WHAT IS THE REGULATORY TREATMENT OF STABLECOINS ACROSS THE WORLD?

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HIGH-LEVEL JURISDICTIONAL OVERVIEW:

#	Question	United Arab Emirates (UAE)	United Kingdom (UK)	European Union (EU)
1	Are stablecoins regulated in your jurisdiction?	Yes.	Yes.	Yes.
2	Which regulator regulates stablecoins in your jurisdiction?	The Central Bank of the UAE (**CBUAE**).	The Financial Conduct Authority (**FCA**).	In general, the national competent authority (**NCA**) in the respective EU Member State is responsible. To a certain extent, also the European Banking Authority) (**EBA**), the European Securities and Markets Authority (**ESMA**), and the European Central Bank (**ECB**) can also be involved as well as a national central bank (**NCB**).
3	What is the legal and regulatory framework governing stablecoins in your jurisdiction?	CBUAE introduced the Payment Token Services Regulation (**UAE Stablecoin Regulation**) effective from the 21st of August 2024, establishing the rules and conditions for regulated stablecoin activity (**Payment Token Services**). The Security and Commodities Authority (**SCA**) governs stablecoins pegged to a commodity. They have not yet legislated on this subject matter, but they do have a draft regulation out for public consultation (deadline 14th February 2025) called the Regulation Concerning Security Tokens and Commodity Tokens Contracts (**Draft SCA Regulation**).	An anti-money laundering (**AML**) regime applies to all cryptoassets under the Money Laundering Regulations 2017.[1] This regime requires registration with the FCA and ongoing reporting and information obligations, including compliance with the Travel Rule. Beyond AML, there is currently no dedicated stablecoin regulatory regime. However, if the stablecoin meets the definition of 'e-money', it will be regulated under the Electronic Money Regulations 2011 (the ***e-money regime***).[2] This has wider implications, since e-money is considered funds, and therefore within scope of, the Payment Services Regulations 2017 (**PSRs**). This	Primarily, the EU Markets in Crypto-Assets Regulation (MiCA or **MiCAR**) as referred to and complemented by national laws in each EU Member State. MiCAR will be supplemented by Delegated Regulations/RTS. MiCAR contains the general regulation of stablecoins such as asset-referenced tokens (**ART**) and electronic money tokens or e-money tokens (**EMT**) as crypto-assets; in scope are also so-called algorithmic stablecoins. EMT also qualify as 'e-money', therefore, being subject to the EU E-Money Directive and the Payment Services Directive (**PSD**), respectively (as implemented by EU Member States); please

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[1] FCA ctyptoassets: AML / CTF regime webpage. See also Regulations 14A and 56, and Part 7A of the Money Laundering Regulations 2017.

[2] The FCA has stated that "*not every 'stablecoin' will meet the definition of e-money"* and "*Given the structure of rights attached to such tokens varies greatly, judgements on whether they fall under the scope of regulation can only be made on a case-by-case basis. Tokens that do not meet the definition of an e-money token, or the definition of a security token, will be unregulated tokens"* (FCA PS 19/22 Guidance on Cryptoassets, Feedback and Final Guidance to CP 19/3, pp18-19). HMT has stated that "*Electronic money, as it exists now, and fiat-backed stablecoins are different products"* (Update on Plans for the Regulation of Fiat-backed Stablecoins, October 2023, para 3.7).

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		In the Emirate of Dubai specifically, stablecoins pegged to a commodity are governed by the general regulatory regime of the Virtual Asset Regulatory Authority (**VARA**).	creates some legal uncertainty for entities currently handling stablecoins in the UK. Depending on the legal nature of the stablecoin, it could qualify as another type of regulated product such as a debt instrument or deposit. However, this is unlikely based on most common stablecoin models. The FCA will introduce a dedicated stablecoin regulatory regime in 2026/7.	note that e-money does not automatically qualify as an EMT under MiCAR. Together with the enactment of MiCAR also the 4th European Anti-Money Laundering Directive (**4AMLD**) was amended (as implemented by EU Member States) requiring crypto-asset service providers, *inter alia*, to apply mitigating measures regarding risks in connection with the transfers of crypto-assets.
4	Who does the legal and regulatory framework apply to in your jurisdiction?	The UAE Stablecoin Regulation applies to any natural or juridical person looking to offer and engage in Payment Token Services in the UAE. For the purposes of the UAE Stablecoin Regulation, the jurisdiction of the UAE excludes the DIFC or ADGM, collectively referred to as the **Financial Free Zones.** The Draft SCA Regulation applies to any party in the UAE looking to issue security token and commodity token contracts.	The AML regime applies to cryptoasset exchange providers, which includes issuers, and custodian wallet providers. If the stablecoin meets the definition of e-money, the e-money regime will apply to the stablecoin issuer and businesses providing payment services in relation to the stablecoin. The FCA's incoming stablecoin regulatory regime is yet to be finalized, but current proposals would apply to issuers and custodians of stablecoins. To be within scope of UK regulation, the relevant activity must be conducted in the UK. Currently stablecoins issued, exchanged, and custodied outside the UK for UK users would not fall within the regulatory regime.	In general, MiCAR applies to natural and legal persons and certain other undertakings engaged in the issuance, public offering and admission to trading of crypto-assets or providing services related to crypto-assets in the EU. In general, with regard to ART only an authorised legal person, other authorised undertaking or credit institution may offer such ART to the public and seek for their admission to trading. In general, with regard to EMT only credit institutions and electronic money institutions may offer EMT to the public and seek for their admission to trading. The 4AMLD, as amended, applies to natural and legal persons qualifying, *inter alia*, as financial institutions (including crypto-asset service providers) as obliged entities under applicable national anti-money laundering laws.
5	What is the definition of a 'stablecoin' in your jurisdiction?	A stablecoin, or **Payment Token** (the official term used in the UAE Stablecoin Regulation), is defined as a virtual asset maintaining a	There is currently no regulatory definition of a stablecoin. In its Discussion Paper on a proposed stablecoin regulatory regime, the FCA proposed to define stablecoins as "*A category of cryptoassets that aim to maintain a stable value relative to a*	MiCAR provides for the regulation of crypto-assets and related services; **crypto-asset** means a digital representation of a value or of a right that is able to be transferred and stored

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		stable value by referencing the value of (otherwise known as *pegging to the value of*):
		
		   a. a fiat currency; or
		
		   b. another Payment Token denominated in the fiat currency.
		
		In this regard, the UAE Stablecoin Regulation accounts for two types of Payment Tokens:
		
		1 **Dirham Payment Token**: A Payment Token pegged to the Dirham (UAE fiat currency) or the Payment Token equivalent.
		
		2 **Foreign Payment Token**: A Payment Token pegged to a foreign fiat currency (excluding the Dirham) or the Payment Token equivalent.
		
		It is prudent to note that CBUAE reserves the right to designate any virtual asset as a Payment Token regardless of whether the virtual asset is sold or transferred by a CBUAE licensed issuer. Such stablecoins are defined as **Designated Payment Tokens**.
		
		The Draft SCA Regulation refers to stablecoins pegged to a commodity as being, "***Commodity Tokens****: a type of digital assets that are based on the value of physical commodities such as gold, oil, metals, or agricultural products. These tokens are used to facilitate the trading of commodities on digital platforms while reducing the costs and risks associated with traditional trading.*"
			specified asset, or basket of assets, providing perceived stability when compared to the high volatility of unbacked cryptoassets". It stated that "*Fiat-backed stablecoins are expected to include stablecoins that seek to maintain a stabilised value of the cryptoasset by reference to, and which may include the holding of, one or more specified fiat currencies"*.
			
			A stablecoin would fall within e-money regulation if it meets the definition of e-money: "*electronically (including magnetically) stored monetary value as represented by a claim on the electronic money issuer which— (a) is issued on receipt of funds for the purpose of making payment transactions; (b) is accepted by a person other than the electronic money issuer; and (c) is not excluded by regulation 3.*"[3] There is currently a clear overlap between the definition of a stablecoin and e-money.
			
			The definition of e-money is also potentially broader than a fiat-backed stablecoin. We understand the intent that these are legally distinct. However, there is no guidance on the dividing line between the two and this will be a key point for the industry.
				electronically using distributed ledger technology or similar technology.
				
				Accordingly, crypto-assets comprise stablecoins in the form of asset-referenced tokens (**ART**) and electronic money tokens or e-money tokens (**EMT**).
				
				ART (not being EMT) purports to maintain a stable value by referencing another value or right (or a combination thereof, including official currencies). EMT purport to maintain a stable value by referencing the value of an official currency. These are the typical fiat-referenced stablecoin. In scope of MiCAR are also '**algorithmic stablecoins**' that aim to maintain a stable value in relation to an official currency or other asset via protocols, that regulate the supply in response to changes in demand.
				
				EMT are also deemed to be 'e-money' (in the meaning of the E-Money Directive and PSD; see above), but not every e-money qualifies as an EMT. E-money means electronically stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions, and which is accepted by a natural or legal person other than the issuer. Other than e-money, EMT do not need to serve payment purposes, but do need to meet the criteria of a crypto-asset (i.e. any e-money not qualifying as a crypto-asset does not fall into the category of EMT). On the other hand, opposed to e-money, EMT do not have to represent a claim on the issuer.

[3] Regulation 2, EMRs.

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6	Are there any exemptions to the legal and regulatory framework in your jurisdiction?	The following Payment Tokens are exempt from obtaining the relevant CBUAE licenses and/or approvals: 1 Payment Tokens used for certain reward schemes such as loyalty programs offered by supermarkets. 2 Payment Tokens used for certain bonus schemes such as airline miles and customer loyalty schemes where the Payment Token is not redeemable for cash. 3 Payment Tokens that can only be used as a means of payment for non-financial goods or services provided by the Payment Token Issuer. 4 CBUAE reserves the discretion to exempt Payment Token Issuers from licensing and other requirements subject to certain conditions.	The AML regime does not apply to services that are not provided by way of business. There is not yet a dedicated stablecoin regime to which exemptions could apply. The FCA had proposed an exemption for stablecoins that were used purely for settling trades and it may be that this is retained.	In general, all stablecoins fall into the scope of MiCAR; the same applies to crypto-asset services in respect of stablecoins. Accordingly, MiCAR defines (without restrictions) an 'offer to the public' as a communication to persons in any form, and by any means, presenting sufficient information to enable prospective holders to decide whether to purchase crypto-assets. An exemption applies with regard to ART, if (a) over a period of 12 months the average outstanding value of the ART never exceeds EUR 5m and the issuer is not linked to a network of other exempt issuers; or (b) the offer is addressed solely to qualified investors and the ART can only be held by such qualified investors; however, except for the authorisation (see below) the issuer still needs to produce a white paper and comply with the other requirements applicable to ART. An exemption also applies with regard to EMT, if (a) the average outstanding e-money does not exceed EUR 5m within one year; or (b) the usage of the EMT meets the criteria of (i) a limited network exception of service providers or for a limited range of goods or services, or (ii) a telecommunication, digital or IT network; however, the issuer also still needs to produce a white paper. Else, exemptions apply to other crypto-assets, e.g. that are unique and not fungible with other crypto-assets, qualify as financial instruments, deposits or securitisation positions, are offered on a limited scale or are offered for free.

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7	What are the regulated stablecoin activities in your jurisdiction?	The UAE Stablecoin Regulation mandates entities that wish to carry out the following services by way of business, to apply for a CBUAE license (**Payment Token Services**): 1 **Payment Token Issuing**: The first sale or transfer of a Payment Token. It is prudent to note that a licensed Payment Token Issuer may only issue Dirham Payment Tokens to UAE residents. 2 **Payment Token Custody and Transfer**: To safeguard (and/or administer) or receive, hold and transfer Payment Tokens on behalf of customers. 3 Payment **Token Conversion**: To sell or buy (or to enable the selling and buying of) Payment Tokens in return for any form of remuneration by spot conversion as principal or agent. The Draft SCA Regulation intends to regulate *the offering, issuance, promotion and registration of the security token and commodity token contracts* in the UAE. A security token and commodity token contract is defined to mean a contract recorded on a distributed ledger and a contract that may be exercised, traded and transferred to others only through the distributed ledger.	The AML regime applies to cryptoasset exchange services. This includes: 1 Exchanging, or arranging or making arrangements with a view to the exchange of, cryptoassets for money or money for cryptoassets. 2 Exchanging, or arranging or making arrangements with a view to the exchange of, one cryptoasset for another. 3 Operating a machine which utilises automated processes to exchange cryptoassets for money or money for cryptoassets. Issuing stablecoins in exchange for fiat money falls within scope. The AML regime also applies to the provision of custodian wallets. This includes services to safeguard, or to safeguard and administer cryptoassets on behalf of its customers, or private cryptographic keys on behalf of its customers in order to hold, store and transfer cryptoassets, when providing such services. There is currently no dedicated stablecoin regulatory regime. However, the FCA's proposed regime would regulate the issuance and custody of stablecoins. If a stablecoin is deemed to be e-money, the issuance of e-money does require authorisation from the FCA as an e-money institution. The transfer of funds is also regulated under the PSRs.	The offering to the public and (the admission to) trading of ART and EMT within the EU (see above). Other services and activities related to crypto-assets which can encompass stablecoins (ART and EMT) include the following (**Crypto-Asset Services**): 1 Providing custody and administration of crypto-assets on behalf of clients. 2 Operation of a trading platform for crypto-assets. 3 Exchange of crypto-assets for funds. 4 Exchange of crypto-assets for other crypto-assets. 5 Execution of orders for crypto-assets on behalf of clients. 6 Placing of crypto-assets. 7 Reception and transmission of orders for crypto-assets on behalf of clients. 8 Providing advice on crypto-assets. 9 Providing portfolio management on crypto-assets. 10 Providing transfer services for crypto-assets on behalf of clients.
8	Do entities require a license to conduct	Yes, an entity looking to provide Payment Token Services (as highlighted above) must	Technically not. There is currently no dedicated licensing or regulatory regime for stablecoins.	Yes, issuers who intend to offer to the public or seek the admission to trading of stablecoins (ART and EMT) need to submit an application

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	stablecoin activity in your jurisdiction?	apply for one or more of the following license categories: 1 **Dirham Payment Token Issuer.** 2 **Payment Token Custodian and** Transferor**.** 3 Payment **Token Conversion.** Furthermore, an entity outside of the UAE looking to offer Payment Token Services in relation to Foreign Payment Tokens must apply for certain registrations and/or approvals from CBUAE, subject to the specific Payment Token Service in question. SCA is yet to develop a licensing regime for stablecoins referencing commodities.	However, entities are required to be "registered" with the FCA for the purposes of AML supervision. In practice, the FCA treats this AML registration as equivalent to a licensing regime. Entities are not permitted to conduct stablecoin activities in the UK unless they have been approved for registration by the FCA. The registration process involves an in-depth review of the business, systems, and controls of the entity, equivalent to the regulatory licensing process. The FCA's proposed regulatory regime for stablecoins would require entities to obtain a license for the issuance or custody of stablecoins.	for authorisation (subject to certain exemptions, this applies in general to crypto-assets; see also above). In addition, a white paper (prospectus) is required for the respective stablecoin. Please note that an EMT which references to an official currency of a EU Member State is deemed to be offered to the public in the EU, therefore being subject to application of MiCAR. Furthermore, crypto-asset service providers must submit an application for authorisation in order to provide crypto-asset services.
9	Are there any restrictions on promoting stablecoin services in your jurisdiction?	To validly promote Payment Token Services, an entity must be either: a. duly licensed and/or registered by CBUAE to provide the Payment Token Service that it is promoting; or b. appointed to promote the Payment Token Service on behalf of a duly licensed and/or registered Payment Token Service provider. If neither of the above preconditions apply, the entity is not allowed to partake in any promotion of the Payment Token Services.	Yes. Cryptoassets including stablecoins are in scope of the financial promotions regulatory regime.[4] A person must not, in the course of business, communicate an invitation or inducement to engage in investment activity in relation to cryptoassets. This includes promoting activities relating to stablecoins.[5] A financial promotion can take many forms, including adverts placed in print, broadcast or online media, marketing brochures, emails, websites, apps or social media posts. The financial promotion restriction does not apply if: a. the promotion is communicated by certain authorised financial services providers;	Issuers have to meet comprehensive requirements for an authorisation such as robust governance, including a clear organisational structure. Upon written consent of the issuer, other persons may offer to the public or seek the admission to trading of ART and EMT if these persons comply with the prohibition of granting interest and relevant requirements on marketing communications. Also, crypto-asset service providers have to meet comprehensive requirements for their authorisation.

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[4] Section 21 FSMA. See also FCA Finalised Guidance FG23/3 and FCA Policy Statement PS23/6 on financial promotion rules for cryptoassets.
[5] FCA Finalised Guidance FG23/3, para 2.16.

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			b. the content of the promotion is approved by such an authorised person; or c. an exemption applies (e.g. promotions made only to sophisticated investors).	

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