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**Mapping the Global Race
to Regulate Stablecoins
By**

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14 August 2025

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Executive Summary

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US Offensive on Stablecoins

- ✦ Stablecoins are digital assets pegged to fiat currencies and backed by real or traditional financial assets and intended as stable, low-volatility means of payment, especially for cross-border transactions.
- ✦ Dollar-backed stablecoins are becoming tools of geopolitical influence, with the U.S. using them to reinforce dollar dominance, while other powers worry about monetary sovereignty.
- ✦ The U.S. GENIUS Act establishes a federal framework for issuing dollar-pegged stablecoins, requiring full 1:1 reserve backing, tiered licensing, and excluding them from SEC/CFTC oversight.
- ✦ GENIUS also mandates that stablecoin reserves be held in U.S. Treasuries, potentially generating up to \$2 trillion in demand for government debt and supporting U.S. fiscal position.
- ✦ The CLARITY Act complements GENIUS by clarifying token classifications and limiting the SEC's reach; together with the Anti-CBDC Act, these laws form the U.S.'s aggressive stablecoin stance.
- ✦ Tether, the world's largest stablecoin, may enter the U.S. market under the GENIUS framework, increasing demand for U.S. Treasuries and boosting U.S. monetary soft power.

EU Plays Safe With MiCA

- ✦ The EU's MiCA regulation adopts a defensive approach, restricting non-EU stablecoin use and banning foreign issuance of euro-pegged tokens to protect the euro and ECB monetary control.
- ✦ MiCA grants EU regulators the power to ban or limit stablecoins that threaten financial stability or monetary policy, especially if usage thresholds are exceeded.

UK's Regulation Still Timid on Stablecoins

- ✦ The UK framework under the Financial Services and Markets Act allows both local and foreign stablecoin issuers more flexibility and aims to attract GBP-pegged tokens to internationalize the pound.

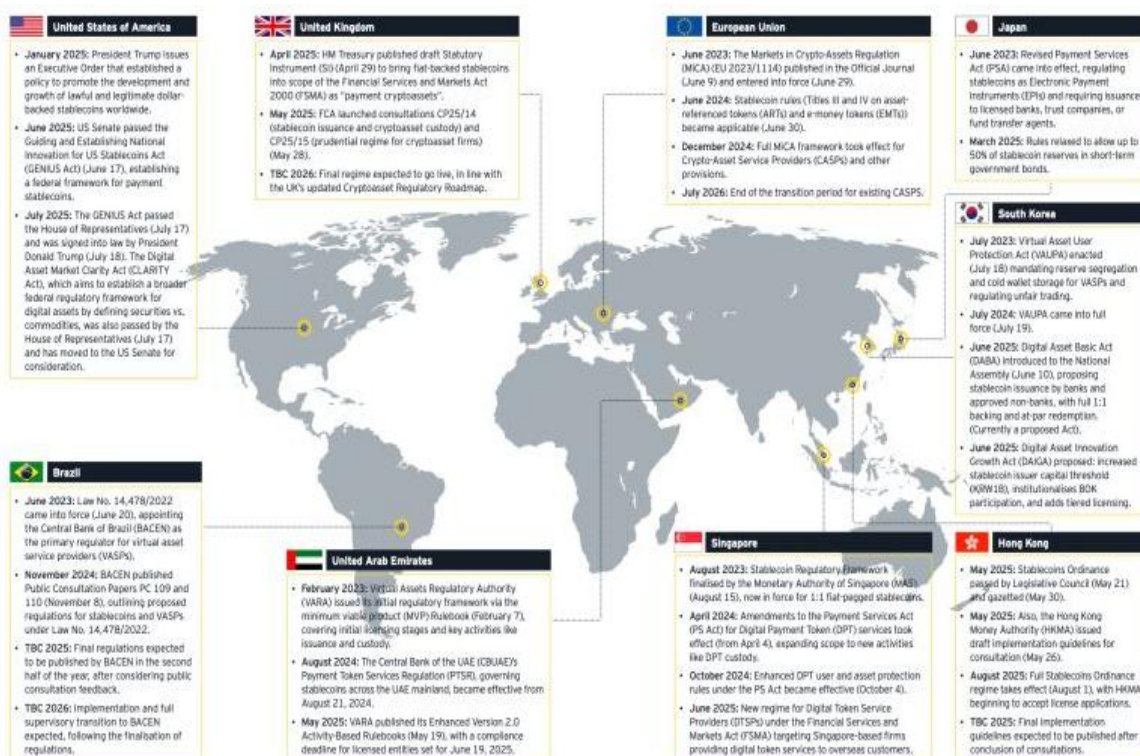
Hong Kong Making Great Progress

- ✦ Hong Kong's 2025 Stablecoin Ordinance licenses HKD-pegged issuers, requires 1:1 liquid reserve backing, and supports multi-currency stablecoins in line with China's Belt and Road goals.

UAE: The New Global Hub For Digital Currencies

- ✦ The UAE's Payment Token Services Regulation governs AED- and foreign-pegged stablecoins, mandates licenses, reserves, and FATF compliance, while excluding its financial free zones.
- ✦ The UAE's multi-tiered regulatory system distinguishes between fiat- and commodity-backed tokens, with the latter regulated by different authorities (SCA and VARA), reflecting growing complexity.
- ✦ Stablecoins are digital assets pegged to fiat currencies and intended as stable, low-volatility means of payment, especially for cross-border transactions.

Key Picture: Global Stablecoin Regulations Landscape



Jurisdiction	Issuer eligibility	Asset reserve composition	Safeguarding requirements	Redemption obligations
 European Union (EU)	Banks and Electronic Money Institutions (EMIs) (for EMTs) or EU-authorized legal entities (for ARTs).	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. Cash, cash equivalents, very short-term government (gov) bonds, readily available financial instruments. Non-interest bearing to holders. 	<ul style="list-style-type: none"> Held by third-party custodian. Reserves to be segregated from issuer's assets and other assets. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline not explicitly outlined.
 Japan	Licensed banks, fund transfer service providers, trust companies (for EPIs).	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. Up to 50% in gov bonds/term deposits (trust-type). Non-interest bearing to holders. 	<ul style="list-style-type: none"> Held by issuer or trust company. Reserves to be segregated from issuer's proprietary assets. 	<ul style="list-style-type: none"> Redeem at face value (i.e., par). Redemption timeline not explicitly outlined.
 United Arab Emirates (UAE)	VARA-licensed VASPs with specific stablecoin issuance authorisation.	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. Cash, cash equivalents, debt securities (gov/central bank, <90d), repos (<7d), short-term (ST) gov money market funds (MMFs). Non-interest bearing to holders. 	<ul style="list-style-type: none"> Held by licensed financial services (FS) firms. Reserves to be legally segregated and remote from issuer's own assets. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline within one business day.
 Singapore	MAS-licensed major payment institutions (for SCS issuance).	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. Cash, cash equiv., short-dated gov securities, other low-risk investments. Non-interest bearing to holders (prohibits activities like lending/staking). 	<ul style="list-style-type: none"> Assets must be held by financial institutions (FIs) licensed in Singapore for custodial services, or by MAS-regulated overseas custodians with a Singapore branch. Reserves to be segregated accounts on trust. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline within five business days.
 United States of America (US)	Regulated banks or federally/state-chartered non-bank entities.	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. US currency/deposits, ST Treasury bills, repos (Treasury bills backed), gov MMFs, central bank reserves. Non-interest bearing to holders. 	<ul style="list-style-type: none"> Held by regulated custodians. Reserves to be segregated from own assets. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline not explicitly outlined.
 Hong Kong	HKMA-licensed fiat-referenced stablecoin (FRS) issuers.	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. Cash, bank deposits (<3m), marketable debt securities (gov/central bank, <1y, 0% risk weight), cash from overnight reverse repos, dedicated investment funds. Non-interest bearing to holders. 	<ul style="list-style-type: none"> Held by licensed banks or other HKMA accepted custodians. Reserves to be segregated from licensee's own and other assets, with effective trust arrangement. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline within one business day.
 United Kingdom (UK)	FCA-authorized firms to carry out safeguarding (Art. 90) and issuance activities (Art. 9M).	<ul style="list-style-type: none"> 1:1 backing with reserve assets. Highly liquid, low risk. ST deposits and gov. debt; expanded: long-term (LT) gov. debt, MMF, repo/ reverse repo assets. Non-interest bearing to holders. 	<ul style="list-style-type: none"> Held by third-party custodian (not affiliated to the issuer's group). Reserves to be segregated from own assets and held in statutory trust. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline within one business day (end of next business day).
 South Korea	Banks or FSC-approved non-bank entities (proposed under DABA).	<ul style="list-style-type: none"> 1:1 for fiat-collateralised stablecoins. Emphasis on bankruptcy remoteness, expected highly liquid. Primarily cash or cash equiv. detailed list is still being refined within the proposed DABA. Non-interest bearing to holders (proposed). 	<ul style="list-style-type: none"> Held by licensed local bank. Reserves to be legally segregated from issuer's own assets. 	<ul style="list-style-type: none"> Redeem at par value. Redemption timeline not explicitly outlined: Expected to be defined via subordinate regulations later.
 Brazil	BCB-authorized VASPs.	<ul style="list-style-type: none"> 1:1 expected for fiat-backed stablecoins. Expected to be highly liquid and low risk. Details on specific permissible assets are pending the final regulations from the Central Bank of Brazil (BCB). 	<ul style="list-style-type: none"> Custody details still pending. Expected to require segregation of client assets from VASP's own funds. 	<ul style="list-style-type: none"> Expected to be at par. Redemption timeline not explicitly outlined; still being developed.

Source: EY via [Panaqiotis Kriari](#)

Introduction

The Stablecoins, cryptocurrencies pegged to fiat currencies such as the U.S. dollar or the euro, are emerging as a powerful force in the global financial system. Designed to reduce volatility while retaining the technological advantages of digital assets, stablecoins are meant to be used as a means of payment, particularly for cross-border transactions. Unlike traditional cryptocurrencies such as Bitcoin, which are prone to sharp price fluctuations, fiat-backed stablecoins aim to provide a stable store of value, making them an attractive alternative as means of payment.

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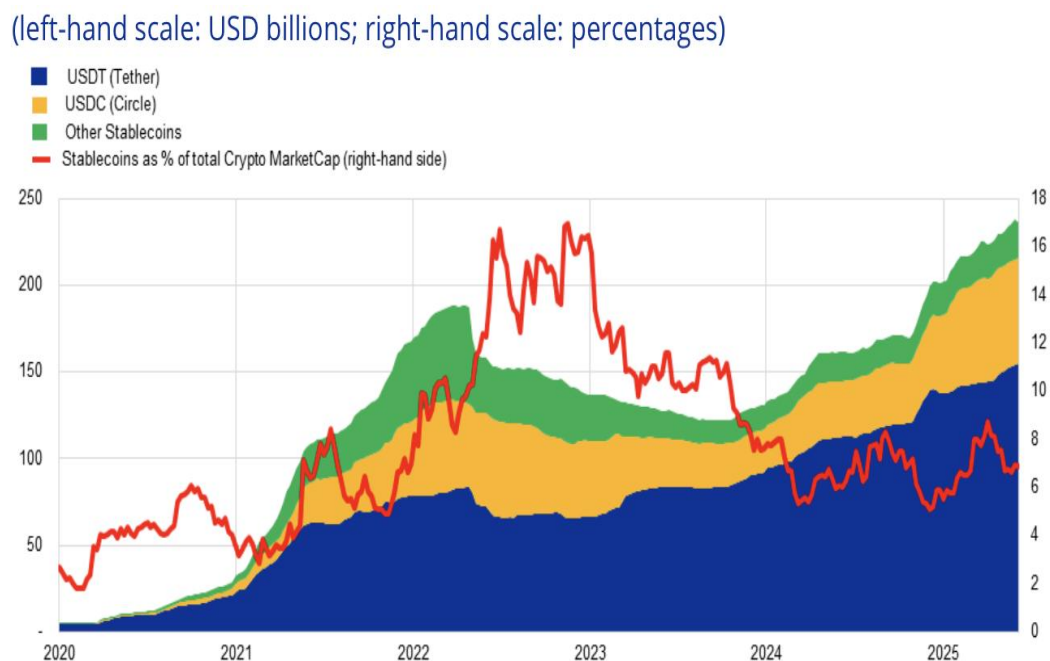
What began as a niche experiment in financial innovation has now evolved into a serious matter of geopolitical concern. Competing policy agendas in the United States, European Union, United Kingdom, China, and beyond signal the emergence of a new arena of strategic rivalry, one centered on the future of digital money and global monetary leadership. While the U.S. sees dollar-backed stablecoins as an opportunity to extend the reach of its currency, others are increasingly wary of the implications for monetary sovereignty and financial stability.

Since the end of the Second World War, the U.S. dollar has served as the world's dominant reserve currency, underpinning American influence in the global economy. But this dominance is increasingly under pressure. The rise of alternative monetary infrastructures, including BRICS currency initiatives, central bank digital currencies (CBDCs), is challenging the primacy of the dollar in international transactions. The Trump administration frames the proliferation of dollar-backed stablecoins as a strategic tool to defend and even expand U.S. monetary influence globally.

Advanced and emerging economies alike are moving quickly to establish regulatory regimes for stablecoins. From the United States' GENIUS Act to the European Union's Markets in Crypto-Assets Regulation (MiCA), and from the UAE's Payment Token Services Regulation to Hong Kong's new licensing framework, a global patchwork of rules is rapidly taking shape. Bahrain, UAE, South Korea, Japan, Kazakhstan, UK: Each developing or implementing frameworks for dinar-, dirham-, won-, yen-, tenge-, and pound-pegged stablecoins.

These efforts reflect not only a desire to tame financial innovation but also a broader strategic contest over who will shape the rules of digital money in the 21st century.

Figure 1 1: Size of Stablecoins in the Crypto-asset Ecosystem (Jan 2020 - Jun 2025)



Source: ECB

The United States

The Trump administration views dollar-backed stablecoins as a tool to extend U.S. monetary influence. By circulating digital dollars globally through decentralized platforms, the U.S. can expand its monetary footprint without relying on traditional banks or direct central bank channels. This strategy offers a new form of soft power but also raises questions about legal clarity and financial stability.

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Despite their rapid growth, stablecoins remain a relatively small market (~\$240 billion), and their resilience in a crisis is untested. Major gaps remain in defining their legal status under commercial, tax, and accounting law. It's also unclear whether the Federal Reserve would intervene during a run on stablecoins. The GENIUS Act adds a macroeconomic dimension by requiring stablecoin reserves to be held in U.S. Treasuries—creating potentially \$2 trillion in structural demand for government debt. This supports deficit financing while reinforcing the dollar's role as the world's reserve currency. As Senator JD Vance noted, stablecoins could become “a force multiplier of our economic might”, if they prove durable and trusted.

GENIUS, CLARITY, and Anti-CBDC Acts: A New Regulatory Era

In a landmark development for stablecoin regulation, U.S. lawmakers achieved rare bipartisan alignment to pass three pivotal bills: [the GENIUS Act](#), [the CLARITY Act](#), and [the Anti-CBDC Act](#). Together, these measures represent a sweeping shift in America's approach to digital finance. The GENIUS Act, in particular, marks a watershed moment—establishing the first comprehensive federal framework for the issuance, oversight, and integration of dollar-backed stablecoins into the domestic and global financial system. Simultaneously, regulators authorized banks to offer crypto custody services, while major U.S. financial institutions unveiled digital asset strategies focused on stablecoins and tokenized deposits. Taken together, these actions constitute a historic leap in stablecoin legislation, one that redefines regulatory power, reshapes the digital asset ecosystem, and opens a new phase in the geopolitical contest over the future of money.

As mentioned, the GENIUS Act represents a major step toward establishing a clear federal framework for the regulation of U.S. dollar-pegged stablecoins. The GENIUS Act introduces a tiered licensing framework, allowing only Permitted Payment Stablecoin Issuers (PPSIs) to issue U.S. dollar-pegged stablecoins. These include federally insured banks, OCC-chartered nonbanks, state-regulated issuers, and qualifying nonbank financial firms. Importantly, commercial entities—such as large tech firms—are prohibited from issuing stablecoins without explicit regulatory approval, curbing the risk of corporate-issued currencies competing with the dollar.

Issuers with less than \$10 billion in circulation may operate under state supervision, provided state rules are deemed “substantially similar” to federal standards. Larger issuers fall under federal oversight by the OCC, Federal Reserve, or FDIC, depending on the type of entity applying for the issuance. Foreign issuers must meet equivalent standards and accept U.S. supervision to access the U.S. market.

To ensure financial stability, all payment stablecoins must be fully backed 1:1 by high-quality liquid assets held with qualified custodians. Monthly reserve disclosures and, in some cases, annual audits are required, alongside bankruptcy provisions that prioritize customer claims in insolvency. The Act imposes strict compliance obligations, including AML, KYC, and sanctions checks—requirements that apply equally to foreign issuers, eliminating regulatory loopholes.

Crucially, GENIUS brings legal clarity by explicitly excluding stablecoins from classification as securities or commodities, thereby removing them from SEC and CFTC oversight. Instead, regulatory authority lies with the Federal Reserve, OCC, or state banking regulators. This shift narrows the SEC's jurisdiction and consolidates oversight within the Treasury-led framework.

To avoid regulatory arbitrage, the Act empowers a Stablecoin Certification Review Committee—comprising Treasury, the Fed, and FDIC—to determine whether state regimes meet federal equivalence. Federal authorities

can override state decisions in cases of insufficient enforcement, with room for inter-agency cooperation via memoranda of understanding.

Complementing this is the CLARITY Act, which aims to bring legal certainty to the broader digital asset space. It draws clear distinctions between payment stablecoins, digital commodities, and securities, thereby clarifying which federal agencies—particularly the SEC and the CFTC—have jurisdiction over different types of tokens. The Act also offers legal protections for developers of decentralized protocols and smart contracts, so long as they are not directly offering regulated financial services. At the same time, it reinforces compliance with anti-money laundering, know-your-customer, and consumer protection obligations for intermediaries in the crypto ecosystem.

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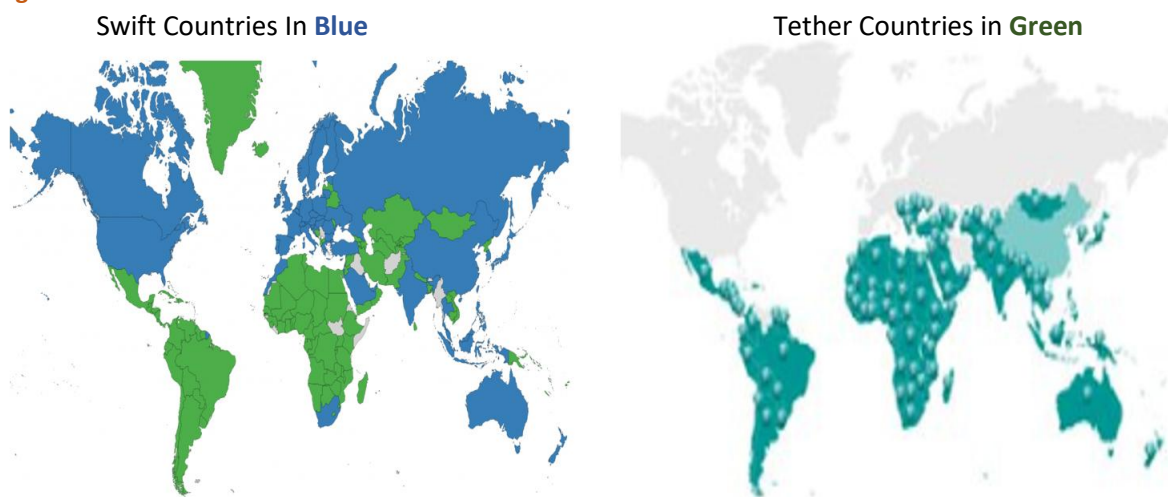
Together, these bills form the foundation of a new U.S. regulatory approach—one that seeks to anchor dollar-denominated stablecoins within the existing financial system while giving legal clarity to innovators and market participants. If enacted, they could transform the U.S. into one of the most stablecoin-friendly jurisdictions in the world, offering both legitimacy and oversight in a rapidly evolving digital monetary landscape.

Tether's Potential U.S. Integration and Geopolitical Implications

A key consequence of the GENIUS Act is the potential entry of Tether—the world's largest stablecoin issuer—into the regulated U.S. market. While historically operating from offshore jurisdictions, Tether could, under the new legislation, become a “permitted issuer” by registering under the U.S. regulatory framework, meeting stringent reserve and disclosure requirements, and accepting federal oversight. Given Tether's close relationship with key U.S. figures such as Commerce Secretary Howard Lutnick—and the lucrative valuations U.S. markets have placed on its smaller rival, Circle—the incentives for compliance are mounting.

Should Tether make this transition, it would not only gain a U.S. regulatory stamp of approval but could also become one of the most strategically important allies in advancing American monetary power in the digital age (**Figure 2**). With its reserves largely held in U.S. Treasuries, Tether's integration into the U.S. regulatory fold could translate into a significant new source of demand for government debt, effectively turning the world's most-used stablecoin into a backchannel financier of U.S. fiscal expansion.

Figure 2: Tether Is Utilised In Countries Where Swift Is Not Present



Source: [Swift Institute](#) and [Tether](#)

Thus, with the passage of recent legislations, the U.S. has taken a bold leap in the digital asset space, adopting an aggressive approach compared to the more cautious and structured EU framework under the MiCA (Markets in Crypto-Assets) Regulation discussed in the next section.

The European Union

While [MiCA](#), partially in force since June 2023 and fully applicable by December 2024, is widely seen as one of the most comprehensive crypto regulations globally, its implementation reflects a more conservative philosophy. Notably, the EU's presence in the stablecoin market remains limited. Euro-denominated stablecoins account for just 0.2% of the global total, and the region continues to rely on U.S. payment networks like Visa and Mastercard for cross-border transactions due to the lack of a unified European payment infrastructure.

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This cautious regulatory posture reflects the EU's concern over the rising dominance of USD-backed stablecoins, particularly in major eurozone economies like Germany, France, Spain, and the Netherlands—all among the top 20 stablecoin markets globally. While most of this activity currently occurs on crypto exchanges, European regulators fear a scenario where these volumes migrate into real-world use cases. If USD stablecoins begin to gain traction in everyday retail payments, it could erode the euro's role within the bloc and [weaken the ECB's control over monetary transmission](#).

In contrast to the GENIUS and CLARITY Acts, which welcome foreign stablecoin issuers under certain regulatory conditions, MiCA adopts a far more restrictive stance. Foreign entities are not permitted to issue euro-denominated stablecoins within the EU, and the use of non-euro stablecoins is tightly controlled. A key provision, Article 23(3) of MiCA, grants the European Banking Authority (EBA) and national regulators the power to limit or ban the use of asset-referenced tokens (ARTs) if they are deemed to threaten monetary sovereignty, financial stability, or the effectiveness of the EU's monetary policy. The EBA is tasked with monitoring usage data, and if a stablecoin surpasses certain thresholds—such as €1 million in daily transactions or over one million users—it may be subjected to enhanced supervision, forced to wind down specific functions, or even banned outright as a means of payment.

Regulatory Risks

[One major challenge](#) now emerging under MiCA is the regulatory gap around global stablecoin issuers. Firms, like Circle, which issues USDC are releasing the same stablecoin both inside and outside the EU. These stablecoins are fungible, meaning it doesn't matter where they were issued; they can be used and redeemed anywhere. So, if people start to lose trust in the stablecoin, they could all rush to redeem their coins through the EU branch, where the rules require immediate, free redemption at full value. But this creates a problem: the reserves to support those redemptions might not be in the EU—they could be in the U.S. or another country. And those non-EU regulators might block access to the funds in a crisis, as it happened during the 2008 and 2020 financial crises. That would leave the EU branch with empty reserves and big obligations. EU regulators would be on the hook for redemptions and liabilities caused by the company's actions outside the EU.

In contrast, the U.S. approach under the GENIUS Act aims to harness stablecoins, particularly dollar-pegged ones, as tools for reinforcing global dollar dominance. By enabling both domestic and foreign issuers to participate under strict but open licensing regimes, the U.S. model prioritizes expansion and integration, while the EU model emphasizes containment and monetary sovereignty.

The United Kingdom

The UK is progressively developing its stablecoin regulation under [the Financial Services and Markets Act 2023](#), which formally recognizes stablecoins as a legitimate means of payment. The Bank of England is creating a distinct regime for systemic stablecoins—those that could pose risks to financial stability—while non-systemic tokens will fall under the Financial Conduct Authority (FCA).

Unlike the EU's MiCA framework, which applies extraterritorially and restricts issuance to EU-regulated banks and e-money institutions, the UK adopts a more flexible model. First, only UK-based issuers require licensing. Second, foreign stablecoin issuers can operate without local authorization. This open stance is intended to

attract GBP-pegged stablecoin issuers, supporting the internationalization of the pound, but it also facilitates expansion of USD- and EUR-pegged tokens within the UK market.

Despite its openness, the UK remains alert to systemic risks. The Bank of England has indicated that if a non-GBP stablecoin gains significant market share, it could be classified as systemic and face stricter oversight.

Ongoing Reforms and the Path Toward a Full Regulatory Framework

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The UK's regulatory regime is still evolving. At the Point Zero Forum, Deputy Governor Sarah Breeden hinted at [updates to the 2023 proposals](#). Originally, systemic stablecoins would have to be fully backed by central bank money and barred from earning interest, while non-systemic ones, regulated by the FCA, could earn interest from safe assets. Breeden suggested:

- Allowing interest on systemic stablecoins.
- Differentiating between stablecoins used for payments vs. investment.
- Establishing a sandbox to explore stablecoin business models and interoperability.

These adjustments aim to bring the UK's regime closer to global norms.

The UK still lacks a fully operational framework. However, HM Treasury is consulting on expanding the regulatory perimeter via the [2025 Cryptoassets Order](#), to bring more stablecoin activities under financial regulation. The [FCA's CP 25/14 proposes](#) rules for stablecoin issuance and custody. While these steps could align the UK more closely with the U.S. approach, its current rules, focused mainly on anti-money laundering (AML) and e-money directives, are less comprehensive than the GENIUS Act in the U.S.

Hong Kong

In May 2025, Hong Kong introduced the [Stablecoin Ordinance](#) to bring regulatory clarity to its growing stablecoin market. The law allows issuance of stablecoins pegged to any official currency, including HKD, USD, and offshore RMB. However, issuers of HKD-pegged stablecoins—regardless of jurisdiction—must obtain a license from the Hong Kong Monetary Authority (HKMA). Foreign issuers of non-HKD stablecoins may offer trading pairs on locally licensed exchanges, but cannot be used for payments in Hong Kong without explicit HKMA approval.

Hong Kong's role as a financial gateway for China's trade flows makes it a likely hotspot for USD-, EUR-, and RMB-pegged stablecoins to gain traction in settlements. The Ordinance reflects a nuanced approach to monetary sovereignty: local-currency stablecoins are encouraged for payment use, while foreign-currency stablecoins are subject to tighter restrictions in payments—though trading remains more flexible.

Part of the [LEAP framework](#) (Licensing, Education, Application, Protection), the Ordinance requires local incorporation and a minimum capital of HKD 25 million (USD 3.2 million) for issuers (banks are exempt). All stablecoins must be 1:1 backed by liquid assets. The law applies only to fiat-referenced stablecoins (FRS), explicitly excluding algorithmic stablecoins due to their lack of effective stabilization mechanisms, in line with Financial Stability Board guidance. To ensure market integrity, the regime enforces FATF-aligned AML/CFT standards, with penalties of up to HKD 5 million and seven years' imprisonment for violations.

The HKMA plans to issue only a "single-digit" number of licenses in 2025, favoring well-capitalized firms with robust compliance capabilities. While the capital threshold is attainable, compliance costs (up to 0.5% of issuance) and requirements such as monthly audits and enhanced due diligence raise entry barriers for smaller issuers.

The law also excludes DeFi and algorithmic models, instead channeling innovation into fiat-backed use cases like tokenized bonds and real-world asset tokenization, aligned with LEAP's application pillar. Its flexibility around

currency types supports Hong Kong's ambition to serve as a regional hub and aligns with China's Belt and Road Initiative.

With clear rules, global currency flexibility, and FATF-compliant standards, Hong Kong positions itself to compete with Singapore and the UAE as a regulated digital asset hub. However, requirements for local incorporation and a selective licensing approach may limit market access for smaller or foreign startups, reinforcing the dominance of established regional players.

BRI Alignment and Global Ambitions

[Hong Kong's stablecoin regime supports China's Belt and Road Initiative \(BRI\)](#) by enabling multi-currency stablecoin issuance, including offshore RMB. These tokens offer a low-cost alternative for cross-border payments, potentially cutting fees by 5–7%. A \$10 million settlement via HKD or RMB stablecoins could save \$500,000—boosting efficiency in BRI projects from ports in Pakistan to railways in Kenya.

Stablecoins also advance BRI's digital ambitions, providing reliable payment tools in regions with weak financial systems. SMEs in Africa and Southeast Asia could use RMB- or USD-pegged tokens for faster, cheaper trade, reducing reliance on Western networks. Through its LEAP framework, Hong Kong promotes blockchain adoption and positions itself as a financial bridge between China and the Global South. Future integration with the digital yuan could further expand China's reach, challenging U.S. dominance in global digital finance.

United Arab Emirates

On August 21, 2024, the Central Bank of the UAE (CBUAE) launched the [Payment Token Services Regulation](#), marking the country's first comprehensive legal framework for fiat-pegged stablecoins, officially termed Payment Tokens. This regulation brings much-needed clarity to the UAE's digital asset ecosystem and applies to any individual or company wishing to issue or operate with stablecoins in the country—excluding the financial free zones of DIFC and ADGM.

Under the new rules, Payment Tokens are defined as virtual assets designed to maintain stable value by referencing fiat currencies—either directly or via other tokens pegged to them. The regulation distinguishes between Dirham Payment Tokens (pegged to the AED) and Foreign Payment Tokens (pegged to other fiat currencies like the USD or EUR). Notably, the CBUAE retains the authority to designate any virtual asset as a Payment Token, even if it is not issued by a licensed provider. In contrast, GENIUS act focuses narrowly on fiat-backed payment stablecoins with strict eligibility, reserve, and disclosure rules enforced through a patchwork of federal and state regulators.

To operate legally, entities must obtain a CBUAE license if they plan to engage in activities such as issuing Payment Tokens (limited to AED tokens for residents), custody and transfer, or conversion services (buying or selling Payment Tokens for remuneration). Foreign firms offering services involving non-AED tokens must also secure registration or approvals based on the specific activity.

The framework also sets out several exemptions, including tokens used in non-cash loyalty schemes—such as supermarket points or airline miles—or tokens used strictly for payments for goods or services provided by the issuer. Still, any promotion of Payment Token Services must come from a licensed entity or someone officially appointed to act on their behalf.

To ensure safety and credibility, the regulation imposes strict compliance standards, including full 1:1 reserve backing with liquid assets and minimum capital requirements of AED 25 million (USD 3.2 million), except for banks. It also aligns with FATF anti-money laundering standards, with penalties reaching up to AED 5 million and seven years' imprisonment for violations.

Commodity Tokens and the UAE's Multi-Tiered Regulatory System

Meanwhile, stablecoins pegged to commodities such as gold or oil are not yet covered by the CBUAE but fall under the purview of the Securities and Commodities Authority (SCA). While the SCA has yet to formalize its framework, it has released a draft regulation—open for consultation until February 14, 2025—defining these instruments as “Commodity Tokens.” These tokens aim to facilitate more efficient and secure commodity trading on digital platforms.

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In Dubai, commodity-pegged stablecoins are currently governed under the Virtual Asset Regulatory Authority (VARA) regime, adding another layer to the UAE’s increasingly complex and multi-tiered regulatory landscape. Together, these measures illustrate the UAE’s attempt to balance innovation with oversight, signaling its ambition to become a regional and global leader in the regulated stablecoin space.