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Call for Evidence
Growth and Proposed Regulation for Stablecoins in the UK

House of Lords
Financial Services Regulation Committee
January 2026

Response from
The Payments Association
March 2026

# Introduction

The Payments Association welcomes the opportunity to contribute to the House of Lords Financial Services Regulation Committee Call for Evidence “Growth and Proposed Regulation for Stablecoins in the UK”.

As The Payment Association’s membership includes a wide range of companies from across the payments value chain, and diverse viewpoints across all job roles, this response cannot and does not claim to fully represent the views of all members. With regard to this specific response, please note that the views of Lloyds Banking Group are not reflected in the banking members’ section.

We are grateful to the contributors to this response, which has been drafted by Riccardo Tordera, our Vice President, Policy & Government and Robert Courtneidge, Advisor to the Board. We would also like to express our thanks to the House of Lords Financial Services Regulation Committee for their continuing openness in these discussions. We hope it advances our collective efforts to ensure that the UK’s payments industry continues to be progressive, world-leading, and secure, and effective at serving the needs of everyone who pays and gets paid.

Ben Agnew
*CEO*
**The Payments Association**

## Our members' views[1]:

### Response to questions

1. **How has the global market for, and the issuance of, stablecoins developed since 2014? How does the UK market compare to the US and the EU?**

Since 2014, stablecoins have evolved from niche crypto-asset instruments into a globally recognised class of digital assets. While initial demand was driven by speculative trading, the market has matured significantly, with increasing focus on developing real-world use cases for cross-border payments and institutional applications.

**The Global and US Landscape**

The United States has established the most advanced and deeply developed stablecoin market globally. US dollar-linked stablecoins currently account for 99% of the global market, with over $300 billion in circulation. In 2025, transaction volumes for these assets exceeded $33 trillion, a figure that notably surpassed the combined total card volumes of Visa, Mastercard, and Amex, which stood at approximately $25 trillion. This US dominance has reinforced the prominence of the US dollar in digital finance and supported capital flows that reduce government borrowing costs. We recommend thorough reading and understanding of both Citi Bank[2] and McKinsey[3] recent reports in terms of market size, market trends, use cases and growth perspectives.

**The European Union and MiCA**

Within the European Union, the regulatory landscape is governed by the Markets in Crypto-Assets (MiCA) regulation. Although MiCA has faced industry criticism, it has provided a degree of regulatory certainty that has facilitated modest issuer interest. At present, 1% of stablecoins are euro-pegged and the EU can count on 17 issuers who have issued 25 stablecoins of which only 14 are euro denominated[4]. The EU also counts some relevant major retail banks[5] initiatives to create consortium to issue stablecoins. Something that is not happening in the United Kingdom, in part due to the focus on GBTD, a tokenised deposits initiative by UK banks, and a lack of clarity in the UK over whether banks can participate in stablecoin activities under their main brand.

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[1] Please note that, for the purpose of this entire response, the views of our member Lloyds Banking Group are not reflected in the banking members' section.
[2] https://www.citigroup.com/global/insights/stablecoins-2030
[3] https://www.mckinsey.com/industries/financial-services/our-insights/stablecoins-in-payments-what-the-raw-transaction-numbers-miss
[4] https://coindoo.com/mica-stablecoin-update-europe-still-has-just-17-authorized-issuers-in-2026/
[5] Qivalis is a joint venture being set up by a consortium of major European banks to launch a regulated euro-pegged stablecoin under the EU's Markets in Crypto-Assets Regulation (MiCA). It is headquartered in Amsterdam and is currently applying for an Electronic Money Institution (EMI) licence with the Dutch central bank. Target launch is the second half of 2026 pending regulatory approval. As of early March 2026, the consortium formally includes the following European banks: ING, UniCredit, Banca Sella, CaixaBank, Danske Bank, DekaBank, KBC, Raiffeisen Bank International (RBI), SEB, BNP Paribas, DZ BANK, BBVA

A significant development in the EU is the emergence of bank-led consortia, such as **Qivalis**. This joint venture—comprising major institutions including ING, UniCredit, and BNP Paribas—aims to launch a regulated euro-pegged stablecoin by the second half of 2026.

**The UK Position and Comparative Challenges**

In contrast, the UK market currently lacks any meaningful issuance, liquidity, or institutional use of sterling-denominated stablecoins. Members observe that:

- **Market Stagnation**:
  Up to this point, a lack of market-oriented decision-making has resulted in "near-zero" domestic issuance.

- **Currency Displacement**:
  The absence of a viable GBP stablecoin alternative has led to a reliance on US dollar-denominated tokens for digital asset activities within the UK.

- **Institutional Lag**:
  Unlike the EU, where major retail banks have formed consortia to drive stablecoin initiatives, no equivalent large-scale institutional collaboration is currently active in the United Kingdom. While some banks in the UK are promoting an alternative to stablecoins through tokenised deposits such as the GBTD initiative, others are concerned that regulatory approaches have stifled commercial bank exploration of stablecoin initiatives.

- **Level Playing Field:**
  Banks have a key role to play in contributing to the BoE multi-money vision and this requires a level playing field in regulatory treatment. Banks will need the flexibility to be able to offer stablecoin services under their main brands and from inside the ringfence.

**2. How is the sterling denominated stablecoin market in the UK expected to develop in the coming years?**
**a. Who uses stablecoins and for what purposes?**
**b. Are there any existing rules impacting the growth of stablecoins in the UK?**

The sterling-denominated stablecoin market in the United Kingdom is currently in a nascent stage of development. Growth is expected to accelerate as regulatory frameworks crystallise and as firms refine specific use cases. Notably, on 25 February 2026, several of our members were selected by the FCA to participate in its Regulatory Sandbox programme. This initiative allows firms to trial stablecoin products under real-world conditions with appropriate safeguards; the selected proposals encompass a diverse range of applications, including wholesale settlement, cryptoasset trading, and retail payments.

**a. Who uses stablecoins and for what purposes?**

The market is presently characterised as emerging rather than mature. We anticipate that the trajectory of adoption will be defined by two primary contexts:

- **Institutional and Business Utility**: Initial adoption is likely to be driven by institutional use cases, including cross-border trade, settlement liquidity, and interoperability with tokenised deposits and existing payment infrastructure.

**Retail Adoption**: While retail use remains closely linked to crypto-trading "on-ramps" and "off-ramps," actual real-world payment transactions are increasing, particularly for remittance. Members observe that broader retail adoption will be slower and heavily contingent upon the implementation of clear consumer protection frameworks and parity in customer protections for different forms of money.

**Divergence of Views on Asset Classification** A key area of debate remains the fundamental nature of these assets:

- **Bank members** believe that stablecoins could be used as a store of value in the future, and this would make them more akin to the functionality served by bank deposits. If stablecoins are to be used as a store of value it will be important to ensure that the regulatory regime is set up to ensure that it gives coin holders a robust set of protections, whilst ensuring that the regulatory regime is set up in a way to promote innovation.

- **Other members** maintain that stablecoins are primarily an evolution of payment technology, similar in "DNA" to e-money, and should be regulated proportionately to facilitate innovation without being stifled by legacy banking requirements.

**b. Are there any existing rules impacting the growth of stablecoins in the UK?**

There are currently no comprehensive regulations in force specifically targeting the entirety of stablecoin activities, leading to a period of growth within a regulatory grey zone. While certain financial promotions and Money Laundering Regulations (MLR) now apply to cryptoasset businesses, the lack of clear licensing pathways continues to stifle market expansion.

However, the UK is proactively advancing its frameworks:

- The FSMA (Cryptoassets) Regulations 2025 have established the authorisation framework for UK issuers, set to be fully in force by 25 October 2027.

- The Bank of England has published updated consultations regarding systemic sterling-denominated stablecoins, envisaging new prudential and stability safeguards for assets that achieve systemic scale.

- Members await a joint FCA/Bank of England paper addressing the delineation between non-systemic and systemic stablecoin regimes.

- The Prudential Regulation Authority (PRA) should revisit its position in the Dear CEO letter so that banks have the flexibility to be able to offer stablecoin services under their main brands and from inside the ringfence.

**3. What opportunities and risks does the growth of stablecoins (both denominated in sterling and in USD) pose for the UK's economy and its financial services sector, and for retail customers? What evidence is there to suggest that this growth could disrupt the conduct of monetary policy and traditional financial intermediaries? Are there any additional financial crime considerations?**

The potential opportunities associated with the growth of stablecoins in the UK are significant. Members generally agree that these assets could substantially enhance payment efficiency, particularly for cross-border transactions, and support innovation in financial market infrastructure. At a macro level, a vibrant stablecoin market could reinforce the UK's standing as a pre-eminent global financial centre.

However, the growth of these assets presents a range of risks, and there is a divergence of views within our membership on these risks.

**Perspectives of our Banking Membership**

Concerns have been raised about the potential for a large uptake of a stablecoin to potentially disintermediate deposits from the sector, particularly in any stressed scenario. This could subsequently create financial instability through a restriction of lending to households and businesses. These factors could both occur in steady state however are most acute during a stress event, and the membership welcomes the Bank of England's research into this issue.

As this is a theoretical future scenario there is considerable uncertainty surrounding both the likelihood and impact of this potential event. The BoE has made a good start in considering this risk.

Concerns also exist regarding monetary sovereignty risks that a dollar stablecoin could create if there is a large uptake in the UK. And whether the gilt market has sufficient liquidity to support a large uptake of a GBP stablecoin. It is important to create a stablecoin regime that is attractive for investment, whilst also mitigating plausible future risks.

**Perspectives of the Broader Membership**

Our broader membership take a more empirical view of the evolving landscape, noting that:

- **The E-Money Analogue**:
  These members point to the successful history of electronic money as evidence that similar digital assets can function securely at scale without causing systemic stress.
- **Proportionate Regulation**:
  While acknowledging the need for safety, these members emphasise that no empirical evidence has yet emerged of stablecoins disrupting monetary policy or traditional intermediaries in practice. They caution against overly restrictive "walled garden" environments that could stifle the very innovation the UK seeks to lead.
- **Regulatory Mitigation:**
  These members contend that risks related to fraud and financial crime will be comprehensively addressed by the proposed cryptoasset regime and new FCA Rulebooks, without the need for prohibitive holding limits.

**4. How will the growth of stablecoins impact the Bank of England, PRA and FCA's statutory objectives: price stability, financial stability, market integrity, consumer protection, competition and international competitiveness and growth?**

The growth of stablecoins intersects with the statutory objectives of UK regulators, namely: the Bank of England; the PRA; and the FCA, in several critical dimensions:

- **Price Stability:**
  Members recognise the theoretical risk that widespread adoption of stablecoins, particularly those pegged to alternative currencies, could complicate the transmission of monetary policy.

- **Financial Stability:**
While there is a plausible risk that stablecoins could create bank disintermediation, restrict lending and subsequently create financial instability, our non-bank members contend that existing analogues, such as electronic money, have not historically demonstrated such vulnerabilities. The consensus among Members is that while risks may manifest in extreme scenarios, they can be effectively mitigated through robust regulatory frameworks and rigorous risk management.

- **Consumer Protection and Market Integrity:**
Establishing clear conduct standards is paramount to protecting consumers who engage with stablecoins. Members acknowledge that without appropriate oversight, retail customers may remain exposed to issuer risk, fraudulent activity, and a lack of protections comparable to statutory deposit insurance or traditional financial safeguards. Consequently, the introduction of new FCA Rulebooks is welcomed as a necessary step to fortify consumer protection.
- **Competition and International Competitiveness:**
Stablecoins offer significant potential to enhance competition within the payments and settlement sectors, thereby sustaining the UK's pre-eminence in global finance. Conversely, a failure to support the issuance of viable sterling-linked stablecoins could erode the UK's competitive standing, particularly if international jurisdictions proactively encourage the use of tokens linked to their own domestic currencies.

Further to the points above, our banking members observe an additional point on Credit Creation. They highlight that, as deposit-based funding supports the creation of low-cost credit to the real economy, any shift to wholesale funding would increase the cost and reduce the credit available, with a consequential impact on UK growth.

**5. What implications do the Bank of England and the FCA's proposed regulatory regimes pose for the adoption and growth of systemic and non-systemic stablecoins in the UK, and internationally? a. Are there any aspects of the Bank of England and FCA's proposed stablecoin regulatory regimes that present challenges or require further consideration?**

The Bank of England and the Financial Conduct Authority have proposed regulatory frameworks for stablecoins that distinguish between systemic and non-systemic issuers; we await their forthcoming joint paper on this matter. A precisely calibrated regime is essential to fostering adoption while maintaining financial stability and effectively managing risk.

Members have observed that while regulatory clarity is paramount, certain elements of the current proposals may inadvertently impede market growth. Specifically, the requirement for all reserves to be domiciled within the UK may constrain issuers who would otherwise utilise multi-jurisdictional reserve arrangements. Such a mandate risks undermining the international utility and competitiveness of UK-regulated stablecoins.

Furthermore, the proposed holding limits on systemic stablecoins are considered technically and operationally impractical to enforce without confining tokens to a "walled garden" or restricted wallet environment. Such constraints would likely stifle utility to the extent that these assets would no longer be truly systemic, thereby creating a significant barrier to adoption for both individual and commercial users. While these limits are ostensibly temporary measures for risk assessment, we note that no other comparable jurisdictions have imposed such restrictions. Most of our members (non-banks) remain convinced that electronic money, the closest regulatory equivalent, has functioned securely for years without the need for such intervention.

Members remain concerned by the overlap between prospective stablecoin regulations and existing Electronic Money and Payment Services Regulations. This intersection creates unnecessary ambiguity and the potential for duplicative compliance obligations. Consequently, Members advocate for a more distinct delineation of the regulatory perimeter to ensure efficient issuance and operational clarity.

In conclusion, the industry maintains its strong support for regulatory frameworks that prioritise safety and public trust while enabling innovation. We contend that adverse effects on economic growth should be mitigated through the implementation of proportionate rules that reflect the diverse use cases for stablecoins, particularly by distinguishing between institutional and retail applications.

**6. What can the UK learn from the way other jurisdictions have approached the regulation of stablecoins, such as the US and the EU?**

The United Kingdom has a unique opportunity to shape a stablecoin regime that harmonises innovation with systemic stability by observing the regulatory trajectories of other leading jurisdictions. Members highlight that learning from international models is essential to avoid market fragmentation and to ensure the cross-border interoperability of sterling-denominated assets.

**Global Regulatory Benchmarking**

The UK can derive significant insights from the following models:

- **The United States**:
  Federal legislative efforts in the US have focused on clarifying issuance requirements and reserve transparency. The US model demonstrates how a clear framework can cement a currency's prominence in digital finance and support capital flows that reduce government borrowing costs.

- **The European Union**:
  The Markets in Crypto-Assets (MiCA) regulation provides a comprehensive legal framework that has offered the industry a degree of certainty, despite criticism regarding its complexity. The emergence of bank-led consortia in the EU, such as Qivalis, which involves major retail banks, contrasts with the current lack of large-scale institutional collaboration in the UK, where large banks focus on tokenised deposits initiative like GBTD rather than stablecoins.

- **Asian Markets**:
  Jurisdictions such as Singapore, Hong Kong, and Japan demonstrate diverse approaches to balancing retail protection with institutional utility, offering templates for aligning UK rules with international standards where appropriate.

  In other jurisdictions, banks are allowed to issue stablecoins, with clear guidance over expectations provided. To support the competitiveness of the city of London, the UK should follow suit in order to allow banks to participate on an equal footing with both non-banks and non-UK banks.

**Strategic Conclusion**

We argue that the UK's primary lesson should be the cost of inaction, pointing to the dominance of US dollar stablecoins (99% of the market) as a consequence of the UK's "near-zero" issuance to date. We advocate for a regime that avoids the "walled garden" approach, ensuring UK stablecoins remain internationally competitive and highly liquid.

In summary, achieving a successful UK regime requires a calibrated balance that protects consumers without stifling the very adoption it seeks to foster. We advocate for a regulatory perimeter that is clearly delineated, reducing the current overlap with existing electronic money and payment services frameworks which presently creates uncertainty and duplicative compliance obligations.

## About The Payments Association

The Payments Association is for payments institutions, big & small. We help our members navigate a complex regulatory environment and facilitate profitable business partnerships.

Our purpose is to empower the most influential community in payments, where the connections, collaboration and learning shape an industry that works for all.

We operate as an independent representative for the industry and its interests, and drive collaboration within the payments sector to bring about meaningful change and innovation. We work closely with industry stakeholders such as the Bank of England, the FCA/PSR, HM Treasury, Pay.UK, UK Finance and Innovate Finance.

Through our comprehensive programme of activities for members and with guidance from an independent Advisory Board of leading payments CEOs, we facilitate the connections and build the bridges that join the ecosystem together and make it stronger.

These activities include a programme of digital and face-to-face events including our annual PAY360 and FC360 conferences, our PAY360 Awards dinner, PA@The City, CEO round tables, webinars, working group events and training activities.

We run eight stakeholder working groups: Cross-Border, Digital Currencies, ESG, Financial Crime, Financial Inclusion, Merchant Payments, Open Banking and Regulatory. The volunteers within these groups represent the collective view of The Payments Association members at industry-critical moments and work together to drive innovation in these areas.

Our Payments Intelligence team and our working groups aim to produce regular thought-leadership for our membership and beyond. These include data-driven reports, articles, video interviews and podcasts. We also undertake policy development and government relations activities aiming at informing and influencing important stakeholders to enable a prosperous, impactful and secure payments ecosystem.

See www.thepaymentsassociation.org for more information.

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