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Regulatory Regime for Sterling-Denominated Systemic Stablecoins

The Bank of England and FCA's Joint Approach to Regulation of
Systemic Stablecoin Issuers

Bank of England and Financial Conduct Authority

Closing 30 September 2026

Response from
The Payments Association

Introduction

The Payments Association (“TPA”) welcomes the opportunity to respond to the Bank of England and Financial Conduct Authority's joint approach to regulation of systemic stablecoin issuers, closing on 30 September 2026. This is one of two related consultations as part of the wider regulatory package for sterling-denominated systemic stablecoins; the Bank's consultation on its draft Code of Practice for systemic stablecoin issuers closed earlier, on 22 September 2026, and TPA submitted a separate response to that consultation ahead of its deadline. The two responses should be read together. Our members consider this package among the most consequential steps yet taken in UK digital money policy and have engaged with urgency and depth.

This response reflects views expressed by TPA members and industry experts who contributed through a dedicated members' evidence session held on 8 September 2026, together with follow-up written submissions. As TPA's membership spans the full stablecoin and payments value chain, including prospective issuers, custodians, banks, non-bank PSPs, and their legal and other advisers, and holds a correspondingly diverse range of views, this response cannot and does not claim to represent the position of every member on every question.

We are grateful to the contributors to this response, which has been drafted by Robert Courtneidge on behalf of TPA's Policy team. We would also like to thank the Bank of England and the FCA for their continuing engagement with industry throughout this process. We hope this response supports the shared goal of ensuring the UK remains the best place in the world for payments and digital asset businesses to establish, invest and grow.

The Bank and FCA welcome responses to any of their questions without expecting each one to be answered. Consistent with that, this response answers the ten questions posed by the joint approach to regulation, directly, in order and in the Bank's own wording, drawing on our members' evidence session.

In accordance with the Bank's request, The Payments Association confirms that it consents to the Bank publishing its name, and the name of The Payments Association, as a respondent to this consultation paper.

Emma Banymandhub
CEO
The Payments Association

General observations

TPA members broadly support the direction of the Bank and FCA's proposals. Our cross-cutting observations on the systemic stablecoin regime as a whole, including business model viability, the level playing field with non-UK-issued stablecoins, redemption terminology and consultation engagement, are set out in full in our response to the Bank's Code of Practice consultation, submitted on 22 September 2026, and are not repeated here. The observations below are specific to the transition and onboarding mechanics that this joint approach to regulation consultation addresses.

Response to the joint approach to regulation consultation questions

The Bank and FCA's joint approach to regulation of systemic stablecoin issuers poses ten numbered questions, reproduced below in full and answered in order. Our answers draw on the members' evidence session referenced throughout this response and should be read alongside our response to the Code of Practice's own questions, submitted separately on 22 September 2026.

Question 1: Do you consider the onboarding approach set out in Section 4 to be appropriate for a stablecoin issuer transitioning to joint regulation? What are the benefits and/or challenges?

Yes, in principle. The staged approach in Section 4, mobilisation for live testing under de minimis limits, followed by scaling with business restrictions that lift as the issuer meets requirements, gives a transitioning issuer a structured route rather than a single point-in-time compliance test, and members were generally supportive of having a defined onboarding route of this kind. Members' main concern is less the onboarding process itself than the underlying economics a transitioning firm faces once onboarded, discussed under Part 4 (Capital and Reserves) in our response to Q2 of the Bank's Code of Practice consultation, submitted separately. The process should not be judged solely on its procedural design without regard to whether the destination it leads to is commercially survivable.

Question 2: How long do you envisage it could take a firm to transition from being solo regulated by the FCA to fully meeting the requirements for a systemic stablecoin issuer?

The Bank's own worked example in Section 4.2 already gives an indicative range: up to 12 months to complete the backing assets transition and apply for direct payment system access, and a further period of up to 24 months to meet the capital and reserve requirements, an illustrative total of around 36 months. The example is expressly stated to be illustrative, with dates and timelines depending on the facts of each individual issuer. Our evidence session did not generate a firm's own estimate to test against this range, though members noted that, in practice, a transitioning issuer is likely to have a substantial runway before the rules bite in full, since no UK issuer is currently within sight of the £40 billion threshold. TPA's own suggestion is that the Bank and FCA confirm this range as a general expectation firms can plan against, not only the outcome of one worked example, so that firms whose facts differ from that example can rely on it with similar confidence.

Question 3: How much longer could it take an issuer transitioning to joint regulation to meet the capital and reserve requirements once the backing assets composition requirement has been met?

Based on the Bank's own worked example, up to a further 24 months, following the up to 12 months given for the backing assets transition. We also note that the Bank has already built a bridging mechanism into the drafting: under section 191 of the Banking Act 2009 it may issue a power of direction giving the firm a proportionate timeframe to meet the capital and reserve requirements, expressly recognising the challenges associated with raising new funding. This addresses, on the facts, the sequencing risk our evidence session would otherwise have flagged, that backing asset composition could be achieved faster than capital and reserve build-out, leaving a compliance gap. TPA's residual ask is that the criteria the Bank applies in setting that proportionate timeframe be published in general terms, so firms can plan around it with more certainty than a case-by-case direction otherwise allows.

Question 4: Have you identified any challenges for an issuer in transition to joint regulation to meet the redemption requirements on T+0 from the point at which a firm is recognised? If so, please elaborate on them.

No, not once the drafting is read in full. As set out in our comments on redemption (Part 5) in our response to Q3 of the Bank's Code of Practice consultation, submitted separately, this was raised as a concern in our evidence session: that a 24-hour redemption standard would be difficult to reconcile with a transitioning issuer's holder base including coinholders it has not itself onboarded. On the facts, this concern is addressed by the drafting. Our understanding is as follows: the 24-hour clock runs from receipt of a "full redemption request", which only arises once the issuer has completed the necessary AML and KYC checks and received the holder's stablecoin; it is the same standard that applies to every systemic issuer, not a separate, stricter rule for transitioning firms at the point of recognition. This gives a transitioning issuer the time it needs to complete onboarding on an existing coinholder before the clock against that particular request starts running, rather than requiring immediate readiness for every coinholder on day one. Our only residual point is one of drafting clarity: the fuller explanation of when the clock starts appears in the joint approach paper's worked example rather than in the Code of Practice itself. We would ask that the final Code restate this sequencing explicitly, so it is equally clear to a reader of the Code alone.

Question 5: Are there any areas not covered above that present significant challenges for a firm transitioning into joint regulation? Please list the identified challenges.

The clearest additional point, beyond the individual items addressed above, is the cumulative effect of the Bank's own sequenced timeline: up to 12 months to transition backing assets and secure direct payment system access, followed by a further period of up to 24 months to meet capital and reserve requirements, layered on a capital regime and backing asset mix materially different from the FCA solo regime a transitioning issuer currently operates under, discussed in our response to Q2 of the Bank's Code of Practice consultation, submitted separately. Even though the Bank has addressed the sequencing risk between those two workstreams through its power of direction, running both over an up to three-year period, while continuing to operate a live, regulated business under the existing FCA regime throughout, is a substantial undertaking in its own right. It is this cumulative demand on management time and capital planning, rather than any single requirement in isolation, that we would highlight to the Bank and FCA and ask what steps are being taken to address it.

Question 6: Are there other areas that might require an issuer entering the mobilisation or scaling stage for firms transitioning into joint regulation? Please explain.

The published approach describes what a transitioning issuer may and may not do at each stage, de minimis limits during mobilisation, restricted economic activity during scaling, but does not set out the reporting or engagement issuers should expect with the Bank and FCA during either stage, beyond general supervisory oversight. Our evidence session did not generate detailed member feedback on this specific question, but on the facts this does appear to be a genuine gap in the drafting rather than only an industry preference. TPA would welcome clarity on what ongoing reporting or engagement a transitioning issuer should expect during mobilisation and scaling, and whether the approach will be tailored to reflect that a transitioning issuer already operates a live, regulated business, in contrast to a new entrant building a business from scratch.

Question 7: Do you consider the onboarding approach set out in Section 4 to be appropriate for a new stablecoin issuer entering the market? What are the benefits and/or challenges?

Yes, in principle. Section 4.3 gives systemic-at-launch (SaL) firms their own route, FCA Part 4A authorisation before commencing operations, entry into mobilisation on HMT recognition and FCA authorisation, with the Bank setting de minimis operational limits for live testing before scaling begins, distinct from the transitioning issuer's route addressed in our answers to Questions 1 to 6 above. We welcome that distinction: a systemic-at-launch firm faces a different set of practical challenges from a transitioning incumbent, and should not simply be run through an identical process. Subject to our answer to Question 9 below on the step-up capital approach, we have not identified substantive concerns with the principle of the approach.

Question 8: Are there any further challenges for a firm recognised as SaL where more guidance could help business looking to enter the UK market?

The joint approach paper already provides a worked example for a systemic-at-launch firm, the Coin UK scenario in Section 4.3, which is a genuinely useful starting point. It is, however, expressly a single illustrative case, stated to be a summary only, with the Bank noting that timelines and outcomes depend on the facts of each individual issuer and arrangement. Our evidence session did not generate specific requests from members on this question. TPA's own suggestion is that the Bank and FCA publish the principles behind the Coin UK scenario as general guidance, rather than leaving a genuinely new entrant whose facts differ from that one profile to work out by analogy how the same principles would apply to them.

Question 9: Does simplifying the capital rules to meet the step-up approach better allow an issuer recognised as SaL to scale its business? Are there aspects of the capital and reserves requirements that need to be further reconsidered for firms recognised as SaL?

The step-up approach for backing assets, up to 95% short-term gilts and 5% unremunerated central bank deposits rather than the standard 70/30 split, gives a systemic-at-launch firm a materially better funding position while it scales, and members support the principle, consistent with the equivalent easing on capital and reserves at that stage, discussed in our response to Q2 of the Bank's Code of Practice consultation, submitted separately. Our concern is with the transition back to standard treatment. The joint approach paper describes progression through

mobilisation and scaling, and the point at which a firm must fully meet the standard 30/70 backing asset composition to reach baseline supervision, on a case-by-case basis, without a published, objective trigger. We ask the Bank and FCA to define that trigger and publish it in advance, rather than assess it case by case, so that a systemic-at-launch firm can plan its scaling trajectory and the funding it will need once it steps down from simplified treatment, with confidence.

Question 10: Are there other areas that might require an issuer entering the mobilisation or scaling stage for firms recognised as systemic at launch? Please explain.

As with our answer to Question 6 above, the same reporting and engagement gap applies here: the published approach describes the operational limits and restrictions that apply at each stage, but not the reporting or engagement a systemic-at-launch firm should expect with the Bank and FCA during mobilisation and scaling. Our evidence session did not generate detailed member feedback on this specific question. TPA would welcome the same clarity we ask for in our answer to Question 6, and in particular on how the Bank and FCA would treat a material change, in either direction, in a firm's growth trajectory part way through mobilisation or scaling, given that stage progression is assessed case by case rather than against a published trigger.

Conclusion

Our three headline recommendations to the Bank and FCA, preserve business model viability while protecting stability, clarify how the regime works under stress, and guarantee a level playing field between UK and non-UK issuers, are set out in full in our response to the Bank's Code of Practice consultation, submitted on 22 September 2026, and apply equally to this joint approach to regulation consultation; we do not repeat them here. Drawing on the answers above, we add one further recommendation specific to transition and onboarding:

Turn illustrative guidance into general policy: confirm that the Bank's indicative 12 to 36 month transition timeline and its worked examples for transitioning and systemic-at-launch issuers represent a general expectation firms can plan against, not only the outcome of a single worked scenario; publish the criteria the Bank will apply in setting a proportionate timeframe for capital and reserve compliance under its power of direction; and define and publish in advance an objective trigger for stepping a systemic-at-launch firm down from simplified capital treatment, together with the reporting and engagement issuers should expect during mobilisation and scaling.

TPA and its members stand ready to support the Bank and FCA's continued engagement with industry as this work progresses, including through TPA's Digital Currencies working group, and we would welcome the opportunity to discuss any of the points raised in this response, and in our earlier response to the Code of Practice consultation, in more detail.

About The Payments Association

The Payments Association is for payments institutions, big and 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 focused stakeholder working groups spanning Agentic Commerce, Cross-Border, Digital Currencies, ESG, Financial Crime, Financial Inclusion, Merchant Payments, Open Banking, Regulatory, and Payments Infrastructure. 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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