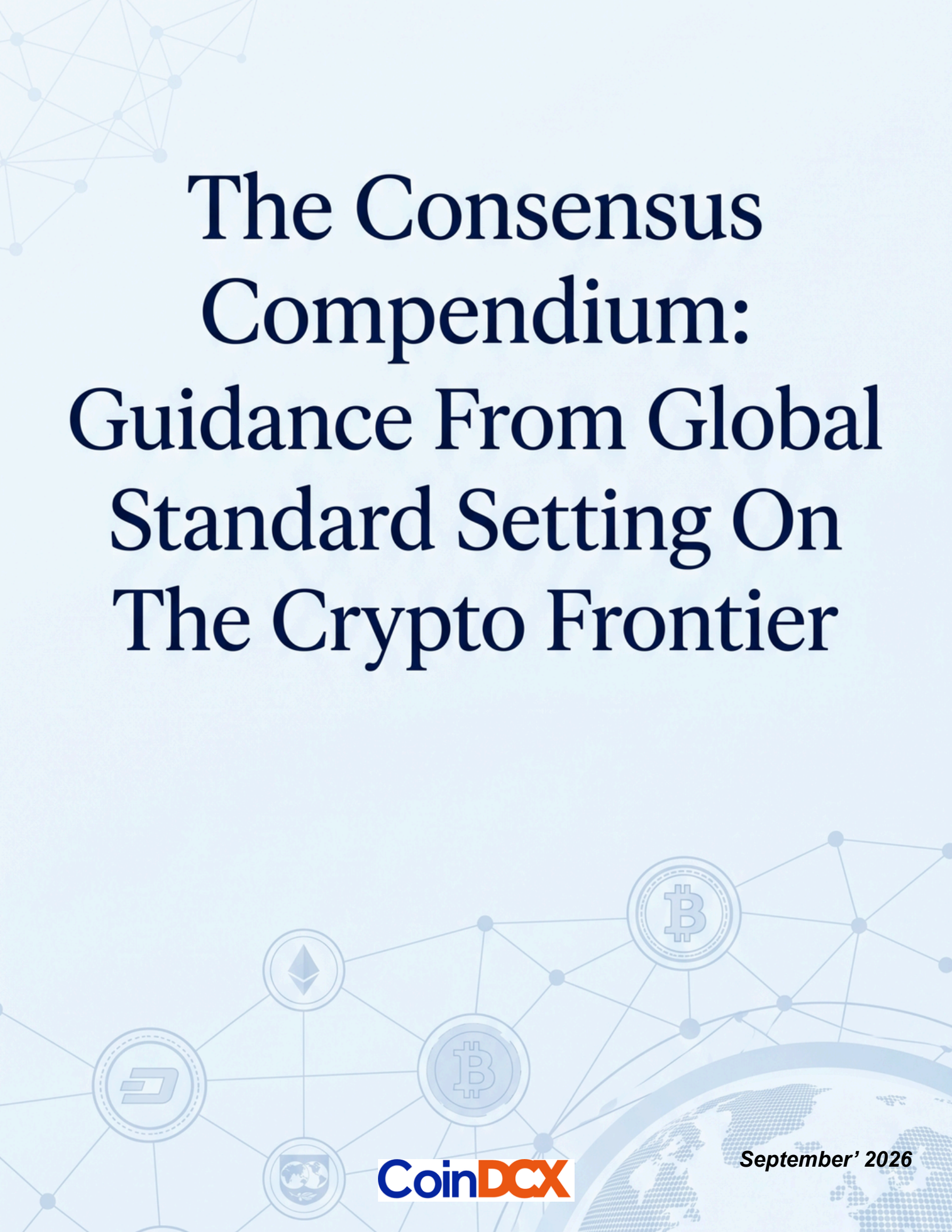




The Consensus Compendium: Guidance From Global Standard Setting On The Crypto Frontier

Table of Contents



Preface

Executive Summary

1 Introduction

2 Bank for International Settlements

3 International Monetary Fund

4 Financial Stability Board

5 International Organization of Securities Commissions

6 Organisation for Economic Co-operation and Development

7 World Trade Organisation

8 Financial Action Task Force

9 World Economic Forum

10 Commonwealth Secretariat

11 G20

12 Conclusion

13 Way Forward

14 The Global Digital Asset Policy Consensus (2025–2026)

15 Bibliography

The Consensus Compendium: Guidance From Global Standard Setting On The Crypto Frontier

Preface



The evolution of digital assets spanning crypto, stablecoins, decentralized finance (DeFi), and tokenization has transitioned from a fringe technological experiment into a globally interconnected layer of financial infrastructure. In this shifting era, the rapid pace of innovation has frequently outpaced the development of harmonized regulatory frameworks. As these technologies increasingly intersect with traditional capital markets, cross-border payments, and monetary systems, global standard-setting bodies (SSBs) have emerged as the critical architects of the future financial order, moving urgently from observation to active policy prescription.

This report builds on our broader trajectory of demystifying the digital asset landscape. This edition serves as a direct continuation of our inaugural Standard Setting Bodies Compendium published last year. By updating that foundational work with the latest policy developments, we ensure our stakeholders remain at the forefront of this fast-moving global dialogue. Developed by CoinDCX, this edition seeks to further strengthen the interface between global policy design, domestic legislative action, and industry compliance. It reflects our continued commitment to producing rigorous, accessible, and policy-relevant scholarship, particularly highlighting the strategic imperatives for emerging economies like India in the wake of its G20 Presidency.

With the crypto ecosystem maturing and integrating with the real economy, the importance of tracking global policy consensus will only grow. I would like to express my sincere appreciation to Sanhita Chauriha from the Policy Team for her meticulous contribution to this report. It is my hope that this compendium contributes to a more informed, nuanced, and globally aware discourse on crypto regulation, one that recognizes the central role of standard-setting bodies in bridging the gap between innovation and global financial stability.

Sumit Gupta

(Founder, CoinDCX)

Executive Summary

The rapid evolution of digital assets; including crypto, stablecoins, decentralised finance (DeFi), and tokenisation has transformed what was once a peripheral technological experiment into an increasingly consequential layer of global financial infrastructure. Yet, this expansion has outpaced the development of coherent and harmonised regulatory frameworks, necessitating a coordinated global policy response anchored in the work of international standard-setting bodies (SSBs).

Across institutions such as the IMF, BIS, FSB, and FATF, a clear policy consensus is emerging. Digital assets are no longer treated as novel anomalies but are instead assessed through the lens of functional equivalence where similar economic activities attract similar regulatory treatment. Stablecoins are increasingly conceptualised as money-like instruments with implications for monetary sovereignty and financial stability; DeFi is understood as re-intermediated finance with hidden centralisation; and tokenisation, while still limited in scale, is recognised as structurally transformative for capital markets.

Empirical evidence tempers the narrative of technological disruption. Adoption remains uneven, with most activity concentrated within crypto-native ecosystems rather than the real economy. At the same time, risks are already materialising. Stablecoins exhibit vulnerabilities akin to narrow banking systems, including run risk and reserve fragility. Macroeconomic analysis further suggests that increased stablecoin adoption may amplify economic volatility, weaken monetary policy transmission, and introduce currency substitution dynamics that erode central bank control.

Cross-border implications are equally significant. Stablecoins, particularly those denominated in dominant currencies, are emerging as alternative channels for global liquidity and foreign exchange access. Evidence indicates that such flows can generate measurable spillovers into traditional FX markets, including currency depreciation pressures and funding distortions, highlighting the growing integration between crypto and conventional financial systems.

In response, the global regulatory approach has shifted decisively toward integration rather than prohibition. The emphasis is on prudential regulation, especially reserve backing, governance standards, and risk-based supervision; combined with enhanced international coordination to mitigate regulatory arbitrage. The principle of “same activity, same risk, same regulation” now anchors the emerging consensus.

The trajectory of digital asset regulation reflects a broader transformation in global financial governance. The objective is not to suppress innovation but to embed it within a framework that preserves financial stability, protects market integrity, and ensures that the efficiencies of programmable finance are realised without undermining macroeconomic control.

1. **Introduction**

The contemporary debate on digital assets is where they fit within the architecture of the financial system. Across the literature, a clear functional disaggregation emerges. Stablecoins are increasingly understood as money-like instruments, raising questions of monetary sovereignty, reserve backing, and systemic risk (IMF, BIS, FSB). DeFi, in turn, represents a shift toward protocol-based financial intermediation, where traditional functions i.e., trading, lending, settlement are replicated through smart contracts rather than institutions (WEF, FATF). Tokenization extends this trajectory into capital markets, promising efficiency gains but constrained by infrastructure gaps, legal uncertainty, and lack of scale (OECD).

At the same time, these innovations are not unfolding in isolation. They intersect with long-standing inefficiencies in cross-border payments and trade finance, where stablecoins and digital rails offer incremental improvements but fall short of replacing institutional credit intermediation (WTO, BIS). They also interact with broader geopolitical dynamics, as digital currencies, particularly dollar-linked stablecoins, become vectors of currency influence and financial statecraft (WEF).

Yet, the empirical record tempers technological optimism. Across reports, a consistent finding is the gap between theoretical potential and realised adoption. Tokenised markets remain shallow; DeFi activity is concentrated and often pseudo-decentralised; stablecoin usage is still largely intra-crypto, with limited penetration into real economic transactions. Meanwhile, risks ranging from runs and liquidity mismatches to illicit finance and regulatory arbitrage are already materialising. This divergence between promise and practice has shaped the emerging policy consensus. Rather than treating digital assets as entirely novel, regulators increasingly view them through the lens of functional equivalence:

- Stablecoins as akin to narrow banking or e-money
- DeFi as re-intermediated finance with hidden control points
- Tokenisation is currently incremental in adoption but architecturally transformative in design

From this perspective, the central policy challenge is - integration of how to embed these technologies within existing frameworks of financial stability, market integrity, and monetary control without foreclosing innovation. The efforts of these institutions focus on key areas such as monetary stability risks, implications of cross-border crypto flows, Central Bank Digital Currencies (CBDCs), Decentralised Finance (DeFi), stablecoins, and the broader future of financial institutions and infrastructure See Table 1.

Table 1:

SSB	Priorities and role vis-a-vis the crypto asset ecosystem
IMF	The IMF functions to ensure global monetary cooperation and sustainable economic growth. IMF's work on the crypto asset ecosystem aims to build consensus around the monetary risks posed by crypto assets. It collaborates with international organisations, SSBs, and national authorities to develop policy responses and establish global standards and best practices for regulating and supervising digital financial activities.

BIS	The BIS acts as a central bank for central banks, fostering international monetary and financial cooperation. It provides a platform for central banks to collaborate on policies that promote financial stability and economic growth.
FATF	The FATF is an intergovernmental organisation focused on combating money laundering and terrorist financing. FATF examines issues related to the regulation of virtual assets and virtual asset service providers (VASPs), aiming to mitigate the risks associated with money laundering, terrorist financing, and other illicit activities facilitated by these markets. It has issued recommendations to regulating VASPs covering areas such as customer due diligence, record-keeping, and transaction monitoring
OECD	OECD is an international organisation that facilitates cooperation among its thirty-eight member countries to promote economic growth, prosperity, and sustainable development. OECD focuses on digital identity, cybersecurity, and data privacy in the context of digital assets and financing. Through its research, it is exploring the potential for digital technologies, including blockchain and distributed ledger technology (DLT), to enhance efficiency and transparency in financial markets.
IOSCO	IOSCO is a policy forum for securities market regulators. It works towards promoting high standards of regulation in the securities markets to protect investors and ensure market integrity.
FSB	FSB monitors developments in the digital financial landscape and assesses the risks they pose to the stability of the global financial system. It has been working actively with other SSBs to develop appropriate policy responses to the increasing adoption of crypto assets.

Positions taken by SSBs are crucial pillars for architecting a global policy response towards the crypto asset ecosystem, given their jurisdiction-agnostic nature. Developing economies with high crypto adoption levels like India must ensure alignment with global minimum regulatory standards to mitigate financial stability risks and protect investors. The Indian G20 Presidency Note highlights the need to address data gaps, develop capacity, ensure outreach to non-G20 countries and create frameworks for identifying risks and vulnerabilities for all countries. It suggested a roadmap on how various SSBs can work together to develop and articulate a coherent position for G20 Finance Ministers and Central Bank Governors to consider (see Table 2).

Table 2:

Coordinating IOs	FSB	IMF	FATF
Broad domain	Financial stability risks	Macro financial vulnerabilities	Anti Money Laundering (AML) / Counter Financing of Terrorism (CFT) standards


coordination

Specialised IOs	OECD	BIS – Basel Committee Banking Supervision	IOSCO – Committee on Payments and Market Infrastructures (BIS)	IOSCO
Specialised domain	Tax Reporting standards	Prudential standards for banks	Application of principles of Financial Market Infrastructures over stablecoin arrangements	Standards for market integrity & investor protection in crypto markets

This report serves as a comprehensive repository of insights drawn from the collective efforts of SSBs¹. This report aims to throw light on the complexities of digital asset regulation and its implications for global economic governance.

In 2025-26, the IMF, BIS, FATF and OECD issued several working papers and reports on themes ranging from regulation of specific assets such as stablecoins and tokenisation to financial inclusion and cross-border crypto flows. We discuss these important publications in the next chapters.

2. Bank for International Settlements (BIS)

2.1. *“Cryptocurrencies and Decentralised Finance: Functions and Financial Stability Implications” (BIS Papers No. 156).*²

2.1.1. Background and context - The paper situates crypto as an emerging parallel financial system whose current macro-financial footprint remains modest but whose borderless, programmable, and composable architecture creates the conditions for rapid scaling and deeper integration with the real economy, particularly through stablecoins, tokenised assets, and cross-border financial flows. The analytical focus is therefore forward-looking: whether these systems, if left unchecked, could replicate the fault lines of shadow banking at scale.

2.1.2. Empirical findings and analytical insights - BIS finds that crypto and DeFi ecosystems reproduce the classic vulnerabilities of financial systems like leverage, liquidity mismatch, maturity transformation, and interconnectedness, but in forms that are often more opaque and faster-moving. Market concentration is a defining feature: a small group of insiders, core developers, validators, large token holders, and centralised exchanges exercise disproportionate influence over governance, liquidity, and price formation, challenging the narrative of decentralisation. Transparency at the ledger level does not translate into informational efficiency; instead, complexity, pseudonymity, and fragmented data create significant asymmetries, particularly disadvantaging retail participants. The system is highly procyclical: collateralised lending, margin trading, and automated liquidation mechanisms amplify price movements, leading to feedback loops that can resemble digital bank runs. Stablecoins emerge as the structural backbone of the ecosystem,

¹ The report covers policy papers/ working papers released between April 2025 and September 2026.

² Matteo Aquilina, Giulio Cornelli, Jon Frost and Leonardo Gambacorta, ‘Cryptocurrencies and decentralised finance: functions and financial stability implications’ (Bank for International Settlements, BIS Papers No 156, 15 April 2025) <https://www.bis.org/publications/paper-156-cryptocurrencies-and-decentralised-finance-functions-and-financial-stability-implications>

serving as the primary unit of account and settlement asset, yet their stability is contingent on reserve credibility and redemption confidence, making them vulnerable to run dynamics analogous to money market funds or other forms of shadow banking. While direct spillovers to the traditional financial system remain limited due to the sector's size and partial insulation, the paper highlights growing transmission channels through institutional exposure, payment linkages, and cross-border usage especially in emerging markets where crypto adoption can lead to partial substitution of domestic currency, raising risks of “cryptoisation” and erosion of monetary control.

2.1.3. Policy implications - At a foundational level, the BIS reinforces the principle of “same risk, same regulation,” arguing that crypto activities should be regulated based on their economic function rather than their technological form. This implies extending prudential, conduct, and systemic risk regulation to crypto intermediaries and DeFi arrangements, including capital and liquidity requirements, governance standards, and consumer protection norms. Stablecoins are identified as a priority area, warranting stringent, bank-like regulatory frameworks covering reserve composition, transparency, segregation of assets, and assured redemption to mitigate run risk and safeguard monetary stability. Importantly, the paper rejects the notion that decentralisation places DeFi beyond regulatory reach, emphasising that effective control points persist in the ecosystem, including developers, governance token holders, front-end interfaces, and centralised service providers, which can serve as anchors for supervision and enforcement. Beyond traditional tools, the BIS points towards a shift in regulatory technique, including the possibility of embedding compliance directly into protocols (“regulation by code” or embedded supervision), thereby aligning technological design with regulatory objectives. The paper also underscores the need to close data gaps through enhanced reporting, on-chain analytics, and international coordination, given the inherently cross-border nature of crypto markets. At a systemic level, it highlights the importance of macroprudential oversight to monitor leverage, interconnectedness, and procyclicality within the ecosystem. Finally, it positions central bank money particularly in the form of CBDCs as a critical public anchor for the future financial system, capable of delivering the benefits of digital innovation while preserving trust and stability.

2.1.4. Key challenges identified - The paper identifies that DeFi replicates traditional financial risks but in more acute and less governed forms. A primary challenge is information asymmetry, where despite on-chain transparency, complexity and pseudonymity prevent effective price discovery and investor protection. Closely linked is market inefficiency, driven by concentration of power among developers, large token holders, and platforms, contradicting the premise of decentralisation. The paper also flags cryptoisation risks in emerging markets, where adoption of crypto-assets may undermine monetary sovereignty and capital controls. Finally, the pseudonymous and borderless nature of DeFi creates challenges for AML/CFT enforcement, taxation, and regulatory oversight, while the absence of institutional shock absorbers (like central banks or lenders of last resort) increases systemic fragility.

2.1.5. Conclusion - BIS concludes that while DeFi is not yet systemically significant, its underlying vulnerabilities mirror those of traditional finance and could become destabilising at scale. The core takeaway is that DeFi does not eliminate risk, it redistributes and often amplifies it. As a result, existing regulatory principles remain valid, particularly the doctrine of “same risk, same regulation.” The paper emphasises that decentralisation is, in practice, limited, and identifiable governance structures provide clear regulatory entry points. The conclusion is cautiously forward-looking: with appropriate regulation, DeFi’s technological innovations could be harnessed, but without it, the ecosystem risks replicating the excesses of shadow banking in a faster, more opaque form.

2.2. “The Impact of Stablecoins on the International Monetary and Financial System” (BIS Papers No. 170).³

2.2.1. Background and context - The paper situates stablecoins within the broader evolution of the global monetary order, where the dominance of the US dollar has historically been sustained by deep financial markets, institutional credibility, and network effects. Against this backdrop, the rise of stablecoins privately issued digital tokens pegged largely to sovereign currencies introduces a new technological layer to currency competition and cross-border finance. It frames stablecoins not merely as payment innovations but as new channels for accessing foreign currency claims, particularly dollars, outside traditional banking systems. This raises the central question of whether stablecoins will reinforce existing monetary structures or reshape them, especially in emerging markets and developing economies (EMDEs), where institutional and macroeconomic conditions differ significantly.

2.2.2. Empirical findings and analytical insights - BIS finds that stablecoins are most likely to affect the private-sector functions of money store of value and medium of exchange rather than the official roles of currencies, such as reserves or policy anchors. A striking feature is that roughly 98% of stablecoin value is denominated in US dollars, implying that their expansion is more likely to reinforce dollar dominance than challenge it. The paper develops three forward-looking scenarios: in a “niche adoption” scenario, stablecoins remain largely contained within crypto ecosystems with limited macro impact; in a “digital dollarisation” scenario, they enable rapid and large-scale currency substitution, undermining domestic monetary systems; and in a “domestic integration” scenario, countries harness stablecoins within regulated frameworks to improve efficiency while retaining policy control. Overall, the findings suggest that the macro-financial consequences of stablecoins depend less on their current scale and more on adoption trajectories, user motivations, and regulatory responses.

2.2.3. Policy implications - are fundamentally about monetary sovereignty, financial stability, and international coordination. The paper highlights that domestic stablecoin ecosystems could be viable only with strong regulatory capacity, including

³ Inaki Aldasoro, Jon Frost and Hiro Ito, ‘The impact of stablecoins on the international monetary and financial system’ (Bank for International Settlements, BIS Papers No 170, 5 May 2026) <https://www.bis.org/publications/paper-170-impact-stablecoins-international-monetary-and-financial-system>

oversight of issuers, reserve management, and cross-border flows. More broadly, it calls for enhanced international policy coordination, given the borderless nature of stablecoins and their potential to transmit shocks across jurisdictions. The analysis also implicitly strengthens the case for public alternatives such as central bank digital currencies (CBDCs) as a way to preserve the role of sovereign money in a digital environment. The overarching message is conditional and forward-looking: stablecoins are unlikely to overturn the international monetary system in the near term, but under certain adoption paths, they could significantly reshape currency competition, particularly by lowering the barriers to currency substitution and amplifying cross-border financial linkages.

2.2.4. Key challenges identified - The central challenge identified is the risk of digital dollarisation (or cryptoisation), particularly in emerging markets and developing economies, where stablecoins can substitute domestic currencies due to lower transaction costs and easier access to foreign currency. This threatens monetary sovereignty, weakening the effectiveness of monetary policy, exchange rate management, and capital controls. Another key challenge is the reinforcement of global currency hierarchies, as the overwhelming dominance of US dollar-denominated stablecoins risks entrenching dollar dependence rather than diversifying it. Stablecoins also introduce financial stability risks, particularly through reserve management vulnerabilities, redemption pressures, and potential run dynamics similar to money market funds. Their cross-border and pseudonymous nature complicates regulatory oversight, capital flow monitoring, and AML/CFT enforcement. Finally, there is a structural challenge around fragmentation and lack of interoperability, which may limit efficiency gains while still generating systemic risks.

2.2.5. Conclusion - The paper concludes that the impact of stablecoins is conditional on adoption trajectories and policy responses, making early regulatory intervention critical. It highlights the need for robust domestic regulation of stablecoin issuers, strong macro-financial frameworks, and enhanced international coordination to manage cross-border risks. Importantly, the BIS positions central bank money, especially CBDCs as the preferred public alternative, capable of delivering efficiency gains while preserving monetary sovereignty and financial stability.

2.3. BIS Bulletin 125 - “Stablecoin Remuneration on Centralised Exchanges”⁴

2.3.1. Background and context - The bulletin examines an underexplored but increasingly important feature of stablecoins: their remuneration (yield) when held on centralised exchanges (CEXs). Traditionally, stablecoins were conceived as non-interest-bearing instruments designed primarily for payments, settlement, and liquidity within crypto markets. However, in practice, most jurisdictions restrict stablecoin issuers from directly paying interest, leading to a structural shift where centralised exchanges act as the primary providers of yield to users. This transforms exchanges from passive custodians into active financial intermediaries, effectively

⁴ Wenqian Huang, Nikola Tarashev and Xinyi Wang, ‘Stablecoin remuneration on centralised exchanges’ (Bank for International Settlements, BIS Bulletin No 125, 19 June 2026) <https://www.bis.org/publications/bulletin-125-stablecoin-remuneration-centralised-exchanges>

positioning them as quasi-banks or money market conduits within the crypto ecosystem.

- 2.3.2. Empirical findings and analytical insights** - Using a novel dataset on stablecoin yields (2023–2025), BIS identifies two dominant remuneration models adopted by centralised exchanges. First, the reserve-based model passes through returns generated from the underlying reserve assets backing the stablecoin. These yields tend to track policy rates closely, behaving similarly to cash-management instruments or money market funds. Second, the activity-based model derives yields from exchanges’ own activities such as lending, margin trading, and arbitrage and therefore produces higher but significantly more volatile returns. A key empirical insight is that remuneration shapes user behaviour and use cases. Non-remunerated or low-risk stablecoins are more likely to be used for payments and liquidity management, whereas high-yield stablecoins attract users seeking returns, potentially increasing leverage and speculative activity.
- 2.3.3. Policy implications** - BIS highlights that stablecoin remuneration fundamentally alters their macro-financial role, raising questions about their regulatory treatment. If stablecoins begin to function as deposit-like instruments, particularly under reserve-based remuneration, they may compete with bank deposits and money market funds, requiring comparable regulatory safeguards. Conversely, activity-based remuneration transforms them into risk-bearing instruments, raising concerns about investor protection, leverage, and systemic exposure.
- 2.3.4. Key challenges identified** - A central challenge is the transformation of stablecoins into hybrid instruments, blurring the line between money, savings products, and risky investments depending on how they are remunerated. This creates regulatory ambiguity and complicates classification within existing frameworks. Another challenge lies in the migration of risk from issuers to exchanges, which may operate with weaker oversight while engaging in lending, leverage, and proprietary trading using customer funds.
- 2.3.5. Conclusion** - BIS concludes that how stablecoins are remunerated is not a technical detail but a defining feature of their role in the financial system. Remuneration determines whether stablecoins function as payment tools, savings instruments, or speculative assets and, by extension, how they affect financial stability and monetary transmission.

2.4. “Blockchain Consensus Mechanisms and Fragmentation” (BIS Bulletin No. 126).⁵

- 2.4.1. Background and context** - the bulletin examines the economic design of public permissionless blockchains, focusing on how consensus mechanisms such as proof-of-work and proof-of-stake sustain trust in the absence of central intermediaries. These systems rely on token-based incentives to coordinate validators, ensuring transaction verification and ledger integrity without a central authority. However, the design of consensus mechanisms inherently involves

⁵ Daniel Eidan, Jon Frost, Rudraksh Kansal, Ulf Lewrick, Sang Hyuk Lim and Tomasz Rybarczyk, ‘Blockchain consensus mechanisms and fragmentation’ (Bank for International Settlements, BIS Bulletin No 126, 6 July 2026)
<https://www.bis.org/publications/bulletin-126-blockchain-consensus-mechanisms-and-fragmentation>

trade-offs between decentralisation, security, and scalability, often referred to as the “blockchain trilemma.”

- 2.4.2. Empirical findings and analytical insights** - BIS finds that differences in consensus design create distinct economic equilibria, as validator rewards, participation rules, and coordination mechanisms vary across networks. Because no blockchain can simultaneously maximize decentralisation, security, and scalability, networks specialise along different dimensions, some prioritising security and decentralisation at the cost of throughput, while others prioritise speed and efficiency at the cost of centralisation. This leads to the proliferation of multiple layer 1 chains, alongside layer 2 solutions that attempt to scale transaction capacity. A deeper analytical insight is that fragmentation is not accidental but endogenous to decentralised consensus, as incentive structures (validator rewards, congestion fees, and participation costs) inherently limit scalability and drive users toward alternative chains, reinforcing fragmentation dynamics over time.
- 2.4.3. Policy implications** - The bulletin implies that as blockchains increasingly perform functions similar to financial market infrastructures (FMIs) such as settlement, clearing, and asset transfer, regulatory attention must shift toward the underlying infrastructure layer, not just applications. Fragmentation raises concerns around operational resilience, systemic interconnections, and governance, particularly where shared infrastructure such as bridges, data availability layers, or cross-chain messaging systems becomes critical to the functioning of the ecosystem. These components may require FMI-like oversight, including standards for reliability, security, and risk management.
- 2.4.4. Key challenges identified** - One primary challenge is the structural fragmentation of the blockchain ecosystem, which undermines the network effects that are essential for money and financial systems. Instead of a unified ledger, multiple competing systems coexist, splitting liquidity and reducing efficiency. Another challenge is the irreducible trade-off between decentralisation, security, and scalability, meaning that no design can fully eliminate risks, only redistribute them. The bulletin also highlights interoperability challenges, as different blockchains lack common standards for accounts, identity, and settlement, making cross-chain transactions costly and complex. Finally, there is a systemic challenge around operational and cyber risk concentration, as critical shared infrastructure becomes a potential single point of failure in an otherwise decentralised system.
- 2.4.5. Conclusion** - BIS concludes that fragmentation is an inherent feature not a flaw of permissionless blockchain systems, arising directly from the economic and technical trade-offs embedded in consensus mechanisms. The key takeaway is that decentralised consensus does not eliminate coordination problems, it relocates them, often in more complex forms.

2.5. Enhancing Cross-Border Payments: State of Play and Way Forward (BIS Bulletin No. 119).⁶

⁶ Thomas Lammer, Daniel Rees, Tara Rice and Takeshi Shirakami, ‘Enhancing cross-border payments: state of play and way forward’ (Bank for International Settlements, BIS Bulletin No 119, 11 December 2025) <https://www.bis.org/publications/bulletin-119-enhancing-cross-border-payments-state-play-and-way-forward>

- 2.5.1. Background and context** - The bulletin is anchored in the G20 Roadmap for enhancing cross-border payments, a coordinated global initiative launched to address long-standing inefficiencies in international payments namely high costs, slow speed, limited access, and lack of transparency. It situates cross-border payments within the traditional correspondent banking architecture, which relies on multi-layered intermediation across jurisdictions, often leading to frictions and fragmentation.
- 2.5.2. Empirical findings and analytical insights** - BIS finds that substantial progress has been made at the policy and infrastructure level, including harmonisation efforts, expanded access to payment systems, longer operating hours, and the growing adoption of common messaging standards such as ISO 20022. These reforms are laying the groundwork for a more efficient and inclusive global payments ecosystem. The bulletin also finds that achieving the G20's 2027 targets is unlikely under current trajectories, reflecting implementation gaps rather than lack of policy design. Structural frictions persist due to differences in legal frameworks, regulatory requirements (especially AML/CFT), and market practices across jurisdictions. A deeper insight is that cross-border payments are inherently coordination-intensive, requiring alignment across multiple actors banks, payment service providers, central banks, and regulators making progress incremental and path-dependent rather than disruptive.
- 2.5.3. Policy implications** - BIS emphasises that the next phase of reform must shift from policy design to implementation, with a focus on delivering tangible improvements for users. This requires timely, consistent, and globally coordinated execution of the G20 Roadmap priorities, including beyond G20 jurisdictions. A central implication is the need for stronger public-private collaboration, as private sector entities operate much of the payments infrastructure while public authorities set standards and provide oversight. More broadly, the paper suggests that no single solution (e.g., blockchain or CBDCs) will solve cross-border payment frictions on its own. Instead, a combination of incremental improvements to existing systems and selective adoption of new technologies will be required.
- 2.5.4. Key challenges identified** - The primary challenge is implementation lag while most policy frameworks are in place, translating which into operational improvements remains slow and uneven across jurisdictions. Another major challenge is fragmentation across legal, regulatory, and technical systems, including differences in AML/CFT requirements, data standards, and settlement rules, which create persistent frictions in cross-border transactions.
- 2.5.5. Conclusion** - BIS concludes that while the G20 Roadmap has created strong global momentum and a solid policy foundation, the reform process is still in a transitional phase, with implementation now the binding constraint.

3. International Monetary Fund

3.1. “Making Stablecoins Stable” (IMF Working Paper, 2026).⁷

- 3.1.1. Background and context** - The paper situates stablecoins within the evolution of private digital money, highlighting their potential to improve payment efficiency, expand financial inclusion, and enable innovation in programmable finance. At the same time, it emphasises that stablecoins share core characteristics of money i.e., particularly their role in payments and their expectation of par value, which inherently makes them vulnerable to runs, similar to bank deposits.
- 3.1.2. Empirical findings and analytical insights** - The central finding is that an unregulated private equilibrium is inherently inefficient and unstable. Stablecoin issuers, driven by profit maximisation, have incentives to invest reserves in risky, illiquid assets, increasing the probability of insolvency and run dynamics. The model demonstrates that even when users value stablecoins for payments, issuers do not internalise the system-wide welfare costs of run risk, leading to overexposure to risk and under-provision of socially optimal stability. A key analytical insight is the trade-off between safety and supply. Requiring stablecoins to be backed entirely by safe assets (e.g., central bank reserves) reduces run risk but also lowers returns, which may discourage issuance and limit innovation and product diversity. The paper further shows that optimal outcomes require dual conditions:
- Access to safe, liquid backing assets
 - Availability of alternative revenue sources (e.g., remuneration of reserves or monetisation of payment services/data)
- 3.1.3. Policy implications** - The IMF advances a two-instrument policy framework. First, regulators should require high-quality, safe asset backing potentially including central bank reserves to ensure price stability and eliminate run risk. Second, they must ensure that issuers retain viable revenue models, either through interest on reserves or alternative income streams, so that stablecoin supply remains economically sustainable. This implies a shift toward “narrow bank”-like structures for stablecoin issuers, where liabilities are fully backed by safe, liquid assets, aligning stablecoins more closely with public money.
- 3.1.4. Key challenges identified** - The primary challenge is the inherent run risk of stablecoins, arising from their promise of stable value combined with privately managed reserve assets. This risk is amplified by issuers’ incentives to seek higher returns through riskier investments, given limited liability. A second challenge is the trade-off between stability and innovation: stricter reserve requirements improve safety but reduce profitability and may constrain market development. The paper also highlights a misalignment of incentives, where issuers do not internalise the broader welfare costs of instability, leading to socially suboptimal outcomes. Another structural challenge is achieving the “singleness of money”, as stablecoins with varying risk profiles may trade at discounts, undermining their usability as reliable payment instruments. Finally, there are broader macro-financial risks, including contagion to financial institutions, currency substitution, and cross-border spillovers, particularly if stablecoins scale without robust backing frameworks.

⁷ Bo Li, Tommaso Mancini-Griffoli, Marcello Miccoli, Brandon Joel Tan and Longmei Zhang, ‘Making Stablecoins Stable’ (International Monetary Fund, IMF Working Paper No 2026/074, 10 April 2026) <https://www.imf.org/en/publications/wp/issues/2026/04/10/making-stablecoins-stable-575348>

3.1.5. Conclusion - The IMF argues that stablecoins cannot be made stable through market forces alone; unregulated issuance leads to excessive risk-taking and persistent run vulnerabilities. The key takeaway is that achieving stablecoins that function as reliable money requires joint policy design: safe asset backing to ensure stability, combined with mechanisms that preserve issuer incentives. When these conditions are met, stablecoins can achieve both price stability and adequate supply, aligning private incentives with social welfare. The overarching conclusion is conceptual and forward-looking: stablecoins represent a new form of private money, and like historical forms of money, they require careful institutional design and regulation to balance innovation with financial stability.

3.2. Stablecoins and Macroeconomic Stability: A DSGE Investigation” (IMF Working Paper, 2026)⁸

3.2.1. Background and context - The paper addresses a core unresolved question in digital finance: what happens to macroeconomic stability when stablecoins coexist with fiat money as parallel means of payment. It situates the analysis within the broader regulatory and academic debate on crypto-assets, where most discussions remain descriptive or partial equilibrium. The contribution here is methodological; it develops a monetarist DSGE (dynamic stochastic general equilibrium) model integrating stablecoins into a standard macroeconomic framework. The model assumes a dual-economy structure: a traditional “real economy” where fiat money is used for consumption and investment, and a “virtual economy” where transactions are conducted exclusively using stablecoins. The paper therefore frames stablecoins not merely as financial assets but as competing currencies, introducing dynamics of currency substitution and competition within a unified macroeconomic setting.

3.2.2. Empirical findings and analytical insights - within the model, greater stablecoin adoption amplifies macroeconomic volatility rather than dampens it. As their adoption increases, they strengthen the transmission of shocks such as monetary or preference shocks across the economy. A key mechanism driving this result is the weakening of monetary policy effectiveness. As agents shift between fiat money and stablecoins, central bank control over liquidity conditions diminishes, reducing the effectiveness of traditional policy tools like interest rate adjustments. It highlights a strong currency substitution effect, where economic agents switch between fiat money and stablecoins depending on relative utility, cost, and shocks. This creates currency competition within the payments system, introducing instability as shifts in preferences can reallocate liquidity across sectors. The paper finds that prudential regulation, particularly reserve backing requirements, can significantly mitigate these destabilising effects, acting similarly to liquidity regulations in banking systems.

3.2.3. Policy implications - The paper provides a strong theoretical justification for prudential regulation of stablecoins, particularly through backing ratio requirements linked to safe, fiat-denominated reserve assets. These act as macro-stabilisation tools

⁸ Hui He, Yao Zhao and Dayong Zhou, ‘Stablecoins and Macroeconomic Stability: A DSGE Investigation’ (International Monetary Fund, IMF Working Paper No 2026/129, 26 June 2026) <https://www.imf.org/en/publications/wp/issues/2026/06/23/stablecoins-and-macroeconomic-stability-a-dsge-investigation-576861>

by limiting the amplification of shocks and reducing volatility. A key implication is that stablecoins must be treated not just as financial innovations but as monetary instruments with systemic macroeconomic effects, requiring coordination between monetary policy and prudential regulation. The findings imply that unregulated stablecoin growth could erode monetary sovereignty, particularly if they become widely used for transactions, while well-designed regulation can allow innovation without destabilising macroeconomic outcomes.

3.2.4. Key challenges identified - a primary challenge is the erosion of monetary policy effectiveness, as stablecoins dilute central bank control over liquidity and weaken traditional transmission channels. Another challenge is increased macroeconomic volatility, driven by stablecoins' role in amplifying shocks and enabling rapid shifts in liquidity between sectors. The paper also highlights the structural issue of currency competition, where coexistence of fiat and stablecoins leads to instability due to switching behaviour among economic agents. A further challenge is the design of optimal regulation, particularly balancing strict reserve requirements (which enhance stability) against maintaining sufficient incentives for stablecoin issuance and innovation. Finally, the segmentation between real and virtual economies creates coordination and spillover challenges, as shocks originating in one sector can propagate unpredictably into the other.

3.2.5. Conclusion - the IMF concludes that stablecoins, in their current design, are not inherently stabilising macroeconomic instruments; instead, they tend to amplify economic fluctuations and weaken policy control. However, the paper also provides a constructive pathway: well-designed prudential regulation, especially reserve backing requirements can transform stablecoins from destabilising forces into manageable components of the monetary system.

3.3. “Stablecoin Inflows and Spillovers to FX Markets” (IMF Working Paper, 2026).⁹

3.3.1. Background and context - The paper addresses a critical gap in the policy debate: how stablecoins interact with traditional foreign exchange (FX) markets, rather than treating crypto markets as isolated systems. It starts from the observation that stablecoins overwhelmingly USD-denominated serve as a parallel channel for accessing dollar liquidity, especially outside the formal banking system. Importantly, a large share of stablecoin activity originates from non-USD currencies, meaning that most transactions inherently involve FX conversion and create a stablecoin-based FX ecosystem operating alongside traditional markets. The paper frames this as a question of market integration vs segmentation: are stablecoin FX markets fully arbitrated with traditional FX markets, or do frictions create price gaps and independent dynamics? By constructing a novel dataset across multiple stablecoins and fiat currencies, the paper positions stablecoins as an emerging component of global currency markets, with potential implications for capital flows, exchange rates, and financial stability.

⁹ Inaki Aldasoro, Paula Beltran and Federico Grinberg, 'Stablecoin Inflows and Spillovers to FX Markets' (International Monetary Fund, IMF Working Paper No 2026/056, 27 March 2026) <https://www.imf.org/en/publications/wp/issues/2026/03/27/stablecoin-inflows-and-spillovers-to-fx-markets-575046>

- 3.3.2. Empirical findings and analytical insights** - The central empirical finding is that stablecoin-based FX markets are segmented from traditional FX markets, leading to persistent parity deviations i.e., differences between the cost of acquiring dollars via stablecoins versus traditional FX routes. A key causal result is striking: a 1% increase in stablecoin inflows leads to: ~40 basis point increase in parity deviations, depreciation of the local currency, widening of dollar funding premia (CIP deviations). This establishes that stablecoin flows are not contained within crypto markets, but spill over into traditional FX markets, affecting exchange rates and funding conditions. Another important insight is the role of cross-market frictions. Counterfactual simulations show that reducing these frictions could significantly dampen spillovers cutting FX effects by roughly one-third and reducing funding distortions by about half. Finally, the paper highlights nonlinear amplification: spillovers become significantly stronger when intermediaries are under stress, as reduced capital limits their ability to absorb shocks, leading to disproportionately large FX impacts.
- 3.3.3. Policy implications** - The paper has strong implications for macro-financial surveillance and capital flow management. It establishes that stablecoins constitute a new transmission channel for cross-border capital flows, capable of influencing exchange rates and funding markets even without direct participation by traditional financial institutions. This implies that policymakers can no longer treat crypto markets as peripheral; instead, stablecoins must be integrated into FX monitoring frameworks and macroprudential policy design. A key implication is that market frictions and intermediary constraints are central to stability outcomes. Policies that improve market integration through better transparency, liquidity provision, or regulated intermediaries could reduce spillovers, but may also increase the scale of flows. More broadly, the paper suggests that stablecoins may circumvent traditional capital flow management tools, especially in emerging markets, requiring updated regulatory frameworks that account for digital channels of currency substitution and capital movement.
- 3.3.4. Key challenges identified** - A primary challenge is market segmentation, where stablecoin and traditional FX markets do not fully arbitrage, leading to persistent price distortions and inefficiencies. Another major challenge is exchange rate pressure from stablecoin inflows, as demand for stablecoins can translate into depreciation of local currencies, particularly in emerging markets. The paper also highlights distortions in dollar funding markets, reflected in widened covered interest parity (CIP) deviations, indicating stress in synthetic dollar liquidity conditions. A deeper structural challenge is limited arbitrage capacity, as intermediaries face capital and liquidity constraints, preventing efficient price correction and amplifying spillovers. Finally, there is a systemic concern around nonlinear amplification during stress, where shocks to stablecoin flows can have outsized effects when market participants are financially constrained.
- 3.3.5. Conclusion** - The IMF concludes that stablecoins have evolved into an active component of global FX markets, rather than remaining confined to crypto ecosystems. The key takeaway is that stablecoin flows generate measurable and causal spillovers to exchange rates and dollar funding conditions, mediated by

market frictions and constrained arbitrage. More broadly, the paper reframes stablecoins as a new form of cross-border capital flow channel, with direct implications for exchange rate dynamics and financial stability. Their impact is not merely a function of size, but of market structure, integration, and intermediary capacity.

3.4. “Stablecoins and Fragility in Fixed Exchange Rate Regimes” (IMF Working Paper, 2026).¹⁰

- 3.4.1. Brief Background** - The paper examines how stablecoins interact with fixed and heavily managed exchange rate regimes, where access to foreign currency is typically rationed through official channels. In such systems, parallel (or shadow) FX markets emerge, but these are often fragmented, opaque, and based on dispersed bilateral information, making it difficult to observe the true extent of exchange rate misalignment. Stablecoins fundamentally alter this structure by providing low-cost, digital access to dollar-like assets outside official allocation systems, while simultaneously generating a visible, high-frequency market price that aggregates dispersed information about dollar scarcity. The paper’s conceptual contribution lies in modelling stablecoins as both an access technology (easier dollar acquisition) and an information technology (public price discovery) within a global-games framework. This dual role introduces a new macro-financial tension: while stablecoins can improve market efficiency and access, they may also reshape coordination dynamics in FX markets, particularly under stress conditions.
- 3.4.2. Empirical findings and analytical insights** - The central finding is that stablecoins have a state-dependent impact on financial stability. When exchange rate misalignment is low, stablecoins generate positive welfare effects by improving access to foreign currency and enabling better allocation of hedging decisions. However, when misalignment is high i.e., when the fixed exchange rate is under stress, the same mechanisms become destabilising. The public price generated by stablecoin markets acts as a common signal, reducing dispersion in beliefs across agents and making expectations more aligned. This creates a powerful coordination channel: stablecoins aggregate dispersed information into a single observable price, market participants increasingly rely on this public signal, this synchronises behaviour, making coordinated runs into foreign currency more likely. Thus, stablecoins improve price discovery and market integration, but at the cost of increasing the likelihood of self-fulfilling crises.
- 3.4.3. Policy implications** - the paper advances a nuanced, state-contingent policy framework rather than a binary pro- or anti-stablecoin stance. It suggests that in normal conditions, policymakers should allow stablecoins to improve access and efficiency, particularly where traditional FX markets are fragmented or exclusionary. However, in periods of high misalignment or stress, authorities may need to implement temporary, targeted measures to manage large or destabilising flows particularly those resembling coordinated runs. This implies a shift from static

¹⁰ Brandon Joel Tan, ‘Stablecoins and Fragility in Fixed Exchange Rate Regimes’ (International Monetary Fund, IMF Working Paper No 2026/144, 10 July 2026) <https://www.imf.org/en/publications/wp/issues/2026/07/10/stablecoins-and-fragility-in-fixed-exchange-rate-regimes-577641>

regulation to dynamic macro-financial management, where the treatment of stablecoins depends on underlying macroeconomic conditions.

3.4.4. Key challenges identified- a primary challenge is the coordination externality created by stablecoin price transparency. While improving information, it also increases the risk of synchronised exit into foreign currency, particularly in fragile regimes. Another challenge is the state-dependent nature of stability effects. Stablecoins are not inherently stabilising or destabilising; their impact varies with the degree of exchange rate misalignment, complicating regulatory design. The paper also identifies a structural issue of exchange rate fragility in fixed regimes, where even moderate increases in foreign currency demand facilitated by stablecoins can strain reserves and undermine credibility. A further challenge is balancing financial inclusion vs systemic risk. Stablecoins improve access to foreign currency for households and firms excluded from official channels, but restricting them during crises may have regressive effects on access.

3.4.5. Conclusion -the IMF concludes that stablecoins fundamentally transform parallel FX markets by combining improved access with enhanced price discovery, but this dual role creates a trade-off between efficiency and stability. The key takeaway is that stablecoins are welfare-improving in normal conditions but can increase fragility in stressed exchange rate regimes, particularly by enabling coordination of runs.

3.5. “Stablecoin Shocks” (IMF Working Paper, 2026).¹¹

3.5.1. Background and context - the paper addresses a key gap in the literature: the lack of causal, high-frequency evidence on how stablecoin adoption affects traditional financial markets. While stablecoins have grown rapidly from niche settlement tools in crypto markets to instruments used in payments and financial intermediation their macro-financial impact has largely been inferred rather than measured. To overcome this, the paper constructs a novel identification strategy for “stablecoin shocks”, combining a narrative dataset of stablecoin-specific news with high-frequency changes in the market capitalisation of major stablecoins (primarily USDT and USDC). This allows the authors to isolate exogenous changes in stablecoin demand, treating them as shocks analogous to monetary or financial disturbances. Conceptually, the paper positions stablecoins as an emerging transmission channel within financial markets, linking crypto ecosystems with sovereign debt markets, exchange rates, and equity valuations.

3.5.2. Empirical findings and analytical insights - the central empirical finding is that stablecoin demand shocks have measurable and persistent effects on core financial variables, particularly in U.S. markets. First, stablecoin shocks lead to declines in short-term U.S. Treasury yields, especially at the short end of the yield curve. This reflects the fact that stablecoin issuers invest reserves heavily in short-term government securities, so increased demand for stablecoins translates into increased demand for Treasury bills. Second, the paper documents spillovers across asset

¹¹ Eugenio M Cerutti, Melih Firat, Martina Hengge and Takaaki Sagawa, ‘Stablecoin Shocks’ (International Monetary Fund, IMF Working Paper No 2026/044, 6 March 2026) <https://www.imf.org/en/publications/wp/issues/2026/03/06/stablecoin-shocks-574528>

classes, including: a modest depreciation of the U.S. dollar, driven by portfolio rebalancing as yields decline; positive but limited effects on equity markets, particularly through liquidity channels; transmission into crypto markets, reinforcing the interconnectedness of digital and traditional finance. Third, the effects are heterogeneous across sectors. Payment firms benefit from stablecoin adoption reflecting complementarities while banks, including smaller institutions, show no significant evidence of competitive displacement or disintermediation risk at current levels of adoption. A key analytical insight is that stablecoins operate as a new form of asset-demand shock, influencing financial conditions not through interest rates or policy actions, but through changes in reserve demand and portfolio allocation.

- 3.5.3. Policy implications** - the paper implies that stablecoins should be viewed as an emerging channel of monetary and financial transmission, rather than a peripheral innovation. Their impact on Treasury markets suggests that large-scale adoption could influence sovereign funding conditions, particularly at the short end of the yield curve. This introduces a new dimension for policymakers: stablecoin demand can affect liquidity conditions, exchange rates, and asset prices even without direct central bank involvement. As a result, stablecoins need to be incorporated into macro-financial surveillance frameworks, particularly in monitoring demand for safe assets and cross-market spillovers. The findings also suggest that stablecoins may complement rather than immediately disrupt traditional financial institutions, at least in the current phase, implying that regulatory responses should be calibrated rather than overly restrictive. More broadly, the paper highlights the need for integrated regulation across crypto and traditional finance, given the growing linkages between stablecoin markets and sovereign debt markets.
- 3.5.4. Key challenges identified** - a primary challenge is the emergence of stablecoins as a new, non-policy-driven driver of financial conditions, complicating traditional macroeconomic management. Another challenge is the growing interconnectedness between crypto markets and traditional financial systems, particularly through stablecoin reserve assets, which creates new channels for spillovers and potential systemic risk. The paper also highlights measurement and identification challenges, as stablecoin shocks are not directly observable and require complex empirical strategies to isolate. A further issue is the uncertain long-term impact on financial intermediation. While current evidence shows limited effects on banks, increased adoption could eventually alter funding structures and competitive dynamics. Finally, there is a structural challenge around policy visibility and control, as stablecoin-driven demand for assets operates outside conventional monetary policy frameworks.
- 3.5.5. Conclusion** - the IMF concludes that stablecoin demand constitutes a novel and economically meaningful source of financial shocks, with clear effects on sovereign debt markets, exchange rates, and asset prices. The key takeaway is that stablecoins are no longer confined to crypto markets; they function as active participants in global financial markets, transmitting shocks across asset classes.

3.6. Understanding Stablecoins (IMF Departmental Paper, 2025).¹²

- 3.6.1. Background and context** - the paper is designed as a foundational, system-level overview of stablecoins, situating them within the broader evolution of crypto assets, tokenisation, and digital finance. Unlike narrower IMF working papers, it does not develop a single model but instead maps the entire ecosystem in definitions, structures, use cases, risks, and regulation. Stablecoins are framed as a distinct class of crypto assets that aim to maintain a fixed value relative to a reference asset (typically fiat currency), usually backed by reserves and issued by centralised entities. The paper places their rise in context: issuance has doubled in recent years, driven primarily by their role as settlement instruments in crypto markets, while their potential extends to payments and tokenised finance. It also situates stablecoins within the broader shift toward asset tokenisation and programmable finance, positioning them as a bridge between traditional financial systems and blockchain-based infrastructure.
- 3.6.2. Empirical findings and analytical insights** - the IMF finds that stablecoins are currently overwhelmingly used within crypto markets, particularly as a bridge between volatile crypto assets and fiat currencies, although cross-border payment use is gradually increasing. A defining empirical feature is high concentration: most stablecoins are USD-denominated, with a few issuers (notably USDT and USDC) accounting for the vast majority of market share. The paper identifies stablecoins as hybrid instruments, combining characteristics of: money (means of payment, store of value), financial claims (backed by reserves), digital tokens (programmable and transferable on blockchains). A key insight is that their stability depends critically on reserve quality, redemption credibility, and governance structures, rather than purely technological design. The paper also highlights emerging demand drivers, including cross-border payments, financial inclusion, and integration into tokenised financial markets though these remain secondary to crypto trading. At a macro level, stablecoins are identified as potential sources of currency substitution and capital flow volatility, especially in countries with weak macroeconomic fundamentals.
- 3.6.3. Policy implications** - the IMF advances a comprehensive, multi-layered policy framework, emphasising that stablecoins must be regulated across macro-financial, prudential, and integrity dimensions. At the core is the principle that stablecoins performing money-like functions should be subject to robust regulatory frameworks covering reserve backing, governance, and redemption rights. The paper stresses the importance of:
- Financial stability regulation (addressing run risk, reserve quality, and systemic linkages)
 - Monetary policy safeguards (limiting currency substitution and preserving policy transmission)
 - Capital flow management tools (to address cross-border volatility)
 - Financial integrity standards (AML/CFT)
 - Legal clarity and enforceability of claims

¹² Tobias Adrian and others, 'Understanding Stablecoins' (International Monetary Fund, Departmental Paper No 2025/009, 4 December 2025) <https://www.imf.org/en/publications/departmental-papers/issues/2025/12/02/understanding-stablecoins-570602>

- 3.6.4. Key challenges identified** - central challenge is ensuring stability of value, as stablecoins rely on reserve assets and issuer credibility, making them vulnerable to runs and loss of confidence. Another challenge is currency substitution (“cryptoisation”), particularly in emerging markets, where stablecoins can displace domestic currencies and weaken monetary sovereignty. The paper also highlights capital flow volatility, as stablecoins enable rapid cross-border movement of funds outside traditional regulatory channels. A further issue is financial integrity risk, including potential misuse for illicit flows due to pseudonymity and global accessibility. There is also legal and regulatory fragmentation, with different jurisdictions adopting divergent approaches, creating uncertainty and opportunities for arbitrage. Finally, the hybrid nature of stablecoins creates a structural challenge: they do not fit neatly into existing regulatory categories (money, securities, deposits), complicating supervision.
- 3.6.5. Conclusion** - the IMF concludes that stablecoins are neither purely technological innovations nor isolated crypto assets, but emerging components of the global financial system with both efficiency gains and systemic risks. The key takeaway is that stablecoins offer potential benefits in payments, competition, and innovation, but these can only be realised if robust regulatory frameworks are in place to address macro-financial, legal, and operational risks. The overarching conclusion is integrative: stablecoins should not be treated as an exception but embedded within existing policy frameworks, with coordination across monetary policy, financial regulation, and international cooperation to ensure that innovation does not come at the cost of financial stability.

3.7. The Rise of Tokenization: Deciphering New Trends in Payments and Asset Tokenization” (IMF Note, 2026).¹³

- 3.7.1. Background and context** - the paper situates tokenization as a structural evolution in financial architecture, rather than a marginal fintech innovation. At its core, tokenization involves issuing, recording ownership, and transferring assets on blockchain-based infrastructures, but its implications extend far beyond technology into market structure, risk allocation, and public policy. To analyse this transformation, the IMF introduces a three-layer framework (i) infrastructure, (ii) assets, and (iii) services ; mirroring but decoupling traditional vertically integrated financial systems. Traditional finance bundles these layers within institutions (e.g., banks issue deposits, provide services, and rely on central bank infrastructure), whereas tokenization unbundles them, allowing separate actors to operate across layers. The paper frames this shift as one where financial intermediation moves from institution-centric models to platform- and infrastructure-centric models, with shared ledgers, programmability, and real-time settlement reshaping how trust and coordination are organised in the financial system.

¹³ Tobias Adrian, Yaiza Cabedo and Tommaso Mancini-Griffoli, ‘The Rise of Tokenization: Deciphering New Trends in Payments and Asset Tokenization’ (International Monetary Fund, IMF Notes No 2026/006, 2 July 2026) <https://www.imf.org/en/publications/imf-notes/issues/2026/07/01/the-rise-of-tokenization-deciphering-new-trends-in-payments-and-asset-tokenization-577138>

- 3.7.2. Empirical findings and analytical insights** - the IMF identifies several emerging structural trends across the tokenization stack. At the infrastructure layer, there is convergence toward hybrid blockchain architectures, combining elements of public (permissionless) and private (permissioned) systems. Pure decentralisation is giving way to models that prioritise governance, predictability, and scalability, especially for institutional use. At the asset layer, the most important development is the rise of tokenized money, including stablecoins, tokenized deposits, and tokenized central bank reserves. These represent competing forms of monetary liabilities, each with distinct trade-offs in terms of stability, governance, and loss absorption. A key insight is that tokenization enables decoupling of issuance, settlement, and service provision, allowing assets to be issued by one entity, settled on shared infrastructure, and accessed through third-party applications. This contrasts sharply with traditional finance, where these functions are vertically integrated.
- 3.7.3. Policy implications** - the IMF's policy lens is deliberately non-prescriptive but highlights critical trade-offs that regulators must navigate. First, tokenization requires policymakers to move beyond entity-based regulation toward layer-based or function-based oversight, addressing risks at the infrastructure, asset, and service levels separately. Second, the emergence of multiple forms of tokenized money raises fundamental questions about the future of the monetary system, including: Which forms of money (stablecoins, deposits, CBDCs) should anchor trust? How should convertibility and par value be maintained across different tokenized liabilities? Third, the paper underscores the importance of interoperability and governance frameworks, as fragmented infrastructures could undermine efficiency gains and create systemic vulnerabilities. Fourth, it highlights an expanding role for the public sector, particularly central banks, in providing safe settlement assets (e.g., tokenized reserves or CBDCs) and ensuring stability in a tokenized ecosystem. Finally, the policy approach must address legal certainty, accountability, and oversight of code-based systems, as smart contracts increasingly replace traditional legal and institutional mechanisms.
- 3.7.4. Key challenges identified** - a central challenge is the reallocation of risk from institutions to infrastructure. While tokenization reduces intermediation layers, it concentrates risk in shared platforms, smart contracts, and governance mechanisms. Another challenge is fragmentation and interoperability, as multiple blockchains and token standards may create silos, limiting network effects and increasing operational complexity. The paper also highlights governance and accountability gaps, particularly in decentralised or hybrid systems where responsibility for failures is unclear. A further issue is monetary fragmentation, as different forms of tokenized money (stablecoins, deposits, CBDCs) may compete, potentially undermining the singleness of money and creating convertibility risks.
- 3.7.5. Conclusion** - the IMF concludes that tokenization represents a fundamental redesign of financial system architecture, not merely an efficiency upgrade. The key takeaway is that tokenization enables greater efficiency, programmability, and flexibility, but simultaneously reshapes where risks reside and how they propagate. The overarching conclusion is that the future financial system is likely to be layered, modular, and platform-based, requiring new regulatory approaches that ensure

interoperability, stability, and public trust, particularly through the role of central bank money and robust governance frameworks.

3.8. “From Par to Pressure: Liquidity, Redemptions, and Fire Sales with a Systemic Stablecoin” (IMF Working Paper, 2026).¹⁴

- 3.8.1. Background and context** - the paper examines stablecoins through the lens of systemic liquidity risk, focusing on what happens when a large, widely used stablecoin faces redemption pressure. It situates stablecoins alongside money market funds and narrow banking structures, where liabilities promise stability (par value) but are backed by portfolios of financial assets. The central concern is that once stablecoins scale, they become systemically relevant holders of safe assets, particularly short-term government securities, linking them directly to core funding markets. The analytical contribution lies in modelling a systemic stablecoin issuer facing redemption shocks, where users convert stablecoins back into fiat. This forces issuers to liquidate reserve assets, potentially under stress. The paper frames this as a transition from “par” (stable value under normal conditions) to “pressure” (liquidity stress under redemptions), highlighting the fragility inherent in maturity transformation and liquidity mismatch even in ostensibly “fully backed” systems.
- 3.8.2. Empirical findings and analytical insights** - the central finding is that large-scale redemptions can trigger fire sales of reserve assets, particularly when stablecoin reserves are invested in short-term securities that must be liquidated quickly. A key mechanism is the liquidity mismatch between liabilities and assets: stablecoins offer near-instant redemption at par, while reserve assets, though safe, may not be instantly liquid without price impact. When redemption demand rises, issuers must sell assets into the market, leading to price declines and rising yields, especially in short-term funding markets. The model shows that these dynamics can generate amplification effects i.e., asset sales depress prices, lower prices weaken balance sheets, this can trigger further redemptions (run-like dynamics). Importantly, the paper finds that the impact is nonlinear and state-dependent. Under normal conditions, redemptions are manageable. Under stress, however, even modest shocks can lead to disproportionately large market disruptions, particularly when liquidity is already strained. Another key insight is that stablecoins can become systemic transmitters of liquidity shocks, linking crypto markets with traditional financial markets through their reserve portfolios.
- 3.8.3. Policy implications** - the paper strongly supports prudential regulation of stablecoin reserve management, particularly focusing on liquidity risk rather than just credit risk. A central implication is the need for: high-quality liquid assets (HQLA) in reserves, liquidity buffers and redemption management tools, limits on exposure to less-liquid assets. The findings suggest that stablecoins should be regulated similarly to systemic liquidity vehicles (e.g., money market funds), including requirements for stress testing and liquidity risk management frameworks.

¹⁴ Marco Gross and Richard Senner, ‘From Par to Pressure: Liquidity, Redemptions, and Fire Sales with a Systemic Stablecoin’ (International Monetary Fund, IMF Working Paper No 2026/005, 16 January 2026) <https://www.imf.org/en/publications/wp/issues/2026/01/16/from-par-to-pressure-liquidity-redemptions-and-fire-sales-with-a-systemic-stablecoin-573271>

The paper also points to the importance of redemption design, including mechanisms such as gates, fees, or staggered withdrawals to prevent disorderly runs though these raise trade-offs with usability and confidence. More broadly, the analysis implies that stablecoins must be integrated into macroprudential surveillance, as their reserve management decisions can influence sovereign debt markets and short-term funding conditions.

3.8.4. Key challenges identified - a primary challenge is the risk of fire sales, where large redemption pressures force asset liquidation at depressed prices, destabilising financial markets. Another challenge is the liquidity mismatch between instant redemption promises and the underlying asset liquidity, which cannot be fully eliminated even with safe assets. The paper also highlights run dynamics, where expectations of instability can trigger self-reinforcing redemption cycles. A further issue is the systemic importance of reserve portfolios, as large stablecoins can hold significant shares of short-term government securities, amplifying their market impact during stress. There is also a policy trade-off: tight liquidity regulation improves stability but may reduce profitability and innovation, affecting the viability of stablecoin business models. Finally, there is a structural challenge around cross-market contagion, as shocks originating in crypto markets can propagate into traditional financial systems via stablecoin reserves.

3.8.5. Conclusion - the IMF concludes that stablecoins can transform from stable payment instruments into sources of systemic liquidity stress under adverse conditions. The key takeaway is that stability at par value is conditional on liquidity, and without robust liquidity management frameworks, stablecoins are vulnerable to run-like redemption dynamics and fire-sale externalities. The overarching conclusion is that systemic stablecoins must be treated as critical financial intermediaries, requiring regulation that goes beyond reserve backing to include comprehensive liquidity risk management and macroprudential oversight.

3.9. “Stablecoins and the Future of Payments: Evidence from Financial Markets” (IMF Working Paper, 2026).¹⁵

3.9.1. Background and context - The paper tackles a central unresolved question in digital finance: will stablecoins meaningfully transform the payments ecosystem, or remain confined to crypto markets. It notes that direct evidence is limited because blockchain data cannot reliably distinguish genuine payments from internal transfers or trading activity. To overcome this, the paper adopts a forward-looking financial markets approach, using stock price reactions of incumbent payment firms to regulatory developments, specifically U.S. legislation (the GENIUS Act) designed to support payment stablecoins. This approach is grounded in the idea that equity markets aggregate expectations about future industry structure, allowing inference about the anticipated role of stablecoins in payments. Conceptually, the paper frames stablecoins as a potentially disruptive payments technology, capable of

¹⁵ Alexander Copestake, Cage Englander, Maria Soledad Martinez Peria and Germán Villegas-Bauer, ‘Stablecoins and the Future of Payments: Evidence from Financial Markets’ (International Monetary Fund, IMF Working Paper No 2026/052, 20 March 2026) <https://www.imf.org/en/publications/wp/issues/2026/03/20/stablecoins-and-the-future-of-payments-evidence-from-financial-markets-574831>

lowering entry barriers, reducing transaction costs (especially cross-border), and enabling peer-to-peer transfers on global blockchain infrastructure.

3.9.2. Empirical findings and analytical insights - the central empirical finding is that financial markets expect stablecoins to play a significant future role in payments, as evidenced by a sharp decline in the valuation of incumbent payment firms following pro-stablecoin legislation. Specifically: the passage of supportive legislation led to an estimated ~18% decline in the market value of incumbent payment firms (~\$300 billion) and even at high frequency, payment firms underperformed other financial firms immediately after the legislative shock, indicating a causal effect. This is interpreted as increased expected competition, rather than higher risk or volatility. The paper also uncovers heterogeneous competitive effects:

- Stronger negative impact on cross-border payment firms, reflecting stablecoins' comparative advantage in global transfers
- Weaker impact on firms with strong network effects, suggesting incumbent advantages can partially insulate against disruption
- Smaller impact on firms already engaged in crypto, indicating strategic adaptation reduces disruption risk

3.9.3. Policy implications - the paper implies that stablecoins should be treated as a credible competitive force in the payments sector, not a speculative or marginal innovation. First, policymakers must recognise that stablecoins can increase competition and reduce rents in payment systems, particularly in cross-border payments where inefficiencies are highest. Second, the findings suggest that regulatory clarity accelerates adoption. The observed market reaction is triggered by legislation that reduces uncertainty and increases trust in stablecoins (e.g., reserve backing, disclosures), indicating that policy design directly shapes market structure. Third, the results reinforce the need for balanced regulation: overly restrictive rules could suppress innovation and competition and insufficient regulation could undermine trust and stability. Fourth, the paper implies that incumbents will increasingly integrate stablecoin infrastructure, suggesting a future of hybrid payment systems rather than outright displacement. More broadly, stablecoins should be incorporated into competition policy, payments regulation, and financial stability frameworks, given their potential to reshape industry dynamics.

3.9.4. Key challenges identified - a primary challenge is measuring real-world adoption, as blockchain data does not clearly distinguish payments from trading or internal transfers. Another challenge is uncertainty in market outcomes. While expectations point to disruption, actual adoption will depend on regulatory design, user trust, and technological scalability. The paper also highlights incumbent resilience, particularly due to network effects and existing infrastructure, which may slow or limit disruption. A further issue is the dual nature of stablecoins: they can both compete with incumbents and be integrated by them, making industry outcomes path-dependent rather than binary. Finally, there is a broader structural challenge around translating financial market expectations into real economic transformation, as current evidence is predictive rather than realised.

3.9.5. Conclusion - the IMF concludes that financial markets assign a significant future role to stablecoins in payments, with expectations of meaningful competitive

disruption to incumbent firms. The key takeaway is that stablecoins are likely to reshape the payments landscape primarily through increased competition, especially in cross-border payments, where inefficiencies are most pronounced. The overarching conclusion is forward-looking: stablecoins are not yet dominant in payments, but market expectations suggest they have the potential to become a major structural force, contingent on regulatory clarity, technological evolution, and strategic responses by incumbents.

3.10. “Decrypting Crypto: How to Estimate International Stablecoin Flows” (IMF Working Paper, 2025).¹⁶

3.10.1. Background and context - the paper addresses a fundamental constraint in crypto policy: the opacity of cross-border crypto flows, which limits regulators’ ability to monitor capital movements, currency substitution, and financial stability risks. While policymakers increasingly recognise that crypto, particularly stablecoins is used for international transactions and capital mobility, reliable measurement has remained elusive due to pseudonymous blockchain data and the absence of geographic identifiers. The paper’s core contribution is methodological. It develops a novel data-driven framework combining blockchain analytics with machine learning to infer the geographic origin of crypto wallets and thereby estimate international stablecoin flows. This shifts the debate from speculative or proxy-based estimates (e.g., exchange-level data) to granular transaction-level measurement, positioning stablecoins as a quantifiable component of global capital flows rather than an unobservable shadow system.

3.10.2. Empirical findings and analytical insights - the central empirical result is that international stablecoin flows are both large and globally distributed, with total mapped flows of approximately \$2 trillion in 2024 across ~138 million transactions. A key finding is strong regional heterogeneity:

- In absolute terms, flows are highest in North America and Asia-Pacific
- Relative to GDP, flows are most significant in Latin America, Africa, and the Middle East, indicating deeper macro-financial relevance in emerging markets

The paper identifies North America as a structural net exporter of stablecoins, with net outflows supplying global dollar liquidity. This reflects the institutional structure of stablecoin issuance, where access to fiat dollars concentrated in advanced economies anchors supply. A critical analytical insight is the link between stablecoin flows and dollar demand dynamics. Flows increase when the U.S. dollar appreciates, suggesting that stablecoins function as a digital channel for accessing dollar-denominated assets, particularly in jurisdictions with weaker currencies. The paper also finds that stablecoin flows are sensitive to financial stress in traditional systems; for example, the 2023 banking crisis disrupted flows originating from North America, demonstrating tight linkages between crypto and conventional

¹⁶ Marco Reuter, ‘Decrypting Crypto: How to Estimate International Stablecoin Flows’ (International Monetary Fund, IMF Working Paper No 2025/141, 11 July 2025) <https://www.imf.org/en/publications/wp/issues/2025/07/11/decrypting-crypto-how-to-estimate-international-stablecoin-flows-568260>

finance. Finally, the analysis shows that stablecoin usage is predominantly international in emerging markets, with lower intra-regional flows, consistent with use cases such as remittances, capital movement, and hedging against currency depreciation.

- 3.10.3. Policy implications** - the paper has major implications for macro-financial surveillance and capital flow management. First, it establishes that stablecoins should be treated as a measurable component of international capital flows, requiring integration into balance of payments, FX monitoring, and macroprudential frameworks. Second, the findings suggest that stablecoins function as a parallel channel for dollarisation, especially in emerging markets, implying risks to monetary sovereignty and exchange rate stability. Third, the methodology itself has policy value: it provides regulators with a toolkit for monitoring otherwise opaque crypto flows, reducing informational asymmetry and improving regulatory capacity. Fourth, the results strengthen the case for coordinated international regulation, as stablecoin flows are inherently cross-border and may circumvent capital flow management measures (CFMs). More broadly, the paper reframes stablecoins as part of the global financial plumbing, rather than a niche crypto phenomenon, with implications for exchange rates, capital mobility, and financial stability.
- 3.10.4. Key challenges identified** - a primary challenge is data opacity and measurement difficulty, as blockchain transactions do not natively reveal geographic information, requiring probabilistic inference methods. Another challenge is model uncertainty, as machine learning predictions ($\approx 65\%$ accuracy) introduce estimation risk, limiting precision in policymaking. The paper also highlights fragmentation in data sources, with discrepancies between different datasets (e.g., Chainalysis vs. IMF estimates), complicating consensus on scale and direction of flows. A further issue is the interaction with capital controls, as stablecoins may be used to bypass traditional financial channels, creating blind spots in existing regulatory regimes. Finally, there is a structural challenge: stablecoins embed global dollar demand into decentralized systems, making cross-border flows faster, less observable, and harder to regulate.
- 3.10.5. Conclusion** - the IMF concludes that international stablecoin flows are large, economically meaningful, and systematically linked to global dollar demand and macro-financial conditions. The key takeaway is that the long-standing assumption that crypto flows are unmeasurable is no longer valid; with appropriate methodologies, they can be quantified and analysed as part of the global financial system. The overarching conclusion is that stablecoins represent a new digital channel for cross-border capital flows, one that both reflects and potentially influences exchange rate dynamics, financial stability, and capital mobility, requiring policymakers to expand surveillance frameworks to include blockchain-based financial activity.

4. Financial Stability Board (FSB)

4.1. “Thematic Review on the FSB Global Regulatory Framework for Crypto-asset Activities” (Financial Stability Board, 2025)¹⁷

4.1.1. Background and context - the review assesses the implementation of the FSB’s 2023 global regulatory framework for crypto-asset activities and global stablecoin arrangements, which was designed to bring crypto markets within a coherent, internationally consistent regulatory perimeter. The framework itself is built on high-level, activity-based principles including “same activity, same risk, same regulation” covering crypto-asset service providers (CASPs), market integrity, custody, governance, and stablecoin arrangements. The thematic review is a peer review across jurisdictions, examining how far countries have progressed in adopting these standards, identifying implementation gaps, and evaluating whether existing regulatory approaches are sufficient to address financial stability risks arising from crypto markets’ rapid growth and increasing linkages with traditional finance. The broader context is the transition from norm-setting (2023 framework) to implementation and enforcement (2025 review), reflecting a shift in global policy from conceptual alignment to operational convergence across jurisdictions.

4.1.2. Empirical findings and analytical insights The central empirical finding is that jurisdictions have made meaningful but uneven progress in implementing the FSB framework. While many countries have advanced regulatory measures for crypto-asset activities, implementation remains incomplete and inconsistent, particularly for global stablecoin arrangements. A key insight is the presence of significant cross-country divergence in regulatory approaches:

- Some jurisdictions (e.g., EU, UK, select offshore centres) have relatively comprehensive frameworks
- Others remain at early or partial stages, lacking licensing, supervision, or enforcement mechanisms

The review identifies critical gaps in specific areas:

- Stablecoin regulation lags behind broader crypto frameworks
- Limited oversight of crypto lending, leverage, and intermediation activities
- Insufficient data collection and reporting frameworks for systemic risk monitoring

Another major finding is the persistence of regulatory arbitrage dynamics, where crypto firms adjust their location and structure to exploit differences in national rules. The review also notes that financial stability risks remain contained for now, but are increasing due to market growth and deeper interlinkages with traditional finance. Overall, the analytical insight is that the global crypto ecosystem is structurally transnational, while regulation remains jurisdictionally fragmented, creating systemic vulnerabilities.

¹⁷ Financial Stability Board, ‘Thematic Review on the FSB Global Regulatory Framework for Crypto-asset Activities’ (16 October 2025) <https://www.fsb.org/2025/10/thematic-review-on-fsb-global-regulatory-framework-for-crypto-asset-activities/>

- 4.1.3. Policy implications** - the review reinforces the need for full, timely, and consistent implementation of the FSB global framework, emphasising that partial adoption undermines its effectiveness. A central implication is that international coordination is not optional but foundational, given the borderless nature of crypto-asset markets. Fragmented regulation creates incentives for regulatory arbitrage and risk migration, weakening financial stability safeguards. The report highlights the need to: strengthen supervisory and enforcement capacity across jurisdictions, expand data collection and reporting frameworks to monitor systemic risks, ensure comprehensive regulation of stablecoin arrangements, aligning them with broader financial stability objectives. It also underscores the importance of activity-based regulation, ensuring that similar risks are treated consistently across crypto and traditional financial systems. More broadly, the review implies that crypto regulation must evolve from rule-setting to effective implementation, with a focus on operationalising standards through supervision, enforcement, and cross-border cooperation.
- 4.1.4. Key challenges identified** - a primary challenge is regulatory fragmentation, with significant variation across jurisdictions in scope, depth, and enforcement of crypto regulations. Another challenge is regulatory arbitrage, where firms exploit differences in national frameworks, undermining the effectiveness of domestic rules. The review also highlights limited supervisory capacity, with many jurisdictions lacking the tools, expertise, or resources to effectively oversee crypto-asset markets. A further issue is data gaps, as regulators do not yet have sufficient information to conduct comprehensive financial stability assessments. Additionally, there is a challenge in regulating complex and evolving activities, such as crypto lending, leverage, and DeFi-adjacent services, which are not uniformly captured in existing frameworks. Finally, the slower progress on stablecoin regulation creates a specific vulnerability, given their potential systemic importance.
- 4.1.5. Conclusion** - the FSB concludes that while substantial progress has been made in developing and implementing crypto-asset regulation, significant gaps and inconsistencies remain, posing risks to financial stability and the development of a resilient digital asset ecosystem. The key takeaway is that the effectiveness of the global regulatory framework depends on consistent cross-jurisdictional implementation, rather than the design of the framework itself. The overarching conclusion is that crypto-asset markets require coordinated, globally aligned regulation backed by strong supervision and enforcement, as fragmented national approaches are insufficient to manage risks in a borderless, rapidly evolving financial system.

4.2. “FSB Work Programme for 2026” (Financial Stability Board, 2026).¹⁸

- 4.2.1. Background and context** - the work programme is not a single-issue analytical paper but a forward-looking policy agenda, setting out the Financial Stability Board’s priorities for safeguarding global financial stability in 2026. It reflects a transition

¹⁸ Financial Stability Board, ‘FSB Work Programme for 2026’ (3 February 2026) <https://www.fsb.org/2026/02/fsb-work-programme-for-2026/>

from post-crisis regulatory implementation to managing new structural risks, including financial innovation, nonbank intermediation, and geopolitical-economic fragmentation. The programme is anchored in the FSB's core mandate: identifying vulnerabilities in the global financial system and coordinating policy responses across jurisdictions. It emphasises that the financial system is undergoing simultaneous transformation, digitalisation, market-based finance expansion, and evolving systemic risks requiring continuous regulatory adaptation. Conceptually, the document frames 2026 as a year of "implementation plus evolution" continuing to monitor and implement agreed reforms while expanding the regulatory perimeter to address emerging risks in areas such as crypto-assets, AI, and nonbank finance.

4.2.2. Empirical findings and analytical insights - although not an empirical paper in the traditional sense, the programme is grounded in the FSB's system-wide risk assessment, identifying key vulnerabilities shaping the agenda. First, there is a growing concern around nonbank financial intermediation (NBFI), including private credit, leverage, and interconnectedness with core markets. Second, the FSB highlights persistent vulnerabilities in funding markets, including repo markets and government bond markets, where liquidity stress could propagate systemically. Third, digital financial innovation including crypto-assets, stablecoins, and AI is identified as both an opportunity and a risk, requiring closer monitoring and policy development. Fourth, the programme underscores the increasing importance of cross-border payments reform, reflecting inefficiencies in current systems and the need for coordinated global solutions. Fifth, the FSB identifies data gaps and monitoring limitations as a recurring structural issue, constraining the ability of regulators to assess systemic risks effectively. The overarching analytical insight is that global financial risks are becoming more interconnected, cross-sectoral, and technologically driven, requiring integrated surveillance frameworks.

4.2.3. Policy implications - The programme sets out a multi-pronged regulatory agenda, with implications across financial stability policy. First, it reinforces the need for continuous monitoring and mitigation of systemic vulnerabilities, particularly in nonbank finance and market-based intermediation. Second, it emphasises full and consistent implementation of existing reforms, indicating that policy effectiveness depends not only on design but on execution across jurisdictions. Third, the programme highlights digital finance regulation as a priority, including: monitoring crypto-asset markets and stablecoin risks and developing frameworks for AI use in financial services. Fourth, it underscores the importance of cross-border coordination, particularly for payments systems and globally active financial institutions. Fifth, the programme places emphasis on operational resilience and crisis preparedness, including strengthening resolution frameworks and public-private coordination mechanisms. Overall, the policy approach is holistic, combining macroprudential oversight, innovation governance, and international coordination.

4.2.4. Key challenges identified - a primary challenge is the growing complexity of the financial system, with risks spanning traditional finance, nonbank institutions, and digital ecosystems. Another challenge is regulatory fragmentation, as uneven implementation across jurisdictions undermines global stability efforts. The

programme also highlights data and monitoring gaps, limiting the ability to detect and respond to emerging systemic risks. A further issue is the rapid pace of financial innovation, particularly in crypto-assets and AI, which outstrips the speed of regulatory adaptation. Additionally, the expansion of market-based finance (NBFI) creates new vulnerabilities, including leverage, liquidity mismatches, and interconnectedness with core financial markets. Finally, there is a structural challenge around maintaining global coordination, especially in a context of diverging national policy priorities and geopolitical shifts.

- 4.2.5. Conclusion** - the FSB concludes that safeguarding global financial stability in 2026 requires a dual strategy: completing the implementation of existing reforms while proactively addressing new and evolving risks. The key takeaway is that financial stability risks are no longer confined to traditional banking, but increasingly arise from nonbank finance, digital innovation, and cross-border interlinkages. The overarching conclusion is that effective regulation will depend on international coordination, continuous monitoring, and adaptive policy frameworks, as the financial system becomes more complex, technology-driven, and globally interconnected.

4.3. “FSB Annual Report 2025: Promoting Global Financial Stability” (Financial Stability Board, published 2026)¹⁹

- 4.3.1. Background and context** - this report is the Financial Stability Board’s annual stocktake of global financial stability conditions and regulatory progress, covering work undertaken in 2025. It sits at the core of the FSB’s mandate to coordinate international financial regulation, monitor systemic risks, and assess implementation of post-crisis reforms. The report is framed against a backdrop of heightened global uncertainty, including tighter financial conditions, geopolitical fragmentation, and structural shifts in financial intermediation. It reflects a transition in global financial governance from post-2008 reform consolidation toward managing new sources of systemic risk, particularly those arising from nonbank financial intermediation (NBFI), digital finance, and cross-border financial linkages. Conceptually, the report positions the global financial system as increasingly market-based, interconnected, and technology-driven, requiring continuous recalibration of regulatory frameworks rather than one-off reforms.
- 4.3.2. Empirical findings and analytical insights** - the report identifies several core systemic vulnerabilities shaping the global financial system. First, there is growing concern around leverage and liquidity risks in nonbank financial intermediation (NBFI). These entities such as funds and other market-based intermediaries are increasingly central to financial markets but exhibit liquidity mismatches and interconnected exposures that can amplify shocks. Second, the FSB highlights persistent vulnerabilities in core funding markets, including government bond markets, where episodes of stress have demonstrated the potential for liquidity breakdowns and contagion across institutions. Third, the report underscores the growing importance of crypto-assets and stablecoins, noting ongoing efforts to

¹⁹ Financial Stability Board, *The Financial Stability Risks of Crypto-asset Markets* (27 March 2024) <https://www.fsb.org/uploads/P240326.pdf>

implement the global regulatory framework for these activities. While risks remain contained, interlinkages with traditional finance are increasing, raising future systemic concerns. Fourth, data gaps and monitoring limitations are identified as a recurring structural weakness, constraining the ability of authorities to fully assess systemic risks in real time. Fifth, the report highlights progress in cross-border payments reform, but notes that inefficiencies and fragmentation persist, requiring continued coordination. The overarching analytical insight is that financial vulnerabilities are shifting from bank-centric to system-wide risks, driven by market-based finance, technological change, and cross-border integration.

- 4.3.3. Policy implications** - the report reinforces a three-pillar regulatory strategy. First, it emphasises the need to strengthen oversight of nonbank financial intermediation, including addressing leverage, liquidity mismatches, and systemic interconnections. Second, it highlights the importance of full and consistent implementation of agreed global standards, particularly for crypto-assets, stablecoins, and post-crisis banking reforms. Third, the report underscores the need to enhance data collection and analytical frameworks, enabling better monitoring of emerging risks and improving macroprudential policymaking. Overall, the policy approach is system-wide and forward-looking, moving beyond institution-specific regulation to address interconnected risks across markets and sectors.
- 4.3.4. Key challenges identified** - a primary challenge is the expansion of NBFI, which introduces systemic risks outside the traditional banking regulatory perimeter. Another challenge is regulatory fragmentation and uneven implementation, which weakens the effectiveness of global standards. The report also highlights data gaps, limiting authorities' ability to detect vulnerabilities and respond proactively. A further issue is the increasing interconnectedness between crypto markets and traditional finance, creating new channels for risk transmission. Additionally, market liquidity risks, particularly in government bond markets, pose ongoing systemic concerns. Finally, there is a structural challenge in adapting regulatory frameworks to rapid financial innovation, including digital assets and new forms of intermediation.
- 4.3.5. Conclusion** - the FSB concludes that while the global financial system has become more resilient since the post-crisis reforms, new vulnerabilities are emerging in nonbank finance, digital innovation, and market-based intermediation. The key takeaway is that financial stability risks are increasingly systemic and cross-sectoral, requiring continuous monitoring and coordinated policy responses. The conclusion is that maintaining global financial stability will depend on effective implementation of existing reforms, enhanced data and surveillance capabilities, and adaptive regulation to address evolving risks in a complex and interconnected financial system.

5. **International Organization of Securities Commissions**

5.1. **“Thematic Review Assessing the Implementation of IOSCO Recommendations for Crypto and Digital Asset Markets”** (IOSCO Final Report, 2025, IOSCOPD801).²⁰

5.1.1. Background and context - this report evaluates how jurisdictions are implementing the 2023 IOSCO policy recommendations for crypto and digital asset (CDA) markets, marking a shift from standard-setting to implementation assessment. IOSCO, as the global standard-setter for securities regulation, focuses on investor protection, market integrity, and fair, efficient markets, and applies these principles to crypto markets through an activity-based, lifecycle approach. The thematic review covers 20 jurisdictions across advanced and emerging markets, assessing how far they have translated high-level recommendations into domestic regulatory frameworks. The review is part of a broader global effort alongside the FSB to create consistent and interoperable regulatory frameworks for crypto-assets, particularly given their cross-border and rapidly evolving nature. Conceptually, the report frames crypto regulation as an extension of traditional securities regulation principles, anchored in “same activity, same risk, same regulation,” but adapted to the structural features of crypto markets such as vertical integration, platform dominance, and global reach.

5.1.2. Empirical findings and analytical insights - the central empirical finding is that implementation of IOSCO recommendations is progressing but remains uneven across jurisdictions. First, there has been meaningful progress in establishing regulatory frameworks, particularly in areas such as: custody and client asset protection, market abuse prevention (fraud, manipulation, insider trading), governance and conflict-of-interest frameworks. However, the review identifies persistent gaps and inconsistencies, especially in: cross-border regulatory cooperation and information sharing, retail investor protection and disclosure standards and enforcement practices and supervisory capacity. A key insight is that crypto markets are structurally characterised by vertical integration of services (trading, custody, issuance) within single entities (CASPs), creating conflicts of interest and systemic vulnerabilities not typically present in traditional finance. Another major finding is the continued presence of regulatory arbitrage, driven by differences in implementation across jurisdictions. The report also highlights that innovation in crypto markets (e.g., staking, lending, stablecoins) continues to outpace regulatory development, creating a moving target for policymakers. The overarching analytical insight is that while global standards exist, effective regulation depends on consistent implementation, supervision, and enforcement, rather than formal adoption alone.

5.1.3. Policy implications - the report strongly reinforces the need for full, consistent, and timely implementation of IOSCO recommendations across jurisdictions. First, it underscores that activity-based regulation must be operationalised, ensuring that crypto-asset service providers (CASPs) are subject to equivalent standards as traditional financial intermediaries. Second, the findings highlight the importance of

²⁰International Organization of Securities Commissions, *Thematic Review Assessing the Implementation of IOSCO Recommendations for Crypto and Digital Asset Markets* (October 2025) <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD801.pdf>

cross-border cooperation frameworks, including: information sharing between regulators, coordinated supervision of globally active firms and alignment of enforcement actions. Third, the report emphasises strengthening investor protection measures, particularly: disclosure standards, safeguarding client assets and managing conflicts of interest. Fourth, it calls for enhanced supervisory and enforcement capacity, especially in jurisdictions with developing regulatory frameworks. Fifth, the report implies that regulation must remain adaptive, as crypto markets evolve rapidly and introduce new products and risks. More broadly, the IOSCO framework complements FSB's financial stability focus by ensuring that market conduct and investor protection risks are addressed alongside systemic concerns, forming a dual-layer global regulatory architecture.

5.1.4. Key challenges identified - a primary challenge is uneven implementation across jurisdictions, which creates gaps in global oversight and weakens regulatory effectiveness. Another challenge is regulatory arbitrage, where firms exploit differences in national frameworks to minimise compliance burdens. The report also highlights limited enforcement and supervisory capacity, particularly in emerging markets. A further issue is the complexity of crypto market structures, including vertical integration and novel business models that do not fit neatly within traditional regulatory categories. Additionally, cross-border coordination remains insufficient, despite the inherently global nature of crypto markets. Finally, the rapid pace of financial innovation (DeFi, staking, lending) creates ongoing challenges for regulators attempting to keep frameworks up to date.

5.1.5. Conclusion - IOSCO concludes that while substantial progress has been made in aligning regulatory approaches to crypto and digital asset markets, significant gaps remain in implementation, enforcement, and cross-border coordination. The key takeaway is that global standards alone are insufficient; their effectiveness depends on consistent, enforceable implementation across jurisdictions. The overarching conclusion is that crypto markets require a coherent, globally coordinated regulatory approach grounded in traditional securities regulation principles, adapted to the unique structural features of digital asset markets, to ensure market integrity, investor protection, and systemic resilience.

6. Organisation for Economic Co-operation and Development

6.1. “Improving the Digital Financial Literacy of Crypto-Asset Users” (OECD, 2025)²¹

6.1.1. Background and context - this OECD policy brief situates crypto-assets within the broader agenda of financial consumer protection and financial literacy in the digital economy. It departs from macro-prudential or market integrity approaches (seen in FSB/IOSCO work) and instead focuses on the retail user as the primary locus of risk. The report recognises that crypto-assets are increasingly retail-facing financial products, characterised by high accessibility, self-directed usage, and minimal intermediation. At the same time, traditional consumer protection safeguards such as suitability assessments, disclosure norms, and compensation

²¹ Organisation for Economic Co-operation and Development, *Improving the Digital Financial Literacy of Crypto-asset Users* (OECD Publishing, 8 September 2025) https://www.oecd.org/en/publications/improving-the-digital-financial-literacy-of-crypto-asset-users_19cfecad-en/full-report.html

schemes are often weak or absent in crypto markets. Conceptually, the OECD reframes crypto regulation through a capability-based lens, arguing that outcomes depend not only on regulatory frameworks but also on users' digital financial literacy i.e., their ability to understand, evaluate, and safely use digital financial products.

6.1.2. Empirical findings and analytical insights - the central empirical finding is a significant mismatch between rising crypto adoption and low levels of digital financial literacy. Survey data across 39 economies shows that:

- Around 71% lack basic digital financial literacy
- Even among crypto users, only ~55% understand that crypto-assets are not legal tender

The report identifies several behavioural and structural drivers of risk of self-directed investment behaviour, with limited reliance on regulated intermediaries, heavy dependence on informal information sources such as social media and “influencers” and strong influence of behavioural biases (fear of missing out, herding, overconfidence) It also highlights that crypto-assets introduce distinct risk categories beyond traditional finance, including: high price volatility and potential for large losses, technological risks (cybersecurity, wallet management, private key loss), operational risks (irreversible transactions, platform failures) and regulatory gaps, including limited investor protection frameworks. The key analytical insight is that consumer vulnerability in crypto markets is not accidental but structurally embedded, arising from the interaction of complex products, digital interfaces, and low literacy levels.

6.1.3. Policy implications - the OECD's core policy message is that financial literacy must be treated as a first-order regulatory tool in crypto markets, complementing formal regulation. First, policymakers should explicitly integrate crypto-assets into national financial literacy strategies, rather than treating them as niche or peripheral products. Second, the report calls for the development of targeted digital financial competencies. Third, it emphasises early intervention and youth-focused education, as younger cohorts are disproportionately represented among crypto users. Fourth, the report recommends behaviourally informed education strategies, recognising that biases (FOMO, herding) materially influence decision-making. Fifth, it highlights the need for continuous data collection and measurement of digital financial literacy, enabling evidence-based policymaking.

6.1.4. Key challenges identified - a primary challenge is the low baseline of digital financial literacy globally, which undermines informed participation in crypto markets. Another challenge is the complexity and novelty of crypto-assets, which makes them difficult for retail users to understand relative to traditional financial products. The report also highlights behavioural risks, including susceptibility to hype, misinformation, and speculative dynamics driven by social media. A further issue is the limited application of consumer protection frameworks, leaving users exposed to losses without recourse. Additionally, there is a challenge in reaching vulnerable groups, particularly younger or first-time investors who may lack both experience and resilience. Finally, policymakers face the difficulty of keeping

education frameworks up to date in a rapidly evolving technological and market environment.

- 6.1.5. Conclusion** - the OECD concludes that crypto markets amplify the consequences of low financial literacy, making digital financial capability a critical determinant of consumer outcomes. The key takeaway is that regulation alone is insufficient; without adequate user understanding, even well-designed frameworks cannot fully mitigate risks. The overarching conclusion is that improving digital financial literacy is essential to ensuring that crypto-assets contribute to financial inclusion and innovation without exacerbating consumer vulnerability, requiring a coordinated approach across education, regulation, and market design.

7. World Trade Organisation

7.1. “Stablecoins and World Trade: Emerging Role, Opportunities and Challenges” (World Trade Organization, 2026).²²

7.1.1. Background and context - this report examines stablecoins from a trade policy and cross-border payments perspective, situating them within the broader challenge of inefficiencies in international payment systems including high costs, slow settlement, opacity, and limited access. The WTO frames stablecoins not as substitutes for the financial system, but as potential facilitators of trade-related payments, particularly in an increasingly digital global economy. The analysis explicitly distinguishes between payment and settlement functions (where stablecoins may play a role) and trade finance functions (credit, guarantees, risk mitigation), which remain dependent on traditional financial institutions. Conceptually, the report positions stablecoins as part of the evolving infrastructure of global trade, where their relevance arises from programmable, near-instant, cross-border value transfer, rather than from any capacity to replace core financial intermediation.

7.1.2. Empirical findings and analytical insights - the central empirical finding is that stablecoins have potential but remain marginal in real-economy trade usage. While adoption is growing particularly in business-to-business payments, remittances, and digital services their share of global payments remains small relative to traditional systems. The report identifies key functional advantages:

- Faster settlement and 24/7 availability
- Lower transaction costs in certain corridors
- Improved transparency and traceability
- Reduced reliance on multi-layer correspondent banking chains

However, these benefits are conditional rather than inherent. The full transaction chain still requires:

²² World Trade Organization, ‘Stablecoins and World Trade: Emerging Role, Opportunities and Challenges’ (World Trade Organization, 2026) https://www.wto.org/english/res_e/booksp_e/stablecoins_e.pdf

- Conversion between fiat and stablecoins
- Compliance with AML/CFT, sanctions, and KYC
- Access to on/off-ramps and intermediaries

A critical analytical insight is the functional limitation of stablecoins:

- They can transfer value, but do not provide credit, insurance, guarantees, or risk allocation, which are essential to trade in goods

This leads to a sectoral distinction:

- Trade in goods (finance-intensive) → limited impact
- Trade in services (especially digital) → higher potential impact

The report also highlights geographic asymmetry, noting that stablecoins may be more relevant in developing economies, where access to efficient cross-border payment systems is limited. Overall, the key insight is that stablecoins are best understood as a complementary payment layer, not a transformative replacement for the trade finance system.

7.1.3. Policy implications - the WTO emphasises that the future role of stablecoins in trade will depend primarily on the regulatory and institutional environment, rather than technological capability alone. First, there is a need for robust regulatory frameworks, covering:

- Reserve backing and redemption rights
- Governance and operational resilience
- Financial integrity (AML/CFT) and consumer protection

Second, the report highlights interoperability as a critical policy priority. Stablecoins must integrate with:

- Banking systems
- Payment networks
- Digital identity frameworks
- Trade documentation systems

Third, it underscores the importance of international coordination, given the inherently cross-border nature of trade payments and the risks of fragmented regulation. Fourth, the report suggests that policymakers should adopt a use-case-based approach, focusing on:

- Low-value payments
- SME participation in trade
- Digitally delivered services

More broadly, the WTO frames stablecoins as part of a gradual evolution of trade infrastructure, requiring alignment between technology, regulation, and market practices.

7.1.4. Key challenges identified - a primary challenge is regulatory fragmentation, which increases compliance costs and limits cross-border usability. Another challenge is the limited scale of real-economy adoption, as most stablecoin activity remains concentrated within crypto markets rather than trade transactions. The report also highlights operational and trust-related risks, including:

- Reserve transparency and redemption uncertainty
- Cybersecurity and infrastructure vulnerabilities
- Dependence on private issuers

A further issue is incomplete transaction efficiency, since cost reductions depend on the entire payment chain, not just the settlement layer. For developing economies, challenges include:

- Weak regulatory capacity
- Limited digital infrastructure
- Risks of currency substitution and monetary policy erosion

Finally, the inability of stablecoins to provide trade finance functions limits their transformative potential in goods trade

7.1.5. Conclusion - the WTO concludes that stablecoins have meaningful but bounded potential in international trade. They can improve payment efficiency, accessibility, and speed, particularly in specific use cases and underserved markets. However, they are not a substitute for the broader financial architecture of trade, and their impact will depend on regulatory clarity, interoperability, and institutional trust. The overarching conclusion is that stablecoins represent a complementary innovation in cross-border payments, whose contribution to global trade will be incremental and contingent, rather than transformative in isolation.

8. Financial Action Task Force

8.1. “Targeted Report on Regulatory Challenges from Decentralised Finance (DeFi)” (Financial Action Task Force, 2026).²³

8.1.1. Background and context - this report builds on the extension of the FATF’s anti-money laundering and counter-terrorist financing (AML/CTF) standards to virtual assets under Recommendation 15, and updates earlier 2021 guidance in light of the rapid expansion and evolution of decentralised finance (DeFi). The FATF’s core concern is that DeFi represents a structural shift in financial intermediation,

²³ Financial Action Task Force, ‘Targeted Report on Regulatory Challenges from Decentralised Finance (DeFi)’ (21 July 2026) <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/targeted-report-decentralised-finance-2026.pdf.coredownload.pdf>

characterised by permissionless access, automated smart contracts, and cross-border execution, which challenge traditional regulatory approaches premised on identifiable intermediaries. Conceptually, the report reframes DeFi not as “unregulatable” but as functionally equivalent to regulated financial services where control or influence exists, bringing such arrangements within the scope of FATF standards. This marks a decisive move from a technology-based view (decentralisation) to a control-based regulatory lens.

8.1.2. Empirical findings and analytical insights - the central empirical finding is a significant gap between DeFi market growth and regulatory implementation. Approximately 93% of surveyed jurisdictions have not yet implemented FATF standards for qualifying DeFi arrangements, and only two jurisdictions have licensed or registered such arrangements in practice. The report finds that DeFi is increasingly exploited for illicit finance, including fraud, ransomware, money laundering, and proliferation financing. Notably, sophisticated techniques such as chain-hopping, cross-chain bridges, mixers, and governance manipulation enable layering and obfuscation of illicit funds. A key analytical insight is that “decentralisation” is often overstated in practice. Many DeFi arrangements exhibit centralised features, including:

- Governance token concentration
- Administrative control over protocols
- Upgrade authority and infrastructure control

This leads to a typology:

- Clearly centralised DeFi (identifiable controllers)
- De facto centralised but opaque control
- Truly decentralised (rare)

The FATF further notes market concentration, with the top 20 protocols accounting for over 70% of DeFi activity, and geographic concentration in North America and Europe (~60%). The overarching insight is that DeFi is not fully decentralised nor outside regulation, but rather a hybrid system with identifiable control points and concentrated risk.

8.1.3. Policy implications - the report strongly reinforces the application of FATF standards to DeFi under a functional, risk-based approach. First, jurisdictions must identify “control or sufficient influence” within DeFi arrangements, using both on-chain and off-chain indicators, and regulate such entities as virtual asset service providers (VASPs) where applicable. Second, it emphasises that AML/CFT obligations extend across the ecosystem, including:

- DeFi developers and operators (where control exists)
- Financial institutions and VASPs interacting with DeFi
- Intermediaries facilitating access to DeFi protocols

Third, the report calls for enhanced supervisory and enforcement capacity, particularly in jurisdictions with significant DeFi activity, aligning resources with risk exposure. Fourth, it highlights the need for public-private cooperation and information sharing, including collaboration between regulators, financial intelligence units, and industry participants. Fifth, the report suggests prioritising systemically relevant protocols, given concentration in a small number of platforms. More broadly, the FATF advances a paradigm shift: regulation should focus on economic reality (control and function) rather than formal claims of decentralisation.

8.1.4. Key challenges identified - a primary challenge is identifying responsible actors in DeFi, as governance structures and control mechanisms can be opaque or intentionally obscured. Another challenge is regulatory lag, with most jurisdictions yet to operationalise FATF standards for DeFi despite legal frameworks existing on paper. The report also highlights illicit finance risks, including:

- Money laundering through complex transaction layering
- Fraud and scams exploiting pseudo-decentralised platforms
- State-linked cybercrime and proliferation financing

A further issue is the borderless nature of DeFi, which complicates jurisdictional enforcement and supervision. Additionally, there are technical challenges, including:

- Monitoring on-chain activity
- Tracking cross-chain transactions
- Understanding smart contract structures

Finally, there is a structural challenge of balancing innovation with compliance, as overly restrictive approaches may stifle legitimate use while insufficient regulation enables abuse.

8.1.5. Conclusion - the FATF concludes that DeFi represents a material and growing risk vector for illicit finance, but one that is not beyond the scope of existing regulatory frameworks. The key takeaway is that the primary barrier to effective regulation is not conceptual but operational specifically, the failure to identify and regulate actors exercising control within DeFi ecosystems. The overarching conclusion is that effective AML/CFT regulation of DeFi requires a shift to functional, control-based supervision, supported by international cooperation, enhanced data capabilities, and consistent implementation of FATF standards across jurisdictions.

8.2. “Seventh Targeted Update on Implementation of the FATF Standards on Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs)” (Financial Action Task Force, 2026).

8.2.1. ²⁴Background and context - this report constitutes the seventh targeted update assessing global implementation of FATF Recommendation 15 (R.15), which extends anti-money laundering and counter-terrorist financing (AML/CFT) obligations to virtual assets (VAs) and virtual asset service providers (VASPs). It builds on the FATF's 2019 decision to bring crypto-assets within the global AML/CFT framework, shifting the regulatory paradigm from technology-neutral financial regulation to explicit inclusion of digital assets within financial integrity standards. The report is part of an ongoing monitoring architecture, where FATF periodically evaluates jurisdictional compliance, effectiveness of implementation, and emerging risks, reflecting the inherently cross-border and rapidly evolving nature of virtual asset markets. Conceptually, the update reflects a transition from rule-making to enforcement and effectiveness, emphasising that the core issue is no longer whether countries have laws, but whether those laws are operationalised through supervision, enforcement, and cross-border cooperation.

8.2.2. Empirical findings and analytical insights - the central empirical finding is that global implementation has improved but remains uneven and incomplete. A large number of jurisdictions have now:

- Adopted legislation covering VAs and VASPs
- Conducted risk assessments of their domestic virtual asset sectors

However, the report identifies a critical gap between formal compliance and effective implementation, particularly in supervision and enforcement. A key analytical insight is that illicit use of virtual assets is evolving, with increasing reliance on:

- Stablecoins, which now account for a growing share of illicit on-chain activity
- Cross-border and pseudo-anonymous transaction structures

The report also finds that the “Travel Rule” (information sharing on transfers) is being implemented by a majority of jurisdictions in legal terms, but practical compliance remains inconsistent, especially in cross-border transfers and interoperability across VASPs. Another important insight is that jurisdictions with materially significant virtual asset activity now cover the majority of the global market (~97%), but gaps in smaller or less regulated jurisdictions create systemic vulnerabilities. The overarching analytical conclusion is that risks are no longer driven by absence of rules, but by uneven implementation and regulatory arbitrage across jurisdictions.

8.2.3. Policy implications - the report strongly reinforces the need to move from legislative adoption to effective implementation of AML/CFT standards. First, it emphasises full operationalisation of Recommendation 15, including:

²⁴ Financial Action Task Force, ‘Seventh Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers’ (16 July 2026) <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/targeted-updated-virtualassets-vasps-2026.html>

- Licensing or registration of VASPs
- Ongoing supervision and enforcement
- Risk-based compliance frameworks

Second, the report underscores the importance of effective implementation of the Travel Rule, requiring:

- Interoperable technical solutions
- Cross-border information sharing between VASPs
- Alignment across jurisdictions

Third, it highlights the need for enhanced supervision and enforcement capacity, ensuring that risk assessments translate into practical regulatory action. Fourth, the report calls for greater international cooperation, given that regulatory gaps in one jurisdiction can undermine the global system due to the borderless nature of virtual assets. Fifth, it implies that regulators must adopt a dynamic, risk-based approach, continuously adapting to new typologies such as stablecoin usage, DeFi integration, and cross-chain transactions. Overall, the policy direction is clear: implementation, enforcement, and coordination not new rules are the primary priorities.

8.2.4. Key challenges identified - a primary challenge is the gap between legal frameworks and effective enforcement, with many jurisdictions lacking supervisory capacity. Another challenge is regulatory fragmentation, where uneven implementation enables regulatory arbitrage and illicit finance flows across borders. The report also highlights technological and operational challenges, including:

- Implementing the Travel Rule across different platforms
- Ensuring interoperability between VASPs
- Monitoring complex transaction structures

A further issue is the growing use of stablecoins and new technologies by illicit actors, which complicates detection and enforcement. Additionally, there is a persistent challenge of cross-border coordination, as effective AML/CFT enforcement requires alignment across jurisdictions with differing regulatory capacities. Finally, the speed of innovation in virtual asset markets continues to outpace regulatory adaptation, creating ongoing compliance and monitoring challenges.

8.2.5. Conclusion - the FATF concludes that while substantial progress has been made in establishing regulatory frameworks for virtual assets, significant gaps remain in implementation, supervision, and enforcement. The key takeaway is that the effectiveness of the global AML/CFT regime now depends on consistent and practical application of existing standards, rather than further rule-making. The overarching conclusion is that virtual asset risks are global, dynamic, and increasingly

sophisticated, requiring coordinated international action, robust supervision, and continuous adaptation of regulatory approaches to safeguard the integrity of the financial system.

9. World Economic Forum

9.1. “Why Stablecoins Are Becoming a Geopolitical Issue” (World Economic Forum, 2026).²⁵

9.1.1. Background and context - the article situates stablecoins within the broader transformation of global financial infrastructure and geopolitics, arguing that they are no longer merely technological or market innovations but instruments with strategic state implications. Stablecoins digital tokens typically pegged to fiat currencies such as the US dollar are designed to enable low-cost, near-instant cross-border value transfer, positioning them as potential alternatives to traditional payment rails. The WEF frames this development against a backdrop of fragmenting globalisation and intensifying geopolitical competition, where financial systems, payment networks, and currencies are increasingly used as tools of state power. In this context, stablecoins emerge as part of a broader contest over monetary sovereignty, financial infrastructure, and currency dominance. Conceptually, the article moves beyond a narrow financial lens to argue that stablecoins are embedded in a geoeconomic shift, where private-sector innovations intersect with state interests in controlling money, payments, and capital flows.

9.1.2. Empirical findings and analytical insights - the central insight is that stablecoins especially those pegged to major currencies like the US dollar have the potential to reshape global monetary dynamics. First, dollar-denominated stablecoins are increasingly seen as reinforcing US dollar dominance, as they expand the global circulation of dollar-based assets outside traditional banking systems. Second, the article highlights that stablecoins can bypass traditional financial intermediaries, including correspondent banking networks, potentially reducing reliance on existing global payment infrastructure. This has implications for countries seeking alternatives to Western-dominated systems. Third, stablecoins introduce the possibility of “digital dollarisation”, where users in other jurisdictions adopt foreign-currency stablecoins for transactions, savings, or pricing. This can weaken domestic monetary control, as monetary policy transmission becomes less effective. Fourth, the WEF notes increasing state responses, including:

- Exploration of central bank digital currencies (CBDCs)
- Regulatory efforts to control or shape stablecoin markets
- Strategic positioning by major economies (US, EU, China)

The overarching insight is that stablecoins are not neutral financial tools; they are embedded in geopolitical competition over currency power, financial infrastructure, and regulatory influence.

9.1.3. Policy implications - the article implies that stablecoins must be treated as a strategic policy issue, not merely a financial innovation. First, governments need to

²⁵ Kanan Mammadov, ‘Why Stablecoins Are Becoming a Geopolitical Issue’ ([World Economic Forum](#), 6 February 2026)

protect monetary sovereignty, particularly in jurisdictions vulnerable to foreign-currency stablecoin adoption. Second, there is a need for robust regulatory frameworks, covering reserve backing, governance, and systemic risk, to ensure that stablecoins do not undermine financial stability. Third, the article underscores the importance of developing public-sector alternatives, particularly CBDCs, to provide state-backed digital payment instruments that can compete with private stablecoins. Fourth, it highlights the need for international coordination, as unilateral regulation is insufficient in a borderless digital asset ecosystem. Fifth, the analysis suggests that stablecoins could become tools of economic statecraft, influencing:

- Capital flows
- Sanctions enforcement
- Global demand for reserve assets

Overall, the policy direction is that stablecoins must be integrated into a broader geopolitical and monetary strategy, rather than treated in isolation.

9.1.4. Key challenges identified - a primary challenge is the risk to monetary sovereignty, particularly from foreign-currency stablecoins that can displace domestic currencies in certain use cases. Another challenge is regulatory fragmentation, where differing national approaches create uneven playing fields and opportunities for arbitrage. The article also highlights financial stability risks, including:

- Potential runs on stablecoins
- Reserve management risks
- Spillovers to traditional financial systems

A further issue is the private nature of issuance, where globally significant financial infrastructure could be controlled by private entities rather than states. Additionally, stablecoins raise concerns around sanctions evasion and illicit finance, given their cross-border and pseudonymous characteristics. Finally, there is a strategic challenge of global coordination, as major economies may pursue competing approaches (e.g., US dollar stablecoins vs. digital yuan vs. digital euro).

9.1.5. Conclusion - the WEF concludes that stablecoins represent a new frontier in the geopolitics of money, with implications extending far beyond payments efficiency. The key takeaway is that stablecoins are becoming instruments of currency competition, financial influence, and strategic autonomy, particularly in a world where economic systems are increasingly weaponised. The overarching conclusion is that their future impact will depend on how states respond through regulation, public digital currencies, and international coordination to ensure that innovation does not come at the cost of monetary control and financial stability.

9.2. “How Stablecoins Can Expand Financial Access” (World Economic Forum, 2026).²⁶

²⁶ Elisabeth Carpenter, ‘How Stablecoins Can Expand Financial Access to the Most Underserved and Unbanked’ (World Economic Forum, 19 January 2026) <https://www.weforum.org/stories/technological-innovation/how-stablecoins-can-expand-financial-access/>

9.2.1. Background and context - the article situates stablecoins within the broader transformation of digital financial inclusion, framing them as part of a new wave of internet-native financial infrastructure. It draws a parallel with earlier phases of globalisation particularly the internet's role in democratising access to information and argues that stablecoins may similarly democratise access to financial services across borders. The analysis is grounded in the persistent global challenge of financial exclusion, with over a billion individuals remaining underbanked despite widespread access to mobile devices and the internet. Stablecoins being digital representations of fiat currency operating on blockchain networks are positioned as a tool to bridge this gap by enabling direct, low-cost access to financial services without reliance on traditional banking infrastructure. Conceptually, the article reframes stablecoins not as speculative assets but as functional payment and value-storage instruments, embedded within a digitally connected global economy where financial access is increasingly mediated through technology rather than physical institutions.

9.2.2. Empirical findings and analytical insights - the central empirical insight is that stablecoins are already being deployed in real-world use cases that expand financial access, particularly in underserved contexts. First, the article highlights rapid growth in stablecoin adoption, with the asset class scaling from negligible levels to hundreds of billions in market value within a few years, reflecting increasing global demand. Second, stablecoins are being used in humanitarian aid and crisis response, enabling organisations such as UN agencies to distribute funds directly to affected populations. For example, displaced individuals have received digital dollar payments via stablecoins, improving speed and reliability of aid delivery. Third, the article identifies small business and entrepreneurial finance as a key use case, where stablecoins facilitate:

- Cross-border payments
- Access to global markets
- Reduced transaction friction

Fourth, stablecoins are particularly relevant in emerging markets, where they provide easier access to stable foreign currencies (especially dollars) for savings, payments, and trade. Fifth, the report emphasises the technical advantages of blockchain-based systems, including:

- Near-instant settlement
- Lower transaction costs
- Global interoperability via internet infrastructure

The overarching insight is that stablecoins can act as “financial rails of the internet”, enabling participation in the global economy for individuals and businesses excluded from traditional financial systems.

9.2.3. Policy implications - the article implies that unlocking the full potential of stablecoins for financial inclusion requires a coordinated public–private policy approach. First, it underscores the need for clear and supportive regulatory frameworks, which can bring stablecoins into the mainstream financial system and enable responsible scaling. Second, it highlights the importance of integration with existing institutions, such as:

- Community financial institutions
- Development agencies
- Local financial ecosystems

Third, the article emphasises public–private partnerships, particularly between:

- Governments
- International organisations (e.g., UN agencies)
- Private stablecoin issuers

Fourth, it calls for designing use-case-driven solutions, focusing on:

- Humanitarian payments
- SME financing
- Cross-border remittances

Fifth, it stresses the importance of building complementary infrastructure, including:

- Digital identity systems
- On/off-ramps between fiat and stablecoins
- Compliance and safeguards for users

Overall, the policy direction is that stablecoins should be viewed as infrastructure for inclusion, requiring alignment between innovation, regulation, and development policy.

9.2.4. Key challenges identified - a primary challenge is the early-stage nature of adoption, with many use cases still in pilot or limited deployment phases. Another challenge is the need for regulatory clarity, as uncertainty can hinder scaling and integration into mainstream financial systems. The article also highlights operational and implementation risks, including:

- Ensuring compliance with financial regulations
- Protecting users and beneficiaries
- Integrating with local financial systems

A further issue is the digital divide, as access to stablecoins depends on internet connectivity and digital literacy. Additionally, there is a challenge of interoperability, requiring stablecoins to work seamlessly with:

- Banking systems
- Payment networks
- Local currencies

Finally, the article acknowledges that stablecoins must complement and not replace existing financial systems, requiring careful institutional coordination.

9.2.5. Conclusion - the WEF concludes that stablecoins offer a promising pathway to expand financial access, particularly for underserved populations and emerging markets. The key takeaway is that their value lies not just in efficiency gains, but in their ability to lower structural barriers to participation in the global financial system, enabling individuals and businesses to send, store, and receive money more easily. The overarching conclusion is that stablecoins can contribute to a more inclusive and resilient financial system, but their impact will depend on responsible implementation, regulatory support, and integration with broader development frameworks.

9.3. “What is Decentralized Finance and What Can It Do in Practice?” (World Economic Forum, 2025).²⁷

9.3.1. Background and context - the article is primarily concerned with defining decentralised finance (DeFi) as a prerequisite for its regulatory and market development. It situates DeFi within the broader transformation of financial systems through distributed ledger technologies (DLT), framing it as a digitally native alternative to traditional financial intermediation. A key contextual problem identified is the absence of a universally accepted definition of DeFi, which has slowed both regulatory clarity and institutional adoption. To address this, the World Economic Forum’s Global Future Council proposes a structured definition, positioning DeFi as financial services built on decentralised technologies with peer-to-peer execution, programmability, and optional self-custody. Conceptually, the article frames DeFi as part of a systemic shift from institution-based finance to protocol-based finance, where trust is embedded in code and distributed networks rather than intermediaries.

9.3.2. Empirical findings and analytical insights - the article identifies a set of core functional characteristics that distinguish DeFi from traditional finance:

- Digitally native infrastructure based on distributed ledgers
- Peer-to-peer execution, eliminating traditional intermediaries

²⁷ Sandra Waliczek and Harry Yeung, ‘What is “Decentralized Finance” and What Can It Do in Practice?’ (World Economic Forum, 20 October 2025) <https://www.weforum.org/stories/financial-and-monetary-systems/decentralized-finance-financial-markets-in-practice/>

- Programmability via smart contracts, enabling automated financial operations
- Composability, where applications can build on each other
- Self-custody options, allowing users to directly control assets

In terms of real-world applications, DeFi already replicates key financial functions:

- Lending and borrowing through collateralised pools
- Trading via decentralised exchanges and automated market makers
- Yield generation through staking and liquidity provision

A central insight is that DeFi does not create entirely new financial functions but reconstructs existing ones using a different institutional architecture replacing intermediaries with smart contracts and decentralised protocols. Another important analytical takeaway is that DeFi introduces new efficiencies such as transparency, automation, and near-instant settlement while simultaneously reconfiguring risk, particularly through its speed, composability, and lack of traditional safeguards. The overarching insight is that DeFi represents a parallel financial system architecture, rather than merely an extension of existing markets.

9.3.3. Policy implications - the article's primary policy implication is the need for definitional and conceptual clarity as a foundation for regulation. Without a shared understanding of DeFi, global regulatory coordination remains difficult. First, it highlights the importance of developing global standards, analogous to frameworks such as Basel or IFRS, to ensure interoperability and consistency across jurisdictions. Second, the article implies that regulatory approaches must adapt to a protocol-based system, where:

- Activities may be automated
- Intermediaries may be absent or fragmented
- Governance may be decentralised

Third, it underscores the need to integrate DeFi with traditional finance, ensuring interoperability rather than complete separation between the two systems. Fourth, the analysis suggests that compliance mechanisms could be embedded into code, allowing regulation to operate at the level of smart contracts rather than institutions. Overall, the policy direction is toward standardisation, interoperability, and hybrid regulatory models that bridge decentralised and traditional systems.

9.3.4. Key challenges identified - a primary challenge is the lack of regulatory frameworks, as DeFi remains outside or at the edges of existing financial regulation. Another challenge is cybersecurity and smart contract risk, where vulnerabilities in

code can lead to financial losses. The article also highlights financial stability risks, including:

- Rapid, bank-run-like dynamics due to instant transactions
- Liquidity and collateral risks in automated systems

A further issue is the absence of clear definitions, which creates uncertainty for both regulators and market participants. Additionally, there are challenges around interoperability and standardisation, as fragmented systems limit scalability and cross-border integration. Finally, the article points to coordination challenges between public and private actors, particularly in developing globally consistent approaches.

- 9.3.5. Conclusion** - the WEF concludes that DeFi has the potential to transform financial markets by improving efficiency, accessibility, and transparency, but its development is constrained by conceptual ambiguity and regulatory uncertainty. The key takeaway is that defining DeFi is not merely academic; it is foundational to building regulatory frameworks, enabling interoperability, and fostering adoption. The overarching conclusion is that DeFi's future depends on the development of shared standards, coordinated regulation, and integration with the traditional financial system, allowing its benefits to be realised while mitigating risks.

10. Commonwealth Secretariat

10.1. “Model Law on Stablecoins” (COMSEC, 2026).²⁸

- 10.1.1. Background and context** - this document is a model law, i.e. a template legislative framework intended for adoption or adaptation by jurisdictions to regulate stablecoins in a harmonised manner. It is designed in response to the rapid growth of stablecoins as payment instruments and financial infrastructure, and the absence of globally consistent legal frameworks governing their issuance, reserve management, and systemic risks. The model law seeks to address the regulatory fragmentation identified across jurisdictions by offering a comprehensive, end-to-end legal architecture covering issuance, prudential regulation, supervision, and resolution. Conceptually, the model law adopts a functional approach, treating stablecoins primarily as payment instruments with monetary and financial stability implications, rather than speculative crypto-assets. It aligns with emerging global standards (FSB, IMF, BIS) by emphasising:

- Full reserve backing and redemption at par
- Prudential oversight akin to payment or narrow banking institutions
- Systemic risk mitigation for large-scale (“global”) stablecoins

The law also reflects a broader policy shift toward integrating stablecoins into the regulated financial system, rather than banning or excluding them.

²⁸ Commonwealth Secretariat, ‘New Commonwealth Model Law to Help Countries Regulate Stablecoins’ (9 February 2026) <https://comsec-web-static.s3.eu-west-1.amazonaws.com/s3fs-public/2026-05/Model%20Law%20on%20Stablecoins.pdf?VersionId=LxEqBMXeP95E3WdC1KwDzIpJMIvrZYbX>

10.1.2. Empirical / structural findings and analytical insights (embedded in the model design) - unlike research papers, the “findings” here are embedded in how the law is structured, revealing the regulator’s understanding of stablecoin risks. First, the model law assumes that stablecoins function as money-like instruments, requiring:

- High-quality liquid asset (HQLA) reserves
- Immediate redeemability at par value
- Segregation of reserves from issuer balance sheets

This reflects the insight that run risk is the core systemic vulnerability, similar to money market funds or bank deposits. Second, the law recognises issuer risk and governance failures as key vulnerabilities. It therefore mandates:

- Licensing of issuers
- Fit-and-proper requirements for management
- Strong governance and risk management frameworks

Third, the model embeds the idea that stablecoins create interlinkages with traditional finance, especially through:

- Reserve asset holdings (e.g., government securities)
- Banking system connections
- Payment system integration

Fourth, it explicitly acknowledges systemic importance thresholds, distinguishing between:

- Small/local stablecoins
- Systemically important or “global stablecoins” (GSCs), which require enhanced oversight

Fifth, the law reflects the insight that technology does not eliminate risk but redistributes it, requiring regulation of:

- Custody arrangements
- Operational resilience (cybersecurity, outages)
- Outsourcing and third-party dependencies

The overarching analytical insight is that stablecoins are best understood as “synthetic digital money backed by financial assets”, requiring regulation at the intersection of payments law, banking law, and securities/market regulation.

10.1.3. Policy implications (core legal architecture) - the model law is highly prescriptive and sets out a multi-layered regulatory regime:

1. Licensing and authorisation

- Stablecoin issuers must be licensed or authorised by a competent authority
- Licensing conditions include capital requirements, governance standards, and operational capability
- Cross-border issuance requires recognition or equivalence frameworks

2. Reserve and prudential requirements

- Mandatory 1:1 backing with high-quality liquid assets
- Strict limitations on reserve composition (e.g., cash, central bank reserves, short-term government securities)
- Prohibition or restriction on risky assets
- Regular audits and disclosure requirements

This aligns with emerging global norms requiring full backing and transparency.

3. Redemption rights and consumer protection

- Legal right of holders to redeem at par, on demand
- Clear rules on segregation and bankruptcy protection of reserves
- Disclosure obligations to ensure users understand risks

4. Governance and risk management

- Board-level accountability
- Risk management frameworks covering liquidity, operational, and market risks
- Internal controls and compliance systems

5. Operational resilience and technology risk

- Requirements for cybersecurity, system integrity, and continuity of service
- Oversight of third-party service providers (e.g., custodians, validators, tech vendors)

6. Financial integrity (AML/CFT)

- Application of AML/CFT obligations to issuers and intermediaries
- Transaction monitoring, customer due diligence, and reporting obligations

7. Systemic stablecoins (enhanced framework)

For large-scale stablecoins:

- Additional capital/liquidity requirements
- Closer supervisory oversight
- Potential central bank involvement

8. Resolution and recovery

- Frameworks for orderly wind-down or resolution of failing issuers
- Protection of user funds during insolvency
- Coordination with financial authorities

9. Interoperability and payment system integration

- Encouragement of integration with payment systems and financial infrastructure
- Support for cross-border interoperability

Overall, the law reflects a “bank-like but narrower” regulatory model, often compared to narrow banking or e-money regulation, rather than full deposit-taking institutions.

10.1.4. Key challenges identified - a primary challenge is balancing innovation with prudential safety, as overly strict rules may deter entry while weak rules increase systemic risk. Another challenge is cross-border regulatory coordination, since stablecoins operate globally but regulation remains national. The law also implicitly recognises run risk and liquidity stress, requiring robust reserve frameworks to prevent destabilising redemption dynamics. A further issue is legal uncertainty around digital assets, including:

- Ownership rights
- Treatment in insolvency
- Cross-jurisdictional recognition

Additionally, there are operational and technological risks, including cyber threats and system outages, which are amplified in digital financial infrastructure. The model also highlights competition concerns, particularly the role of large technology firms issuing stablecoins and potentially dominating payment ecosystems. Finally, there is a structural challenge in integrating stablecoins with existing monetary systems, including potential impacts on:

- Bank deposits
- Monetary policy transmission

- Financial stability

10.1.5. Conclusion - the model law concludes implicitly through its structure that stablecoins can be safely integrated into the financial system only if subject to robust, bank-like prudential regulation combined with payment-system oversight. The key takeaway is that stablecoins are not fundamentally new risks, but rather digitised versions of existing financial instruments, requiring adaptation of existing regulatory principles rather than entirely new paradigms. The overarching conclusion is that effective regulation must be:

- Comprehensive (covering issuance to redemption)
- Risk-based (distinguishing systemic importance)
- Internationally coordinated

Ultimately, the model law positions stablecoins as a regulated component of future financial infrastructure, contingent on strong legal foundations, prudential safeguards, and supervisory capacity.

11. G20

11.1. “G20 Finance Leaders and Digital Assets : Coordinated Global Approach (September 2026)”²⁹

11.1.1. Background and context - the September 2026 statement by G20 finance leaders marks a consolidation phase in global digital asset governance, with ministers and central bank governors calling for a coordinated and comprehensive regulatory approach to crypto-assets. The emphasis was on aligning national frameworks with international standards developed by institutions such as the Financial Stability Board (FSB) and the Financial Action Task Force (FATF), reflecting a recognition that fragmented regulation poses systemic risks in a borderless market. This statement is not a starting point but an extension of a policy trajectory initiated during India’s 2023 G20 presidency, where members endorsed a crypto-asset roadmap integrating macroeconomic, regulatory, and financial stability perspectives. That roadmap built on inputs from the IMF and FSB, established the principle of “comprehensive and consistent regulation”, which now underpins subsequent G20 deliberations. Thus, the 2026 articulation reflects a shift from agenda-setting to implementation and coordination, embedding crypto-assets within the broader architecture of global financial governance.

11.1.2. Empirical findings and analytical insights - the article highlights a growing consensus among G20 members that crypto-asset markets have reached a scale and interconnectedness that warrant coordinated oversight. The key insight is that risks are no longer confined to isolated failures but arise from:

- Cross-border market integration, enabling rapid transmission of shocks
- Increasing linkages with traditional finance (e.g., through stablecoins, tokenisation, and institutional participation)
- The persistence of regulatory arbitrage, where uneven national approaches create systemic vulnerabilities

²⁹ Frank Chaparro, ‘G20 Finance Leaders Call for Coordinated Approach to Digital Assets’ ([The Block](#), 2 September 2026)

At the same time, the discussions reflect a pragmatic recognition that crypto-assets are unlikely to disappear, and instead require structured integration into the regulated financial system.

11.1.3. Policy implications - the September 2026 statement reinforces several key policy directions: First, it underscores the need for globally coordinated regulatory frameworks, ensuring consistency across jurisdictions to mitigate arbitrage and enhance financial stability. Second, it reaffirms the centrality of the FSB–IMF roadmap, which combines: Financial stability regulation (FSB) and Macroeconomic and capital flow considerations (IMF). Third, it highlights the importance of full and timely implementation of existing standards, rather than the creation of entirely new frameworks, indicating a shift toward enforcement and supervisory effectiveness. Fourth, the statement implicitly supports the functional approach to regulation, where crypto-assets are regulated based on their economic function (payments, securities, etc.) rather than their technological form. Fifth, it signals continued work on cross-border issues, including:

- Data sharing and supervisory cooperation
- Alignment of AML/CFT frameworks
- Oversight of globally significant stablecoin arrangements

Overall, the policy implication is a move toward incremental convergence, where national systems remain distinct but operate within a shared global regulatory perimeter.

11.1.4. Key challenges identified - a primary challenge is achieving regulatory consistency across jurisdictions, particularly given differing national priorities and levels of market development. Another challenge is implementation capacity, as many jurisdictions have adopted frameworks in principle but lack the supervisory infrastructure to enforce them effectively. Additionally, the borderless nature of crypto-assets complicates enforcement, requiring unprecedented levels of international cooperation.

11.1.5. Conclusion - the September 2026 G20 statement represents a maturing phase in global crypto governance, where the focus has shifted from recognising risks to operationalising a coordinated regulatory response. The key takeaway is that the G20 is not attempting to centralise regulation, but to synchronise national approaches around a shared framework, rooted in the roadmap first articulated during India's 2023 presidency.

12. Conclusion

The global policy consensus on crypto-assets, stablecoins, and decentralized finance has firmly transitioned from watchful observation to a mandate for comprehensive regulatory integration. Across the assessments of the FSB, IMF, BIS, and FATF, a unified diagnosis has emerged: digital assets are no longer isolated technological experiments but form an emerging parallel financial architecture. While this architecture leverages novel mechanisms such as smart contracts, distributed

ledgers, and tokenization it ultimately replicates traditional financial vulnerabilities, including liquidity mismatches, leverage, run risks, and avenues for illicit finance.

Crucially, the regulatory paradigm has shifted away from technology-centric approaches toward the principle of functional equivalence: “same activity, same risk, same regulation.” Institutions globally recognize that decentralization is often an illusion masking concentrated points of control, and that stablecoins, in particular, function as synthetic digital money capable of transmitting systemic shocks and eroding monetary sovereignty. The immediate global priority is coordinated implementation of existing standards to prevent regulatory arbitrage, secure market integrity, and protect consumers in a borderless digital economy. Ultimately, the collective policy stance does not seek to eradicate digital assets, but to force them into the daylight of prudential oversight, ensuring that the efficiencies of programmable finance do not come at the cost of global financial stability.

13. **Way Forward**

As the crypto-asset ecosystem continues to scale and intersect with the real economy, a proactive and globally synchronized approach is required. The path forward demands action across international standard-setting, domestic legislative implementation, and the deployment of alternative public financial infrastructure.

1. Global Implementation and Supervisory Convergence

The primary global objective must be closing the gap between formal policy adoption and operational enforcement.

- **Enforcing the Baseline:** Jurisdictions must uniformly implement the FSB’s global regulatory framework and FATF’s Recommendation 15 (including the Travel Rule). Fragmented adoption will only sustain safe havens for regulatory arbitrage and illicit finance.
- **Targeting Stablecoins:** Given their systemic potential, stablecoins require immediate, bank-like prudential regulations globally. This includes mandating 1:1 backing with high-quality liquid assets (HQLA), ensuring clear redemption rights at par, and establishing frameworks for liquidity risk management.
- **Upgrading Supervisory Capacity:** Regulators must invest heavily in RegTech, on-chain analytics, and cross-border information-sharing mechanisms to effectively monitor decentralized protocols and trace pseudonymous capital flows.

2. The Indian Context: From Multilateral Leadership to Domestic Action

For India, the stakes are uniquely high. With one of the highest grassroots crypto adoption rates globally, India faces acute vulnerabilities regarding capital flight, currency substitution (“cryptoization”), and retail investor protection. However, having successfully anchored the global crypto consensus during its G20 Presidency, India is strategically positioned to shape the next phase of digital finance.

- **Enacting a Comprehensive Domestic Framework:** India must move beyond its current deterrence-heavy approach (reliant primarily on taxation) toward a structural regulatory framework. This legislation should align with the FSB and IOSCO guidelines, formally classifying crypto-assets, licensing Virtual Asset Service Providers (VASPs), and enforcing strict market conduct and consumer protection rules.
- **Mitigating Macro-Financial Risks:** For India, these findings raise the question of whether additional safeguards may be needed for foreign-currency-denominated stablecoins, particularly if their use expands beyond crypto-market settlement into payments or savings
- **Scaling Digital Public Infrastructure (DPI) as a Counterweight:** India's most potent response to the rise of private crypto-assets is the continued global expansion of its Digital Public Infrastructure. Public payment infrastructure like UPI and CBDCs may provide alternative routes to some of the efficiency and settlement benefits associated with stablecoins, while preserving a sovereign monetary anchor.
- **Leading Emerging Market Coordination:** India should continue to utilize multilateral forums to ensure that the unique challenges faced by Emerging Markets and Developing Economies (EMDEs) such as structural debt vulnerability and exchange rate fragility remain central to the implementation of global crypto regulations.

3. Fostering Safe Innovation in Tokenization

Rather than stifling innovation, future policy should actively isolate and incubate the beneficial aspects of blockchain technology. The focus of financial innovation must shift from permissionless crypto-trading toward the regulated tokenization of real-world assets (RWA) and the integration of distributed ledger technology into traditional capital markets. By building secure, interoperable bridges between tokenized deposits, central bank digital currencies, and regulated smart contracts, states can harness the efficiencies of a programmable economy while maintaining an uncompromised grip on financial stability.

14. The Global Digital Asset Policy Consensus (2025–2026) (Table 3)

Institution / Framework	Core Focus Area	Primary Risks & Vulnerabilities Identified	Key Policy Prescriptions
Bank for International Settlements (BIS)	Macro-financial stability, DeFi architecture, & cross-border payments	• Decentralization is largely an illusion; control remains concentrated. • Stablecoins amplify “cryptoization” in emerging markets. • The ecosystem replicates shadow banking risks (leverage, liquidity mismatch).	• Apply “same risk, same regulation” based on economic function. • Regulate DeFi via identifiable control points (governance tokens, developers). • Promote Central Bank Digital Currencies (CBDCs) as safe public anchors.
International Monetary Fund (IMF)	Monetary sovereignty, capital flows, & tokenization infrastructure	• Stablecoins act as a channel for digital dollarization and capital flight. • Redemption pressures can trigger fire sales in traditional bond markets. • Unregulated stablecoin FX markets generate spillovers to traditional FX.	• Mandate 1:1 safe-asset backing and strong liquidity buffers for stablecoins. • Shift to “layer-based” regulation (infrastructure, assets, services). • Integrate digital assets into macroeconomic and capital flow surveillance.
Financial Stability Board (FSB)	Systemic risk, global regulatory implementation, & NBFI interlinkages	• Regulatory arbitrage persists due to uneven cross-border implementation. • Digital assets are increasingly interconnected with traditional finance. • Severe data and monitoring gaps obscure systemic vulnerabilities.	• Transition from standard-setting to aggressive global enforcement. • Treat complex crypto intermediaries as systemic entities. • Close regulatory gaps regarding stablecoin arrangements and crypto lending.

Financial Action Task Force (FATF)	Anti-Money Laundering (AML) & Counter-Terrorist Financing (CTF)	• DeFi and stablecoins are increasingly exploited for complex illicit finance. • “DeFi” claims are used to obscure legal accountability and control. • Widespread failure to implement the Travel Rule globally.	• Adopt a control-based regulatory lens, ignoring claims of “decentralization.” • Enforce licensing for Virtual Asset Service Providers (VASPs). • Mandate interoperable tech solutions for cross-border transaction tracking.
IOSCO	Securities regulation, market integrity, & investor protection	• Vertically integrated crypto platforms create severe conflicts of interest. • Rampant market abuse, fraud, and commingling of client assets. • Innovative products (staking, lending) consistently outpace rules.	• Apply traditional securities law to digital asset intermediaries. • Enforce strict segregation and safeguarding of client assets. • Mandate comprehensive disclosure standards for retail investors.
World Economic Forum (WEF) & WTO	Geopolitics, global trade, & financial inclusion	• Dollar-pegged stablecoins reinforce US currency dominance. • Stablecoins improve settlement speed but cannot provide trade credit/finance. • Lack of unified definitions for DeFi stifles institutional adoption.	• Develop stablecoins as specialized tools for remittances and SME trade. • Form public-private partnerships to build inclusive financial architecture. • Governments must treat stablecoins as strategic geopolitical instruments.
OECD	Consumer protection & digital financial literacy	• Severe mismatch between rising crypto adoption and low financial literacy. • Self-directed investors fall prey to behavioral biases and “finfluencers.”	• Treat digital financial literacy as a primary regulatory tool. • Embed crypto-asset education into national financial capability strategies.

G20 & India (Domestic / Multilateral)	EMDE vulnerabilities, debt, & Digital Public Infrastructure (DPI)	• EMDEs face acute macro-financial fragility from capital outflows. • Fragmented global regulation disproportionately harms developing economies.	• Deploy robust Capital Flow Management (CFM) tools for blockchain rails. • Scale national Digital Public Infrastructure (UPI, CBDC) as a safe alternative to private stablecoins.
---	--	--	---

15. Bibliography

- Adrian T and others, *Understanding Stablecoins* (Departmental Paper No 2025/009, International Monetary Fund 2025)
- Adrian T, Cabedo Y and Mancini-Griffoli T, *The Rise of Tokenization: Deciphering New Trends in Payments and Asset Tokenization* (IMF Notes No 2026/006, International Monetary Fund 2026)
- Aldasoro I, Beltran P and Grinberg F, *Stablecoin Inflows and Spillovers to FX Markets* (IMF Working Paper No 2026/056, International Monetary Fund 2026)
- Aldasoro I, Frost J and Ito H, *The Impact of Stablecoins on the International Monetary and Financial System* (BIS Papers No 170, Bank for International Settlements 2026)
- Aquilina M, Cornelli G, Frost J and Gambacorta L, *Cryptocurrencies and Decentralised Finance: Functions and Financial Stability Implications* (BIS Papers No 156, Bank for International Settlements 2025)
- Carpenter E, *How Stablecoins Can Expand Financial Access to the Most Underserved and Unbanked* (World Economic Forum 2026)
- Cerutti EM, Firat M, Hengge M and Sagawa T, *Stablecoin Shocks* (IMF Working Paper No 2026/044, International Monetary Fund 2026)
- Commonwealth Secretariat, *New Commonwealth Model Law to Help Countries Regulate Stablecoins* (9 February 2026)
- Copestake A, Englander C, Martinez Peria MS and Villegas-Bauer G, *Stablecoins and the Future of Payments: Evidence from Financial Markets* (IMF Working Paper No 2026/052, International Monetary Fund 2026)
- Eidan D and others, *Blockchain Consensus Mechanisms and Fragmentation* (BIS Bulletin No 126, Bank for International Settlements 2026)
- Financial Action Task Force, *Targeted Report on Regulatory Challenges from Decentralised Finance (DeFi)* (21 July 2026)
- Financial Action Task Force, *Seventh Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers* (16 July 2026)
- Financial Stability Board, *Thematic Review on the FSB Global Regulatory Framework for Crypto-asset Activities* (16 October 2025)
- Financial Stability Board, *FSB Work Programme for 2026* (3 February 2026)
- Financial Stability Board, *FSB Regional Consultative Group for Asia Meets in Hanoi* (9 April 2026)
- Financial Stability Board, *The Financial Stability Risks of Crypto-asset Markets* (27 March 2024)
- Gross M and Sennner R, *From Par to Pressure: Liquidity, Redemptions, and Fire Sales with a Systemic Stablecoin* (IMF Working Paper No 2026/005, International Monetary Fund 2026)
- Huang W, Tarashev N and Wang X, *Stablecoin Remuneration on Centralised Exchanges* (BIS Bulletin No 125, Bank for International Settlements 2026)
- International Organization of Securities Commissions, *Thematic Review Assessing the Implementation of IOSCO Recommendations for Crypto and Digital Asset Markets* (2025)
- Lammer T, Rees D, Rice T and Shirakami T, *Enhancing Cross-border Payments: State of Play and Way Forward* (BIS Bulletin No 119, Bank for International Settlements 2025)
- Organisation for Economic Co-operation and Development, *Improving the Digital Financial Literacy of Crypto-asset Users* (OECD Publishing 2025)
- Organisation for Economic Co-operation and Development, *Tokenisation of Assets and Distributed Ledger Technologies in Financial Markets* (OECD Business and Finance Policy Papers No 75, OECD Publishing 2025)
- Reuter M, *Decrypting Crypto: How to Estimate International Stablecoin Flows* (IMF Working Paper No 2025/141, International Monetary Fund 2025)
- Tan BJ, *Stablecoins and Fragility in Fixed Exchange Rate Regimes* (IMF Working Paper No 2026/144, International Monetary Fund 2026)
- Waliczek S and Yeung H, *What is "Decentralized Finance" and What Can It Do in Practice?* (World Economic Forum 2025)
- World Trade Organization, *Stablecoins and World Trade: Emerging Role, Opportunities and Challenges* (World Trade Organization 2026)

