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Stablecoin-related yields: some regulatory approaches¹

Highlights

- *Some cryptoasset service providers (CASPs) offer yield-bearing products based on payment stablecoins, even though these stablecoins are not inherently designed to generate on-chain returns to holders. Yield generation often involves re-lending to borrowers, margin pools, arbitrage/derivatives collateral or facilitating their use in decentralised finance (DeFi) lending protocols. In other cases, yields are provided through loyalty programmes that are directly funded by CASPs.*
- *These practices may blur the lines between payment instruments and investment products. They may compete with bank deposits but are often provided without equivalent prudential oversight, deposit insurance and transparency, exposing users to consumer protection gaps and losses.*
- *Yield-bearing products based on stablecoins can exacerbate some general risks that stablecoins pose, for example, those related to their runnability and interaction with traditional banks. Multifunction CASPs that conduct yield-bearing lending, custody and other activities can create operational interdependencies and trigger conflicts of interest.*
- *Regulatory approaches to stablecoin-related yields differ across jurisdictions. Payment stablecoin issuers are uniformly prohibited from remunerating balances. CASP-provided yields, however, are subject to three different approaches: (i) complete prohibitions; (ii) restricted prohibitions that ban products for retail users and set conditions for professional investors; and (iii) no explicit prohibition.*
- *Addressing the risks posed by these arrangements may require a framework that extends beyond issuers to cover CASPs' stablecoin-related activities, close regulatory gaps and safeguard end users' protection and financial stability.*

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Section 1. Introduction

Stablecoins have become a central feature of digital markets. While the aggregate stablecoin market value is limited at present, its growth has been rapid, thereby attracting the attention of regulators worldwide.² For example, the European Union (EU) has put in place a new framework for stablecoins via its Markets in Crypto-Assets (MiCA) Regulation and Hong Kong SAR (HK) and Singapore (SG) have introduced their own regulation. The United States (US) created a national comprehensive framework for payment stablecoins through the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act, setting out rules for issuance, reserve assets and oversight.³

Remuneration is a central issue in the policy discussion on payment stablecoins. An important question is: could stablecoin holders earn a return on their balances, and if so, under what conditions? Most regulatory frameworks prohibit issuers from paying interest to stablecoin holders in connection with the holding of such stablecoin. However, there is less convergence on the extension of this restriction to third parties or affiliates, such as cryptoasset service providers (CASPs) like exchanges and trading venues. In some jurisdictions, these entities appear to remain free to offer rewards or yields to stablecoin holders through their platforms.

Two main perspectives dominate the public discussion. On one hand, banking stakeholders argue that allowing CASPs to remunerate stablecoin balances could attract deposits away from the traditional banking sector.⁴ This could potentially raise funding costs for banks, constrain credit supply to firms and households, and make deposit flows more volatile in periods of stress.⁵ The arguments echo earlier debates on money market funds and other instruments that competed with bank deposits. By contrast, crypto industry stakeholders argue that permitting remuneration of stablecoin balances by CASPs could broaden consumer choices and foster competition among different intermediaries.⁶

The recent enactment of the GENIUS Act has intensified public discussions, bringing the question of remuneration to the forefront. Both sets of arguments are put forward by parties with commercial interests. However, rather than protecting incumbents or promoting new entrants, public authorities' discussions emphasise financial stability and consumer protection objectives.

Within this context, the debate on stablecoin yields raises issues at the intersection of payments, banking and securities law, which might become relevant for the entire financial system. Key considerations include the distribution of money-like claims across different financial entities, the vulnerabilities posed by liabilities outside prudential oversight and the degree of interdependence between the cryptoasset ecosystem and the traditional financial sector.

This brief analyses existing regulatory approaches for stablecoin-related yields. It is structured as follows. Section 2 provides an overview of current market practices around stablecoin-related yields. Section 3 describes the current regulatory framework applicable to issuers and CASPs in four jurisdictions that have enacted or are developing stablecoin regulation. Section 4 offers concluding remarks.

² See Aldasoro et al (2025).

³ See US Congress (2025a).

⁴ See Bank Policy Institute (2025) and American Bankers Association et al. (2025). In the US, some estimates suggest that \$6.6 trillion dollars could shift away from the banking sector if stablecoin products offering returns were to scale up. See US Department of the Treasury (2025).

⁵ See Quinio (2025).

⁶ See Crypto Council for Innovation and Blockchain Association (2025).

Section 2. An overview of current market practices

Stablecoins have grown into a significant segment of the digital asset market. By September 2025, the aggregate market capitalisation exceeded \$280 billion and some project it to approach \$1.9 trillion by 2030.⁷ Stablecoins are central to trading, settlement and liquidity in crypto markets, with the two largest issuers, Circle (USDC) and Tether (USDT), accounting for most of the supply.

Stablecoins can be classified based on various criteria, including their purpose and backing. One key distinction is between stablecoins designed solely to maintain a peg to a single fiat currency and those inherently designed to provide returns on chain to holders. Stablecoins designed exclusively for maintaining a stable peg to a fiat currency, that are backed by cash and short-term, low-risk assets and that do not provide returns on chain to holders, such as USDC and USDT, are often called “payment stablecoins”.

In contrast, yield-bearing stablecoins are designed not only to maintain a peg with a fiat currency (typically the US dollar) but also to exhibit investment-like features by providing on-chain returns directly to holders. Since 2023, the market for yield-bearing stablecoins has grown significantly, with their total supply rising from under \$1 billion to over \$19 billion by September 2025.⁸ Market leaders such as Ethena’s sUSDe, Sky’s sUSDS and BlackRock’s BUIDL together account for over half of this market segment.⁹

Importantly, while payment stablecoins are primarily designed as settlement instruments rather than investments, they can still be associated with income-generating activities. That stems mainly from two sources: the yield on the reserve assets that back stablecoin balances and different forms of stablecoin lending through CASPs.

Market-dominant payment stablecoins are usually backed by reserves in cash, cash equivalents, short-term US Treasuries, repurchase agreements and other assets. These reserves generate income for the stablecoin issuers. For example, Circle (issuer of USDC) and Tether (issuer of USDT) invest in US Treasury bills and other assets.¹⁰ The interest earned on these investments accrues directly to the issuers.¹¹

In addition, CASPs have developed products that enable users to earn returns on their payment stablecoins. Some of these offerings involve platform-funded rewards, which are paid directly from the CASPs’ own resources, such as through loyalty programmes.¹² However, most of these offerings often involve the re-lending or redeployment of stablecoins to third parties. The following paragraphs outline a non-exhaustive list of mechanisms through which CASPs generate yields for users holding stablecoins.

Some CASPs engage in lending to trading platforms and market makers, supplying users’ stablecoins to traders who require liquidity to arbitrage price differences across exchanges. For example, under the Gemini Earn programme, user stablecoins were re-lent to Genesis, which then deployed them

⁷ See Citigroup (2025).

⁸ See Stablewatch Analytics: <https://app.stablewatch.io> for further information.

⁹ Some yield-bearing stablecoins, such as sUSDe and sUSDS, are issued through decentralised mechanisms. They are usually backed by cryptoassets and maintain their peg through algorithmic mechanisms. In contrast, other yield-bearing stablecoins, like BUIDL, are issued by centralised entities and backed by traditional financial assets. Those backed by short-term, low-risk instruments like Treasury bills, certificates of deposit and commercial paper are also referred to as tokenised money market funds.

¹⁰ See Dyer et al (2025) for data on USDT and USDC reserve asset composition at the end of June 2025.

¹¹ The practice of stablecoin issuers earning income from reserve assets while paying little or no interest to stablecoin holders raises issues for financial stability, market integrity and consumer/investor protection. It may create incentives for issuers to invest in riskier or illiquid assets, or to lend out reserve assets, to achieve higher returns. This highlights the importance of robust regulatory frameworks, including asset segregation, collateral management and market surveillance. See Arner et al (2020) and Cantú et al (2025).

¹² For example, Coinbase’s USDC Rewards was presented as a “loyalty program”, funded by Coinbase, where eligible developers could earn 4.1% USDC rewards simply by holding USDC on Coinbase. See Coinbase (2024).

to institutional borrowers. The interest paid by Genesis funded the yields credited to Gemini customers. In such cases, borrowers pay interest, which is passed on, after subtracting the CASP's margin, to users.¹³

Another common channel is margin lending within exchanges. Stablecoins deposited on a CASP can be directed into margin lending pools, allowing leveraged traders to borrow these assets, often at high rates during periods of market volatility. Bitfinex's margin funding model exemplifies this mechanism. Through its margin funding market, users can supply USDT or USDC, which are then made available to leveraged traders at variable interest rates. In return, Bitfinex takes a portion of the interest earned as fees.

CASPs may also facilitate the allocation of user funds into DeFi lending protocols such as Aave.¹⁴ In these arrangements, users' stablecoins are directed into on-chain lending pools, where they earn returns from borrowers in the form of interest. Although the technical infrastructure is decentralised, CASPs often act as intermediaries, simplifying access and enabling broader user participation in DeFi yield strategies.¹⁵

CASPs may use stablecoins as collateral in arbitrage and derivatives strategies, such as buying spot bitcoin and shorting futures. The proceeds from such strategies, when conducted on a sufficiently large scale, can generate a return that is then partially redistributed to users participating in yield programmes, while the CASP retains a margin as intermediary.

In all cases, the CASP acts as an intermediary, lending or investing user-deposited stablecoins, collecting returns and passing a portion of those returns to users. It is important to note that the user's relationship with the CASP is typically contractual. In stress or insolvency, the outcome depends on the user agreement: if ownership was transferred to the CASP, assets were pooled or rehypothecation was permitted, users may be treated as unsecured creditors. This was the finding in the Celsius Earn programme, where the bankruptcy court held that coins in Earn accounts were property of the liquidation estate because the terms of use transferred ownership and authorised use, sale, pledge and rehypothecation. Earn customers therefore held general unsecured claims in the insolvency.¹⁶

The examples described in this section show how payment stablecoins, though designed as payment instruments, have been adapted into yield-bearing products once intermediated by CASPs. This demonstrates that stablecoins can be transformed into investment-like assets even without changing their core design. This stands in contrast to purpose-built yield stablecoins such as Ethena's USDe, which are explicitly structured to pass returns directly to holders.

In addition, the rise of multifunction CASPs introduces new risks.¹⁷ By consolidating exchange, custody, yield programmes, staking, lending, margin trading and derivative services within a single corporate structure, these platforms amplify the potential for conflicts of interest and contagion. Furthermore, commercial relationships with issuers can blur accountability and complicate regulatory oversight.

¹³ See SEC (2023).

¹⁴ Aave is a decentralised non-custodial liquidity protocol where users can participate as suppliers or borrowers. Suppliers provide liquidity to the market while earning interest, and borrowers can access liquidity by providing collateral that exceeds the borrowed amount. Source: <https://aave.com/>.

¹⁵ See Cornelli et al (2025).

¹⁶ See Arnold and Porter (2023).

¹⁷ Multifunction cryptoasset intermediaries are defined by the FSB as individual firms, or groups of affiliated firms, that combine a broad range of cryptoasset services, products and functions typically centred around the operation of a trading platform. See FSB (2023). This concept is not to be confused with multi-issuance stablecoins, which are digital tokens that are jointly issued by entities located in different countries, where the tokens from both issuers are designed to be functionally identical and interchangeable. See Arnal (2025).

Section 3. Regulatory responses to stablecoin yields

This section focuses on a selected number of jurisdictions that have taken a leading role in regulating stablecoins, particularly those issued with a value pegged to a single fiat currency. It provides an overview of the regulatory approaches to determining whether stablecoin issuers and/or CASPs are allowed to offer returns to stablecoin holders and, if so, under what specific conditions.

Across the selected jurisdictions, issuers of payment stablecoins are not permitted to remunerate stablecoin balances. By contrast, the treatment of CASP-provided yields varies across three broad approaches: (i) complete prohibitions on CASPs offering yield on payment stablecoins (EU, HK); (ii) restricted prohibitions that ban such products for retail users while permitting them under limited conditions for professional investors (SG); and (iii) no explicit prohibition on CASP yield products (US).

European Union

The EU's MiCA entered into application in 2024. Its main policy objective is to establish a unified EU framework for cryptoassets to foster innovation, protect consumers, ensure market integrity and support fair competition while safeguarding financial stability and promoting global competitiveness.¹⁸

MiCA establishes rules governing activities involving cryptoassets that are not otherwise regulated by existing EU financial services legislation.¹⁹ MiCA regulates the (i) issuance of cryptoassets within the EU; (ii) offer to the public and admission to trading of cryptoassets within the EU; and (iii) provision of services related to cryptoassets within the EU (CASPs). CASPs include firms that provide custodial services, exchange services and cryptoasset trading platforms. Cryptoassets are grouped into three categories:

- electronic money token or e-money token (EMT): a type of cryptoasset that purports to maintain a stable value by referencing the value of one official currency
- asset-referenced token (ART): a type of cryptoasset that is not an electronic money token and that purports to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies
- cryptoassets that are not EMTs nor ARTs (and are not otherwise excluded from the scope of MiCA)²⁰

MiCA prohibits issuers of EMTs and ARTs from granting interest in relation to their tokens. It also prohibits CASPs from granting interest when providing cryptoasset services related to EMTs and ARTs. Interest is defined as any remuneration or any other benefit related to the length of time during which a holder of EMTs or ARTs holds such tokens. That includes net compensation or discounts, with an effect equivalent to that of interest received by the holder of tokens, directly from the issuer or from third parties, and directly associated to the tokens or from the remuneration or pricing of other products.²¹

Trading platforms governed by MiFID II²² may offer services related to EMTs and ARTs, such as custody or exchange services, but only if they are authorised as CASPs under MiCA.²³ These platforms

¹⁸ See EU (2023).

¹⁹ For example, tokenised financial instruments and tokenised deposits remain regulated under relevant sectoral acquis: MIFID II and the CRD/CRR respectively.

²⁰ See EU (2023), Article 2.

²¹ See EU (2023), Articles 40 and 50.

²² See EU (2014).

²³ See EU (2023), Article 76.

must adhere to all applicable obligations, including the prohibition on granting interest to token holders. To clarify the conditions and criteria for classifying cryptoassets under MiCA and MiFID II, ESMA issued guidelines in March 2025.²⁴ Additionally, guidance issued by the European Supervisory Authorities provides a “standardised test” to facilitate a consistent approach to the classification of cryptoassets.²⁵

Hong Kong SAR

The HK Legislative Council passed the Stablecoins Ordinance (SO) in May 2025, establishing a regulatory regime for the issuance, offering and marketing of stablecoins in Hong Kong. Its main policy objectives are to enhance the regulatory framework for digital asset activities, safeguard monetary and financial stability, and strengthen HK’s status as an international financial centre.²⁶

Currently, SO applies to stablecoins that aim to maintain a stable value with reference wholly to one or more official currencies, which are commonly referred to as “fiat-referenced stablecoin” (FRS).²⁷ The SO regulates the (i) issuance of an FRS in HK; (ii) issuance of an FRS outside HK and the FRS aims to maintain a stable value with reference (whether wholly or partly) to the Hong Kong dollar; and (iii) any other activity specified by the Hong Kong Monetary Authority (HKMA). In addition, the SO, among other things, restricts a person from offering an FRS and from actively marketing to the public that the person carries on a regulated activity.

FRS issuers are prohibited to pay, or permit to be paid, any interest in relation to the FRS that they issue. Interest is defined as any profit, income or return represented to arise or to be likely to arise from the holding of the FRS on the basis of the following: the duration of holding, the par value or the market value of the stablecoin.²⁸ The issuer should also ensure that any income or loss arising from the management of reserve assets, including but not limited to capital gains or losses, is attributed to the issuer.²⁹

Permitted FRS offerors comprise the following: (i) HKMA-licensed issuers; (ii) virtual asset trading platforms (VATPs) licensed by the Hong Kong Securities and Futures Commission (SFC); (iii) SFC-licensed corporations authorised for Type 1 regulated activities (dealing in securities); (iv) authorised institutions (eg banks); and (v) licensed stored value facilities.³⁰ In relation to offerors paying interest to stablecoin holders, the following applies:

- In the case of permitted offerors that are HKMA-licensed issuers, the prohibition applicable to issuers is specified in the SO.
- In the case of other categories of permitted offerors, requirements in relation to prohibition of payment of interest are set out in the respective regulatory guidance:

²⁴ See ESMA (2025).

²⁵ See ESAs (2024).

²⁶ See HKMA (2025a).

²⁷ The stablecoins regulated under the SO are defined as “specified stablecoins”, which are (a) stablecoins that purport to maintain a stable value with reference wholly to (i) one or more official currencies; (ii) one or more units of account or stores of economic value specified by the HKMA; or (iii) a combination of one or more official currencies and one or more units of account or stores of economic value specified under that subsection; or (b) a digital representation of value, or a digital representation of value of a class, specified by the HKMA. See HK Legislative Council (2025), Clause 4. To date, the scope of “specified stablecoins” only covers stablecoins which purport to maintain a stable value with reference wholly to one or more official currencies, which are commonly referred to as “fiat-referenced stablecoin”. However, the HKMA is further authorised to specify additional units of account or digital representations of value to which specified stablecoins are pegged. See HKMA (2025b).

²⁸ See HK Legislative Council (2025), Article 15, Section 14, Schedule 2, Part 2.

²⁹ See HKMA (2025b).

³⁰ See HK Legislative Council (2025), Clause 10.

- The SFC guidelines for VATPs operators³¹ prohibit VATPs from making arrangements with clients on using client virtual assets (including stablecoins) for generating returns for the clients or other parties.
- Similar arrangements also apply to SFC-licensed corporations and authorised institutions. The terms and conditions for provision of virtual asset dealing services³² prohibit intermediaries from making arrangements with clients on using client virtual assets (including stablecoins) for generating returns for the clients or other parties.

Singapore

In August 2023, the Monetary Authority of Singapore (MAS) finalised a framework for single-currency stablecoins (SCS) pegged to the Singapore dollar or G10 currencies that are issued in Singapore.³³ The issuance of these stablecoins will be regulated as a “stablecoin issuance service” following amendments to the Payment Services Act 2019.³⁴ The new framework has three key objectives: (i) enabling value-adding payment use cases and anchoring strong stablecoin issuers as utility providers in the digital asset ecosystem; (ii) adopting a scalable and fit-for-purpose regulatory framework; and (iii) maintaining an open regime that accommodates different forms of stablecoins, including bank-issued ones.

The SCS framework establishes requirements for issuers, intermediaries and systemic stablecoin arrangements. Only stablecoin issuers that fulfil all requirements under the framework can apply to MAS for their stablecoins to be recognised and labelled as “MAS-regulated stablecoins”. This label enables users to distinguish MAS-regulated stablecoins from other digital payment tokens (DPT),³⁵ including stablecoins that are not subject to MAS’s stablecoin regulatory framework.³⁶

The MAS does not explicitly prohibit issuers of “MAS-regulated stablecoins” from paying interest to holders. However, it clarified that issuers under the SCS framework should not be exposed to risks beyond the primary activity of SCS issuance. It noted that issuers will be subject to business restrictions to ensure that they are not exposed to additional risks, “including through offering of other business services such as staking or lending, where interest is paid to customers” or providing dealing and fund management services.³⁷

MAS-regulated stablecoins are treated as DPTs for the purpose of non-issuance activities. Thus, intermediaries conducting the dealing in or facilitating the exchange of SCS stablecoins are regulated as DPT service providers under the Payment Services Act 2019.

Under the proposed amendments to the Payment Services Act 2019 and accompanying regulatory measures for DPT services, entities offering DPT services (referred to as DPT service providers or DPTSP) will be required to obtain a licence as either Major Payment Institution or a Standard Payment

³¹ See HK SFC (2023a), Paragraph 7.26 (b).

³² See HK SFC (2023b), Paragraph 4.5.

³³ See MAS (2023c).

³⁴ See MAS (2023a).

³⁵ “Digital payment token” means any digital representation of value (other than an excluded digital representation of value) that is expressed as a unit; is not denominated in any currency and is not pegged by its issuer to any currency; is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt; can be transferred, stored, or traded electronically; and satisfies such other characteristics as the Authority may prescribe. See MAS (2023a).

³⁶ For example, these include non-bank issued stablecoins with value less than \$5 million or stablecoins pegged to other currencies or assets, among others.

³⁷ See MAS (2023c) Numerals 3.17 and 8.2.

Institution.³⁸ MAS requires DPTSPs to apply consumer access measures to retail consumers,³⁹ regardless of their residency. Among these measures, the following ones relate to granting interests, rewards or earn yields to coin holders:

- restricting DPTSPs from offering any gift or incentives, monetary or otherwise, to retail customers or to any person (eg an existing customer or a celebrity) to refer a DPT service to retail customers, including sign-up incentives, referral incentives and trading incentives that have an intent to entice consumers to trade in DPTs; and
- restricting DPTSPs from: (i) providing to a retail customer any credit facility (whether in fiat currencies or DPTs) to facilitate retail customers' purchase or continued holdings of DPTs; and (ii) entering into any leveraged DPT transaction⁴⁰ with a retail customer or facilitating a retail customer's entry into any leveraged DPT transaction with any other person. Such transactions would include margin trading, DPT futures, options and other derivative trades.

The MAS also restricts DPTSPs from facilitating lending and staking of retail customers' assets. For non-retail customers, there is no such restriction, although DPTSPs should provide a clear risk disclosure document and obtain the customer's explicit consent before lending or staking the customer's assets.

United States

The GENIUS Act was signed into law by the US President in July 2025. It establishes the US's first comprehensive regulatory framework for payment stablecoins (PS). PS are digital assets that (i) are, or are designed to be, used as a means of payment or settlement; and (ii) the issuer of which (a) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value; and (b) represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value. The definition of PS excludes digital assets that are national currencies, deposits/tokenised deposits and securities.⁴¹ The main objectives of the Act are to position the US a global leader in digital assets, protect consumers in the digital market, ensure the US dollar's status as the world's leading reserve currency and combat illicit activities in digital assets.⁴²

Authorised (permitted) PS issuers are prohibited from paying the holder any form of interest or yield, whether in cash, tokens or other consideration, solely in connection with the holding, use or retention of such PS. This prohibition applies to both domestic and foreign PS issuers. In relation to CASPs, the GENIUS Act does not explicitly prohibit providers from paying interest to stablecoin holders.

Although the GENIUS Act regulates the issuance and offer⁴³ of PS in the US, it is primarily focused on stablecoin issuers and does not cover explicit regulatory measures for CASPs. The Act directs the US Treasury Secretary as well as regulators to issue additional rules within one year of enactment.

Currently, there is no single legal regime for CASPs. Their regulation varies based on the type of activity performed and how the cryptoasset and its related service are classified under the law. The following are examples:

³⁸ See MAS (2023b, 2023d and 2024).

³⁹ Those who are not accredited investors or institutional investors. See MAS (2023d).

⁴⁰ A "leveraged DPT transaction" means a transaction to purchase or sell DPTs, where one counterparty provides to the other counterparty money, DPTs, property or other collateral that represents only a part of the value of the transaction. See MAS (2023d).

⁴¹ In addition, PS are excluded from the definition of security and commodity under US securities and commodities laws.

⁴² See White House (2025b).

⁴³ Offer means to make available for purchase, sale or exchange.

- CASPs providing custody and trading services may be required to become licensed under various state-level money transmitter laws and are generally subject to federal laws governing money services businesses, eg the Bank Secrecy Act and its implementing regulations.⁴⁴ CASPs that are treated as money services businesses under this Act must register with the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) and must implement certain anti-money laundering compliance measures, including customer identification.
- CASPs offering or selling digital assets that are securities are subject to obligations under the US securities laws and should register with the Securities and Exchange Commission (SEC).
- CASPs facilitating derivative transactions with digital assets that meet the definition of a commodity are subject to obligations under the US commodities laws and under the oversight of the Commodity Futures Trading Commission (CFTC).⁴⁵

To date, none of these laws explicitly prohibits CASPs from offering interest payments to stablecoin holders. Similarly, until the GENIUS Act takes effect, there are no explicit restrictions on PS issuers offering interest payments to holders of PS.

As part of the coordinated approach to digital asset regulation, a new bill was introduced in the House of Representatives to establish a comprehensive framework for digital assets in the US: the Digital Asset Market Clarity Act of 2025 (the CLARITY Act).⁴⁶ The draft legislation aims to close oversight gaps between the CFTC and the SEC. It grants the CFTC primary authority over digital commodities (including most cryptocurrencies and blockchain-based tokens), while the SEC retains jurisdiction over digital assets classified as securities, in particular investment contracts. The draft also introduces registration requirements for digital asset intermediaries and exchanges in order to enhance transparency and consumer protection.⁴⁷

As of mid-September 2025, the draft CLARITY Act contained proposed amendments to the GENIUS Act, the Securities Exchange Act (SEA) of 1934⁴⁸ and the Commodity Exchange Act (CEA).⁴⁹ Notably, neither the proposed amendments to the GENIUS Act, the SEA nor the CEA, nor the new provisions of the draft CLARITY Act itself, explicitly prohibit CASPs registered with the SEC or CFTC from paying interest or yields to holders of permitted PS. As discussions in Congress are still ongoing, it could still be possible that such a prohibition could be incorporated into the CLARITY Act itself or addressed in the secondary regulations to be issued by US authorities.

Section 4. Concluding remarks

Stablecoin adoption has gained the attention of authorities. As the market continues to grow, its interconnections with the traditional financial system are expected to strengthen, posing policy challenges related to financial integrity, financial stability and, in some jurisdictions, monetary sovereignty. A key issue

⁴⁴ Some states have established bespoke regulatory regimes for digital assets. Examples include the New York State Department of Financial Services, the State of Wyoming and the State of California. See White House (2025b).

⁴⁵ See White House (2025c).

⁴⁶ See US Congress (2025d). The draft Digital Asset Market Clarity Act of 2025 builds on previous efforts, including the Financial Innovation and Technology for the 21st Century Act (H.R. 4763), which passed the House in the 118th Congress but did not advance in the Senate.

⁴⁷ Digital assets are defined as "any digital representation of value which is recorded on a cryptographically-secured distributed ledger or other similar technology, while "digital commodities" are defined as digital assets that are intrinsically linked to a blockchain system, and the value which is derived from or is reasonably expected to be derived from the use of the blockchain system.

⁴⁸ See US Congress (2025b).

⁴⁹ See US Congress (2025c).

is whether the provision of yields on stablecoin balances by intermediaries could accelerate their adoption, thereby heightening these risks. This scenario appears plausible: while issuers are prohibited in many jurisdictions from offering interest, CASPs are not subject to the same restriction.

Some CASPs already offer products that allow users to earn returns on their payment stablecoin holdings, either directly or by facilitating access to DeFi lending protocols. These offerings have, at times, provided returns higher than those of traditional deposits. For example, in September 2025 some CASPs offered a 4.25% Annual Percentage Yield on USDC holdings, more than four times the average US bank deposit rate.⁵⁰ Similarly, in January 2025 DeFi lending rates on stablecoins such as USDT and USDC were, on average, 400 basis points higher than the US federal funds rate.⁵¹

In this context, three key risks are associated with yield products built around PS: consumer protection, financial stability and conflicts of interest.

- **Consumer protection:** Many users may perceive CASPs as secure places to hold stablecoins. However, balances are not covered by deposit insurance and most of these platforms are not subject to prudential regulation. Yield-bearing products that mimic savings accounts can expose users to potential losses and adverse contractual outcomes, such as being treated as unsecured creditors, if the intermediary were to fail. Yet disclosures regarding the use of client funds and the risks that they could generate to the users are often limited.
- **Financial stability:** Yields on stablecoin balances could exacerbate their runnability when returns are not delivered as expected, thereby generating contagion across issuers and CASPs. This could potentially affect banks that act as stablecoin service providers or whose deposits are used as reserve assets.
- **Conflicts of interest:** Yield-bearing lending by CASPs, alongside custody and other activities may generate disincentives for the adequate delivery of those functions. It may also obscure accountability and complicate supervision. In traditional finance, such activities are usually separated or subject by strict regulatory controls. Such safeguards are often absent in the cryptoasset ecosystem.⁵²

These risks call for an adequate regulatory framework for CASPs and their activities within stablecoin arrangements. A ban on the remuneration of stablecoin balances by CASPs is one possible tool. Others, which are not mutually incompatible, may include: (i) restricting retail access to stablecoin-related yield products; (ii) enhancing controls for governance, risk management and solvency for at least the most relevant CASPs;⁵³ (iii) introducing conflict of interest controls for multifunction CASPs; (iv) strengthening transparency rules and standardising disclosures of sources of yield, and associated risks; (v) clarifying that products marketed as “yield-bearing stablecoins” should be classified and regulated as investment instruments (eg tokenised money market funds); and (vi) enhancing cross-border cooperation and information-sharing to help local authorities effectively regulate and supervise CASPs operating globally.

Regulatory frameworks must therefore extend beyond issuer oversight to encompass CASPs’ activities related to stablecoins, ensuring that issuance and service provision are governed in a coherent, consistent manner.

⁵⁰ See Coinbase (2025), Kraken (2025) and FDIC (2025).

⁵¹ See Barbon et al (2025).

⁵² See FSB (2023).

⁵³ For example, in the EU, national authorities from Austria, France and Italy have drawn attention to the challenges posed by large, cross-border CASPs and proposed targeted reforms to MiCA, including introducing a mechanism for the direct supervision of significant CASPs by ESMA and strengthening rules for third-country entities providing services in the EU. See AMF, FMA and CONSOB (2025).

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