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Major jurisdictions broadly align on the key principles of stablecoin regulations but not always on the details

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Key points

- The uptake of stablecoins has continued and is expected to increase over the medium term.
- Stablecoin regulatory regimes have been, or are close to being, adopted in key markets including the U.S., U.K., EU and Hong Kong.
- While the principles underpinning these new regimes are broadly consistent, the detailed requirements are not entirely aligned, which may complicate the adoption of these digital assets for cross-border transactions.

Markets have continued to observe the rapid growth of fiat-backed stablecoins, with the U.S. dollar-denominated stablecoin market reaching $225 billion and commentators estimating that number could reach up to $750 billion over the next couple of years, according to a September 2025 report by J.P. Morgan Global Research (https://bit.ly/45BYtba).

A "fiat-backed stablecoin" is a digital asset designed to track the value of an underlying currency by establishing a reserve of backing assets to support its value.

While fiat-backed stablecoins are, by their design, more stable than unbacked cryptocurrencies such as bitcoin, regulators are in the process of implementing regimes in order to ensure a uniform approach across stablecoins (*e.g.*, permitted reserves) and to mitigate, among other things, consumer risks that may arise from the increasing use of stablecoins.

What are regulators focused on?

The regulation of stablecoins globally is transitioning from a fragmented patchwork of regimes not specifically designed for cryptoassets to a series of stablecoin-specific frameworks across key markets, including the U.S., U.K., European Union and Hong Kong.

The scope of the new and proposed regimes varies, as does their timeline of implementation. For example, while the EU adopted its Regulation (EU) 2023/1114 on markets in cryptoassets (MiCA) in May 2023, U.K. regulators continue to consult on their proposals.

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While there is some consensus among legislators across a number of key areas (outlined below), the regimes are not wholly consistent, which will raise questions about the degree of international interoperability and equivalence that can be achieved for a technology designed to operate on a cross-border basis.

Backing assets

There is broad consensus among regulators that a fiat-backed stablecoin should be backed by a pool of reserve assets of an equivalent value (*i.e.*, on a 1:1 basis). This is enshrined in MiCA, the U.S.' Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) and Hong Kong's Stablecoins Ordinance (SO), as well as in proposals recently published by U.K. regulators (U.K. Regime).

However, regulators have taken a differing approach in terms of the composition of those backing-assets.

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For example:

- The GENIUS Act in the U.S. allows backing assets to comprise a combination of cash, demand deposits, short-term U.S. Treasury bills and other high-quality short duration assets.
- In the EU, MiCA allows for backing assets to be invested in secure, low-risk and highly liquid financial instruments, with at least 30% of the funds deposited in separate accounts held with credit institutions.
- By contrast, the U.K. has proposed a more onerous regime for "systemic" sterling-denominated stablecoins (defined as stablecoins widely used in payments that could pose risks to U.K. financial stability) in which at least 40% of the backing assets must be unremunerated central bank deposits, with the remaining 60% limited to short-term sterling-denominated U.K. government debt securities.

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These backing-asset requirements are in addition to applicable capital and reserve requirements in each jurisdiction.

Redemption

There is consensus that coin holders should have a legal right to require the redemption of their stablecoins in the relevant currency on demand. The backing-asset requirements go some way to preserving this right by ensuring issuers have sufficiently liquid assets to meet redemption requests.

However, the detailed requirements vary across jurisdictions despite the agreement on the redemption principle. In particular, certain regimes (such as the U.S. GENIUS Act, Hong Kong's SO and the U.K. Regime) permit redemption fees provided they are reasonable or commensurate to the issuer's costs, whereas the EU prohibits such fees.

In addition, both the U.K. Regime and MiCA require either same day or next day redemption (with limited exceptions), in contrast to the more flexible approach in the U.S. and Hong Kong, which require redemption in a timely manner.

Returns on stablecoins

Regulators have taken the view that fiat-backed stablecoins are primarily intended as a means of payment, and not investments or deposit-like instruments. Consequently, the payment of interest and yields to coin holders is currently intended to be restricted in all these major jurisdictions.

Consumer protection

Stablecoin regimes have sought to enhance consumer protection through the backing-asset and safeguarding requirements, together with enhanced disclosure and marketing obligations. It is expected that the stablecoin regimes will complement existing consumer protection regimes.

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MiCA, for example, contains detailed information requirements for issuers, while the GENIUS Act specifically provides that it will not preempt state consumer protection laws. This is broadly consistent with the U.K. approach, which envisages the U.K. Regime operating alongside the U.K. Consumer Duty and financial promotion rules.

Financial crime

Financial crime remains a core priority for regulators. All regimes within the jurisdictions discussed contain anti-money laundering and terrorist financing frameworks. "Know-your-customer" checks, record-keeping and reporting requirements will continue to be key pillars of compliance going forward.

Holding limits

In November 2025, the Bank of England announced its intended per-coin holding limits for "systemic" stablecoins of £20,000 for individuals and £10 million for businesses (with limited exceptions). The regulator remains concerned that a disorderly transition to stablecoins could negatively impact the provision of credit to the U.K. economy due to diminishing levels of U.K. bank deposits.

While the regulator notes that these limits would fall away over time, this aspect of the U.K. Regime sets it apart from other jurisdictions.

The global outlook

The degree to which these regimes align will be relevant to facilitating the cross-border "use" of stablecoins. The U.S. GENIUS Act provides that foreign stablecoin issuers would be permitted to offer and sell payment stablecoins in the U.S. provided they are subject to "comparable" supervision by their home regulator and hold reserves in U.S. financial institutions. What is "comparable" remains to be defined.

The position under the U.K. Regime is less clear.

The Bank of England indicated in its November 2025 proposals that it will require all issuers of systemic sterling-denominated stablecoins to carry out such activity through a U.K. entity, but it has also stated that, for non-sterling-denominated stablecoins that "reach systemic levels of use in the U.K.," it may consider deferring to an issuer's home authority only if its regulatory framework provides equivalent outcomes.

That poses the question of how U.K. regulators will treat non-U.K. issuers of non-sterling stablecoins that are widely used in the U.K. as a means of payment.

Final thoughts

While the core principles underlying the major regulatory frameworks are broadly aligned, significant differences in the approach of each regime remain. The differences may ultimately present barriers to the global adoption of stablecoins and will inevitably create a competitive advantage for those financial centers with less onerous requirements.

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