

HOUSE OF LORDS

Financial Services Regulation Committee

1st Report of Session 2026–27

Stablecoins: waiting for regulation

Ordered to be printed 20 May 2026 and published 3 June 2026

Published by the Authority of the House of Lords

HL Paper 6

Financial Services Regulation Committee

The Financial Services Regulation Committee is appointed by the House of Lords to consider the regulation of financial services.

Membership

The members of the Financial Services Regulation Committee are:

[Baroness Bowles of Berkhamsted](#)

[Lord Davies of Brixton](#)

[Baroness Donaghy](#)

[Lord Eatwell](#)

[Lord Griffiths of Fforestfach](#)

[Lord Hill of Oareford](#)

[Lord Hollick](#)

[Lord Lilley](#)

[Baroness Noakes](#) (Chairman)

[Lord Sharkey](#)

[Lord Smith of Kelvin](#)

[Lord Turnbull](#)

[Lord Vaux of Harrowden](#) (until 29 April 2026)

Declaration of Interests

See Appendix 1.

A full list of Member's interests can be found in the Register of Lords' Interests: <https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/register-of-lords-interests/>

Publications

All publications of the Committee are available at: <https://committees.parliament.uk/committee/697/financial-services-regulation-committee/publications/>

Parliament Live

Live coverage of debates and public sessions of the Committee's meetings are available at: <https://www.parliamentlive.tv/>

Further Information

Further information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is available at: <https://www.parliament.uk/business/lords/>

Committee Staff

The staff who worked on this inquiry were Beth Hooper (Clerk), Dervish Mertcan (Press Officer), Tom Pitt (Clerk) and Oliver Shoreland (Committee Operations Officer).

Contact Details

All correspondence should be addressed to the Financial Services Regulation Committee, Committee Office, House of Lords, London SW1A 0PW. Telephone 020 7219 8444. Email hlfinserveg@parliament.uk

Social Media

You can follow the Committee on LinkedIn: [@financial-services-regulation-committee](#)

Copyright and privilege

This report was published by Order of the House of Lords and is subject to Parliamentary Privilege. Content may be reproduced under the terms of the Open Parliament Licence, which is published at <https://www.parliament.uk/copyright>. © Parliamentary Copyright House of Lords 2026.

CONTENTS

	<i>Page</i>
Summary	3
Chapter 1: Introduction and background	5
Stablecoins and digital money	5
The global stablecoin market	6
The UK's regulatory regime for stablecoins	7
The FCA's proposed regulatory regime for cryptoassets (including qualifying stablecoins)	8
Table 1: FCA consultation papers	8
The Bank of England's proposed regulatory regime for systemic stablecoins	9
Regulators and statutory objectives	10
The USA, EU and international developments	11
The USA	11
The EU	11
International developments	12
Our inquiry	12
Chapter 2: The growth of stablecoins: opportunities and risks	13
Key use cases and opportunities	13
Potential future opportunities	15
Competition in payments	17
Risks	18
Disintermediation and monetary policy transmission	19
Financial stability	21
Risks to consumers	23
Illicit uses and financial crime	24
Chapter 3: The UK's current position	27
GBP stablecoins	27
Factors affecting GBP stablecoin development so far	27
The development of GBP stablecoins	29
The UK's regulation of stablecoins to date	31
Current regulatory requirements	31
Regulatory perimeter	34
Regulatory sandboxes	36
Chapter 4: The UK's regulatory proposals	37
1:1 backing	37
Composition of backing assets	38
Segregation of assets, audit requirements, and disclosure	40
Capital requirements for issuers	41
Backstop lending facility	42
Insolvency	43
Redemption requirements	44
Holding limits	45
Payment of interest and reward	47
Stablecoin custody and cryptoasset wallets	49
Dual regulation	51
Systemic designation	52

Overview of the proposed regulatory regime	53
Summary of conclusions and recommendations	57
Appendix 1: List of members and declarations of interest	63
Appendix 2: List of evidence	65
Appendix 3: Call for evidence	69

Evidence is published online at <https://committees.parliament.uk/work/9590/growth-and-proposed-regulation-of-stablecoins-in-the-uk/publications/>

Q in footnotes refers to a question in oral evidence.

SUMMARY

Stablecoins are a form of cryptoasset designed to maintain a stable value, generally linked to a fiat currency. In recent years, the scale of the stablecoin market has grown rapidly, with the global market cap for stablecoins estimated at over \$310 billion as of 2026.¹ The global market is overwhelmingly dominated by US Dollar-denominated stablecoins and in particular by two issuers (Tether and Circle), while the UK stablecoin market is nascent. While their use remains concentrated in cryptoasset markets—particularly in facilitating trading activity—and cross-border payments, the sector is evolving quickly.

As stablecoin markets have expanded, jurisdictions around the world (including the US and the EU) have developed regulatory frameworks aimed at addressing the opportunities and risks they present. The UK is in the process of developing its own regulatory regime for stablecoins, and the FCA and Bank of England have recently published regulatory proposals which were the focus of our inquiry.

Witnesses told us that stablecoins have the potential to offer a range of benefits to both businesses and consumers. They could bring fast and low cost payment options, greater efficiency in settlement, and innovations such as programmable payments which could complement other forms of money and drive competition in the payments sector. However, they also bring risks which warrant serious consideration. We heard evidence of the potential risks to financial stability, the possible disintermediation of the traditional banking sector, and concerns about consumer protection.

The attractiveness of stablecoins for financial crime is also concerning. Although we heard evidence that the technology allows for traceability (and with it, the potential to put in place effective monitoring to help tackle financial crime) we are clear that the expansion of stablecoin markets must not create new opportunities for illicit activity to flourish.

The role of regulation is not to determine whether or not the use cases will be adopted or what benefits the technology might bring. Rather, regulation must be proportionate and enable innovation, while mitigating risks and safeguarding financial stability, market integrity and consumer protection. In the case of stablecoins, this is a particular challenge when the market is developing and the opportunities and risks are not yet fully understood. A regulatory regime must be flexible and responsive enough to accommodate future innovations and novel use cases, and the potential risks that may emerge as this new technology develops.

More importantly, the regulatory regime must be clear and provide certainty. Otherwise, the UK risks lagging behind global counterparts, where regulatory regimes are more established and provide clarity for market participants. We heard that the absence of a clear regulatory regime has suppressed stablecoin development and investment in the UK, and that continued uncertainty could compound the dominance of US Dollar-denominated stablecoins.

On the proposals themselves, there is much that we support. The requirement for stablecoin issuers to back stablecoins 1:1 is important, and the proposed backstop lending facility from the Bank is a welcome example of regulation that can support market confidence.

1 Written evidence from the Centre of FinTech ([STA0022](#))

However, there are aspects of the proposals that we think need further consideration. The Bank's requirement to hold at least 40% of backing assets in unremunerated central bank deposits has attracted considerable criticism, with some arguing it would impact negatively on the viability of stablecoin issuers and the international competitiveness of the UK market. The proposed redemption requirements, whereby issuers would need to provide holders with the right to redeem stablecoins at par value by the end of the day after the request is made, should also be reevaluated, as witnesses highlighted the considerable operational burdens this would create. The Bank's proposals to impose temporary holding limits for systemic stablecoins also need to be reconsidered, as they could unnecessarily inhibit the growth of GBP stablecoins and prove impractical to implement. It is in these areas where the desired balance between supporting innovation and risk mitigation appears less appropriately calibrated. The shape of the UK market for GBP stablecoins will be strongly influenced by the direction of the regulatory regime—it must create a level playing field so that stablecoins can compete with other forms of payment in the UK.

We are also concerned that considerable uncertainty persists which prevents issuers from being able to plan and so inhibits the growth of the market. There is a lack of clarity on how the transition from the FCA's regime to dual regulation by both the Bank and the FCA for systemic stablecoins would work. HM Treasury is responsible for determining when a stablecoin becomes systemic, but we heard that issuers are unclear on how this would be determined. HM Treasury has also announced plans to bring stablecoins into the payments regulatory perimeter, but there are no details on which stablecoins this would apply to.

The growth of stablecoins is part of a wider development of the tokenisation of assets globally, which has the potential to bring new opportunities for the UK's financial markets. The UK has a mature and globally respected financial services industry, and its regulatory regime should be designed to allow a GBP stablecoin market to establish and grow, so that businesses can take advantage of the emerging opportunities this market could bring. But the UK is lagging behind. The Government and regulators must adhere to the timelines they have set out, and should carefully consider our recommendations on how aspects of the proposed regulations might be adjusted to bring the certainty and confidence needed for the GBP stablecoin market to develop.

Stablecoins: waiting for regulation

CHAPTER 1: INTRODUCTION AND BACKGROUND

Stablecoins and digital money

1. Stablecoins are a type of cryptoasset which are designed to hold a stable price relative to a reference fiat currency.² They are issued and distributed on distributed ledger technology, typically through blockchain technology.³
2. Stablecoin issuers create stablecoins through a process of ‘minting’, where a stablecoin is issued in exchange for assets of the equivalent value. The issuer then holds assets such as short-term Government debt and cash as the backing assets for the stablecoin, which secure the value of the stablecoin. Stablecoins then circulate digitally and are transferred between holders using the distributed ledger technology. Stablecoins are bearer assets, similar to physical cash, meaning they are owned by whoever has possession.
3. The holder of the stablecoin can redeem stablecoins with the issuer through a process of ‘burning’, where the stablecoin is exchanged with the issuer for the equivalent value from the backing assets, and then the issuer removes the stablecoin from circulation. Stablecoins are a liability of the issuer.
4. Cryptoasset exchanges facilitate the trading of cryptoassets including stablecoins. The exchanges provide a secondary market, allowing stablecoins to be traded and converted to other cryptoassets or fiat currency without recourse to direct redemption with the issuer. In addition, cryptoasset custodians provide wallet services, in which individuals and institutions can store the digital keys needed to access their cryptoassets (including stablecoins) which are stored on the blockchain. It is possible for custody services to be provided by institutions, or for assets to be self-custodied without relying on institutional services.⁴
5. Under the genus of digital money, Central Bank Digital Currencies (CBDCs) are public digital money, while unbacked cryptocurrencies like Bitcoin (which marked the beginning of decentralised peer-to-peer cryptographic money)⁵, stablecoins, and tokenised deposits are issued by the private sector.⁶ While not considered in this inquiry or as part of the UK’s proposed stablecoin regulatory regime, there are also stablecoins backed by gold or other commodities, and algorithmic stablecoins which are designed to maintain value with a fiat currency by automatically adjusting the supply of stablecoins. In this report, we generally mean stablecoins to be those that seek to maintain a stable value in relation to a particular fiat currency and

2 Fiat currency refers to Government-issued currencies such as the pound sterling or US Dollar, which is not backed by a physical commodity such as gold or silver.

3 Distributed ledger technology (DLT) is a database stored on a computer network and updated by consensus amongst network participants. Blockchain is a DLT in which transaction details are held in blocks of information, such that these blocks form a chain; it uses cryptographic means to prevent tampering with the chain, and relies on nodes in the network to verify transactions. See Rosa M. Lastra & Jason Grant Allen, *Virtual currencies in the Eurosystem: challenges ahead*, July 2018

4 Q 68 (Tom Duff Gordon)

5 Satoshi Nakamoto, *Bitcoin: A Peer-to-Peer Electronic Cash System*, October 2008

6 See Rosa M. Lastra, The Law of Central Banking, Chapter 17 in Alessio M. Paces, Edoardo D. Martino and Hossein Nabilou (eds.), *Comparative Financial Regulation* (Cheltenham: Edward Elgar Publishing, 2025), pp 272–285.

which hold fiat currency or other currency-denominated assets to maintain a stable value.

6. Tokenisation is a process whereby tangible and intangible objects, rights and claims are represented and transferred digitally using blockchain or similar distributed ledger technology. A tokenised deposit is therefore a digital representation of a bank deposit that operates on blockchain payment rails. As direct claims on a regulated bank, tokenised deposits remain subject to the same prudential regulatory framework and liquidity provisions as traditional bank deposits. CBDCs are a form of digital money issued by the central bank and backed by the balance sheet of the state. CBDCs are a liability of the central bank⁷ and, if issued by a central bank, would be a new form of central bank money alongside cash and reserves.⁸

The global stablecoin market

7. The global stablecoin market has expanded “from a niche crypto-trading utility in 2014 into a large-scale payment and settlement ecosystem by 2026.”⁹ Stablecoins account for “half of the volume that is transacted on blockchains, increasingly acting as a 24/7 borderless programmable payments infrastructure.”¹⁰ The market has developed rapidly. Stablecoins were first issued in 2014 and the current market capitalisation of stablecoins is around \$310 to \$320 billion.¹¹
8. Stablecoins are currently overwhelmingly US dollar (USD)-denominated. Over 99% of stablecoins are pegged to the US dollar with Tether (USDT) and Circle (USDC) accounting for around 90% the market.¹² Euro denominated stablecoins play a minor role, with a market capitalisation of approximately \$466.4 million.¹³
9. As the FCA described, the “UK stablecoins market is nascent, with one UK issued fiat-referenced stablecoin, Tokenised GBP (tGBP). TGBP’s total market cap is \$1.53 million, as of 11 March 2026.”¹⁴ HM Treasury added that “relative to the prevalence of [British Pound Sterling (GBP)] as a global currency, GBP-denominated stablecoins currently have a small share of the global stablecoin market cap.”¹⁵ Innovate Finance also noted that there is a “group of dynamic GBP stablecoin start-ups and scale ups, including GBPa (issued by Agant), and tGBP (issued by BCP Technologies)—both of [which] are FCA registered—and eGBP Foundation.”¹⁶ There are also four firms currently exploring issuing GBP stablecoins in the FCA’s regulatory sandbox: Monee Financial Technologies, ReStabilise, Revolut and VVTX.¹⁷

7 The Bank for International Settlements defines a CBDC as a digital payment instrument, denominated in the national unit of account, that is a direct liability of the central bank. See Bank for International Settlements, *Central bank digital currencies: foundational principles and core features*, 2020. See also Bank of England, *Understanding the central bank balance sheet*, 2015

8 Economic Affairs Committee, *Central bank digital currencies: a solution in search of a problem?* (3rd Report, Session 2021–22, HL Paper 131)

9 Written evidence from the City of London Corporation ([STA0034](#))

10 [Q 101](#) (Matthias Bauer-Langgartner)

11 Written evidence from the Centre of FinTech ([STA0022](#))

12 Bank for International Settlements, BIS Bulletin No 108 *Stablecoin growth - policy challenges and approaches*, 11 July 2025

13 As of November 2025. Written evidence from the Financial Conduct Authority ([STA0059](#)) who cite figures obtained from <https://coinmarketcap.com/>

14 Written evidence from the Financial Conduct Authority ([STA0059](#))

15 Written evidence from HM Treasury ([STA0069](#))

16 Written evidence from Innovate Finance ([STA0021](#))

17 Financial Conduct Authority, *Regulatory Sandbox: stablecoins cohort*, November 2025

The UK's regulatory regime for stablecoins

10. As detailed further in Chapter 3, the current regulatory regime for stablecoins is limited to anti-money laundering (AML) regulations, the financial promotions regime, and general consumer protection legislation.
11. In January 2021, HM Treasury issued a consultation on the UK's regulatory approach to cryptoassets and stablecoins, together with a call for evidence on distributed ledger technology in financial markets.¹⁸ The consultation response was published in April 2022, confirming the Government's plans to legislate to bring certain activities relating to stablecoins into the regulatory perimeter for financial services.¹⁹
12. The Financial Services and Markets Act 2023 ("FSMA 2023") expanded the regulatory remit of the Bank of England ("the Bank") over systemically important payment systems to cover digital settlement assets (DSAs), including systemic stablecoins. The Bank's regulatory regime extends to DSA payment systems and DSA service providers that have been recognised by HM Treasury as being systemically important.²⁰ FSMA 2023 also permitted HM Treasury to make provision for regulatory sandboxes for financial markets infrastructure (regulatory sandboxes are discussed further in Chapter 3).²¹
13. In October 2023, HM Treasury published detailed proposals for the creation of a financial services regulatory regime for cryptoassets, including stablecoins.²² The proposals were to create new regulated activities for cryptoassets, requiring firms wishing to carry on those activities in or to the UK to be authorised and supervised by the FCA. HM Treasury also proposed to bring payments using fiat-referenced stablecoins within the regulatory perimeter for payments.²³
14. In November 2024, HM Treasury confirmed that it would proceed with implementing the proposals to create new regulated activities for stablecoins but did not proceed with the proposal to bring fiat-referenced stablecoins into the regulated payments perimeter.²⁴
15. In April 2025, the Government published draft statutory provisions to bring cryptoassets within the scope of the regulated activities regime under the Financial Services and Markets Act 2000.²⁵ The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 were made in February 2026 and established the cryptoasset regulatory regime, including stablecoins, which will be enforced by the FCA and is expected to come into force in full on 25 October 2027.²⁶

18 HM Treasury, *UK regulatory approach to cryptoassets and stablecoins: consultation and call for evidence*, first published 7 January 2021

19 HM Treasury, *UK regulatory approach to cryptoassets, stablecoins, and distributed ledger technology in financial markets: Response to the consultation and call for evidence*, April 2022

20 Financial Services and Markets Act 2023, [section 22](#)

21 Financial Services and Markets Act 2023, [section 13](#)

22 HM Treasury, *Future financial services regulatory regime for cryptoassets*, October 2023

23 *Ibid.*

24 Tulip Siddiq MP, Economic Secretary to the Treasury, *Keynote address at the Tokenisation Summit: UK government approach to tokenisation and regulation*, 21 November 2024

25 HM Treasury, *Regulatory regime for cryptoassets (regulated activities) - Draft SI and Policy Note*, 29 April 2025

26 Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 ([SI 2026/102](#))

16. In April 2026, HM Treasury announced that it now intends to regulate stablecoin payments as payment services and that it will be consulting on this. It also published a draft statutory instrument amending the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.²⁷
17. The Bank and the FCA have both been currently consulting on regulatory proposals for stablecoins. The Bank issued its consultation paper on systemic stablecoins on 10 November 2025, and the FCA began publishing a series of consultation papers for the cryptoasset regulatory regime (including stablecoins) in May 2025.²⁸
18. The proposed regulatory regime for stablecoins would broadly involve solo regulation by the FCA for non-systemic stablecoins (within the FCA's broader regime for qualifying cryptoassets), and dual regulation by both the Bank and the FCA for issuers of systemic stablecoins, which will be subject to prudential regulation by the Bank and conduct regulation by the FCA. Systemic stablecoins would include stablecoins used for everyday payments (such as wide use for retail payments, corporate payments and cross-border payments) and those used as a settlement asset in core wholesale financial markets.
19. The FCA has stated that it will publish its final rules for the whole regime in mid-2026.²⁹ This will give stablecoin issuers preparation time before it opens the gateway for applications for authorisation on 30 September 2026.³⁰ The Bank's final rules instrument and supervisory approach are expected in the second half of 2026.³¹ In addition, the FCA and the Bank have committed to publishing a joint approach document in Q2–Q3 2026 clarifying how their rules for dual regulation will apply in practice.³²

The FCA's proposed regulatory regime for cryptoassets (including qualifying stablecoins)

20. The FCA has published a series of consultation papers setting out its proposals for the cryptoasset regime, including for qualifying stablecoins (the relevant consultation papers are outlined in Table 1).

Table 1: FCA consultation papers

CP25/14 ³³	The issuance of qualifying stablecoins and the safeguarding of qualifying cryptoassets
CP25/15 ³⁴	A prudential regime for cryptoasset firms

27 HM Treasury, *Policy note: Draft statutory instrument amending the Cryptoasset Regulations*, April 2026

28 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025; Financial Conduct Authority, *FCA Crypto Roadmap*, 2020

29 Financial Conduct Authority, *FCA Crypto Roadmap*, 2020

30 Written evidence from the Financial Conduct Authority (STA0059)

31 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025, Figure 1. The proposals also set out the types of stablecoins that would be solo regulated by the FCA.

32 HM Treasury, *Payments Forward Plan*, February 2026

33 Financial Conduct Authority, *CP25/14: Stablecoin Issuance and Cryptoasset Custody*, May 2025

34 Financial Conduct Authority, *CP25/15: A prudential regime for cryptoasset firms*, May 2025

CP25/25 ³⁵	Application of FCA Handbook for regulated cryptoasset activities
CP25/40 ³⁶	The proposed conduct framework for firms undertaking various cryptoasset activities including those involving cryptoasset trading platforms, intermediaries (i.e. firms dealing or arranging transactions in qualifying cryptoassets), lending, borrowing and staking
CP25/41 ³⁷	The proposed cryptoasset admissions & disclosures (A&D) regime and market abuse regime for cryptoassets (MARC)
CP25/42 ³⁸	A prudential regime for cryptoasset firms
CP26/4 ³⁹	Application of the FCA Handbook for regulated cryptoasset activities II
CP26/13 ⁴⁰	Cryptoasset perimeter guidance

21. Key requirements for stablecoin issuers include that they must maintain a robust system of asset backing; holders must be able to redeem stablecoins at par value within one business day after the request; and issuers must provide clear, accurate, and timely information about, among other things, the composition and value of the backing asset pool, the redemption process, and the involvement of third parties. The FCA also proposes an admissions and disclosure regime, a market abuse regime, and a custody regime.
22. The FCA also proposes bespoke “CRYPTOPRU” and “COREPRU” sourcebooks for a prudential regime for cryptoasset firms which encompass own funds requirements, liquid asset thresholds, eight distinct k-factors (activity-based factors which determine how much capital should be held), an overall risk assessment process and public disclosure obligations. The proposed prudential rules would apply only to cryptoasset firms that are FCA-solo regulated, and not to issuers of systemic stablecoins subject to the Bank’s regime.⁴¹

The Bank of England’s proposed regulatory regime for systemic stablecoins

23. On 10 November 2025, the Bank published a consultation paper on a proposed regulatory regime for sterling-denominated systemic stablecoins. The consultation closed on 10 February 2026.⁴²

35 Financial Conduct Authority, [CP25/25: Application of FCA Handbook for Regulated Cryptoasset Firms](#), September 2025

36 Financial Conduct Authority, [CP25/40: Regulating Cryptoasset Activities](#), December 2025

37 Financial Conduct Authority, [CP25/41: Regulating Cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets](#), December 2025

38 Financial Conduct Authority, [CP25/42: A prudential regime for cryptoasset firms](#), December 2025

39 Financial Conduct Authority, [CP26/4: Application of FCA Handbook for Regulated Cryptoasset Activities II](#), January 2026

40 Financial Conduct Authority, [CP26/13: Cryptoasset Perimeter Guidance](#), April 2026

41 Freshfields, [Capital Idea: The FCA’s Proposed Prudential Regime for Cryptoasset Firms](#), March 2026

42 Bank of England, [Proposed regulatory regime for sterling-denominated systemic stablecoins](#), November 2025

24. The Bank’s proposed regime includes a number of requirements for systemic stablecoin issuers, including backing asset requirements (covering the composition of the backing assets that systemic stablecoin issuers can hold and the safeguarding of those assets), capital and reserve requirements, stablecoin holding limits for businesses and individuals, a prohibition on remuneration for coinholders, and redemption requirements.
25. In addition to the proposed regulatory regime for systemic stablecoins, the Prudential Regulation Authority (PRA) previously issued a ‘Dear CEO Letter’ to the Chief Executive Officers of regulated deposit-takers on 6 November 2023 on “Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins” which restricted the ability of deposit-takers to issue stablecoins.⁴³ On 18 May 2026, the PRA issued a further Dear CEO Letter which superseded the 2023 letter, and largely reaffirmed its position.⁴⁴

Regulators and statutory objectives

26. HM Treasury is ultimately responsible for the stablecoin regulatory regime but, in line with its usual approach, it has legislated to give powers to the Bank and the FCA to regulate and supervise stablecoins in line with their statutory objectives. The statutory objectives of the regulators were outlined and considered in more detail in our report *Growing pains: clarity and culture change required. An examination of the secondary international competitiveness and growth objective*.⁴⁵
27. Of the four statutory committees of the Bank, the Financial Policy Committee (FPC) and the Financial Markets Infrastructure Committee (FMIC) are the two involved in the proposed regulatory regime for systemic stablecoins.⁴⁶ The Financial Policy Committee’s primary objective is to identify, monitor and take action to reduce systemic risk with view to protecting the “UK financial system” (financial stability) and its secondary objective is to support the Government’s economic policy.⁴⁷ The primary objective of the FMIC is to protect and enhance UK financial stability while the secondary objective is to facilitate innovation in the provision of FMI services.⁴⁸
28. The FCA has a strategic objective to ensure that markets function well and has three main operational objectives: protecting consumers, enhancing market integrity and promoting competition in the interests of consumers. It also has a secondary objective to promote international competitiveness and growth.
29. In addition, HM Treasury has overall responsibility for the anti-money laundering (AML) regime in the UK, with the FCA as the financial supervisor.⁴⁹

43 Prudential Regulation Authority, *Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins*, 6 November 2023

44 Prudential Regulation Authority, *Reaffirming the Prudential Regulation Authority’s (PRA) position and clarifying expectations on innovations in the use of deposits, e-money and stablecoins*, 18 May 2026

45 Financial Services Regulation Committee, *Growing pains: clarity and culture change required* (2nd Report, Session 2024–26, HL Paper 133)

46 For further information, see Economic Affairs Committee, *Making an independent Bank of England work better* (1st Report, Session 2023–24, HL Paper 10), Appendix 7, p 73.

47 Bank of England, *Financial Policy Committee*

48 Bank of England, *The Bank of England’s supervision of financial market infrastructures Annual Report*, June 2025

49 The Financial Action Task Force, *United Kingdom Assessment*, 2022

The USA, EU and international developments

30. The most significant stablecoin regulatory regimes we received evidence on are the USA's GENIUS Act⁵⁰ and the EU Regulation on Markets in Cryptoassets (MiCAR).⁵¹ We consider the proposals in these regimes in more detail, and in comparison to the UK's proposed regime, in Chapter 4.

The USA

31. The Guiding and Establishing National Innovation for US Stablecoins Act (the GENIUS Act) was signed into US law on 18 July 2025 and established a regulatory framework for payment stablecoins. The Act will come into effect on 18 January 2027 or 120 days after the final implementing regulations are issued, whichever is earlier.⁵² The Act prohibits stablecoins issuers from directly paying interest or yield in any form to stablecoin holders and requires stablecoin issuers to maintain backing assets on at least a one-to-one basis, consisting only of certain specified assets, including US dollars, short-term Treasuries, money market funds and repurchase agreements backed by short-term Treasuries. It also subjects issuers to prudential requirements and anti-money laundering requirements.⁵³
32. In addition to the GENIUS Act, the Digital Asset Market Clarity Act 2025 (CLARITY Act) is a comprehensive US regulatory framework for digital assets more broadly, which has passed the House of Representatives and is currently being considered by the Senate.⁵⁴

The EU

33. Regulation (EU) 2023/1114 on Markets in Crypto-Assets (MiCAR) established the first comprehensive and harmonised regulatory framework for cryptoassets including stablecoins within the European Union, and came into force in December 2024.⁵⁵ MiCAR established disclosure, authorisation, conduct and market abuse rules for cryptoassets and a special regime for stablecoins.
34. MiCAR distinguishes between three main categories of regulated cryptoassets: asset-referenced tokens (ARTs), e-money tokens (EMTs), and other cryptoassets (a residual category that includes utility tokens and any other token not expressly defined). Stablecoins can be both ARTs and EMTs. While ARTs reference multiple currencies, commodities, or other cryptoassets, EMTs specifically reference one fiat currency. EMTs aim to stabilise their value by referencing a single fiat currency, functioning similarly to electronic money. Only authorised credit institutions or electronic money institutions may issue EMTs. Both EMT and ART issuers are subject to asset reserve requirements, which mandate highly liquid financial instruments

50 GENIUS Act, [S.1582](#) - 199th Congress (2025–26)

51 Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937, [OJ L 150/40](#), 9 June 2023

52 GENIUS Act, [S.1582](#) - 199th Congress (2025–26)

53 For more information about the GENIUS Act, see written evidence from Professor Arthur E. Wilmarth, Jr ([STA0036](#)), Professor Lawrence H. White ([STA0047](#)), and Professor Hilary J. Allen ([STA0019](#)).

54 United States Congress, [H.R.3633—Digital Asset Market Clarity Act of 2025](#), May 2025. See also written evidence from Ross Buckley ([STA0030](#)).

55 Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937, [OJ L 150/40](#), 9 June 2023

including varying percentages of assets with maturities of no longer than 1 and 5 working days, and a percentage of deposits held in credit institutions.⁵⁶

35. Under MiCAR, holders of EMTs have a right of redemption at par value at any time. Paying yield or interest on the stablecoin directly to the coinholders from the issuers is prohibited. Both significant EMTs and ARTs are subject to enhanced oversight by the European Banking Authority (EBA) and have additional operational and prudential requirements.⁵⁷

International developments

36. The Bank for International Settlements, the International Monetary Fund and the Financial Stability Board have also developed initiatives and published papers on stablecoins, and further work is underway.⁵⁸ The Financial Action Taskforce (FATF), an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing, published a report on stablecoins in March 2026 which identified good practices regarding anti-money laundering and counter-terrorist financing obligations for stablecoin issuers, intermediaries, and custodians.⁵⁹ The report also emphasised the need for further coordination among competent authorities and across borders, as well as the importance of providing technical assistance to jurisdictions that have not yet adequately implemented regulatory and supervisory frameworks for stablecoins.

Our inquiry

37. Our inquiry examined the growth and regulation of stablecoins. In Chapter 2, we consider their current and potential use cases⁶⁰, as well as their potential implications for financial stability, consumer protection and financial crime. In Chapter 3, we outline the current position of sterling denominated stablecoins, and the UK's current regulatory regime. Chapter 4 then examines the proposals from the FCA and the Bank for the UK's regulatory regime for stablecoins.
38. Our inquiry was launched on 29 January 2026. Over the course of the inquiry, we accepted 70 pieces of written evidence and heard oral evidence from 20 witnesses, including from the Bank, the FCA, and from the Economic Secretary to the Treasury, Lucy Rigby KC MP.
39. We are grateful to all those who submitted evidence to the inquiry. All of those who provided evidence are listed in Appendix 2. A list of Members' interests is contained in Appendix 1. We also want to thank our Specialist Advisers, Professor Rosa M. Lastra and Michael Raffan, for the support and guidance given throughout the inquiry.

56 Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937, [OJL 150/40](#), 9 June 2023

57 For more information about MiCAR, see written evidence from Professor Filippo Annunziata ([STA0031](#)) and written evidence from Professor Kern Alexander ([STA0027](#)).

58 International Monetary Fund, T. Adrian et al., *Understanding Stablecoins, Monetary and Capital Markets Department Paper No. 25/09*, 2025; Bank for International Settlements, *BIS Annual Economic Report 2023*, 25 June 2023; Bank for International Settlements, *Disclosure of cryptoasset exposures*, July 2024; International Monetary Fund and Financial Stability Board, *IMF-FSB Synthesis Paper: Policies for Crypto-Assets, 7 September 2023*; Financial Stability Board, *Thematic Review on FSB Global Regulatory Framework for Crypto-asset Activities*, 16 October 2025.

59 Financial Action Task Force, *Targeted Report on Stablecoins and Unhosted Wallets*, 2026

60 We refer to use cases as the different specific, possible ways in which stablecoins could be used.

CHAPTER 2: THE GROWTH OF STABLECOINS: OPPORTUNITIES AND RISKS

40. As set out in Chapter 1, despite the nascent GBP stablecoin market, there is a relatively well-established global market from which to draw evidence of the current and emerging use cases, as well as the opportunities and risks. This chapter sets out the evidence we received on existing use cases and the future opportunities for business and consumers, as well as the possible risks, as the stablecoin market develops in the UK.

Key use cases and opportunities

41. Witnesses emphasised that stablecoins should be understood as payment instruments, not investment products.⁶¹ However, we heard that dollar-denominated stablecoins are also being used as a store of value in countries with high inflation or unstable currencies.⁶² Agant, a GBP stablecoin issuer, wrote that “this use case is less relevant within the UK itself (where GBP is stable)” but noted that “sterling stablecoin could serve a similar function for populations with ties to the UK or preference for GBP.”⁶³
42. To date, the predominant use case for stablecoins remains to facilitate trading within cryptoasset markets. Professor Wilmarth told us that the “primary—and by far the largest—use of stablecoins is to pay for trades and other transactions involving cryptoassets.”⁶⁴ The European Central Bank has stated that “around 80% of all trades executed globally on centralised crypto trading platforms involve stablecoins, which shows that stablecoins have become essential for the functioning of the cryptoasset ecosystem.”⁶⁵ Superteam UK, a non-profit accelerator for UK blockchain and digital asset businesses, explained that stablecoins have emerged as a “critical bridge” between traditional finance and blockchain technology because they “address one of crypto’s fundamental challenges: volatility.”⁶⁶ Ross Buckley, Scientia Professor at the University of New South Wales, Sydney, wrote that they act as “as on and off ramps for people moving between cryptocurrency and fiat currency.”⁶⁷ We received evidence from individuals using stablecoins for this. For example, one individual described how “like most active participants in this market, I rely on stablecoins to navigate volatility. They allow for significantly lower trading fees and provide a ‘safe harbour’ where I can hold funds until the market presents the right opportunity to reinvest.”⁶⁸
43. Coinbase noted that the growth in stablecoin market capitalisation “has also been accompanied by a diversification in use cases.”⁶⁹ Elise Soucie Watts, Executive Director of Global Digital Finance, told us that stablecoins “find their most powerful use case in being cross-border”.⁷⁰ Professor Filippo Annunziata wrote that “cross-border stablecoin payment flows amounted in 2024 to approximately USD 1.5 trillion” however noted that this remains

61 [Q 7](#) (Elise Soucie Watts); [Q 79](#) (Adam Jackson)

62 For example, [Q 35](#) (Professor Kern Alexander)

63 Written evidence from Agant ([STA0060](#))

64 Written evidence from Professor Arthur E. Wilmarth, Jr ([STA0036](#))

65 European Central Bank, *Stablecoins on the rise: still small in the euro area, but spillover risks loom*, published as part of the Financial Stability Review, November 2025

66 Written evidence from Superteam UK ([STA0053](#))

67 Written evidence from Ross Buckley ([STA0030](#))

68 Written evidence from Martyn Gray ([STA0014](#))

69 Written evidence from Coinbase ([STA0023](#))

70 [Q 44](#) (Elise Soucie Watts)

“modest when compared with the scale of global cross-border payments ... which approached a value of around USD 1 quadrillion in 2024”.⁷¹ Dr Daniele D’Alvia explained that “traditional cross-border payments often rely on correspondent banking networks involving multiple intermediaries, which can increase transaction costs and settlement times.”⁷² By contrast, stablecoins can improve the efficiency of these transactions by “reducing transaction costs, settlement delays, and reliance on correspondent banking networks.”⁷³

44. Witnesses noted that the cross-border opportunities were particularly useful for businesses. The Entrepreneurs Network wrote that the main use cases for GBP stablecoins “include British exporters and importers using them to reduce the costs and increase the efficiency of cross-border payments, enabling SMEs to reach wider overseas markets”.⁷⁴ Tom Duff Gordon, Vice President for International Policy at Coinbase, added that “US multinationals are starting to use stablecoins to manage their internal treasury, particularly when that is cross-border”.⁷⁵ Global Digital Finance and the Crypto Council for Innovation told us that “for businesses making regular international payments, blockchain and decentralised finance can reduce cross-border payment costs by up to 80%”.⁷⁶ Jesse McWaters, Executive Vice President and Head of Global Policy at Mastercard, gave the example of “transfers from the Americas to Asia” where there is “an underlap of the real-time gross settlement systems within those countries that can sometimes result in the delay of a payment by two to three days. A stablecoin, because it works 24/7/365 and instantaneously, can help to address some of those challenges.”⁷⁷
45. Ripple Markets UK, a provider of digital assets infrastructure to financial institutions, also wrote that stablecoins are being adopted for “payroll and treasury management (especially for digital-native businesses who can reap the benefits of faster settlement, broader reach, and lower transaction costs).”⁷⁸ Superteam UK similarly told us that stablecoins are increasingly used for treasury management and operational payments within digital asset businesses, explaining that “companies operating across multiple jurisdictions may use stablecoins to manage liquidity, pay suppliers, or settle obligations in a faster and more efficient manner.”⁷⁹
46. We also heard that some firms are using stablecoins for settlement in financial markets (the final exchange of cash and assets following a trade). For example, Ripple told us they are used for “settlement in tokenised capital markets, where stablecoins function as the fiat for programmable securities settlement”⁸⁰ while Coinbase noted that “the Bank and FCA are exploring stablecoins as the ‘cash leg’ for tokenised asset settlement in the Digital Securities Sandbox”.⁸¹ The potential this has for future use cases is considered further below.

71 Written evidence from Professor Filippo Annunziata ([STA0031](#))

72 Written evidence from Dr Daniele D’Alvia ([STA0048](#))

73 *Ibid.*

74 Written evidence from the Entrepreneurs Network ([STA0043](#))

75 [Q 69](#) (Tom Duff Gordon)

76 Written evidence from Global Digital Finance & Crypto Council for Innovation ([STA0062](#))

77 [Q 128](#) (Jesse McWaters)

78 Written evidence from Ripple ([STA0026](#))

79 Written evidence from Superteam UK ([STA0053](#))

80 Written evidence from Ripple ([STA0026](#))

81 Written evidence from Coinbase ([STA0023](#))

47. However, we were also cautioned against considering stablecoins as inherently more efficient. Professor Wilmarth described the problem of scalability explaining how “because the consensus protocols are difficult and time-consuming to execute, you cannot do too many transactions at one time. If you do, the whole system gets gummed up. They tend to charge higher fees as a gatekeeping device.”⁸² Professor Gregoriou explained that “in principle stablecoins can be faster and significantly cheaper than SWIFT for customers. The problem at the moment is that blockchain technology lacks the scalability to compete with traditional payment systems. For example, the Bitcoin and Ethereum blockchains process less than ten transactions per second.”⁸³ However, Tom Duff Gordon told us that “the technology is getting cheaper and faster” and that “the cost of using blockchains is being dramatically reduced, almost to zero, as we increase the throughput capacity.”⁸⁴

Potential future opportunities

48. Tom Duff Gordon told us that “it is my contention and hope that merchants will adopt this technology” describing how “a supermarket or an online e-commerce platform” could in future “receive stablecoin payments.”⁸⁵ Innovate Finance also wrote that “payment company Stripe has integrated stablecoin payments into its merchant checkout solutions, and since January 2025 has seen stablecoin transaction volumes grow steadily at 30% month over month.”⁸⁶ However, most witnesses agreed that the use of stablecoins for retail payments remains limited, and some considered that it is unlikely to evolve into a major use case. Sarah Breeden, Deputy Governor for Financial Stability at the Bank of England, told us that “there is some use for payments, but it is relatively limited right now.”⁸⁷ Superteam UK cited data which suggested that “retail sized transactions only account for 0.6% of stablecoin transaction volumes in the last 12 months.”⁸⁸
49. Professor Gleeson told us that “I very much doubt that we will see broad retail use of stablecoins outside crypto trading.”⁸⁹ He explained the infrastructure that would be needed to facilitate stablecoin retail payments, because “no real-life consumer is going to operate their own node and hold their own crypto tokens. In order for this to be widely held by retail, there will have to be wide custody providers whose services will be available.”⁹⁰ Similarly, the Digital Currencies Governance Group suggested that in the UK “retail payments adoption may emerge gradually, but it is unlikely to be the primary driver of initial scale.”⁹¹ Santander told us that retail payments are a “longer-term prospect, more likely to emerge as a complement to existing domestic infrastructure than as a replacement.”⁹²
50. HM Treasury also explained that stablecoins can be used for programmable payments, which offer users the ability to effect a transaction automatically

82 [Q 14](#) (Professor Arthur E. Wilmarth Jr.)

83 Written evidence from Professor Andros Gregoriou ([STA0017](#))

84 [Q 69](#) (Tom Duff Gordon)

85 [Q 71](#) (Tom Duff Gordon)

86 Written evidence from Innovate Finance ([STA0021](#))

87 [Q 89](#) (Sarah Breeden)

88 Written evidence from Superteam UK ([STA0053](#))

89 [Q 30](#) (Professor Simon Gleeson)

90 [Q 24](#) (Professor Simon Gleeson)

91 Written evidence from the Digital Currencies Governance Group ([STA0046](#))

92 Written evidence from Santander ([STA0049](#))

when certain pre-determined conditions are met and that this offers “the potential for more sophisticated payments that require less direct input and administration on the part of users across both retail and wholesale payments.”⁹³ Santander added that “programmable stablecoins also enable new financial products including conditional payments, automated payroll, and smart-contract-based trade finance.”⁹⁴ The Great British Tokenised Deposit Project described how programmability allows for “programmable instantaneous mortgage completion.”⁹⁵

51. Programmability also means stablecoins could be used in agentic commerce. Innovate Finance explained that “agentic commerce involves an artificial intelligence agent purchasing a good or service for an individual. As stablecoins are fast, agile and programmable, they are ideal for working as a payment method within the rapidly developing agentic commerce ecosystem.”⁹⁶ Matthias Bauer-Langgartner, Head of Policy at Chainalysis, a blockchain intelligence and analytics company, explained that “blockchains and AI rails are complementary technologies. AI is delivering the intelligence layer ... agentic agents could themselves hold wallet software. They could hold stablecoins themselves and could interact.”⁹⁷
52. Innovate Finance described how “there is global momentum for the tokenisation of real world assets (e.g. UK gilts, money market funds and property). Stablecoins can act as the digital form of cash in the execution of a trade of a tokenised real world asset.”⁹⁸ Tom Duff Gordon also told us that “we will see potentially significant single-digit percentages of some of the world’s largest stocks trading in a tokenised format within 12 months, settling in stablecoins or tokenised deposits.”⁹⁹
53. Ross Buckley explained that “with tokenised real-world assets and tokenised money on the same ledger, atomic settlement can ensure that title to the assets only moves when the money moves in payment ... the savings and efficiency gains on offer from atomic settlement are huge. Yet atomic settlement demands tokenised money.”¹⁰⁰ The Bank for International Settlement describes atomic settlement as when “two assets are exchanged simultaneously, such that the transfer of one occurs only upon transfer of the other.”¹⁰¹ Coinbase explained an example of how this could create “escrow alternatives with near-instant settlement when specified conditions are fulfilled.”¹⁰²
54. Witnesses also highlighted the composability of stablecoins, which refers to the ability of stablecoins to be integrated with other on-chain protocols. Agant explained that this means that “a single stablecoin can be used across decentralised finance applications, traditional capital markets and financial services, payments, and investment platforms without bespoke integrations.”¹⁰³ As such, overall, the Digital Currencies Governance Group wrote that “there

93 Written evidence from HM Treasury ([STA0069](#))

94 Written evidence from Santander ([STA0049](#))

95 Written evidence from the Great British Tokenised Deposit Project ([STA0067](#))

96 Supplementary written evidence from Innovate Finance ([STA0071](#))

97 [Q 105](#) (Matthias Bauer-Langgartner)

98 Supplementary written evidence from Innovate Finance ([STA0071](#))

99 [Q 70](#) (Tom Duff Gordon)

100 Written evidence from Ross Buckley ([STA0030](#))

101 Bank for International Settlements, *BIS Annual Economic Report 2023*, 25 June 2023, p 98

102 Written evidence from Coinbase ([STA0023](#))

103 Written evidence from Agant ([STA0060](#))

is clear infrastructure demand for stable, tokenised fiat instruments within digital asset markets and programmable finance environments.”¹⁰⁴

Competition in payments

55. Witness also told us that stablecoins could help drive competition within the payments and settlement sectors, potentially to the benefit of consumers and businesses.
56. The Centre for FinTech, University of East London, wrote that stablecoins may “increase competitive pressure on banks and card networks ... and support innovation in digital wallets and open banking ecosystems.”¹⁰⁵ Innovate Finance wrote that “stablecoins can provide stronger competition in the payment systems market, with lower transaction costs, faster settlement and integration of additional services.”¹⁰⁶ Professor Alexander also told us that the UK has “a much more efficient payment system than the US, but you have a lot of other inefficiencies in retail banking. So by having more stablecoin issuance introduced into the system, you can inject more competition.”¹⁰⁷ For example, Jesse McWaters said that Mastercard is “building new products and innovations in this space, linking stablecoins to the existing card infrastructure.”¹⁰⁸
57. Coinbase described how “stablecoins could bring faster settlement for merchants at a lower cost than traditional services. UK regulation caps interchange fees at 0.2% for debit cards and 0.3% for credit cards, however assessment, processor, and gateway fees are often additive to these. On average, merchants face costs for processing credit card payments of between 1.5% and 3.4% per transaction.”¹⁰⁹
58. The position is less clear from a consumer perspective. Chris Giles warned that in the UK, consumers “can transfer money from one bank account to another bank account immediately for no specific charge, so it is quite hard to compete with that. Of course, there are hidden charges in the way that the banks operate—they bundle a lot of services together—but it is quite hard for a stablecoin to compete with that sort of efficiency.”¹¹⁰ The Great British Tokenised Deposit Project summarised that “the UK already benefits from a range of efficient, low-cost and widely accessible payment options.”¹¹¹
59. Witnesses also explained that existing payment rails (the underlying networks and infrastructure that allow funds to move digitally from one party to another) may not be in direct competition with stablecoins. Elise Soucie Watts told us that stablecoins “will fulfil a different functionality in the infrastructure of the future for faster payments, cross-border payments or agentic payments.”¹¹² For example, Coinbase explained that agentic payments would create a different use case for stablecoins because “utilising traditional payment rails for these use cases brings difficulties, particularly

104 Written evidence from the Digital Currencies Governance Group ([STA0046](#))

105 Written evidence from the Centre of FinTech, University of East London ([STA0022](#))

106 Written evidence from Innovate Finance ([STA0021](#))

107 [Q 40](#) (Professor Kern Alexander)

108 [Q 128](#) (Jesse McWaters)

109 Written evidence from Coinbase ([STA0023](#))

110 [Q 2](#) (Chris Giles)

111 Written evidence from the Great British Tokenised Deposit Project ([STA0067](#))

112 [Q 47](#) (Elise Soucie Watts)

where transaction confirmations or verifications require manual intervention each time.”¹¹³

60. In their written evidence, Mastercard emphasised that “despite growing interest in payments and other real world applications, most stablecoin activity reflects trading and internal flows, while true payment usage remains modest, at around \$390bn, representing roughly 0.02% of global payments volumes.”¹¹⁴ Professor Gleeson summarised that “the impact on MasterCard and Visa ... very much depends on what the stablecoin market ecosystem looks like.”¹¹⁵
61. Both the Bank and the FCA emphasised the potential benefits from competition with existing payments systems.¹¹⁶ David Geale, Executive Director of Payments and Digital Finance at the FCA and Managing Director of the Payment Systems Regulator, summarised that “if [stablecoin] grows as an option and as an alternative payment method for people, that is a good thing. It will bring competition to the market.”¹¹⁷
62. **The current two main use cases of stablecoin are facilitating trading in the cryptoasset markets, and cross-border payments. However, other use cases are emerging.**
63. **There are technological advantages that stablecoins have, including programmability and composability, which have the potential to perform new and different purposes, and could complement, rather than be an alternative to, other forms of money. This in turn has the potential to increase competition in the payments sector.**
64. **The development of stablecoins is part of the wider development of the tokenisation of assets, which comes with new opportunities for global financial markets and looks set to continue to grow.**
65. *Regulatory frameworks need to be sufficiently flexible to allow for future use cases for stablecoins. The regulatory response should not constrain use cases or make assumptions about the applicability of particular digital settlement solutions to use cases, but should be agnostic on whether and how the use cases will be adopted. Regulations should accommodate the potential for future innovations and novel uses that may arise from this emerging technology and must remain flexible to adapt to new use cases as they become widespread, while addressing risks appropriately.*

Risks

66. We also heard about the potential risks created by the increased adoption of stablecoins, both as a result of stablecoin growth generally, and with particular regard to the growth of GBP stablecoins in the UK. We noted that there was a significant divergence in the evidence between those who considered the risks to be significant, and those who took a more sanguine view. For example, Professor Allen wrote that “risks associated with stablecoins

113 Written evidence from Coinbase ([STA0023](#))

114 Written evidence from Mastercard ([STA0051](#))

115 [Q 24](#) (Professor Simon Gleeson)

116 [Q 188](#) (David Geale), [Q 88](#) (Sarah Breeden)

117 [Q 181](#) (David Geale)

would be better addressed by banning their use”.¹¹⁸ In contrast, Crypto.com wrote that the “UK has strong financial infrastructure, legal certainty, and regulatory credibility that position this market to support growth under an appropriate regime.”¹¹⁹

67. Commonly identified risks associated with wider stablecoin adoption included that it could affect traditional financial intermediaries and monetary policy transmission, as well as broader financial stability concerns arising from “de-pegging, redemption pressure, weaknesses in reserve management, liquidity and operational vulnerabilities and spillovers into the wider financial system where stablecoins become more interconnected with traditional finance.”¹²⁰
68. In addition we heard of the potential risks to retail customers and concerns around consumer protection, as well as the use of stablecoins to fund illicit activity.
69. These risks are discussed in more detail below. How the regulators intend to mitigate these risks is set out in Chapter 4.

Disintermediation and monetary policy transmission

70. A widely discussed risk is that widespread use of stablecoins could disintermediate (remove the intermediaries within) the traditional banking sector by reducing the role banks play in taking deposits, providing credit and facilitating payments. This concern is that if households and business choose to hold funds in stablecoins rather than in bank accounts, commercial banks could see a decline in their deposit base, which is a key source of stable, low-cost funding, with implications for credit provision, financial stability and monetary policy transmission.
71. Santander said it considered deposit disintermediation “the most significant systemic risk” and suggested that “large-scale deposit migration, particularly in stress scenarios, could reduce banks’ capacity to fund lending to the real economy.”¹²¹ Similarly NatWest explained that it was “concerned that a significant shift in deposits from banks into stablecoins could lead to a permanent reduction in the credit available to the real economy.”¹²²
72. Aisha Tariq wrote that “in relation to price stability, widespread adoption of stablecoins could affect the transmission of monetary policy if households and firms begin substituting traditional bank deposits with privately issued digital assets” and cited research from the European Central Bank which suggested that stablecoin adoption may encourage deposit substitution away from commercial banks and increase banks’ reliance on wholesale funding “potentially weakening the effectiveness of monetary policy transmission.”¹²³ NatWest also saw this as a risk, and suggested that if there were a significant shift in deposits from banks into stablecoins, banks would be required to source an increased level of funding from wholesale markets. NatWest told us it believes that a shift from deposits to wholesale funding would lead to “both an increase in the cost, and reduction in the availability, of lending.”¹²⁴

118 Written evidence from Professor Hilary J. Allen (STA0019)

119 Written evidence from Crypto.com (STA0025)

120 Written evidence from Aisha Tariq (STA0045)

121 Written evidence from Santander (STA0049)

122 Written evidence from NatWest (STA0058)

123 Written evidence from Aisha Tariq (STA0045)

124 Written evidence from NatWest (STA0058)

73. The Bank has been explicit that it recognises the potential for the large-scale adoption of stablecoins to draw funds away from commercial bank deposits and from the credit available to the real economy. Sarah Breeden told us that this “is a very real risk, and it is one that we have been very focussed on as we have been designing the regime.” She explained that the Bank has sought to analyse this risk and has modelled “how much there might be a flow of money, of deposits, from banks to stablecoin providers” and “what that would mean for the funding of the banks and whether they were likely to continue to lend.”¹²⁵ However, she also noted that “you would expect the financial system to adjust and that as funds flow from banks to payments but there is still a demand to borrow, other forms of funding for banks would step in” meaning that the Bank’s concern would be to ensure “an orderly transition as the shape of the system changes”.¹²⁶ The Bank’s modelling and response to these risks is discussed further in Chapter 4.
74. Other witnesses were more sceptical of the scale of the risk of disintermediation. For example, Elise Soucie Watts told us: “in other markets such as the US, what we have not seen and do not anticipate happening in the UK is a mass flight from deposits”¹²⁷ and added that “it is important to look at what the actual market data shows in terms of flight to stablecoins per se.”¹²⁸ Similarly, Innovate Finance suggested that “in the USA where stablecoin adoption has been growing for a longer period, research indicates that the growth of dollar-pegged stablecoins such as USDT and USDC has not led to material deposit flight or market disorder”.¹²⁹ The Digital Currencies Governance Group summarised that “international evidence suggests stablecoins have coexisted with bank deposit growth and, being fully backed, do not create credit in the way banks do.”¹³⁰ Coinbase also highlighted how “outflows did not materialise when yield-bearing money market funds (MMFs), which are economically similar assets, were introduced widely in the UK”.¹³¹
75. When asked about whether the example of the USA provided any evidence on the risk of disintermediation, Sarah Breeden told us that “the uses that stablecoins are being put to in the US now are settling crypto market transactions and being held overseas in other jurisdictions ... I think that the use we have seen so far is not the widespread adoption of stablecoins for payments in the real economy that our regime is designed to talk about.” She went on to say that “as they become regulated, as their uses become more real-world financial rather than crypto and offshore money, we might be able to learn a little bit more then.”¹³² Sasha Mills, Executive Director of Financial Market Infrastructure at the Bank, further emphasised that “the data we have at the moment is less of a useful comparison.”¹³³
76. In addition, as stablecoins are overwhelmingly US dollar denominated, concerns have been raised that increased use in the UK could contribute to currency substitution, potentially weakening the role of sterling in domestic transactions and undermining the transmission of monetary policy. The

125 [Q 91](#) (Sarah Breeden)

126 *Ibid.*

127 [Q 45](#) (Elise Soucie Watts)

128 [Q 51](#) (Elise Soucie Watts)

129 Written evidence from Innovate Finance ([STA0021](#))

130 Written evidence from the Digital Currencies Governance Group ([STA0046](#))

131 Written evidence from Coinbase ([STA0023](#))

132 [Q 91](#) (Sarah Breeden)

133 [Q 91](#) (Sasha Mills)

Great British Tokenised Deposit Project stated that it sees “material risks to UK monetary sovereignty” driven by demand for non-sterling stablecoins. They go on to suggest that if non-sterling stablecoins were to gain traction in UK domestic transactions it would have “serious implications for financial stability and consumer protection.”¹³⁴ Elise Soucie Watts also warned that “there is a strategic risk from a sovereignty perspective for the UK if we do not have a form of sterling money, because that would mean the default for capital market settlement—potentially even for retail payments—would be that the digital money used in the future would be denominated in other currencies.”¹³⁵ Professor Wilmarth said that it would be possible to “imagine US dollar stablecoins arbitraging to some degree the monetary policy control of the central bank ... the [International Monetary Fund] has expressed some concerns on this point about monetary policy control and sovereignty.”¹³⁶

77. However, Mastercard told us that it does not see “a meaningful risk of currency substitution and associated impact on monetary policy transmission in the UK.” It pointed to the high levels of trust in sterling and that the UK has an advanced domestic payments system, and concluded that it is “unlikely that consumers would choose to be paid in pounds, convert those funds into US-dollar stablecoins, and then use them to pay for goods and services priced in sterling.”¹³⁷

Financial stability

78. The FCA identified the “market risks” of stablecoins as the “risks on the run on a stablecoin” and the “risk of depegging”.¹³⁸ Stablecoins are runnable instruments; as they promise redemption at par (much like bank deposits), meaning that if confidence falters, holders may all seek to exit at once. ‘Depegging’ is where the value of a stable asset strays significantly from its linked value.¹³⁹ HM Treasury highlighted “stablecoin specific financial stability” risks that could manifest in the event of a stress scenario “due to a loss of confidence in a stablecoin, or a loss of confidence in the banking sector, resulting in a ‘flight to safety’ to stablecoin.”¹⁴⁰
79. Professor Allen suggested that “if institutional adoption of stablecoins for transaction settlement purposes becomes more prevalent, then runs on stablecoins are more likely to impact financial stability.” Professor Allen also highlighted that “USDC’s value did fall below 90 cents during a run on Silicon Valley Bank (where it held \$3.3 billion on deposit). Coinbase temporarily paused conversions of USDC into dollars; USDC recovered its peg once guarantees of Silicon Valley Bank’s uninsured deposits were announced.”¹⁴¹
80. We heard concerns that stablecoins are subject to reserve liquidity risk where issuers promise on-demand redemption but hold assets that may not be readily realisable. Dr Daniele D’Alvia told us:

134 Written evidence from Great British Tokenised Deposit Project ([STA0067](#))

135 [Q 45](#) (Elise Soucie Watts)

136 [Q 20](#) (Professor Arthur E. Wilmarth Jr)

137 Written evidence from Mastercard ([STA0051](#))

138 Written evidence from the Financial Conduct Authority ([STA0059](#))

139 Coinbase, *Why do stablecoins depeg?* [accessed 23 April 2026]

140 Written evidence from HM Treasury ([STA0069](#))

141 Written evidence from Professor Hilary J. Allen ([STA0019](#))

“A key concern relates to the possibility of sudden redemption runs, in which users attempt to convert stablecoins into fiat currency simultaneously. If stablecoin reserves are invested in assets that cannot be liquidated quickly, large-scale redemptions could create liquidity pressures that might spill over into broader financial markets. These risks are particularly relevant if stablecoins become widely used for payments or if their reserves become closely integrated with traditional financial institutions.”¹⁴²

81. Other witnesses also highlighted the risk of contagion. Richard Ridyard suggested that in the event of a run “as could be observed during the collapse of TerraLuna¹⁴³, there is a risk of contagion through the interconnections of the stablecoin market. This means that problems with one stablecoin can easily be transmitted to others.”¹⁴⁴ Similarly, the Centre for Fintech wrote that “given their global circulation, stress affecting a stablecoin in one jurisdiction can rapidly transmit to UK markets through redemption, exchange, and liquidity channels.”¹⁴⁵
82. As stablecoin issuers often hold a significant portion of their backing assets in government bonds¹⁴⁶ we also heard concerns about the potential risk to the bond market from the impact that a rapid disposal of such assets might cause. YouHodler, a Fintech company, wrote that “large redemption events could place pressure on underlying markets, particularly if reserves consist primarily of short-dated UK sovereign debt. The Gilt market needs to prepare for the reliance of stablecoins.”¹⁴⁷ Professor Wilmarth explained that, if there is a run on stablecoins, “often the short-term treasuries are what people tend to sell first because they are the most liquid.”¹⁴⁸ Professor Gleeson suggested that:
- “An area where the Bank of England has this slightly wrong is that it is very focused on the risk of runs from banks to stablecoins. Think about how it would work the other way around if there were a loss of confidence in the stablecoin. The point about the stablecoin issuers is that—by definition—they are full up with short-term government paper. So if there were a run on a stablecoin issuer, you would then have a substantial impact on the government bond market”.¹⁴⁹
83. However, Professor Alexander said that “stablecoins do not really pose the same systemic risk that a bank run would pose. In Terra, for example, there was a so-called run on stablecoin holdings but it did not create a systemic problem in the US financial system. It certainly was a widespread problem for consumers and investors, but I am not as concerned about the systemic

142 Written evidence from Daniele D’Alvia ([STA0048](#))

143 Terra was a blockchain protocol and payment platform used for algorithmic stablecoins. In May 2022 its algorithmic stablecoin TerraUSD (UST) and its cryptocurrency LUNA collapsed, wiping out around \$50 billion in market capitalisation in a week (Badev, Anton, and Cy Watsky, *Interconnected DeFi: Ripple Effects from the Terra Collapse*, Finance and Economics Discussion Series 2023–044. Washington: Board of Governors of the Federal Reserve System). Unlike other major stablecoin such as Tether or Circle, which are backed with liquid assets, UST was an algorithmic stablecoin, meaning it was supported by a smart contract that allowed an exchange of one unit of UST to \$1 worth of LUNA, and vice versa (Liu, Schoar, Makrov, *Anatomy of a run: The Terra Luna Crash*, 22 May 2023)

144 Written evidence from Richard Ridyard ([STA0064](#))

145 Written evidence from the Centre of FinTech, University of East London ([STA0022](#))

146 Written evidence from the Entrepreneurs Network ([STA0043](#))

147 Written evidence from YouHodler SA ([STA0055](#))

148 [Q 15](#) (Professor Arthur E. Wilmarth Jr)

149 [Q 25](#) (Professor Simon Gleeson)

risk impact of a failure of a stablecoin issuer.”¹⁵⁰ Agant further wrote that “the incentive to run is significantly reduced for stablecoin issuers with disclosed and verifiable HQLA [high quality liquid asset] backing that can be relatively easily liquidated at full value.”¹⁵¹

84. ClearBank suggested that it did not believe the risk of rapid redemption runs or disruptions to payment continuity “are materially greater than for other financial instruments, nor are stablecoin features particularly complex compared to other financial instruments.”¹⁵² Ripple told us that “stablecoins are essentially payment instruments which are very unlikely to replace bank deposits as a store of value.” Ripple went on to suggest that stablecoins are “complementary to other forms of money such as bank deposits, rather than trying to replace the existing financial system” and highlighted that “other similar instruments which are fully backed by liquid assets are already established in the financial system, such as e-money, money market funds and narrow banks.”¹⁵³ The Payments Association told us that its broader membership was of the view that “no empirical evidence has yet emerged of stablecoins disrupting monetary policy or traditional intermediaries in practice.”¹⁵⁴

Risks to consumers

85. Notabene summarised the key risks to consumers as the “combination of near-instant settlement and practical irreversibility.”¹⁵⁵ As Professor Wilmarth explained, “once you complete a transaction on a public permissionless blockchain, it is virtually impossible to undo it. It does not matter if it was fraudulent, mistaken or outright theft.”¹⁵⁶ Notabene explained that this means “errors, scams, compromised credentials, and mistaken recipient events become harder to unwind” and that for SMEs this could “reduce confidence in using stablecoins for ordinary commercial flows unless there is clear allocation of responsibility and workable remediation mechanisms.”¹⁵⁷ Matthias Bauer-Langgartner explained that the immutability of the blockchain means that “if funds are sent from a victim’s wallet address to a scam cluster” then a stablecoin issuer “can then freeze those assets ... they can then reissue the token to the victim” which means that “economically, you can reverse transactions, but it is not technical reversibility ... all these transactions, the freezing of stablecoins and the reminting of stablecoins, would be documented on the chain.”¹⁵⁸
86. A number of witnesses highlighted how, as a result, stablecoins do not have the same scope for redress as other forms of payments. Jesse McWaters highlighted that stablecoin transactions do not contain “fraud protection mechanisms, dispute resolution mechanisms or refund guarantees” and summarised that “moving value is easy. Making it safe, trusted and interoperable is not”.¹⁵⁹ Mastercard recommended that stablecoins used for payments should “offer protections equivalent to traditional finance, including clear rules for dispute

150 [Q 34](#) (Professor Kern Alexander)

151 Written evidence from Agant ([STA0060](#))

152 Written evidence from ClearBank ([STA0039](#))

153 Written evidence from Ripple ([STA0026](#))

154 Written evidence from the Payments Association ([STA0040](#))

155 Written evidence from Notabene Inc. ([STA0037](#))

156 [Q 14](#) (Professor Arthur E. Wilmarth Jr)

157 Written evidence from Notabene Inc. ([STA0037](#))

158 [Q 104](#) (Matthias Bauer-Langgartner)

159 [QQ 125, 131](#) (Jesse McWaters)

resolution, errors and liability in cases of fraud.”¹⁶⁰ The FCA highlighted the “risks around insolvency, where there is no tailored resolution or insolvency regime, as well as the FSCS [Financial Services Compensation Scheme] not providing protection in a last resort.”¹⁶¹

87. In addition, some witnesses warned about a potential lack of understanding on the part of consumers about the distinction between stablecoins and other forms of payments. Aisha Tariq warned that “retail users may not fully understand the legal status or risk profile of stablecoins, particularly where such products resemble traditional payment instruments or bank deposits.”¹⁶² Santander similarly suggested that “consumers may not fully understand the distinction between stablecoins and FSCS protected bank deposits.”¹⁶³

Illicit uses and financial crime

88. A risk raised repeatedly through our evidence was the use of stablecoins for illicit purposes. Professor Wilmarth stated that “illicit criminal activities, money laundering, sex and drug trafficking, and movement of money by sanctioned regimes and terrorist groups”¹⁶⁴ was one of the major use cases of stablecoins. Alexander Browder, founder of the Global Cryptocurrency Laundering Database, wrote that “North Korea’s Lazarus Group uses stablecoins to buy military equipment, Iran’s Islamic Revolutionary Guard Corps (IRGC) uses them to source drone components, and terrorist networks and drug trafficking organizations also rely on stablecoins to fund their operations.”¹⁶⁵
89. Matthias Bauer-Langgartner told us that “criminals use stablecoins for the same reasons that legitimate users would use them. They are a good way of moving value instantly, cross-border, and there is literally no better way to move funds at this moment.”¹⁶⁶ He added that stablecoins now account for “84% of all the illicit flows we have recorded on chain.”¹⁶⁷ Santander further highlighted how stablecoins are attractive for illicit activity because of “their price stability, liquidity and ease of peer-to-peer transfer, particularly where transactions involve unhosted (self-custodied) wallets operating outside the perimeter of regulated intermediaries.”¹⁶⁸ Santander told us that “while robust AML/CFT controls at the point of issuance are necessary, they are not sufficient on their own. Stablecoins are designed to be freely transferable instruments and, once in circulation, may be acquired on secondary markets or via overseas cryptoasset service providers by parties with no direct relationship to the issuer.”¹⁶⁹ The role of self-custodied and other unregulated wallets in illicit activity, and the regulators’ response, is discussed in more detail in Chapter 4.
90. Despite this, Chainalysis and others¹⁷⁰ also noted that illicit activity represents a small share of overall stablecoin transaction volume globally. Chainalysis

160 Written evidence from Mastercard ([STA0051](#))

161 Written evidence from the Financial Conduct Authority ([STA0059](#))

162 Written evidence from Aisha Tariq ([STA0045](#))

163 Written evidence from Santander ([STA0049](#))

164 [Q 13](#) (Professor Arthur Wilmarth Jr.)

165 Written evidence from Alexander Browder ([STA0028](#))

166 [Q 103](#) (Matthias Bauer-Langgartner)

167 [Q 101](#) (Matthias Bauer-Langgartner)

168 Written evidence from Santander ([STA0049](#))

169 *Ibid.*

170 [Q 71](#) (Tom Duff Gordon) attributed figures to TRM Labs and Chainalysis; Written evidence from Superteam UK ([STA0053](#)) quoted Chainalysis figures.

has reported that illicit volumes are “still dwarfed by the broader crypto economy, which largely consists of legitimate transaction volumes” and that the illicit share of all attributed crypto transaction volume “increased slightly from 2024 but remains below 1%”.¹⁷¹ Matthias Bauer-Langgartner told us that in the last five years this figure “has not materially changed. It has fluctuated, absolutely, but has always remained below this 1% figure.”¹⁷²

91. Although it is clear that stablecoins are used for illicit financial activity, several witnesses also highlighted the opportunities that stablecoins bring in relation to tracking illicit activity. The cryptoasset service provider YouHodler wrote that “stablecoins recorded on transparent ledgers can, in some cases, improve traceability relative to traditional payment channels. Increasingly, AI-assisted analytics systems are able to analyse on-chain transaction flows and identify patterns associated with illicit activity. This may lower compliance costs for financial institutions and regulators, particularly in cases where resources for financial supervision are limited.”¹⁷³ Superteam UK explained that “each individual stablecoin can be traced on-chain to its minting, allowing investigators to trace wallets and transactions associated with the asset, granting regulators complete visibility into their usage.”¹⁷⁴
92. Crypto.com told us that “stablecoins can be misused for illicit purposes, as with all forms of digital and physical currency” but suggested that blockchain transparency “enables transaction tracing and compliance tools that are not available in cash-based systems.”¹⁷⁵ Similarly, Matthias Bauer-Langgartner added that “unlike the opaque nature of physical cash or offshore bank accounts, though, stablecoins typically operate on public and permissionless ledgers, which are inherently transparent.”¹⁷⁶
93. Chainalysis told us it saw two “concrete” opportunities for the UK stablecoin regime from blockchain analytics. First, that it can help firms to not only understand direct AML risks but also to protect consumers “by flagging transactions or blocking transactions to known scam clusters before losses occur.” Second, it suggested there was an opportunity to make “supervision more efficient and more data driven” by allowing regulators to “shift from periodic paper-based reporting to overseeing on a risk-based continuous track.” Matthias Bauer-Langgartner told us:

“The FCA, for example, could analyse risk trends across all regulated firms. In an instant, it could benchmark AML exposure. It could drill down into specific entities, specific firms, even specific transactions if it wanted to, or verify a firm’s claim against objective on-chain data ... the more analytics-informed these suspicious activity reports are, the more actionable they are and the better you can link them together, giving investigators a much quicker view of what is happening.”¹⁷⁷
94. Existing mechanisms to address financial crime—particularly anti-money laundering (AML) and know your customer (KYC) requirements—were

171 Chainalysis, *Crypto Crime Reaches Record High in 2025 as Nation States Sanctions Evasion moves on chain*, January 2026

172 Q 108 (Matthias Bauer-Langgartner)

173 Written evidence from YouHodler SA (STA0055)

174 Written evidence from Superteam UK (STA0053)

175 Written evidence from Crypto.com (STA0025)

176 Q 101 (Matthias Bauer-Langgartner)

177 *Ibid.*

identified by witnesses as central to mitigating financial crime risks. These are explored further in Chapters 3 and 4.

95. **Stablecoins pose a number of risks and challenges, particularly in relation to financial stability, illicit finance and consumer protection. The use of stablecoins for illicit purposes is a significant concern globally.**
96. **However, stablecoins also present opportunities for the development of a multi-money system. If regulated effectively and proportionately, the risks can be mitigated as they currently are with other forms of money.**
97. *The regulators should ensure that in regulating stablecoins they are not inadvertently applying more severe limitations than they do for other forms of payment.*

CHAPTER 3: THE UK'S CURRENT POSITION

GBP stablecoins

98. As set out in Chapter 1, the GBP stablecoin market is currently nascent with a small number of sterling-denominated stablecoins issuers, and the UK's cryptoasset regulatory regime, including for stablecoins, is expected to come into force on 25 October 2027.

Factors affecting GBP stablecoin development so far

99. The cryptoasset service provider YouHodler wrote that “the principal issue affecting stablecoin development in the UK is ... the absence of a fully operational regulatory framework combined with persistent uncertainty around how existing rules will ultimately apply.”¹⁷⁸ The Scottish Centre of Excellence for Digital Trust also wrote that “regulatory uncertainty is not a neutral condition ... it functions as an active suppressor of investment.”¹⁷⁹ Professor Alexander explained that currently “there are no real safeguards in place. Once a regulatory regime can be adopted, it can provide some legal clarity and some regulatory certainty that will allow large commercial institutions to want to have more exposure to stablecoins.”¹⁸⁰
100. Witnesses also emphasised timing, suggesting the UK was already lagging behind the USA and the EU. Rory Tanner, Head of UK Government Affairs and Public Policy at Revolut, told us that the UK's regulatory regime is “already behind in the sense that MiCAR is operational and GENIUS is likely to come in in early 2027” and added that “the key is now adhering to that October 2027 date.”¹⁸¹ The CityUK added that the “UK is making good progress ... but remains behind the EU in terms of implemented regulation and behind the US in terms of the size of its market.”¹⁸² However, the Entrepreneurs Network wrote that “the substance of the rules matters more than the speed.”¹⁸³
101. We also heard evidence about the impact of the regulators' public statements regarding stablecoins. Chris Giles told us that “there was a very interesting shift in position from the Bank of England in October last year. The Governor, Andrew Bailey, went from being relatively ... hostile to stablecoins in their entirety to saying, ‘Let us take the two words, stable and coin. If they are both stable and coin as in money, we will treat them like money and regulate them like money’.”¹⁸⁴ Agant highlighted “examples of prominent public figures speaking in terms that ... were disproportionately negative about stablecoins” and wrote that “officials from public authorities should, as a general principle, refrain from expressing hostile public judgments on specific products, particularly in the early stages of a new market's development.”¹⁸⁵ Agant further stated that “many prospective investors have referred to the hostile regulatory environment, citing in particular the Bank of England's comments, as the reason for not investing.”¹⁸⁶

178 Written evidence from YouHodler SA ([STA0055](#))

179 Written evidence from the Scottish Centre of Excellence for Digital Trust ([STA0038](#))

180 [Q 40](#) (Professor Kern Alexander)

181 [QQ 138, 146](#) (Rory Tanner)

182 Written evidence from TheCityUK ([STA0061](#))

183 Written evidence from the Entrepreneurs Network ([STA0043](#))

184 [Q 4](#) (Chris Giles)

185 Written evidence from Agant ([STA0060](#))

186 *Ibid.*

102. However, Sarah Breeden told us that “we at the Bank of England want to enable sterling stablecoins to be used as money for real-world payments” and that they are seeking to enable a “multi-moneyverse” so that “traditional forms of money, tokenised commercial bank deposits and tokenised non-bank money in the form of stablecoins are able to coexist and be frictionlessly interoperable and interchangeable across those different forms.”¹⁸⁷
103. By comparison, Tom Duff Gordon explained that “since the GENIUS Act ... 200 stablecoin projects have been announced by the biggest banks in America ... what you see is the power of the regulatory clarity.”¹⁸⁸ The UK Cryptoasset Business Council also wrote that “the introduction of the Markets in Crypto-Assets Regulation (MiCAR) in the European Union in 2024 has coincided with a significant rise in euro-denominated stablecoins from a single euro stablecoin in 2020 to 22 by the end of 2025.”¹⁸⁹ However, the Entrepreneurs Network wrote that even though the EU was “one of the first jurisdictions to introduce formal stablecoin rules,” MiCAR’s “prescriptive requirements have stifled rather than enabled growth. Euro-denominated stablecoins remain marginal.”¹⁹⁰ The CityUK further wrote that while the introduction of MiCAR “provides legal clarity for firms, the market for stablecoins in the EU remains relatively small.”¹⁹¹
104. However, some witnesses downplayed the importance that regulation had for the growth of the stablecoin market in the USA. Professor Lawrence White wrote that “the volume of USD stablecoins was growing before the [GENIUS] Act, and no doubt will continue to grow ... I’m sceptical that the GENIUS Act will amplify that growth much.”¹⁹² Similarly, the Centre of FinTech, University of East London, noted that stablecoins “were introduced in 2014” and so were “unregulated for about 10 to 11 years” before MiCAR and the GENIUS Act.¹⁹³ Professor Wilmarth also noted that “Tether’s USDT stablecoin, the largest global stablecoin ... is headquartered in El Salvador and is not subject to meaningful oversight by that country” and that it has announced that “it will introduce a US stablecoin for US customers but will not bring its main stablecoin onshore.”¹⁹⁴
105. Instead, the role of the US Dollar (USD) was described as a key factor in the growth of stablecoins. Professor Wilmarth told us that “stablecoins have a lot to do with the role of the US dollar as a global reserve currency.”¹⁹⁵ Jesse McWaters explained that “the reason that the US dollar is the predominant backing value of most stablecoins is determined not by the nature of stablecoins, nor even primarily by US policy in this space, but rather by the use case for those stablecoins. They are being used today almost exclusively to facilitate capital market settlement. As the international reserve currency, there are certain network effects associated with the use of the dollar for

187 Q 94 (Sarah Breeden)

188 Q 70 (Tom Duff Gordon)

189 Written evidence from UK Cryptoasset Business Council (STA0041)

190 Written evidence from the Entrepreneurs Network (STA0043)

191 Written evidence from TheCityUK (STA0061)

192 Written evidence from Professor Lawrence H. White (STA0047)

193 Written evidence from the Centre of FinTech, University of East London (STA0022)

194 Written evidence from Professor Arthur E. Wilmarth, Jr (STA0036) and Q 13 (Professor Arthur E. Wilmarth, Jr); see also Tether, *Tether announces the launch of USAT - the federally regulated dollar-backed stablecoin made in America*, 27 January 2026

195 Q 20 (Professor Arthur E. Wilmarth, Jr) and written evidence from Professor Arthur E. Wilmarth, Jr (STA0036)

that.”¹⁹⁶ Elise Soucie Watts added that “we do not see that sterling stablecoins are going to fully replace dollar stablecoins. That ship has very much sailed and ... sterling does not occupy the same role as the dollar.”¹⁹⁷ The City of London Corporation wrote that while they expect GBP stablecoins to grow, “USD network effects are likely to persist.”¹⁹⁸ The Centre of Fintech, University of East London, wrote that “in the short term, GBP stablecoins are likely to remain smaller than USD stablecoins due to network effects, liquidity, and cross-border demand favouring USD stablecoins.”¹⁹⁹

106. As noted in Chapter 2, the UK already has an efficient payments system. As a result, there may be less demand for GBP stablecoins. NatWest explained that “the UK’s domestic payments system is less in need of this innovation—particularly when compared, for example, with the US where 24/7, low cost and near-instant bank-to-bank transfers are less common.”²⁰⁰
107. When challenged about the length of time that it is taking for the UK regulatory regime to be finalised, the Economic Secretary told us that “both the US and the UK are not expected to publish their full regulatory regimes until mid-2026 ... we compare well.”²⁰¹ Sarah Breeden also said that “when I hear some say that the UK is behind, I simply do not recognise that. We will be welcoming applications from stablecoin issuers by the end of this year.”²⁰² David Geale added that it “is a matter for Government, rather than [the FCA], that the actual switch-on date is October next year. We have made sure that our regime will be finalised by the middle of this year so that firms have certainty of what our overall regime looks like for stablecoins in the UK.”²⁰³ He further explained that currently, firms “can go ahead under the money laundering [regulations] ... firms can apply to do stablecoin issuance under those rules now.”²⁰⁴

The development of GBP stablecoins

108. Further to the potential use cases discussed in Chapter 2, we heard several reasons why there could be benefits from the development of a sterling-denominated stablecoin market. Rory Tanner told us that “the UK to India is the seventh largest remittance corridor globally in terms of transaction volume ... that confirms that there is a business case for developing a GBP stablecoin.”²⁰⁵ Agant told us it was exploring “institutional use cases” for GBP stablecoins in capital markets, trading and asset management.²⁰⁶ Jesse McWaters added that regardless of whether stablecoins are adopted for domestic payments, “if they are to be used ... Britons will want to use pounds sterling to denominate those transactions.”²⁰⁷ The City of London Corporation also wrote that a GBP stablecoin market would “support London’s role as a hub for tokenisation and digital finance, while creating

196 [Q 127](#) (Jesse McWaters)

197 [Q 54](#) (Elise Soucie Watts)

198 Written evidence from the City of London Corporation ([STA0034](#))

199 Written evidence from the Centre of FinTech, University of East London ([STA0022](#))

200 Written evidence from NatWest ([STA0058](#))

201 [Q 167](#) (Lucy Rigby)

202 [Q 88](#) (Sarah Breeden)

203 [Q 186](#) (David Geale)

204 [Q 183](#) (David Geale)

205 [Q 136](#) (Rory Tanner)

206 [Q 154](#) (Tom Rhodes) and written evidence from Agant ([STA0060](#))

207 [Q 127](#) (Jesse McWaters)

new revenue streams in custody, reserve management, and blockchain-based settlement.”²⁰⁸

109. As outlined in Chapter 2, witnesses also highlighted the potential impact of a lack of a GBP stablecoin on monetary policy transmission and monetary sovereignty. The UK Cryptoasset Business Council highlighted a report from Imperial College London in September 2025 “which found that the absence of a regulated GBP stablecoin market is driving UK consumers and businesses toward dollar and euro-denominated alternatives.”²⁰⁹ The Entrepreneurs Network also wrote that a lack of a GBP stablecoin could lead to British businesses and consumers becoming “increasingly reliant on offshore, dollar-linked systems, ceding control of future financial architecture to foreign entities.”²¹⁰
110. HM Treasury wrote that the number of applications to participate in the FCA’s stablecoin regulatory sandbox was “an indication that there is appetite among firms to issue and use GBP denominated stablecoin in the United Kingdom.”²¹¹ The sandbox is discussed further below. The Economic Secretary also told us that “developing the GBP-denominated stablecoin markets has the potential to enhance our UK financial services offering as a whole, because of the way in which stablecoin can impact on the greater use of digital assets more broadly.”²¹²
111. **The role of the US dollar globally means USD stablecoins have unique advantages. A sterling stablecoin could nonetheless provide different and important uses including for cross-border payments. The development of sterling stablecoins could also avoid the potential monetary policy risks that could arise from currency substitution brought about by the adoption of USD-denominated stablecoins. Similarly, with a mature financial services industry, the UK should be seeking to enable a GBP stablecoin market to be established and grow. As well as the issuance of GBP stablecoins, a successful stablecoin market would mean the UK could provide wider services in the stablecoin ecosystem which may create new and emerging business opportunities.**
112. **The UK is currently lagging behind in developing its regulatory regime for stablecoins compared to the USA and EU, in part due to initial public scepticism from the regulators about stablecoins, but it is now moving in the right direction.**
113. **The publicly stated attitudes of the regulators have had a direct impact on the willingness of businesses to enter the market, although there has been a change in those stated attitudes since 2025.**
114. *The financial regulators should seek to encourage safe and responsible innovation in the UK stablecoin market and remain open to new technological developments.*

208 Written evidence from the City of London Corporation ([STA0034](#))

209 Written evidence from UK Cryptoasset Business Council ([STA0041](#)); see Imperial College London, *Mind the Gap: How Stablecoins can Secure the UK’s Financial Future*, September 2025

210 Written evidence from the Entrepreneurs Network ([STA0043](#))

211 Written evidence from HM Treasury ([STA0069](#))

212 [Q 172](#) (Lucy Rigby)

115. **Regulatory uncertainty has been a factor in preventing GBP stablecoins developing. Clear legal and regulatory underpinnings for stablecoins provide confidence for investors, businesses and consumers in this emerging market. The uncertainty of knowing there will be a new regulatory regime, but not knowing the final requirements or how the requirements could affect issuers’ business models, may have discouraged GBP stablecoin issuers from entering the market.**
116. *The regulators must adhere to current timelines and ensure that the final regulatory regime is not delayed in order to bring certainty and confidence to allow the GBP stablecoin market to develop.*

The UK’s regulation of stablecoins to date

Current regulatory requirements

117. Currently, stablecoins issued or used in the UK are not subject to stablecoin-specific regulation. Regulation of cryptoassets (including activities relating to stablecoins) includes anti-money laundering (AML) and terrorist financing requirements including relating to transaction monitoring and know your customer checks.²¹³ In addition, under the AML regime, firms must be registered with the FCA to conduct business.
118. Cryptoasset activities are also subject to financial promotion requirements which came into effect in October 2023 and consumer protection legislation including the Consumer Rights Act 2015.²¹⁴ However, most cryptoasset activities are not currently subject to broader financial services regulations, including licensing, conduct and prudential requirements (we consider the proposals for the cryptoasset regulatory regime in Chapter 4).

Anti-money laundering

119. Mastercard explained that in practice for stablecoins, “regulatory obligations are imposed at identifiable control points in the ecosystem—such as points of issuance, distribution, custody, conversion, and use, where firms are identifiable, supervised and capable of meeting obligations.”²¹⁵
120. Witnesses were supportive of robust anti-money laundering requirements. For example, UK Finance wrote that “strong AML requirements are in the best interests of all market participants.”²¹⁶ The Centre for Fintech, University of East London explained that “anti money-laundering and counter-terrorist-financing rules impose identity verification, transaction monitoring, and reporting duties” which it described as “essential for enabling lawful use by banks, corporates, and regulated financial institutions.”²¹⁷

213 Requirements are set out in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ([SI 2017/692](#)). In addition, the key laws in the UK that protect against money laundering and terrorist financing are the [Terrorism Act 2000](#), the [Proceeds of Crime Act 2002](#), and the [Economic Crime and Corporate Transparency Act 2023](#). HM Treasury, [National risk assessment of money laundering and terrorist financing 2025](#), July 2025, notes that the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 need to be updated to reflect the growth of stablecoins and their connection with illicit transactions.

214 [Consumer Rights Act 2015](#)

215 Written evidence from Mastercard ([STA0051](#))

216 Written evidence from UK Finance ([STA0066](#))

217 Written evidence from the Centre of FinTech, University of East London ([STA0022](#))

121. However, Agant wrote that “the AML ‘registration’ requirement has played an enormously outsized role in limiting cryptoasset activity in the UK.”²¹⁸ Tom Rhodes, Chief Legal Officer at Agant, told us that “the registration process ... under this money laundering regime had, on the latest stats I have seen, an 85% rejection rate for applicants over the last five years ... as a barrier to entry, it is significant.”²¹⁹ In evidence to the House of Commons Treasury Committee, Nikhil Rathi, the Chief Executive of the FCA, said that:
- “one of the issues that we found when we were authorising crypto platforms under the money laundering regime is we were not getting straightforward information about ultimate controller and ultimate beneficial owner. That contributed to why we did not accept 85% of the applications, notwithstanding the ferocious criticism that we got from parts of Parliament for being quite rigorous. That was because we did not have the information so we could not make a judgment to say that they were safe to operate.”²²⁰
122. The possible benefits for addressing money laundering as a result of the public nature of the blockchain were also raised. Matthias Bauer-Langgartner told us that under the current AML regime, firms have “obligations towards the direct counterparties. They have to do transaction monitoring for all the incoming and outgoing transactions ... the beauty with blockchains is that you can also look into transactions that are further away than the direct transactions that you receive, which gives you a much clearer picture of where the funds come from.”²²¹ Professor Gleeson added that “there are people out there who take the view that this could be the greatest benefit to AML policy there has ever been because tracking this stuff is not as hard as you think, but none of that is covered by the existing AML regime.”²²²
123. The digital infrastructure company Signet Stack also explained that “major [stablecoin] issuers can and do freeze illicit funds.”²²³ However, we received evidence that the legal basis for freezing stablecoins was problematic.²²⁴ Matthias Bauer-Langgartner told us that “the UK should clarify expectations for secondary market observations and when issuers may and should work with authorities to proactively freeze illicit funds before they are laundered or cashed out with appropriate safeguards for compliant users.”²²⁵
124. Matthew Long, Director of Payments and Digital Assets at the FCA, told us that tracking wallet transactions on the blockchain “means we can identify a sanctioned entity. We can sanction that and make it prohibitive or difficult ... we could ask our colleagues at the National Crime Agency or elsewhere to take action and investigate that wallet”. However, he said that on the responsibility for freezing assets, “we do not have that case right now in the UK. It is most likely the issuer, but that does not mean we will not explore,

218 Written evidence from Agant ([STA0060](#))

219 [Q 166](#) (Tom Rhodes)

220 Commons Treasury Committee, *Work of the Financial Conduct Authority*, 24 March 2026, [Q 613](#) (Nikhil Rathi)

221 [Q 104](#) (Matthias Bauer-Langgartner)

222 [Q 26](#) (Professor Simon Gleeson)

223 Written evidence from Signet Stack Ltd ([STA0057](#))

224 For example, see [Q 166](#) (Tom Rhodes) and written evidence from Circle ([STA0065](#)).

225 [Q 101](#) (Matthias Bauer-Langgartner)

as we go into the next couple of years, whether there is something else that others could do on those payments.”²²⁶

125. ***The FCA and HM Treasury should review the existing anti-money laundering and ‘know your customer’ rules to assess whether they remain robust in light of the challenges and opportunities that the development of the stablecoin market brings. This must take into account the developments in other jurisdictions such as the USA and EU, and international standards, in particular the Financial Action Task Force recommendations.***
126. ***HM Treasury and the FCA should ensure that there is legal clarity about the roles and responsibilities of stablecoin issuers, exchanges and custodians in freezing stablecoins or blocking transactions so that, wherever possible, the requirements are the same as for other forms of payments and bank accounts that are subject to financial crime requirements.***

Banks issuing stablecoins: the PRA’s Dear CEO Letter

127. As described in Chapter 1, the PRA has restricted the ability of deposit-takers to issue stablecoins. This restriction was initially set out in its ‘Dear CEO’ letter sent to deposit-takers in November 2023.²²⁷ On 18 May 2026, after we had finished taking evidence, the PRA issued a further ‘Dear CEO’ letter which superseded the 2023 letter and reaffirmed its position from 2023.²²⁸
128. In 2023, the PRA stated that “deposit-takers should ensure that deposit-taking entities only provide innovations in digital money to retail customers in the form of deposits”, adding that “there is a risk of confusion among customers, especially retail customers, if deposit-taking entities were to offer e-money or regulated stablecoins under the same branding as their deposits.” As a result, the PRA stated that if deposit-taking entities seek to issue stablecoins, it should be done under “distinct branding” and from “non-deposit-taking and insolvency-remote entities”.²²⁹ The PRA’s 2026 letter acknowledged that “there has been significant progress in digital money innovation, including the development of regulatory regimes for stablecoins” but stated that the “core risks identified previously have not changed”. It therefore reaffirmed the existing requirements from 2023, but clarified that there were different ways to achieve distinct branding and so stablecoins “might include reference to the parent brand”.²³⁰
129. Prior to the 2026 letter, Rory Tanner told us that “the problem that banning the branding point has to solve can be solved by education and other interventions.”²³¹ NatWest similarly explained that “while ringfencing issuance is a sensible protection, the provision of services under alternate branding could forestall the ability of banks to compete in this space.”²³²

226 [Q 140](#) (Matthew Long)

227 Prudential Regulation Authority, [Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins](#), 6 November 2023

228 Prudential Regulation Authority, [Reaffirming the Prudential Regulation Authority’s \(PRA\) position and clarifying expectations on innovations in the use of deposits, e-money and stablecoins](#), 18 May 2026

229 Prudential Regulation Authority, [Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins](#), November 2023

230 Prudential Regulation Authority, [Reaffirming the Prudential Regulation Authority’s \(PRA\) position and clarifying expectations on innovations in the use of deposits, e-money and stablecoins](#), 18 May 2026

231 [Q 146](#) (Rory Tanner)

232 Written evidence from NatWest ([STA0058](#))

ClearBank wrote that “permitting banks to issue stablecoins is likely to enhance the UK’s international position.”²³³ Santander also wrote that “restricting issuance to non-bank entities negates the substantial consumer protection benefits that banks are best placed to provide.”²³⁴

130. The Scottish Centre of Excellence for Digital Trust also wrote that the 2023 letter was issued “before any legislative regime existed and without clear legal authority to do so. The Centre regards this as overreach. It operated through supervisory expectation rather than formal prohibition.”²³⁵

131. Sarah Breeden explained that:

“banks can issue stablecoins, but how they do it needs to recognise that the protections for the holders are different if it is a deposit versus if it is a coin. If it is a coin, a set of assets are held on trust for you and you own your share of them, and there is no FSCS insurance for them. For deposits, you are a general creditor of the bank and you are insured up to a certain amount. Because the protections are different, they need to come from different legal entities with different branding to show the consumer that they are buying different products. I should emphasise that that is the same policy all around the world. The US and the Europeans are insisting on that policy.”²³⁶

132. As set out in Chapter 1, under MiCAR, authorised credit institutions (banks) can issue EMTs. In their written evidence, Innovate Finance set out how banks are permitted to issue stablecoins under the same branding in the US, EU, Japan, Canada, Singapore and the UAE, and noted that of these jurisdictions, “the UK and US are the only two jurisdictions that structurally ring-fence bank-issued stablecoins from the parent bank’s balance sheet.”²³⁷ The Payments Association also noted that “a significant development in the EU is the emergence of bank-led consortia, such as Qivalis. This joint venture—comprising major institutions including ING, UniCredit, and BNP Paribas—aims to launch a regulated euro-pegged stablecoin by the second half of 2026.”²³⁸

133. ***The PRA’s restrictions on deposit-takers issuing stablecoins are unduly restrictive and risk inhibiting innovation unnecessarily. The PRA should alter its requirements for deposit-takers to issue stablecoins under distinct branding and from insolvency-remote entities.***

Regulatory perimeter

134. As set out in Chapter 1, HM Treasury brought stablecoins into the regulatory regime under the Financial Services and Markets Act 2000. The regime prescribes the regulatory perimeter for cryptoasset activities, including stablecoin issuance, custody, trading-platform operation and related activities. Following our oral evidence session with the Economic Secretary on 21 April 2026, HM Treasury published a draft statutory instrument amending the Financial Services and Markets Act 2000 (Cryptoassets) Regulations

233 Written evidence from ClearBank ([STA0039](#))

234 Written evidence from Santander ([STA0049](#))

235 Written evidence from the Scottish Centre of Excellence for Digital Trust ([STA0038](#))

236 [Q 99](#) (Sarah Breeden)

237 Supplementary written evidence from Innovate Finance ([STA0071](#))

238 Written evidence from the Payments Association ([STA0040](#))

2026 and an accompanying policy note.²³⁹ The policy note states that the Government intends to build on the cryptoasset regime by undertaking reforms to modernise the UK payment services regulation and bring into the regulated payments regime payment services utilising stablecoins that have been issued in the UK by a firm authorised for the new regulated activity of issuing qualifying stablecoins. Much of the detail of how stablecoin issuers will be affected by being within the payments perimeter will be set out later. To avoid duplication, the draft statutory instrument amends the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 to carve qualifying stablecoins out of the new regulated activities of dealing in qualifying cryptoassets (whether as principal or agent) and arranging deals in qualifying cryptoassets.²⁴⁰

135. The evidence that we received for this inquiry pre-dated HM Treasury’s publication of the draft statutory instrument and witnesses were critical of the uncertainty regarding whether stablecoins would be affected by payments regulations. Agant wrote that one of “several legal uncertainties” was “whether stablecoin activity would, or should, be subject to existing regulatory regimes such as the payment services regulations.”²⁴¹ The financial services company Stripe also warned that “while HMT has stated that the omission of stablecoins used for payments does not mean they cannot be used for payments in the UK, the lack of regulatory clarity will likely harm future adoption.”²⁴² Notabene explained that:

“the absence of [payment services regulations]-style payment rights and payment-chain integration may slow adoption, because users and intermediaries still lack the kind of statutory framework that exists in conventional electronic payments. Mainstream payment adoption depends not only on issuer regulation, but on clear rules for payment execution, liability allocation, disputes, refunds, safeguarding, and operational expectations across the payment chain.”²⁴³

136. However, the Payments Association wrote that “members remain concerned by the overlap between prospective stablecoin regulations and existing Electronic Money and Payment Services Regulations. This intersection creates unnecessary ambiguity and the potential for duplicative compliance obligations”.²⁴⁴

137. The Economic Secretary told us that HM Treasury is “looking to bring stablecoins into regulated payment chains ... there are tremendous benefits of having a diversified and robust payments landscape, with all the usual benefits that stem from competition and consumer choice.”²⁴⁵ David Geale told us that:

“it is healthy to have choice in the market, whether that is through stablecoins, the existing mechanisms or indeed something else that may come along ... It remains to be seen quite what the approach will be to modernising the payment regulations, including what it means for

239 HM Treasury, *Policy note: Draft statutory instrument amending the Cryptoasset Regulations*, April 2026

240 HM Treasury, *Policy note: Draft statutory instrument amending the Cryptoasset Regulations*, April 2026

241 Written evidence from Agant ([STA0060](#))

242 Written evidence from Stripe ([STA0044](#))

243 Written evidence from Notabene Inc. ([STA0037](#))

244 Written evidence from the Payments Association ([STA0040](#))

245 [Q 168](#) (Lucy Rigby)

stablecoin, but at the principled level having something that is common across the piece or gives us a common framework is helpful.”²⁴⁶

138. ***It is important that regulations are sufficiently flexible to allow for the development of the UK stablecoin market. Bringing stablecoins within the payments regulatory perimeter is an important part of this. HM Treasury need to provide clarity on their plans to do so, in particular which stablecoins will be brought into the regime.***

Regulatory sandboxes

139. In September 2024, the FCA and the Bank opened the digital securities sandbox (DSS), a regulated live environment to allow firms to explore new technologies for digital securities such as blockchain, and to help develop the regulatory approach to these new technologies.²⁴⁷ In November 2025, the FCA also launched applications for firms to join its regulatory sandbox for issuing stablecoins. It received 20 applications and selected 4 firms covering a range of stablecoin use cases, including payments, wholesale settlement and cryptoasset trading.²⁴⁸
140. Professor Alexander told us that the sandbox “is an example of experimentation and the adoption of standards by working with the industry.”²⁴⁹ The Entrepreneurs Network also wrote that “the FCA’s stablecoin sandbox and policy sprints are positive examples of engaging with industry before finalising rules.”²⁵⁰
141. However, Dante Disparte told us that “sandboxes are the place where good ideas and good fintech innovations may go to die ... it is time for the United Kingdom to innovate with real money and with responsible actors.”²⁵¹ Similarly, Coinbase explained that “while it is positive that the Bank and FCA are exploring stablecoins as the ‘cash leg’ for tokenised asset settlement in the Digital Securities Sandbox, the benefits can only be realised outside of a sandbox environment.”²⁵²
142. David Geale told us that “the sandbox is another tool in our toolkit that we can use to help us refine things ... there are numerous businesses who have been through the sandbox who would say it was an incredibly useful exercise for them to test, refine and get something right first time.”²⁵³ In a letter to us, Sarah Breeden also wrote that the digital securities sandbox is “real activity, with real money, and responsible actors” which operates “under a modified legislative and regulatory framework ... in order transparently to remove legal obstacles that could otherwise prevent the use of developing technologies. This framework will serve as a starting point for a permanent regulatory regime.”²⁵⁴
143. **While sandboxes are helpful to the regulators in finalising their regulatory rules, and financial services firms also find them useful, they should not be a reason for delaying the finalisation of the stablecoin regulatory regimes.**

246 [Q 180](#) (David Geale)

247 Financial Conduct Authority, [Digital Securities Sandbox](#), 30 September 2024; Bank of England, [Digital Securities Sandbox](#).

248 Financial Conduct Authority, [Regulatory Sandbox: stablecoins cohort](#), November 2025

249 [Q 36](#) (Professor Kern Alexander)

250 Written evidence from the Entrepreneurs Network ([STA0043](#))

251 [Q 117](#) (Dante Disparte)

252 Written evidence from Coinbase ([STA0023](#))

253 [Q 179](#) David Geale

254 Bank of England, [Follow-up to evidence given to the FSRC on 11 March](#), March 2026

CHAPTER 4: THE UK'S REGULATORY PROPOSALS

144. Parliament has conferred on HM Treasury, the Bank and the FCA powers to regulate stablecoins. The Financial Services and Markets Act 2023 gave the Bank powers to regulate stablecoins which have been designated as systemic by HM Treasury.²⁵⁵ HM Treasury was also given powers to establish a cryptoasset regulatory regime, including for stablecoins, by making regulations. HM Treasury made the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, which give the FCA additional powers to make rules in respect of new designated activities relating to cryptoassets, which are expected to come into force on 25 October 2027.²⁵⁶ These powers sit alongside the FCA's existing rule-making powers.
145. The proposed rules would involve solo regulation by the FCA for non-systemic stablecoins, and dual regulation by both the Bank and the FCA for systemic stablecoins. This Chapter considers these proposals as well as HM Treasury's role in establishing the perimeter of the regime and determining which stablecoins are systemic.²⁵⁷ Rather than providing a comprehensive overview of the proposals, we focus on the areas of the proposed regime that witnesses have highlighted.
- 1:1 backing**
146. Both the Bank's and the FCA's proposals would require stablecoins to be fully backed (1:1 backed), so that the issuer holds assets equal to the full value of stablecoins in circulation.²⁵⁸
147. Tom Duff Gordon told us that a "crucial" element of stablecoin regulation is that "you need to have one-to-one backing"²⁵⁹ and Innovate Finance wrote that 1:1 backing is one of the "fundamental components of any stablecoin regulatory regime."²⁶⁰
148. Elise Soucie Watts highlighted this requirement as "a difference between a tokenised deposit and a stablecoin ... a stablecoin is fully backed ... deposits are fractionally reserved backed."²⁶¹ Similarly, she contrasted this requirement with algorithmic stablecoins, such as Terra. She explained that Terra used a "trading algorithm ... that would trade the backing assets behind the stablecoin" which meant that "it was not fully reserved backed. In my view, it was absolutely not a stablecoin."²⁶²
149. Witnesses also noted that this requirement aligned with other international regulations, including in the US, EU and Singapore.²⁶³

255 Financial Services and Markets Act 2023, [section 22](#). Part 5 of the Banking Act 2009 was amended by the Financial Services and Markets Act 2023.

256 Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 ([SI 2026/102](#))

257 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025; Financial Conduct Authority consultation papers [25/14](#), [25/15](#), [25/40](#), [25/41](#), [25/42](#), [26/13](#); HM Treasury, *Regulatory regime for cryptoassets (regulated activities) - Draft SI and Policy Note*, April 2025

258 Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025; Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

259 [Q 68](#) (Tom Duff Gordon)

260 Written evidence from Innovate Finance ([STA0021](#))

261 [Q 46](#) (Elise Soucie Watts)

262 [Q 51](#) (Elise Soucie Watts)

263 For example, see written evidence from Coinbase ([STA0023](#)); written evidence from Global Digital Finance & Crypto Council for Innovation ([STA0062](#)); written evidence from Superteam UK ([STA0053](#))

150. **Witnesses were clear that it is vital that the full value of a stablecoin is backed. We welcome the requirement for stablecoin issuers to back stablecoins 1:1 under the Bank’s and FCA’s proposed regimes.**

Composition of backing assets

151. The Bank had originally proposed that 100% of backing assets needed to be held as unremunerated central bank deposits.²⁶⁴ Under the Bank’s current proposal, the requirement has been relaxed and systemic stablecoin issuers would be required to hold at least 40% of backing assets in unremunerated central bank deposits, and up to 60% of backing assets in short-term sterling-denominated UK government debt securities.²⁶⁵ Under the FCA’s proposals, issuers would be required to hold a defined set of “core backing assets” including 5% of assets in on demand deposits. Other core backing assets include short-term Government debt. Issuers would also be permitted to hold “expanded backing assets”, such as longer term Government debt, subject to FCA notification. The FCA’s proposals state that they “will not prescribe specific compositions of assets. Instead we will allow firms to determine their own compositions” provided firms meet their obligations for other requirements such as redemption.²⁶⁶
152. Witnesses expressed opposing views on the Bank’s proposed requirements. Dante Disparte told us that the 40% unremunerated backing asset requirement would “ignore the economic model of stablecoins” because “if the cash is held in an unremunerated manner, it will force the stablecoin issuer to seek revenue and fees in the same way that the oligopolies of the payments world do today.”²⁶⁷ Innovate Finance wrote that this requirement would make “business models unviable and (at best) uncompetitive.”²⁶⁸ It also pointed to internal analysis from one of its member firms, Stripe, which showed requiring 40% of backing assets to be unremunerated would mean “UK stablecoin issuers would need to charge merchants six times (600%) higher payment fees to offset the yield disadvantage compared to their US and EU peers”.²⁶⁹
153. In their written evidence, Stripe expressed concern “that an evidence base to support this mandate lacks a global precedent.”²⁷⁰ Similarly, Ripple, a digital asset firm and issuer of the RLUSD stablecoin, wrote that the Bank’s backing asset requirements go “considerably further than comparable regimes in the EU, US and elsewhere, and we believe will serve to significantly disincentivise international issuers from operating in the UK market.”²⁷¹ As set out in Chapter 1, the GENIUS Act permits money market funds and repurchase agreements backed by US Treasuries in addition to other assets such as US Treasuries and dollars, while MiCAR permits a range of highly liquid financial instruments.

264 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

265 *Ibid.*

266 Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025

267 [Q 117](#) (Dante Disparte)

268 Written evidence from Innovate Finance ([STA0021](#))

269 Supplementary written evidence from Innovate Finance ([STA0071](#))

270 Written evidence Stripe ([STA0044](#))

271 Written evidence from Ripple ([STA0026](#)); Written evidence from The Association for Financial Markets Europe ([STA0050](#)); Written evidence Stripe ([STA0044](#)); Written evidence from Global Digital Finance & Crypto Council for Innovation ([STA0062](#))

154. However, UK Finance, whose members include all sizes and types of banks, wrote that “the majority of members feel that the backing assets mix being proposed is now appropriate for meeting the aims set by the Bank of England”.²⁷² NatWest further wrote that it “supports the Bank’s proposed approach regarding backing assets, which represents a reasonable balance between supporting commercial viability whilst also supporting financial stability and liquidity provisions.”²⁷³ Professor Wilmarth also warned that a higher proportion of remunerated assets would come with greater risk, explaining that “in the United States if you offer anything longer than a seven-day Treasury bill, you have some interest rate risk and market risk.”²⁷⁴
155. Some witnesses suggested changing the required ratios. For example, Elise Soucie Watts proposed that only 25% assets should be unremunerated, while Coinbase suggested this should be 10%.²⁷⁵ The UK Cryptoasset Business Council also explained that allowing stablecoin issuers to hold a greater proportion of backing assets as Government debt would mean “growth in issuance would therefore increase demand for gilts, potentially lowering public borrowing costs and supporting wider growth objectives.”²⁷⁶
156. Witnesses also suggested that the unremunerated deposits should be remunerated at the bank rate. Coinbase noted that commercial banks can “earn on central bank deposits” and so the current requirement for unremunerated deposits “creates a structural disadvantage for stablecoins at the cost of fair competition”.²⁷⁷ Tom Duff Gordon added that not remunerating central bank deposits “reduces that transmission mechanism of central bank monetary policy.”²⁷⁸ Agant further pointed out that “the Bank itself remunerates reserves held by non-lending narrow banks like ClearBank. There is no principled reason to treat stablecoin issuers differently.”²⁷⁹
157. We also heard arguments in favour of changing the composition of assets. Santander wrote that the Bank “should consider permitting commercial bank deposits as a component of the backing asset pool, as is the case in both EU and US frameworks.”²⁸⁰ The Association for Financial Markets in Europe added that “the Bank of England should consider allowing the use of commercial bank deposits and money market funds as eligible backing assets.”²⁸¹
158. Sarah Breeden explained that the Bank’s backing asset requirement was designed “to ensure that [stablecoins] are able to function as money, which means that if liquidity runs crystallise they are able to be met” which was based on “actual experience of liquidity and same-day liquidity risks that the coins may face.”²⁸² The Bank’s consultation paper explains that the 40% threshold is based on “outflow rates that have occurred during stress events in traditional and cryptoasset markets.” The consultation paper further explained that the central bank deposits would be unremunerated because

272 Written evidence from UK Finance ([STA0066](#))

273 Written evidence from NatWest ([STA0058](#))

274 [Q 15](#) (Professor Arthur E. Wilmarth Jr.)

275 [Q 52](#) (Elise Soucie Watts); Written evidence from Coinbase ([STA0023](#))

276 Written evidence from UK Cryptoasset Business Council ([STA0041](#))

277 Written evidence from Coinbase ([STA0023](#))

278 [Q 74](#) (Tom Duff Gordon)

279 Written evidence from Agant ([STA0060](#))

280 Written evidence from Santander ([STA0049](#))

281 Written evidence from the Association for Financial Markets in Europe ([STA0050](#))

282 [Q 93](#) (Sarah Breeden)

issuers would be expected to “play a very limited role in the transmission of monetary policy”, which is the primary rationale for remunerating central bank reserves held by commercial banks.²⁸³

159. Sarah Breeden added that the Bank wants “to support a viable, vibrant sector” and that the fact it “had originally proposed 100% backing assets unremunerated ... and have shifted that to 60:40 shows you that we do listen” but that “you would expect there to be a tension between what you hear from us and what you hear from the industry, because every change that is made is a change that matters for their bottom line”.²⁸⁴
160. **The rate of remuneration and level of liquidity that are required for backing assets could have a significant impact on the business viability of stablecoin issuers in the UK, and the international competitiveness of the UK market. These rules could affect whether issuers choose to issue GBP stablecoins or scale their stablecoins to become systemic.**
161. *The regulators must be cognisant of the balance between the mitigation of risk and the viability of stablecoin issuer businesses, and hence on the development of a stablecoin market in the UK. The Bank should consider the impact that requiring a proportion of unremunerated assets could have on the development of a GBP stablecoin market, and should set out details of the basis on which it has calculated the required proportions of unremunerated backing assets.*
162. *The Bank should be open to a principles-based, less prescriptive approach to the composition of backing assets, and to adjusting the requirements as stablecoin market develops and behaviour and risks are better understood.*
163. *The Bank should reconsider whether it would be appropriate to remunerate at base rate the backing assets which are held as deposits at the Bank.*

Segregation of assets, audit requirements, and disclosure

164. Under the FCA’s proposals, backing assets must be “held in a statutory trust for the benefit of qualifying stablecoin holders”, the assets must be publicly disclosed online, and they must be independently audited on an annual basis.²⁸⁵ The FCA added that the rules on safeguarding the backing assets would “allow for the assets to be returned as quickly and as whole as possible if the issuer enters an insolvency process.”²⁸⁶ Similarly, the Bank proposes to require backing assets be held in statutory trust for the benefit of coinholders or insolvency practitioners. The Bank also proposes “that issuers should be required to appoint a qualified third-party custodian, who is a separate legal entity ... as trustee, issuers would remain legally responsible for backing assets.”²⁸⁷
165. Dante Disparte told us that it is “critical that an assurance layer is provided above the stablecoin circulation so that trust, transparency, accountability,

283 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

284 Q 93 (Sarah Breeden)

285 Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025

286 *Ibid.*

287 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

third-party audits and attestations of the reserves are also a part of a robust stablecoin regime”.²⁸⁸ The Entrepreneurs Network also wrote that “statutory trust requirements for backing assets, independent custody, and transparency obligations would significantly enhance consumer protection.”²⁸⁹ Dr Daniele D’Alvia further explained that “transparent disclosure of reserve composition and regular independent verification will be necessary to ensure market confidence and mitigate the risk of destabilising redemption events.”²⁹⁰

166. **Requiring backing assets to be held in statutory trust for the benefit of coinholders enhances consumer protection. Requiring properly audited and disclosed backing assets improves confidence in the value of stablecoins and can thereby reduce the run risks of stablecoins. We therefore welcome the proposals from the FCA and the Bank in these areas.**

Capital requirements for issuers

167. Under the FCA’s proposals for a prudential regime for stablecoin issuers, firms would have to maintain minimum own funds requirements. The own funds requirement would be the highest of three components: a permanent minimum requirement (set at £350,000 for qualifying stablecoin issuers), a fixed overhead requirement (set at one quarter of a firm’s relevant expenditure in the previous year), and a k-factor requirement. The k-factor requirement is an activity-based requirement, which would require issuers to hold capital equal to 2% of the average value of the stablecoin in issuance.²⁹¹
168. Agant wrote that the k-factor requirement “serves no purpose and would increase financial stability risk” adding that “a capital requirement that scales with demand for the stablecoin rather than risk is not appropriate”.²⁹² They explained that the requirement “could force Agant to pause issuance in order to conduct multiple capital raises” which in turn could create “an artificial shortage, forcing users either (i) to bid up the price of the stablecoin above its peg as they try to source it on the secondary market (from exchanges or OTC), or (ii) to dump the stablecoin as it is no longer seen as a reliable and viable settlement asset for their on-chain financial services.”²⁹³
169. As Innovate Finance described, “the costs of running a stablecoin issuance business do not increase in line with the number of stablecoins issued—they will quickly reach a cap, given efficiencies of scale.”²⁹⁴ Elise Soucie Watts also told us that the k-factor requirement “does not really take into account some risk mitigations that come from having appropriate calibration of reserve assets.”²⁹⁵ The Entrepreneurs Network further wrote that “capital requirements tied to issuance heavily favour incumbents with large existing balance sheets, creating punitive barriers to entry for startups” and noted that by way of comparison, the GENIUS Act “does not include issuance-linked capital requirements.”²⁹⁶ Global Digital Finance and the Crypto Council for Innovation also noted that under MiCAR capital requirements

288 [Q 124](#) (Dante Disparte)

289 Written evidence from the Entrepreneurs Network ([STA0043](#))

290 Written evidence from Dr Daniele D’Alvia ([STA0048](#))

291 Financial Conduct Authority, *CP 25/15 A prudential regime for cryptoasset firms*, May 2025

292 Written evidence from Agant ([STA0060](#))

293 *Ibid.*

294 Written evidence from Innovate Finance ([STA0021](#))

295 [Q 52](#) (Elise Soucie Watts)

296 Written evidence from the Entrepreneurs Network ([STA0043](#))

are “set at 2% of average reserve assets for standard issuers and 3% for those classified as significant.”²⁹⁷

170. The Bank’s proposals also include baseline capital requirements for systemic stablecoins based on existing international standards for financial market infrastructure.²⁹⁸ Witnesses did not raise particular concerns about this.
171. ***The FCA should reconsider whether a k-factor requirement for the issuers of stablecoin that increases with the volume of stablecoins issued is an appropriate way to determine that element of the capital requirements.***

Backstop lending facility

172. In its consultation paper, the Bank said it is “considering providing access to a backstop lending facility for eligible, solvent, and viable systemic stablecoin issuers” which would allow issuers “to borrow against sterling-denominated UK government securities in a limited set of circumstances”.²⁹⁹
173. As discussed in Chapter 2, large redemption events could place pressure on the gilt market if assets are sold quickly. Coinbase explained that the liquidity backstop proposal “would ensure in the unlikely event of a liquidity shortfall, issuers could meet redemption demands without selling off government debt before maturity.”³⁰⁰ Tom Duff Gordon added that “this has not been done anywhere else and, credit where credit is due, [the Bank] is doing something more innovative, different from and better than what we have seen in other jurisdictions.”³⁰¹ Ripple also wrote that “it will help address the key risks identified by the Bank of England and support a level playing field for comparable products.”³⁰²
174. Sarah Breeden described how this proposal is “going way beyond any other central bank to support this innovation.”³⁰³ She added that, alongside the backing asset requirements, the liquidity facility means the Bank considers “that our regime has managed that run risk” of stablecoins.³⁰⁴ The Economic Secretary told us that HM Treasury “recognise the interlinkages between stablecoin and demand for government debt” and there has been “a good deal of thinking going on at the Treasury” about the impact of stablecoins on Government debt. She acknowledged that “in extreme scenarios there could be solvency risks that stem from the very substantial growth of stablecoin and impact on government debt.”³⁰⁵
175. **The proposed backstop lending facility from the Bank is welcome, and a good example of regulation that can support both market confidence and the ability of issuers to meet liquidity requirements in times of stress. We support the introduction of this facility which is a clear difference between the UK’s and other regimes, and the Bank should set out clear requirements for the circumstances in which issuers could use this.**

297 Written evidence from Global Digital Finance & Crypto Council for Innovation ([STA0062](#))

298 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

299 *Ibid.*

300 Written evidence from Coinbase ([STA0023](#))

301 [Q72](#) (Tom Duff Gordon)

302 Written evidence from Ripple ([STA0026](#))

303 [QQ 88, 97](#) (Sarah Breeden)

304 [Q 89](#) (Sarah Breeden)

305 [Q 167](#) (Lucy Rigby)

Insolvency

176. The Bank’s consultation paper states that systemic issuers would need to maintain reserves of high-quality liquid assets to mitigate the financial risk of backing assets and cost of insolvency or wind-down. These reserves should be held on trust, for the benefit of coinholders and insolvency practitioners. The Bank explained that “coinholders’ proprietary claims against issuers (as trustees) for the par value of their stablecoin holdings are protected in both going and gone concern. This is because the segregated assets that are held on trust would be properly ring-fenced and would not form part of the issuer’s general estate in insolvency.”³⁰⁶ It also said it will “continue working with [HM Treasury] and the FCA to consider the most appropriate interim and comprehensive long-term solutions for managing failure of a systemic stablecoin issuer.”³⁰⁷ On 14 January 2026, Dave Ramsden, Deputy Governor of the Bank of England, said that “in the longer term, trust in stablecoins may require some form of insurance scheme analogous to that which applies to bank deposits and a statutory resolution arrangement that ensures coinholders are preferred creditors in any insolvency process.”³⁰⁸
177. The FCA also propose to require “that backing assets are held in a statutory trust for the benefit of qualifying stablecoin holders” explaining that “this could be particularly important if an issuer experienced financial difficulties as it should protect and ringfence the assets held on trust.”³⁰⁹
178. Witnesses noted the need for clarity of legal rights in the case of insolvency. Professor Alexander wrote that “stablecoin holders are probably unaware that, in most cases, they have very limited rights against the issuers of these coins and the weakest of legal claims to their assets in the event of the issuer’s insolvency”.³¹⁰ Dr Daniele D’Alvia explained that “stablecoin holders may not always have a direct legal claim on the underlying reserve assets. The legal structure of the issuing entity and the custodial arrangements governing reserves therefore play a crucial role in determining the level of protection available to users.”³¹¹ Agant noted that, as a result of the requirements “if the issuer fails or the stablecoin is wound down, the trust provides for distribution to all identifiable holders who can pass KYC” which means that “compared to banks, the issuer’s own balance sheet is both less important and far less risky.”³¹²
179. **While the backing assets are the primary recourse for coinholders to be reimbursed, if the value of the backing assets falls and there is a shortfall, holders may need to claim as a creditor in the issuer’s insolvency proceedings.**
180. ***HM Treasury must clarify whether falling back on general insolvency law is appropriate or whether there should be stablecoin-specific legislation.***

306 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

307 *Ibid.*

308 Dave Ramsden, *Speech on the evolution of the Bank’s approach to resolution*, 14 January 2026

309 Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025

310 Written evidence from Professor Kern Alexander (STA0027)

311 Written evidence from Dr Daniele D’Alvia (STA0048)

312 Written evidence from Agant (STA0060)

Redemption requirements

181. Under the FCA’s proposals, issuers would have to “provide holders with the right to redeem qualifying stablecoins at par value with the reference currency ... with a payment order placed to an account in the name of the holder at the latest by the end of the business day following receipt of a valid request” (referred to as universal redemption in a T+1 timeline).³¹³ Similarly, under the Bank’s proposals, systemic issuers would “be required to meet redemption requests of any size and at par” and process requests “by the end of the day on which a valid redemption request is made.”³¹⁴ Both the Bank and the FCA would allow fees to be charged proportionate to the cost of redemption.
182. Tom Duff Gordon told us that “redemption is a really important part of this entire system. If we are going to be able to trust stablecoins and want people to adopt and use them, people have to know that they can be redeemed at par.”³¹⁵ The City of London Corporation similarly wrote that “redemption rights ... support consumer protection.”³¹⁶ Dr Daniele D’Alvia emphasised that is “essential” that “users clearly understand the legal status of stablecoins and their redemption rights.”³¹⁷
183. However, the Entrepreneurs Network explained that “universal on-demand redemption fundamentally misconstrues how stablecoin issuers operate. Stablecoin issuers deal with a small number of institutional customers who distribute tokens on the secondary market—they do not deal directly with every retail holder.”³¹⁸ Global Digital Finance wrote that “redemption operates primarily as a legal and prudential backstop anchoring confidence and pricing, rather than as a routine liquidity mechanism.”³¹⁹ By way of explanation, Tom Rhodes told us that “USDT, Tether’s stablecoin, is issued in the hundreds of billions ... it estimates that it has 300 million or 400 million individual users, but only 800 have direct redemption rights.”³²⁰ As such, Agant wrote that “universal redemption would create enormous operational burdens. The issuer would need to conduct KYC, onboard, and process fiat payments for any holder anywhere in the world, simply at the request of any holder.”³²¹ Furthermore, Circle wrote that “regulation that incentivises direct redemption as a business-as-usual practice could, paradoxically, heighten the risk of mass direct redemptions and liquidation of reserve assets.”³²² Despite this, Rory Tanner told us that Revolut finds “the rules around redemption to be quite practical, and we are aligning our systems to build that”.³²³
184. The Digital Currencies Governance Group, a membership association for digital asset organisations, described how “prescriptive end-of-next-business-day stablecoin redemption timelines ... risk creating operational rigidity and higher operational costs for issuers” and noted that “in the EU,

313 Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025

314 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

315 [Q 68](#) (Tom Duff Gordon)

316 Written evidence from the City of London Corporation ([STA0034](#))

317 Written evidence from Dr Daniele D’Alvia ([STA0048](#))

318 Written evidence from the Entrepreneurs Network ([STA0043](#))

319 Written evidence from Global Digital Finance & Crypto Council for Innovation ([STA0062](#))

320 [Q 156](#) (Tom Rhodes)

321 Written evidence from Agant ([STA0060](#))

322 Written evidence from Circle ([STA0065](#))

323 [Q 137](#) (Rory Tanner)

redemption must also be at par and free of charge, but issuers may set their own clearly disclosed timelines, providing some operational flexibility” while in the USA, issuers “can charge reasonable fees and apply minimum redemption limits with regulatory approval.”³²⁴

185. David Geale said that “on redemptions, we have heard ... there may be some challenges where firms have not perhaps carried out KYC already. We will reflect on that and think about what is most appropriate ... I would not say we are seeking to change business models as such, but we are seeking to design the regime in the right way.”³²⁵ Sarah Breeden summarised that the Bank’s “regime offers coin holders robust redemption rights.”³²⁶
186. **Redemption requirements must strike a balance between providing robust consumer protections and acknowledging the operational feasibility of stablecoin issuers carrying out large numbers of small value redemptions for individual holders.**
187. **The redemption rights of stablecoin holders are not the primary means by which liquidity and conversion can be achieved. In a mature stablecoin market, it would be expected that redemption of stablecoins with issuers would be primarily at the institutional level, while retail and business holders would convert their stablecoins into fiat currency using cryptoasset service providers, rather than by redeeming them with the issuer.**
188. *The Bank and FCA should conduct a cost-benefit analysis of the impact that redemption requirements would have on stablecoin issuers’ operational viability, particularly considering the timelines for completing ‘know your customer’ checks.*
189. *The Bank and FCA should consider whether direct redemption by issuers should act as a backstop rather than be expected as a core requirement, particularly when considering the role of secondary markets in fulfilling conversion requests.*

Holding limits

190. The Bank proposed that “issuers implement per-coin holding limits of £20,000 for individuals and £10 million for businesses” to “safeguard financial stability, by reducing the risk of large and rapid outflows of deposits from the banking sector.” It said there could be exemptions for businesses, and that the Bank would “expect to loosen, and ultimately remove, such limits as we gain sufficient comfort that financial stability risks have been suitably understood and mitigated.”³²⁷
191. Coinbase warned that the “limits would restrict entire use cases. These include high-value purchases by consumers such as cars or homes.”³²⁸ Professor Gleeson also said that “holding limits strike me as being absolutely bonkers” and cautioned that “any limit that you choose will be the wrong limit in goodness knows how many different circumstances.”³²⁹ However,

324 Written evidence from the Digital Currencies Governance Group ([STA0046](#))

325 [Q 178](#) (David Geale)

326 [Q 88](#) (Sarah Breeden)

327 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

328 Written evidence from Coinbase ([STA0023](#))

329 [Q 23](#) (Professor Simon Gleeson)

NatWest wrote that they “believe the caps are set at an appropriate and manageable level for retail use cases, given 94% of households will be able to hold 2.1x of monthly income within the limits.”³³⁰

192. Sarah Breeden said that “the £20,000 limit that we proposed was a balance between usability and managing this risk of a disorderly transition to a system with stablecoins being widely used as payments. We did lots of modelling.”³³¹ The Bank’s modelling on holding limits used “a hypothetical ‘severe illustrative stress’ scenario to explore the potential impact of sharp deposit outflows across different banks”. It acknowledged a second disintermediation scenario in transition to steady state but did not model this scenario.³³²
193. There were also concerns expressed about the practicalities of imposing holding limits. Innovate Finance explained that limits would “prove operationally extremely expensive and require significant cross-industry build of controls that will remove citizen privacy and destroy consumer trust in stablecoin.”³³³ Tom Rhodes added that “I am not aware that anybody has a solution.”³³⁴ Furthermore, Professor Alexander warned that the practical challenges of implementation mean that limits “are often evaded ... and distracts the regulator from looking at other areas where the risks really are”.³³⁵ ClearBank also noted that “no other country imposes holding limits and no operational system exists.”³³⁶
194. Stripe wrote that “treating holding limits as a back stop supervisory tool deployable only under defined stress conditions is more proportional to the risks posed.”³³⁷ Professor Alexander similarly told us that holding limits are “disproportionate” because “the systemic risk issues are very important but the market has not yet reached a scale to bring that into play.”³³⁸
195. Sarah Breeden told us that stablecoins pose a “risk to the provision of credit” and the Bank “proposed holding limits as a way of managing that risk. We are open to feedback on other ways of achieving it.”³³⁹ She added that “we have not yet had the constructive engagement on a different way to solve the problem that I might have hoped for.”³⁴⁰
196. **There are concerns that holding limits would unnecessarily inhibit the growth of GBP stablecoins, and that they would pose serious practical challenges to implement. This is particularly concerning given they are intended only as a temporary measure.**
197. *Given the early stage of the GBP stablecoin market, rather than pre-emptively impose holding limits, the Bank should consider monitoring the growth of the market and imposing holding limits only if the financial stability risks clearly warrant it. If the Bank did consider imposing holding limits in the future, it should consult*

330 Written evidence from NatWest ([STA0058](#))

331 [Q 98](#) (Sarah Breeden and Sasha Mills)

332 Bank of England, *The role of holding limits for sterling-denominated systemic stablecoins and a potential digital pound*, November 2025

333 Written evidence from Innovate Finance ([STA0021](#))

334 [Q 155](#) (Tom Rhodes)

335 [Q 37](#) (Professor Kern Alexander)

336 Written evidence from ClearBank ([STA0039](#))

337 Written evidence Stripe ([STA0044](#))

338 [Q 37](#) (Professor Kern Alexander)

339 [Q 93](#) (Sarah Breeden)

340 [Q 96](#) (Sarah Breeden)

appropriately to ensure that any requirements are practical and can be implemented in a way that would enable the Bank to achieve its objectives.

198. *The Bank should conduct more granular modelling of the impact of imposing stablecoin holding limits on consumers, particularly with regard to potential high-value use cases such as house purchases.*

Payment of interest and reward

199. Under both the Bank’s and the FCA’s proposals, stablecoins would not be permitted to pass on interest on the backing assets to coinholders. However, it has not been determined whether or not the payment of rewards for the use of stablecoins will be permitted.³⁴¹
200. Dante Disparte said that Circle “agree” with prohibiting the payment of interest, partly as it “ensures ... that stablecoins do not compete with the deposit base and end up becoming products that look more like securities or commodities”.³⁴² Professor Gleeson also noted that on prohibiting interest on stablecoins, “it seems that there is a global consensus developing, which the UK is in line with.”³⁴³ However, Coinbase wrote that “there is a strong case to support interest on stablecoins ... money market funds offer low-risk ways of tracking the central bank base rate, and offer interest-like yields in order to do so. There is therefore broad precedent for allowing yield on money and money-like products.”³⁴⁴ Evoq Limited also wrote that the prohibition “could favour traditional banking models over innovation.”³⁴⁵
201. Professor Wilmarth described the omission from the proposals of the payment of rewards as “an enormous issue”.³⁴⁶ Professor Alexander summarised the ongoing debate that “crypto firms insist rewards are essential for customer acquisition and competition, while banks counter they could act as uninsured deposit substitutes, accelerating deposit flight and undermining financial stability.”³⁴⁷
202. Tom Duff Gordon told us that “if we want to scale sterling stablecoins, want the City to be competitive and want a better outcome for consumers with more competition, then we should be allowed to pay rewards on stablecoins”.³⁴⁸ Rory Tanner also said that “we need to incentivise a customer to choose a stablecoin over a card payment, which has incredibly high levels of trust ... offering rewards is a way of doing that.”³⁴⁹
203. As part of this, Dante Disparte explained how rewards function in the relationship between stablecoin issuers and exchanges, telling us that the issuers’ “business model depends on shelf space, of circulation on those exchanges ... the stablecoin you may have in your Coinbase wallet is provided to you by Coinbase. What rewards that generates is similarly provided to

341 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025; Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025

342 [Q 118](#) (Dante Disparte)

343 [Q 22](#) (Professor Simon Gleeson)

344 Written evidence from Coinbase ([STA0023](#))

345 Written evidence from Evoq Limited ([STA0011](#))

346 [Q 15](#) (Professor Arthur E. Wilmarth Jr.)

347 Written evidence from Professor Kern Alexander ([STA0027](#))

348 [Q 71](#) (Tom Duff Gordon)

349 [Q 138](#) (Rory Tanner)

you by Coinbase.”³⁵⁰ However, as Tom Duff Gordon told us, “there can be a linkage, ... between the issuer and the distributor of a stablecoin.” He explained that Circle and Coinbase have a “commercial relationship” where Coinbase have an equity stake in Circle, and in addition Circle “will pay us some money ... and we will then promote the usage of USDC on our platform, and that can involve us paying rewards.”³⁵¹ Academics Anthony Song, Rachel Phang and Jason Grant Allen wrote that “competitive dynamics will inevitably drive issuers to find indirect mechanisms to return value to users, just as credit card companies do through reward programmes. A functional approach would confine any prohibition to the savings function rather than extending it to prohibit all commercial incentives connected to stablecoin usage.”³⁵²

204. Professor Wilmarth told us that “the payment of interest and ‘rewards’ effectively converts stablecoins from payment-only instruments into hybrid payment-and-investment instruments”. He explained that it would increase the risk of stablecoins “to financial stability because such payments (i) will cause a larger outflow of deposits from banks and a greater reduction in the availability of bank credit to consumers and SMEs, and (ii) will create strong incentives for stablecoin issuers and crypto platforms to take excessive risks.”³⁵³ UK Finance similarly wrote that “the majority of our members support a more robust scope for prohibitions, to ensure that stablecoins do not impact on credit creation via deposits at banks and building societies.”³⁵⁴

205. Song, Phang and Allen further wrote that:

“the treatment of stablecoin yield is the sharpest point of divergence across jurisdictions. MiCAR explicitly prohibits issuers from paying interest on stablecoins and goes further by banning third parties (such as exchanges) from offering yield or benefits to stablecoin holders. The GENIUS Act does not explicitly prohibit third-party platforms from paying interest ... Singapore’s MAS framework does not explicitly prohibit issuers from paying interest but will constrain issuer activity to core issuance (and intermediation) functions.”³⁵⁵

206. David Geale told us that the FCA “have not had much pushback at all on not paying interest to individuals for holding stablecoin, but there have been questions raised about other forms of reward for transactions. If you use a credit card, you may get points ... We will reflect on that. We have not made any decisions.”³⁵⁶ Matthew Long added that “we have seen a lack of evidence, but we have seen views. What we want to see are the hard facts and the actual volumetrics that would help us support that decision, particularly around reward.”³⁵⁷ In their consultation paper, the Bank noted “that existing payments providers offer incentives for usage, such as points or rewards linked to transaction volumes. The Bank will consider further whether this practice would be permitted.”³⁵⁸

350 [Q 118](#) (Dante Disparte)

351 [Q 69](#) (Tom Duff Gordon)

352 Written evidence from Anthony Song, Rachel Phang, Jason Grant Allen ([STA0063](#))

353 Written evidence from Professor Arthur E. Wilmarth, Jr ([STA0036](#))

354 Written evidence from UK Finance ([STA0066](#))

355 Written evidence from Anthony Song, Rachel Phang, Jason Grant Allen ([STA0063](#))

356 [Q 182](#) (David Geale)

357 [Q 182](#) (Matthew Long)

358 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

207. **There is relatively little demand for the Bank and FCA to permit the payment of interest on stablecoins. However, whether the payment of rewards, whether by issuers or by exchanges or service providers, will be permitted could have a significant impact on the creation of GBP stablecoin market, and for the competitiveness of the UK stablecoin market internationally. The Bank and the FCA should set out their approach to whether the payment of rewards will be permitted as soon as possible.**
208. *In the light of the reward mechanisms available for traditional card payments, the Bank and FCA must give sufficient risk-based justifications if they decide to prohibit the payment of rewards for stablecoins. If the prohibition of rewards seeks to address the risk of disintermediation and the corresponding reduction in available credit, they should provide further analysis of the disintermediation risk in a steady state, as well as in stress scenarios.*

Stablecoin custody and cryptoasset wallets

209. As referred to in Chapter 1, a cryptoasset wallet is a digital tool that allows users to store and manage the keys needed to access their cryptoassets. Wallets don't store the cryptoassets themselves but holds the public and private keys needed to send, receive and managed the user's cryptoassets.³⁵⁹ There are broadly two types of wallet: custodial wallets where a third party (like an exchange) holds and manages the keys on a user's behalf; and non-custodial or unhosted wallets where the user controls the keys directly.
210. The FCA's proposals include regulations for the custody of cryptoassets covering ownership rights, segregation of assets, governance and record keeping.³⁶⁰ The Bank states that it would "rely on the FCA's rules for custodial wallet providers" and would not "regulate systemic stablecoin custodians directly."³⁶¹ While these proposals did not form a core part of our inquiry, one concern raised by several witnesses was that, under both the Bank and the FCA's proposals, the self-custody of stablecoins in private unhosted wallets would be permitted.
211. Tom Duff Gordon explained that "you can have custody which is undertaken by intermediaries, for which, rightly, there is very robust regulation, and then you can have self-custody, where people decide to take ownership of their own crypto assets."³⁶² Matthias Bauer-Langgartner told us that "most people will stay with regulated exchanges. Self-custody is an important thing for stablecoins and crypto assets more broadly, but not a lot of people will have self-custody."³⁶³ Dante Disparte also added that "if consumers want very clear consumer protection standards, they would typically prefer what is known as a custodial wallet ... because that wallet infrastructure would give the final consumer recourse, consumer protections, or a hotline that they can call if they lose their password and are locked out of their account."³⁶⁴

359 Revolut, *What is a Crypto Wallet? A beginners' guide to safely storing your digital assets*, 16 July 2025 This also contains an explanation of private and public keys. A public key is like a bank account, used to receive funds and a private key is a password for the user to authorise transactions.

360 Financial Conduct Authority, *CP 25/14 Stablecoin issuance and cryptoasset custody*, May 2025

361 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025

362 [Q 68](#) (Tom Duff Gordon)

363 [Q 110](#) (Matthias Bauer-Langgartner)

364 [Q 123](#) (Dante Disparte)

212. Aisha Tariq, a doctoral researcher, wrote that “unhosted wallets can make [stablecoins] attractive for money laundering, terrorist financing, sanctions evasion, and other forms of illicit finance where controls are weak.”³⁶⁵ Santander also highlighted the Financial Action Task Force’s report *Targeted Report on Stablecoins and Unhosted Wallets*, which states that “peer to peer transactions via unhosted wallets represents a key vulnerability in the stablecoin ecosystem” in relation to illicit finance.³⁶⁶
213. Professor Wilmarth also explained that “it is easier to hide your tracks using stablecoins” and described how holders “can transfer funds across multiple private wallets and use crypto ‘mixers’ and ‘chain-hopping’ techniques to make it extremely challenging to track the entire series of transactions from beginning to end.”³⁶⁷ He therefore recommended that “to ensure compliance with [anti-money laundering/Bank Secrecy Act/Know Your Customer] requirements, stablecoin holders should be prohibited from holding their stablecoins in unhosted private digital wallets.”³⁶⁸
214. However, Tom Rhodes made the comparison that “the pinch points at which KYC would be required might look similar to financial services at the moment ... there is no KYC for holding cash or buying a wallet, but in the interactions with your bank to deposit or withdraw using your card, KYC processes are built in.”³⁶⁹
215. In a letter to us, Sarah Breeden wrote that, while the Bank proposed to permit them, private unhosted wallets “do not collect personal data, which can facilitate transactions that are less easily monitored. This characteristic can increase their attractiveness for illicit purposes, including money laundering and terrorist financing”. She added that private unhosted wallets “could impede the timely execution of payouts in the event of issuer failure and complicate the enforcement of any holding limits.” She summarised that “the Bank will continue to monitor the risks associated with unhosted wallets, including their potential suitability for use at systemic scale within the UK payments landscape.”³⁷⁰
216. HM Treasury told us that this issue was “an area of focus in the most recent national risk assessment, which was looking at the illicit use of crypto assets, where it specifically considered the use of peer-to-peer exchanges and self-hosted wallets. The conclusion in that, on which monitoring needs to continue, was that, at the moment, the level of trust that exists entirely in that space means that they are not likely to be used at scale.”³⁷¹ They added that “there may be valid reasons that people wish to hold these self-hosted wallets. This will not be solely for illicit use.”³⁷²
217. David Geale explained that “unhosted wallets ... fall outside [the FCA’s] regulation unless they interact with a regulated firm. In that case, the

365 Written evidence from Aisha Tariq ([STA0045](#))

366 The Financial Action Task Force, *Targeted Report on Stablecoins and Unhosted Wallets*, 2026; Highlighted by written evidence from Santander ([STA0049](#)).

367 [Q 13](#) (Professor Arthur E. Wilmarth, Jr.) and written evidence from Professor Arthur E. Wilmarth, Jr ([STA0036](#))

368 Written evidence from Professor Arthur E. Wilmarth, Jr ([STA0036](#))

369 [Q 155](#) (Tom Rhodes)

370 Correspondence, *Bank of England follow-up to evidence given to the FSRC on 11 March*, 26 March 2026

371 [Q 175](#) (Laura Mountford)

372 *Ibid.*

regulated firm is expected to carry out due diligence.”³⁷³ He added “we need a regime in place that puts requirements on firms around the governance and controls that they have and the accountability ... at the moment, we have nothing other than the anti-money laundering regs. We are looking to bring in something that strengthens our ability to tackle financial crime alongside the other risks that exist.”³⁷⁴

218. **While private unhosted wallets or unregulated wallets can be used for entirely legitimate purposes, they can pose a serious and concerning challenge in relation to money laundering and illicit finance.**
219. *HM Treasury should consider with the Bank and FCA whether the existing legal frameworks are sufficient to detect and deter illicit activity using private unhosted and unregulated wallets, and should be prepared to legislate to restrict their use if necessary.*

Dual regulation

220. As explained in Chapter 1, under the proposed regime, non-systemic stablecoins would be subject to solo regulation by the FCA, and systemic stablecoins would be subject to dual regulation by both the Bank and the FCA. HM Treasury would be responsible for determining which stablecoins are systemic, with recommendations from the Bank.³⁷⁵ In the Payments Forward Plan, the Bank and FCA are expected to publish their approach to dual regulation in Q2–Q3 2026.³⁷⁶
221. The Scottish Centre of Excellence for Digital Trust described “the binary systemic/nonsystemic distinction as a structural weakness that may deter issuers from scaling in the UK market.”³⁷⁷ Elise Soucie Watts highlighted how, in transitioning to dual regulation, “an issuer would have to completely restructure its business ... due to the difference in what would be required for backing assets, rather than a top-up capitalisation for systemic risk.”³⁷⁸ Innovate Finance wrote that further details are needed on “how long any transition measures will be managed ... the uncertainty presents a strong risk of disincentivising investors” and added “that addressing the issue of holding limits and backing assets will in itself significantly reduce some of the risks of the cliff edge.”³⁷⁹
222. Sarah Breeden said that “we accept that there may be a need to transition from the FCA regime to the Bank of England regime within the UK’s overall approach, and we are working closely with the FCA.” She highlighted that “there is a transition path” for firms to adjust their backing assets when moving to dual regulation, so “it is something that can be managed.”³⁸⁰ Sarah Breeden also noted that there would be an option for issuers “to ask to be systemic at launch” even if they are not yet operating at scale, in which case there would be a step-up regime where issuers would be allowed to hold up to 95% of backing assets in sterling Government debt and reduce to 60%

373 [Q 187](#) (David Geale)

374 *Ibid.*

375 Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025, Table A

376 HM Treasury, Bank of England, Financial Conduct Authority and Payment Systems Regulator, *Payments Forward Plan*, February 2026

377 Written evidence from the Scottish Centre of Excellence for Digital Trust ([STA0038](#))

378 [Q 52](#) (Elise Soucie Watts)

379 Written evidence from Innovate Finance ([STA0021](#))

380 [Q 92](#) (Sarah Breeden)

as the stablecoin scales.³⁸¹ David Geale also said that both the Bank and the FCA “heard the feedback around the transition from non-systemic to systemic payments and some of the differences. We are very alive to that. In the summer, we intend to put out a statement about what we think that transition looks like.”³⁸²

223. **It is important that the transition to a dual regulatory regime by both the Bank and the FCA does not act as a disincentive for stablecoin issuers to scale up. The transition arrangements will be important to potential issuers in drawing up their business plans.**
224. *The Bank and the FCA should finalise the details of the transition measures and the timelines over which the transition would be expected to occur as soon as possible.*

Systemic designation

225. The Entrepreneurs Network described how “the ambiguity around systemic designation creates regulatory uncertainty. The decision lies with HM Treasury, but the absence of clear thresholds or criteria means stablecoin projects cannot predict when they might be subjected to the more stringent Bank of England regime.”³⁸³ The Scottish Centre of Excellence for Digital Trust also noted that “the transition ... at the point of systemic recognition represents the most significant near-term barrier to GBP stablecoin issuance. Issuers cannot know in advance when or whether they will be designated systemic, and the compliance costs of that transition are substantial.”³⁸⁴ Santander further recommended “that clear, quantitative threshold indicators be published alongside the Codes of Practice to allow firms to plan with confidence and to avoid a cliff-edge transition that could disrupt developing markets.”³⁸⁵
226. Professor Annunziata noted that under MiCAR “significance ... is determined by reference to quantitative criteria such as market capitalisation, number of holders, transaction volumes and interconnectedness.” However, he wrote that “a regime that escalates obligations once predefined quantitative thresholds are reached may create threshold effects, whereby issuers either remain deliberately below systemic designation or face abrupt increases in regulatory burden once certain metrics are exceeded.”³⁸⁶
227. The Economic Secretary told us that the criteria for determining a systemic stablecoin are in “the Banking Act 2009 specifically, as amended by [the Financial Services and Markets Act] 2023” and requires that HM Treasury be “satisfied that disruption to the provision of services by that provider could threaten stability or confidence in the UK financial system or otherwise have serious consequences.”³⁸⁷ HM Treasury also told us that this could take into account the “substitutability” and “interconnectedness” of stablecoins.³⁸⁸

381 [Q 92](#) (Sarah Breeden) and see also Bank of England, *Proposed regulatory regime for sterling-denominated systemic stablecoins*, November 2025.

382 [Q 181](#) (David Geale)

383 Written evidence from the Entrepreneurs Network ([STA0043](#))

384 Written evidence from the Scottish Centre of Excellence for Digital Trust ([STA0038](#))

385 Written evidence from Santander ([STA0049](#))

386 Written evidence from Professor Filippo Annunziata ([STA0031](#))

387 [Q 174](#) (Lucy Rigby)

388 [Q 174](#) (Laura Mountford)

228. *To provide greater certainty to stablecoin issuers, HM Treasury should set out further details about how it will determine whether stablecoins are systemic, and should consider whether indicative quantitative thresholds would be appropriate.*

Overview of the proposed regulatory regime

229. In describing the overall proposed regime, Tom Rhodes told us that “the right balance at this stage of the market would have been to take a less prescriptive and less comprehensive approach to developing regulation so that the innovation, experimentation and early-stage adoption can happen” adding that “sophisticated financial services that are conducted in the UK were not regulated in advance before people were doing them.”³⁸⁹ Global Digital Finance and the Crypto Council for Innovation also wrote that the regulatory regime requires “flexibility, recognising that business models and market structures are still evolving.”³⁹⁰ The Scottish Centre of Excellence for Digital Trust added that “the prudent position is to build a regime capable of managing systemic risk as the market develops, rather than one that pre-empts market development entirely.”³⁹¹
230. The Investment Association wrote that “a framework that enables systemic stablecoins, wholesale digital money and tokenised commercial bank money to coexist is essential to ensuring the UK remains competitive as global markets transition to digitally native forms of value transfer.”³⁹² Jesse McWaters similarly told us that there should be “a technology-neutral regulatory regime for stablecoins that ensures that stablecoins are safe and well regulated ... that, as new competitors come into this landscape and leverage stablecoins, they are held to a high and consistent set of obligations around, for example, money laundering and terrorist financing requirements.”³⁹³ Professor Alexander also wrote that “tokenised deposits and stablecoins address different customer needs, but pose different risks. The most credible move for the UK is to allow both models to develop under clearly defined, proportionate regulatory frameworks.”³⁹⁴
231. However, witnesses expressed concern about responsibility for the regime between the regulators and HM Treasury. Dr Daniele D’Alvia wrote that the “the UK framework involves the coordinated oversight of several authorities” which “reflects the UK’s broader financial regulatory architecture.”³⁹⁵ Despite this, the Scottish Centre of Excellence for Digital Trust wrote that “fragmentation of regulatory responsibility across the FCA, [the Bank], [Payment Systems Regulator], and [HM Treasury] compounds [regulatory] uncertainty”.³⁹⁶ Dante Disparte described how the involvement of different regulators means there are “lots of regulatory interests that need to be addressed, all of which at some level require a political inclination that the United Kingdom will be a destination ... for investment, promotion and development in the sector.”³⁹⁷

389 [Q 155](#) (Tom Rhodes)

390 Written evidence from Global Digital Finance & Crypto Council for Innovation ([STA0062](#))

391 Written evidence from the Scottish Centre of Excellence for Digital Trust ([STA0038](#))

392 Written evidence from The Investment Association ([STA0033](#))

393 [Q 133](#) (Jesse McWaters)

394 Written evidence from Professor Kern Alexander ([STA0027](#))

395 Written evidence from Dr Daniele D’Alvia ([STA0048](#))

396 Written evidence from the Scottish Centre of Excellence for Digital Trust ([STA0038](#))

397 [Q 116](#) (Dante Disparte)

232. Dante Disparte also told us that “the UK has an opportunity to design a regime that is both more principled than Europe’s MiCAR and more aligned with the emerging direction of the United States, without copying either” and that the regime should use “the UK’s strength: technology-neutral, outcomes-based regulation designed for international harmonisation.”³⁹⁸ Professor Alexander similarly said that “the UK can occupy a middle road that can take advantage of having a more comprehensive regime in place that takes account of consumer protection and investor protection issues ... yet not have the burdensome, more prescriptive regulations that have been adopted by the EU.”³⁹⁹ The Entrepreneurs Network wrote that “if the UK’s regime is more prescriptive and less competitive than MiCAR ... the UK will lose investment, talent and influence to jurisdictions with clearer and more enabling frameworks.”⁴⁰⁰ Professor Alexander further warned that stablecoins “have regulatory arbitrage issues, and this market can move quickly overseas; that is why we should have more of a principles-based framework in the UK.”⁴⁰¹
233. As highlighted above, there are key elements of the regime that witnesses were concerned by, and which diverge from major international jurisdictions. HM Treasury acknowledged that firms have “questioned the proposed prudential requirements for stablecoin issues, and whether these position the UK competitively relative to other key jurisdictions.” It also wrote that “the sector has raised ongoing concerns over the Bank’s proposals ... focused primarily on the extent to which stablecoin issuers can earn income on their backing assets, and the requirement for holding limits for individuals and businesses.”⁴⁰² Rory Tanner explained that Revolut views MiCAR “as more competitive: there are no holding limits; there are no unremunerated backing assets.”⁴⁰³ Similarly, ClearBank highlighted how “the UK is the only country to ban bank issuance, and at systemic level remove remuneration from backing assets and require holding limits.”⁴⁰⁴
234. As set out in Chapter 1, the Bank and the FCA have a set of statutory primary and secondary objectives. The primary objective of the Bank’s Financial Markets Infrastructure (FMI) Committee is to protect and enhance UK financial stability while the secondary objective is to facilitate innovation in the provision of FMI services.⁴⁰⁵ The FCA has a strategic objective to ensure that markets function well and three main operational objectives: protecting consumers, enhancing market integrity and promoting competition in the interests of consumers. It also has a secondary objective to promote international competitiveness and growth.
235. David Geale told us that “as we look to design our regime, we look at other jurisdictions ... we are looking at the experiences that they have, but we also have to design what we think is right for the UK” adding that “looking at other regulators is not our starting point ... but we should absolutely be alive to that.”⁴⁰⁶ The FCA further wrote that the proposed regime aims to balance

398 [Q 113](#) (Dante Disparte)

399 [Q 36](#) (Professor Kern Alexander)

400 Written evidence from the Entrepreneurs Network ([STA0043](#))

401 [Q 41](#) (Professor Kern Alexander)

402 Written evidence from HM Treasury ([STA0069](#))

403 [Q 147](#) (Rory Tanner)

404 Written evidence from ClearBank ([STA0039](#))

405 Bank of England, *The Bank of England’s supervision of financial market infrastructures Annual Report*, June 2025

406 [Q 181](#) (David Geale)

“consumer protection with competitiveness and innovation” and that “a clear and credible UK framework will support innovation, attract investment and reinforce the UK’s position as a global financial centre.”⁴⁰⁷ Sarah Breeden told us that the Bank’s regime is “wholly driven by our primary objective for financial stability and our secondary objective for innovation” and that “financial stability and innovation go together ... if our regime does not allow viable business models, and if this technology takes off because it is useful to businesses, households and users of financial markets, it could be that a non-sterling stablecoin is widely used here in the UK or that a sterling stablecoin issued outside the UK takes off, and both of those would create a risk to financial stability.”⁴⁰⁸

236. *While it is important that the UK develops its own appropriate stablecoin regulatory regime, the regulators should take into account international comparisons to make sure that it is competitive and does not deter entrants. In doing so, the regulators should bear in mind the strengths for which the UK financial regulatory regime has traditionally been admired: principles-based, technologically neutral regulation which balances financial stability with innovation and competitiveness.*
237. *The FCA must consider how its proposed regulatory regime for stablecoin aligns with its secondary international competitiveness and growth objective, and what steps it should take to promote this beyond comparisons with regulatory regimes in other jurisdictions.*
238. *There are several key areas of concern with the proposed regulatory regime, including elements where the UK’s regulatory regime would diverge from international equivalents. In particular, witnesses have highlighted the requirements for systemic issuers to hold unremunerated backing assets, the holding limits for systemic stablecoins, and restrictions on commercial banks issuing stablecoins.*
239. *HM Treasury should consider whether the lack of an international competitiveness and growth objective continues to be appropriate for the Bank’s Financial Market Infrastructure Committee given that the largest stablecoin issuers are likely to be subject to dual regulation by both the Bank and FCA.*
240. *The Bank should pay particular attention to the requirements for systemic issuers to hold unremunerated backing assets, the holding limits for systemic stablecoins, and restrictions on commercial banks issuing stablecoins when considering international comparisons and the competitiveness of the UK’s regime.*
241. *The regulators must balance the viability of stablecoin issuers with the mitigation of risks. They should in particular consider their statutory objectives in relation to innovation and international competitiveness and growth. A consideration of international competitiveness must include and go beyond comparisons with regimes in other jurisdictions. This is particularly important when determining whether to permit the payment of rewards, whether to impose holding limits, what the composition of backing assets*

407 Written evidence from the Financial Conduct Authority ([STA0059](#))

408 [QQ 88, 94](#) (Sarah Breeden)

should be for systemic stablecoins, and what restrictions there should be for commercial banks issuing stablecoins.

242. **The shape of the UK market for GBP stablecoins will be strongly influenced by the direction of the regulatory regime, which will affect the commercial viability of GBP issuers and competitiveness of the UK internationally.**
243. **The UK's regulatory regime should create a level playing field that allows stablecoins to compete with existing and alternative forms of payments and other digital assets such as tokenised deposits, and thereby allows for the growth of a sterling denominated stablecoin market.**
244. *The Bank, FCA and HM Treasury must recognise that the stablecoin market is nascent and growing, and adapt the regulatory regime as the market develops. The regulatory regime should not seek to preemptively address all potential future risks, and should instead be ready to address risks if and when they materialise.*
245. *We are concerned by a perceived lack of ownership of the regulatory regime. HM Treasury, the FCA and the Bank must work together to mitigate the risk of confusion and delay, and to ensure that the UK is not left behind in developing a regime that is fit for purpose.*

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The growth of stablecoins: opportunities and risks

1. The current two main use cases of stablecoin are facilitating trading in the cryptoasset markets, and cross-border payments. However, other use cases are emerging. (Paragraph 62)
2. There are technological advantages that stablecoins have, including programmability and composability, which have the potential to perform new and different purposes, and could complement, rather than be an alternative to, other forms of money. This in turn has the potential to increase competition in the payments sector. (Paragraph 63)
3. The development of stablecoins is part of the wider development of the tokenisation of assets, which comes with new opportunities for global financial markets and looks set to continue to grow. (Paragraph 64)
4. *Regulatory frameworks need to be sufficiently flexible to allow for future use cases for stablecoins. The regulatory response should not constrain use cases or make assumptions about the applicability of particular digital settlement solutions to use cases, but should be agnostic on whether and how the use cases will be adopted. Regulations should accommodate the potential for future innovations and novel uses that may arise from this emerging technology and must remain flexible to adapt to new use cases as they become widespread, while addressing risks appropriately.* (Paragraph 65)
5. Stablecoins pose a number of risks and challenges, particularly in relation to financial stability, illicit finance and consumer protection. The use of stablecoins for illicit purposes is a significant concern globally. (Paragraph 95)
6. However, stablecoins also present opportunities for the development of a multi-money system. If regulated effectively and proportionately, the risks can be mitigated as they currently are with other forms of money. (Paragraph 96)
7. *The regulators should ensure that in regulating stablecoins they are not inadvertently applying more severe limitations than they do for other forms of payment.* (Paragraph 97)

The UK's current position

8. The role of the US dollar globally means USD stablecoins have unique advantages. A sterling stablecoin could nonetheless provide different and important uses including for cross-border payments. The development of sterling stablecoins could also avoid the potential monetary policy risks that could arise from currency substitution brought about by the adoption of USD-denominated stablecoins. Similarly, with a mature financial services industry, the UK should be seeking to enable a GBP stablecoin market to be established and grow. As well as the issuance of GBP stablecoins, a successful stablecoin market would mean the UK could provide wider services in the stablecoin ecosystem which may create new and emerging business opportunities. (Paragraph 111)
9. The UK is currently lagging behind in developing its regulatory regime for stablecoins compared to the USA and EU, in part due to initial public scepticism from the regulators about stablecoins, but it is now moving in the right direction. (Paragraph 112)

10. The publicly stated attitudes of the regulators have had a direct impact on the willingness of businesses to enter the market, although there has been a change in those stated attitudes since 2025. (Paragraph 113)
11. *The financial regulators should seek to encourage safe and responsible innovation in the UK stablecoin market and remain open to new technological developments.* (Paragraph 114)
12. Regulatory uncertainty has been a factor in preventing GBP stablecoins developing. Clear legal and regulatory underpinnings for stablecoins provide confidence for investors, businesses and consumers in this emerging market. The uncertainty of knowing there will be a new regulatory regime, but not knowing the final requirements or how the requirements could affect issuers' business models, may have discouraged GBP stablecoin issuers from entering the market. (Paragraph 115)
13. *The regulators must adhere to current timelines and ensure that the final regulatory regime is not delayed in order to bring certainty and confidence to allow the GBP stablecoin market to develop.* (Paragraph 116)
14. *The FCA and HM Treasury should review the existing anti-money laundering and 'know your customer' rules to assess whether they remain robust in light of the challenges and opportunities that the development of the stablecoin market brings. This must take into account the developments in other jurisdictions such as the USA and EU, and international standards, in particular the Financial Action Task Force recommendations.* (Paragraph 125)
15. *HM Treasury and the FCA should ensure that there is legal clarity about the roles and responsibilities of stablecoin issuers, exchanges and custodians in freezing stablecoins or blocking transactions so that, wherever possible, the requirements are the same as for other forms of payments and bank accounts that are subject to financial crime requirements.* (Paragraph 126)
16. *The PRA's restrictions on deposit-takers issuing stablecoins are unduly restrictive and risk inhibiting innovation unnecessarily. The PRA should alter its requirements for deposit-takers to issue stablecoins under distinct branding and from insolvency-remote entities.* (Paragraph 133)
17. *It is important that regulations are sufficiently flexible to allow for the development of the UK stablecoin market. Bringing stablecoins within the payments regulatory perimeter is an important part of this. HM Treasury need to provide clarity on their plans to do so, in particular which stablecoins will be brought into the regime.* (Paragraph 138)
18. While sandboxes are helpful to the regulators in finalising their regulatory rules, and financial services firms also find them useful, they should not be a reason for delaying the finalisation of the stablecoin regulatory regimes. (Paragraph 143)

The UK's regulatory proposals

19. Witnesses were clear that it is vital that the full value of a stablecoin is backed. We welcome the requirement for stablecoin issuers to back stablecoins 1:1 under the Bank's and FCA's proposed regimes. (Paragraph 150)
20. The rate of remuneration and level of liquidity that are required for backing assets could have a significant impact on the business viability of stablecoin

issuers in the UK, and the international competitiveness of the UK market. These rules could affect whether issuers choose to issue GBP stablecoins or scale their stablecoins to become systemic. (Paragraph 160)

21. *The regulators must be cognisant of the balance between the mitigation of risk and the viability of stablecoin issuer businesses, and hence on the development of a stablecoin market in the UK. The Bank should consider the impact that requiring a proportion of unremunerated assets could have on the development of a GBP stablecoin market, and should set out details of the basis on which it has calculated the required proportions of unremunerated backing assets.* (Paragraph 161)
22. *The Bank should be open to a principles-based, less prescriptive approach to the composition of backing assets, and to adjusting the requirements as stablecoin market develops and behaviour and risks are better understood.* (Paragraph 162)
23. *The Bank should reconsider whether it would be appropriate to remunerate at base rate the backing assets which are held as deposits at the Bank.* (Paragraph 163)
24. Requiring backing assets to be held in statutory trust for the benefit of coinholders enhances consumer protection. Requiring properly audited and disclosed backing assets improves confidence in the value of stablecoins and can thereby reduce the run risks of stablecoins. We therefore welcome the proposals from the FCA and the Bank in these areas. (Paragraph 166)
25. *The FCA should reconsider whether a k-factor requirement for the issuers of stablecoin that increases with the volume of stablecoins issued is an appropriate way to determine that element of the capital requirements.* (Paragraph 171)
26. The proposed backstop lending facility from the Bank is welcome, and a good example of regulation that can support both market confidence and the ability of issuers to meet liquidity requirements in times of stress. We support the introduction of this facility which is a clear difference between the UK's and other regimes, and the Bank should set out clear requirements for the circumstances in which issuers could use this. (Paragraph 175)
27. While the backing assets are the primary recourse for coinholders to be reimbursed, if the value of the backing assets falls and there is a shortfall, holders may need to claim as a creditor in the issuer's insolvency proceedings. (Paragraph 179)
28. *HM Treasury must clarify whether falling back on general insolvency law is appropriate or whether there should be stablecoin-specific legislation.* (Paragraph 180)
29. Redemption requirements must strike a balance between providing robust consumer protections and acknowledging the operational feasibility of stablecoin issuers carrying out large numbers of small value redemptions for individual holders. (Paragraph 186)
30. The redemption rights of stablecoin holders are not the primary means by which liquidity and conversion can be achieved. In a mature stablecoin market, it would be expected that redemption of stablecoins with issuers would be primarily at the institutional level, while retail and business holders would convert their stablecoins into fiat currency using cryptoasset service providers, rather than by redeeming them with the issuer. (Paragraph 187)

31. *The Bank and FCA should conduct a cost-benefit analysis of the impact that redemption requirements would have on stablecoin issuers' operational viability, particularly considering the timelines for completing 'know your customer' checks. (Paragraph 188)*
32. *The Bank and FCA should consider whether direct redemption by issuers should act as a backstop rather than be expected as a core requirement, particularly when considering the role of secondary markets in fulfilling conversion requests. (Paragraph 189)*
33. There are concerns that holding limits would unnecessarily inhibit the growth of GBP stablecoins, and that they would pose serious practical challenges to implement. This is particularly concerning given they are intended only as a temporary measure. (Paragraph 196)
34. *Given the early stage of the GBP stablecoin market, rather than pre-emptively impose holding limits, the Bank should consider monitoring the growth of the market and imposing holding limits only if the financial stability risks clearly warrant it. If the Bank did consider imposing holding limits in the future, it should consult appropriately to ensure that any requirements are practical and can be implemented in a way that would enable the Bank to achieve its objectives. (Paragraph 199)*
35. *The Bank should conduct more granular modelling of the impact of imposing stablecoin holding limits on consumers, particularly with regard to potential high-value use cases such as house purchases. (Paragraph 198)*
36. There is relatively little demand for the Bank and FCA to permit the payment of interest on stablecoins. However, whether the payment of rewards, whether by issuers or by exchanges or service providers, will be permitted could have a significant impact on the creation of GBP stablecoin market, and for the competitiveness of the UK stablecoin market internationally. The Bank and the FCA should set out their approach to whether the payment of rewards will be permitted as soon as possible. (Paragraph 207)
37. *In the light of the reward mechanisms available for traditional card payments, the Bank and FCA must give sufficient risk-based justifications if they decide to prohibit the payment of rewards for stablecoins. If the prohibition of rewards seeks to address the risk of disintermediation and the corresponding reduction in available credit, they should provide further analysis of the disintermediation risk in a steady state, as well as in stress scenarios. (Paragraph 208)*
38. While private unhosted wallets or unregulated wallets can be used for entirely legitimate purposes, they can pose a serious and concerning challenge in relation to money laundering and illicit finance. (Paragraph 218)
39. HM Treasury should consider with the Bank and FCA whether the existing legal frameworks are sufficient to detect and deter illicit activity using private unhosted and unregulated wallets, and should be prepared to legislate to restrict their use if necessary. (Paragraph 219)
40. It is important that the transition to a dual regulatory regime by both the Bank and the FCA does not act as a disincentive for stablecoin issuers to scale up. The transition arrangements will be important to potential issuers in drawing up their business plans. (Paragraph 223)

41. *The Bank and the FCA should finalise the details of the transition measures and the timelines over which the transition would be expected to occur as soon as possible. (Paragraph 224)*
42. *To provide greater certainty to stablecoin issuers, HM Treasury should set out further details about how it will determine whether stablecoins are systemic, and should consider whether indicative quantitative thresholds would be appropriate. (Paragraph 228)*
43. *While it is important that the UK develops its own appropriate stablecoin regulatory regime, the regulators should take into account international comparisons to make sure that it is competitive and does not deter entrants. In doing so, the regulators should bear in mind the strengths for which the UK financial regulatory regime has traditionally been admired: principles-based, technologically neutral regulation which balances financial stability with innovation and competitiveness. (Paragraph 236)*
44. *The FCA must consider how its proposed regulatory regime for stablecoin aligns with its secondary international competitiveness and growth objective, and what steps it should take to promote this beyond comparisons with regulatory regimes in other jurisdictions. (Paragraph 237)*
45. There are several key areas of concern with the proposed regulatory regime, including elements where the UK's regulatory regime would diverge from international equivalents. In particular, witnesses have highlighted the requirements for systemic issuers to hold unremunerated backing assets, the holding limits for systemic stablecoins, and restrictions on commercial banks issuing stablecoins. (Paragraph 238)
46. *HM Treasury should consider whether the lack of an international competitiveness and growth objective continues to be appropriate for the Bank's Financial Market Infrastructure Committee given that the largest stablecoin issuers are likely to be subject to dual regulation by both the Bank and FCA. (Paragraph 239)*
47. *The Bank should pay particular attention to the requirements for systemic issuers to hold unremunerated backing assets, the holding limits for systemic stablecoins, and restrictions on commercial banks issuing stablecoins when considering international comparisons and the competitiveness of the UK's regime. (Paragraph 240)*
48. *The regulators must balance the viability of stablecoin issuers with the mitigation of risks. They should in particular consider their statutory objectives in relation to innovation and international competitiveness and growth. A consideration of international competitiveness must include and go beyond comparisons with regimes in other jurisdictions. This is particularly important when determining whether to permit the payment of rewards, whether to impose holding limits, what the composition of backing assets should be for systemic stablecoins, and what restrictions there should be for commercial banks issuing stablecoins. (Paragraph 241)*
49. The shape of the UK market for GBP stablecoins will be strongly influenced by the direction of the regulatory regime, which will affect the commercial viability of GBP issuers and competitiveness of the UK internationally. (Paragraph 242)
50. The UK's regulatory regime should create a level playing field that allows stablecoins to compete with existing and alternative forms of payments and other digital assets such as tokenised deposits, and thereby allows for the growth of a sterling denominated stablecoin market. (Paragraph 243)

51. *The Bank, FCA and HM Treasury must recognise that the stablecoin market is nascent and growing, and adapt the regulatory regime as the market develops. The regulatory regime should not seek to pre-emptively address all potential future risks, and should instead be ready to address risks if and when they materialise. (Paragraph 244)*
52. *We are concerned by a perceived lack of ownership of the regulatory regime. HM Treasury, the FCA and the Bank must work together to mitigate the risk of confusion and delay, and to ensure that the UK is not left behind in developing a regime that is fit for purpose. (Paragraph 245)*

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Baroness Bowles of Berkhamsted
 Lord Davies of Brixton
 Baroness Donaghy
 Lord Eatwell
 Lord Griffiths of Fforestfach
 Lord Hill of Oareford
 Lord Hollick
 Lord Lilley
 Baroness Noakes (Chairman)
 Lord Sharkey
 Lord Smith of Kelvin
 Lord Turnbull
 Lord Vaux of Harrowden

Declarations of interest

Baroness Bowles of Berkhamsted
No relevant interests to declare

Lord Davies of Brixton
No relevant interests to declare

Baroness Donaghy
No relevant interests to declare

Lord Eatwell
No relevant interests to declare

Lord Griffiths of Fforestfach
No relevant interests to declare

Lord Hill of Oareford
Adviser, Santander SA
Adviser, VISA Europe
Board of Intercontinental Exchange

Lord Hollick
No relevant interests to declare

Lord Lilley
No relevant interests to declare

Baroness Noakes (Chairman)
Shares in listed financial companies as recorded in the Register of Lords' Interests

Lord Sharkey
No relevant interests to declare

Lord Smith of Kelvin
No relevant interests to declare

Lord Turnbull
No relevant interests to declare

Lord Vaux of Harrowden
Non-practising member, Institute of Chartered Accountants in England and Wales
Shareholding in Fidelity National Information Services Inc.

A full list of members' interests can be found in the Register of Lords' Interests: <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

Specialist Advisers

Professor Rosa M. Lastra

Sir John Lubbock Chair in Banking Law, CCLS, Queen Mary University of London

Member of the Monetary expert panel that advises the European Parliament (ECON)

Member of the International Jurisdiction Taskforce for the use of Digital Technology

Michael Raffan

Partner, Freshfields LLP

Member of HM Treasury's Banking Liaison Panel

Member of TheCityUK's Long-Term Competitiveness Group (until February 2026)

Member of TheCityUK's US Market Advisory Group Technical Working Group

Member of the Advisory Board, Financial Services Lawyers Association

Investments in various collective investment vehicles

APPENDIX 2: LIST OF EVIDENCE

Evidence is published online at <https://committees.parliament.uk/work/9590/growth-and-proposed-regulation-of-stablecoins-in-the-uk/publications/>

Evidence received by the committee is listed below in alphabetical order.

Alphabetical list of witnesses

Agant Finance Limited	STA0060	QQ 152–166 , Tom Rhodes, Chief Legal Officer
The American Institute of CPAs and The Chartered Institute of Management Accountants	STA0068	
Professor Kern Alexander	STA0027	QQ 32–43
Professor Hilary J. Allen	STA0019	
Professor Filippo Annunziata	STA0031	
Anonymous	STA0010	
Association for Financial Markets Europe	STA0050	
Bank of England		QQ 88–100 , Sarah Breeden, Deputy Governor; Sasha Mills, Executive Director of Financial Market Infrastructure
Alexander Bowder	STA0028	
Professor Ross Buckley	STA0030	
Hleb Buziuk	STA0001	
Paul Cavanagh	STA0004	
The Centre of Fintech, University of East London	STA0022	
Chainalysis		QQ 101–112 , Matthias Bauer-Langgartner, Head of Policy
Circle	STA0065	QQ 113–124 , Dante Disparte, Chief Strategy Officer and Head of Global Policy & International Operations

City of London Corporation	STA0034	
Christopher Clarke	STA0003	
Clearbank Limited	STA0039	
Coinbase	STA0023	QQ 67–76 , Tom Duff Gordon, Vice President for International Policy
Richard Crook	STA0002	
Crypto.com	STA0025	
Crypto Council for Innovation	STA0062	
Dr Daniele D’Alvia	STA0048	
Digital Currencies Governance Group	STA0046	
Entrepreneurs Network	STA0043	
Evoq Limited	STA0011	
Financial Conduct Authority	STA0059	QQ 178–189 , David Geale, Executive Director of Payments and Digital Finance; Matthew Long, Director of Payments and Digital Assets
Alan Fletcher	STA0018	
Great British Tokenised Deposit Project	STA0067	
Global Digital Finance	STA0062	QQ 44–55 , Elise Soucie Watts, Executive Director
Chris Giles, Economics Commentator at the Financial Times		QQ 1–11
Professor Simon Gleeson		QQ 21–31
Martyn Gray	STA0014	
Professor Andros Gregoriou	STA0017	
Charlie Hallett	STA0009	
Mark Henderson	STA0016	

HM Treasury	STA0069	QQ 167–177 , Lucy Rigby KC MP, Economic Secretary to the Treasury; Laura Mountford, Deputy Director Payments and Fintech; William Morello, Head of Cryptoassets
Anjum Hoda	STA0029	
Scott Howard	STA0007	
Innovate Finance	STA0021 STA0071	QQ 77–87 , Adam Jackson, Chief Strategy Officer
Investment Association	STA0033	
Paul Kendrick	STA0015	
Ross Leckow	STA0054	
Simon Alexander Legge	STA0052	
Locaperk Limited	STA0024	
Mastercard	STA0051 STA0072	QQ 125–133 , Jesse McWaters, Executive Vice President & Head of Global Policy
Mr McLaughlan	STA0012	
George McMullen	STA0008	
Alistair Milne	STA0056	
NatWest Group	STA0058	
Notabene Inc.	STA0037	
Payments Association	STA0040	
Robert John Paulley	STA0006	
Marius Postirnac	STA0013	
PRICI Foundation	STA0020	
David Price	STA0005	
Revolut		QQ 134–151 , Rory Tanner, Head of UK Government Affairs and Public Policy
Richard Ridyard	STA0064	
Ripple	STA0026	
Tony Salmon	STA0042	
Santander	STA0049	

Scottish Centre of Excellence	STA0038	
Signet Stack Ltd.	STA0057	
Anthony Song, Rachel Phang, Jason Grant Allen	STA0063	
Stand with Crypto in the UK	STA0035	
Stripe	STA0044	
Superteam UK	STA0053	
Aisha Tariq	STA0045	
TheCityUK	STA0061	
UK Cryptoasset Business Council	STA0041	
UK Finance	STA0066	QQ 56–66 , Jana Mackintosh, Managing Director for Payments and Innovation
Dr Lawrence H. White	STA0047	
Professor Arthur E. Wilmarth, Jr.	STA0036	QQ 12–20
YouHodler SA	STA0055	

APPENDIX 3: CALL FOR EVIDENCE

Inquiry into the growth and proposed regulation of stablecoins in the UK

The Financial Services Regulation Committee, chaired by The Baroness Noakes DBE, has launched an inquiry into the growth and proposed regulation of stablecoins in the UK.

The Committee is seeking evidence on the following questions:

- (1) How has the global market for, and the issuance of, stablecoins developed since 2014? How does the UK market compare to the US and the EU?
- (2) How is the sterling denominated stablecoin market in the UK expected to develop in the coming years?
- (3) Who uses stablecoins and for what purposes?
- (4) Are there any existing rules impacting the growth of stablecoins in the UK?
- (5) What opportunities and risks does the growth of stablecoins (both denominated in sterling and in USD) pose for the UK's economy and its financial services sector, and for retail customers? What evidence is there to suggest that this growth could disrupt the conduct of monetary policy and traditional financial intermediaries? Are there any additional financial crime considerations?
- (6) How will the growth of stablecoins impact the Bank of England, PRA and FCA's statutory objectives: price stability, financial stability, market integrity, consumer protection, competition and international competitiveness and growth?
- (7) What implications do the Bank of England and the FCA's proposed regulatory regimes pose for the adoption and growth of systemic and non-systemic stablecoins in the UK, and internationally? a. Are there any aspects of the Bank of England and FCA's proposed stablecoin regulatory regimes that present challenges or require further consideration?
- (8) What can the UK learn from the way other jurisdictions have approached the regulation of stablecoins, such as the US and the EU?