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Regulating stablecoin issuance: permissible entities and activities¹

Highlights

- *Regulatory approaches for stablecoin issuance differ significantly, particularly in terms of the types of entities allowed to issue them and the scope of activities permitted beyond core issuance. These differences are important since additional activities such as lending, staking or providing custody services can alter an entity's risk profile and influence the safeguards needed for its core issuance operations.*
- *Stablecoin frameworks generally limit issuers to a core set of functions such as issuance, redemption and reserve management, but they differ in how far issuers may stray from them. Frameworks that allow banks to issue under existing prudential regimes tend to permit a broader range of activities, as their regulatory framework already mitigates associated risks. In contrast, bespoke regimes for stablecoin issuers impose stricter limits.*
- *These activity restrictions apply to the issuing entity rather than the group. For banks, consolidated supervision already constrains the relocation of activities to affiliates; for non-banks, no equivalent group-wide framework applies, and restrictions can be circumvented with corporate structuring. This suggests stablecoin frameworks, or related regimes, may need to extend group-level oversight to non-bank issuers, especially for larger groups. Such oversight would be particularly important unless other measures, proportionate to the level of risk, are in place to effectively mitigate risks arising from other group activities.*

1. Introduction

Stablecoins are a category of privately issued cryptoassets that aim to maintain a stable value against a reference asset, most commonly the US dollar (G7 Working Group (2019)). They can be broadly classified into two categories: money-like stablecoins, which are pegged to fiat currencies and intended for use in payments; and investment-like stablecoins, which function similarly to securities by offering returns through blockchain-based activities (BIS (2026)).

The stablecoin market has grown significantly over the past two years but has plateaued at around USD 300 billion to 320 billion since October 2025. Despite this growth, stablecoins still represent a small share of the global crypto market, accounting for approximately 7% of total capitalisation (Adrian et al (2025)). The market is also highly concentrated, with two issuers accounting for approximately 90% of stablecoin market capitalisation.²

While the vast majority of stablecoin transactions currently relate to crypto trading, stablecoins are increasingly positioning themselves as a new means of payment, particularly for cross-border transactions, and a borderless store of value (Aldasoro et al (2026)). However, they continue to be primarily used within the cryptocurrency ecosystem, where they act as a bridge between volatile unbacked

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² Tether's USDT and Circle's USDC are two dollar-pegged stablecoins that together dominate the market. Tether is incorporated in El Salvador, and Circle in the United States.

cryptoassets and fiat currencies. Stablecoins are also used in decentralised finance (DeFi), providing a more stable settlement asset, serving as collateral for loans and offering a way to hedge cryptoasset volatility without having to convert to fiat or exit DeFi (European Systemic Risk Board (2025); OECD (2022)).

Money-like stablecoins in particular show the greatest promise for integration into traditional finance and are the primary focus of legislative frameworks.³ These stablecoins typically circulate on public, permissionless blockchains and can be integrated with smart contracts, enabling programmability and atomic settlement.⁴ In addition, they are designed to offer stability, backed by a pledge from issuers to holders that the tokens can be redeemed at par value, typically one unit of fiat currency for each token. To enhance the likelihood that issuers fulfil this promise and to address the risks associated with stablecoin arrangements, many jurisdictions have introduced regulatory frameworks.

However, regulatory approaches to money-like stablecoins vary significantly in several important areas, such as the type of entities permitted to issue stablecoins and the scope of permissible business activities beyond core issuance functions.⁵ These differences matter. First, depending on the eligible entity, the extent to which specific regulatory controls are needed varies. In particular, certain specific activity-based controls may be more relevant for issuing non-banks than for banks, which are already subject to comprehensive prudential regulation and oversight. Furthermore, the activities beyond stablecoin issuance that entities are allowed to engage in (eg lending, staking⁶ or custody services) change their overall risk profiles and the safeguards required for their core issuance operations.

Against this backdrop, this paper provides a comparative analysis of the regulatory frameworks for stablecoin issuers across the European Union (EU), Hong Kong SAR (HK), Singapore (SG), the United Kingdom (UK) and the United States (US). Some of these frameworks are finalised, while others are still under development, meaning that further changes or updates may occur as these frameworks evolve.⁷ Section 2 examines the entities permitted to issue stablecoins, including both domestic and foreign-incorporated issuers, as well as frameworks for systemic issuers. Section 3 analyses the scope of permitted activities for authorised issuers, distinguishing between core issuance activities and the provision of other crypto services. Section 4 highlights key policy considerations. Section 5 offers concluding remarks.

2. Stablecoin issuers

The ability to issue stablecoins depends on the regulatory frameworks in place. These frameworks differ in terms of the types of stablecoins that they cover and the conditions under which they become applicable (Table 1).

³ For this reason, payment stablecoins are the focus of this brief and are referred to here simply as “stablecoins”.

⁴ Programmability means that actions can be executed automatically when predefined conditions are met. Atomic settlement means that delivery and payment occur simultaneously, eliminating counterparty risk. See Hernández de Cos (2026).

⁵ This variance in permissible entities and activities should be seen in the context of other variations in regulatory frameworks. In October 2025, the Financial Stability Board (FSB) published a thematic peer review on the FSB global regulatory framework for cryptoasset activities (FSB (2025)). The review highlighted that the regulation of global stablecoin arrangements remains fragmented and inconsistent, with notable differences in key aspects such as reserves, redemption and risk management.

⁶ Staking refers to participation in a blockchain’s consensus mechanism by locking cryptoassets to validate transactions in return for protocol-generated rewards. See Eidan et al (2026).

⁷ The analysis is based on information as of July 2026. In the US, primary legislation has been enacted, but the regime remains subject to implementing rules by federal regulators. In SG, the Monetary Authority of Singapore (MAS) announced the features of its stablecoin regulatory framework in August 2023. It is currently reviewing some of its positions and will provide clarifications in an upcoming consultation. Meanwhile, in the UK, the Bank of England (BOE) and Financial Conduct Authority (FCA) published their final policy statements in June 2026. Finally, stablecoin regimes in the EU and HK are in effect.

Most of the frameworks discussed in this paper regulate the issuance of stablecoins that are pegged to a single fiat currency.⁸ In most cases, this could be any fiat currency. Typically, the issuance of such stablecoins is subject to the regulatory framework of the jurisdiction where the issuing entity is incorporated. However, the issuing entity may also fall under the regulatory regime of a country other than the one where it is incorporated. This can occur if the stablecoin references the local currency of a specific country or is to be offered to customers or admitted to trading within that country. In such cases, there are extraterritorial implications, as a stablecoin issuer could be subject to multiple regulatory regimes.

Stablecoin frameworks: scope of application

Table 1

Jurisdiction	Legislative framework ¹	Stablecoin (SC) type	Permitted reference currency	Application of framework		
				Issuer locally incorporated	SC offered to local customers	SC pegged to local currency
EU	Markets in Crypto-Assets Regulation (MiCA)	Electronic money token (EMT) ²	Any single fiat currency	✓	✓	✓
HK	Stablecoins Ordinance	Specified stablecoin ³	Single or multiple fiat currencies ³	✓	✓	✓
SG	Single Currency Stablecoin (SCS) framework ⁴	MAS-regulated stablecoin	Single fiat currency (SGD or any G10 currency) ⁵	✓	X	X
UK	Financial Services and Market Act 2000 (Cryptoassets) Regulation	Qualifying stablecoin	Any single fiat currency	✓	✓	X
US	GENIUS Act ⁶	Payment stablecoin	Any single fiat currency	✓	✓	X

¹ Legislation is supported by secondary regulation issued under it. The table considers both final regulations and proposals, including consultation papers. ² Stablecoins that qualify as assets-referenced tokens are not considered in the analysis. ³ The Hong Kong Monetary Authority may expand the regulatory perimeter by specifying additional digital representations of value to be regulated as stablecoins. ⁴ The analysis does not consider stablecoins that may fall under the category of digital payment tokens. ⁵ Other stablecoins are categorised as digital payment tokens. ⁶ Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act.

Sources: EU (2023); FCA (2026a); HK Legislative Council (2025); MAS (2023); US Congress (2025).

Entities seeking to issue stablecoins in a specific market are often required to be incorporated locally. However, some national frameworks permit entities incorporated overseas to issue stablecoins in their jurisdiction. In addition, issuers are typically required to apply for a stablecoin licence, but in some jurisdictions, holding a payments or banking licence is sufficient.⁹ In addition, if a stablecoin is deemed systemic or reaches a significant size, additional requirements or alternative regulatory frameworks may come into effect, and authorities may be granted enhanced powers. These cases are discussed in greater detail below.

⁸ While all these regulatory frameworks also address the circulation of stablecoins, this paper focuses specifically on their issuers.

⁹ Even without the need for an additional licence, additional requirements may still apply. For example, in the EU, stablecoin issuers must publish a cryptoasset white paper, and non-bank issuers face specific supplemental requirements, such as establishing segregated reserves.

For stablecoin issuers that are locally incorporated, jurisdictions apply different rules depending on whether the issuer is a bank or a non-bank (see Table 2):

- For locally incorporated banks, jurisdictions follow one of two approaches. First, banks may only need to notify the relevant authority, with no additional licence required (EU). Second, banks may be required to obtain a stablecoin-specific licence themselves or via a subsidiary (HK, the UK and the US).¹⁰ Regarding structural requirements, the UK and US require banks¹¹ to establish a subsidiary to issue stablecoins.¹² In all other jurisdictions, banks are permitted to issue stablecoins directly from their deposit-taking entity, placing stablecoin liabilities alongside deposits and other liabilities of the bank.
- Locally incorporated non-bank stablecoin issuers in the EU and SG are required to hold a payment licence.¹³ In contrast, in HK, the UK and the US, a stablecoin-specific licence or authorisation is mandatory, even if the non-bank issuer already holds another non-bank financial intermediary licence.

For stablecoin issuers that are foreign-incorporated, most covered jurisdictions do not permit them to issue stablecoins without establishing a local legal entity. However, HK provides an exception, allowing foreign-incorporated “authorized institutions” (ie banks) to issue stablecoins without establishing a local subsidiary, provided they obtain a stablecoin licence from the Hong Kong Monetary Authority (HKMA).¹⁴ To do so, they need to have a branch in HK and satisfy the statutory minimum criteria an institution must meet to be authorised as a bank and as a stablecoin issuer. This option is not available to foreign non-banks, which must establish a local subsidiary to apply for a stablecoin licence.

While foreign-incorporated stablecoin issuers typically cannot issue stablecoins locally, they may still make their stablecoins available to local markets if specific conditions are met. For example, in the US, following a transition period that ends in July 2028, foreign-incorporated entities will no longer be permitted to issue stablecoins locally. Instead, foreign stablecoins can be made available in US markets only if they are issued by an entity licensed in a designated country.¹⁵ A country may receive such a designation if the US Treasury determines that its regulatory and supervisory regime is comparable to the requirements established under the GENIUS Act. Foreign issuers from designated countries must register with the Office of the Comptroller of the Currency (OCC) and accede to OCC supervision. They must also meet additional requirements, including holding reserves in a US financial institution sufficient to meet the liquidity demands of US customers unless a reciprocity agreement with other arrangements is in place.¹⁶

¹⁰ In SG, under the MAS SCS framework, stablecoin issuers are not permitted to conduct any other activity. Banks are therefore generally required to establish a separate legal entity to issue stablecoins.

¹¹ That is, US insured depository institutions and UK deposit-taking institutions.

¹² In the UK, the FCA expects firms requiring authorisation to conduct regulated cryptoasset activities through a UK legal entity. For stablecoin issuers, which must obtain FCA authorisation for the regulated activity of “issuing a qualifying stablecoin”, this means operating through a UK legal entity, such as a subsidiary (FCA (2026b)). For banking groups, Bailey et al (2026) clarify that banks issuing stablecoins must do so “from a non-deposit-taking insolvency-remote entity with distinct branding from the deposit-taker”.

¹³ That is, an electronic money institution (EMI) licence in the EU or a stablecoin issuance or digital payment token service licence under the Payment Services Act in SG.

¹⁴ In contrast to a branch, a subsidiary is a separate legal entity that is licensed and supervised by local regulators, giving them greater supervisory control and oversight. See Fiechter et al (2012).

¹⁵ They also need to have the technological capability to comply with the terms of any lawful order and any reciprocal arrangement pursuant to section 18 of the GENIUS Act.

¹⁶ See GENIUS Act, section 18(d), on the mutual recognition reserve waiver (US Congress (2025)).

Licensing requirements for stablecoin issuance by place of incorporation and type of entity

Table 2

	EU	HK	SG	UK	US
Locally incorporated					
Banks	✓ ¹	◇	◇ ²	◇ ²	◇ ²
Non-banks	✓ ¹	◇	✓ ³	◇	◇
Foreign incorporated					
Banks	-	◇	-	-	-
Non-banks	-	-	-	-	-

✓ No additional licence needed. ◇ Stablecoin-specific licence needed.

¹ The European Union restricts stablecoin issuance to credit institutions (ie banks) and electronic money institutions. ² Stablecoin issuance is permitted only through a subsidiary. For the United States, insured depository institutions are required to establish a subsidiary but other banks (eg national trust banks licensed as federal or state-qualified issuers) are not. ³ Non-banks with stablecoins in circulation exceeding SGD 5 million (about USD 3.9 million) currently need to apply for a major payment institution licence.

Sources: EU (2023); FCA (2026a); HK Legislative Council (2025); MAS (2023); US Congress (2025).

While the rules described above establish the permissible entities and locational requirements for issuing a stablecoin, issuers of stablecoins that reach a certain size and significance may face stricter and/or additional requirements. These could include requirements on reserve assets, segregation and custody as well as enhanced prudential safeguards. Notably, these measures do not expand or limit the range of activities an issuer is authorised to undertake. In other words, there is no differentiation in the permissible activities for issuers based on the size or significance of the stablecoins they issue. In addition, there are differences in terms of how oversight is structured for these stablecoins.

In the EU, UK and US, the approach is based on specific criteria for designating and escalating regulatory and supervisory actions in cases where stablecoins could pose risks to financial stability. In the EU, the European Banking Authority (EBA) may designate electronic money tokens (EMTs) as "significant".¹⁷ For significant EMTs issued by e-money institutions, supervisory responsibilities transfer from the national competent authority to the EBA. Credit institutions issuing such tokens continue to be supervised by their respective competent authority. In both cases, the EBA is required to establish a supervisory college for each significant issuer to facilitate the coordination of supervisory activities.¹⁸ In the UK, His Majesty's Treasury may recognise a stablecoin issuer as "systemic", in which case Bank of England (BoE) oversight applies in addition to conduct regulation by the UK Financial Conduct Authority (FCA) (BoE and FCA (2026)). In the US, escalation is triggered by scale: a state-qualified issuer that surpasses USD 10 billion in outstanding stablecoins would generally transition, within 360 days, from a state regulatory framework to a federal regulatory framework and joint state-federal supervision (US Congress (2025)). However, this transition can be, and presumptively must be, waived in certain cases.

HK and SG take a different approach. They do not provide a separate regime within their stablecoin frameworks. In HK, however, the HKMA has the power to designate activities, entities or arrangements that would otherwise fall outside the stablecoin regulatory framework as being within its scope. It may exercise this power when an activity or entity poses risks to monetary or financial stability, is significant to the functioning of HK as an international financial centre or is relevant to significant public

¹⁷ A stablecoin is designated significant if at least three of the article 43 criteria under MiCA are met.

¹⁸ Under article 119 of MiCA, the supervisory college comprises, among others, the EBA, the European Securities Market Authority (ESMA), the competent authority where the issuer is established, the competent authorities of the institutions ensuring the custody of reserve assets, the most relevant trading platforms, payment service providers, cryptoasset service providers and the ECB or the central bank of the member state whose currency is referenced.

interest. In SG, the Monetary Authority of Singapore (MAS) has considered systemic stablecoin arrangements but has not yet introduced a separate regulatory regime for issuers. This will be detailed in an upcoming consultation paper.

3. Activities

The core business of stablecoin issuers consists of creating, distributing and redeeming the stablecoin and managing the assets that back it. In practice, however, issuers may seek to expand their activities either to capture additional revenue streams, to integrate vertically along the stablecoin payment chain or to leverage the technical infrastructure already deployed for issuance.

All five jurisdictions covered here have established a regulatory perimeter around the activities that stablecoin issuers may undertake. But jurisdictions differ in how they define this perimeter. Approaches include the use of positive lists of permitted activities, explicit prohibitions or structural constraints embedded in licensing, custody and capital requirements. They also vary in the extent to which they allow issuers to engage in business activities beyond core issuance. Section 3.1 explores core activities, where regulatory approaches are most aligned. Section 3.2 focuses on other business activities, highlighting significant differences across jurisdictions.

3.1 Core activities

Core activities are structured and conditioned in different ways. Across these activities, regulatory approaches broadly converge on the principle that issuance, redemption and reserve management are the core functions of a stablecoin issuer. However, they diverge on two specific points: who may hold reserve assets in custody and whether issuers may charge fees on redemption. Table 3 summarises the regulatory treatment of these activities, and the remainder of this subsection analyses each of these activities in detail.

Core permissible activities for stablecoin issuers					Table 3
Activity	EU	HK	SG	UK	US
Issuing stablecoins	✓	✓	✓ ¹	✓	✓
Managing and holding reserve assets	✓	✓	✓	✓	✓
Self-custody of reserve assets	✓	—	✗	✗ ²	✓
Redeeming stablecoins	✓	✓	✓	✓	✓
Fees on redemption	✗ ³	✓	—	✓	✓
Minimum redemption amount	—	—	—	✗	✓ ⁴

✓ Explicitly allowed for issuers: the framework names the activity as permitted. — Silent: the framework does not address the activity. ✗ Explicitly prohibited: the framework names the activity as prohibited.

¹ The MAS plans to publish a consultation paper in the coming months to address the issue of stablecoin yields and multi-jurisdictional stablecoins. ² Reserve assets can be held by intragroup custodians, including banks, for up to 20% of the reserve asset pool. ³ Issuers may charge “liquidity fees” on redemptions during stress events, as stated in article 46(1) of MiCA. ⁴ Under the OCC’s proposed rule for implementing the GENIUS Act, an issuer must redeem any number greater than or equal to one payment stablecoin to comply with the GENIUS Act.

Sources: EU (2023); FCA (2026a); HK Legislative Council (2025); MAS (2023); US Congress (2025).

Issuing stablecoins

Issuance of stablecoins constitutes a regulated activity that triggers the licensing or authorisation obligations described in section 2. A key question is whether issuers may pay interest to holders on the stablecoins they have issued. The EU, HK, UK and US explicitly prohibit this practice.^{19, 20} While it is not directly prohibited in SG, broader business restrictions on issuers effectively prevent such arrangements. This reflects a policy choice to keep payment stablecoins distinct from yield-bearing investment products.²¹

Frameworks also differ in their treatment of multi-jurisdictional issuance by the same entity.²² In SG, such issuance is explicitly prohibited because an MAS-regulated stablecoin must be issued exclusively in Singapore. In the UK, the FCA permits multi-jurisdictional issuance but requires its rules on reserve assets and prudential standards to apply to all fungible tokens issued under a stablecoin product, regardless of where they are issued (FCA (2026a)). BoE (2026) highlights challenges with multi-issuance models, deeming them unsuitable for systemic use due to practical and technological barriers.²³ By comparison, the other three frameworks do not explicitly address this issue. While they require issuers to be authorised locally and to issue stablecoins from their jurisdiction, none expressly prohibits the same or an affiliate legal entity from issuing an identical token that is fungible across jurisdictions.²⁴

Managing and holding reserve assets

Managing and holding reserve assets is explicitly allowed in all five jurisdictions as an integral part of the issuance activity. Differences across frameworks lie not in whether the activity is permitted, but in what assets qualify as reserves and how those assets must be managed. This includes requirements relating to credit quality, liquidity, concentration limits and currency matching. As these are reserve composition requirements rather than activity-level restrictions, they are not analysed further in this section.

Self-custody of reserve assets

The custody of reserve assets is the core activity where regulatory treatment diverges most clearly. In the EU and the US, self-custody of reserve assets is allowed, provided the issuer complies with segregation requirements and ensures those assets are ring-fenced from other assets on its balance sheet.

In HK, issuers must comply with requirements in relation to segregation and safekeeping of reserve assets. The HKMA's guideline further sets out expectations with regard to effective trust arrangements for reserve assets and the appointment of qualified custodians. While issuers must

¹⁹ In the EU, this prohibition may change as part of the EU's review of MiCA (European Commission (2026)). In the US, the OCC's proposed implementation of the GENIUS Act establishes a presumption that otherwise prohibited payments do not become permissible if they are made indirectly. This presumption applies when an issuer arranges for an affiliate or related third party to pay interest to holders solely in connection with holding the stablecoin. Although issuers can rebut the presumption, it interprets the prohibition to cover coordinated arrangements within the issuer's corporate group or with commercial partners, extending beyond the issuer's own balance sheet. See OCC (2026).

²⁰ In June 2026, the BoE confirmed that systemic stablecoins should not pay interest to coin holders. This policy applies to issuers paying interest or income tied to the holding or retention of a stablecoin, including payments based on the duration for which a systemic stablecoin is held. However, coin holders may receive activity-based rewards and other benefits or incentives, provided these align with the use of stablecoins as a means of payment (BoE (2026)). The FCA regime follows the same approach.

²¹ See Garcia Ocampo (2025) for a detailed analysis of regulatory approaches to stablecoin-related yields.

²² For a description of stablecoins issued from multiple jurisdictions, see FSB (2025).

²³ Specifically, balancing locally held reserve assets with global coins crossing borders instantly and at scale can lead to insufficient reserves during redemption requests.

²⁴ The consultation paper of the EU's review of MiCA includes questions about the prohibition of multi-jurisdiction issuance. See European Commission (2026).

demonstrate to regulators the adequacy of the segregation and safekeeping arrangement, there is no explicit mention of whether self-custody is allowed or prohibited.

In SG, for MAS-regulated stablecoins, reserve assets may only be held with permitted custodians, which include financial institutions licensed by the MAS for custodial services in Singapore or overseas custodians with a minimum credit rating of A- and a Singapore branch licensed by MAS to provide custodial services. Since MAS-regulated stablecoin issuers are restricted to stablecoin issuance and cannot hold a licence for custodial services, self-custody of reserve assets is not permitted.

In the UK, under the FCA regime, intragroup custodians may be used if appropriate controls are in place, but this is subject to a 20% limit on the value of the backing asset pool. Issuers may exceed this limit if they can demonstrate, following an assessment, that compliance would be disproportionate due to the low value of the backing asset pool; the nature, scale and complexity of their business; and the safety provided by third-party custodians (FCA (2026a)). In contrast, systemic stablecoins under the BoE regime face no restrictions or limits on the use of intragroup custodians, as long as the custodian is a UK third party that operates as a separate legal entity from the issuer (BoE (2026)).

Redeeming stablecoins

A common requirement is the obligation for issuers to provide par-value redemption against the referenced fiat currency. This is key for stablecoins to serve money-like purposes (BIS (2026)). In all five jurisdictions covered here, this right is explicitly established in primary legislation, mandating direct redemption with the original issuer in most cases (EU, HK, SG and UK).²⁵

The specific timelines for redemption vary by jurisdiction. SG allows up to five business days, the US requires timely redemption (which regulators have proposed to interpret as two business days²⁶), and HK mandates completion by the next business day. In the UK, non-systemic stablecoin issuers must complete the redemption by the end of the next business day as well, whereas systemic stablecoin issuers have up to 24 hours to honour a redemption request. In the EU, the issuer should redeem “at any time”, meaning the right is continuously available without any cut-off dates or time restrictions.

The treatment of redemption fees represents another area of regulatory divergence. In HK and the UK, issuers are explicitly allowed to charge fees on redemption, provided such fees are reasonable, proportionate to the operational costs of executing redemption and not set at a level that effectively discourages redemption.²⁷ In the US, the OCC’s proposed implementation of the GENIUS Act explicitly recognises issuers’ authority to assess fees for the purchase or redemption of payment stablecoins as an activity inherent in the powers granted under the Act (OCC (2026)). SG’s framework requires that any redemption conditions, such as fees, must be reasonable and disclosed upfront (MAS (2022)). By contrast, the EU prohibits redemption fees except in stress events. This prohibition reflects the characterisation of e-money tokens as payment instruments, where fees on redemption would conflict with the policy objective of ensuring redeemability at par.

Some issuers may impose minimum amounts for redemption, which could limit the ability of users with smaller holdings to freely redeem their stablecoins. Most regulatory frameworks do not

²⁵ In the US, under the OCC’s proposed implementation of the GENIUS Act, an issuer must redeem “any number greater than or equal to one payment stablecoin, subject to appropriate customer screening and onboarding”. The OCC is consulting on whether it should require issuers to redeem stablecoins presented by any stablecoin holder that has: (i) undergone appropriate onboarding, including customer screening; or (ii) an account relationship at a regulated financial institution. See question 108 in OCC (2026).

²⁶ The OCC’s proposed implementation of the GENIUS Act mandates that authorised issuers redeem at par in legal tender within two business days of a redemption request. See OCC (2026).

²⁷ In the UK, non-systemic issuers may net off fees from the redemption amount. Any fees must be disclosed in advance and reflect the actual operational cost of redemption. Systemic issuers, however, cannot deduct fees from the redemption amount without the holder’s explicit agreement.

explicitly address this issue. In HK, minimum redemption thresholds are not expressly prohibited, but issuers must avoid imposing “unduly burdensome conditions”, which could include such thresholds.²⁸ Similarly, in the EU and the US, there are no explicit prohibitions, but any redemption conditions, including thresholds, must be disclosed and approved by the relevant authority. In contrast, the UK explicitly prohibits issuers from imposing any minimum redemption amount per request. SG explicitly allows minimum redemption thresholds but requires that they be reasonable and disclosed upfront.

3.2 Non-core business activities

Unlike core activities, the regulation of issuers’ non-core business activities varies significantly across jurisdictions. This divergence reflects different regulatory perspectives on the appropriate scope of a stablecoin issuer’s business. It also highlights the relative emphasis placed on issuer specialisation, conflict of interest containment and innovation.

Regulatory restrictions on specific non-core activities respond to different policy concerns. This can help to explain why frameworks treat them differently. Lending introduces credit risk to the issuer’s balance sheet. Staking raises operational risk, including through the immobilisation of cryptoassets to support consensus mechanisms, as well as the risk that yield-like returns are passed through to holders, blurring the line between stablecoins and investment products. Proprietary trading exposes the issuer’s balance sheet to market risk unrelated to the issuance activity. Custody of third-party cryptoassets raises fiduciary and operational risks linked to the safekeeping and segregation of cryptoassets that do not belong to the issuer. Additionally, non-core activities may generate reputational risks that can spill over into core activities. Although non-core business activities, such as lending, do not involve the use of reserve assets, risks from these activities, such as operational and reputational risks, can still trigger redemption requests, leading to liquidity pressures and making the liquidation of reserve assets more challenging.

These activity restrictions target primarily non-bank issuers. In cases where a bank is authorised to issue stablecoins directly (as in the EU and HK), the activity restrictions are generally superseded by the bank’s existing prudential framework. Therefore, a bank issuer’s ability to engage in activities such as lending, staking, proprietary trading or custody of cryptoassets²⁹ is determined by its banking authorisation and the framework applicable to the bank’s cryptoasset activities, rather than by the stablecoin regime itself. Where a bank’s issuance must be conducted through a dedicated subsidiary (as in the UK), that subsidiary is itself a stablecoin issuer subject to the activity restrictions of the stablecoin framework.

In general, two broad policy approaches can be identified in relation to permissible activities for non-bank stablecoin issuers: (i) a restrictive model; and (ii) a constrained model.

Under a restrictive model, the issuer is confined to a narrow activity perimeter. This is achieved either through explicit prohibitions on specific activities, as in SG, or through a positive list of permitted activities, as in the US under the GENIUS Act. In both variants, activities outside the perimeter are either expressly banned or fall outside the closed list of permitted activities.

²⁸ The HKMA assesses whether a condition is unduly burdensome by considering factors which include but are not limited to whether fulfilment of the condition is reasonably practicable, whether the condition is imposed due to certain legal or regulatory obligations of the licensee, and whether the condition would cause undue hardship to stablecoin holders. See HKMA (2025).

²⁹ The treatment of these activities under the banking framework is not uniform. Lending is a core activity, while the custody of cryptoassets is usually subject to activity-specific authorisation and requirements even when conducted by a bank (eg custody requirements under MiCA). The regulatory treatment of staking is in early stages of development with approaches still emerging across jurisdictions.

Under a constrained model, the issuer is not prohibited from diversifying, but each additional activity is subject to separate authorisation, supervisory consent or compliance with the relevant sectoral regime (HK, the UK and the EU follow this approach, although the mechanics differ in each case). Table 4 summarises the regulatory treatment of these activities, and the remainder of this subsection analyses each of these activities in detail.

Non-core business activities ¹					Table 4
Activity	EU	HK	SG	UK	US
Lending	*2	*	X	*	X*
Staking	*2	*	X	*	X*
Proprietary trading	*	*	X	*	X*
Custody services for third-party cryptoassets	*	*	X	*	X*

* Conditionally allowed: possible with separate authorisation or regulatory consent. X* Implicitly prohibited (positive list): the law limits the issuer to a closed list of activities; this activity falls outside of the list. X Explicitly prohibited: the framework names the activity as prohibited.

¹ The activities analysed in this table do not cover the entire scope of each regulatory framework. Each regime contains a residual provision that determines how any financial product or service not specifically addressed is to be treated. ² These activities are implicitly permitted, subject to potential regulatory non-objection or additional authorisations for lending activities that do not involve cryptoassets.

Sources: EU (2014, 2023); FCA (2026a); HK Legislative Council (2025); MAS (2023); US Congress (2025).

SG's framework explicitly prohibits non-bank MAS-regulated stablecoin issuers³⁰ from extending loans, lending or staking SCS or other digital payment tokens, or otherwise undertaking activities that introduce additional risks to the issuer. MAS has clarified that banks issuing SCS are subject to the same regime as non-bank issuers, except for the prudential requirements (MAS (2023)).³¹ Because these activity restrictions are themselves part of the prudential requirements, banks are exempt from them. A bank's lending and other cryptoasset-related activities are already governed by its banking authorisation and MAS supervision, which makes the ring-fencing applied to non-bank issuers (which lack an equivalent prudential backstop) unnecessary. As a result, the restrictions bind only non-bank issuers.

The GENIUS Act similarly restricts lending, staking, proprietary trading and custody of third-party cryptoassets, as these are not included in the closed list of activities permitted for payment stablecoin issuers. These activities are therefore implicitly prohibited in the US.³²

Under HK's Stablecoins Ordinance, non-bank licensees are required to obtain the HKMA's consent before engaging in any business activity beyond their licensed stablecoin operations. They must also demonstrate that such additional activities will not pose significant risks to their stablecoin business and that any potential conflicts of interest can be effectively managed. While such restrictions do not apply to licensees that are "authorized institutions" (ie banks), these entities are required to comply with the Banking Ordinance and relevant HKMA guidance on banks' cryptoasset activities. Under the principle of "same activity, same risks, same regulation", banks' conduct of other business activities is also subject to

³⁰ An MAS-regulated stablecoin is a stablecoin pegged to the Singapore dollar or the group of 10 currencies, comprising the major currencies such as the euro, Japanese yen, British pound sterling and US dollar.

³¹ The MAS is reviewing this position and will publish further clarification in its upcoming consultation.

³² There is a narrow exception which allows "digital asset service provider activities" if these are independently authorised under another source of federal or state law and consistent with the priority of stablecoin holders' claims on reserve assets. See section 4 of the GENIUS Act.

robust risk management standards.³³ Furthermore, both bank and non-bank licensees must adhere to the requirements established by the HK Securities and Futures Commission under the virtual asset framework for activities such as staking, proprietary trading or custody of third-party cryptoassets.

In the UK, lending, staking, proprietary trading and safeguarding of qualifying cryptoassets³⁴ are treated as distinct regulated activities requiring separate FCA authorisation; the regime does not prohibit a stablecoin issuer from also being authorised to perform these activities.³⁵

In the EU, lending is explicitly allowed for credit institutions issuing e-money tokens; they may lend under their existing banking authorisation. For electronic money institutions (EMIs), lending is conditionally allowed: they may extend credit only in connection with payment services and subject to the conditions set out in Directive 2009/110/EC. However, neither framework makes direct reference to crypto-related lending. Regarding staking, MiCA does not contain provisions specific to this activity. The European Securities and Markets Authority (ESMA) has confirmed that staking as such is neither prohibited nor subject to specific licensing requirements under MiCA, but that providing staking services to clients is treated as ancillary to custody and administration of cryptoassets and requires cryptoasset service provider authorisation (ESMA (2024)). Credit institutions issuing e-money tokens are permitted to engage in proprietary trading or provide custody services for cryptoassets as long as they notify their competent authority. In contrast, EMIs are limited to offering custody services only for the e-money tokens they issue and are restricted to providing transfer services exclusively for those tokens. Consequently, EMIs are not allowed to engage in proprietary trading of cryptoassets under their EMI authorisation.

Across all five frameworks, restrictions on non-core activities apply only to the issuing entity and not to the wider corporate group. None extends these restrictions or conditions to other entities within the same group. As a result, an issuer may belong to a group in which other members undertake activities that the issuer itself is prohibited from conducting, as long as those activities are carried out by separate legal entities.

SG makes this explicit. While MAS-regulated issuers are banned from extending loans and lending or staking SCS and other digital payment tokens, MAS clarifies that such activities may still be conducted by other entities related to the issuer, for example a sister company in which the SCS issuer has no stake (MAS (2022)). The approach of the other four jurisdictions is similar in effect: while the frameworks impose entity-level restrictions on the issuer, they do not extend those restrictions across the broader corporate group.

4. Policy considerations

Regulatory frameworks for fiat-pegged stablecoin issuance share several common policy objectives. One of the primary goals is to ensure that holders can redeem their stablecoins at par value. This is achieved by protecting reserve assets and mitigating the risk and impact of runs. Another key objective is to prevent risks arising from non-issuance activities from compromising the issuer's core functions of issuance,

³³ See HKMA (2025), paragraphs 4.1 and 4.2.

³⁴ "Cryptoassets" are defined in the Financial Services and Markets Act as being "any cryptographically secured digital representation of value or contractual rights that — (a) can be transferred, stored or traded electronically, and (b) that uses technology supporting the recording or storage of data (which may include distributed ledger technology)". "Qualifying cryptoassets" are a subcategory of cryptoassets which are fungible and transferable and which include "qualifying stablecoins" but exclude other instruments such as tokenised e-money or tokenised deposits. See HMT (2025).

³⁵ Operating a crypto trading platform is a regulated activity, and issuers may also hold permissions for non-crypto activities like payment services.

redemption and reserve management. While these frameworks share similar objectives, they may adopt different regulatory approaches to achieve them.

A common feature across frameworks is that activity restrictions are imposed on the issuing entity rather than at the group level. Where an issuer is dedicated only to issuance, this entity-level perimeter is adequate. But where issuance is combined with other activities within a group, the conflicts of interest and contagion risks that the restrictions seek to contain may arise at affiliates where the restrictions do not apply. As the size of the group increases, so do these risks and the potential financial stability concerns.

For bank issuers, this gap is largely closed by group-level prudential requirements, such as consolidated supervision, intragroup exposure limits and operational resilience standards. These apply across the banking group and even if issuance is carried out through a separate subsidiary. For non-bank issuers, no equivalent group-wide framework applies and the restrictions bind the issuer alone.³⁶

This asymmetry has implications for the effectiveness of entity-level restrictions, in particular for non-banks. Because activity restrictions reach only the issuer, they can be circumvented through the corporate structure, by relocating prohibited activities to sister entities or another group member outside the stablecoin regime. This suggests that stablecoin frameworks, or related prudential regimes, may need to extend some form of group-wide oversight for non-bank issuers. This is especially important for issuers that are part of larger groups, where group-wide risks are greater and financial stability concerns are more pronounced. In any case, such oversight is warranted unless other measures – proportionate to the level of risk posed – are in place to effectively address risks from group activities, including managing conflicts of interest from vertical integration, mitigating contagion risks and protecting stablecoin holders.³⁷

Beyond the question of how restrictions are enforced, bank and non-bank issuers are also treated differently in what they are permitted to do. Frameworks that allow banks to issue stablecoins under existing prudential regimes usually permit a broader range of related activities.³⁸ This is because the underlying sectoral framework already addresses the risks associated with these activities. In contrast, frameworks designed specifically for non-bank stablecoin issuers tend to impose bespoke limitations on adjacent activities.³⁹

The regulatory perimeter is also subject to two further pressures. First, it is in constant flux due to innovations, meaning issuers may begin engaging in new activities that fall outside the existing framework.⁴⁰ Second, it usually stops at national borders, posing challenges when foreign-issued stablecoins enter local markets. To address these pressures, policy frameworks may provide financial

³⁶ Except insurance, where group-level prudential supervision exists.

³⁷ Achieving these intended regulatory outcomes may require a combination of measures to insulate issuers from group-wide risks. These may include not only restrictions on the issuer's business activities but also requirements to maintain adequate financial resources for its own operations, reserve asset management standards to ensure the interests of stablecoin holders are protected from group activities and measures to manage third-party risks, including those arising from group entities. Additionally, the effectiveness of these measures depends on the application of other regulations to non-core business activities conducted at the group level.

³⁸ For example, in the EU, credit institutions operating under MiCA are authorised to engage in activities such as lending, proprietary trading and custody as part of their broader banking authorisation, while EMLs face stricter activity restrictions, consistent with the narrower scope of the e-money regime.

³⁹ Relatedly, systemic designation may apply only to stablecoins issued by non-banks.

⁴⁰ Regulatory frameworks differ in how they define the regulatory perimeter and accommodate new activities. Frameworks that use exhaustive lists of permissible activities, such as those under the GENIUS Act, provide clarity but require legislative or regulatory updates to include new activities. Alternatively, frameworks that require consent or authorisation for new activities, as seen in HK, the EU and the UK, allow issuers to undertake new activities through case-by-case supervisory decisions or existing sectoral frameworks. However, this approach places additional responsibilities on both supervisors and issuers.

authorities with the flexibility to expand the regulatory perimeter or to enter into reciprocal agreements or similar arrangements with foreign authorities.⁴¹

Another shared feature is that most frameworks reviewed do not address whether the same or affiliate legal entity may issue an equivalent stablecoin that is fungible across jurisdictions.⁴² Where parallel issuance is implicitly or explicitly permitted, authorities may wish to clarify how reserves are allocated across jurisdictions and how supervisory responsibilities are shared, so that holders in each market retain a reliable claim on backing assets.

In contrast to these shared features, frameworks diverge on whether deposit-taking institutions should issue stablecoins through a dedicated subsidiary. Where it is mandated, the aim is to address two concerns (Bailey et al (2026)). First, customers may confuse retail deposits with stablecoins, particularly where there is insufficient distinction in terms of branding. Second, stress or failure of the issuing entity could have adverse impacts on the wider deposit-taking group or the continuity of deposit-taking services.⁴³ In frameworks without this requirement, these risks are not directly addressed. This may require alternative measures to mitigate customer confusion and prevent loss of confidence in deposits under stress.

5. Conclusions

While regulatory frameworks for stablecoin issuers share similar policy objectives, they differ in how these objectives are pursued. Licensing requirements vary between banks and non-banks, as does the range of activities beyond core issuance functions issuers are permitted to undertake. These differences matter because engaging in non-core activities such as lending, staking or custody can alter a stablecoin issuer's risk profile and influence the safeguards required for its core issuance operations.

Moreover, variations in regulatory frameworks may encourage issuers to establish operations in jurisdictions that offer the most favourable conditions for their business models. This dynamic is further amplified by the cross-border fungibility of stablecoins, which allows them to circulate freely across jurisdictions with internet access, regardless of where the issuer is located or whether its activities are supervised.

The stablecoin market is also highly concentrated, with two issuers dominating the space. Group structures are common, where issuance, reserve management, distribution and related cryptoasset services are handled by separate entities under different supervisors. These factors highlight the critical importance of supervisory cooperation, including alignment with the recommendations of international standard-setting bodies to ensure effective regulation and oversight and, where appropriate, reciprocal arrangements between authorities.

⁴¹ See also the FSB recommendations for global stablecoin arrangements, which call for comprehensive supervision and enhanced cooperation among authorities. The FSB emphasises that cooperation arrangements should be effective under normal circumstances and sufficiently flexible to enable timely and effective crisis management. This includes enhanced cooperation and information-sharing about global stablecoin arrangements during times of crisis (FSB (2023)).

⁴² The only jurisdiction addressing multi-jurisdictional issuance is Singapore. See MAS (2022).

⁴³ Banks may also issue tokenised deposits. However, these are fundamentally different from stablecoins.

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