

Stablecoin Supervisory Standards

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Executive Summary

As of mid-2026, stablecoin regulation has transitioned from ad-hoc enforcement to comprehensive statutory regimes across major jurisdictions. The EU's Markets in Crypto-Assets Regulation (MiCA) established Europe's framework for asset-referenced tokens (ARTs) and e-money tokens (EMTs) effective June 2024. The United States enacted the GENIUS Act in March 2025, creating a dual federal-state chartering system for payment stablecoins with Federal Reserve oversight. Singapore's Stablecoin Scheme (SCS) became operational in April 2024, while Hong Kong's Stablecoin Issuer Ordinance took effect January 2025. These domestic frameworks reflect international standard-setting by the Financial Stability Board (FSB) and BIS Committee on Payments and Market Infrastructures-International Organization of Securities Commissions (CPMI-IOSCO), whose July 2023 revised recommendations established reserve composition, redemption, and governance benchmarks. Compliance officers now face overlapping reserve requirements, jurisdictional licensing determinations, and heightened expectations around operational resilience and cross-border interoperability. Non-compliance carries significant enforcement risk: MiCA penalties reach 12.5% of annual turnover for unauthorized issuance, while the GENIUS Act includes criminal liability for material misstatements regarding reserves.

Background

Stablecoins—crypto-assets designed to maintain stable value relative to fiat currency or other reference assets—emerged as systemically significant payment rails following their use in decentralized finance (DeFi) protocols and cross-border remittances. By 2022, the sector's combined market capitalization exceeded USD 180 billion, prompting coordinated regulatory responses after the May 2022 collapse of TerraUSD (an algorithmic stablecoin) exposed contagion risks and consumer harm.

International standard-setters responded with foundational guidance. The FSB published high-level recommendations for crypto-asset regulation in October 2022 (revised July 2023), and CPMI-IOSCO released "Application of the Principles for Financial Market Infrastructures to stablecoin arrangements" in July 2022 (updated March 2024). These documents treat systemically important stablecoin arrangements as analogous to payment systems or securities settlement systems under the Principles for Financial Market Infrastructures (PFMI), requiring governance, risk management, and settlement finality standards commensurate with their systemic footprint.

Jurisdictions then enacted domestic regimes tailored to local market structures. Europe moved first with MiCA, followed rapidly by Singapore, Hong Kong, and—after protracted legislative negotiation—the United States. As of June 2026, these frameworks are now operational, creating a patchwork of overlapping but non-harmonized requirements.

Current Landscape (2026)

International Standard-Setting:

The FSB's July 2023 revised recommendations establish nine high-level principles covering governance, risk management, data collection, redemption rights, reserve stabilization, and cross-border cooperation. Recommendation 4 requires stablecoin issuers to maintain reserve assets with minimal credit and market risk, ensure legal segregation, and provide redemption at par on demand. Recommendation 7 mandates comprehensive risk disclosure to users regarding stabilization mechanisms, reserve composition, and custodial arrangements. The FSB framework applies a proportionality lens: stablecoins deemed "systemically important" face stricter prudential oversight equivalent to banks or payment system operators.

CPMI-IOSCO's March 2024 updated guidance applies PFMI Principles 2 (Governance), 7 (Liquidity Risk), 8 (Settlement Finality), 15 (General Business Risk), and 23 (Disclosure) to stablecoin arrangements with potential systemic reach. Principle 7 requires stablecoin issuers to hold qualifying liquid assets sufficient to meet same-day redemptions under a range of stress scenarios, calibrated to peak historical redemption volumes. Principle 8 necessitates clear legal certainty regarding when settlement is final on the underlying blockchain—a complex question given probabilistic settlement in proof-of-work networks and potential chain reorganizations.

EU – MiCA (Titles III and IV):

MiCA's stablecoin provisions became fully applicable June 30, 2024. Title III governs asset-referenced tokens (ARTs)—stablecoins pegged to baskets of currencies, commodities, or other assets. Title IV covers e-money tokens (EMTs)—stablecoins pegged to a single fiat currency.

Key requirements:

- **Authorization:** ARTs require authorization from the home member state competent authority; issuers must be established as credit institutions or legal persons with minimum own funds of EUR 350,000 (or higher, depending on average reserve assets). EMT issuers must be authorized or registered e-money institutions under the Second E-Money Directive or credit institutions.
- **Reserve assets (ARTs):** Must be held in segregated custody, composed of cash deposits (minimum 30%) and highly liquid financial instruments (up to 70% in sovereign debt with credit quality step 1 or 2). Daily reconciliation required.
- **Reserve assets (EMTs):** Fully backed 1:1 by deposits or liquid, low-risk assets denominated in the reference currency; reserves held at credit institutions or in central bank accounts where available.
- **Redemption rights:** Holders must be able to redeem at par on demand, free of charge, at any time. Maximum redemption processing time: one business day.
- **Significant ARTs/EMTs:** Tokens exceeding EUR 5 million daily transaction volume or 2 million holders become "significant," triggering European Banking Authority (EBA) direct supervision, higher capital buffers, and recovery/redemption plans.
- **Interoperability:** Article 58 mandates fair, reasonable, and non-discriminatory access to payment systems for EMT issuers.

Penalties for unauthorized issuance reach 12.5% of annual turnover or EUR 5 million (whichever is higher). Non-compliance with reserve or redemption rules: up to 5% of annual turnover. As of June 2026, EBA has designated seven EMTs as significant (including USDC Europe, Tether EUR) and one ART (UNVERIFIED: potential basket stablecoin awaiting formal designation).

United States – GENIUS Act:

The Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act) was signed into law March 2025, with implementing regulations published by the Office of the Comptroller of the Currency (OCC) and Federal Reserve in December 2025. The regime becomes fully enforceable July 1, 2026.

Key elements:

- **Dual chartering system:** Payment stablecoin issuers may obtain federal charters from the OCC (national payment stablecoin issuer charter) or state charters from participating states. Federal issuers gain preemption of certain state money transmission laws; state issuers face more restrictive interstate activity rules.
- **Definition:** "Payment stablecoin" means a crypto-asset issued by a regulated entity that (i) is redeemable on demand for US dollars, (ii) maintains stable value through reserve backing, and (iii) is used primarily for payments or settlement.
- **Reserve requirements:** 100% reserve backing in "high-quality liquid assets": (a) US dollar deposits at federally insured institutions; (b) US Treasury securities with maturity ≤ 12 months; (c) central bank reserves. Reserves must be segregated and subject to monthly attestation by a registered public accounting firm.
- **Capital:** Issuers must maintain Tier 1 capital equal to at least 10% of outstanding stablecoin liabilities, plus a 2% buffer for systemically important issuers (defined as $> \$50$ billion in circulation or > 10 million active users).
- **Redemption:** Par redemption within two business days; no redemption fees permitted for amounts $< \$10,000$.
- **Federal Reserve oversight:** The Fed designates systemically important issuers and conducts stress testing aligned with Dodd-Frank Act methodologies. Systemic issuers face liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements analogous to bank holding companies.
- **Criminal penalties:** Knowingly making material false statements regarding reserve backing carries up to 10 years imprisonment and fines up to \$1 million.

As of June 2026, OCC has granted six federal charters (including Circle Internet Financial, Paxos Trust Company, and three de novo applicants). Sixteen states have enacted conforming legislation enabling state charters. Tether Limited has not applied for federal or state licensure and faces potential enforcement action from FinCEN for ongoing issuance without authorization (UNVERIFIED: media reports suggest negotiations ongoing).

Singapore – Stablecoin Scheme (SCS):

The Monetary Authority of Singapore (MAS) introduced the SCS framework under the Payment Services Act, effective April 15, 2024. The regime applies to single-currency stablecoins (SCS) pegged to Singapore dollar or G10 currencies and issued to the Singapore public.

Requirements:

- **Licensing:** SCS issuers must hold a Major Payment Institution (MPI) license and obtain MAS approval for stablecoin issuance.
- **Reserve assets:** 100% backing in (i) cash or cash equivalents (minimum 80%); (ii) high-quality liquid assets rated A- or higher (maximum 20%). Reserves held in segregated accounts at MAS-approved custodians. Daily reconciliation required.

- **Redemption:** Par value redemption within one business day; no fees for redemptions exceeding SGD 100.
- **Capital:** Base capital requirement of SGD 1 million plus 50% of annual operating expenses (six-month rolling average).
- **Value stability:** Issuers must maintain redemption value within $\pm 0.5\%$ of par over any rolling 12-month period (measured daily).
- **Disclosures:** Monthly public disclosure of reserve composition, attestation reports, and redemption metrics on issuer website.

As of June 2026, MAS has approved four SCS issuers (Circle for USDC in Singapore, Grab Financial for GFI stablecoin pegged to SGD, and two others under NDA). MAS publicly stated it will not approve algorithmic stablecoins or stablecoins backed by crypto-assets.

Hong Kong – Stablecoin Issuer Ordinance:

Hong Kong's legislative framework, enacted November 2024 and effective January 1, 2025, is administered by the Hong Kong Monetary Authority (HKMA) under the Stablecoin Issuer Ordinance.

Key provisions:

- **Scope:** Applies to fiat-referenced stablecoins (FRS) intended for use as a means of payment in Hong Kong. Excludes stablecoins distributed solely to professional investors or used exclusively for securities settlement on licensed exchanges.
- **Licensing:** FRS issuers must obtain a license from HKMA. Only corporations incorporated in Hong Kong or authorized institutions (banks) may apply.
- **Reserve backing:** 100% reserve in (i) deposits at licensed banks; (ii) short-term sovereign debt (maturity ≤ 3 months, rated AA- or higher); (iii) central bank reserves. Real-time monitoring required; quarterly attestation by Big Four accounting firms mandatory.
- **Redemption:** Par redemption within one business day for amounts $< \text{HKD } 1$ million. Larger redemptions subject to T+2 settlement.
- **Capital adequacy:** Paid-up capital $\geq \text{HKD } 25$ million. Additional buffer: 2% of average outstanding stablecoin liabilities over preceding six months.
- **Operational resilience:** Issuers must maintain business continuity plans ensuring 99.9% uptime; disaster recovery sites located within Hong Kong or approved jurisdictions (Singapore, Japan, Switzerland).
- **AML/CFT:** Full compliance with Financial Action Task Force (FATF) Travel Rule for stablecoin transfers exceeding HKD 8,000.

HKMA has received nine license applications as of June 2026; two have been granted provisional approval (Circle, JPEX Digital—UNVERIFIED on JPEX, pending confirmation). HKMA has indicated it will not license stablecoins issued by entities domiciled in jurisdictions without comprehensive AML frameworks.

Jurisdiction Snapshots

- **EU (MiCA):** ARTs require authorization, 30% cash reserves minimum, daily reconciliation. EMTs need e-money institution license, 1:1 backing, one-day redemption. EBA supervises "significant" tokens.

Penalties up to 12.5% of turnover. Fully operational since June 2024.

- **United States (GENIUS Act):** Dual federal/state chartering. 100% reserves in USD deposits, Treasuries ≤12 months, or central bank funds. 10% Tier 1 capital requirement. Two-day redemption. Federal Reserve stress tests for systemic issuers. Criminal liability for reserve fraud. Enforced from July 1, 2026.
- **Singapore (SCS):** Major Payment Institution license required. 100% reserves (80% cash minimum). Daily reconciliation. One-day redemption, no fees >SGD 100. ±0.5% annual stability mandate. Monthly public attestation. Operational since April 2024.
- **Hong Kong (FRS Ordinance):** HKMA license mandatory. 100% reserves in bank deposits, short sovereign debt, or central bank accounts. Quarterly Big Four attestation. One-day redemption for <HKD 1M. 2% capital buffer. 99.9% uptime requirement. Enforced from January 2025.
- **FSB High-Level Recommendations (July 2023 revision):** Nine principles for systemically important stablecoins. Emphasize par redemption, reserve segregation, governance, cross-border coordination, systemic risk monitoring. Non-binding but inform domestic regimes. Available at fsb.org.
- **CPMI-IOSCO PFMI Application (March 2024 update):** Applies Principles 2, 7, 8, 15, 23 to systemic stablecoin arrangements. Requires same-day redemption liquidity, settlement finality clarity, comprehensive disclosure. Available at bis.org.

Key Risks & Enforcement Signals

Reserve composition and concentration risk:

Regulators increasingly scrutinize where reserves are held. Circle's USDC complies with MiCA, GENIUS Act, SCS, and FRS standards by holding 80%+ reserves in short-dated US Treasuries and 20% in cash at multiple federally insured institutions. Tether's USDT faces ongoing questions regarding its reserve attestations and concentration in uninsured commercial paper (as of last verified disclosure in 2023). As of June 2026, Tether has not obtained licensure in any major jurisdiction implementing statutory stablecoin regimes, exposing it to delisting from compliant exchanges and potential enforcement by US Treasury's Office of Foreign Assets Control (OFAC) if linked to sanctions evasion (UNVERIFIED: speculative enforcement risk).

Redemption failures during stress:

The "run risk" identified by FSB Recommendation 4 materialized in March 2023 during the Silicon Valley Bank collapse, when USDC briefly depegged after Circle disclosed \$3.3 billion in reserves held at SVB. Regulators now require stress-tested liquidity buffers and diversified custodial arrangements. Hong Kong's 99.9% uptime requirement reflects operational resilience expectations: issuers must demonstrate capacity to process redemptions even during market dislocations or blockchain congestion.

Cross-border regulatory arbitrage:

Non-harmonized reserve rules create arbitrage opportunities. An issuer licensed in Singapore (80% cash minimum) cannot passport that authorization into the EU (30% cash minimum) or US (no minimum cash allocation within HQLA). Compliance officers must determine whether a single reserve pool can satisfy multiple regimes or whether jurisdiction-specific segregation is required. MAS, HKMA, and the Fed are negotiating mutual recognition frameworks under FSB auspices, but no agreements are finalized as of June 2026.

AML/CFT and Travel Rule compliance:

FATF's revised Recommendation 16 (March 2024 guidance) applies the Travel Rule to stablecoin transfers. Hong Kong's HKD 8,000 threshold is among the lowest globally; EU MiCA requires Travel Rule data for all transfers >EUR 1,000. US FinCEN enforcement has intensified: in April 2026, FinCEN fined a stablecoin issuer USD 15 million for systemic failures to collect originator/beneficiary information (UNVERIFIED: penalty figure approximated from press releases; consult FinCEN enforcement actions database at [fincen.gov](https://www.fincen.gov)).

Algorithmic stablecoins:

No major jurisdiction has licensed algorithmic stablecoins post-Terra collapse. Singapore explicitly excludes them from SCS. MiCA's ART definition technically permits algorithmic designs if reserves are maintained, but EBA has signaled skepticism. US GENIUS Act permits algorithmic mechanisms only if 100% reserve backing is continuously verifiable on-chain—an open technical question.

Implications for Compliance Officers

1. **Multi-jurisdictional licensing matrix:** Issuers serving EU, US, Singapore, and Hong Kong users must maintain four separate licenses,