

The Impact of Stablecoins

A WHITE PAPER

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Foreword

A substantial opportunity

A consistent theme within the global asset management industry over recent years has been adaptability—adaptability in the face of market volatility, in response to changes in investor behaviour and in terms of regulatory shifts.

But technology is perhaps the biggest driver of change in the sector currently, with the digitalisation of the asset management space continuing to evolve at pace.

As previous reports we have supported have served to highlight, tokenisation and digital assets are increasingly part of the private markets landscape. Now, stablecoins are central to the conversation.

While stablecoins have been around for more than a decade, this past year has been a pivotal year in their journey, with the industry seeing a rapid acceleration in terms of issuance and volume.

And this trajectory looks set to be maintained, with stablecoins becoming a critical component in the infrastructure of the digital investment world - being used more and more for crypto trading, as cross-border payment options, for asset tokenisation, and for moving money in and out of blockchain systems.

Within the private markets specifically, they represent a significant opportunity in bringing liquidity, inclusivity and operational benefits.

This acceleration in the adoption of stablecoins is not without its challenges, though. Managers and other participants face a number of structural, operational and regulatory issues.

But these are not insurmountable—in fact, we recognise that fund domiciles like Jersey, that already have a strong private markets proposition and a commitment to digital transformation, will be pivotal in providing solutions.

For its part, Jersey remains committed to supporting the evolution of stablecoins as they move to centre stage. There is already established precedent in our jurisdiction. Jersey's first stablecoin, DBUSD from Deep Blue, was authorised in October 2024, following the publication of asset tokenisation guidance from the Jersey Financial Services Commission, Jersey's regulator.

It's clear that supporting stablecoin development is a substantial opportunity for Jersey and represents a natural step in the evolution of its investment funds offering.

I'm therefore pleased that Jersey Finance has again worked with IFI Global to produce the latest in our growing series of reports looking at evolutionary trends within asset management. Exploring the full opportunity presented by stablecoins, and assessing how managers will need to adapt, will be critical in the coming years.

Stablecoins are no longer peripheral to the industry; they act as a vital link between traditional and decentralised finance and have the potential – as this report shows – to be transformational to the private markets. As a jurisdiction, Jersey is ready to support this transformational journey.

I hope this latest study will once again prove useful to those looking to thrive in a truly exciting area of cross-border investment.

Elliot Refson

Head of Funds, Jersey Finance

Executive Summary

This report has been published to consider the rapidly-evolving stablecoins market and the implications for asset managers, particularly those on the private markets side.

The stablecoin market is growing rapidly. Stablecoins have become a fundamental part of the digitalisation of the asset management industry. The benefits that they offer to managers of private market funds is a key element of this report. Stablecoin development in the past year has been exceptional, and the momentum is set to continue as more jurisdictions implement their own digital asset legislation, supporting the digitalisation of the financial ecosystem.

Stablecoins may well transform the operational side of asset managers' businesses as much as the Internet did back in the 1990s. And stablecoins, along with tokenisation, should make illiquid private market investments more accessible to a much wider pool of investors.

Nonetheless, there are challenges that will need to be overcome before they become mainstream. This report examines these. In addition, the regulatory environment is almost certainly going to have to develop further before stablecoins become a universally accepted part of the financial industry's architecture. More commonality is going to be required.

However, these are teething problems. As this report points out, stablecoins are a bridge between traditional and decentralised finance. They are on course to become a universal medium of value in the digital economy. Asset managers will not be able to ignore them.

Stablecoins are going to have a considerable influence on how private fund managers organise their operational activities in the future. And, in turn, they may well open opportunities to managers—opportunities which today few could imagine will be possible.

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Introduction

2025 turned out to be the most significant year to date in the development of stablecoins.

Stablecoin growth accelerated throughout. The stablecoin market grew by 20% in the third quarter, according to JP Morgan.¹ Its growth is currently outpacing that from traditional asset classes. In October 2025, total market capitalisation of stablecoins surpassed US\$300 billion for the first time.²

Stablecoins are a form of privately issued digital assets, which operate on both public and private blockchains. They are proving particularly useful in cross-border payments as they serve as mediums-of-exchange and stores-of-value on-chain. They are designed to maintain a stable value relative to a reference asset and achieve this through collateralisation - where reserves of the reference asset are held - or by using algorithms to balance supply and demand.³ The underlying principle behind stablecoins is that they are a digital currency that can be used for regular and routine transactions because of their stable value.

There are two categories of stablecoin; collateralised stablecoins and algorithmic or non-collateralised stablecoins.⁴

Collateralised stablecoins are backed by liquid assets such as fiat currencies, short-term government securities, commodities such as gold, or cryptocurrencies. The most common and dominant stablecoin form in the market at present are fiat-backed stablecoins. These are highly regulated and subsequently are widely used in payment rails and fund tokenisation.⁵

Non-collateralised stablecoins, often referred to as algorithmic, are not fully reserved. Their peg is

maintained through smart contracts that respond to supply and demand imbalances by minting or burning tokens. If the coin trades above its peg, the protocol mints additional tokens to reduce its price. If it trades below the peg, then the protocol burns tokens to increase price. As JP Morgan explains, it is an automatic balancing mechanism to retain a stable value. They are therefore more fragile than their fully reserved counterparts and are not supported by regulatory frameworks such as the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act) or Markets in Crypto Assets (MiCA) due to their destabilising effects when arbitrage mechanisms fail.⁶

The growth in stablecoins is largely being driven by greater adoption by institutional investors. Stablecoins are becoming an established part of the investment industry. They can be used for trading, payments and as a store of value during volatile periods, making their supply an indicator of capital flows into the cryptocurrency market.



1. JP Morgan, 'What to Know About Stablecoins', September 2025.

2. The Block, 'Stablecoin Market Cap Surpasses \$300 Billion for First Time Amid Crypto Rebound', October 2025.

3. BIS, 'Stablecoins and Safe Asset Prices', May 2025.

4. Arnold & Porter, 'An Introduction to Stablecoins', Advisory, May 2025.

5. DBS, 'Embracing Tokenization and Stablecoins', August 2025.

6. JP Morgan (see reference 1).

Introduction



Many traditional finance players are showing interest for the first time: corporations are starting to hold stablecoins as part of their treasury and liquidity management, whilst others are planning to issue their own private stablecoins, for example.

In the US, the introduction of the GENIUS Act has also made a big difference. It is said to have given the stablecoin market a clearer regulatory pathway, something that was previously lacking. Since its introduction in July, the stablecoin total market

capitalisation has increased by approximately US\$50 billion according to data by DeFiLlama.⁷ The Bank of America estimates that there will be a US\$75 billion bump in stablecoin supply from the introduction of the GENIUS Act alone.⁸

The purpose of this report is to look at how stablecoin development could impact the investment industry going forward, particularly on its private market side.

7. DeFiLlama, October 2025.

8. CoinDesk, 'Stablecoin Supply to Grow as Much as \$75B Following Passage of GENIUS Act, BofA Says', July 2025.

Stablecoin Evolution

Stablecoins first emerged in 2014 with the introduction of USDT (Tether), which remains the largest stablecoin by market capitalisation. The incorporation of USDT onto the Ethereum blockchain was a pivotal development in their use, enabling its utilisation within decentralised finance (DeFi) applications. This integration has been cited by Citi Group as a key milestone in the digital asset ecosystem.⁹

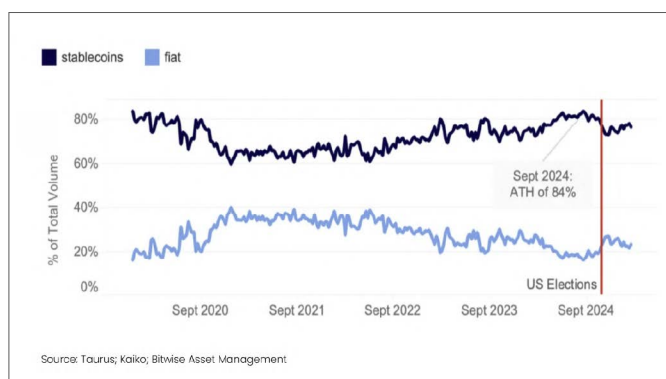
Stablecoins have become a critical component in the infrastructure of the digital investment world. They are used for crypto trading and increasingly, as payment options for banks. Major banks are exploring issuing their own stablecoins. Recently, a coalition of nine global banks, including Goldman Sachs, Citi and Deutsche Bank, disclosed plans to trial a joint stablecoin, pegged to G7¹⁰ currencies. Elsewhere, Japan's three largest banking groups are launching their own stablecoin, alongside a shared framework for issuing and transferring stablecoins between their clients. The stablecoin will be pegged to the Japanese Yen, with a potential dollar-denominated version to follow.¹¹ Stablecoin adoption by banks is a fast-moving area and there will likely be further developments in this space in the near future as more banks experiment with their use.

Beyond that, stablecoins are essential for real-world asset (RWA) tokenisation. As a form of tokenised asset, they function as an on-chain medium-of-exchange and settlement. They also facilitate dividend payment and serve as on and off ramps' for tokenised investment funds. By enabling near-instant settlement, stablecoins streamline the transfer of value between parties and reduce reliance on traditional intermediaries. Despite this, crypto trading accounts for around 80% of stablecoin use.¹²

80% of stablecoin transaction volume is from crypto trading

Simon Ware, Associate Director of Innovation at Aztec, says that there is little counter-party risk with stablecoins. He adds that their main benefit is speed. At the moment, investing in a private asset fund, for example, is a multi-day process. They are also a more efficient way to buy digital assets.

Stablecoin and FIAT Trading Volumes: 2020 -2024



9. Citi, 'Stablecoins 2030: Web3 to Wall Street', September 2025.

10. PCM, 'Global Banks Unite to Launch G7-Backed Stablecoin', October 2025.

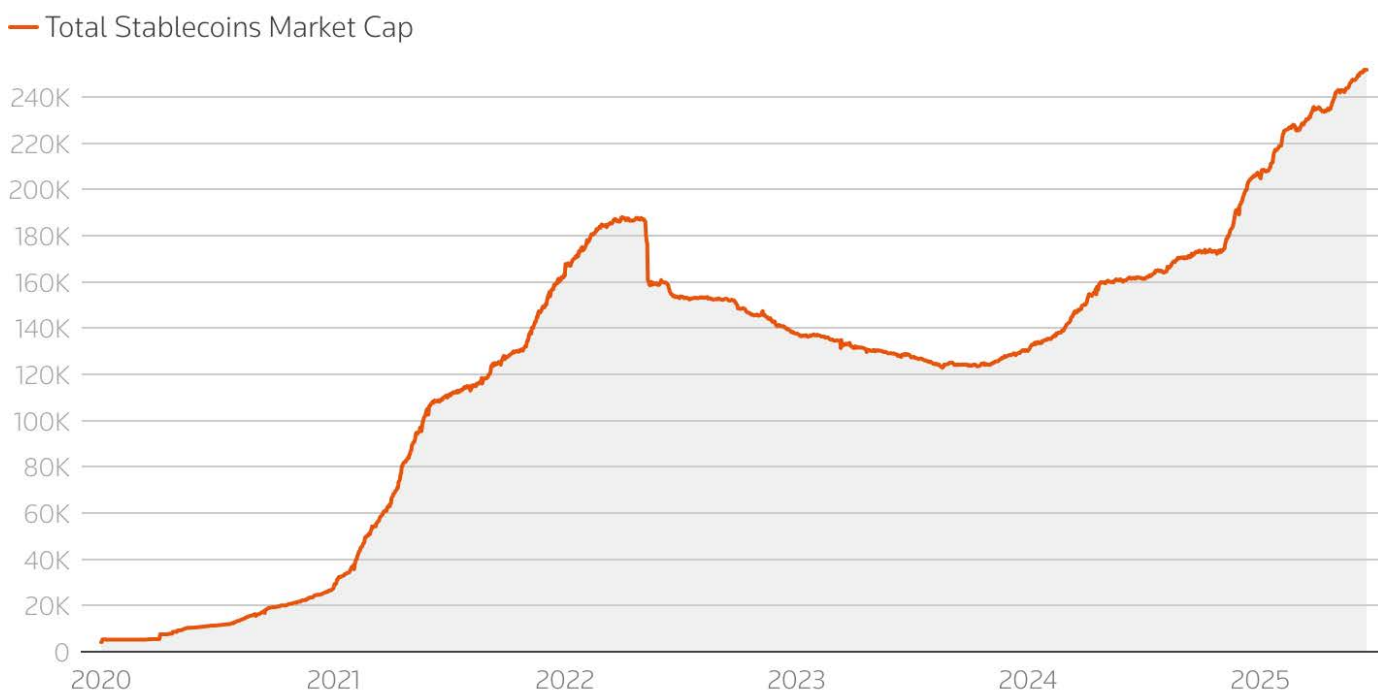
11. Coindesk, 'Japan's Top Banks Plan Joint Stablecoin Launch: Nikkei', October 2025.

12. Goldman Sachs Research, 'Stablecoin Summer', August 2025.

Market Trends

Issuance and trading volume of stablecoins increased significantly in the second half of 2025. Franklin Templeton called it a 'stablecoin summer'.¹³ JP Morgan reported in September that the stablecoin market had grown by 42%, while the overall crypto market was up by 21%.¹⁴ At October 2025, the total market capitalisation of stablecoins reached US\$301 billion, rising from US\$272.3 billion at the start of September, as reported by The Block.¹⁵

The Market Capitalisation of Stablecoins (in US\$ m): 2020-2025



Note: Amount in \$ millions

By Patturaja Murugaboopathy • Source: CoinDesk

CoinDesk has stated that an important reason for the growth of stablecoins is their utility in cross-border transactions, as well as their adoption by institutions. According to a 2025 study by

Fireblocks, 49% of global financial institutions surveyed are currently using stablecoins for payments with an additional 41% in the piloting phase.¹⁶

13. Franklin Templeton, 'Stablecoin Summer: The Emerging Evolution in Digital Money', July 2025.

15. The Block, 'Stablecoin Market Cap Surpasses \$300 Billion for First Time Amid Crypto Rebound', October 2025.

16. Fireblocks, 'Stablecoins in Banking: Strategic Insights from the 2025 Survey', June 2025.

14. JP Morgan (see reference 1).

Market Trends

There is a wide variety of forecasts for future stablecoin growth. Citi has provided both bull and base forecasts, suggesting by 2030 the stablecoin market could reach US\$1.9 trillion and its bull forecast sees the market reaching US\$4 trillion.¹⁷ Standard Chartered has forecast US\$2 trillion in 2028,¹⁸ whereas JP Morgan suggests it will just be US\$500bn by that date. On the other hand, Taurus, in collaboration with State Street, has suggested the market will reach somewhere between US\$1 trillion and US\$2 trillion by 2028.¹⁹

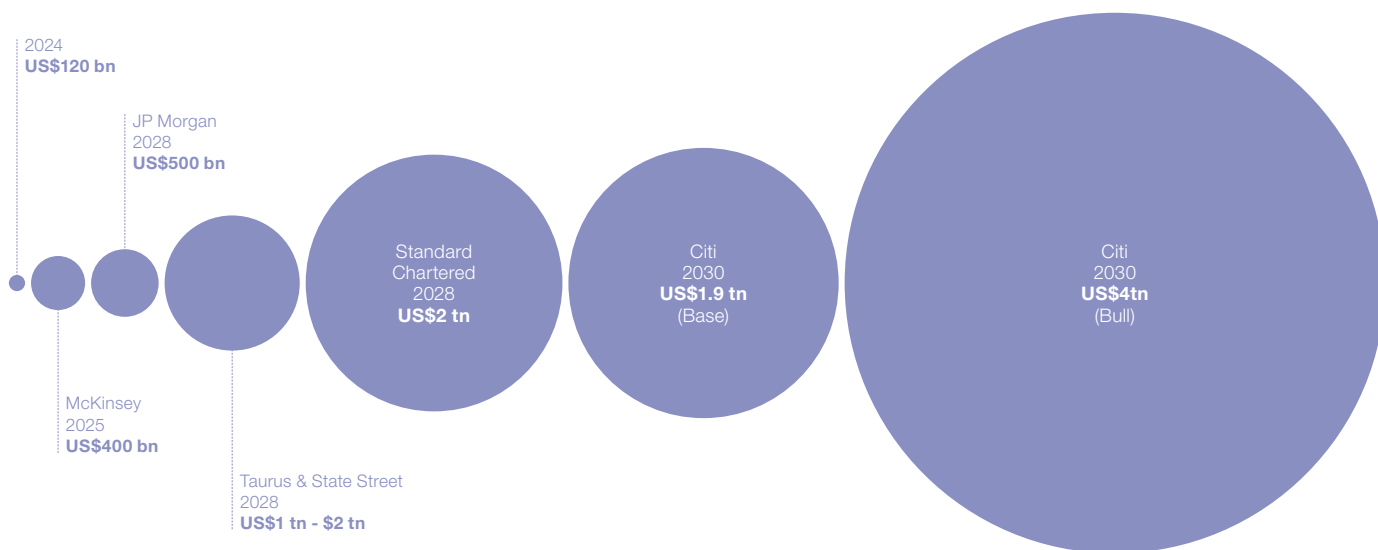
More immediately, McKinsey estimated that the total value of the stablecoin market would likely reach US\$400 billion by the end of 2025. It was just US\$120 billion 18 months ago.²⁰

Since its inception, the stablecoin market has been concentrated, with USDT (Tether) and USDC (Circle) currently dominating it. Tether and Circle are reported to be highly profitable. With the introduction of the GENIUS Act, market growth looks set to accelerate substantially in the next few

years as new issuers become established. These new issuers are likely to include banks looking to enter the digital space through stablecoins, positioning themselves to capture value that previously flowed to crypto-native stablecoin issuers, as well as larger retailers, such as Amazon and Walmart, in order to lower transaction costs.²¹

Over the next few years there will also likely be a convergence towards a highly regulatory compliant stablecoin such as USDC by financial institutions. JP Morgan has suggested there is already a notable shift between the established issuers, highlighting Circle's transparent reserve management and compliance under MiCA as a key reason for its use by financial institutions. USDC has reportedly grown by 72% since January 2025 compared to USDT's 32% over the same period, according to JP Morgan. However, there is expected to be fragmentation as smaller, region-specific stablecoins enter the market that are tailored to specific regulatory conditions.

Stablecoin Market Growth: 2024-2030



17. Citi (see reference 9).

18. The Block, 'Standard Chartered Expects Stablecoin Supply to Surge to \$2 Trillion by 2028', April 2025.

19. Taurus SA and State Street, 'Stablecoins and the Banking System: What Fate for Bank Deposits?', September 2025.

20. McKinsey, 'The Stable Door Opens: How Tokenized Cash Enables Next-Gen Payments', July 2025.

21. Bloomberg, 'Retailers Seen Using Stablecoins to Push Back Against Card Fees', June 2025.

The Impact of Stablecoins on Private Markets



In the autumn of 2025, IFI Global asked a range of private fund managers in the UK and US, across all the main private market strategies, whether they are considering incorporating stablecoins into their operational development.

No one said that they are at the implementation stage today, but approximately 70% mentioned that it is something that they are looking at. Most commonly, it is being considered in connection with tokenisation. Most private fund managers appear to be well aware of the benefits that stablecoins and tokenisation can have on their future business development.

Richard Johnson, CEO of Texture Capital, says that growing numbers of private market funds will use stablecoins for payments in future. It is likely that they will go into partnership with established players in the stablecoin market in order to do this.

Most private fund managers believe that stablecoins can have a **beneficial impact on liquidity in private markets**. Private markets have traditionally been highly illiquid. Stablecoins are expected to help reduce private markets' liquidity problem. At a time when many private fund managers

are looking to **diversify their investor base**, this could be of considerable help to them.

IFI Global's research shows that private market funds will turn to stablecoins as a result of their growing adoption of **tokenisation options for their investors**. Tokenisation offers many benefits for private funds, such as enhanced liquidity, **fractional ownership**, and improved **investor accessibility**. **Stablecoins are an integral part of tokenisation** as they provide a stable medium-of-exchange and near instant settlement for assets on chain.

Stablecoins can also **reduce the time between fundraising, capital calls, and distributions**. This could make private capital nimbler. And tokenised private assets settlement in stablecoins, which is beginning to happen, is expected to lead to a **significant growth in secondary market activity**. That is likely to make private

The Impact of Stablecoins on Private Markets

market funds more attractive to any LPs who are currently put off by the illiquidity in this sector.

Furthermore, asset managers can have the **option to programme dividend payment or profit distribution** through smart contracts. Stablecoins act as the medium-of-exchange within these contracts, allowing for **automated dividend distributions and profit sharing**. This can **reduce cost** and **enhance transparency** of fund operations.

All those with whom IFI Global spoke, said that stablecoins will almost certainly have a much greater impact on private markets in the near future than they do today. That is because they are seen as offering **greater liquidity, efficiency and faster settlement**, and perhaps even yield on **capital that would otherwise be idle**. In addition, stablecoins enable instant subscriptions and redemptions in tokenised funds. And they provide asset managers

with **simplified and streamlined investor onboarding and traceable fund administration**.

However, in some respects, the growth of stablecoins is also going to be a **challenge** to many private fund managers. Some of those interviewed by IFI Global said that it will **force them to invest** in updating their cash and treasury management operations. And they are now going to have to decide if they should adopt a tokenisation option for their funds.

Challenge or not, what is clear is that **stablecoins are a major part of the new digital infrastructure** that is coming to the asset management industry, and private asset funds are very much part of this. Stablecoins are foundational to liquidity, operational efficiency and inclusivity in private markets. They are an important part of the groundwork for the next era of private capital formation and asset innovation.

Stablecoin Adoption in Traditional Finance

Stablecoins are a bridge between traditional financial systems and decentralised markets. Financial institutions, including asset managers, face pressure from rising operational costs and settlement inefficiencies. A recent Calastone report forecasts a 32% increase in fund processing costs for asset managers over the next three years, due to outdated infrastructure and manual reconciliation processes.²² Stablecoin use through tokenisation adoption should reduce operational costs.

DBS Bank has also raised concerns over the inefficiencies of traditional financial infrastructure, which it says reduces capital mobility and market efficiency.

Stablecoins look like being the answer. They are emerging as a key settlement layer for traditional finance because of their ability to facilitate 24/7, near-instant settlement and cross-border interoperability.

According to Calastone, stablecoins significantly reduce clearing and settlement costs, while enabling asset managers to move capital between entities in real time, thereby, improving capital efficiency and liquidity.

As Caroline Pham, Acting Chairman of the Commodity Futures Trading Commission (CFTC), notes in the CoinDesk Report: 'Collateral management is the killer app for stablecoins—enabling real-time, programmable settlement across asset classes. By unlocking capital efficiencies and freeing up balance sheet, it can drive a powerful ripple effect: more credit to businesses, greater liquidity in markets, and a more resilient financial system.'²³

Major financial institutions are now embracing stablecoins at scale. Citibank has launched tokenisation services, enabling other banks to issue their own stablecoins.

In addition, Standard Chartered is developing a Hong Kong dollar stablecoin whilst BBVA is partnering with Visa to explore stablecoin issuance and settlement options through its tokenised asset platform, VTAP.

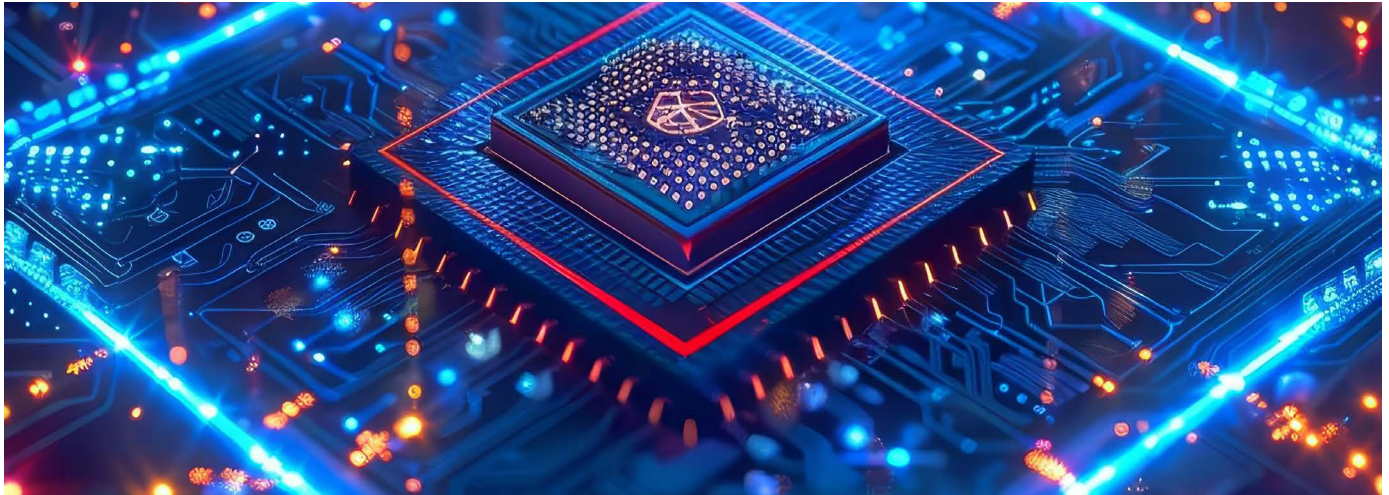
As for other TradFi players, Franklin Templeton has integrated stablecoins into its operations to provide its investors with tokenised US government securities. It does this via the BENJI platform, launched in 2021. BENJI now manages approximately US\$650 million assets under management. It currently operates on eight blockchains. BENJI relies on stablecoins for investor subscription, redemption and onchain liquidity.



22. Calastone, 'White Paper: Decoding the Economics of Tokenisation: Transforming Cost Dynamics in Asset Management', March 2025.

23. CoinDesk, 'CoinDesk Data: Stablecoins & CBDCs Report-July 2025', August 2025.

Tokenisation



Stablecoins have become critical to the development of tokenisation. Jason Barraza, the Chief Operating Officer of STM.co, says that they are becoming ‘the payment leg of any tokenisation transaction.’

Tokenisation helps make illiquid private market investments more accessible to a wider pool of investors, and stablecoins act as the key facilitator in this process by providing digital liquidity and a settlement layer that underpins the movement of value within tokenised ecosystems.²⁴

The tokenisation of real-world assets (RWAs) is becoming reliant on stablecoins. RWA tokenisation involves representing the ownership rights of either a tangible or an off-chain asset, including real estate, commodities or credit instruments in token form.²⁵

A report by RedStone forecasts that the value of tokenised RWAs could exceed US\$30 trillion by 2034, whilst Boston Consulting Group suggests the market will reach US\$16 trillion by 2030. According to the RedStone report and RWA.xyz data, the RWA tokenisation market has grown by 380% in the last three years, to June 2025.

Stablecoins serve as the onchain settlement currency that allows tokenised assets to be priced, traded and redeemed. For example, World Liberty Financial, a US based asset manager, is tokenising commodities and RWAs such as oil, gas, cotton and timber, pairing each asset with its USD1 stablecoin to facilitate issuance and secondary market trading, according to The Block.

Singapore’s DBS Bank just announced, in September, a partnership with Franklin Templeton and Ripple to offer new trading and lending solutions, built upon Franklin Templeton’s tokenised money market fund (FOBXX) and Ripple’s RLUSD stablecoin.

Similarly, the Ripple stablecoin is being integrated into Securitize’s tokenisation infrastructure. The integration will provide ‘stablecoin off ramp’ for BlackRock’s USD Institutional Liquidity Fund (BUIDL) and VanEck’s VBILL onchain funds. The

24. Fireblocks, ‘Stablecoin Infrastructure: Five Imperatives for Scalable Adoption’, July 2025.

25. Chainlink, ‘Real-World Assets (RWAs) Explained’, June 2025.

Tokenisation

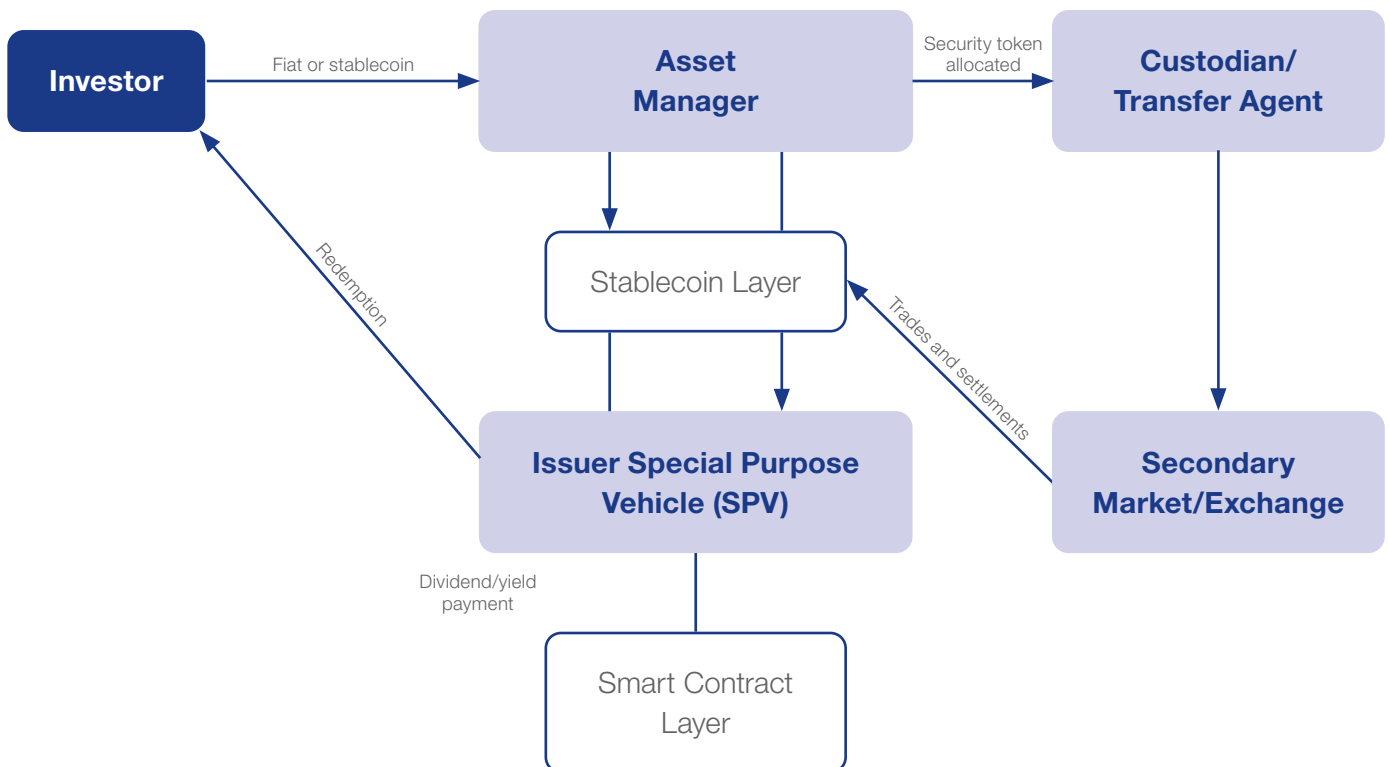
move will allow holders of BUIDL and VBILL to exit their shares in exchange for RLUSD, with instant liquidity.²⁶

Beyond tokenised funds and RWAs, stablecoins are becoming the universal settlement layer, connecting tokenisation platforms across jurisdictions and asset classes. Institutional-grade tokenisation infrastructures, such as Ondo Finance, use stablecoins for cash settlement, collateralisation, and cross-platform liquidity management. By

providing a standardised onchain unit of account, stablecoins reduce any frictions that might occur between different blockchains and tokenisation systems.

In effect, stablecoins are emerging not just as a payment mechanism, but as the backbone of tokenised capital markets. They bridge traditional finance, decentralised networks, and real-world assets.

An Example to Illustrate How Stablecoins are Used in Tokenised Funds



26. Securitize, 'Press Release: Ripple and Securitize Enable RLUSD Smart Contract Functionality for BlackRock's BUIDL and VanEck's VBILL Tokenized Funds', September 2025.

Obstacles and Risks

Integrating stablecoins into managers' operating systems is likely to prove difficult for many of them. Integration presents **structural and operational challenges**. And it often forces managers to address other matters on their operational side, undertakings which can be **time consuming** as well as **expensive**.

Their **cash and treasury management arrangements** are an example of this. Managers will be required to create new systems to track, verify and reconcile stablecoin transactions, which will likely be on multiple ledgers, whilst also maintaining their traditional operational processes at the same time.

Custody and counterparty arrangements are going to be another challenge as stablecoins are not yet fully supported by most traditional regulated custody providers. Managers will need to transition from their existing TradFi service providers to regulated digital asset custodians who have the infrastructure and experience in supporting settlement, reporting and compliance of digital assets.

In addition, the **counterparty risks** associated with the stablecoin issuer must be managed, particularly if the issuer is an offshore entity. Some large custodians, such as BNY Mellon and State Street, have begun to pilot programmes to integrate on-chain stablecoin settlement, but full **interoperability** with existing portfolio management and back-office systems remain limited, which can constrain the ability to monitor and control counterparty exposure.

Finally, **compliance and regulatory reporting** processes are often ill-suited to handle blockchain-based instruments. Stablecoin transactions may



well trigger anti-money laundering (AML), know-your-customer (KYC), and sanctions-screening obligations that differ from those applied to traditional payments. Integration with standard **reporting systems** also remains incomplete, as most financial market infrastructures are built around traditional payment rails, rather than tokenised cash equivalents.

Challenges in maintaining par value

Stablecoins can still face structural challenges in maintaining their par value with their underlying asset.

Inadequate disclosures and opaque auditing can undermine **market confidence** in an issuer's ability to maintain the peg. For example, Tether, the issuer of largest stablecoin by market capitalisation USDT, was handed a US\$41 million fine by the Commodity Futures Trading Commission (CFTC). The penalty was issued for misleading statements as to its stablecoin's reserve. The lack of transparency in reserve management can mean more **redemption risk** during stress periods.

Obstacles and Risks

Algorithmic stablecoins can also face failures in **maintaining their pegs**. The 2022 collapse of TerraUSD, and its associated LUNA token, represents one of the most significant systemic shocks for the digital investment industry.

The failure of its arbitrage mechanism, tied to the LUNA token, led to over US\$400 billion being wiped out from the cryptocurrency market. As a result, regulation on reserve requirements, stress testing and redemption transparency were introduced through regulatory frameworks.

Although these measures have improved standards, the industry's overall track record of maintaining par value is still an area of potential concern. According to State Street and Moody's, large-cap stablecoins experienced more than 600 de-pegging incidents between 2022 and 2023, underscoring the fragility of peg stability mechanisms with the stablecoin industry.²⁷ However, it is important to note that major de-pegging events, such as TerraUSD, remain **rare**.

Stablecoin issuers are demonstrating improved peg-management. While de-pegs still occur, arising from disruptions in redemption channels or cybersecurity events, they are less frequent and shorter lived- often lasting just few minutes or hours. Overall, major stablecoins are showing greater stability through better management of their pegs and reserves during periods of market volatility.

Then there is **concentration risk**. The stablecoin market is dominated by the Circle (USDC) and Tether's (USDT) duopoly, which together account for 84% of total market capitalisation, according to CoinTelegraph. Distress to either issuer could trigger wider **contagion** across the DeFi ecosystem, the broader digital asset market, and importantly, centralised exchanges. Because these exchanges are heavily reliant on USDC and USDT for liquidity, trading pairs and margin collateral, any instability in these two stablecoins could lead to rapid deleveraging or temporary shutdowns. This concentration amplifies systemic risk which can spread across multiple platforms.

Operational issues

Stablecoins rely on blockchain infrastructure and smart contracts, both of which are **vulnerable to exploitation** through technical failures and cyberattacks. Weaknesses in smart contract code can result in loss of funds and halted redemptions.

As highlighted by Elliptic's Stablecoin 2025 Risk Assessment Guide, inadequate audits of the infrastructure surrounding the stablecoins, such as the stablecoin protocols, can create failure points that have the potential to impact stability and investor protection.

27. State Street, 'The Stablecoin Moment', August 2025.

Regulatory Developments



The past two years have seen rapid progress in the regulation of stablecoins. Regulation of fiat-pegged stablecoins does not prevent failures, but it can reduce their likelihood and impact.²⁸

The emerging regulatory framework signals a shift towards recognising stablecoins as an integral part of the future financial system, which may include a new era for asset management.

However, regulatory treatment of stablecoins varies widely across jurisdictions. This regulatory fragmentation complicates compliance requirements for issuers and may well lead to regulatory arbitrage.

Following are recent regulatory developments in key markets:

Jersey

In August 2024, the Jersey Financial Services Commission (JFSC) published a Guidance Note on the issuance of tokenised real-world assets, delivering essential regulatory clarity in this fast-developing area. Since then, the framework has drawn a wide range of enquiries and applications, covering tokenised equities, government treasuries, stablecoins, and even fine wine, which illustrates the extensive innovation taking place.

The Guidance adopts a substance-over-form approach and treats stablecoins as a category of tokenised real-world assets. A stablecoin is considered a tokenised representation of fiat currency. Any stablecoin must be fully backed by cash or cash equivalents. The Guidance is designed so that it does not prohibit yield-bearing stablecoins, provided the yield is transparent and sustainable.

Together with the Central Bank of Bahrain, the JFSC has co-led the Global Financial Innovation Network (GFIN) workstream on tokenisation. This project examined how regulators globally are enabling and overseeing the development of tokenised assets, resulting in the release of an international report titled *Global Regulatory Perspectives on Tokenisation*.²⁹

Jersey's regime offers clear guidance to innovators while maintaining market integrity and protecting investors.

²⁸. Arnold & Porter (see reference 4).

²⁹. Global Financial Innovation Network and authored by the Jersey Financial Services Commission, '[Global Regulatory Perspectives on Tokenisation](#)', November 2025.

Regulatory Developments

United Kingdom

In 2025, the Financial Conduct Authority (FCA) set out its proposed regulatory framework for the issuance of stablecoins and custody requirements for qualifying crypto assets. The regulation requires stablecoins to be fully backed by liquid assets, which are to be held in a statutory trust for the benefit of the holder. They are intended to provide a legal ring fencing in the case of issuer failure.³⁰

The FCA has also proposed that at least 5% of the backing asset pool should be maintained in on-demand bank deposits to guarantee adequate liquidity. Issuers will also be required to implement risk management frameworks addressing liquidity, contingency funding, and custody diversification. Issuers must also undergo annual audits and publish quarterly updates detailing the number of stablecoins in circulation and the composition of their reserve assets.³²

Final FCA rules are expected in 2026, following publication of the Bank of England's consultation on the treatment of systemic stablecoins.

European Union

The European Union has taken a leading role in establishing a comprehensive regulatory framework for digital assets through the Markets in Crypto Assets Regulation 2023 (MiCA).

MiCA and the accompanying European Banking Authority's (EBA) Regulatory Technical Standards (RTS), sets uniform rules on the issuance, governance and supervision of stablecoins across EU member states.

Stablecoin issuers must be authorised and maintain a reserve of assets that are legally and operationally segregated from their own funds. At least 30% of each currency reserve must be held as deposits with credit institutions, increasing to 60% for 'significant' stablecoin issuers.³³ The remainder of the reserve must be composed of high-quality, liquid assets. Issuers are also required to publish regular reserve reports and undergo independent audits.

Whilst MiCA represents a shift toward harmonisation in the legal treatment of digital assets, policy tensions are emerging. The European Systemic Risk Board (ESRB) on 1 October 2025 endorsed a European Central Bank proposal to restrict multi-jurisdictional stablecoins. They fear that non-EU stablecoin holders could trigger liquidity drains during crises and leave EU holders with claims against non-EU issuers, undermining mandated local reserves created under Markets in Crypto Assets (MiCA). However, the ban suggested by the European Central Bank is likely to push EU investors towards foreign issued stablecoins and lead to further market fragmentation.³⁴

United States

The US regulatory landscape for digital assets evolved significantly in 2025, with two legislative initiatives. These laws aim to establish a national regime for the treatment of stablecoins and digital assets.

In July 2025, Congress passed the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act), establishing the first comprehensive federal framework for their issuance

30. Arnold & Porter, 'The Proposed UK Regulatory Framework for Regulating Stablecoin Issuance', October 2025.

31. Simmons & Simmons, 'CP25/14: Regulating Stablecoins, A Summary of the FCA's Proposals Under CP25/14 to Regulate Stablecoins', July 2025.

32. Linklaters, 'FCA Proposes Rules for Stablecoin Issuance and Cryptoasset Custody', June 2025.

33. A&O Sherman, 'MiCAR Under the Microscope - Part 3: The Issuance of Stablecoins Under MiCAR: Scope and Requirements', December 2023.

34. Reuters, 'EU Risk Watchdog Calls for Urgent Safeguards on Stablecoins', October 2025.

Regulatory Developments

and supervision. The Act provides clarity on permissible reserve assets, redemption rights and issuer oversight.

In parallel, the Digital Asset Market Clarity Act 2025 (CLARITY Act) seeks to define the classification and regulatory treatment of digital assets more broadly. The legislation explicitly includes 'permitted payment stablecoins' within its scope.

Asia

Regulators are moving to integrate stablecoins into formal financial and payments frameworks.

Singapore has positioned itself at the forefront in the region through its Payment Services Act and subsequent amendments introduced in 2024, which regulate single-currency stablecoins. Under the Monetary Authority of Singapore (MAS) framework, issuers must fully back their tokens with reserve assets denominated in the same currency and held with licensed financial institutions. They are required to maintain one-to-one redemption rights, publish monthly reserve disclosures, and undergo annual audits. MAS also limits the use of algorithmic or unbacked stablecoins and imposes redemption obligations directly enforceable by holders.

In Hong Kong, the Monetary Authority (HKMA) released its final consultation conclusions on stablecoin regulation in March 2025, setting out requirements that all stablecoins used for payments or trading in Hong Kong must be licensed and fully backed by high-quality, liquid assets. The framework prohibits algorithmic stablecoins and introduces rules for governance, redemption, and risk disclosure. Implementation is scheduled for

this year, with the HKMA signalling an intent to align oversight with international standards and interoperability initiatives.

However, the government has expressed concerns over the issuance of stablecoins by DeFi groups and brokerages, according to Reuters.³⁵ Highlighting regulatory uncertainty of the issuance of private stablecoins in the region, even when issuers such as Ant Group were preparing yuan backed stablecoins under the licensing framework.

Middle East

The Middle East is emerging as a centre for regulated stablecoin innovation, led by the United Arab Emirates (UAE).

The Abu Dhabi Global Market (ADGM) and Dubai Financial Services Authority (DFSA) have each launched regulatory frameworks for fiat-backed stablecoins as part of broader virtual asset regimes. The UAE's approach is pragmatic, encouraging partnerships between banks and fintechs to issue dirham and dollar-pegged stablecoins that can support cross-border payments and digital asset settlement.

Meanwhile, Saudi Arabia has begun limited pilots exploring stablecoin based trade finance and settlement through the Saudi Central Bank's broader digital currency (CBDC) and digital payment initiatives.

35. Reuters, 'Chinese Tech Giants Pause Stablecoin Plans After Beijing Steps in, FT Reports', October 2025.

Jersey's Stablecoin Development

Jersey is a key domicile for digital assets, including stablecoins. Stablecoin development represents a substantial opportunity for this jurisdiction, as Jersey is a hub for the financial industry and multi-jurisdictional companies.

Jersey's regulatory framework positions it well for digital assets, so this will also support stablecoin development. It takes a principles-based approach to regulation that emphasises substance over form. It means that the regulator looks beyond the label, whether that be a token or a stablecoin, to examine the underlying economics, structure and rights of the product.

The Jersey Finance Service Commission's (JFSC) Real-World Asset Guidance was issued in August 2024 to clarify Jersey's treatment of tokens, representing real-world assets. Under this, stablecoins are viewed as tokenised versions of fiat currencies or RWAs, and therefore they fall under the scope of the Guidance.

Importantly, Jersey's regime does not prohibit the creation of yield-bearing stablecoins. This provides additional flexibility for issuers and creates notable differentiation from other jurisdictions.

In addition, Jersey's regulator functions in a collaborative manner. It works closely with token issuers and virtual asset service provider (VASP) applicants to foster a collaborative service, resulting in reduced friction during the application process and ultimately an accelerated time-to-market for new products.

There is already established precedent in the jurisdiction. Jersey's first stablecoin, DBUSD from

Deep Blue, was authorised in October 2024, following the publication of the JFSC's asset tokenisation guidance. Issuances like this have helped to create clearer pathways for approval and may reduce the regulatory approval timeframe for future applications.

Operationally, stablecoins offer a natural fit for Jersey. The jurisdiction is already home to many banks, trust companies, asset managers, fund administrators and other financial institutions. They are transacting payments with a wide variety of entities in different corners of the globe, as a core part of their functionality. Stablecoins can make this more efficient and cost-effective; it will be a better solution for cash management, for example, particularly in an international environment.

Jersey's industry participants say that there is already evidence that as their clients move further towards tokenisation usage, they will want access to assets or custody, with on-ramping and off-ramping for these tokenised assets, from their service providers. This will stimulate stablecoin development.

Ultimately, the pace of stablecoin development in Jersey will depend on how quickly they are adopted by institutions and private clients globally. Market demand will be the primary driver of growth, but Jersey has positioned itself early to support this shift.

Stablecoins: The New Financial Architecture



2025 proved to be the most significant year to date in the evolution of stablecoins. Their recent growth reflects not only their increasing use in trading and cross-border payments, but also a structural shift to greater institutional adoption following regulatory changes.

The introduction of the GENIUS Act in the United States and the Markets in Crypto Assets (MiCA) regulation in Europe, have provided clarity to the stablecoin industry by setting out rules on issuance, reserve management and redemption frameworks. Elsewhere, frameworks are emerging in the UK, Singapore, and the UAE.

Stablecoins should not be considered in isolation. They are an integral cog in the wheel of digitalisation, a process that can offer financial institutions, including asset managers, greater operational efficiency and improved liquidity. As tokenisation accelerates, the demand for stablecoins will continue.

For private markets, in particular, stablecoins could be transformational. Improved liquidity and lower barriers to entry are possible. Secondary trading of traditionally illiquid assets also becomes possible.

This could potentially drive private asset growth for years to come.

Yet, challenges remain. Integration into existing treasury and compliance systems requires investment and raises a number of matters that will need careful consideration. Also, the global regulatory environment will be anything but standard for a long time to come. That could prove to be problematic.

What is certain, though, is that stablecoins are no longer peripheral to the financial industry. They act as a link between traditional and decentralised finance. Stablecoins are poised to become a universal medium of value in the fast-developing digital economy. Their integration into banking, payments, and investment infrastructure may well mark the beginning of a whole new financial era.



About Jersey Finance

Jersey Finance is a future-focussed organisation established in 2001 to represent and promote the Island of Jersey, an award-winning international finance centre. It has a presence in Jersey, Dubai, Hong Kong SAR, Johannesburg, London, New York and Singapore.

If you would like to learn more about using Jersey, please email jersey@jerseyfinance.com to arrange a meeting.



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