Chapter 3
Global Regulatory Approaches

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ABSTRACT

This chapter examines how jurisdictions globally are regulating stablecoins and integrating them into existing financial frameworks. It traces the evolution from voluntary market practices to comprehensive legal regimes guided by principles of prudential oversight, consumer protection, and financial stability. Beginning with international standard-setting bodies such as the FSB, FATF, IOSCO, and BIS, the chapter outlines global benchmarks for proportionate, function- based, and technology-neutral regulation. It then analyses key national frameworks, including those of the EU, UK, US, Singapore, Hong Kong, Bahrain, and the UAE, highlighting convergences in reserve, redemption, and licensing requirements, as well as divergences driven by monetary sovereignty and market priorities. Finally, the chapter explores the role of regulatory sandboxes as instruments for controlled innovation. Collectively, these developments demonstrate a maturing global consensus on stablecoin governance that balances innovation with systemic integrity.

INTRODUCTION

Having explored in the preceding chapter what stablecoins are, how they function, and how they differ from other classes of digital assets, this chapter turns to the question of how the world's regulators have responded. The definitional complexity surrounding stablecoins has translated into an equally intricate regulatory landscape shaped by competing priorities of innovation, consumer protection, financial stability, and monetary sovereignty. Stablecoins have evolved from a technological

DOI: 10.4018/979-8-3373-6655-5.ch003

experiment to an influential component of global finance, prompting policymakers to determine where, within existing financial frameworks, these instruments should sit and, increasingly, to create new regimes when existing laws fall short.

Today, stablecoins occupy a prominent place in modern financial discourse. No longer confined to the realm of crypto-asset enthusiasts, they are now integrated into mainstream financial operations, serving as a medium of payment, a liquidity bridge, and even a settlement layer for tokenized financial instruments. Their presence is felt in cross-border transactions, institutional treasury management, decentralized finance, and emerging tokenized asset markets. Yet with this expansion comes profound regulatory significance. The use of privately issued, digitally transferable units of value inevitably intersects with questions of monetary control, prudential oversight, and systemic risk. The frameworks governing the issuance, circulation, and redemption of stablecoins, therefore, form one of the defining challenges of contemporary financial regulation.

Around the world, jurisdictions grapple with the best approach for integrating stablecoins into their legal and supervisory systems. Some have developed bespoke regimes designed specifically to address their unique features, while others have opted to adapt existing payment, securities, or e-money laws to cover stablecoin activities. In doing so, regulators are converging, at least in principle, on several shared objectives. This includes ensuring that stablecoins are issued responsibly, that reserves are of high quality and fully segregated, that redemption is reliable and enforceable, and that activities involving stablecoins meet robust anti-money-laundering and counter-terrorist-financing standards. Yet beneath this convergence lie striking divergences. Domestic policy prioritises whether to preserve monetary sovereignty, promote fintech innovation, or maintain global competitiveness, having shaped national choices leading to a regulatory mosaic rather than a uniform global model.

This chapter examines that mosaic in depth by comparing and contrasting the regulatory approaches taken by key jurisdictions, while identifying the principles that unite them and the policy considerations that divide them. In addition, it analyses how stablecoins and stablecoin-related activities are treated under different legal systems, and what kinds of authorizations or licenses are required for entities performing them. Also, the chapter considers how jurisdictions approach foreign-issued stablecoins, assessing whether non-domestic issuers are required to obtain local authorization or satisfy additional conditions before offering their tokens within a national market.

Before turning to country-specific frameworks, the discussion First outlines the high-level principles set forth by SSBs that inform and guide national stablecoin regulation. These include recommendations from the FSB, FATF, IOSCO, and BIS. Their recommendations emphasize proportionality, technology-neutrality, and the

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