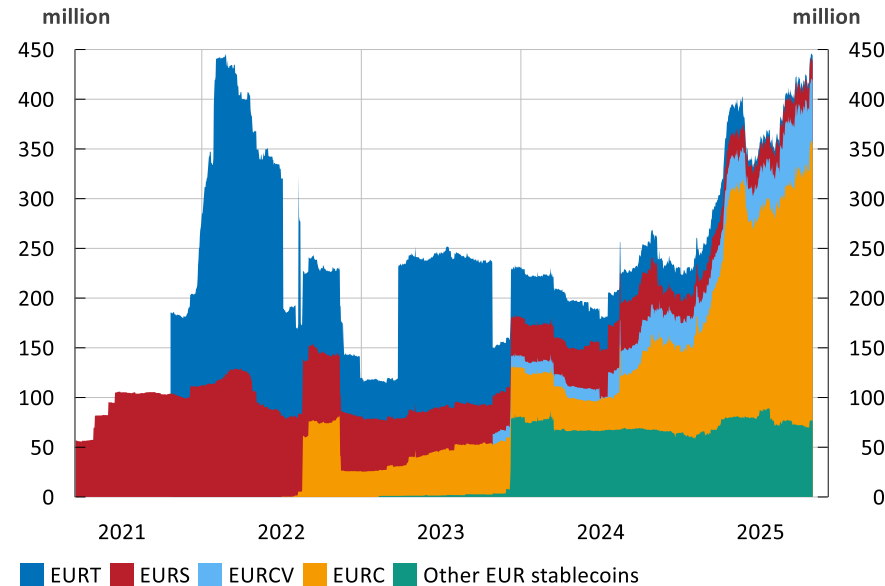


Note: USDT was issued by Tether, USDC by Circle, USD1 by World Liberty Financial, and PYUSD by Paxos on behalf of PayPal.

Source: DeFiLlama.

**Figure 3. There are a small but growing number of EUR-pegged stablecoins**

Issued value of the largest EUR-pegged stablecoins, in million USD



EURT was issued by Tether, EURS by STASIS, EURCV by SG-FORGE, and EURC by Circle.

Source: DeFiLlama.

Most stablecoins are issued on public blockchains. Ethereum, for instance, hosts about 161 billion USD of stablecoins, or about 59 per cent of all stablecoins pegged to

official currencies. When including all crypto assets, Ethereum is also the largest of all blockchains. Many other blockchains also follow the same technical standard as Ethereum, for instance Tron, making it possible for one stablecoin to be issued on multiple blockchains.

## 2.2 Regulatory developments

Broadly, international actors have agreed on Financial Stability Board (FSB) high level guidelines<sup>20</sup> around the regulation of stablecoins. These guidelines address both financial stability concerns and attempt to limit regulatory arbitrage. The CPMI-IOSCO<sup>21</sup> has also published guidelines on the application of the Principles for Financial Market Infrastructures (PFMI) for systemically important stablecoin arrangements.<sup>22</sup>

Other standards include those from the Financial Action Task Force related to the possible role of stablecoins in money laundering and terrorism financing activities.<sup>23</sup> There are also rules stemming from the Basel Committee on Banking Supervision that set standards for the prudential treatment of banks' crypto asset exposures,<sup>24</sup> including stablecoins, and for banks' disclosure of their exposures to crypto assets.<sup>25</sup>

### MiCA has applied in the EU since December 2024

The Markets in Crypto Assets (MiCA) Regulation has applied in the EU since 30 December 2024, but is still in a period of implementation.<sup>26</sup> Under this regulation, crypto assets, including stablecoins that aim to stabilise their value by referencing an official currency (called E-Money Tokens, EMTs), and stablecoins that reference a basket of assets (called Asset Referenced Tokens, ARTs), have to be registered with national supervisory authorities.<sup>27</sup> Crypto asset service providers (CASPs), for instance wallet providers and exchanges, are also obliged to register with national supervisory authorities. Crypto assets that do not reference an underlying asset, or that are "sufficiently decentralised",<sup>28</sup> are perceived not to be covered by MiCA or EU regulations like the Markets in Financial Instruments Directive II.

<sup>20</sup> FSB (2023), High-level Recommendations for the Regulation, Supervision and Oversight of Crypto asset Activities and Markets: Final report.

<sup>21</sup> Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO).

<sup>22</sup> CPMI-IOSCO (2022), Application of the Principles for Financial Market Infrastructures to stablecoin arrangements.

<sup>23</sup> FATF (2020), FATF Report to G20 on So-called Stablecoins.

<sup>24</sup> See BCBS (2022), Prudential treatment of crypto asset exposures.

<sup>25</sup> BCBS (2024), Disclosure of crypto asset exposures.

<sup>26</sup> During this implementation period, those actors who were already under supervision could continue to offer services pending authorisation under MiCA. Deadline for implementation is 1 July 2026.

<sup>27</sup> In Sweden, this is Finansinspektionen. Although there is discussion at the EU level that this might move over to EU supervision, in the interests of supporting the Savings and Investment Union. See FT (2025), EU watchdog prepares to expand oversight of crypto and exchanges.

<sup>28</sup> This term is explicitly mentioned in MiCA, but it is unclear what is meant by this. Consequently, some applications of so-called Decentralised Finance may not fall under the ambit of MiCA either. Bitcoin is generally accepted to be one such sufficiently decentralised crypto asset.

MiCA was drafted to protect consumers at a time when it was unclear under which regulations crypto assets (and stablecoins) fell, if any. It focuses on minimum requirements for stablecoin issuers.<sup>29</sup> While MiCA was first being drafted, much of the discussion focused on the ability of stablecoins to bypass traditional payment systems and banking infrastructure.<sup>30</sup> MiCA is now in a period of implementation, but the context in which this is occurring differs between EU countries. Current international discussions focus on how concentrated the stablecoin market has become: two actors, both with USD-denominated stablecoins, dominate.

MiCA requires full backing of stablecoins and free and immediate redemption at par value. Issuers must also invest the funds they receive in secure, low-risk assets in the same currency and deposit them in a separate account in a credit institution. EMTs and ARTs are defined as not being interest-bearing, whether by the issuer itself or another actor, for instance a CASP.<sup>31</sup> This is to limit speculative use and avoid deposits being reallocated from banks to stablecoins.

### **The role of central banks regarding stablecoins under MiCA**

Under MiCA, the supervision of EMTs that are considered significant for the whole of the EU is transferred from the national authority to the European Banking Authority (EBA). Central banks have no official obligations or role when it comes to EMT issuance under MiCA. Even so, EMTs may pose challenges to financial stability and to monetary transmission in the future. The regulation also acknowledges that it is possible, but unlikely, that EMTs of significant size and use in another currency may pose risks to monetary sovereignty. For non-euro countries like Sweden, USD- or EUR-denominated stablecoins might pose such a risk.<sup>32</sup>

The regulation also acknowledges that the use of ARTs as a means of exchange could pose direct risks to monetary sovereignty, in addition to risks that are also present in the case of significant EMTs.<sup>33</sup> For this reason, where the ART references a basket of currencies that includes a non-euro EU currency like the Swedish krona, the central bank should be consulted, before authorisation is granted or refused. This is in addition to the EBA, ESMA, and the ECB. This may mean recommending that the issuer's authorisation application be declined or withdrawn, or that limits are placed on the ART's use, for instance limiting the number of tokens issued.

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<sup>29</sup> See Odinet, CK. and Tosato, A (forthcoming) Regulating Stablecoins: Comparing MiCAR and the GENIUS Act, for a private law analysis of the differences between MiCA and GENIUS given identified weaknesses in the largest stablecoins' consumer protection terms.

<sup>30</sup> In 2019 the Libra Association, a Facebook-led consortium of companies active in finance, IT and social media announced its intention to launch a stablecoin intended for making payments. It later changed the project's name to Diem and aimed for a USD-pegged stablecoin but shut down in 2022.

<sup>31</sup> In contrast to the GENIUS Act in which only issuers are prohibited from paying interest on stablecoin deposits. This has had two unintended consequences: the first is that wallet providers and custodians of stablecoins pay interest instead, bypassing the law. The second is that stablecoin providers have considerable income from their backing assets (e.g. interest payments) that they are not able/obliged to share with stablecoin holders.

<sup>32</sup> See Preamble (104) of MiCA.

<sup>33</sup> See Preamble (45) of MiCA.

### Authorisation under MiCA is ongoing across the EU

So far, 25 EMTs from 15 issuers have been authorised under MiCA—from 9 EU countries (see Table 4). MiCA is still under implementation, with different countries having decided on different transition periods, so more are likely to be registered in the coming months. Among those who have registered are both established financial institutions, like Société Générale, Banking Circle and AllUnity bank, and global stablecoin providers like Circle and Paxos. Sixty CASPs have been approved in the rest of Europe, including custodians, wallet providers and exchanges.

Among the EMTs registered in Europe are two so-called “multi-issue stablecoins”, issued by Circle and Paxos. These are both USD-denominated stablecoins, with Paxos’ USDP, registered in Singapore and Finland, and Circle’s USDC issued in the US and France. Multi-issue stablecoins are digital tokens jointly issued by entities in different jurisdictions, allowing functionally identical stablecoins to circulate across markets.

**Table 3. Number of approved EMTs and CASPs under MiCA, October 2025<sup>34</sup>**

	EMT and their issuers	CASP
No of actors (number of EMTs)	15 (issuing 25 EMTs <sup>35</sup> ) <i>Global crypto actors include Circle and Paxos.</i> <i>Established actors include Société Générale, Banking Circle and AllUnity bank.</i> <i>Other FinTech actors include Alipay and Quantoz payments</i>	59 <i>Global crypto actors include Coinbase, Bitstamp, Kraken, Bitpanda, and Robinhood</i> <i>Established actors include Clearstream and BBVA</i> <i>Other FinTech actors include N26 and Moonpay</i>
No of countries	9	12
Reference currency	EUR (15), USD (8), CZK (1), GBP (1)	N/A

Source: ESMA.

### In Sweden: a few CASPs and a planned euro stablecoin

There has been considerably less activity in Sweden than elsewhere in the EU. Recently, however, Finansinspektionen announced that six actors had applied to be CASPs.<sup>36</sup> Of these, one has been approved (Safello)<sup>37</sup> and one denied (QB Europe). Finansinspektionen is the national supervisory authority for EMTs, ARTs and CASPs in Sweden.

A consortium of European banks, including SEB and Danske Bank, both of whom have large market shares in Sweden, also recently announced a project to launch a common euro-pegged stablecoin under MiCA.<sup>38</sup> Its stated purpose is to enable immediate access to efficient cross-border payments, programmable payments, and improvements in supply chain management and digital asset settlements.

<sup>34</sup> As of 15 October 2025.

<sup>35</sup> Where some actors, for instance Circle and Société Générale have had multiple coins approved.

<sup>36</sup> Finansinspektionen (2025), Nu måste kryptobolag ha tillstånd från FI.

<sup>37</sup> Safello (2025), Safello erhåller tillstånd under MiCA.

<sup>38</sup> SEB (n.d.), SEB joins consortium with major European banks to issue stablecoin.

## There are more permissive regimes for EMTs elsewhere

Considerable focus has also been placed on the US's GENIUS (Guiding and Establishing National Innovation for U.S. Stablecoins) Act, which passed in July 2025. It is expected to come into force in January 2027. The GENIUS Act governs the issuance of "payment stablecoins" that reference the US dollar. It focuses on registration requirements<sup>39</sup> and operational requirements in an effort to protect consumers. GENIUS allows for a broad range of backing assets and does not require free redemptions—only fee transparency. Politically, the GENIUS Act was explicitly passed with the intention of encouraging the purchase of US treasuries and of making dollars more available internationally.<sup>40</sup> This explicit intention, and the borderlessness of stablecoins, means that the GENIUS Act has implications even outside the US.

The UK is also in the process of developing detailed requirements for stablecoins, with a consultation paper published in May 2025. The Bank of England has also discussed providing accounts for systemic stablecoin issuers, in which they can hold central bank money as a backing asset. They are also discussing a liquidity facility as a back-stop for systemic stablecoins. This would allow stablecoin issuers to monetise backing assets if needed, to help meet redemption requests.<sup>41</sup>

Other countries are setting themselves up as stablecoin and crypto-asset hubs, although their regulatory approaches differ. Switzerland, through its Crypto Valley and a DLT Act, provides legal certainty and a supportive banking environment for tokenisation and blockchain projects. It is also exploring using central bank money as a backing asset for stablecoins.<sup>42</sup> Other financial hubs hoping to attract stablecoin activity include Dubai,<sup>43</sup> Hong Kong<sup>44</sup> and Singapore.<sup>45</sup>

Some other countries do not allow stablecoins in any form. China, for instance, strictly regulates stablecoin use for financial transactions, motivated by concerns around capital controls and financial stability. Despite these controls, a Renminbi stablecoin pinned to the offshore Yuan was issued in 2019.<sup>46</sup> After a stablecoins regulatory re-

<sup>39</sup> Small stablecoins need to register at the state level, while stablecoins with issuance over 10 billion USD need to register at the federal level. Similar provisions exist under MiCA: small stablecoins can register at the national level and larger ones deemed "significant" due to their size, interconnectedness, or other factors are subject to additional regulatory requirements, including higher own funds requirements and dual supervision (by the European Banking Authority and their home national competent authority).

<sup>40</sup> From Q1-2024 to Q1-2025 USDT and USDC were jointly the third largest buyer of US Treasuries, see Davidovic, S. et al (2025), The rise of stablecoins and implications for Treasury markets.

<sup>41</sup> Bank of England (2023), Regulatory Regime for Systemic Payment Systems Using Stablecoins and Related Service Providers.

<sup>42</sup> See SBA (2025), Stablecoins in Switzerland.

<sup>43</sup> Dubai has created a Virtual Assets Regulatory Authority (VARA) and offers tax incentives and dedicated crypto zones to attract major exchanges and blockchain firms.

<sup>44</sup> Hong Kong has introduced a licensing regime for virtual asset platforms and is promoting tokenised financial products to establish itself as a digital asset gateway to Asia. It has also been speculated that laws in Hong Kong will make it easier for Chinese consumers to begin to use stablecoins—even though China thus far has preferred central bank digital currencies.

<sup>45</sup> Singapore combines a clear regulatory framework under the Payment Services Act with strong institutional support for tokenisation and stablecoin regulation, while maintaining strict AML and consumer protection standards.

<sup>46</sup> Tether (2019), Tether Now Supports Offshore Chinese Yuan (CNH), Launches CNH¥ Stablecoin.



gime was launched in Hong Kong in August 2025, some Chinese tech companies, including Alibaba-backed Ant Group and e-commerce group JD.com announced that they would participate in Hong Kong's pilot stablecoin programme.<sup>47</sup>

Many other countries have not enacted regulations. In India, for instance, the Reserve Bank of India has warned against private crypto assets, including stablecoins, and is concerned about their impact on financial stability and monetary policy—but their issuance and use is not yet regulated.

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<sup>47</sup> According to the Financial Times, Chinese regulators have since told them not to go ahead with these plans. See FT (2025), Chinese tech giants pause stablecoin plans after Beijing steps in.

## 3 Concerns being discussed globally

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The rapid growth and increased interconnectedness of stablecoins has raised questions and concerns about the future role of stablecoins and their impact on both geopolitics and the broader financial system. Some of these concerns relate to the dominance of USD-denominated stablecoins, while others relate to the use of stablecoins as money. Other questions relate to central bank policies and the ability of individual countries to influence this global phenomenon.

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### 3.1 The dominance of USD-denominated stablecoins

#### **Increased dollarisation in countries with existing dollarisation**

The US administration has made the promotion of USD-denominated stablecoins one of its flagship policies.<sup>48</sup> Widely available stablecoins denominated in US dollars or other foreign currencies may accelerate dollarisation in countries that already experience some dollarisation. This is because stablecoins facilitate easier access to foreign currencies and enable use cases not available with cash, such as e-commerce and other digital payments.

Dollarisation manifests itself via savings held in foreign currencies, but also via prices and contracts, such as rental agreements, being indexed to a foreign currency. The root cause of dollarisation is lack of trust in the domestic currency, caused for instance by a long period of high inflation.

Countries with low and stable inflation as well as strong macroeconomic fundamentals have not so far experienced dollarisation. In some of these countries, US dollars and other major foreign currencies have been readily available for a long period. It is therefore unlikely that the availability of USD-denominated stablecoins itself can cause dollarisation in countries that have not experienced it before.

In some special cases, stablecoins may offer unique advantages that other monies do not offer, for instance, in crypto asset trading or participation in DeFi applications. In these cases, the public may need to use USD-denominated stablecoins, if local currency versions do not exist. This is unlikely to create dollarisation, as the situation can be compared to the need for foreign currencies when we travel abroad.

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<sup>48</sup> See White House (2025), Strengthening American Leadership in Digital Financial Technology.

## Contagion effects from the US to the rest of the world

The existing stablecoin market is dominated by stablecoins that reference US dollar. This means that the current risks associated with stablecoins are US-specific. If these risks were to materialise, they might affect the rest of the world.

When many users simultaneously redeem their stablecoins, issuers are likely to need to sell large volumes of reserve assets—often short-term government securities like treasury bills—to meet the redemption demand. This can lead to abrupt price declines in these commonly held assets, affecting traditional financial institutions such as banks, mutual funds, and insurers that also hold them.<sup>49</sup> The risk of fire sales is greater when reserve assets consist of a large volume of securities, rather than reverse repos or bank deposits. The risk is also amplified by the fact that stablecoin issuers are typically non-banks that do not necessarily have access to central bank standing facilities. Stablecoin holdings are also not protected by deposit insurance, making the system more vulnerable.

Stablecoins can also act as a catalyst for wider financial stress due to their use as collateral or liquidity in DeFi protocols. If the value of collateral assets in DeFi drops slightly, automated mechanisms can trigger large-scale and immediate liquidations, forcing the sale of assets used in DeFi protocols. How strong this spillover effect from DeFi is to the rest of traditional financial system depends on the type of assets (e.g. real-world asset vs. unbacked crypto asset) and the financial actors (e.g. banks vs. hedge funds vs. insurance companies) involved in DeFi protocols.<sup>50</sup>

If risks related to stablecoins were to materialise in the US, other countries could be affected through multiple channels, including via asset holdings, dependence on US dollar borrowing markets and economic linkages.<sup>51</sup>

## Strategic autonomy

If foreign actors dominate the issuance of stablecoins or in other ways control their use, this undermines strategic autonomy. This is similar to the concern voiced about the domination of card payments in many currency areas by international card schemes, such as Mastercard and Visa.

There are different measures that can be taken to respond to an increasing threat to strategic autonomy. For instance, the European Central Bank (ECB) has responded to

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<sup>49</sup> Early evidence suggests growing links between stablecoins and short-term money markets. See Barthélemy et al. (2023), *Stablecoins and the Financing of the Real Economy*.

<sup>50</sup> One example lies in a flash crash, without a clear trigger, that affected stablecoin markets—and later Bitcoin—on October 10, 2025. Like other flash crashes, it is unclear what the cause was, although one suspected cause was US tariff threats against China. According to Reuters, 19 billion USD of leveraged positions was liquidated. One large stablecoin, USDe, lost its peg. Smaller flash crashes with wide consequences have also occurred—the most recent, in February 2025, is thought to have been caused by speculation in the DeFi “perpetual futures” market. If multiple stablecoins lost their pegs—or one of the larger ones like USDC or USDT did so—this would likely trigger widespread redemptions, and potentially fire sales as stablecoin issuers sell dollar-denominated assets to cover redemption costs.

<sup>51</sup> This could be compared to the fire sale—and knock-on effects—prime money market mutual funds experienced during the Global Financial Crisis.

the rise of US dollar stablecoins by speeding up development work on several initiatives. These initiatives include the digital euro, the use of its instant payments system TIPS for other currencies and cross-currency payments, and work on a European solution for settlement of tokenised assets at the ECB. The latter is discussed in a later section.

The ECB argues that the digital euro would increase strategic autonomy as it offers a pan-European payment solution, available throughout the euro area, under European governance.<sup>52</sup> The ECB is also taking measures to increase the international role of the euro. This includes working with Sveriges Riksbank and Danmarks Nationalbank to facilitating cross-currency payments between Swedish krona, Danish krona and euro via TIPS.<sup>53</sup> The ECB is further exploring the interlinking of TIPS in euro with other countries' fast payment systems such as Switzerland, India and more broadly via NEXUS.<sup>54</sup>

A stablecoin denominated in a domestic currency and under the supervision of a domestic supervisory authority could, in principle, contribute to strategic autonomy.

## 3.2 The increased usage of stablecoins as money

### **Risk of illicit use, reduced consumer protection and government bailouts**

Like cash and cheques, stablecoins are bearer instruments that can be directly transferred between the users without the active involvement of the issuer. This means that the issuer only knows the identity of the holders at issuance and redemption, but not necessarily when payments are made between users.<sup>55</sup> While issuers can control the usage of their stablecoins by freezing certain holdings and limiting the range of wallets that can receive the stablecoins (i.e. whitelisting and blacklisting), the question of how effective these controls are to prevent illicit use remains debated.<sup>56</sup>

The separation of the responsibility for issuance, redemption, usage and holding of stablecoins can promote specialisation and innovation, but it also means that the responsibility for customer protection becomes divided between different actors such as issuers, wallet providers and those maintaining the underlying network. This can lead to weaker customer protection than the public is used to via bank deposits.

Stablecoins also lack deposit guarantees. If an issuer is unable to redeem all its stablecoins at par, its holders will suffer losses. If a large number of retail users experience losses, governments can for political reasons be forced to provide compensation.<sup>57</sup> A historical parallel is the Icesave case during the 2008 financial crisis, when the UK and

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<sup>52</sup> European Central Bank (n.d.), Digital Euro FAQs.

<sup>53</sup> See Sveriges Riksbank (2025), Instant cross-currency payments.

<sup>54</sup> ECB (2025), ECB and SNB explore link between instant payments systems.

<sup>55</sup> Other regulated intermediaries such as exchanges or wallet providers may have access to the identity of the holders, but users can in principle also receive and hold stablecoins without any involvement of regulated intermediaries.

<sup>56</sup> See for instance BIS (2023), An approach to anti-money laundering compliance for cryptoassets.

<sup>57</sup> See also Financial Times (2025), Stablecoins could trigger taxpayer bailouts, warns Nobel economics laureate.

Dutch governments fully compensated their citizens for the loss of deposits in Icelandic banks. This was motivated by political and reputational pressures to protect savers.

Political calls to compensation can be especially strong, if stablecoin holders are not entirely aware of what they actually hold. The confusion can arise for instance, if a bank issues both deposits and stablecoins. Under MiCA, banks can directly issue e-money tokens from the same legal entity that also issues deposits. Other jurisdictions have taken measures to avoid this possibility. For instance, the UK has made it clear that banks should issue stablecoins through a separate non-bank legal entity.<sup>58</sup>

### **Lack of monetary singleness**

The current financial system features different monies with different credit risks, such as cash, bank deposits and traditional e-money. Despite the use of different monies with different credit risks, all these monies allow payments to function efficiently without a loss of value. This feature is called singleness of money. Stablecoins currently struggle with singleness, creating frictions in economic transactions and undermining the public's trust in them as money.<sup>59</sup>

Singleness works whenever the receiver of a payment is willing to accept the payment at face value, irrespective of which form of money is used by the payer. With bearer instruments, such as cash, this willingness works as there are established ways for receivers to easily turn these bearer instruments into the money they prefer. For instance, for cash, ATMs allow the receivers to easily turn cash into bank deposits. With non-bearer instruments, such as bank deposits and traditional e-money, the receivers always receive the money they prefer. This is because, behind the scenes, the receiving institutions receive from sending institutions the equivalent value of a settlement asset. This is typically in the form of central bank money and allows them to translate payments into an increased balance for the recipient.

As stablecoins are typically bearer instruments, a receiver only receives the stablecoin preferred by the sender. As there are currently no easy and reliable channels for receivers to convert these stablecoins at par into the money they prefer<sup>60</sup>, friction is created, potentially leading to a situation in which some stablecoins are only accepted at a discount. An historical parallel is the so-called Free Banking Era when cash notes issued by different banks started to trade at a discount.<sup>61</sup> In an extreme case, receivers may be unwilling to accept certain stablecoins altogether.

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<sup>58</sup> Bank of England (2023), Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins.

<sup>59</sup> See BIS (2023), Stablecoins versus tokenised deposits: implications for the singleness of money, and BIS (2025), Annual Report 2025 – The next-generation monetary and financial system.

<sup>60</sup> Currently, the common market practice is that stablecoins are redeemed via exchanges, where redemption prices often deviate from the par. In EU, stablecoin issuers are obliged to redeem at face value without fees. However, issuers need to know their customers at redemption, which can lead to delays and other frictions.

<sup>61</sup> Gorton, G.B. and Zhang, J.Y. (2023), Taming wildcat stablecoins

Different measures can be taken to ensure that stablecoins fulfil the singleness criteria of money. One straightforward solution is to create a clearing and settlement solution, similar to the ones used for cash and cheques, that would allow receivers of stablecoins to deposit these into their banks at face value.<sup>62</sup> Another solution would be to re-design and turn stablecoins into non-bearer instruments, like bank deposits, and integrate them into existing settlement systems (see Section 4).

### **Risk of bank disintermediation**

Increased stablecoin use can also create the risk of bank disintermediation by making bank funding less stable.<sup>63</sup> If a large number of retail depositors start holding stablecoins instead of bank deposits, banks could see their funding stability decrease. Banks can still restore their funding stability via a number of measures such as issuing market funding or extending the maturity of existing funding instruments, but these measures are likely to lead to increased bank funding costs, potentially affecting bank lending rates.<sup>64</sup>

How much banks are actually affected depends on the demand for stablecoins and how stablecoins come to be used. Deposits have some advantages over stablecoins, such as reputation, trust, stricter regulations and resolution frameworks, deposit guarantees, interest payments and possibility of complementary services, such as credit. This suggests that stablecoins may be used for specific payments rather than as a primary account for receiving payments, such as wages or revenue. This is similar to how some global e-money actors today, for instance Wise, offer services like card issuance and cross border payments. This has decreased banks' revenues from payments, but the macro-economic consequences via bank lending have been negligible.

Banks are also likely to adjust to the emergence of stablecoins. In the short-term, one possibility for banks is to issue their own stablecoins. If banks' existing clients demand a stablecoin, offering one would support clients and increase (or maintain) revenues. In Europe, Banking Circle and Société Générale are both banks that have already issued their own MiCA-compliant stablecoins. Banks can also cooperate and build consortiums to offer stablecoins. In the US, JP Morgan Chase, Bank of America, Citigroup and Wells Fargo have entered into talks to issue their own stablecoin. In the EU, a consortium of nine banks, including SEB and Danske Bank, have announced plans to issue their own stablecoin in euro.<sup>65</sup> This initiative was followed by 10 global banks to give out a set of individual stablecoins denominated in major currencies.<sup>66</sup>

Issuing a stablecoin is not the only way banks could respond. Banks could also cooperate with existing stablecoins and take measures to facilitate receiving, holding and

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<sup>62</sup> For more details, see Ubyx (n.d.), Ubyx Platform.

<sup>63</sup> Purchase of stablecoins with deposits does not reduce the supply of funding to banks, as is often claimed, but can reduce the stability of this funding.

<sup>64</sup> There is also some debate about whether central bank digital currencies, CBDCs, could also act as a competitor to bank deposits. See, for instance, Bidder et al. (2025), CBDC and banks: disintermediating fast and slow.

<sup>65</sup> SEB (n.d.), SEB joins consortium with major European banks to issue stablecoin.

<sup>66</sup> See Ledger Insights (2025), Ten Systemically Important Banks Collaborate on Stablecoin-like Initiative.

sending stablecoins for their existing customers. Banks and remittance providers could also use stablecoin rails to improve their cross-border payment offerings.

In the long-term, banks may also compete with stablecoins by issuing deposits in a tokenised form<sup>67</sup> or upgrading their payment systems in other ways.<sup>68</sup> Issuing tokenised deposits requires extensive industry coordination and clear supervisory guidance, especially if public blockchains are used. JP Morgan has already issued deposits on a public blockchain,<sup>69</sup> and there have been several industry announcements in the UK and Switzerland of plans to issue tokenised deposits.<sup>70</sup> Swift has also recently announced a plan to produce a shared ledger where banks can issue their own deposits and other digital assets.<sup>71</sup>

### **Stablecoins as a settlement asset instead of central bank money**

One important use case for stablecoins is to act as a settlement asset for trades in tokenised assets.<sup>72</sup> Tokenisation is currently a small market, with an outstanding volume of ca 40 billion USD.<sup>73</sup> Most of these tokenised assets are money-market funds and illiquid assets such as private/structured credit that cannot be traded otherwise. There is also a small but growing market for tokenised securities.

Today, securities are mostly settled in central bank money to reduce the risks associated with the use of private money.<sup>74</sup> This follows from an international standard stating that large payments, such as those involved in security settlement, should be settled in central bank money, where practical and available.<sup>75</sup> As the market for tokenised securities grows, there is a risk that stablecoins will be used to settle these trades rather than central bank money.

To reduce this risk, central banks around the world are discussing how trades with tokenised assets can be settled in central bank money. This can be done by renewing existing settlement systems or creating entirely new settlement services.<sup>76</sup> For instance, the ECB is currently developing a settlement service, Pontes, as well as looking into a

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<sup>67</sup> There are two possible forms this could take: as deposit tokens, or as tokenised deposits. Deposit tokens are digital representations of commercial bank money issued on a blockchain, designed to function like stablecoins but backed by actual bank deposits. Tokenised deposits, on the other hand, are existing bank deposits that have been digitally represented on a distributed ledger, maintaining a direct link to the underlying deposit account. Both aim to modernise money for digital use, but while deposit tokens are typically issued as new digital instruments ("native tokens"), tokenised deposits are a transformation of existing balances into a token format.

<sup>68</sup> For instance, by offering instant cross border payments via the fast payment systems or using the existing rails with improved terms. See for instance a new scheme introduced by Swift, Swift (2025). Transforming the experience for retail cross-border payments

<sup>69</sup> See Kinexys by J.P.Morgan (n.d.), Deposit Tokens.

<sup>70</sup> See UK Finance (2025), UK Finance announces live pilot phase to deliver tokenised sterling deposits, and Swiss Banking (2025), Swiss banks reach milestone: Deposit token makes blockchain-based payments fit for the future.

<sup>71</sup> Swift (2025), Swift to add blockchain-based ledger.

<sup>72</sup> See also Sveriges Riksbank (2024) FSR 2024:2 Tokenisering: Ny teknik för effektivare finansiell infrastruktur?

<sup>73</sup> See RWA.xyz (n.d.), Analytics on Tokenised Real-World Assets.

<sup>74</sup> Central bank money, unlike private money, is free of credit and liquidity risks.

<sup>75</sup> See CPMI-IOSCO (2012), Principles for financial market infrastructures (PFMI), note 20.

<sup>76</sup> See BIS (2023), Wholesale central bank money in the context of technological innovation.

possible longer-term solution, Project Appia, to facilitate safe and efficient settlement in central bank money when real world assets become tokenised.<sup>77</sup> The Riksbank follows these projects carefully and could in the future decide to use these technical solutions to provide new settlement services in Swedish kronor. The Riksbank has decided to transition to the Eurosystem's platforms for its own settlement services in Swedish kronor for large value payments and securities transactions in the coming years.<sup>78</sup>

### 3.3 Open issues related to regulation

The EU regulatory approach has not been to encourage the registration of stablecoins, but rather to create a level playing field at a time when it was unclear what, if any, rules applied to crypto assets. Another explicit goal was to minimise risks to financial stability, the smooth operation of payment systems, monetary policy transmission or monetary sovereignty and consumers. This means that some other countries offer regulatory regimes that may be more attractive to stablecoin issuers.

#### **Multi-issue stablecoins – one area of regulatory arbitrage**

One area of arbitrage lies in the issuance of multi-issue stablecoins, also called “one leg out” stablecoins. These stablecoins are issued under different legal regimes (e.g. under both MiCA and in the US) but are fungible and indistinguishable, insofar as stablecoins issued in a third country are redeemable in the EU but not covered by backing assets in the EU. This would weaken both the prudential regime for EMTs in the EU, and safeguards for EU retail investors in EMTs. The concern, then, is that this undermines financial stability where the backing is inadequate during a crisis or redemption run.

The question of whether multi-issue stablecoins should be permitted under MiCA was sent from France's Autorité de contrôle prudentiel et de résolution (prudential authority) to the European Banking Authority,<sup>79</sup> who forwarded the question to the Commission as a political decision. The ESRB has since encouraged the EU to interpret multi-issue stablecoins as impermissible under EU regulations, or if they are permissible, to create a regime under which they are more strictly controlled.<sup>80</sup>

#### **Global stablecoins pose challenges for financial stability and supervision**

Global stablecoins are stablecoins that have existing, or potential, reach and use across multiple jurisdictions, and that could become systemically important in and across one or many jurisdictions, including as a means of payment and/or as a store of

<sup>77</sup> See ECB (2025), ECB commits to distributed ledger technology settlement plans with dual-track strategy.

<sup>78</sup> It already uses TIPS for instant payments. See Sveriges Riksbank (2025), Investigation into the Riksbank's future settlement services.

<sup>79</sup> See EBA (2024), One leg out Multi EMT issuance – legal possibility and related issues.

<sup>80</sup> See ESRB (2025), Recommendation of the European Systemic Risk Board of 25 September 2025 on third-country multi-issuer stablecoin schemes (ESRB/2025/9).



value.<sup>81</sup> They include stablecoins denominated in dollars but outside the regulatory reach of the EU or US (i.e. offshore stablecoins).

These stablecoins pose the same risks to financial stability, monetary transmission and monetary policy as other stablecoins. However, their global nature means that no single country can monitor—or enforce action against—them. For this reason, the FSB has published recommendations how to limit risks associated with them, including through cooperative supervision and for countries across the globe to implement the FSB high-level recommendations.<sup>82</sup>

### **Interest payments through platforms**

In the EU, paying interest on stablecoins is prohibited by defining them as “non-interest-bearing”. However, under the GENIUS Act, only issuers are prohibited from paying interest. For this reason, some platforms in the US have begun to offer interest-like returns, for instance “rewards” on stablecoin holdings.<sup>83</sup> This makes it more attractive to hold stablecoins instead of bank deposits. Exchanges such as Coinbase and Kraken, along with payment services like PayPal,<sup>84</sup> provide “rewards” for users who hold stablecoins on their platforms. This feeds into concerns around the disintermediation of banks, see Section 3.2.

### **Potential issues related to a fall in the value of reserve assets and a breach of capital requirements**

The market value of asset reserves for stablecoins will fluctuate over time. This leads to a question of what happens if the market value of asset reserves falls so that the issuer is in breach of its capital requirements.

One option for the issuer is to recapitalise itself. Another option is to declare the issuer insolvent. How insolvency will play out is untested in many countries.

There is also a question of how often the capital situation of an issuer is audited. If auditing is not required or only required once a year, capital breaches can take a long time to detect.

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<sup>81</sup> See FSB (2023), High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements.

<sup>82</sup> FSB (2020), Regulation, Supervision and Oversight of “Global Stablecoin” Arrangements.

<sup>83</sup> This could be compared to how “staking” and lending in decentralised finance are used to generate returns.

<sup>84</sup> PayPal offers yields on stablecoin balances held on its platform. This is possible because the PayPal stablecoin, PYUSD, was issued by PAXOS. For more on this issue, see Ocampo, D. G. (2025), Stablecoin-related yields: some regulatory approaches.

## 4 Central bank policies toward stablecoin issuers

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Central banks have an important role in setting the policy towards stablecoins issuers.

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As the market for stablecoins grows in size, the issue of an appropriate central bank policy toward stablecoin issuers becomes relevant. This policy includes three distinct aspects:

- Issuers' access to a central bank settlement system
- The use of central bank reserves as a backing asset
- Issuers' access to central bank standing facilities and liquidity backstops

To date, different jurisdictions have taken different approaches. In the EU, stablecoin issuers are either credit institutions or e-money institutions. These types of institutions are included in the set of eligible participants in central banks' settlement systems. MiCA also allows central bank reserves as a backing asset. However, the ECB and other EU central banks, including Sveriges Riksbank, have decided not to allow the use of central bank reserves as backing assets for stablecoins and do not offer them access to intraday credit or standing facilities.<sup>85</sup> While EU central banks acknowledge the benefits of risk-free nature of central bank reserves as a backing asset, they also see concerns. There is a concern that stablecoins backed only by central bank reserves could be marketed as extremely safe, accelerating adoption. Furthermore, stablecoins backed only by central bank reserves could undermine the efficiency and stability of the existing financial system built on fractional rather than full reserve banking.

In the US, the GENIUS Act allows central bank reserves as a backing asset. However, access to the Fed's settlement systems and the use of central bank reserves as a backing asset are subject to the Fed's policy. The Fed's access policy has been traditionally limited to banks and other lending institutions. However, being the right type of institution has not been sufficient: additional requirements have existed.<sup>86</sup> There are now plans to change this policy.<sup>87</sup> The proposed policy would introduce a new type of Fed accounts that would be accessible on simplified terms, supporting banks mainly involved in payments. The accounts would be non-interest-bearing with caps on the size of their balances. No access to intraday credit or overnight borrowing facility at the Fed would be included in the policy.

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<sup>85</sup> ECB (2024), Eurosystem sets policy on access by non-bank payment service providers to its central bank payment systems.

<sup>86</sup> The Fed has, for instance, denied system access to so called narrow banks, that is, banks holding only central bank reserves as a business model. For more, see Federal Reserve Board (n.d.), Master Accounts and Services Database FAQs, and Yahoo News (2024), Fed denies TNB master account after 6 years.

<sup>87</sup> Federal Reserve Board (2025), Opening remarks by Governor Waller at the Payments Innovation Conference.

In the UK, a proposed regulatory regime for systemic stablecoins was released in 2023.<sup>88</sup> It required the issuers to back their stablecoins fully with zero-interest paying central bank reserves. The underlying logic behind the proposal was clear: to avoid systemic stablecoins creating systemic risks, they must be entirely free of maturity, credit and liquidity transformation. The only way to achieve this is through full backing in central bank money. The proposal also included caps on the individual holdings of stablecoins, partly to limit the potentially adverse effects of stablecoins fully backed by central bank reserves in times of distress. The UK's proposed regime is, however, under revision again.<sup>89</sup> A new proposal will allow stablecoin issuers to invest a portion of their backing assets in short-term treasury securities, allowing them to make a return on the backing assets. The new proposal also includes a liquidity back-stop to help solvent systemic stablecoin issuers to liquidise their backing assets to enable customers to make timely redemptions at all times.

These different choices by different jurisdictions reflect trade-offs. Stablecoin issuers' direct access to settlement systems could facilitate their participation in instant payment systems, enabling instant purchases and redemptions of stablecoins (i.e. on- and off-ramping). Direct access could also enable payments between stablecoins and bank accounts<sup>90</sup> as well as support different initiatives to increase the singleness of stablecoins. Direct access, however, also assumes that stablecoin issuers are under adequate regulation and supervision. Stablecoin issuers also need to follow appropriate risk management practices so that the integrity of existing settlement and payment systems is not undermined.

Central bank reserves as backing assets could allow the use of stablecoins without creating systemic risks via maturity, credit and liquidity transformation. However, during periods of stress, stablecoins backed by central bank money could be seen as safer than other banks (so-called "narrow banks"). This could prompt outflows from commercial banks to stablecoins as discussed in the earlier section about the risk of bank disintermediation.

If using central bank reserves as backing assets is not permitted, questions arise as to how to deal with the risks related to other backing assets. Bank deposits, unlike security holdings, have the advantage of being directly available for redemptions and there is no fire-sale risk. Bank deposits, however, expose stablecoins to credit risks at the banks, as was witnessed in the case of Silicon Valley bank.<sup>91</sup> The use of securities as backing assets can reduce these credit risks but may create delays in redemptions and increase fire-sale risks. Central banks have the tools to reduce fire-sale risks and support timely redemptions. However, these support measures must be adequately motivated and are typically only used to counteract system-wide risks that could undermine the functioning of the financial system.

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<sup>88</sup> Bank of England (2023), Regulatory regime for systemic payment systems using stablecoins and related service providers.

<sup>89</sup> Bank of England (2025), Not just token gestures – speech by Sarah Breeden.

<sup>90</sup> See for instance Monerium.

<sup>91</sup> For more details, see for instance, S&P Global (2023), Stablecoins: A Deep Dive into Valuation and De-pegging.

## 5 Concluding words

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Stablecoins hold the promise to improve payment services. However, this promise must not come at the expense of financial stability, consumer protection and the singleness of money. Strong international cooperation would go a long way towards addressing the remaining challenges.

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Stablecoins initially emerged to enable fast movements of funds between centralised crypto exchanges. Even today, their primary use remains within the crypto ecosystem. Their use in the real world remains limited—though it is gaining momentum. Factors such as active support from the US administration and increasing regulatory clarity worldwide have contributed to this acceleration. Whether this momentum will lead to widespread adoption remains uncertain.

Issued by non-bank payment institutions, stablecoins promise improved payment services for users. While non-bank institutions are not new, the way stablecoins operate is new: rather than relying on traditional payment infrastructures, they leverage open, decentralised networks originally designed for unbacked crypto assets. These networks allow for the separation of money issuance from its usage, fostering specialisation, encouraging competition, and potentially driving innovation.

However, the promise of better payment services must not come at the expense of financial stability, consumer protection and trust in money. Stablecoins must evolve into a well-regulated form of private money denominated in official currency. While progress is being made, several concerns remain. These include the ability of issuers to redeem stablecoins at par value at all times, the risk of illicit use, integration with existing payment systems to ensure all regulated forms of money retain their value in transactions, and adequate consumer protection. Given their global nature, addressing these challenges requires strong international cooperation.

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## APPENDIX – Different kinds of money have different features

**Table 4. Different kinds of money have different features**

A comparison of stablecoins and other kinds of money

Feature	Central bank money	Commercial bank money	Non-bank private money (e-money)	Stablecoins	Unbacked crypto assets
<b>Issuer</b>	Central bank	Regulated banks	Non-bank entities (e.g., prepaid card issuers)	Non-banks or banks	Decentralised protocol
<b>Claim on</b>	Central bank	Issuer (bank)	Issuer	Issuer	No claim, no backing
<b>Backing</b>	Sovereign guarantee	Fractional reserves (with capital and liquidity requirements), deposit insurance	Issuer's balance sheet	Typically reserve assets (fiat, securities, etc.)	None
<b>Risk</b>	Virtually risk-free	Low (regulated, insured)	Higher (issuer insolvency risk)	Depends on reserve quality and segregation	High (volatility)
<b>Technology today</b>	Centralised system	Bank's centralised system	Closed-loop system	Block-chain/DLT	Block-chain/DLT
<b>Scope of use</b>	Domestic <sup>92</sup>	Domestic and cross-border via banking rails	Issuer's ecosystem	Global, peer-to-peer	Global, peer-to-peer
<b>Redemption</b>	Unlimited	Unlimited in normal times, limited to deposit insurance	Limited to issuer's ecosystem	Redeemable for official currency (if regulated and solvent)	Not redeemable at par
<b>Purpose</b>	Settlement, store of value, payments	Payments, savings, credit	Payments within ecosystem	Payments, DeFi use	Speculation, investment

<sup>92</sup> Although there is work being done to increase the use of central bank money across borders, for instance with TIPS cross-currency in the EU



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