CENTER FOR GLOBAL DEVELOPMENT

Are International Financial Institutions Doing Enough to Prepare for a Stablecoin Tsunami?

KAREN MATHIASEN AND NICO MARTINEZ

Abstract

Stablecoins, a form of cryptocurrency pegged to and backed by another asset (usually US dollars), are reshaping the global financial landscape. Unlike fiat currency, they can be issued by private companies, and barriers to entry are relatively low. Stablecoins are appealing because they can process cross-border transactions much faster and more cheaply than conventional payments systems such as SWIFT and Western Union and offer a secure store of value.

While most stablecoin activity now involves buying and selling other cryptocurrencies, this is starting to change, with increased stablecoin use for remittances and international settlements. The passage of the US GENIUS Act has accelerated their legitimacy and adoption, helping drive stablecoin transaction volumes to trillions of dollars. Yet their proliferation also poses substantial risks, including banking sector instability, regulatory arbitrage, weaker transmission of monetary policy, and the spread of illicit finance, all of which could destabilize the global financial system.

In this paper, we explore these trends and discuss what the international financial institutions should be doing to support countries as they navigate the stablecoin phenomenon. We argue that the International Monetary Fund and World Bank should be much more proactive, and we propose a new agenda for action, starting with the adoption of clear criteria for country engagement on stablecoins and strengthened surveillance activities.

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Introduction

The international financial institutions (IFIs) need to accelerate efforts to help countries and consumers get smart about stablecoins, which have the potential to transform international payments systems and turbocharge financial inclusion but also pose significant risks. Because they offer faster, cheaper, and on-demand alternatives to conventional payments systems, their growth is also poised to be explosive. Right now, a plausible trajectory is the rapid acceleration of stablecoin use in the absence of effective regulations, potentially destabilizing markets. This is not an agenda that can wait.

As champions of global financial stability and economic development, respectively, the International Monetary Fund (IMF) and the World Bank should be at the forefront of efforts to help member countries prepare for and manage the looming financial disruption. The IMF has been active on cryptocurrency, advising countries on an ad hoc basis, recommending policy responses, and crafting regulatory requirements in collaboration with other key players. But as we detail in this paper, there are gaps, especially for stablecoins. Meanwhile, the multilateral development banks, including the World Bank, are nearly absent from the conversation.

Given the pace and scale of stablecoin adoption, we recommend that the IMF do the following:

- Establish explicit criteria for when and how to engage with member countries on stablecoins
- Provide assessments of regulatory frameworks governing stablecoins in major economies, including what risks they do and do not mitigate, starting with the US GENIUS Act
- Report on stablecoin growth by issuance, including market shares and the quality of regulatory frameworks they operate under, and highlight the potential for regulatory arbitrage
- Assess how stablecoins are affecting the use of major currencies and global demand for the underlying assets
- Report on countries with the highest stablecoin usage, their purposes, and their potential risks, especially to domestic banking systems

In addition to posing risks to financial stability, stablecoins offer innovative solutions for development, making them directly relevant to the World Bank's mandate. Like the IMF, the Bank needs to develop and adopt guidelines on when to engage on stablecoins. These should be informed by efforts to:

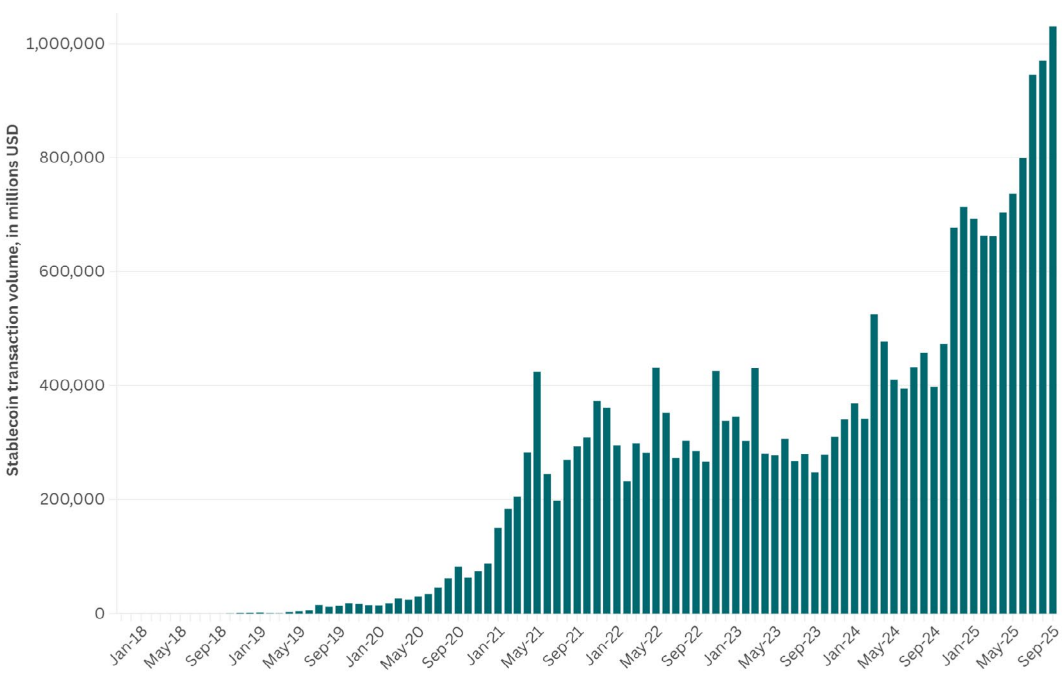
- Incorporate stablecoins into financial inclusion and digital transformation strategies and relevant public messaging
- Explore and advise on the potential for stablecoin adoption in high-remittance countries
- Assess the potential value of stablecoins in unstable economies, including fragile and conflict states, especially at scale

Stablecoins: A primer

First launched in 2014,[i] stablecoins are a form of digital currency pegged to another asset (e.g., currency or gold) to maintain a stable price. Unlike fiat currency, they can be issued by private companies, enabling a much more decentralized financial system than we have become used to over the last century.

Stablecoins increased from de minimis amounts just a few years ago to $138 billion in early 2024 to over $300 billion now, and transactions are surpassing $1 trillion per month (see Figure 1). Stablecoin minting jumped from $10.8 billion in the second quarter of 2025 to $45.6 billion in the third quarter, an increase of 324 percent.[ii] While these amounts are small relative to total global payments, this could change quickly.

Figure 1. Monthly stablecoin transaction volumes have exploded in recent years, to over $1 trillion per month
Adjusted monthly stablecoin transaction volumes, Nov. 2017 to Sep. 2025, in millions USD



Source: Visa Chain Analytics • Adjusted volumes exclude MEV bot transactions and intra-exchange transactions

The fundamental appeal of stablecoins lies in their ability to simplify and accelerate cross-border transactions while retaining a reliable store of value. Stablecoin-based transactions are immediate and available 24/7 through an app, and they offer much lower costs relative to standard transmission mechanisms (such as SWIFT or Western Union). Stablecoins can also mitigate local currency and inflationary risks, major advantages in volatile markets.

Stablecoins' ultimate utility will depend on how seamlessly they are integrated into the current financial ecosystem. Today, most stablecoins transactions relate to the buying and selling of cryptocurrencies. Ultimately, they may disrupt the international payments system, which approached $1 quadrillion in 2024,[iii] but this will require overcoming significant regulatory and technical hurdles (e.g., interoperability).

Currently, stablecoin prognostications run the gamut: some praise them as an exciting innovation that is providing much-needed competition with traditional payment offerings, reducing costs and improving services, while others see a looming threat with the potential to inject financial chaos and exacerbate global inequality. The IFIs can help realize a more positive trajectory although like any major innovation, there will be winners and losers.

Stablecoin use cases

Ninety-eight percent of stablecoins are pegged to the US dollar, but over 80 percent of stablecoin transactions happen outside the United States, which is where the use cases are strongest.[iv]

An obvious use case for stablecoins is remittances, which remain costly (fees average 6.6 percent) and cumbersome to send through standard banking channels, where settlements can still take several days. According to one estimate, stablecoin use for remittances accounted for 3 percent of the total in the first quarter of 2025 at costs 85 to 90 percent lower than those of conventional remittance transfer providers.[v] This is a lucrative market – total remittances surpassed $900 billion in 2024.[vi] MoneyGram, one of the biggest money service transfer providers in the world, just launched a stablecoin service in Colombia, a key remittance hub.[vii] MoneyGram currently serves more than 50 million people across 200 countries and territories, moving over $42 billion annually.

In countries where local currencies are highly volatile and access to US dollars is limited, dollar-pegged stablecoins offer a reliable way to store value and transact business. A recent IMF working paper found a correlation between net stablecoin inflows and the relative weakness of domestic currencies against the US dollar, and estimated that relative to GDP, the highest stablecoin usage levels are in Africa and the Middle East (6.7 percent of GDP) and Latin America and the Caribbean (7.7 percent of GDP).[viii] During the period of substantial depreciation of the Nigerian naira against the US dollar, stablecoin adoption swelled to 26 million users (12 percent of the population), and Nigeria now ranks first in stablecoin usage globally.[ix] Stablecoin adoption has also surged in Argentina and Venezuela.

Stablecoins are also a good option for the unbanked – there are no minimum fees, ID requirements are less onerous, and transactions can be made with a phone. Several of the world's leading humanitarian organizations, such as the World Food Programme and the United Nations High Commissioner for Refugees, have turned to dollar-denominated stablecoins to disburse aid to vulnerable populations.[x] Mercy Corps Ventures is testing stablecoin use in climate risk insurance

STABLECOIN INNOVATION IN AFGHANISTAN

In 2022, the payment app HesabPay launched a stablecoin initiative to help vulnerable Afghans, including women, meet basic human needs. HesabPay's stablecoin (HAFN) is tied to the Afghan currency, backed by fiat deposits and uses the Algorand public blockchain to record transactions.[a] Users can make digital payments on their phones, pay bills, and buy airtime. For a country where 85 to 90 percent of the population is unbanked and there are regular cash shortages, HesabPay has been a lifeline. It has also cut down on corruption because money cannot be skimmed off the top.

A program evaluation by the Abdul Latif Jameel Poverty Action Lab (JPAL) found that digital aid payments led to improved food security and mental well-being among vulnerable women, and that digital payments were a cost-effective and transparent method of delivering aid.[b]

To help expand the reach of HesabPay, which is limited to urban areas, Mercy Corps announced last May that it was partnering with a local NGO to digitally transfer money to rural households in remote areas.[c] Using the HesabPay stablecoin, the initiative will send $100 per month digitally using HAFN to100 rural households in a remote part of the country where international humanitarian actors are not operating.

a. Algorand Foundation. (2024, June 24). HesabPay, giving access to resources for the people of Afghanistan. https://algorand.co/blog/hesabpay-giving-access-to-resources-for-the-people-of-afghanistan
b. Callan, M., Fajardo-Steinhauser, M., Findley, M., & Ghani, T. (2023, December 20). Digital Delivery of humanitarian aid to improve food security of women in Afghanistan. The Abdul Latif Jameel Poverty Action Lab (J-PAL). https://www.povertyactionlab.org/evaluation/digital-delivery-humanitarian-aid-improve-food-security-women-afghanistan
c. Mercy Corps Ventures. (2025, April 17). Pilot launch: Stablecoins for last mile cash in rural Afghanistan. https://medium.com/mercy-corps-social-venture-fund/pilot-launch-stablecoins-for-last-mile-cash-in-rural-afghanistan-3ae191564b8b

initiatives.[xi] In one trial, stablecoins are released automatically when satellite data signals drought conditions.

The growth of stablecoins

Although growing, stablecoins still represent less than 1 percent of daily money transfers.[xii] In addition, nearly 90 percent of stablecoin transactions are for cryptocurrency trading.[xiii] The multitrillion-dollar question is how fast they will become ubiquitous for business-to-business payments, cross-border payments and remittances, and trading and capital market settlement.

Growth projections of the supply of stablecoins vary greatly, with low-end estimates around $500 billion and high-end estimates up to $2 trillion by 2028, up from just over $300 billion now. Analysts at Keyrock, a crypto investment company, and Bitso, a South American cryptocurrency exchange, are betting that stablecoins will account for 12 percent of money transfers by 2030.[xiv] Citigroup just raised its 2030 base case forecast for from its April estimate of $1.6 trillion to $1.9 trillion, and its bull case scenario from $3.7 trillion to 4 trillion.[xv]

Which scenario prevails will depend on how seamlessly stablecoins are integrated into current payments systems. In addition to regulatory clarity, realizing the more optimistic estimates will require overcoming several technical and logistical challenges, including: 1) whether (or to what extent) stablecoins become interoperable; 2) how easy/hard it is to convert stablecoins to fiat currency and vice versa; and 3) how easy/hard it is to buy goods and services with stablecoins.

Still, there are signs that stablecoins will become a standard option for users sooner rather than later. In late September, Visa launched a pilot to test stablecoins for cross-border payments, and SWIFT announced plans to create its own blockchain to better compete with the stablecoin industry, working with commercial banks to create its own "shared digital ledger."[xvi] [xvii] Visa has also partnered with Yellow Card Financial, an African stablecoin payments provider, to launch stablecoin transactions in at least one African country this year, with additional rollouts expected in 2026.[xviii] But in perhaps the most consequential announcement, the payments platform Stripe has launched a new offering, Open Issuance, that enables businesses to issue their own stablecoins.[xix]

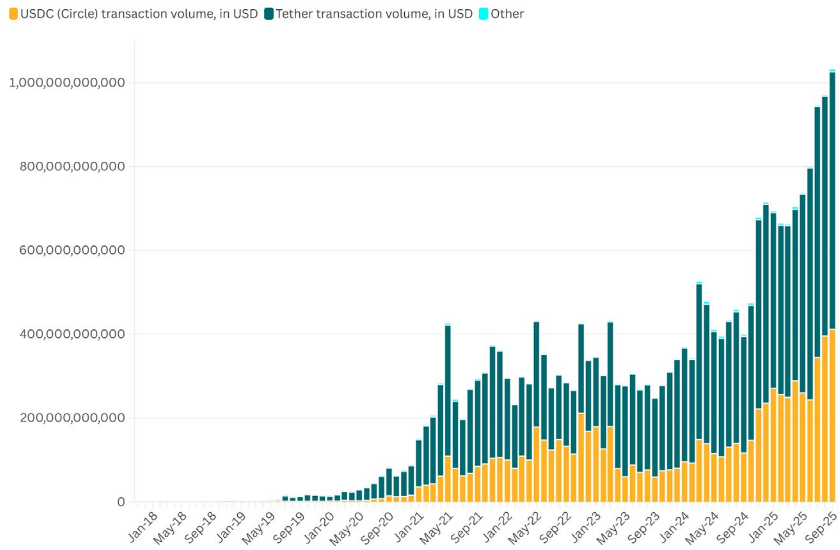
This move to let 1,000 stablecoins bloom is precisely what some critics have been warning against[xx] due to concerns that regulators cannot possibly keep up with all the new stablecoin offerings, potentially wreaking financial havoc if consumers lose confidence in one or more of them. It its 2025 annual report, the Bank of International Settlements also cautioned that some stablecoins could fail to trade at par, undermining the concept known as "singleness of money,"[xxi] one of the backbones of a sound financial system.

Although new stablecoins are being issued regularly, the market is currently dominated by just two companies (see Figure 2). The first is El Salvador-based Tether (USDT), with a market cap of over $177 billion.[xxii] The second is US-based Circle (USDC), which has a market cap of $75 billion and is the only publicly traded stablecoin-based business (its IPO was in June).[1] As a US-based company, Circle is subject to monthly disclosures and third-party audits as required by the GENIUS Act. But Tether is not. It provides quarterly reports on asset holdings, which include not only T-bills and gold (about 70 percent) but also "alternative asset holdings" (e.g., corporate debt, bitcoin), which the GENIUS Act does not allow. Notably, Tether has announced plans to issue a US-based stablecoin as well.[xxiii]

1 Market cap refers to all stablecoins in circulation.

Figure 2. USDC and Tether make up a large majority of stablecoin transaction volume

USDC, Tether, and other stablecoins adjusted monthly transaction volumes; Nov. 2017 to Sep. 2025

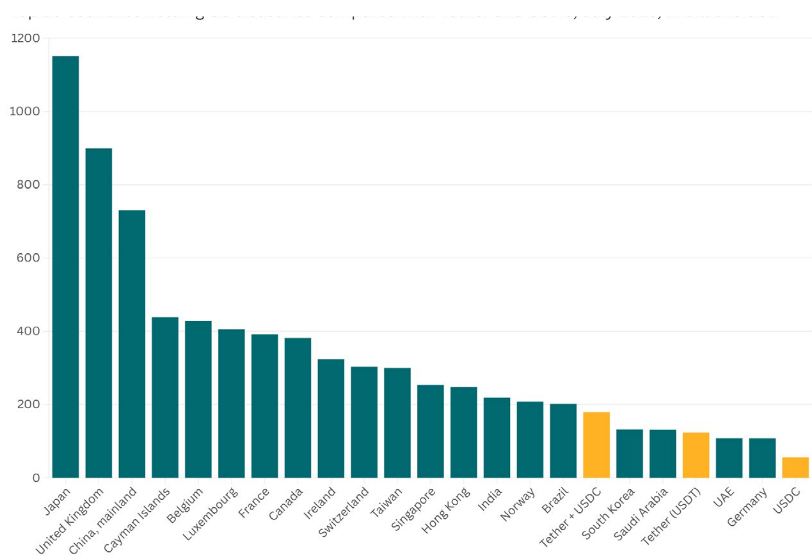


Source: Visa Chain Analytics • Adjusted volumes exclude MEV bot transactions and intra-exchange transactions

The growth of Circle and Tether is also reflected in the size of their T-bill holdings. Together, they are the 17th largest holders of US short-term treasuries (see Figure 3). In making the case for stablecoins, Treasury Secretary Scott Bessent has asserted that their growth and commensurate demand for T-bills "could lower government borrowing costs and help rein in the national debt."[xxiv]

Figure 3. How do stablecoins compare with the largest holders of US Treasuries?

Top 20 countries holding US treasuries compared with Tether and USDC, July 2025, in billions USD



Source: US Treasury Department, USDC Independent Accountants' Report, Tether Transparency

Because barriers to entry are relatively low, there is a lot of potential competition, so the dominance by Tether and Circle is likely to be fleeting. In September 2025 alone there were five new issuances (see Table 1). And Cointelegraph estimates that their stablecoin dominance is now closer to 84 percent, rather than the duopoly shown in Figure 2.[xxv]

Table 1. Five new stablecoins were issued in September 2025 alone
Selected stablecoin issuances and announcements from Sep. 2025

TYPE	COIN	TICKER	DATE	PEG	DETAILS	MORE INFORMATION
Issuance	litUSD	litUSD	10-Sep	USD	Issued by Michigan-based LitFinancial and Brale; backed 1:1 with cash or cash eqivalents; seeks to revolutionize mortage finance	https://brale.xyz/stablecoins/litUSD
Issuance	MetaMask USD	mUSD	16-Sep	USD	Issued by MetaMask and Bridge. Backed by "highly-liquid dollar equivalent assets"; by end of year will be usable via MetaMask Card at millions of merchants which accept Mastercard	https://metamask.io/news/metamask-announces-stablecoin-metamask-usd
Issuance	AnchorX	AxCNH	17-Sep	CNH (offshore Yuan)	Issued in Kazakhstan by Hony Capital and Conflux, it is pegged to the offshore Yuan (CNH). AnchorX is backed by 100% "high-quality liquid asset reserves," and marks China's entrance into the stablecoin ecosystem	https://www.anchorx.org/about-us
Issuance	Evo	KZTE	23-Sep	KZT (Kazakhstan Tenge)	Issued in Kazakhstan by Intebix and the Eurasian Bank and supported by National Bank of Kazakhstan as part of new national cryptocurrency framework. Issued in collaboration with Mastercard and Solana and pegged to the Kazakhstani Tenge.	https://www.nationalbank.kz/en/news/informacionnye-soobshcheniya/17919
Issuance	USDH	USDH	24-Sep	USD	Issued by Hyperliquid; backed 100% by cash and short-dated US treasuries.	https://hyperfoundation.org/
Announcement	USA₮	USA₮	12-Sep	USD	Tether announced new dollar-denominated stablecoin USA₮. The coin will be US-regulated in line with GENIUS Act reserve asset requirements, and will be based in the United States	https://tether.io/news/tether-unveils-usat-its-planned-u-s-regulated-dollar-backed-stablecoin-and-will-appoint-bo-hines-as-ceo-of-tether-usat/
Announcement			16-Sep		Google and Coinbase announced a new collaboration which will enable AI agents to send and receive payments, including stablecoins.	https://www.coindesk.com/business/2025/09/16/google-teams-up-with-coinbase-to-bring-stablecoin-payments-to-ai-apps

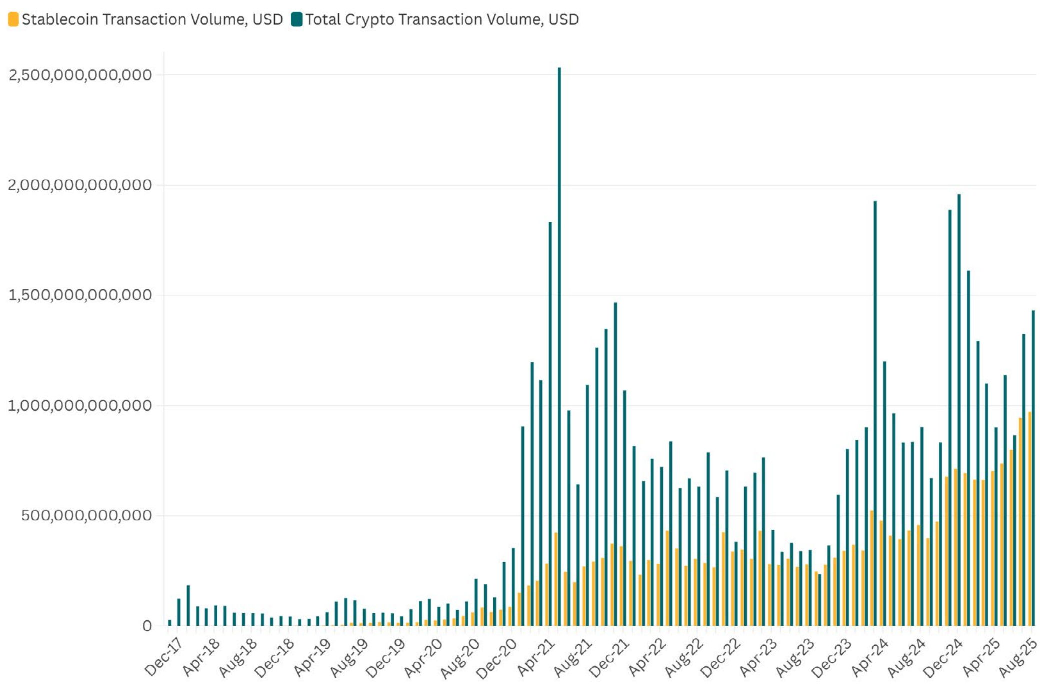
(Continued)

Table 1. Continued

TYPE	COIN	TICKER	DATE	PEG	DETAILS	MORE INFORMATION
Announcement			25-Sep	EUR	Nine major European banks have announced a collaboration to found a MiCAR compliant Euro-denominated stablecoin. Will be issued in second half of 2026. First major EUR stablecoin issuance; currently EUR stablecoins make up <0.2% of stablecoin transaction volumes.	https://www.ing.com/Newsroom/News/Nine-major-European-banks-join-forces-to-issue-stablecoin.htm
Announcement	NET Dollar		25-Sep	USD	Cloudflare announced new AI-oriented stablecoin. "NET Dollar, a new US dollar-backed stablecoin that will enable instant, secure transactions for the agentic web"	https://www.cloudflare.com/press/press-releases/2025/cloudflare-introduces-net-dollar-to-support-a-new-business-model-for-the-ai-driven-internet/
Announcement			01-Oct		Stripe announced "Open Issuance," a new platform which will allow companies to create their own custom stablecoins. The platform will integrate with AI to allow for transactions by AI agents.	https://fortune.com/crypto/2025/10/01/stripe-crypto-stablecoins-open-issuance-bridge-blockchain-tempo/
Announcement	suiUSDe, USDi	suiUSDe, USDi	01-Oct	USD	Sui group announced plans to issue two coins, suiUSDe and USDi, on their blockchain by the end of the year. SuiUSDe will pay a yield to holders, while USDi will not. SuiUSDe will be backed by a "mix of digital assets and corresponding short futures positions."	https://blog.sui.io/suig-ethena-suiusde-stablecoin/
Announcement	JupUSD	JupUSD	08-Oct	USD	Ethena labs announced Jup-USD, a Solana-based stablecoin set to issue in late 2025 or early 2026. JupUSD will be 100% backed by USDtb, another stablecoin, which is backed 1:1 by cash equivalents.	https://cointelegraph.com/news/gemini-expands-australia-wait-and-see-draft-crypto-laws
Announcement	Roughrider Coin		09-Oct	USD	The Bank of North Dakota and Fiserv announced Roughrider Coin, backed 1:1 by cash or cash equivalents. The coin will be avalable in 2026 to banks and credit unions in North Dakota, but not directly to the general public. It aims to increase bank-to-bank transactions and merchant adoption.	https://bnd.nd.gov/roughrider/
Announcement			10-Oct	USD	BNP Paribas and other banks, including Banco Santander, Barclays, Deutsche Bank, MUFG, TD Bank and UBS are considering issuing a 1:1 reserve-backed digital blockchain currency, with a focus on G7 currencies.	https://www.theblock.co/post/374184/bank-of-america-goldman-sachs-and-other-big-banks-jointly-exploring-a-stablecoin/

Finally, stablecoins are steadily increasing as a percentage of crypto transactions – a trend that is likely to continue (see Figure 4).

Figure 4. Stablecoins make up an increasing share of total crypto transaction volume, going from ~0% in 2018 to ~70% in Aug. 2025
Stablecoin versus total crytpo transaction volumes, Nov. 2017-Aug. 2025



Source: Newhedge, Visa Chain Analytics

Stablecoin risks

Stablecoins also pose significant downside risks. We flagged one earlier, which is that the peg could break due to a loss of confidence, likely triggered by doubts about the underlying assets backing the peg. Indeed, assets backing stablecoins vary, depending on the jurisdiction of the issuer.[2] As noted above, regulations for Tether's asset holdings are looser than the US rules that apply to Circle.

Alternatively, the asset holder (e.g., bank) may falter or fail. This is not just theoretical – in 2023, Circle's USDC broke its peg when investors rapidly redeemed stablecoins due to concerns that Circle would be unable to access the $3.3 billion in reserves it held at the now defunct Silicon Valley Bank.[xxvi] As stablecoin issuances increase and holdings of Treasury bills rise, these risks will grow.

2 In this paper, we focus on currency-based stablecoins, though some are backed by commodities and a few by algorithms designed to buy and sell coins automatically to maintain a stable price. (The popularity of the latter eroded after the collapse of TerraUSD in 2022, which wiped out an estimated $45 to $60 billion in a matter of days.)

The IMF and others have stressed that rapid stablecoin redemptions could also exacerbate local currency and financial market volatility, and exert pressure on macroeconomic growth.[xxvii] Importantly, unlike bank deposits, stablecoins are not federally insured, nor do issuers of stablecoins have a lender of last resort in the form of the central bank, which increases the risk of rapid redemptions in times of stress.

Stablecoins also pose a threat to formal banking systems because they can create competition for deposits, increase dollarization, and undermine monetary sovereignty. The risk is greater for already volatile markets facing high inflation and sharp currency swings. They also exacerbate capital flight risks because users can hold dollar proxies at home that can be instantly exchanged for real dollars offshore.

In addition, stablecoins (and indeed all cryptocurrencies) have integrity risks related to know-your-customer practices and money laundering. Stablecoins circulate freely across borders onto different exchanges, making them prone to illicit use. Most users access stablecoins via “hosted” wallets provided by crypto exchanges that have onboarding processes, which in principle are like banks, but stablecoins can also be accessed via non-custodial wallets, which do not have the same safeguards.

Another risk that distinguishes stablecoins from fiat currency is that they could fall victim to a cyberattack, with hackers draining funds or manipulating token issuances.

Finally, low-income countries face a potential loss of seigniorage – the profit from issuing currency represented by the difference between the cost of producing the currency and its face value. As our CGD colleague discusses here, for countries struggling with low tax to GDP ratios this could represent a significant loss.[xxviii]

How stablecoin regulations are evolving

Some of these risks can be mitigated by effective regulatory frameworks. The problem is that stablecoin adoption is moving much faster than regulatory action. Many major markets have adopted stablecoin regulations, including the EU, the US, Hong Kong, and the UAE, but the UK and Canada are still dithering.

In 2024, the FSB surveyed member and nonmember countries on plans for regulating cryptocurrencies and stablecoins. The survey found that 93 percent of the 25 member countries[3] had plans in place to develop frameworks, with 88 percent reporting that they were already in place. For the 48 nonmember countries, the responses were 56 and 44 percent, respectively. The survey also

3 Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Türkiye, the UK, and the United States, plus the EU.

found that existing frameworks applied to stablecoins in 61 percent of member countries, compared with 39 percent for nonmembers, suggesting a major regulatory gap.

We examined stablecoin regulations for 12 major economies and found significant differences in their treatment (see Table 2). As one industry insider observed, "So far, jurisdictional decisions to support one [cryptocurrency] instrument versus the other have been in large part informed by cultural and political beliefs over whether the public sector is a steward or a barrier to innovation."[xxix]

Table 2. How are major economies regulating stablecoins?
Summary of proposed and enacted stablecoin legislation from 12 major economies

COUNTRY	STATUS	REGULATION NAME	DATE	SUMMARY	MORE INFORMATION
United States	Enacted	Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act	18-Jul-25	The GENIUS Act mandates 100% reserves in high-quality, liquid assets and prohibits interest payments to holders. Issuers can choose federal licensing or state-level supervision, with unlicensed issuance banned after an 18-month transition period.	https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-signs-genius-act-into-law/
European Union	Enacted	Markets in Crypto-Assets Regulation (MiCA)	June 2023 (adopted)/ 30 June 2024 (effective)	MiCA requires issuer authorization, full 1:1 reserve backing, redemption at par, and detailed white papers. Large-scale issuers face transaction limits and stricter capital and governance requirements under ESMA and EBA oversight.	https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica
Japan	Enacted	Payment Services Act (PSA) Amendments	01-Jun-23	Japan classifies fiat-pegged stablecoins as Electronic Payment Instruments and permits issuance only by licensed banks, trust companies, or money-transfer agents. Reserves must be fully backed by yen-denominated assets, with up to 50% in short-term JGBs allowed since March 2025.	https://finolab.tokyo/finolabresearch/fr-fintech-topics/summary-amendment-to-the-payment-services-act-2025-summary-of-key-points-fintech-topics-114/
Singapore	Enacted	Monetary Authority of Singapore Stablecoin Framework	15-Aug-23	MAS regulates single-currency stablecoins pegged to SGD or G10 currencies under the Payment Services Act. Issuers must maintain 100% reserves in the same currency, hold them with independent custodians, and redeem at par within five business days.	https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework

(Continued)

Table 2. Continued

COUNTRY	STATUS	REGULATION NAME	DATE	SUMMARY	MORE INFORMATION
Hong Kong	Enacted	Stablecoins Ordinance	01-Aug-25	The HKMA's Stablecoins Ordinance requires all fiat-referenced issuers to obtain licenses and applies to HKD-linked coins globally. It enforces HK$25M minimum capital, full reserve segregation in cash or short-term bonds, and redemption within one day at par. Algorithmic and non-fiat stablecoins are excluded from scope.	https://www.sidley.com/en/insights/newsupdates/2025/08/hong-kong-implements-new-regulatory-framework-for-stablecoins
United Arab Emirates	Enacted	Payment Token Services Regulation (PTSR)	21-Aug-24	The CBUAE's PTSR governs fiat-backed stablecoins nationwide. Issuers of dirham-pegged tokens must hold 1:1 segregated reserves with independent custody and audits. Algorithmic tokens are banned, and non-dirham stablecoins can register but are not allowed for local payment use.	https://rulebook.centralbank.ae/en/rulebook/payment-token-services-regulation
Switzerland	Enacted	FINMA Guidance on Stablecoins	26-Jul-24	Stablecoin issuers must comply with banking-license requirements or be covered by a bank guarantee that meets strict criteria (full coverage, immediate enforceability, transparency) to avoid classification as deposits. Stablecoins fall under anti-money laundering rules and banks offering guarantees bear legal risk if issuer fails.	https://www.finma.ch/en/news/2024/07/20240726-m-am-06-24-stablecoins/
Brazil	Proposed	Law No. 14,478 (2022)	20-Jun-23	Brazil's crypto law places stablecoins under the Central Bank of Brazil's oversight. Public consultations in 2024 outlined requirements for 1:1 reserves, segregation, and liquidity standards. Final regulations are expected in 2025, with full implementation in 2026.	https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/industries/banking-capital-markets/documents/ey-gl-global-stablecoin-regulation-comparison-09-2025.pdf
South Korea	Proposed	Digital Asset Basic Act (DABA) & Digital Asset Innovation Growth Act (DAIGA)	10-Jun-25	These acts would allow stablecoin issuance by banks and approved non-banks with full 1:1 backing and redemption at par. They introduce KRW 1bn capital minimums, tiered licensing, and Bank of Korea oversight to safeguard financial stability. The bills build upon the 2024 Virtual Asset User Protection Act.	https://www.dentonslee.com/en/insights/articles/2025/july/18/-/media/4197c7cb3233419e8dafc3c0e2df6fcd.ashx

(Continued)

Table 2. Continued

COUNTRY	STATUS	REGULATION NAME	DATE	SUMMARY	MORE INFORMATION
Nigeria	Proposed	Investment and Securities Act	2025 (expected)	Recognizes stablecoins as regulated financial instruments under SEC and CBN supervision. Regulatory sandbox participants are piloting models for transparency, reserve safety, and consumer protection. The framework aims to integrate stablecoins into formal payments and investment channels.	https://www.pwc.com/ng/en/publications/summary-of-key-changes-investments-securities-act-2025.html
United Kingdom	Proposed	Financial Services and Markets Act (FSMA) 2023	Implementation 2026	Draft regulations (April 2025) and FCA consultations (May 2025) define licensing, reserve composition (>5% in on-demand deposits and short-term government debt), and redemption within one business day. The FCA will oversee non-systemic issuers while the Bank of England supervises systemic stablecoins.	https://www.fca.org.uk/publication/consultation/cp25-14.pdf
Australia	Proposed	Draft Digital Asset Platform Regime	Consultation 2025, implementation 2026	Australia's proposed law will license digital-asset platforms and stablecoin issuers, setting prudential standards and reserve safeguards. A temporary ASIC exemption (Instrument 2025/631) permits approved AUD-backed stablecoins to operate until 2028.	https://insightplus.bakermckenzie.com/bm/banking-finance_1/australia-australian-government-moves-to-regulate-digital-asset-and-tokenised-custody-platforms

Unfortunately, inconsistent treatment of stablecoins presents yet another risk, regulatory arbitrage. European Central Bank President Christine Lagarde recently cautioned against permitting multi-issuance schemes, whereby an EU entity and a non-EU entity jointly issue fungible stablecoins, stressing that "European legislation should ensure that such schemes cannot operate in the EU unless supported by robust equivalence regimes. … Without a level global playing field, risks will always seek the path of least resistance."[xxx]

In his October 13 letter to the G20 just ahead of its meeting in Washington, DC, the current chair of the Financial Stability Board (UK Central Bank Governor Andrew Bailey) noted that despite progress: "gaps remain in addressing financial stability risks and few have finalised regulatory frameworks for global stablecoin arrangements. Uneven implementation creates opportunities for regulatory arbitrage and complicates oversight for an inherently globally interconnected market."[xxxi]

The international financial institutions

Despite myriad risks, the benefits that stablecoins offer are driving strong and growing demand. Absent outright bans, their growing penetration of international payments systems seems inevitable. There is a major role for the IFIs in helping to smooth the way for the adoption of stablecoins, especially the IMF, which is charged with promoting global financial stability. The multilateral development banks have an important role too, supporting financial sector stability and helping to ensure that the benefits of stablecoins are widely shared. At the World Bank, President Ajay Banga has emphasized digital transformation, which he sees as key to driving financial inclusion and economic opportunity. The expansion of digital services is also included as one of 22 corporate measures of World Bank impact. Stablecoins are a natural and necessary extension of this work.

The IFIs have multiple channels for exercising leadership on this issue, including country-level engagement, convenings, guidance notes, monitoring tools, and flagship publications. For crypto assets broadly, the IMF has been very active on all these fronts. For example, it issued a policy paper in 2023 to provide guidance on an appropriate policy response to crypto assets.[xxxii] In addition, the IMF released a synthesis paper in conjunction with the Financial Stability Board (FSB) on policies for crypto assets that includes a road map laying out the roles and responsibilities of key actors (e.g., the IMF, FSB, Financial Action Task Force, and major standards-setting bodies).[xxxiii] The October 2024 status report on implementation of the road map is the first IMF publication with a substantive discussion of stablecoins. It recommends that they "be subject to specific regulatory requirements due to their vulnerability to a sudden loss in confidence and to potential runs on the issuer or underlying reserve assets."[xxxiv] It would be helpful to know which of the regulatory regimes we listed in Table 2 the IMF believes to be adequately robust.

As part of the road map, the IMF agreed to integrate crypto-asset policies into Article IV assessments (i.e., annual and biannual economic country reports) and Financial Sector Assessment Programs (FSAPs), "where suitable." During a cryptocurrency event in early 2024, the IMF representative reported[xxxv] that crypto regulation had been included in financial sector assessments for Hong Kong, Ireland, Singapore, Switzerland, and the United States.

"Where suitable" leaves a lot of room for judgment, and we were surprised to find that the latest FSAP for India, issued in February 2025, did not once reference cryptocurrency or stablecoins.[xxxvi] This is a notable omission considering that India is among the fastest cryptocurrency adopters in the world and has yet to implement an enabling regulatory framework. While the Reserve Bank of India has expressed reservations about stablecoins, Finance Minister Nirmala Sitharaman recently stated, "No nation can insulate itself from systemic change [and] whether countries welcome innovations like stablecoins or not, they must prepare to engage with them."[xxxvii]

Also surprising was the absence of any discussion of South Africa's cryptocurrency regime in its January 2024 Article IV review, although the government is positioning the country to be a leader in crypto.[xxxviii]

The IMF has also issued country-specific and regional papers on crypto assets. Notable issuances include this one for Nigeria[xxxix], among the most aggressive crypto adopters, in which the IMF highlighted the multiple integrity and stability risks absent a more coherent regulatory framework, and this one on digital innovations in sub-Saharan Africa[xl].

In the context of this uneven coverage, the IMF should work with its board to develop a set of criteria that provides more explicit guidance on when and how to engage with member countries on stablecoins (i.e., beyond "when suitable"), including in country programs. Moreover, the IMF's public stablecoin communications should be more frequent, more detailed, and aimed more broadly. At a minimum, coverage should include regular updates in the Global Financial Stability Report. The April 2024 report highlighted the growing adoption of stablecoins and other cryptocurrency, but said little about related risks.[xli] Fortunately, the just released edition was much more expansive on stablecoins, including on key drivers of systemic risk (e.g., possible forced redemptions). It also urged implementation of the Financial Stability Board's high-level recommendations (e.g., effective risk-management frameworks and safeguarding anti-money laundering/combating the financing of terrorism measures).[xlii] While useful, at some point the IMF needs to be more explicit about which member countries offer sound regulatory models, and which present the most risks.

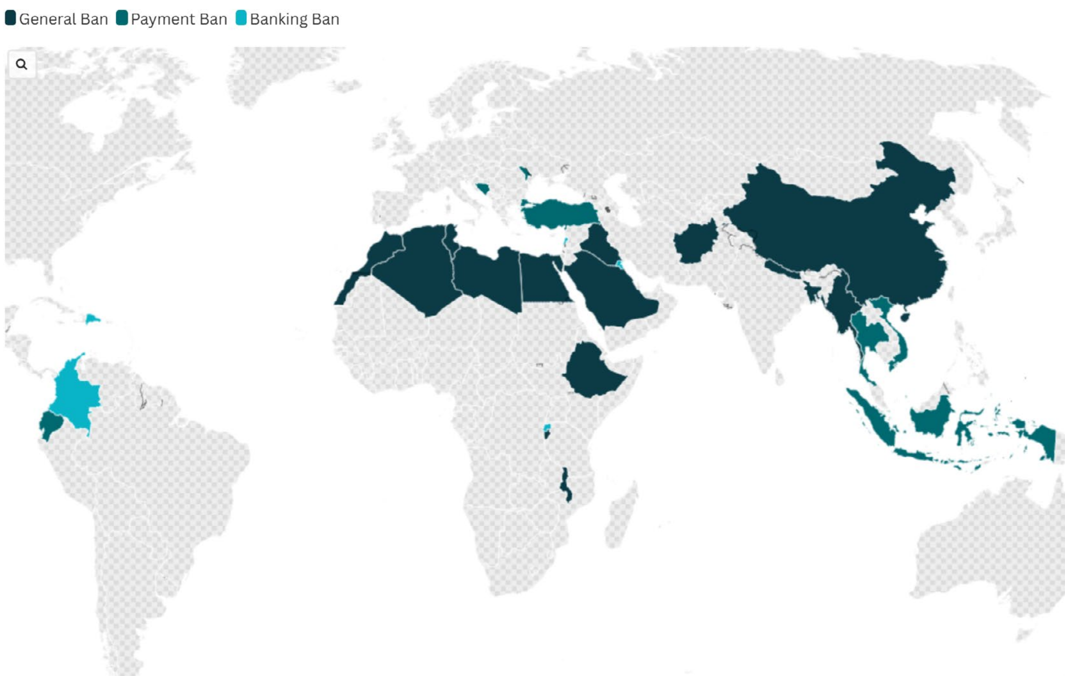
We also propose that the IMF:

- Track and provide regular updates on regulatory frameworks and include assessments of what risks they do and do not mitigate (i.e., to what extent they guard against a sudden loss in confidence leading to potential runs on the issuer or underlying reserve assets). *A priority should be an assessment of the US GENIUS Act.*
- Report on stablecoin market shares, growth rates, quality of the regulatory frameworks they operate under, and cases or risks of regulatory arbitrage
- Assess how stablecoins are affecting major currencies and global demand for the underlying assets
- Report on the countries with the highest stablecoin usage and the purposes for which they are used, while flagging potential risks, especially to domestic banking systems

The World Bank also needs to step up its game. In the September 2023 road map laying out the roles of key international organizations in implementation of crypto-asset policy frameworks, the World Bank is listed along with the IMF as responsible for integrating recommendations for such frameworks through technical assistance and capacity building.[xliii] It is also expected to work jointly with the IMF on preparation of FSAPs in emerging markets and developing economies (EMDEs). But the road map update a year later (October 2024) makes no mention of the World Bank.[xliv]

The most significant treatment of stablecoins by the Bank is in a 2022 flagship technical note, "What Does Digital Money Mean for Emerging Market and Developing Economies?," which takes a cautious approach.[xlv] Noting the risks and challenges of stablecoin adoption, the authors suggest, "Authorities may consider limiting or even prohibiting the use of stablecoins as a means of payment, and bar regulated entities such as banks and agent networks from holding stablecoins or offering stablecoin services." With few exceptions (e.g., China), this is plainly not the direction of travel. (See Figure 5.) The horse has left the proverbial barn, taking the stablecoins along with it.

Figure 5. Which countries have some type of ban on stablecoins?
"General Ban" indicates a broad ban on all cryptocurrency-related activities; "Payment Ban" indicates it is generally legal to trade and hold crypto, but illegal to use it for payments; "Banking Ban" indicates it is illegal for financial institutions to transact in crypto.



Sources: Atlantic Council Cryptocurrency Regulation Tracker, Lightspark, Proelium Law Cryptocurrency Regulation Tracker

The World Bank's 2023 flagship publication *Fintech and the Future of Finance* recognized the growing potential of stablecoins, noting, "Proposals for global stablecoins have put a much-needed spotlight on deficiencies in financial inclusion and in cross-border payments and remittances in EMDEs."[xlvi] But it also cautioned that "stablecoin initiatives are no panacea. Although they may achieve adoption in certain EMDEs, they may also pose particular development, macroeconomic, and cross-border challenges for these countries and have not been tested at scale." Since then, the World Bank has had little to say on the subject, which is odd considering the degree of stablecoin activity and its potential impact on client countries.

In his remarks in late 2024, World Bank Managing Director Wencai Zhang underscored the role of digital technology in propelling growth, noting efforts to help client countries with digital ID and payment systems as part of an overall commitment to "build a financial ecosystem that works for everyone."[xlvii] This commitment needs to adjust to the reality that the global financial ecosystem is evolving fast, with important implications for the World Bank. A good place to start would be to develop a strategy around stablecoins, articulating their relevance to the Bank's mandate and providing terms of engagement with client countries, in terms of both managing risk and advancing development goals. In addition, it should do the following:

- Incorporate stablecoins into financial inclusion and digital transformation strategies and relevant public messaging
- Explore and advise on the potential for stablecoin adoption in high-remittance countries (e.g., see this case for Tanzania[xlviii])
- Assess the potential value of stablecoins in unstable economies, including fragile and conflict-affected states, especially at scale

Conclusion

Recently, Jean Tirole, a Nobel Prize–winning economist, wrote in *The Economist* that "stablecoins may dazzle as the latest financial fad. But they risk destabilizing finance while enriching a few."[xlix] His view is that the payments system is a public good and accordingly, it is the public authorities who should be delivering faster, cheaper payments. In fact, the IMF has been working hard on this agenda, with Managing Director Kristalina Georgieva affirming in 2024 that "our work here is about making existing payment systems work as well as they possibly can."[l] A major focus is on options for central bank digital currencies (CBDCs), a digital form of a country's fiat currency, regulated by the country's central bank, that, unlike stablecoins, have no liquidity or risks while offering some of the same benefits.

The introduction of CBDCs has been slow as countries grapple with risks, including the impact on domestic banking systems, data privacy, and cyberattacks. To date, only the Bahamas, Nigeria, and Jamaica have fully launched CBDCs, according to the Atlantic Council's Central Bank Digital Currency Tracker, although dozens more are in early-stage adoption (including India and China) or under consideration. The Trump administration has chosen to eschew this option in favor of private stablecoins, but the EU is actively working on the regulatory and physical infrastructure for a digital currency. The EU acknowledges that an actual digital currency rollout is unlikely before 2029, giving stablecoins ample running room to ramp up.

The implication is that even best efforts toward helping the public sector meet the clear and present demand for a more efficient and effective international payments system will not be sufficient to slow the stablecoin stampede, at least not for the foreseeable future. This simple fact underscores the urgent need for the IMF's and World Bank's leadership in helping member countries manage their risks and realize their benefits.

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