ARTICLE – The growing market for stablecoins poses new questions for central banks

Although the market for stablecoins is still small relative to the global financial system, it is growing very rapidly, especially in the United States. If their use continues to increase rapidly, risks may arise, for example, from redemption runs, increased dependence in Europe on foreign infrastructure, a lack of transparency and the financing of criminal activities. It is therefore positive that several countries have introduced regulations for stablecoins. However, the pace of change is such that regulations may need to be adapted and harmonised. The cross-border nature of stablecoins is also a strong reason for cooperation and consensus among authorities in different countries. In addition, it is important that the central bank's settlement services are used when money enters and leaves a stablecoin system or if a larger market for tokenised securities were to emerge.

What are stablecoins?

Stablecoins are digital assets in a decentralised system

Stablecoins are a crypto asset issued by private actors in the form of so-called tokens. These can be likened to digital coins that can be programmed to have different specific properties.[27] Unlike other crypto assets, stablecoins are intended to have a stable value over time, usually by being pegged to an official currency.[28]

Holding stablecoins entails a claim on the issuer, in the same way that bank deposits represent a claim on a bank. For it to work as intended, the issuer needs to have sufficient liquid assets to reimburse the holder when it wants to redeem its claim. The fact that banks are subject to specific supervision and regulation, with explicit requirements to hold sufficient capital and liquidity, helps to ensure that bank deposits are a credible claim. The credibility of bank deposits is further strengthened by the existence of a government deposit insurance scheme, should the banks fail. Actors in the stablecoin system, such as issuers, are also subject to supervision, although less extensive than for banks. The issuer is also required to have a reserve of assets at least

[27] See FACT SHEET "Tokenisation: New technologies for more efficient financial infrastructure", *Financial Stability Report*, 2024:2, Sveriges Riksbank.

[28] A more detailed review of stablecoins can be found in Ingram Bogusz, C. et al. (2025), "Stablecoins could lead to better payments, but risks remain", *Staff Memo*¸ Sveriges Riksbank.

equal to the value of the stablecoins it has issued, so that they can always be redeemed at the given exchange rate.

The assets making up the reserve differ between different stablecoins. The most common are highly liquid assets such as bank deposits or short-term government bonds.[29] In the EU, such stablecoins are called e-money tokens (EMT). But reserves can also consist of gold or other crypto assets. Such stablecoins are called asset referenced tokens (ART). In addition, there are stablecoins that have no reserves at all. Instead, the supply is automatically adjusted so that they have a stable value. However, these so-called algorithmic stablecoins are not explicitly covered by the EU regulatory framework, which means that the legal situation regarding them is unclear in the EU (see FACT BOX – Several countries have introduced regulation of stablecoins).

An important difference between stablecoins and traditional money is the degree of centralisation. When a party wants access to stablecoins, it pays the issuer, or a seller of stablecoins on a trading platform, in traditional money and receives stablecoins in exchange. Holdings are stored in a digital wallet and transactions are recorded on a blockchain. Thus, a stablecoin system consists of issuers, trading platforms, wallets and one or more blockchains.[30] Unlike traditional money transactions, there is no central actor involved, such as a central bank or clearing house. Instead, information on the holder and its transactions is spread out. This is particularly true in cases where self-hosting wallets are used.

FACT BOX – Several countries have introduced regulation of stablecoins

The regulation of stablecoins varies by jurisdiction. The Markets in Crypto-Assets Regulation (MiCAR) is the EU's regulatory framework for crypto assets. The framework came into force at the end of 2024 and focuses mainly on consumer protection, market integrity and fundamental stability risks. Issuing stablecoins requires authorisation from national regulators. This is also required for providers of, for example, wallet and trading platform services.[31] In addition to a certain amount of equity, the issuer must have full coverage in reserves, i.e. the value of the assets in the reserve must equal the value of the stablecoins issued. The buyer should be able to redeem the full value of their stablecoins against the currency they are pegged to, without charge and delay. Stablecoins are also not allowed to accumulate interest.

The US regulation, Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS Act), is expected to enter into force in early 2027. GENIUS includes so-called "payment stablecoins" pegged to the dollar. These are similar to EMTs under MiCAR,

[29] The return on these reserves, for example on government securities, is the main source of income for issuers of stablecoins.

[30] There are wallets that are provided and managed by third parties and those that the holder manages and is responsible for itself. In the first case, the company providing the wallet service may have information about the account holder and the assets. In the second case, the information is limited to the holder of the wallet.

[31] This refers to so-called Crypto Asset Service Providers (CASPs).

but with several types of highly liquid assets allowed in the reserve. The issuer is given the possibility to charge redemption fees, but transparency on these is required.[32] Like MiCAR, GENIUS requires authorisation from regulators, that the value of the underlying assets shall cover the value issued and that the issuer must not pay interest. The design of the US regulatory framework has explicitly aimed at an increased international use of stablecoins issued in dollars, to strengthen the position of the dollar. This would also increase demand for US treasury bonds and thereby facilitate the financing of the US government debt.

Stablecoins have several possible uses

The decentralisation allows for almost instantaneous settlement around the clock, facilitated by the programmability of the tokens. This means that they can contain programme code that enables automated transactions and settlement under certain predefined conditions, allowing for the simultaneous exchange of assets and stablecoins (Delivery-versus-Payments). This basically removes the risk of one party to a transaction not receiving what it has paid for, and vice versa. This makes stablecoins attractive for a variety of uses, such as trading in tokenised traditional financial assets like equities, corporate bonds and government securities. Such trade is often mentioned as an area of use with considerable growth potential.[33]

Cross-border trade can also be facilitated. Many blockchains, such as Ethereum, are global infrastructures and are specifically designed to enable cross-border activity. Stablecoins using such blockchains can help make cross-border payments cheaper and faster.[34] Today, about six per cent of all stablecoin transactions are international payments and transfers.

However, the predominant use of stablecoins is still as a means of payment for trading other crypto assets or speculative assets in DeFi (decentralised finance).[35] This type of trade accounts for an estimated 90 per cent of all stablecoin transactions.

The market for stablecoins is growing rapidly

The total value of stablecoins in the world has grown from USD 4 billion in 2020 to USD 263 billion today (see chart 6). In terms of issued value, the largest stablecoins are USDT (USD 183 billions), USDC (USD 74,9 billions), USD1 (USD 2,9 billions) and PYUSD (USD 2,8 billions) In the last twelve months, transactions totalling USD 9 900

[32] There are also regulations in Switzerland, Singapore, Hong Kong, El Salvador and the United Arab Emirates, among others. Several other jurisdictions are working on developing regulations.

[33] This is cited as one of the motives behind the initiative of a consortium of EU banks, including SEB, to issue a euro stablecoin. See SEB press release, September 2025: SEB joins consortium with major European banks to issue stablecoin | SEB.

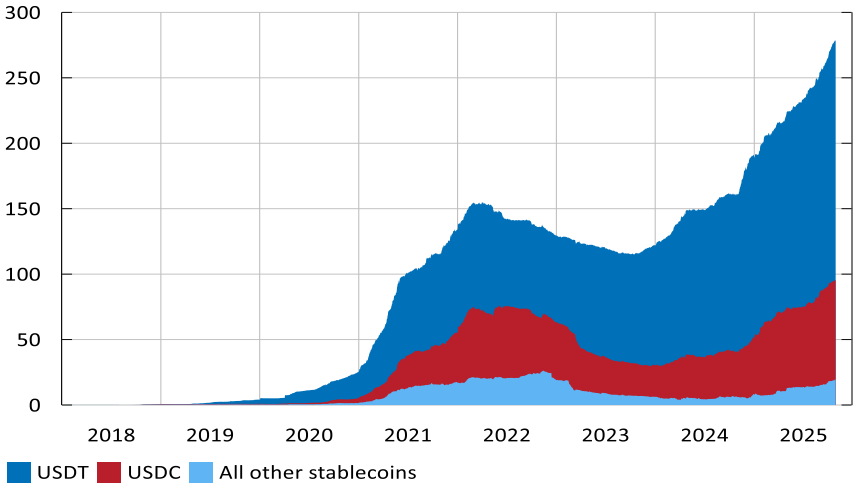
[34] See "The 2024 Geography of Crypto Report", Chainanalysis, and "Remittance Prices Worldwide Quarterly", *Issue 50*, June 2024, The World Bank. The World Bank estimates that this could reduce the cost of an international transfer to sub-Saharan Africa by up to 60 per cent.

[35] DeFi can be described as an ecosystem of centralised and decentralised financial services and applications built on blockchain technology, using smart contracts and self-driving applications to automatically execute and secure transactions.

billion were made[36]. Almost all stablecoins are issued in dollars. There are currently no stablecoins in Swedish kronor and a very limited amount in euros.

Chart 6. Total issued value of the two largest stablecoins in circulation

USD, billions



Note. USDT was issued by Tether, and USDC by Circle. All other stablecoins include, among others, USD1 (issued by World Liberty Financial) and PYUSD (issued by Paxos on behalf of PayPal).

Source: DefiLlama.

The rapid development may pose risks

Although the market for stablecoins is still relatively small, its rapid growth means that risks and challenges can quickly grow and become systemic.

Speed and automation may lead to redemption runs and instability

Banks have always run the risk of depositors starting to doubt the bank's ability to fulfil its commitments, with the result that many depositors will want to withdraw their money at the same time. This is known as a deposit run. Similarly, issuers of stablecoins run the risk that many will want to redeem their holdings at the same time. The risk is amplified by the interconnectedness with DeFi and the automated and rapid events enabled by the programmability of stablecoins. Moreover, the holdings are not protected by any deposit insurance scheme.

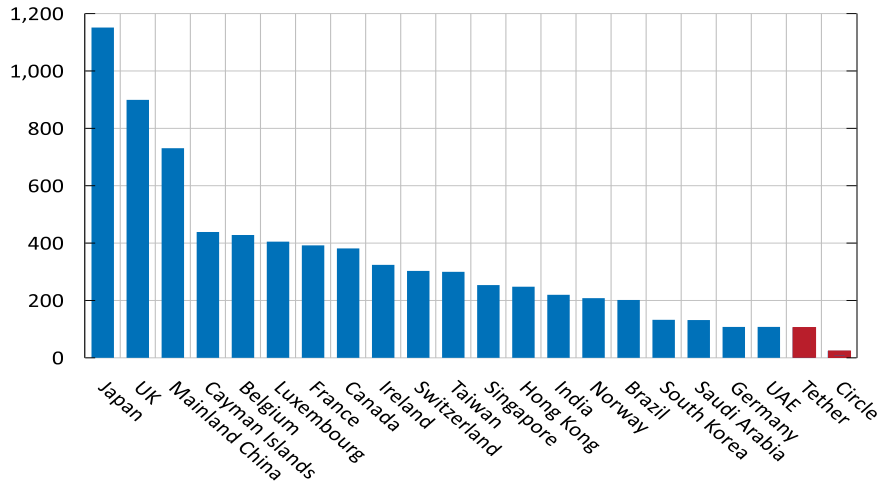
In such a situation, where many people want to redeem their holdings at the same time, the issuer would have to rapidly sell large amounts of underlying assets. This can depress asset prices to the point where the proceeds are insufficient for the issuer to be able to redeem stablecoins at their full value. This would affect issuers and holders of stablecoins, but also actors in the traditional financial system, such as banks, mutual funds and insurance companies, who own the same kind of assets that the issuer has to sell. The risks are still limited, especially in the EU. But if the market for stable-

[36] As reported by the Visa Onchain Analytics Dashboard.

coins continues to grow, and with it the interconnectedness with the traditional financial sector, this could pose risks to financial stability. This is illustrated by, among other things, the fact that issuers of US stablecoins have large holdings of US treasury bonds (see chart 7).

Chart 7. Holders of US treasury bonds

USD, billions



Note. Refers to holders of US Treasuries. Data for stablecoin issuers Tether and Circle (in red) refer to self-declared holdings. Tether's holdings refer to declared holdings for 30 June 2025.

Sources: US Department of the Treasury, Tether and Circle.

Increased external dependence can lead to vulnerabilities

There is an intense discussion in the EU about dependencies on foreign actors, and the need to be able to provide various strategic goods ourselves. This question came into focus during the pandemic and in conjunction with Russia's full-scale invasion of Ukraine. Several vulnerabilities in terms of over-dependence on foreign countries were identified regarding, for example, medicine, energy and IT resources. The issue has become even more relevant as countries have started to use access to key goods and services as leverage for trade policy purposes.

The discussion on foreign dependence also covers the financial sector, not least payment solutions, where the market is currently dominated by US card schemes, such as Visa and Mastercard, and providers of cloud services. There is concern that the same dependence could arise for stablecoins, either through non-European issuers of stablecoins becoming dominant, or if global blockchain infrastructures outside the control of Europe's own authorities are used to conduct transactions. Such dependence would be particularly serious if EU citizens use stablecoins whose issuer is not authorised in the EU. Users would then not be protected by EU law.

Regulatory arbitrage can create risks

The development of regulatory frameworks for stablecoins under way in various jurisdictions aims not only to regulate the market with a clear legal framework, but also to

stimulate innovation and economic growth. There is therefore a risk that countries will use regulatory frameworks as a competitive tool, introducing less stringent regulation to attract different activities. This allows for so-called regulatory arbitrage, where actors exploit regulatory differences between countries for their own gain.

An example of a possible regulatory arbitrage is what is called 'multi-issuance'. This is a situation in which an EU issuer and a non-EU issuer, for example in the United States, issue a common stablecoin in the same currency, redeemable in both jurisdictions. Differences in legislation between the EU and the US play an important role here. Indeed, redeeming stablecoins under MiCAR may be more favourable than under GENIUS for the redeemer, among other things because no redemption fees may be charged within the EU. This allows a redemption stream to be directed towards the EU-issuer, which then requires the collateral also to be moved from the US to the EU. The problem is that stablecoins typically move faster across borders than collateral, creating an imbalance between the amount of stablecoins and collateral in the relevant jurisdiction. As the concept of multi-issuance did not exist when MiCAR was adopted, it is not regulated in EU law and the legal situation is therefore unclear.[37]

Stablecoins can be used for criminal purposes

The fact that stablecoins often work in a decentralised way makes it difficult to know who holds stablecoins and what transactions are being made by whom. For example, data on holders of stablecoins are not held by the issuer, but by wallet providers or trading platforms. In addition, sometimes self-hosting wallets are used, which are independent of wallet providers and thus completely non-transparent. The public blockchain provides transparency at the transaction level, but without a direct link to the identity of the entity making the transaction. This makes tracking and intervening in suspected criminal activity more difficult. In addition, many of these actors may operate outside the EU's jurisdiction, further limiting the possibility of effective supervision and intervention. Stablecoins therefore risk being used for criminal purposes, such as money laundering, terrorist financing and drug trafficking.

Concluding reflections and policy messages

The Riksbank is generally in favour of innovation and for example sees a need to make cross-border payments cheaper, faster and more transparent. The technology behind stablecoins, the blockchain, can contribute to this, but it is not the only thing. Here, private banks and central banks have an important role in improving existing systems for such payments.[38] There are also still many outstanding questions about how stablecoins will develop and affect the financial system as a whole. A number of risks and

[37] The ESRB has just published a recommendation on multi-issue stablecoins. It recommends that the European Commission interprets MiCAR as prohibiting the registration of such stablecoins. See also ESRB/2025/9, "Recommendation of the European Systemic Risk Board of 25 September 2025 on third-country multi-issuer stablecoin schemes".

[38] The G20 and CPMI have designed a programme of measures to make cross-border payments faster, cheaper and more transparent. More information is available from the BIS: CPMI Cross-border payments programme.

challenges can already be identified, some of which need to be addressed in the present, while others are linked to the rapid growth.

An important aspect is the future establishment of an international consensus on the regulatory framework for the issuance of stablecoins and financial services based on them. For example, there is a need to agree within the EU on how to address the issue of multi-issuance and the cross-border spillover risks it can give rise to. It is also important to ensure that the requirements for issuers are aligned with the evolution of the systemic risks associated with stablecoins.

The fact that the use of stablecoins is often decentralised and cross-border also requires new forms of cooperation between authorities in different countries to ensure effective monitoring. If issuers and other actors offer services based on stablecoins, it is important that they be subject to, and fulfil, the same anti-money laundering, criminal activity and terrorist financing requirements as traditional operators offering similar services.

The ECB's work on a digital euro over the past year has been partly motivated by the emergence of US stablecoins and the need for a payment infrastructure that is independent of non-European actors. With a digital euro, the ECB would be able to offer functionality that could match stablecoins in many ways, thereby reducing the need for them. Depending on how the market for stablecoins develops, and whether the digital euro is introduced, the question of how Sweden will be affected could emerge and reignite the discussion about an e-krona.[39] It is important that there is preparedness for such a discussion both at the political level as well as among public authorities and within the private sector.

Settlement at a central bank enables the management of credit or settlement risks in that central bank money has no credit risk and there is a clear 'finality', i.e. a point in time when a payment obligation has been fulfilled and cannot be revoked. This reduces the risk of financial stress spreading between financial institutions. If a significant market for stablecoins in Swedish kronor emerges later on, it is therefore important that the money that is moved in and out of a legitimate stablecoin system goes via the Riksbank's settlement services.

The use of new infrastructures creates new operational risks and dependencies. It is therefore important that market participants do not view stablecoins as an alternative to central bank settlement services, for example for large-value payments between financial institutions in securities transactions, or markets that are important for other reasons, as this could lead to excessive exposures to the stablecoin issuer. Legal risks may also emerge, such as unclear finality, if the blockchain used is not a designated settlement system.[40] If a larger market for tokenised assets emerges, a safe way to

[39] More information on the Riksbank's work with the e-krona: E-krona – state money in digital form | Sveriges Riksbank

[40] A settlement system designated in accordance with the Act (1999:1309) on Systems for the Settlement of Obligations on Financial Markets has rules that provide legal protection for finality.

settle these assets will be needed. The ECB is developing such a capability in its payment infrastructure.[41] Sweden is also involved in this modernisation work in the context of its onboarding to T2 and may in the future join the technical solutions resulting from this work.

In the international discussion, concerns have sometimes been raised that stablecoins could affect the capacity to conduct effective and independent monetary policy, as a widespread use of dollar-denominated stablecoins could lead to the so-called dollarisation of the jurisdictions affected.[42] [43] Similarly, there have been warnings that private banks could face funding problems if their deposits are converted to stablecoins. The Riksbank's assessment is that these scenarios do not pose a significant risk in the EU, at least not in the near term.[44]

Finally, there is much to suggest that stablecoins are here to stay. The market is likely to be different in different parts of the world, but use is likely to continue to grow, including in the EU. How this will affect the financial system, and its participants is not possible to say with any great precision at present. This depends partly on the actions of existing actors, such as private banks and central banks. The Riksbank, but also the Government and other Swedish authorities, will therefore have reason to continue to follow this issue closely and be prepared to make the necessary adjustments in the financial system.

[41] See ECB press release, July 2025.

[42] Dollarisation refers to the dollar taking over the role of the domestic currency as a means of payment.

[43] See "Stablecoins and digital euro: friends or foes of European monetary policy", Monetary Dialogue Papers, June 2025, European Parliament.

[44] For further reading see Ingram Bogusz, C. et al. (2025), "Stablecoins could lead to better payments, but risks remain", *Staff memo*¸ Sveriges Riksbank.