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Bank of England

10 February 2026

Dear Sir/Madam,

Re: EMA Response to Bank of England Discussion Paper - Proposed Regulatory Regime for Sterling-Denominated Systemic Stablecoins

The Electronic Money Association (EMA) is the trade body representing electronic money issuers, alternative payment service providers, and crypto asset service providers (CASPs). Our members include leading payment institutions, crypto services firms, and e-commerce platforms operating across the UK and Europe.

We welcome the opportunity to contribute to the BOE's Discussion Paper on regulating systemic stablecoins. Our response reflects the operational realities of our members and aims to support a proportionate, internationally aligned framework that fosters responsible innovation while managing risks.

We would be grateful for your consideration of our comments and proposals.

Yours sincerely,

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

EMA RESPONSE

General Comment

The EMA welcomes the opportunity to respond to the Bank of England's Discussion Paper on the proposed regulatory regime for systemic payment systems using stablecoins. EMA members support the Bank's core objectives of preserving financial stability, maintaining confidence in money, and ensuring that innovation in payments develops in a safe and sustainable manner.

A credible regime for systemic stablecoins is essential if such instruments are to be used widely for payments in the UK. At the same time, the framework must be proportionate, internationally aligned, and carefully calibrated to avoid unnecessary barriers to entry, undue concentration, or adverse impacts on competition, particularly for smaller and early-stage firms. Where possible, requirements should be outcomes-focused and flexible enough to accommodate evolving technologies and business models.

Question 1: Do you agree that, to preserve the singleness of money, systemic payment stablecoins must be fully interchangeable with other forms of money at par?

Yes. Full interchangeability at par is a necessary condition for preserving the singleness of money where stablecoins are used at systemic scale. Users must be confident that a payment stablecoin can be exchanged seamlessly and reliably for other forms of sterling money without loss of value.

However, interchangeability at par should be understood as an outcome supported by the broader regulatory framework rather than as a standalone requirement. Backing assets, safeguarding arrangements, liquidity management, governance, and operational resilience all contribute to ensuring that par convertibility is maintained in practice, including during periods of stress.

Question 2: Do you have views on further requirements that may be needed to ensure the singleness of money when stablecoins are traded in secondary markets?

Secondary market trading may introduce additional risks to confidence in par value, particularly in stressed market conditions. Measures that support transparency and market integrity may therefore be appropriate, including clear disclosures on backing arrangements, redemption rights, and operational status, as well as effective monitoring to detect disorderly trading or manipulation.

Question 3: Do you agree that the most likely, and suitable, payment systems using new forms of digital money to become systemic in the UK are sterling-denominated stablecoins which are backed by assets denominated in fiat currency?

Yes. Sterling-denominated stablecoins backed by high-quality fiat-denominated assets are the most plausible candidates to achieve systemic relevance in UK payments.

Other forms of digital money may continue to support innovation or niche use cases, but fiat-backed sterling stablecoins are best placed to meet the requirements associated with widespread retail and corporate payment use.

Question 4: Do you agree with the Bank's proposed approach to assessing the systemic importance of stablecoins used for payments?

We broadly agree with the Bank's decision to assess systemic importance using a holistic, case-by-case framework rather than relying on fixed quantitative thresholds. Taking into account factors such as scale, nature of use, substitutability and interconnectedness better reflects the diverse ways in which stablecoins may be adopted and avoids creating artificial cliff-edge effects.

However, the market would benefit from greater clarity on the specific criteria and indicators that will be applied in practice when determining whether a stablecoin payment system is systemic. While flexibility is important, the absence of clearer articulation of how individual factors will be weighted, and how forward-looking considerations (such as anticipated growth or platform integration) will be assessed, creates uncertainty for firms seeking to plan market entry, investment, and compliance.

We therefore encourage the Bank and HMT to provide further guidance over time, including illustrative examples, indicative metrics, or structured engagement processes, to help firms better understand when systemic designation may be triggered. Greater transparency around the assessment framework would support predictability and orderly transition, without constraining the Bank's supervisory discretion.

Question 5: Do you agree with the Bank's proposed approach to the regulatory framework for systemic payment stablecoins, as set out in Section 2?

In principle, yes. A dedicated framework tailored to the risks posed by systemic payment stablecoins is appropriate, given their potential impact on financial stability and confidence in money.

Effective coordination with the FCA's regime for non-systemic stablecoins will be essential. Clear transition pathways, aligned terminology, and consistent expectations will help avoid duplication and uncertainty as firms scale or evolve their business models.

Question 6: Do you agree with the Bank's assessment of the risks posed by vertical integration of stablecoin functions? Are there other risks that the Bank should consider

based on existing business models? What mitigants could be put in place to ensure that risks posed by multi-function entities are addressed?

We agree that vertical integration can give rise to conflicts of interest, concentration risks, and operational dependencies, particularly where issuance, wallets, custody, and other services are provided within a single group. These risks warrant careful consideration where stablecoins operate at systemic scale.

However, vertical integration is also a common feature of existing payment and technology business models and can deliver efficiencies, innovation, and improved user experience. Rather than mandating structural separation in all cases, risks could be mitigated through proportionate governance requirements, transparency, conflict management, and, where appropriate, functional or operational separation of key activities. This approach would address risks while preserving flexibility and innovation.

Question 7: Do you agree with our approach regarding subsidiarisation of non-UK issuers? Do you agree with our approach to other non-UK elements of the payment chain? What alternative policy arrangements could be used to effectively supervise, oversee, and regulate non-UK systemic stablecoin issuers and other non-UK elements of the payment chain?

Ensuring effective supervision and resolution planning for systemic stablecoins is critical. However, mandatory subsidiarisation of non-UK issuers risks creating barriers to entry, increasing costs, and fragmenting global business models, potentially reducing the UK's attractiveness as a location for innovation and investment.

Alternative approaches could include reliance on equivalent home-state regulation, supported by robust supervisory cooperation, information-sharing arrangements, and targeted UK presence requirements where necessary. Such models could achieve supervisory objectives while remaining proportionate and internationally aligned.

Question 8: Do you consider that the Bank's existing binding rules on governance, operational resilience and third-party outsourcing risk management are suitable for systemic payment systems using stablecoins?

Question 9: Do you consider that stablecoin issuers can exercise sufficient control over, and mitigate the risks of, public permissionless ledgers (be it via rule setting and/or the use of innovative solutions)?

In some cases, issuers may be able to mitigate risks associated with public permissionless ledgers through a combination of technical measures, governance arrangements, monitoring, and contingency planning. This may include controls over smart contracts, transaction validation processes, and engagement with key infrastructure providers.

However, expectations should recognise the inherent limits of control over decentralised networks. A focus on outcomes and risk mitigation, rather than prescriptive requirements around direct control, would better reflect the realities of operating on public blockchains while still addressing systemic risks.

Question 10: How do you consider that existing and emerging stablecoin payment chains operating with a public permissionless ledger may be adapted in order to meet the Bank's expectations and international standards?

Payment chains operating on public permissionless ledgers may require a layered approach to risk management. This could include enhanced on-chain and off-chain monitoring, contractual arrangements across the payment chain, robust incident management processes, and clear accountability for meeting regulatory outcomes.

Hybrid models combining on-chain settlement with off-chain controls may also play a role. Flexibility will be essential given the pace of technological change and diversity of ledger designs, alongside international coordination to avoid fragmentation.

Question 11: Do you agree with the Bank's assessment of the important role of backing assets in ensuring the stability of value of the stablecoin?

Yes. Backing assets are central to maintaining confidence in the stablecoin's value, particularly during periods of stress. Their quality, liquidity, and accessibility are therefore critical components of the overall framework.

Clear standards on the composition, custody, and liquidity management of backing assets will help ensure that redemption at par can be delivered reliably under a range of conditions.

Question 12: Do you agree that the proposed remuneration policy is consistent with systemic stablecoins being used primarily for payments?

We understand the policy objective of limiting remuneration in order to reinforce the use of systemic stablecoins as payment instruments rather than speculative assets. However, we do not fully agree that the proposed approach, as currently framed, is appropriately calibrated to achieve this objective without unintended consequences.

In practice, a strict or inflexible remuneration prohibition risks undermining the commercial viability of certain business models, particularly for smaller or early-stage issuers seeking to recover operating costs or incentivise adoption in competitive payment markets. Unlike established payment systems, stablecoin issuers may face significant upfront investment and ongoing compliance costs, and limited remuneration flexibility could act as a barrier to entry or scaling.

We therefore encourage the Bank to consider a more proportionate and outcomes-focused approach. This could include allowing limited, tightly constrained remuneration linked to payment usage rather than holding, or adopting a graduated framework that reflects scale, maturity, and risk profile. Such an approach would better balance the objective of discouraging speculative behaviour with the need to support sustainable competition and innovation in the UK payments landscape.

Question 13: Do you agree with the Bank's proposed requirements on the redemption process, including the role of all firms in the payment chain?

EMA agrees that clear, enforceable redemption requirements are essential to maintaining confidence and par value. Defining responsibilities across the payment chain helps ensure that redemption can be delivered reliably even where multiple intermediaries are involved.

Further clarity on operational expectations, including timing, settlement processes, and interaction with AML requirements, would support effective and consistent implementation.

Question 14: Do you have views on requirements on redemption fees, or prohibiting these, to minimise any frictions across the redemption process?

Redemption fees should be transparent, proportionate, and not designed to discourage redemption. While a blanket prohibition may not be necessary, safeguards are important to ensure fees do not undermine confidence or create barriers to accessing funds.

Question 15: Can you identify any issues with the requirements on systemic stablecoin issuers and other relevant firms within a payment chain to cooperate and support the appointed administrators with a view to facilitating redemption or payout in the event of a firm failure?

We support the cooperation requirements in principle, as they are essential to facilitating orderly resolution or wind-down. Clear guidance on the scope of cooperation, information-sharing expectations, and legal protections for firms acting in good faith would help ensure these requirements are effective in practice.

Question 16: Do you agree that issuers should have access to customer information to be able to fulfil redemptions in the case of the failure of an entity providing the customer interface, e.g. a wallet provider and/or to facilitate a faster payout in insolvency?

Yes - subject to appropriate data protection and privacy safeguards. Access to relevant customer information is important to ensure continuity of access and timely redemption in stress or insolvency scenarios.

Question 17: Do you have views on the Bank's proposed safeguarding regime being centred on two key features (statutory trust in favour of coinholders; and safeguarding rules)?

Question 18: Do you think there are any other features that need to be reflected in the safeguarding regime for systemic payment stablecoins?

In addition to the core elements proposed, we consider that greater detail and flexibility are needed across several areas to ensure the safeguarding regime is effective, proportionate, and operationally workable.

First, clearer expectations on reconciliation and record-keeping would be valuable, including frequency, tolerances, and treatment of discrepancies across complex payment chains involving multiple custodians or wallet providers. Given the potential for high transaction volumes, guidance should recognise the role of automation and near-real-time processes rather than relying on manual controls.

Second, the regime should address oversight of third-party custodians and sub-custodians, including minimum contractual standards, audit rights, and responsibilities where custody chains span multiple entities or jurisdictions. Without this clarity, firms may face uncertainty as to how safeguarding obligations should be allocated and evidenced in practice.

Third, further clarity is needed on the interaction between safeguarding arrangements and insolvency processes, including how statutory trust structures would operate in different failure scenarios and how coinholders' claims would be prioritised and executed. This is particularly important where safeguarding assets are held alongside other protected or segregated assets.

Finally, we encourage the Bank to consider how the safeguarding framework can remain technology-neutral and adaptable, allowing firms to demonstrate equivalent protections as custody models and settlement technologies evolve. Providing illustrative examples of acceptable safeguarding models would help support consistent implementation while avoiding unnecessary constraints on innovation.

Question 19: Do you agree with the requirements for stablecoins owned by the issuers held in treasury wallets?

Yes, provided these requirements are clearly distinguished from those applicable to customer assets and that transparency is maintained regarding the treatment and purpose of issuer-owned holdings.

Question 20: Do you consider that the capital requirements would effectively mitigate risks that may result in a shortfall in the backing assets or that can threaten the ability of issuers to operate as a going concern?

Capital requirements can play an important role in absorbing losses and supporting continuity of operations. Their effectiveness will depend on appropriate calibration and alignment with the specific risk profile of stablecoin issuers.

Care should be taken to ensure that capital requirements complement, rather than duplicate, protections provided by backing assets and safeguarding arrangements.

Question 21: Do you have views on the approach (including any existing or bespoke methodologies) that should be considered for calibrating capital requirements?

Question 22: Do you have views on the requirement to hold reserve assets in a statutory trust, to ensure that stablecoins are fully backed and the backing assets are duly protected and available to satisfy coinholders' redemption requests at all times?

We recognise the policy objective of using statutory trust arrangements to protect reserve assets and ensure that they remain available to satisfy coinholders' redemption requests. Clear legal segregation of reserve assets is an important safeguard, particularly in stress or insolvency scenarios.

However, mandating statutory trust structures in all cases may introduce legal and operational complexity, particularly for firms operating across multiple jurisdictions or relying on third-party custodians with established trust or segregation frameworks. The interaction between statutory trusts, insolvency law, and existing safeguarding regimes should be clarified to avoid uncertainty or duplicative structures.

We therefore encourage the Bank to consider an outcomes-based approach, whereby firms can demonstrate equivalent levels of protection through alternative legal structures, provided that reserve assets are fully segregated, bankruptcy-remote, and readily accessible to meet redemption requests.

Question 23: Do you have views on the range and quality of the assets issuers would be required to hold to mitigate shortfall risks?

We agree that reserve assets backing systemic payment stablecoins should be of high quality, low risk, and highly liquid. Conservative asset eligibility is appropriate given the role of systemic stablecoins in payments and the need to maintain confidence in par value under all conditions.

That said, the framework should retain sufficient flexibility to avoid excessive concentration in a narrow set of instruments or creating undue reliance on a single asset class. Clear criteria on maturity, liquidity, and credit quality would help ensure consistency while allowing issuers to manage reserves prudently in changing market conditions.

Question 24: Do you agree that, at least during a transition, limits would likely be needed for stablecoins used in systemic payment systems, to mitigate financial stability risks stemming from large and rapid outflows of deposits from the banking sector, and risks posed by newly recognised systemic payment systems as they are scaling up?

We understand the rationale for transitional limits to mitigate financial stability risks as new systemic payment systems scale. Such measures may be appropriate as a temporary safeguard.

However, limits may present operational and commercial challenges and could constrain legitimate payment use cases. Any limits should therefore be clearly time-bound, proportionate, and subject to regular review.

Question 25: Do you have views on the use, calibration and practicalities of limits?

Limits should be risk-based, operationally feasible, and designed to minimise disruption to legitimate payment activity. Graduated or activity-based approaches may be preferable to blunt per-user caps, particularly where stablecoins are used for business or treasury payments.

Question 26: Do you have other views on the Bank's proposals for requirements for systemic stablecoin issuers, as set out in Section 5?

We emphasise the importance of coherence across the overall regulatory framework. Requirements for systemic stablecoin issuers should be clearly aligned with the FCA's regime for non-systemic stablecoins and with international standards, to avoid duplication and regulatory arbitrage.

Ongoing engagement with industry as requirements are finalised and implemented will be essential to identify unintended consequences and ensure that the framework remains effective and proportionate over time.

Question 27: Considering the requirements for issuers in Sections 4 and 5, how might business models need to change in order to retain commercial viability from those in the market today?

The proposed requirements are likely to require material changes to existing business models, including adjustments to treasury management, capital allocation, revenue generation, and operational design. Increased compliance and infrastructure costs may disproportionately affect smaller or newer firms.

Phased implementation, transitional relief, and proportionate calibration will therefore be important to allow firms to adapt sustainably. Without such measures, there is a risk that market entry and innovation could be discouraged, reducing competition and choice in the UK payments market.

Question 28: Do you agree with our proposed expectations for custodial wallet providers for systemic stablecoins (including when provided via exchanges) and how we propose applying them in a systemic stablecoin payment chain?

We agree that custodial wallet providers play a critical role in systemic stablecoin payment chains and that clear expectations are appropriate. Robust safeguarding, operational resilience, and governance standards are important given the functions these providers perform.

However, expectations should be clearly scoped and proportionate, recognising differences between custodial models, scale of operations, and the extent of control exercised by wallet providers. Overly prescriptive requirements risk discouraging participation or innovation, particularly where wallets are one component of a broader payment ecosystem.

Question 29: Do you consider that unhosted wallets could operate in a way that the systemic stablecoin payment chains can meet the Bank's expectations (including for the issuer to deliver against the Bank's requirements set out in this Discussion Paper)?

In some cases, unhosted wallets may be compatible with systemic stablecoin payment chains, provided that issuers and other regulated entities can meet their obligations through appropriate controls and safeguards.

Expectations should acknowledge the limited ability of issuers to control or influence unhosted wallets directly. A focus on issuer-level outcomes, rather than attempting to impose requirements on wallet users themselves, would better reflect technical realities and support continued innovation.

Question 30: Do you agree with the Bank's proposal to regulate off-chain ledgers operated at systemic scale under the same requirements otherwise applicable to systemic payment systems?

We agree that off-chain ledgers operating at systemic scale should be subject to comparable requirements where they perform equivalent functions and pose similar risks. This supports a level playing field and avoids regulatory arbitrage.

Clear criteria for determining when an off-chain ledger is operating at systemic scale, and guidance on how requirements apply in practice, would support consistent supervision and compliance.

Question 31: Do you agree with the Bank's approach to regulating service providers to firms operating in systemic stablecoin payment chains?

Broadly, yes. Regulating critical service providers can support operational resilience and financial stability.

Clarity on scope, proportionality, and thresholds for inclusion will be important to avoid unintended impacts on innovation and market entry.

Question 32: The Bank will have due regard to the Public Sector Equality Duty, including considering the impact of proposals for the design of the regulatory framework for systemic payment stablecoins on those who share protected characteristics, as provided by the Equality Act 2010. Please indicate if you believe any of the proposals in this Discussion Paper are likely to impact persons who share such protected characteristics and, if so, please explain which groups of persons, what the impact on such groups might be and if you have any views on how any impact could be mitigated.

We have not identified specific differential impacts on persons with protected characteristics at this stage. Ongoing assessment and engagement as the framework is developed and implemented will be important to identify and mitigate any unintended impacts.