



Policy Perspectives

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Stablecoin: Implications for the ASEAN+3 Region

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Contents

Executive Summary	4
1. Stablecoins Overview	5
1.1 Functions and Forms of Money	5
1.2 The Role of Tokenization and Stablecoins	6
1.3 Two Sides of the Same (Stable)Coins: Benefits and Risks.....	7
1.4 Overview of the Current Stablecoins Landscape.....	7
2. Evolution of Regulatory and Legal Framework	9
2.1 International Standard-Setting Bodies (SSBs)	10
2.2 US GENIUS Act and Implications	10
2.2.1 Implications for the US.....	11
2.2.2 Global Spillovers	11
2.2.3 Prominent Risks to Recipient Economies	12
3. Implications for ASEAN+3: Regulations, Opportunities and Challenges.....	14
3.1 Domestic Regulation.....	14
3.1.1 Regulatory Frameworks for Crypto Assets	14
3.1.2 Evolving Stablecoin Frameworks	15
3.1.3 Core Regulatory Features.....	16
3.2 Opportunities and Challenges for ASEAN+3.....	17
3.2.1 Active E-money Platform Ecosystem.....	17
3.2.2 Remittances	17
3.2.3 Currency Network Effects	18
3.2.4 Competition and Use Cases	18
3.2.5 Regional Integration	19
4. Way Forward – Development of Multilayered Monetary System	19
Reference.....	21
Appendix.....	24

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Executive Summary

Since Bitcoin's launch in 2009, the crypto industry has expanded rapidly through repeated boom-bust cycles driven by shifting risk appetite, technological breakthroughs, and evolving regulations. Within this space, stablecoins, a broad family of instruments with different backing and stabilization designs, have emerged as the dominant bridge between crypto markets and traditional finance.

Conceptually, fiat-currency pegged stablecoins sit alongside existing forms of money rather than replacing them. They are best understood as tokenized non-bank money (i.e., private liabilities issued against pre-existing safe assets). Tokenization itself does not create a new category of money, rather it enables faster clearing and settlement, greater interoperability, and programmability across platforms and jurisdictions.

A pivotal shift came with the US GENIUS Act, which established legal clarity for USD stablecoins.² This legislation signaled official recognition of tokenized non-bank money within the financial system and may accelerate wider payment use. In parallel, international bodies such as the FSB, IMF, and BIS continue to emphasize governance, reserve transparency, and cross-border risk management as prerequisites for large-scale issuance. Ensuring the stability of the value of stablecoins is a tall order, which probably explains why most jurisdictions have taken a cautious approach.

For ASEAN+3, the implications are far-reaching. Wider circulation of USD tokens could facilitate cross-border payments but at the same time intensify currency substitution pressures, complicate capital-flow management, and weaken monetary policy transmission, particularly in smaller economies with less credible monetary policy regimes. On the other hand, well-regulated local-currency stablecoins could form a supplementary layer of ASEAN+3's next-generation multilayered monetary system by complementing existing domestic payment systems and regional linkages.

Forward-looking policy responses should be based on three pillars. First, clarify policy stance on foreign-currency pegged stablecoins, including whether foreign-based stablecoin service providers are allowed to provide services to local residents without authorization or licensing, and establish regulatory frameworks to enforce such policies. Second, maintain sound monetary policy and strengthen monetary policy frameworks to enhance confidence in the local currency. At the same time, explore local-currency stablecoins to enhance the convenience of on-chain payments and to reduce the incentives of local residents using foreign-currency stablecoins for domestic transactions. Third, promote singleness of money and interoperability as a central policy goal, linking traditional and tokenized forms of money through common standards and settlement protocols, both domestically and regionally.

² In this note, the terms USD tokens and USD-denominated stablecoins are used interchangeably to refer to digital tokens pegged to the US dollar, unless otherwise specified.

Over time, these efforts will help lay the foundation for a multi-layered monetary system, where traditional and tokenized forms of money co-exist and operate in an integrated manner. Within such an architecture, central bank digital currencies (CBDCs) or tokenized central bank money, tokenized deposits, and well-regulated stablecoins could interact seamlessly with existing banking and payment infrastructures, enhancing efficiency, liquidity management, and monetary transmission. Yet the system's credibility must ultimately remain anchored in central bank money, which defines the economy's unit of account and underpins confidence in all digital values.

With a clear monetary anchor and sound regulatory guardrails, ASEAN+3 authorities can allow financial innovation to progress while preserving monetary sovereignty, fostering regional integration, and ensuring long-term financial stability.

1. Stablecoins Overview

Stablecoins, a digital token designed to maintain stable value by pegging to another asset or currency, can be thought of as digital evolution of money, enabled by advances in data transmission and the distributed ledger technology (DLT)³. This section explains the role of stablecoins by positioning them within the broader history and functions of money, and by mapping them to existing categories of money in today's system.

1.1 Functions and Forms of Money

To understand stablecoins, it is useful to recall the traditional functions of money as a medium of exchange, a store of value, and a unit of account. Stablecoins are primarily designed to serve the first function, although their effectiveness as a store of value depends critically on their backing arrangements. Stablecoins differ from unbacked crypto-assets such as bitcoin which do not have any backing assets and have their own units account that are distinct from the official units of account of national currencies.

In the modern monetary system, money exists in three main forms: (1) central bank money, such as physical Singapore dollar notes issued by Monetary Authority of Singapore (MAS) or reserves held by commercial banks at the central bank; (2) commercial bank money, such as deposits at commercial banks; and (3) non-bank money (e-money in non-bank digital wallets), such as balances in Alipay (China), GrabPay (several ASEAN countries), or telecom-operated payment accounts (Adrian and Mancini-Griffoli, 2019). Each form represents the liability of a different type of

³ A token is a programmable digital representation of value or rights that exists and secured by a blockchain (a type of DLT), a shared digital ledger that records transactions in ordered blocks, which are linked together using cryptography and maintained collectively by a network of computers. Digitization is the process of changing information from analogue to digital form. Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities, or the process of moving to a digital business (Gartner, 2020). Stablecoins represent digitalization of non-bank money, not just digitization. Most stablecoins use DLT, though some operate on centralized databases.

issuer, central banks, commercial banks, and non-bank financial institutions (NBFIs) or payment service providers (PSPs) respectively.

1.2 The Role of Tokenization and Stablecoins

Tokenization is the creation or representations of assets on a digital ledger that is shared, programmable, and trusted among users (Agur et al., 2025). Table 1 illustrates how central bank money, commercial bank money, and non-bank money could be mapped to their tokenized versions. From this mapping, it becomes clear that tokenization does not fundamentally introduce new categories of money. They are, in essence, a digital replication of existing ones on blockchain networks. As stablecoin is explicitly referred as “e-money tokens” in the European Union legislation, this terminology reflects its functional continuity with existing forms of non-bank money even as the technology is evolving.

Non-bank money has long played a role in widening access to the financial system. Users need not hold a bank account, and providers such as telecom companies or postal offices have historically offered e-money as a low-cost alternative to banking services. These schemes were typically “closed-loop,” facilitating transfers only within a single network (Adrian and Mancini-Griffoli, 2019; Brunnermeier et al., 2019).

Table 1. Traditional forms of money and their tokenized counterparts

Today’s money	Tokenized counterpart
Central Bank Money	CBDC or Tokenized Central Bank Money
Commercial Bank Money	Tokenized Deposits
Non-bank or E-Money	Stablecoins ⁴

Source: authors’ compilation.

Stablecoins can be seen as the tokenized successor to the e-money systems, offering portability across platforms and programmability through distributed ledger technology. While stablecoins differ in their backing structures and stabilization mechanisms, this note focuses only on the so-called “narrow-bank” stablecoins, where tokens are issued fully collateralized against pre-existing safe assets – typically high-quality liquid assets such as cash and government securities (Arner, Auer and Frost, 2020). This design sets them apart from algorithmic stablecoins, crypto-collateralized variants, or partially backed models, which have very different risk implications. Importantly, almost all ongoing regulatory initiatives have also concentrated on this type of stablecoin.

Like e-money providers, stablecoin issuers (1) accept fiat deposits, (2) issue a digital representation of those deposits for payment and settlement, and (3) promise redemption at par value. In essence, stablecoin issuers perform the same

⁴ Not all stablecoins qualify as e-money tokens. Classification depends on their backing assets and redemption terms. Tokens fully backed by cash or bank deposits with immediate redemption rights function like e-money, whereas those backed by short-term securities or pooled reserves are economically closer to money market fund (MMF) shares, whose stability relies on portfolio valuation rather than a fixed 1:1 redemption guarantee.

monetary function as e-money institutions through a decentralized and cryptographically enforced infrastructure. Therefore, regulatory focus should similarly center on safeguarding reserves, redemption rights, and operational resilience rather than imposing full banking-style capital rules.

1.3 Two Sides of the Same (Stable)Coins: Benefits and Risks

Tokenization enables faster settlement, greater interoperability, and programmability (Agur et al., 2025). These three features together can exponentially improve market efficiency, reduce financial friction and unlock liquidity across asset classes and jurisdictions.

Stablecoins could potentially enable faster and cheaper cross-border payments, while facilitating financial inclusion. As stablecoins are backed by blockchain infrastructures, they do not rely on corresponding bank networks and intermediaries. They can be used for remittances, cross-border trade and others with almost instant transfer and 24/7 settlement. In addition, stablecoins can also help promote financial inclusion through access to digital payment systems for unbanked or underbanked population.

However, stablecoins can also potentially undermine monetary transmission mechanism and sovereignty.⁵ Domestically, widespread adoption of stablecoins could contribute to bank disintermediation. Theoretically, Chen et al. (2025) show that digital currencies compress bank deposit spreads, potentially weakening the stability of the banking sector. From a cross-border perspective, large-scale use of foreign currency stablecoins may amplify capital outflows and worsen currency substitution (dollarization), and weaken domestic monetary policy effectiveness, especially in developing countries (Le et al., 2023).

If stablecoins were to become widely used in everyday transactions, regulatory frameworks would be crucial. Without being properly regulated, the system could begin to resemble the 19th-century era of private banknote issuance, where issuers operated with limited or uneven regulation (Gorton and Zhang, 2023). Those private banknotes would have fluctuating values and could not be convertible with each other at par, compromising the singleness of money and potentially leading to monetary instability. More importantly, the cross-border nature of stablecoins adds a dimension absent from historical precedents, creating novel challenges for regulators.

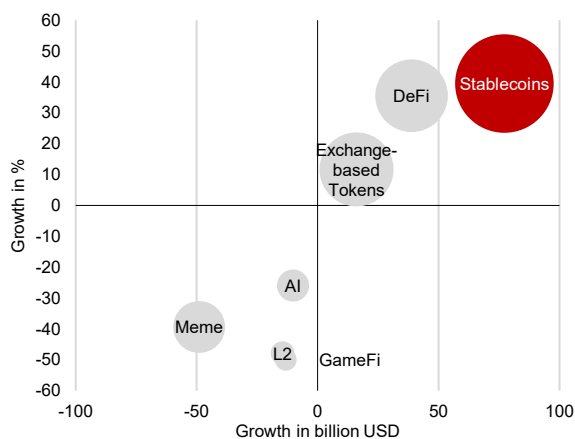
1.4 Overview of the Current Stablecoins Landscape

The growth of stablecoins has been phenomenal. Since the US presidential election in November 2024, stablecoins have recorded the largest absolute market-capitalization increase among crypto sectors, about USD 77 billion (+39%) over the period to July 2025 (Figure 1). In comparison, real-world-asset (RWA) tokens have

⁵ While foreign CBDCs could similarly transmit spillovers and contribute to digital currency substitution, their issuance and governance are anchored in sovereign institutions, making them less vulnerable to liquidity or run risks. However, they may reinforce the monetary influence of the issuing economy, posing a more structural challenge to monetary sovereignty in the user countries rather than a financial-stability risk.

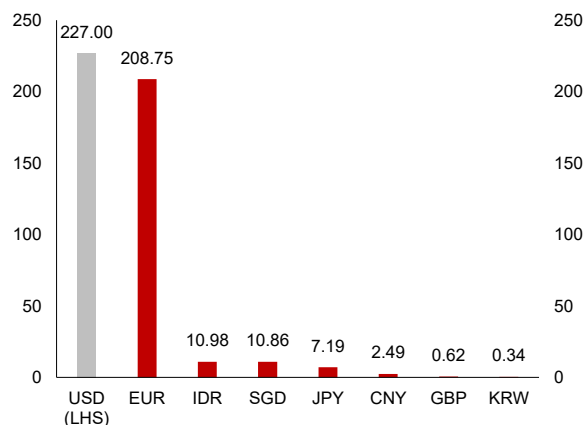
grown faster in percentage terms, albeit from a low base. More importantly, many RWA transactions settle in stablecoins, further highlighting their role as the principal on-chain settlement asset.

Figure 1. Stablecoin vs other crypto between Nov 2024 and Jul 2025
(USD billions; % change)



Source: Coingecko and AMRO staff calculations.
Note: Bubble size represents the market capitalization as of Jul 31, 2025

Figure 2. USD dominance among fiat-backed local-currency stablecoins
(LHS – Billions USD; RHS – Millions USD)

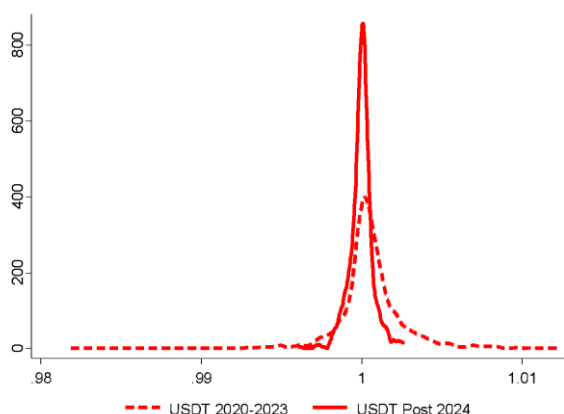


Source: Coingecko and AMRO staff calculations.
Note: Data is of July 31, 2025. "USD" comprises the two largest fiat-backed USD stablecoins; "EUR" denotes EURC; remaining labels refer to the largest fiat-backed local-currency stablecoin by market capitalization.

In terms of market concentration by currency, it is overwhelmingly USD-denominated. Fiat-backed USD tokens account for 97.5% of total capitalization as of Oct 2025. The largest USD fiat-backed stablecoin alone is over 1000 times the size of the leading euro-denominated token (Figure 2). Nonetheless, other major currencies-pegged stablecoins could develop over time. This is because stablecoins existing on common platforms could reduce the switching costs between different currencies, thereby making it easier to reduce the reliance of a vehicle currency such as the US dollar. Within ASEAN+3, fiat-backed stablecoins have been issued in at least five local currencies, though scale remains limited because of thin liquidity and narrow use cases. As domestic regulations define clearer perimeters and integration with real-economy applications advances, adoption is expected to rise.

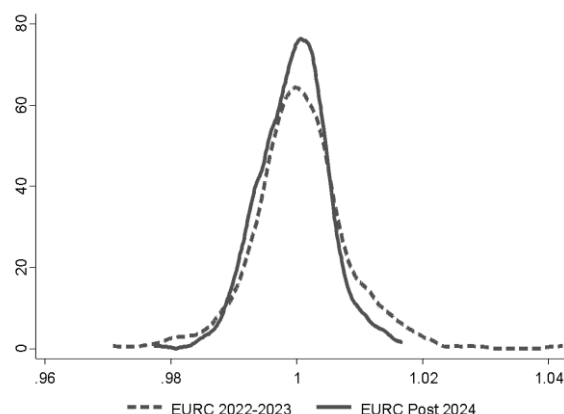
The value of stablecoins has not always been stable, which could subject stablecoins to liquidity pressures and runs. Even the largest stablecoins today have not always maintained their peg in the secondary markets. As shown in Figures 3 and 4, both USDT and EURC have at times traded away from par. In the absence of robust regulation and credible emergency liquidity assistance arrangements and resolution regimes, private stablecoins remain exposed to liquidity pressures and redemption runs even under the full-reserve model. Ultimately, credibility relies on legal and institutional trust.

Figure 3. Price Distribution of USDT
(Probability density)



Source: Coingecko and AMRO staff calculations.
Note: Data is of 31 Jul 2025

Figure 4. Price Distribution of EURC
(Probability density)



Source: Coingecko and AMRO staff calculations.
Note: Data is of 31 Jul 2025.

Even with sound regulation, maintaining par redemption may not always be guaranteed in practice—particularly in secondary markets where most retail users operate. Unlike e-money holders who can redeem directly with the issuer, the majority of stablecoin users lack direct redemption access and instead rely on centralized or decentralized exchanges to convert tokens (Samuel et al., 2025). Only a small group of institutional participants transact directly with issuers in the primary market, where the peg mechanism is enforced. During episodes of stress, these structural frictions can lead to temporary deviations from par even when issuers remain solvent. Consequently, price stability depends not only on the adequacy and quality of backing assets, but also on the broader market structure and accessibility of redemption channels.

Stablecoins can also complicate liquidity management due to fragmentation in on- and off-chain liquidity, even in the case of local currency stablecoins. Stablecoins create a parallel liquidity circuit outside the traditional banking system and beyond central bank’s normal operations as on-chain assets are decoupled from off-chain central bank reserves. This reduces transparency on overall liquidity conditions and may impair the central bank’s ability to gauge or influence money market conditions.

Against this backdrop, a key policy question is how legal and regulatory frameworks can mitigate potential financial stability risk. The next section traces the evolution of international policy responses and the recent introduction of the US GENIUS Act that has rippled through global financial markets.

2. Evolution of Regulatory and Legal Framework

Stablecoins offer potential benefits but remain far from fully realized, while their rapid growth without appropriate regulation could introduce novel risks (FSI, 2024). Although regulators globally have begun converging on core prudential requirements, divergences persist across key areas, raising the risk of cross-border

inconsistencies and regulatory arbitrage. The IMF–FSB (2023) similarly warns that the broader crypto ecosystem, including the use of stablecoins as a payment instrument in the real economy, poses macro-financial risks. These risks broadly span macroeconomic stability, financial stability, and structural integrity.

2.1 International Standard-Setting Bodies (SSBs)

As highlighted in FSI (2024), regulatory responses to stablecoins have evolved sequentially. In 2022, the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) clarified how their Principles for Financial Market Infrastructures apply to systemically important stablecoin arrangements, followed by the Basel Committee on Banking Supervision (BCBS) introducing prudential standards for banks' exposures to crypto assets. In 2023, IOSCO issued recommendations to strengthen market integrity and investor protection, and the Financial Stability Board (FSB) released high-level recommendations on the regulation, supervision, and oversight of global stablecoin arrangements. Subsequently, the International Monetary Fund (IMF) and FSB jointly published a synthesis paper broadening the scope to the wider crypto-asset ecosystem, marking an important milestone toward a coordinated international framework.

Increasingly, dedicated stablecoin regulations have been developed by national authorities. While international SSBs continue to focus on the broader crypto-asset ecosystem, particularly global stablecoin arrangements, national authorities are increasingly developing dedicated stablecoin regulations. This shift reflects both the entry of traditional financial institutions such as banks, and the rapid advances of fintech firms in the sector. Momentum has been further strengthened by the passage of the US GENIUS Act, which has provided legal clarity for USD stablecoin issuance and use.

2.2 US GENIUS Act and Implications

In July 2025, the passage of the GENIUS Act marked a pivotal step in legitimizing stablecoins as part of the regulated financial system. Just before the vote, the US Senate still warned about renewed interest from BigTech companies, raising concerns about large-scale private issuers. Nonetheless, the Act passed, establishing a comprehensive legal framework for stablecoin issuance and reserve management. Similar to the EU's MiCA, it signals the intent to integrate the dollar tokens into the mainstream payment and financial infrastructure.

Following its passage, global stablecoins market capitalization sharply increased by 6.2% to over USD 300 billion over three months, as market priced in stronger regulatory legitimacy and long-term growth potential. Although stablecoins market capitalization have been on the rise prior to this, they have been mainly used in crypto trading activities across rails or in DeFi protocols. However, the new law has opened up possibilities for it to be used in mainstream payment activities, both

domestic and cross-border transactions, therefore linking it to the traditional financial system.

2.2.1 Implications for the US

Full back up requirements deepen the linkages between USD stablecoins and US Treasuries. Under the new regulation, USD-denominated stablecoins must be fully backed by high-quality liquid assets—primarily U.S. Treasuries, the world’s benchmark safe asset. While this framework reinforces the credibility of USD tokens, it also deepens their linkages with the Treasury market and, by extension, the global financial system.

Stablecoins offer fiscal advantages and efficiency gains, they could also introduce systemic risks (Davidovic et al. 2025). The growing stablecoin adoption may create sustained, structural demand for Treasuries, therefore diversifying investor base and deepening Treasury market liquidity. As this demand concentrates on short-term securities, it would tend to lower yield at the front end, shifting the yield curve leftwards and steepening it, *ceteris paribus*.⁶

Nonetheless, strengthened linkages can lead to interconnected vulnerability between the two markets – stablecoins and US Treasuries. In practice, major stablecoin issuers have already become large Treasury holders. While this supports short-term demand for Treasuries, it also introduces run risks into the Treasury market. For example, a sudden loss of confidence could trigger mass redemptions or “coin run”, forcing issuers to liquidate Treasury holdings rapidly. Simultaneous fire sales could depress Treasury prices and weaken the collateral meant to stabilize the tokens. Moreover, because most USD tokens are backed by a similar pool of high-quality assets, a shock to the Treasury market would hit instantly all major tokens. This interconnected vulnerability is termed by Samuel et al. (2025) as collateral fragility and concentration risk and formally analyzed by Ma et al. (2025).

2.2.2 Global Spillovers

The implementation of the GENIUS Act could accelerate the digital internationalization of the dollar. Unlike physical notes, USD stablecoins can circulate globally without relying on correspondent banks or clearing systems. Anyone with a digital wallet can hold and transact in dollars, lowering transaction costs and expanding financial access, especially in emerging markets. However, it also strengthens the reach of the US monetary system into foreign jurisdictions, which might not always be desirable, as noted in AMRO (2025).

Efficiency gains from USD tokens may come at the expense of monetary sovereignty and financial stability in recipient economies, as cautioned by Rey (2025). The widespread use of digital dollars risks reinforcing the dollar’s global

⁶ The GENIUS Act requires stablecoin issuers to limit holdings of Treasury securities to maturities of 93 days or less.

network dominance, amplifying US monetary spillovers, and constraining the policy autonomy of other central banks.

2.2.3 Prominent Risks to Recipient Economies

Rapid expansion in the use of USD stablecoins can facilitate currency substitution in recipient economies. As US stablecoin legislation is expected to take effect within the next one and a half years, the use of dollar-denominated tokens in the region is likely to expand significantly. This trend is already visible in trading activity, particularly among regional exporters to the US market (Auer et al. 2025). Such developments carry important implications for emerging markets and developing countries in terms of macroeconomic and financial stability, alongside the broader challenges outlined in IMF–FSB (2023). Despite the re-evaluation of USD’s safe haven status, the convenience and efficiency offered by USD stablecoins could increase the resistance to using local currencies, especially for cross-border transactions.

A sustained increase in the use of USD tokens also raises questions for domestic regulators about stablecoin cross-border issuance and redemption. This could have the most significant consequences for the international monetary system, especially for receiving economies. The remainder of this section discusses three key risks for policymakers in more detail, explaining the underlying mechanisms and highlighting why the issuance of domestic stablecoins could, at least partially, help offset these risks.

(1) Monetary Stability: Currency Substitution

One of the most frequently cited risks from the rise of USD-denominated tokens is currency substitution, or in the extreme, digital dollarization. This is particularly concerning for economies where the US dollar is already used domestically, either formally or informally. A digital version of the dollar functions much like physical notes: as the use of the domestic currency declines, the effectiveness of monetary policy diminishes, undermining the central bank’s ability to fulfill its mandate. Theoretically, Le et al. (2023) shows that when foreign-currency stablecoins are widely adopted, spillovers from US interest rate changes can have a stronger negative impact on domestic economies. This happens because stablecoins create an additional channel of international transmission. As a result, if foreign-currency stablecoins are prevalent, domestic monetary policy effectiveness can be undermined.

(2) Financial Stability: Capital Flow Management

Crypto flows including stablecoins can bypass existing capital flow management (CFM) measures (He et al, 2022). As shown empirically by Auer et al. (2025), evidence over the past decade indicates that episodes of tighter CFMs have coincided with rising cross-border crypto activity. This creates a new challenge for central banks in managing both capital flows and exchange rates, particularly in ASEAN+3, where several economies maintain at least some degree of capital controls and remain highly export dependent. Additionally, Le et al. (2023) suggests that if

CFMs fail to cover crypto or stablecoin transactions, households may shift even more strongly toward stablecoin use. In the absence of clear regulation, the borderless nature of stablecoin rails risks amplifying the volatility of capital movements and potentially jeopardize overall financial stability.

(3) Financial Integrity: AML/CFT

In the absence of clear domestic regulation on the use of either foreign- or local-currency stablecoins, AML/CFT standards will be difficult to enforce, posing risks to financial integrity. Many issuers are not required to track or disclose token usage, and the pseudonymous design of these instruments makes monitoring inherently difficult. Without effective safeguards, stablecoins risk being used for illicit activities, much like other crypto assets, and give rise to informal economic activities and money laundering.

Overall

Overall, the rise of foreign-currency–pegged stablecoins could constrain monetary authorities’ and regulators’ ability to fulfill their mandates, particularly if adoption accelerates and network effects take hold. Relevant authorities should therefore clarify policy stance on foreign-currency referenced stablecoins, including whether foreign-based stablecoin service providers are allowed to provide services to local residents without authorization or licensing, and establish regulatory frameworks that safeguard redemption, reserve management, and disclosure practices. They should also consider whether promoting or issuing local-currency–pegged stablecoins to enhance the convenience of on-chain payments and reduce the incentives of local residents using foreign-currency stablecoins for domestic transactions. A domestic token could deliver similar cross-border efficiency as USD tokens, especially if local wallet service providers make it convenient for local residents to hold multi-currency accounts and FX conversion is well designed for remittances or trade invoicing, therefore easing currency substitution pressures.

Disclosure requirements for stablecoin issuers and related service providers would be necessary. Under clear regulatory frameworks, issuers operating within the jurisdiction should be required to disclose their activities and maintain sound financial conditions, which helps reduce the risk of capital flow circumvention. Close collaboration with foreign authorities where offshore stablecoin service providers are located is essential (He et al, 2022). Lessons from ongoing CBDC design discussions could also inform this process (AMRO, 2023). With greater regulatory involvement in design, even on-chain capital flow compliance could be incorporated to mitigate risks from foreign-currency stablecoin use.

Clear and comprehensive AML/CFT regulations on stablecoin issuance are essential to mitigate potential risks. As demonstrated in the regulatory frameworks for stablecoins (Table A1 and A2), financial integrity checks can be applied to issuers in line with banking-sector standards. Therefore, whether authorities choose to actively

promote local-currency stablecoins, it is essential to establish clear and comprehensive regulations covering both foreign- and local-currency tokens within their jurisdictions.

3. Implications for ASEAN+3: Regulations, Opportunities and Challenges

This section examines policy implications for both domestic regulation and market developments in the ASEAN+3 region amid the rapid evolution of stablecoins. While most jurisdictions are cautiously embracing innovation, the growing use of USD-denominated tokens and the potential emergence of local-currency stablecoins raise important policy questions for financial stability, monetary sovereignty, and cross-border integration.

3.1 Domestic Regulation

3.1.1 Regulatory Frameworks for Crypto Assets

Regulatory attention to crypto assets preceded the development of stablecoin-specific frameworks. Since the emergence of Bitcoin and other virtual assets, authorities worldwide have introduced a variety of measures to govern the broader crypto ecosystem. As of July 2025, ASEAN+3 member economies have adopted a heterogeneous approach as shown in Table 2. In several jurisdictions, including Indonesia and Korea, crypto activities have gained popularity but remain subject to partial restrictions. Nonetheless, even in jurisdictions where crypto assets are classified as “legal,” regulatory clarity remains a key challenge for market participants (AMRO, 2023).

Table 2. Crypto Regulation in ASEAN+3 as of Jul 2025

	Status	Taxation	AML/CFT	Consumer Protection	Licensing
CN	General Ban	X	X	X	X
JP	Legal	✓	✓	✓	✓
KR	Partial Ban	✓	✓	✓	✓
HK	Legal	✓	✓	✓	✓
SG	Legal	✓	✓	✓	✓
ID	Partial Ban	✓	✓	X	✓
MY	Legal	X	✓	✓	✓
PH	Legal	✓	✓	✓	✓
TH	Partial Ban	✓	✓	✓	✓
VN	Partial Ban	X	X	X	X
KH	Legal	X	X	X	✓

Source: Atlantic Council Cryptocurrency Regulation Tracker, as of Jul 2025.

These measures, however, do not necessarily reflect regulators' views on stablecoins. In recent years, international SSBs have pushed their work in this area, and the passage of the US GENIUS Act has further accelerated the debate. For ASEAN+3 financial regulators, this highlights the importance of explicitly assessing (1) the potential implications of adopting local-currency stablecoins in domestic markets and (2) the challenges posed by the growing use of foreign-currency stablecoins for financial stability and monetary sovereignty.

3.1.2 Evolving Stablecoin Frameworks

While early regulations primarily targeted the broader crypto-asset ecosystem, the rapid growth of stablecoins has prompted authorities to develop more specific frameworks. Building on guidance from international SSBs, several jurisdictions have since expanded their regulatory perimeter to explicitly cover stablecoin issuance, reserve management, and redemption mechanisms. The following subsection reviews the evolution of these frameworks, highlighting benchmark examples from other major economies and key developments within the ASEAN+3 region.

In practice, stablecoin usage remains largely concentrated within the crypto ecosystem, where investors require an on-chain settlement instrument. This structural linkage implies that promoting local-currency stablecoins without establishing a coherent regulatory framework for crypto markets may yield limited results. Authorities should therefore carefully assess whether developing regulated crypto ecosystems is a proportionate response to the dominance of dollar tokens.

The EU's Markets in Crypto-Assets Regulation (MiCA), passed in May 2023 and implemented from 2024, remains the global reference point. It defines stablecoin functions, issuer obligations, and risk-mitigation requirements such as asset-liability matching and disclosure standards. While aspects of its cross-border provisions remain subject to debate, MiCA nonetheless represents a pioneering effort in formally regulating stablecoins and has set an important benchmark for other jurisdictions.

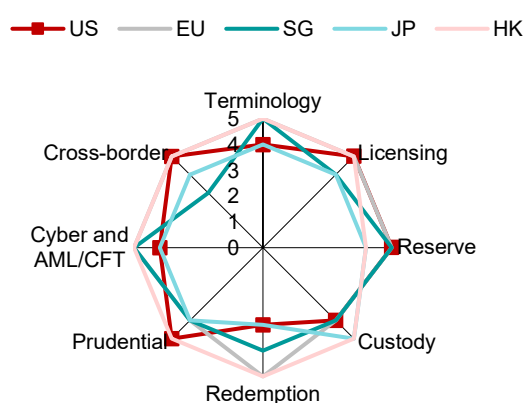
Prior to MiCA, Japan amended its Payment Services Act (PSA) in June 2022 to clarify the regulatory treatment of digital-money-type stablecoins pegged to fiat currencies, with the revised framework taking effect in June 2023. However, the impact on the domestic market has been limited, as stablecoin adoption in Japan remains modest. In 2025, a further amendment to the PSA is proposed to allow more flexible reserve requirements to boost competitiveness of stablecoins. Nonetheless, the PSA remains a general payments law rather than a framework tailored specifically to establish dedicated stablecoin regime.

Building on these developments, the region's two financial centers have since moved to establish dedicated stablecoin frameworks. Singapore was among the first to formalize regulation in 2023, followed more recently by Hong Kong SAR in 2025, while most other economies have yet to announce plans for stablecoin regulation.

3.1.3 Core Regulatory Features

While individual jurisdiction differs in the strictness or clarity of their rules, the core regulatory features are broadly aligned. These include (1) licensing is tightly supervised; (2) reserve assets must largely consist of cash or highly liquid instruments; (3) reserves are segregated and safeguarded by qualified custodians; (4) redemption processes are explicitly defined; and (5) periodic disclosures to users are mandated.

Figure 5. Stablecoin regulations comparison



Source: National authorities and AMRO staff compilation.
Note: The higher the score, the more explicit or prescriptive rule to mitigate key risks. Details can be found in Appendix.

As summarized in Figure 5, these measures reflect a tightening of risk management standards, addressing both domestic risks such as run risk and cross-border risks such as currency substitution. To date, most regulatory efforts have focused on ensuring stablecoin stability through requirements on reserve, segregation, and redemption. However, greater attention will be needed on their cross-border implications, particularly those arising from issuance and redemption of foreign-currency stablecoins. This is especially relevant given the potentially increasing prevalence of USD tokens. If not properly managed, this could lead to wider adoption by residents in ASEAN+3 and erode monetary sovereignty over time.

The regulatory challenge is further complicated by currency denomination. Clear differentiation between local-currency and foreign-currency tokens is essential, given the diverse stages of payment-system development, monetary frameworks, and capital-account openness across member economies. Accordingly, the design and sequencing of regulatory frameworks should be tailored to each jurisdiction's specific circumstance.

Going forward, even jurisdictions that do not actively promote local-currency stablecoins should establish clear and comprehensive regulatory frameworks. While domestic authorities may not be able to regulate foreign issuers directly, they

can effectively oversee local access points and intermediation channels through which such tokens enter the domestic financial system. Specifically, such frameworks should (1) define the legal status of foreign-issued stablecoins and their redemption processes within the jurisdiction, (2) regulate domestic exchanges, wallets providers and other intermediaries that facilitate foreign token distribution and (3) set prudential conditions for stablecoin issuers' access to the domestic banking and payment system. Together, these elements form the foundation for mitigating potential risks from the cross-border circulation of foreign-currency stablecoins while supporting orderly market development of digital assets.

3.2 Opportunities and Challenges for ASEAN+3

Despite the dominance of USD stablecoins, local-currency tokens could arguably serve as a potential counterbalance to preserve monetary sovereignty and foster payment innovation. From a market-efficiency perspective, they can facilitate on-chain payments and deliver equally atomic settlement and support programmability for smart contracts, while more importantly mitigating currency substitution risks. However, their added value is not universal, but rather depends largely on concrete use cases, regulatory support, and the maturity of domestic payment infrastructure. That said, enabling ASEAN+3 financial and payment landscape can pave the way for adoption of local-currency stablecoins.

3.2.1 Active E-money Platform Ecosystem

E-money platforms have been deeply embedded in daily life for ASEAN+3 economies, creating network effects and opportunities for local-currency stablecoins issuance. Examples include Alipay and WeChat Pay in China, PayPay in Japan, and GrabPay and GoPay across ASEAN. The use of e-money has grown substantially across the region driven by several factors from Covid push to enabling environment facilitated by technological advancement, policy initiatives and consumer demand. With greater penetration of internet and mobile phones, e-money and digital wallets provide accessible, low-cost alternatives to traditional accounts, driving uptake especially in rural and younger customers. Moreover, integration with super-apps (Grab, Gojek, Sea, Kakao, Alipay, WeChat Pay, LINE Pay) creates strong network effects between ride-hailing, food delivery, and shopping. Such embedded finance creates greater demand for wallet usage for daily life. This provides an opportunity for e-money platforms to issue local-currency stablecoins, which can help increase payment efficiency. Equally important, this development could also introduce risks of financial fragmentation and greater regulatory complexity, as discussed in AMRO (2023).

3.2.2 Remittances

In ASEAN economies, remittance remains a promising area for local-currency stablecoins, nonetheless cross-border interoperability is key. Significant progress has been made in the ASEAN Regional Payments Connectivity (RPC) Initiative, through setting up bilateral links of fast payment systems and the

development of spoke-and-hub platforms such as Project Nexus (Choo et al, 2025). Stablecoins could potentially add more choices to regional payments connectivity. Local currency stablecoins can integrate with mobile wallets and super-apps, making cross-border remittances cheaper and near-instant, especially for migrant workers and MSMEs. In practice, however, the IDR-denominated RupiahToken, one of the region's largest local-currency stablecoins, demonstrates early progress but remains concentrated in crypto-trading rather than real-economy use, highlighting the difficulty of scaling beyond speculative demand. Persistent challenges include FX conversion and cross-border compliance. One approach is for issuers to obtain dual licensing across jurisdictions, enabling regulated FX management and hedging. Another is to link stablecoins through multi-currency common platforms, reducing reliance on traditional intermediaries. Without such interoperability, FX frictions and fragmented oversight will continue to constrain cross-border scalability.

3.2.3 Currency Network Effects

The growing use of USD tokens could reinforce strong currency network effects (He and Yu, 2016). Much like English as a global lingua franca, if digital dollars become the dominant medium for cross-border payments in the region, its adoption becomes self-reinforcing. As more users, merchants, and platforms transact in USD tokens, the cost of switching to alternative currencies rises, intensifying competition for local-currency tokens. In this analogy, local-currency stablecoins face a challenge similar to that of non-English languages in international communication.

Yet, technological innovation may help reduce such language barriers. Interoperability tools such as programmable bridges or multi-CBDC connectors could enable different domestic systems to speak to one another. For some ASEAN+3 economies, the priority may not be to replace the language of the USD token but to build digital translators. Local-currency stablecoins could form a supplementary layer of this multilingual network, with tokenized deposits and CBDCs as alternative pathways toward interoperable, multi-currency clearing and settlement that mitigates the network effects of the dollar.

3.2.4 Competition and Use Cases

Across most ASEAN+3 economies, domestic payment systems are already efficient and widely adopted, leaving limited space for stablecoin unless it brings distinct new functionalities. Fast Payment Systems (FPS) and Real-time Gross Settlement (RTGS) systems already ensure near-instant, low-cost domestic transfers, while e-money platforms are widely used across countries. Against this backdrop, local-currency stablecoins face intense competition from existing infrastructures. Their success will depend on identifying niche, programmable use cases that traditional systems cannot easily replicate, such as automated escrow, conditional settlement, or integration with tokenized financial assets.

Digital platforms integrating tokenized financial assets and digital money could be a promising avenue for capital markets integration in the ASEAN+3 region. Bonds, equities, and funds market across the region tend to be small and fragmented. Region-wide digital platforms could overcome some of the traditional barriers to integration, as similar ideas are being explored for the European Union (Cipollone, 2024). In addition to dollar, euro and pound sterling tokens, renminbi and yen stablecoins could potentially see more use cases in the region, as they are already reserve currencies and components of the IMF's SDR basket.

3.2.5 Regional Integration

Regional initiatives such as Project Nexus mark tangible progress toward seamless cross-border payments by linking national fast-payment systems for low-cost, near-real-time transfers. Stablecoins could add further value through programmability by enabling delivery-versus-payment (DvP) settlement for tokenized securities and facilitating retail access to cross-border investment products.

These applications, however, are likely to materialize only once foundational infrastructure and regulatory frameworks mature. As Project Nexus is expected to go live by 2027, it may serve as both a prototype and a regulatory benchmark for future multi-currency platforms. In this evolving landscape, regional local-currency stablecoins could complement existing payment linkages by bridging domestic systems and supporting capital-market integration. Realizing this potential will require close policy coordination and private-sector experimentation.

Overall, more local-currency stablecoins are likely to emerge in the coming years. However, their broader adoption will depend on their ability to maintain stable values and demonstrating tangible advantages over existing cross-border payment linkages such as additional programmability, interoperability, and integration with tokenized financial markets rather than simply replicating what fast payment networks already achieve.

4. Way Forward – Development of Multilayered Monetary System

Well-regulated local-currency stablecoins could form a supplementary layer of ASEAN+3's next-generation multilayered monetary system by complementing existing domestic payment systems and regional linkages. With mature digital infrastructures, strong policy coordination platforms, and shared goals of regional financial integration, the region is well positioned to explore this innovation. Stablecoins denominated in local currencies can facilitate direct local-currency settlement while enabling instant, low-cost, and programmable cross-border payments. These tokens could also accelerate financial integration by tokenizing trade invoices,

remittances, and capital flows in local units, fostering a more balanced and multi-currency regional architecture.

To harness these opportunities safely, clear and pre-emptive regulatory frameworks that cover both foreign- and local-currency stablecoins are essential. Adoption is likely to accelerate, driven by market demand and technology, underscoring the need for timely guidance. The immediate priority for ASEAN+3 is to manage the cross-border dimension of foreign-currency stablecoins while establishing guardrails for local-currency issuance. Economies exploring local-currency stablecoins should start with targeted pilots in specific niche areas, especially where existing payment systems are less efficient. This phased approach allows regulators to assess risks and benefits under controlled conditions before large-scale rollout.

Looking ahead, authorities should prepare for a coexistent monetary system where traditional and digital money operate in parallel with interoperability as the key. Policy priorities include preserving monetary sovereignty through strong legal-tender frameworks, enhancing local-currency payment innovations, and strengthening cross-border supervisory cooperation on foreign stablecoin issuers. To ensure coherence, interoperability must become a central policy goal of linking central bank money, bank deposits, and e-money domestically while enabling seamless local-currency settlement regionally.

Finally, regional regulatory cooperation will be crucial to mitigate cross-border spillovers. While interoperability promotes efficiency and innovation, regulatory alignment safeguards stability by preventing stablecoins from becoming new channels for contagion, liquidity shocks, or monetary leakage. Without coordination, differences in reserve composition, disclosure or redemption standards could lead to regulatory arbitrage, amplifying systemic risks across borders.

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Appendix

Table A1.

	Terminology	Licensing and authorization	Reserve asset requirements	Segregation and custody
US	Payment stablecoin	(1) Banks and insured depository institutions (2) Federally licensed non-banks overseen by the OCC	(1) cash and/or cash equivalents (2) liquid assets	(1) reserve segregated and (2) kept with supervised custodians
EU	E-money token	(1) Credit institutions or (2) electronic money institutions (EMI)	(1) Min 30% cash or cash equivalents and (2) liquid assets	(1) funds segregated and (2) held in segregated accounts at banks; (3) min 30% (60% if significant) reserves as bank deposits
SG	MAS-regulated stablecoin	(1) Banks and (2) non-banks with a Major Payment Institution license	(1) Cash and/or (2) liquid assets (debt securities of governments or central banks)	(1) reserve segregated and kept with (2) licensed local or eligible overseas custodians
JP	Digital money-type stablecoin	(1) Banks, (2) fund transfer service providers or (3) trust companies	(1) low risk backing; (2) bank deposits for trust companies	(1) reserve segregated; (2) held as bank deposits and kept in Japan for trust-bank issuance
HK	Fiat-referenced stablecoin	(1) Licensed stablecoin issuers	(1) Liquid assets	(1) reserve segregated and held in trust; (2) independent qualified custodian appointed

Table A2.

	Redemption of rights requirements	Prudential requirements	Cyber security and AML/CFT requirements	Cross-border requirements
US	(1) Right to redeem (2) at par in a (3) timely manner; (4) clear, redemption policy disclosed	(1) bank-like oversight; (2) activity limits to issuing and reserve management; (3) no interest to holders; (4) monthly reserve reports with annual audits; (5) holder priority in insolvency; (6) marketing limits	(1) IT risk management and (2) AML/CFT requirements apply	(1) foreign issuers permitted only with “comparability” determination; (2) extraterritorial offer to US residents restricted
EU	(1) Right to redeem (2) at par in a (3) timely manner; (4) clear redemption policies; (5) no redemption fee	(1) credit institutions governance applies; (2) no interest to holders; (3) white paper publications	(1) IT risk management and (2) AML/CFT requirements apply	(1) offer within the EU only by EU-authorized entities; (2) non-EU issuers must operate via EU-authorized subsidiaries
SG	(1) Right to redeem (2) at par in (3) T+5; (4) clear redemption policies	(1) Bank-like oversight; (2) monthly reserve reports with annual audit; (3) no lending of reserves; (4) marketing limits	(1) IT risk management and (2) AML/CFT requirements apply	(1) foreign-issued stablecoins allowed but may not use the MAS-regulated label; (2) multi-jurisdictional issuance restricted
JP	(1) Right to redeem (2) at par; (3) clear redemption policies	(1) prudential requirements depend on issuer type; (2) bank issuers with deposit insurance	(1) IT risk management and (2) AML/CFT requirements apply	(1) foreign-issued stablecoins only circulate in Japan via registered entities
HK	(1) Right to redeem (2) at par in (3) T+1; (4) clear redemption policies; (5) no unreasonable fee/conditions	(1) comprehensive governance framework; (2) no interest to holders; (3) ongoing reporting and disclosure	(1) IT risk management and (2) AML/CFT requirements apply	(1) cross-border issuance/marketing subject to licensing; (2) additional rules for foreign arrangement with HK customers