

3

**Regulatory issues
essential for the use
of stablecoins in
international trade**

Regulatory fragmentation and the case for international coordination

The extent to which stablecoins can become a meaningful instrument for international trade depends less on the underlying technology than on whether businesses can rely on clear, predictable and interoperable legal frameworks across jurisdictions. For exporters, importers and financial intermediaries, the attractiveness of stablecoins depends not only on their potential to facilitate faster or less costly payments, but also on confidence that transactions will be legally recognized, settlement will be final, redemption rights will be enforceable, and compliance obligations can be met across borders.

Divergent regulatory approaches can increase legal uncertainty, operational complexity and compliance costs, potentially limiting the efficiency gains that stablecoins could otherwise offer for international trade. Against this background, this section reviews the emerging international regulatory landscape governing stablecoins, highlighting the international guidance issued by key standard-setting bodies and comparing selected national frameworks to illustrate how differing regulatory approaches can generate legal uncertainty in the use of stablecoins in the context of trade transactions.

The global regulatory response to stablecoins remains at an early stage. As of 2025, only 5 (21 per cent) of approximately 29 jurisdictions surveyed by the Financial Stability Board (FSB) reported having finalized a regulatory framework for stablecoins. Ten jurisdictions (34 per cent) were actively developing or completing regulatory frameworks for global stablecoins, indicating that meaningful advancement in this area is likely within the next 1 to 2 years. Three jurisdictions (10 per cent) implemented partial regulatory measures, and 11 (38 per cent) are still in the early stages without an existing framework (FSB, 2025). By comparison, broader cryptocurrency regulation is considerably more advanced, but in many cases, there are gaps in addressing risks posed by stablecoins (e.g. taxation, anti-money laundering/combating the financing of terrorism (AML/CFT), consumer protection, and licensing).²

Jurisdictions are increasingly recognizing stablecoins as a distinct category of payment instrument, requiring tailored regulation rather than reliance on existing financial legal frameworks. Unlike speculative crypto assets, stablecoins are designed to maintain a stable value and are increasingly recognized as a beneficial instrument for payment, particularly in cross-border transactions

(Adrian et al., 2025). This functional reality gives rise to concerns spanning monetary sovereignty, financial stability, consumer protection and illicit finance that do not map neatly onto any single prior regulation.

The stakes of getting this tailored regulation right are significant; in the absence of adequate regulations, several risks can directly undermine the use of stablecoins to settle cross-border trade transactions. Where redemption rights are restricted or not easily enforceable, or where backing funds are exposed to market and liquidity shocks, a loss of confidence in the stablecoin's value can disrupt settlement when payment is due. Legal uncertainty as to a stablecoin's status, the enforceability of holder rights across jurisdictions, and the mutual recognition between national frameworks add a further layer of risk.

All regulatory frameworks require licensed intermediaries to follow international AML standards, by mandating Financial Action Task Force-aligned AML/CFT obligations and travel rule implementation. The latter requires originator and beneficiary information to accompany the transfer of funds and crypto assets. Inconsistent implementation of these requirements across jurisdictions can itself become a source of friction and delay. When corporate treasuries cannot guarantee that a digital settlement asset will be mutually recognized across a multi-economy trade corridor, they are forced to maintain costly traditional fiat buffers, i.e. reserves, eroding the cost-efficiencies that digital assets are meant to provide. These risks are amplified in economies with weaker regulatory and institutional capacity and can also raise macroeconomic concerns (Adrian et al., 2025).

Regulatory frameworks are being designed not only to protect individual holders but to safeguard the broader financial system and, in several jurisdictions, to preserve domestic monetary sovereignty. Minimum reserve requirements, redemption-at-par obligations, interest prohibitions, stringent licensing requirements for issuers and systemic thresholds all reflect an effort to position stablecoins as payment instruments subject to payment system oversight. This design of the regulatory framework is relevant to cross-border settlements and trade finance, as whether a stablecoin can legally be used to settle a commercial invoice depends on how, and by whom, it is classified.

A stablecoin might be a licensed payment instrument in one jurisdiction, but an unregulated foreign token, a security, or a prohibited asset in another. As a result, a stablecoin accepted as a lawful means of payment in one jurisdiction may face different legal treatment elsewhere. For firms engaging in international trade, this fragmentation can increase legal uncertainty, complicate compliance

and reduce the potential efficiency gains from using stablecoins in cross-border transactions.

Addressing this fragmentation is where international bodies come in, providing international guidance to reduce regulatory fragmentation and promote greater legal certainty for cross-border transactions.

By encouraging greater consistency across national frameworks, international standards can facilitate the use of stablecoins in international trade while supporting financial stability, market integrity and consumer protection. In recent years, guidance on crypto and stablecoin regulation has been provided by the Bank for International Settlements (BIS) through their Basel Committee on Banking Supervision (BCBS) and Committee on Payments and Market Infrastructures (CPMI), the International Organization of Securities Commissions (IOSCO), and the Financial Stability Board (FSB). Their recommendations share a common architecture but vary in scope and legal effect.

Despite differences in emphasis, all four bodies converge on a common set of expectations: high-quality and adequate reserves, enforceable redemption rights, sound governance arrangements, robust AML/CFT compliance and operational resilience. For example, the FSB established the “same activity, same risk, same regulation” principle to address financial stability risks; the BCBS framework focused on bank capital adequacy, a measure of a bank’s financial strength; and the CPMI provided guidance to target stablecoin arrangements as financial market infrastructures, requiring settlement finality and legally recognized governance structures. None of these recommendations are directly binding, but they are all addressed to national authorities. Adhering to these international guidelines can mitigate the risks associated with regulatory fragmentation.

National stablecoin frameworks

Lack of progress in the development of detailed frameworks may be limiting the use of stablecoins to settle cross-border trade transactions. Advanced economies have enacted binding, detailed frameworks; emerging-market jurisdictions are either implementing broad enabling legislation or still developing the secondary rules that will determine how stablecoins can be used in practice (see Table 3). The European Union; Hong Kong, China; Singapore; Japan; and the United States represent the economies with the most advanced regulatory environments, each having enacted comprehensive, in-force frameworks with detailed reserve, licensing,

redemption, and AML requirements. Their approaches nonetheless differ in ways that carry direct implications for cross-border payments. For instance, the divergence in reserve composition requirements, type of permissible issuer, as defined by international banking norms, and redemption rights mean that a stablecoin that can be fully compliant in one jurisdiction may not meet the legal and operational standards of another, complicating correspondents’ relationships and the settlement of payments across borders.

Among developing economies, Brazil, Kenya and Nigeria have made significant progress, though parts of their frameworks remain less complete. Economies, such as El Salvador, have also moved forward in establishing a stablecoin regulatory framework, positioning themselves as early adopters among smaller developing jurisdictions. Differences in regulatory maturity across jurisdictions means that use of stablecoins to settle cross-border trade transactions may still face significant legal uncertainty when one leg of the transaction falls within a developing jurisdiction.

Jurisdictions apply different regulatory standards for operators in the stablecoin ecosystem, creating uncertainty in the ability to use stablecoins to settle trade transactions.

Regimes differ significantly in the conditions for issuer eligibility, meaning that the pool of legally usable stablecoins may be difficult to identify. Also, conditions for stablecoins offered by foreign issuers based abroad also differ significantly. Some impose local presence requirements for foreign-based issuers (e.g., Brazil, the European Union), while others (e.g. the United States) do not impose such conditions, but rather require equivalence of the issuer’s home regime or a reciprocal agreement. On wallet regulation, the treatment of non-custodial, self-hosted wallets diverges sharply, with developing economies’ frameworks leaving this dimension largely unaddressed. Examples of this are Nigeria and Kenya which have not published specific rules on non-custodial wallet interactions.

Stringent conditions and regulatory fragmentation that hinder the activities of stablecoin operators internationally may have consequences for trading firms, as they can create compliance burdens regarding the use of certain stablecoins over others depending on the jurisdiction of the counterparty. In this respect, it is important to note the role of international trade frameworks such as the General Agreement on Trade in Services (GATS) to support work on impediments to the international supply of stablecoin-related services, playing a complementary role to address trade-related issues, alongside other ongoing international regulatory initiatives tackling financial stability or consumer protection (see Box 2).

Table 3: Features of stablecoin regulatory frameworks in selected economies

Theme	Brazil (Virtual Assets Law)	European Union (Markets in Crypto-Assets)	Hong Kong, China (Stablecoins Ordinance)	Japan (embedded within the Payment Services Act)	Kenya (Virtual Asset Service Providers Act)	Nigeria (embedded within the Investments and Securities Act)	United States (GENIUS Act)
Stage	In force (February 2026); Resolution 561 reversed key cross-border provision	In force (2024); review launched May 2026	In force (August 2025)	In force; amendments June 2026	Enacted October 2025; regulations pending	In force (March 2025)	In force (July 2025)
Issuer Eligibility	Authorized Virtual assets services providers (VASPs)	Electronic Money Institutions, credit institutions	Licensed entities	Banks, trust companies, fund transfer providers only	Licensed companies	Securities and Exchange Commission (SEC)-licensed VASPs;	Banks, and chartered nonbanks
Reserves	1:1; segregated fiat backing; independent certification of segregation required	100%; segregated, low-risk liquid assets; protected from creditor claims	Full backing; trust custody; assets match referenced currency; holder priority in insolvency	100%; insured deposits (banks); segregated money deposits/guarantees (others)	100%; cash, central bank deposits, government securities, short-term repos	Mandated; asset classes not yet specified	1:1; Treasury bills, insured deposits, central bank reserves, repos
Redemption	Contractual only; no statutory par-value right	At par, on demand, free of discretionary fees	At par within 1 business day; holder priority claims in insolvency	At par; non-custodial redemption unavailable	Mandatory at par on demand; not yet in force	Not defined	Enforceable; timeline not specified*
Who Can Use	Treated as a foreign exchange operation; US\$ 100K cap per transfer for unlicensed counterparties; electronic foreign exchange service providers banned from cross-border settlement	EUR 200M/day cap on non-euro stablecoin transactions	No restrictions	Must register as Electronic Payment Instrument Exchange Service Provider; 95% offline storage; travel rule compliance required	No explicit prohibition	Crypto payment prohibition; retail investment limits apply	No restrictions
Foreign Issuers	Local authorization required	EU establishment required	Local incorporation or authorized institution; senior management in Hong Kong, China	Direct issuance prohibited	Local incorporation required	Local incorporation required	Treasury certification needed
AML/CFT & Travel Rule	FATF-aligned, phased travel rule	Zero-threshold travel rule and AML obligations apply	Travel rule above HKD 8000; Anti-Money Laundering and Counter-Terrorist Financing Ordinance compliance mandatory	All intermediaries must comply; travel rule mandatory	Risk-based AML/CFT programme mandatory; travel rule not yet addressed in draft regulations	FATF-aligned; travel rule applies	Bank Secrecy Act and AML obligations apply

Theme	Brazil (Virtual Assets Law)	European Union (Markets in Crypto-Assets)	Hong Kong, China (Stablecoins Ordinance)	Japan (embedded within the Payment Services Act)	Kenya (Virtual Asset Service Providers Act)	Nigeria (embedded within the Investments and Securities Act)	United States (GENIUS Act)
Wallet Regulation	Central Bank-authorized custodial VASPs; self-hosted wallet owners must be identified for cross-border transfers	Custodial providers licensed as Crypto-Asset Service Providers (CASPs); self-hosted wallet due diligence above EUR 1,000; further restrictions possible	Custodial VASPs need Securities and Futures Commission licence	Non-custodial unavailable	Central bank licence for custodial providers; non-custodial not yet addressed	SEC-approved custodians mandatory; no non-custodial wallet rules published	Self-custody protected
Interoperability	No mandate	No mandate	EnsembleTX pilot program (stablecoins + tokenized deposits + wholesale CBDC); cross-border standards stated as priority	No mandate	No mandate	No mandate	Statutory mandate to develop standards with National Institute of Standards and Technology (only binding mandate reviewed)

* The New York Department of Financial Services baseline refers to two business days.

Source: WTO Secretariat.

Note: Frameworks are at different stages of legal and operational maturity. Some are fully in force, such as the European Union's Markets in Crypto-Assets Regulation (MiCA), while others (e.g., the GENIUS Act) have been enacted but await implementing rules, which remain the focus of ongoing discussion. All frameworks may be subject to future revision.

Among the specific regulatory dimensions that matter for trade, redemption rights stand out.

Redemption rights will be an important trust element for traders, and while they are legally enforceable and near-immediate in most advanced-economy frameworks, in developing economies, they are either contractual, undefined, or not yet in force. Frameworks in more advanced economies (e.g., the European Union; Hong Kong, China; the United Kingdom) give holders an unconditional right to redeem on demand, and within a reasonable period of time, at par, free of discretionary or unreasonable fees, enforceable against a licensed issuer. However, in several developing-economy frameworks, redemption remains contractual or undefined. For trade purposes, the consequence is concrete. For example, a buyer in such an economy holding a foreign-issued stablecoin to settle a trade payable is not protected by the right of redemption enforceable under local law, and a stablecoin issuer operating under that jurisdiction's rules does not owe a statutory par-value obligation to its holders.

To address these redemption challenges, the FSB recommended a “same activity, same risk, same regulation” approach. This required issuers to provide users with a legal claim for prompt redemption at par value in the relevant fiat currency, backed by national authorities ensuring redemption rights, stabilization mechanisms, and prudential standards (FSB, 2024). Redemption is a critical prerequisite for micro, small and medium-sized enterprises engaged in cross-border trade, as they may often lack the legal resources and liquidity reserves to manage redemption uncertainty. Where redemption rights are undefined or unenforceable under local law, stablecoins cannot substitute for correspondent banking in trade finance, given the liquidity risk they pose at the moment of settlement.

A second, equally consequential dimension is compliance. AML/CFT obligations are among the most consequential regulatory dimensions for cross-border stablecoin use in trade, because a

Box 2: Stablecoins and the General Agreement on Trade in Services (GATS)

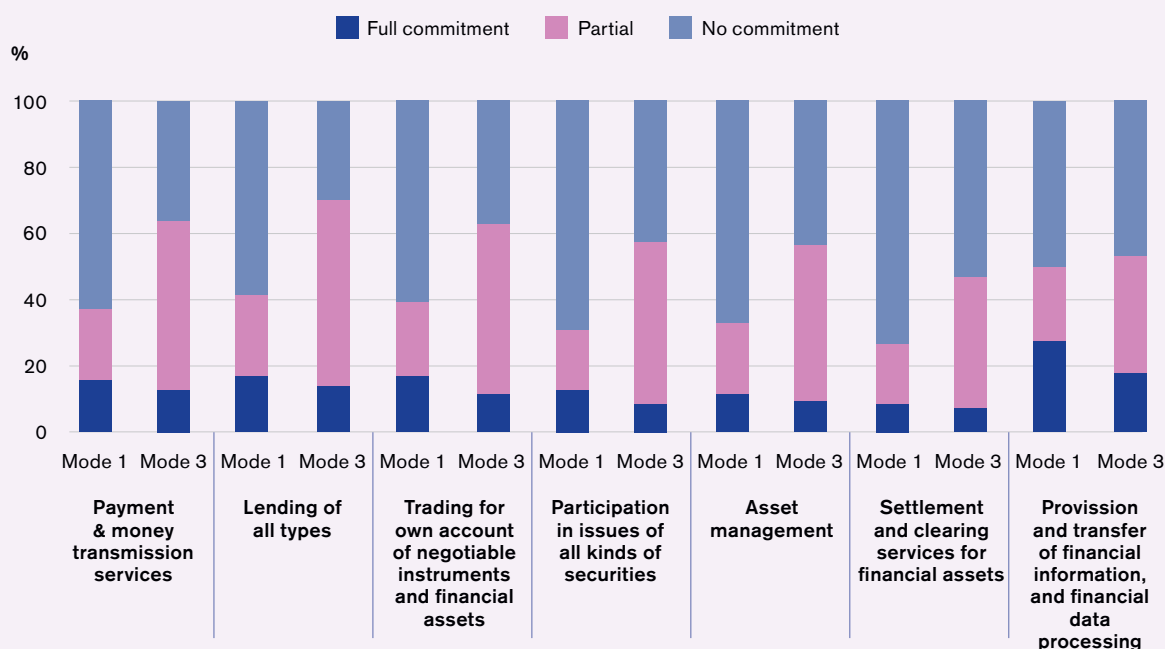
Many financial services are essential to the issuance, circulation and operation of stablecoins. Stablecoins do not operate in isolation. Rather, they rely on a complex network of service suppliers, including issuers, payment providers, custodians, exchanges, wallet providers, clearing and settlement entities, cloud-computing and data-processing providers, as well as other financial intermediaries. To the extent that these activities constitute services supplied internationally, they fall within the scope of the GATS and the specific commitments undertaken by WTO members.

Relevant service categories include all payment and money transmission services; trading in negotiable instruments and financial assets; participation in the issuance of securities and other financial instruments; custodial, depository and trust services; settlement and clearing services for financial assets; the provision and transfer of financial information; financial data processing; and lending and financing services, including those associated with

decentralized finance. While all modes of supply⁷ can be significant, cross-border supply (mode 1) and the supply through the establishment of a commercial presence (mode 3) are the most pertinent.

While BIS, FSB and IOSCO primarily focus on financial stability, consumer protection, market integrity and prudential regulation, the GATS provides a framework for addressing trade-related dimensions of services associated with stablecoins. Its role notably includes facilitating market access for service suppliers and ensuring non-discrimination. In this respect it is worth noting that a significant share of WTO members have already undertaken commitments in services sectors relevant to stablecoin-related activities. Between one-half and two-thirds of members have already made mode 3 commitments in relevant services, while approximately one-third to one-half have undertaken mode 1 commitments, albeit maintaining certain limitations (see Figure 6).

Figure 6: Share of WTO members with commitments in stablecoin-related services



Source: World Bank-WTO I-TIP Services, GATS module.

Note: EU-27 individual Member States and the United Kingdom are covered in the EU schedule.

By providing disciplines on market access and non-discrimination, the GATS offers a framework through which WTO members can reduce unnecessary barriers to trade in stablecoin-related services², while preserving their ability to pursue legitimate public policy objectives, including financial stability, consumer protection, anti-money laundering and counter-terrorism financing measures. Furthermore, the GATS can facilitate

the development of sound regulatory practices and promote interoperability. As stablecoins continue to evolve as part of the global digital economy, the interaction between international trade rules and financial regulation is likely to become increasingly significant. In this context, the GATS can contribute to a more transparent, predictable and interoperable environment for the supply of stablecoin-related services.

Source: WTO Secretariat.

Notes: 'The GATS defines four ways of supplying services, namely cross-border supply (mode 1); consumption abroad (mode 2); establishment of a commercial presence (mode 3); or the temporary presence of natural persons (mode 4). At the same time, the prudential carve-out in the GATS Annex on Financial Services preserves members' ability to adopt measures for prudential reasons.'

transaction that satisfies compliance requirements on one side of a payment may not satisfy them on the other. Stablecoins can pose AML/CFT risks due to their potential for anonymity, global reach and their ability to enable rapid cross-border transactions, particularly if they allow for anonymous payments and bypassing regulated intermediaries. In such cases, illicit funds can be concealed and moved anonymously on a massive scale. These risks are amplified in trade contexts, where stablecoins could be used to circumvent targeted financial sanctions or obscure the origin of commercial payments.

Additionally, a stablecoin arrangement typically involves multiple entities (such as exchanges or custodial wallet providers), potentially located in multiple jurisdictions, each under differing AML/CFT obligations (BIS, 2023). Travel rule thresholds and implementation vary widely. When one of the parties in a cross-border stablecoin payment operates in a jurisdiction that has not yet finalized the travel rule, the licensed institution on the compliant side might bear the compliance exposure of that regulatory gap. This asymmetry might deter many advanced economies with robust stablecoin frameworks to avoid transactions with developing economies which have underdeveloped frameworks, due to asymmetric regulatory risk, undermining the commercial case for engagement.

Interoperability

Even where a national stablecoin framework is well-developed, it does not automatically extend, or correspond, to the framework governing the other end of a transaction. Domestic regulatory

completeness is therefore not sufficient on its own to enable cross-border use. Domestic and across border interoperability are key for being able to use stablecoins in the context of international trade, i.e. that stablecoins can be used seamlessly in trade transactions. The absence of interoperability standards constrains the use of stablecoins for cross-border trade settlement. In a fragmented infrastructure, a stablecoin payment initiated in one jurisdiction may not be technically receivable, legally recognizable, or compliance-compatible in another jurisdiction. The issue is especially severe for developing economies, which tend to lack domestic infrastructure and the international connectivity found in developed economies, and which therefore often lack an interoperability arrangement.

Achieving interoperability across and within jurisdictions requires the synchronization of multiple elements in the cross-border payment chain. The stablecoin systems entail multiple software components and technologies while addressing key challenges such as security, ensuring the system is always running, keeping data consistent, making transactions all-or-nothing, and maintaining control across many users instead of one central authority. This cross-chain collaboration requires interoperability mechanisms. Additionally, interoperability implementation faces multiple challenges due to the diversity of blockchain systems in network structures, cryptographic primitives, i.e. basic mechanisms used to secure, authenticate and verify transactions in digital systems (e.g. digital signatures), and application contexts (Deng et al., 2025). Although some initiatives are emerging, there is no cross-chain interoperability standard provided for in ISO 20022.³

Also, there is a growing but limited stablecoin interoperability with banks, payment systems and other third-party services providers.

Major payment firms and some banks are actively building stablecoin capabilities. However, stablecoin integration remains complex and expensive due to the operational challenges of converting fiat currency to stablecoin and back, and sourcing sufficient exchange liquidity on both ends of corridors (Copestake et al., 2026). Major payment service providers are moving into stablecoins at different speeds. Across the board, the momentum is in cross-border and B2B payments, where stablecoins help bypass the cost and delays of traditional correspondent banking. For self-hosted wallets, they operate natively on public blockchains and can hold and transfer stablecoins without intermediary permission. However, these platforms remain complex for the average retail user (OECD, 2024). Additionally, self-hosted wallet transactions are pseudonymous, where individual users' identities are hidden behind addresses, which can preserve privacy but also facilitate illegal use (BIS, 2025).

The divergent national classification and regulation of the same stablecoin is a significant interoperability issue for trade.

Existing frameworks remain largely silent on how to resolve this matter. A single transaction involving an exporter using a Singapore-issued stablecoin, an importer in Brazil, and a correspondent bank in Europe, may be subject to different licensing, reserve, redemption, and AML requirements in each jurisdiction. This divergence creates legal uncertainty as to which rules govern the transaction and whose obligations prevail. Mutual recognition and regulatory compatibility across jurisdictions ultimately determine whether a stablecoin can function as a reliable cross-border payment instrument. The Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act) is the only framework with a statutory mandate to develop technical interoperability standards, directing federal regulators to work with the National Institute of Standards and Technology and other standard-setting bodies to prescribe standards promoting compatibility. No other jurisdiction has enacted a comparable mandate. In other jurisdictions, interoperability is being

pursued through pilot initiatives from some jurisdictions and public-private collaboration rather than binding regulations (e.g. Hong Kong, China; Singapore). The absence of interoperability standards constrains the use of stablecoins for cross-border trade settlement.

Stablecoin payments must operate within, rather than replace, the existing legal architecture of trade finance and trade documentation.

Two issues arise in this context. First, trade finance operates under an established legal architecture, including International Chamber of Commerce (ICC) instruments such as UCP 600 and URC 522⁴, alongside domestic commercial law, with which stablecoin payments must coexist. The relevant question is not whether a smart contract executes correctly, but whether its execution is legally recognized across the jurisdictions involved in the transaction. Second, a programmable payment depends on external inputs, including electronic bills of lading, certificates of origin, customs clearance and inspection certificates, to determine when payment conditions have been satisfied.

Unless the stablecoin layer can reliably communicate with the underlying trade-document layer, smart contracts cannot verify whether the conditions triggering payment have been met. Therefore, legal recognition of stablecoin-based payment execution, and integration of the stablecoin layer with the trade-document layer, are preconditions for smart contracts to function as reliable payment mechanisms in trade finance.

Overall, the future role of stablecoins in international trade will depend not only on technological innovation but also on the degree of regulatory convergence achieved across jurisdictions. While differences in national approaches are likely to persist, greater alignment around common principles governing issuance, redemption, compliance and interoperability could reduce legal uncertainty and facilitate the safe use of stablecoins in cross-border commercial transactions. Conversely, persistent regulatory fragmentation may limit the extent to which stablecoins can reduce the payment frictions identified in Section 2.

Endnotes

1. "Stablecoins and the future of money: separating functions from instruments", Speech by Christine Lagarde, President of the European Central Bank, at the Banco de España LatAm Economic Forum in Roda de Barà, Spain, 8 May 2026, <https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260508~dd909fbed1.en.html>
2. The Atlantic Council's Cryptocurrency Regulation Tracker, covering 75 economies, confirms that cryptocurrency activity is fully legal in 45 jurisdictions, partially restricted in 20, and generally banned in 10. Only 28 of the 75 economies studied enacted regulations across taxation, AML/CFT, consumer protection and licensing, demonstrating that existing regulatory mandates, often designed for securities or payments, are generally insufficient to address the unique risks posed by stablecoins (<https://www.atlanticcouncil.org/programs/geoeconomics-center/cryptoregulationtracker>).
3. ISO 20022 is an international standard for electronic financial information interchange.. For more information see <https://www.iso20022.org>.
4. The ICC Uniform Rules for Collections (URC) are a set of rules to help all counterparties in a collection process of debt, owned money or assets. For more information see https://2go.iccwbo.org/subjects/urc-522-uniform-rules-for-collections-config-1+book_version-Book.
5. International Monetary Fund – World Economic Outlook (WEO), <https://data.imf.org/en/datasets/IMF.RES:WEO>
6. See BIS Quarterly Review, "Exchange rates and monetary policy frameworks in EMEs" and BIS Annual Economic Report (various years)
7. International Monetary Fund – AREAER Online database: <https://www.elibrary-areaer.imf.org/Pages/Reports.aspx>
8. "Enhancing cross-border payments in Europe and beyond", Speech by Piero Cipollone, Member of the Executive Board of the European Central Bank, at the Regional Governor's Meeting in Osijek, Croatia, 1 April 2025, <https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250401~9e1ee05e88.en.html>