



M E S A

Towards Harmonization:

An Analysis of the Stablecoin Regulatory Landscape
Across the Middle East



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Legal and Regulatory Working Group

FOREWORD

I begin by thanking Kokila Alagh, Chair of the Legal & Regulatory Working Group at MESA, along with Wang Hao, Christopher Lalan, Sachin Dehra, Noora Al Bahrani, Manan Vora, Akos Erzse, Ohannes Kouyoumjian, and Abdallah Mukalled for their dedication and professionalism in producing this paper. Their work reflects the urgency and importance of the task.

Stablecoins have reached a defining moment. With over \$308 billion in market capitalization and \$20 trillion in annual transaction volume, they have moved beyond experimentation to become essential infrastructure for cross-border payments, trade, and liquidity management. Yet their integration into mainstream finance depends on robust and coherent regulation.

This paper represents a critical step forward. It provides the first comprehensive comparative analysis of stablecoin regulation across the Middle East, examining how leading financial authorities such as the CBUAE, FSRA, DFSA, VARA and CBB have each established rigorous regimes that balance innovation with financial stability.

The analysis reveals a clear pattern: the Middle East has emerged as a global leader in regulated digital assets. By adopting standards from the FSB, BIS, and IOSCO, regional regulators have shown that stablecoins can operate within frameworks of integrity and consumer protection without sacrificing efficiency. This convergence around core principles of full reserve backing, transparent audits, and clear redemption mechanisms has established the foundation for stablecoins to function as reliable instruments of value transfer.

But regulation alone is not enough. The next phase requires coordination. As this study demonstrates, significant variations remain across jurisdictions in licensing, reserve asset composition, and cross-border recognition. Addressing these gaps through harmonized frameworks and mutual agreements will be essential to unlocking the full potential of stablecoins in regional and global commerce.

This is where the work truly begins. MESA was established to facilitate this kind of coordination, bringing together regulators, policymakers, and industry leaders to develop interoperable standards that enable stablecoins to move seamlessly across borders while maintaining strong prudential oversight. This paper provides the analytical foundation for that effort, mapping the landscape and identifying concrete pathways towards greater alignment.

The opportunity is substantial. With the right regulatory architecture, stablecoins can transform how value moves across the Middle East and beyond. But realizing this vision requires collective effort. I invite all stakeholders in the digital finance ecosystem to join us. Whether you are a regulator, financial institution, technology provider, or legal professional, your participation is essential. MESA provides a platform for meaningful dialogue and collaborative standard-setting. Together, we can ensure that the Middle East continues to set the gold standard for stablecoin regulation.

This paper charts the progress achieved and outlines the work ahead. It stands as an essential reference for anyone engaged in shaping the future of digital finance.

Dr. Bhaskar Dasgupta
Chairman, Middle East Stablecoin Association
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"Honored to co-author "Towards Harmonization" with the MESA LRWG, aligning policy pathways for stablecoin regulation in the Middle East."

- Christopher Lalan, Chief Legal Officer & Corporate Secretary - 1Money Co.

"Harmonized stablecoin regulation will transform the Middle East into a hub for trusted digital settlement."

- Manan Vora, General Manager and Executive Director - MENA, Liminal

"The UAE isn't just drafting rules. It is minting the regional gold standard for stablecoins, turning desert sand into regulatory bedrock."

- Noora Al Bahrani, Head of Compliance and Risk

"Stablecoins are the backbone of real-world financial transformation—connecting industry, trade, and technology to build trust and efficiency for the region's future prosperity. Regulatory clarity and robust compliance empower UAE and the Middle East to lead the way in cross-border payments and digital asset adoption."

- Wang Hao, CFA. Senior Executive Officer of Changer.ae

"This paper reflects a collective effort to promote clarity, trust, and regional alignment for stablecoins."

- Ohannes Kouyoumjian – Head of Licensing & Compliance, ACX Compliance

"At KARM, we are proud to contribute to 'Towards Harmonization', a paper that reflects the region's collective progress in building a transparent, innovation-driven regulatory foundation for stablecoins. This work underscores a commitment to shaping the policy architecture that will define the future of digital assets in the Middle East."

- Kokila Alagh, Founder, KARM Legal

"This paper, grounded in global stablecoin regulatory benchmarks, charts a roadmap for Middle East policymakers."

- Sachin Dehra, Regional Counsel for Middle East and Africa, BlackRock.

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Glossary of Abbreviations

AED	United Arab Emirates Dirham
ADGM	Abu Dhabi Global Market
AML/CFT	Anti-Money Laundering/Countering the Finance of Terrorism
ARVA	Asset-Referenced Virtual Asset
ART	Asset-Referenced Tokens
BHD	Bahraini Dinar
BIS	Bank for International Settlements
BSC	Bahraini Joint Stock Company
CASS	Client Assets Sourcebook
CBB	Central Bank of Bahrain
CBUAE	Central Bank of UAE
CBDCs	Central Bank Digital Currencies
CMA (Kuwait)	Capital Markets Authority (Kuwait)
CMA (Oman)	Capital Markets Authority (Oman)
CMA (Saudi Arabia)	Capital Markets Authority (Saudi Arabia)
Compliance and Risk Management Rulebook	VARA Compliance and Risk Management Rulebook
CPMI	Committee on Payments and Market Infrastructures
DeFi	Decentralized Finance
DFSA	DIFC's Dubai Financial Services Authority
DFSA AML	DFSA's Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module
DIFC	Dubai International Financial Centre
DPT	Dirham Payment Token
EBA	European Banking Authority
EEA	European Economic Area
EMT	E-Money Token
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FPT	Foreign Payment Token

FRVA	Fiat-Referenced Virtual Asset
FRVA Rules	FRVA Rules under the VA Issuance Rulebook
FRT	Fiat-Referenced Token
FSB	Financial Stability Board
FSMA	Financial Services and Markets Act 2023
FSRA	ADGM's Financial Services Regulatory Authority
FSRA COBS	Conduct of Business Rulebook issued by the FSRA
GENIUS Act	Guiding and Establishing National Innovation for U.S. Stablecoins Act
HKMA	Hong Kong Monetary Authority
IOSCO	International Organization of Securities Commission
KFD	Key Features Document
KRW	South Korean Won
MAS	Monetary Authority of Singapore
M-Bills	UAE Monetary Bills
MiCA	Markets in Crypto Assets Regulation
MLRO	Money Laundering Reporting Officer
MTF	Multilateral Trading Facilities
NFT	Non-Fungible Tokens
NoC	No Objection Certificate
PTSR	Payment Token Services Regulation
QFC	Qatar Financial Centre
QFCRA	Qatar Financial Centre Regulatory Authority
SAMA	The Saudi Central Bank
SCA	UAE Securities and Commodities Authority
SCS framework	Single-Currency Stablecoin framework
SGD	Singapore Dollar
SIO	CBB's Stablecoin Issuance and Offering Module
UK	United Kingdom
UAE	United Arab Emirates
US	United States
USDC	USD Coin
USDT	USD Tether
USD	United States Dollar
VARA	Dubai Virtual Assets Regulatory Authority
VA Issuance Rulebook	VARA Virtual Asset Issuance Rulebook
VASP	Virtual Asset Service Provider

1. Executive Summary

This paper examines the emergence of stablecoins as a transformative element within the global financial system and their growing regulatory recognition across the Middle East. Stablecoins have evolved into foundational components of financial infrastructure, facilitating cross-border payments, tokenised asset settlement, liquidity management, and participation in decentralised finance. This paper places these developments within an international context and analyses how Middle Eastern jurisdictions have adopted frameworks that emphasise full reserve backing, redemption rights, and operational resilience. It draws upon standards issued by international standard setting bodies such as the FSB, BIS, FATF, and IOSCO, and outlines the regulatory principles that underpin stablecoin oversight, including financial stability, market integrity, and consumer protection. Building upon these global foundations, this paper presents a comparative assessment of stablecoin regulations across leading Middle Eastern jurisdictions.

The UAE has positioned itself as one of the most forward-thinking jurisdictions in the Middle East and globally in terms of digital assets and stablecoin regulations. The UAE has established a coordinated regulatory framework through the CBUAE governing payment token issuance and payment token services across mainland UAE; the FSRA and DFSA overseeing virtual asset service providers in the ADGM and DIFC respectively; and VARA regulating virtual asset activities in Dubai excluding the DIFC [1]. Collectively, these authorities provide clear pathways for different types of stablecoin-related businesses to operate under appropriate oversight tailored to their activities and risk profiles.

In parallel, the Kingdom of Bahrain follows closely with its new SIO Module, establishing robust standards for licensing, reserve management, and redemption rights.

Currently, Saudi Arabia does not have a dedicated legal framework governing stablecoins or cryptocurrencies. Neither the SAMA nor the CMA (Saudi Arabia) has issued guidelines to define stablecoins, license issuers, or regulate aspects such as reserve backing, audits, or redemption rights. While Saudi Arabia has shown interest in exploring interbank digital currencies through Project Aber (in collaboration with the UAE), this initiative remains limited to institutional trials and does not extend to public use or commercial stablecoin frameworks. At present, there is no legal mechanism for the issuance or use of stablecoins in financial services and in practice, all stablecoin activities are prohibited under the broader crypto restrictions.

Kuwait maintains a more conservative stance in the Gulf region regarding crypto assets, including stablecoins. In July 2023, the CMA (Kuwait) issued a circular enforcing a complete prohibition on all virtual asset-related activities as payment tools and as an investment medium.

In Qatar, the QFCRA issued the Digital Assets Regulations 2024 to regulate and govern token services. However, the framework excludes stablecoins and other tokens that substitute for, or represent, currency or can otherwise be used as a means of payment from the regulation's purview.

Oman adopts a progressive yet transitional approach to stablecoins, with the CMA (Oman) actively developing a regulatory framework, supported by public consultations and mandatory VASP registration, though final rules for stablecoin issuance and operation remain pending. In July 2023, the CMA (Oman) released a consultation paper seeking stakeholder feedback on proposed regulatory requirements, including licensing, corporate governance, AML/CFT compliance, and the treatment of stablecoins – both fiat- and asset-backed. Considering that, as of June 2023, CMA Decision No. E/35/2023 mandates all VASPs to register with the CMA (Oman) and comply with AML/CFT obligations, it is reasonable to conclude that Oman is taking active steps toward the legalization and regulation of crypto assets, including stablecoins. This, combined with the CMA's July 2023 consultation paper, which explicitly includes stablecoins (both fiat- and asset-backed) within its scope, signals a regulatory transition from prohibition to controlled adoption under a forthcoming legal framework. However, it is noteworthy that in 2024, the Financial Services Authority was established in Oman, vide Oman Sultani Decree No. 20/2024, to regulate capital markets and insurance sectors.

This paper also examines the broader regulatory provisions governing regulated activities related to stablecoins, including the issuance and authorization of stablecoin services, the assessment of stablecoins for use within jurisdictions, and the reserve asset, capital adequacy, and prudential requirements imposed on issuers. It further examines ongoing compliance obligations, such as disclosure standards, governance and risk management expectations, and AML/CFT requirements, which collectively underpin the integrity and stability of the regional stablecoin ecosystem.

The findings indicate that the Middle East has moved beyond policy experimentation into regulatory consolidation. Yet, the next phase requires a shift from parallel frameworks toward genuine interoperability through mutual recognition of licensing standards, cross-border reserve audits, and a coordinated approach to fiat-pegged token classifications. Achieving this would not only position the region as a global leader in stablecoin regulation but also provide the legal certainty necessary for stablecoins to function as reliable instruments of settlement within and beyond the Middle East.

2. Introduction and Background

2.1. Overview of Stablecoins

Stablecoins represent a category of digital assets engineered to maintain stable value relative to a reference asset, typically fiat currencies such as the USD, EUR, or AED. Unlike traditional cryptocurrencies, which exhibit price volatility, stablecoins achieve stability through various mechanisms, with fiat-collateralized models being the most widely adopted and accepted model. In this model, each stablecoin is backed 1:1 by equivalent fiat currency reserves held by regulated custodians, ensuring redeemability at par value.

The global stablecoin market has grown substantially, reaching over USD 308 billion in market capitalization as of October 2025, representing a 78.3% increase year-to-date [2]. USDT and USDC dominate, holding market shares of approximately 68.98% and 20.75% respectively, with a sector processing of approximately USD 20.1 trillion in transaction value across 3.5 billion transactions over the past 12 months [3]. While forecasts by JP Morgan and Standard Chartered anticipate a growth to between USD 500 billion by 2028 [4] and USD 2 trillion by end-2028, these projections remain contingent upon continued regulatory clarity and market confidence [4].

Stablecoins have consequently moved beyond experimental use to form an integral part of the global financial technology ecosystem. Their capacity to support instantaneous, borderless, and programmable value transfer positions them as both an innovation in payments and a potential component of the broader financial infrastructure. Their growing importance has consequently drawn supervisory attention to reserve transparency, redemption assurance, and cross-border interoperability.

2.2. Significance in Digital Finance Market Infrastructure

The following key dimensions illustrate the growing significance of stablecoins as catalysts of innovation and efficiency within the global digital financial ecosystem.

(a) Payment Rails Revolution: Stablecoins serve as next-generation payment rails, enabling instant, 24/7 cross-border payments at significantly lower costs than traditional correspondent banking networks. Visa, for example, has been working on cross-border settlement using stablecoins between issuers and acquirers, allowing 24/7 settlement, independent of banking days [5] and has partnered with service providers like Baanx to facilitate disbursements and commerce [5].

(b) Liquidity Infrastructure: Major financial institutions have embraced stablecoins as essential liquidity infrastructure. JP Morgan's own proprietary stablecoin, JPM Coin, now handles USD 1 billion in daily transactions, reflecting growing institutional adoption [6]. The bank's programmable payments functionality, introduced in late 2023, led to immediate increases in transaction volumes, particularly for smaller, automated payments [7].

(c) Settlement Layer for Tokenized Assets: Boston Consulting Group estimates that tokenized assets could reach USD 16 trillion by 2030, requiring appropriate settlement infrastructure [8]. Stablecoins serve as the essential settlement layer, enabling atomic settlement where asset transfer and payment occur simultaneously, supporting fractional ownership and 24/7 market operations without banking hour limitations [8].

(d) Financial Inclusion Bridge: Stablecoins provide unprecedented access to stable digital currency for unbanked populations globally. In emerging markets, 92% of businesses report readiness to accept stablecoins [9], while regions with limited banking infrastructure or high remittance costs, such as Latin America, Africa, and Southeast Asia, are experiencing rapid adoption for payroll and remittance applications [10].

2.3. Market Trends and Key Use Cases

(a) Global Adoption Trends: The stablecoin ecosystem is witnessing remarkable diversification and institutional adoption. Nearly half (49%) of surveyed financial institutions are already using stablecoins for payments, with another 41% in pilot or planning phases [11]. This includes not only fintech companies but also tier-1 banks, regional institutions, and globally regulated financial players pursuing modernized payment, treasury, and settlement infrastructure [11].

(b) Cross-Border Payments and Remittances

- **Market Size and Efficiency Gains:** The cross-border payments market represents one of stablecoins' most compelling use cases. Traditional international transfers often involve high costs, multiple intermediaries, and delayed settlement, creating substantial friction for global commerce [6].
- **Real-World Implementation:** Remitly, a leading digital remittance company, has integrated stablecoins across three core business areas: treasury operations, customer wallet services, and global disbursement networks. The company introduced Remitly Wallet in August 2025, offering secure, multi-currency storage for both fiat and stablecoins, particularly beneficial for customers in high-inflation economies [12]. Through partnership with Bridge (a Stripe company), Remitly now offers stablecoin rails integrated into their established fiat infrastructure serving 170+ countries [12].
- **Geographic Leadership:** Latin America leads in real-world stablecoin implementation, with 100% of regional survey respondents either live, piloting, or planning stablecoin payment strategies, and 71% using stablecoins specifically for cross-border payments [13]. The region's focus on combining stablecoins with local payment rails is unlocking powerful cross-border experiences that traditional banking infrastructure cannot deliver [13].

(c) Corporate Treasury Management

- **Institutional Adoption:** Major corporations are increasingly adopting stablecoins for treasury operations. Companies like Uber, PayPal, Amazon, Walmart, Mastercard, and Visa are piloting or exploring stablecoin strategies to reduce costs and accelerate payments [9]. Corporate adoption is driven by stablecoins' ability to provide instant transfers, eliminate banking delays, and reduce fees while enabling programmable cash flows and automated transfers between subsidiaries [9].
- **Operational Benefits:** Stablecoins enable real-time liquidity management across different subsidiaries and currencies. USDC demonstrates how stablecoins enhance treasury management by streamlining liquidity and reducing foreign exchange costs [14]. Multinational corporations can move funds globally in seconds, automate internal transfers, trigger payouts based on smart contract logic, and earn yield on idle balances [9].
- **Case Study:** Siemens uses programmable payments via the JPM Coin to automate internal treasury transfers based on predefined conditions, demonstrating practical implementation of programmable treasury concepts [7].

(d) Trade Finance Transformation

- **Market Opportunity:** With several growing financial hubs, the Middle East has significant opportunity to transform trade finance through stablecoin integration. Smart contracts and tokenized collateral can streamline traditional processes such as letters of credit and supply-chain financing, reducing manual intervention and operating costs [14].
- **Cost and Efficiency Benefits:** In large commodity trades, stablecoins can provide near-instant settlement with full transparency, reducing counterparty risks and aligning with regulatory demands for traceability [14].

(e) DeFi and Yield Generation

- **Collateral and Liquidity:** Stablecoins serve as fundamental infrastructure for DeFi applications, acting as collateral in lending and borrowing protocols while serving as stable mediums for staking and liquidity provision [15]. This promotes efficient DeFi ecosystems while mitigating volatility exposure for participants [15]. For instance, Aave is a decentralised platform that facilitates the lending and borrowing of virtual assets, where users may provide collateral in form of stablecoins [53].
- **Trading and Hedging:** With cryptocurrency market volatility, stablecoins function as “safe havens” for traders, allowing position exits without converting to fiat currency and enabling seamless trade execution. They facilitate risk management and hedging by offering predictable and stable value during market uncertainty [15].

(f) Regional Use Cases in MENA

- **Islamic Finance Compatibility:** Interest in Shariah-compliant stablecoins is growing. For example, while still being conceptualized, it is conceivable to design stablecoins that avoid interest-bearing reserve assets and other non-compliant features, making them suitable for the Islamic finance market. The development of Sharia-compliant stablecoin structures supports ethical finance principles while providing access to stable digital currency [14]. This addresses the significant Muslim population's need for Shariah-compliant financial products while maintaining the technological benefits of blockchain-based payments.
- **Government Services Integration:** Digital payment infrastructure enables stablecoins for public services and social benefit distributions, supporting financial inclusion objectives while reducing administrative costs and improving transparency in government payments. For example, a government could disburse welfare payments or subsidies as tokenised e-money to enhance traceability and reduce leakage.
- **Energy Sector Applications:** Given the region's prominence in energy markets, stablecoins can facilitate international energy trading, providing instant settlement for oil, gas, and renewable energy transactions while reducing counterparty risk and settlement times.

(g) Market Infrastructure Development

- **Regulatory Momentum:** Clear regulatory frameworks are supporting mainstream adoption (see Section 3 of this paper). For example, the EU's MiCA, Singapore's SCS framework introduced under the Payment Services Act, and the United States' GENIUS Act each establish robust standards for issuance, reserve management, redemption rights, and consumer protection [16]. This regulatory clarity enhances trust in issuer operations, facilitates integration into existing compliance regimes, and mitigates legal risk for institutions [16].
- **Technology Maturation:** Infrastructure developments include API-driven orchestration platforms abstracting blockchain complexity, compliance-by-design features integrating AML/KYC and sanctions screening, and programmable money capabilities supporting conditional and automated payments [16].

The convergence of regulatory clarity, technological readiness, and demonstrated institutional adoption positions stablecoins as transformational infrastructure for the global financial system, with the Middle East uniquely positioned to lead this transition through its progressive regulatory approach and strategic economic positioning.

3. International Regulatory Approaches to Stablecoins

3.1. Regulatory Approaches Recommended by International Organizations

As the stablecoin ecosystem matures globally, international standard-setting bodies have played a critical role in articulating foundational principles and regulatory expectations that underpin safe, sound, and consistent oversight of stablecoins. Recognizing the potential systemic risks posed by widespread stablecoin adoption as well as the opportunities for greater financial inclusion and efficiency in payments, international organizations and institutions such as the FSB, BIS, FATF, and IOSCO have issued a series of reports, frameworks, and guidance documents that collectively shape the global regulatory consensus. As of July 2025, the positions of these institutions have evolved to reflect both increased regulatory clarity and enhanced scrutiny, especially with the proliferation of stablecoin use in cross-border payments and tokenized financial services.

(a) Financial Stability Board

The FSB has been at the forefront of articulating global regulatory expectations for stablecoins, particularly in the context of financial stability risks. Building on its October 2020 recommendations, the FSB released updated High-Level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements in July 2023, which continue to guide national regulatory approaches in 2025. These recommendations emphasize the need for comprehensive regulatory frameworks that ensure stablecoin arrangements are subject to the same standards as equivalent traditional financial activities. The FSB strongly advocates for a functional, activities-based approach to regulation, asserting that regulatory requirements should be proportionate to the risks posed regardless of the underlying technology.

Among the key recommendations are that stablecoin issuers maintain robust governance frameworks, implement effective risk management and operational resilience protocols, and comply with all applicable data protection and recovery standards. Importantly, the FSB continues to highlight the importance of ensuring redemption rights at par and on demand for holders of stablecoins used as means of payment. The FSB also underscores the criticality of comprehensive reserve management frameworks, recommending that reserves be held in high-quality, liquid assets and be subject to prudential oversight. These principles are particularly relevant for jurisdictions in the Middle East seeking to build credible and interoperable stablecoin ecosystems while mitigating cross-border spillover risks.

(b) Bank for International Settlements

The BIS, through its CPMI and Innovation Hub, has played a significant role in evaluating the implications of stablecoins for the international monetary and financial system. In its report, *Considerations for the Use of Stablecoin Arrangements in Cross-Border Payments*, the BIS highlighted both the technological innovations underpinning stablecoins and the policy trade-offs they introduce, especially concerning monetary sovereignty, competition, and financial stability. The BIS warns against the unregulated proliferation of stablecoins that may undermine public trust in money and fragment payment systems. As of mid-2025, the BIS position remains that while stablecoins can complement existing financial infrastructure, they must be regulated within a clear legal framework, including enforceable rules for redemption, disclosures, and auditability.

In addition, the BIS supports establishing international frameworks for stablecoin reserve asset composition, favouring conservative portfolios heavily weighted towards central bank liabilities or short-term government securities. It has consistently stressed the need for interoperability and technical standards to ensure cross-border coordination and to avoid regulatory arbitrage.

The BIS also calls for mandatory segregation of customer funds and issuers' proprietary assets to protect end-users in the event of insolvency. The emphasis on technological neutrality and regulatory equivalence by the BIS aligns with Middle Eastern jurisdictions' aspirations to encourage innovation while preserving systemic safeguards.

(c) Financial Action Task Force

FATF remains the principal global authority on AML/CFT measures related to virtual assets. Since its 2019 guidance on VASPs, FATF has continuously refined its framework, culminating in the 2024 Updated Guidance for a Risk-Based Approach to Virtual Assets and VASPs, which provides specific expectations for stablecoin issuers, administrators, and associated platforms. As of July 2025, FATF continues to urge jurisdictions to implement the "Travel Rule" and ensure full AML/CFT compliance for all entities that facilitate the issuance, redemption, exchange, or custody of stablecoins.

FATF guidance now explicitly covers algorithmic and fiat-backed stablecoins, emphasizing the need to assess the entire stablecoin arrangement, including governance bodies, developers, wallet providers, and ecosystem participants. Notably, FATF has taken a more assertive stance on the identification of "centralized control", asserting that even arrangements claiming to be decentralized may have one or more entities exercising sufficient influence to trigger VASP obligations. For jurisdictions in the Middle East, aligning with FATF's expectations entails implementing licensing and supervisory frameworks that ensure customer due diligence, sanctions screening, and transaction monitoring, particularly for cross-border stablecoin transactions that present elevated risks.

(d) International Organization of Securities Commission

IOSCO has addressed stablecoins primarily through its mandate of promoting fair, efficient, and transparent securities markets. Together with the BIS, IOSCO co-authored the 2022 Application of the Principles for Financial Market Infrastructures to Stablecoin Arrangements (PFMI), which remains a foundational framework as of 2025. IOSCO considers certain stablecoin arrangements – particularly those with systemic reach or involving payment and settlement functions – to potentially qualify as systemically important financial market infrastructures. As such, IOSCO recommends that such arrangements adhere to the PFMI, including requirements for governance, risk management, settlement finality, and default management.

In its Policy Recommendations for Crypto and Digital Asset Markets, IOSCO also called for clear legal characterization of stablecoins, emphasizing the need for disclosure of reserve asset composition, custody arrangements, redemption rights, and risk factors. IOSCO views transparency as a key component in protecting market participants and maintaining trust in stablecoin ecosystems. The report warns against misleading representations that suggest stablecoins are equivalent to insured bank deposits or government-backed money. In the Middle Eastern context, these investor protection principles are essential for developing trustworthy stablecoin offerings that meet both financial consumer expectations and supervisory standards.

Collectively, these international organizations advocate for regulatory approaches grounded in risk-proportionality, cross-border cooperation, operational resilience, and financial integrity. While each institution focuses on its respective domain – financial stability (FSB), payments infrastructure (BIS), financial crime prevention (FATF), and securities and investor protection (IOSCO) – there is a strong convergence around key regulatory themes. These include the need for clear and enforceable redemption rights, high-quality reserve backing, comprehensive governance and disclosure requirements, and full adherence to AML/CFT norms.

3.2. Emerging Global Themes in Stablecoin Regulation

The international regulatory landscape for stablecoins has matured significantly, with both global standard-setting bodies and national jurisdictions converging on a set of core principles. As outlined in Section 3.1 of this Paper, institutions such as the FSB, BIS, FATF, and IOSCO have articulated foundational expectations around financial stability, operational resilience, anti-financial crime compliance, and investor protection. These principles have been operationalised across major jurisdictions, as detailed in this section of the paper. A clear set of global themes has emerged:

- **Licensing and Authorisation:** All major jurisdictions require stablecoin issuers to be authorised entities, often subject to ongoing supervision. Whether through banking licences, electronic money regimes, or bespoke stablecoin frameworks, regulatory perimeter inclusion is now the norm.
- **Full Reserve Backing:** Stablecoins must be backed 1:1 by high-quality, liquid assets. This requirement is universal across the EU, UK, US, and Asia-Pacific jurisdictions, with reserves typically held in segregated accounts and subject to audit.
- **Redemption Rights:** Holders must be able to redeem stablecoins at par value, on demand. This principle is embedded in MiCA, the GENIUS Act, MAS's SCS framework, and others, ensuring convertibility and user confidence.
- **Governance and Risk Management:** Issuers are expected to maintain robust governance structures, internal controls, and operational resilience protocols. Many regimes also impose capital requirements and restrict business activities to reduce systemic risk.
- **Transparency and Disclosure:** Jurisdictions mandate clear public disclosures on reserve composition, redemption mechanics, and token design. Regular reporting and independent audits are common features.
- **AML/CFT Compliance:** Stablecoin arrangements are subject to full AML/CFT obligations, including Travel Rule compliance and customer due diligence.
- **Prohibition of Algorithmic Stablecoins:** Most jurisdictions explicitly prohibit algorithmic stablecoins or require full reserve backing, reflecting concerns about volatility and systemic risk.
- **Segregation of Assets:** Reserve assets must be held separately from issuer proprietary funds, often in trust or with independent custodians, to protect token holders in the event of insolvency.

While implementation details vary – such as redemption timelines, treatment of interest on reserves, or scope of token types – the underlying regulatory philosophy is harmonised. This convergence offers Middle Eastern regulators a well-defined blueprint for crafting stablecoin frameworks that are interoperable, resilient, and aligned with global norms.

By adopting these principles, regional authorities can foster innovation while safeguarding financial stability and consumer protection. The global regulatory consensus now provides a foundation for building inclusive, trustworthy, and future-ready stablecoin ecosystems across the Middle East.

3.3. Jurisdictional Approaches

In parallel with the work of international standard-setting bodies, major jurisdictions have developed regulatory frameworks for stablecoins, reflecting shared global principles around financial stability, consumer protection, and market integrity.

(a) European Union

The EU's MiCA, finalised in 2023 and entering into force in 2025, establishes a two-tier classification for stablecoins: "asset-referenced tokens" (ARTs) and "e-money tokens" (EMTs). ARTs are pegged to baskets of assets, while EMTs are pegged 1:1 to a single fiat currency. Only authorised legal entities may issue these tokens, subject to approval by national competent authorities. Issuers must maintain fully backed reserves in high-quality liquid assets, held with reputable custodians in the EEA, and segregated from proprietary assets. MiCA guarantees redemption at par value on demand and prohibits algorithmic stablecoins. Transparency is ensured through mandatory whitepapers detailing token design, governance, reserve composition, and risk factors. Large-scale stablecoins face additional oversight, including a EUR 200 million daily transaction cap and potential supervision by the EBA. Issuers must also comply with EU-aligned AML/CFT obligations, including Travel Rule implementation.

(b) United Kingdom

The UK's regulatory approach is anchored in the FSMA, which introduced the concept of "Digital Settlement Assets" (DSAs). Under proposals expected to be implemented by 2025/26, fiat-backed stablecoin issuers and custodians must be authorised by the FCA. Issuers must maintain 100% reserve backing in high-quality liquid assets, such as short-term government debt and diversified bank deposits. Reserves must be segregated and safeguarded under the UK's CASS. Redemption at par must be offered to all holders within one business day, even under stressed conditions. Interest payments to retail holders are prohibited to preserve the payment function of stablecoins. Issuers must publish detailed disclosures on stability mechanisms, reserve composition, and redemption terms. If a bank issues a stablecoin, it must do so via a ring-fenced subsidiary. Systemically important stablecoin arrangements may fall under Bank of England supervision.

Additionally, the Draft Financial Services and Markets Act 2000 (Regulated Activities and Miscellaneous Provisions) (Cryptoassets) Order 2025 introduces the concept of a "qualifying stablecoin," defined as a subset of qualifying cryptoassets which are referenced to fiat currency and designed to maintain stable value through the holding of fiat or other assets. This Order excludes the initial creation and minting of stablecoins, but brings within scope several licensed activities, including issuance, safeguarding, operation of trading platforms, dealing as principal or agent, arranging deals, and staking of qualifying cryptoassets. Importantly, HM Treasury's Policy Note on Future Financial Services Regulatory Regime for Cryptoassets (Regulated Activities) clarifies that payments using stablecoins will remain outside regulation for the time being, with future reforms to be considered as adoption and use cases evolve.

(c) United States of America

The GENIUS Act, passed in July 2025, provides the first federal framework for stablecoins. Only regulated entities may issue payment stablecoins, which must be backed 1:1 by safe, liquid assets such as U.S. currency or treasury bills. Issuers may operate under federal or state charters, but all must meet uniform national standards. Redemption at par is guaranteed, and holders have senior claims on reserve assets in insolvency. Large issuers (above USD 10 billion in liabilities) are subject to enhanced Federal Reserve oversight. Issuers are prohibited from offering interest or dividends and must limit activities to issuance, redemption, and reserve management. Monthly reserve disclosures and annual independent audits are mandatory. AML/CFT compliance is enforced under the Bank Secrecy Act, and foreign issuers serving U.S. users must register and meet equivalent standards.

(d) Hong Kong

In mid-2025, Hong Kong implemented the Stablecoins Ordinance licensing regime for fiat-referenced stablecoins under the HKMA's framework. Issuers must maintain 100% reserve backing in high-quality liquid assets, ensure redemption at par on demand, and comply with AML/KYC standards. Unlicensed issuance or promotion is criminalised. The HKMA has adopted a phased licensing approach to monitor market impact and ensure compliance.

(e) Singapore

Singapore's stablecoin regulatory framework, finalised by the MAS in August 2023, applies to SCS pegged to SGD or G10 currencies. Issuers must maintain full reserve backing in the same currency, held with regulated custodians. Redemption at par must be fulfilled within five business days. Minimum capital and liquidity requirements apply, alongside mandatory disclosures on stability mechanisms and reserve audits. Only compliant tokens may be labelled "MAS-regulated stablecoins," and misrepresentation is penalised.

(f) South Korea

South Korea is developing a stablecoin regime under its forthcoming Digital Asset Basic Act. A government bill expected in late 2025 will require KRW pegged stablecoins to be fully backed by reserves in KRW and issued by licensed entities. The initiative aims to reduce reliance on USD-backed stablecoins and preserve monetary sovereignty. A consortium of major banks is preparing to launch a compliant KRW-backed token.

(g) Japan

Japan's 2022 amendments to the Payment Services Act created a legal category for fiat-backed stablecoins, treated as electronic payment instruments. Only licensed banks, fund transfer companies, and trust companies may issue Japanese Yen-pegged stablecoins. Redemption at par is mandatory, and issuers must comply with prudential and consumer protection standards. Intermediaries also require licensing and must meet ongoing compliance obligations.

4. Overview of the Regulatory Framework of the Middle East

The tables below provide an overview of how stablecoins are regulated across select Middle Eastern jurisdictions and regulatory authorities. It compares definitions, scope exclusions, prohibitions for fiat-referenced stablecoins in the UAE (under various regulators) and Bahrain.

4.1. Definitions:

Regulator	Term Used	Definition
CBUAE	Payment Token	Means a Virtual Asset which purports to maintain a stable value by referencing the value of: a) The same Fiat Currency as the Payment Token is denominated in; or b) Another Payment Token also denominated in the same Fiat Currency.
VARA	FRVA	A virtual asset that purports to maintain a stable value in relation to the value of one or more fiat currencies, or one or more other FRVA(s), but does not have legal tender status in the UAE, and is not issued for use as a means of payment for goods or services in the UAE. It is neither issued nor guaranteed by any jurisdiction and fulfils its functions only by use and acceptance within the community of users of the FRVA.
ADGM	FRT	Means a digital asset, the transfer and storage of which is achieved through the use of distributed ledger or similar technology, the purpose of which is to be used as a medium of exchange with a stable store of value, by a) Referencing a fixed amount of a single fiat currency; and b) Enabling the holder to redeem the token in exchange for the amount of the fiat currency referred to in (a) from its issuer upon demand.
DIFC	Fiat Crypto Token	A Crypto Token is a Fiat Crypto Token if, to stabilise its price or reduce volatility in its price, the value of the Crypto Token purports to be determined by reference to a single fiat currency.
CBB	Approved Stablecoin	A Crypto Token is a Fiat Crypto Token if, to stabilise its price or reduce volatility in its price, the value of the Crypto Token purports to be determined by reference to a single fiat currency.

4.2. Exclusions:

Regulator	Definition
CBUAE	• CBDCs, stored value facilities, and tokenized deposits • Reward schemes and bonus point schemes • Used only for non-financial goods and services provided by the issuer
VARA	• AED-referenced tokens (handled by CBUAE) • CBDCs • Bank-issued liabilities • Non-fiat-pegged tokens excluded from FRVA definition
ADGM	• AED-referenced tokens (handled by CBUAE) • Virtual Assets • Digital Securities • Other digital assets (such as utility tokens)
DIFC	• CBDCs • NFTs, utility tokens • Unrecognized tokens excluded from use • AED tokens excluded (handled by CBUAE)
CBB	• Only 1:1 fiat-backed stablecoins allowed • Excludes commodity, crypto, and multi-currency tokens • CBDCs not in scope

4.3. Prohibitions

Stablecoin Type / Activity	CBUAE	VARA	ADGM	DIFC	CBB
Algorithmic Stablecoins	Explicitly prohibited under PTSR	Prohibited under FRVA framework	Explicitly prohibited	Listed as Prohibited Token	Not allowed under SIO Module
Interest/Yield on Stablecoins	Interest payments strictly banned	No prohibition on interest payments	No prohibition on interest payments. However, may not be marketed as interest-bearing products	-	Allowed under SIO 6.6
Unlicensed Issuance	Prohibited without license or NoC	Issuance without Category 1 license is prohibited	Issuance not allowed without FSRA authorization	-	Only licensed BSCs can issue stablecoins
Misleading Marketing / Promotions	Prohibited – misleading or unauthorized promotion banned	Unauthorized marketing of virtual assets and FRVAs prohibited	Misrepresentation or misleading promotions banned	Promotions of unrecognized tokens prohibited	Promotions must meet disclosure and licensing conditions
Use in Payments without Approval	Only approved payment tokens can be used for payments	FRVAs may only be used as a means of payment for goods or services within the UAE	Use restricted to FSRA-approved FRTs only	Use limited to Recognised Tokens for approved purposes	Usage restricted to approved stablecoins only
Privacy Tokens	Privacy tokens are banned	Anonymity enhanced virtual assets prohibited under VA Issuance Rulebook	Not allowed under FSRA's framework	Privacy tokens are on DFSA's prohibited list	No framework for privacy tokens; likely not permitted

5. Issuance of Stablecoins – Licensing Framework

As of August 2025, the CBUAE, the FSRA, and VARA have introduced comprehensive regulatory and licensing frameworks for the issuance of stablecoins within the UAE. While the DFSA allows for the use of Recognised Fiat Crypto Token in regulated financial flows, the regulator has not published a dedicated framework on the issuance of stablecoins themselves.

Similarly, in the neighbouring Kingdom of Bahrain, the CBB issued the SIO Module in July 2025.

This section provides an overview of the authorisation requirements for the issuance of stablecoins across these jurisdictions. A comparative table of the requirements is presented below.

Regulator	License Required	Issuance Requirements	Notable Exclusions
VARA	VA Issuance (Category 1)	- White Paper - Risk Disclosure	AED-pegged stablecoins
CBUAE	Payment Token Issuer for DPTs	- White Paper - External Auditor's report on White Paper	Stablecoins pegged to currencies other than AED
ADGM	Issuing a Fiat-Referenced Token	White Paper	AED-pegged stablecoins
CBB	Stablecoin Issuance and Offering	White Paper	--

5.1. VARA

The issuance of virtual assets in and from the Emirate of Dubai is a regulated activity within the jurisdiction of VARA, which, notably, excludes DIFC. VARA currently distinguishes between three categories of virtual assets under the VA Issuance Rulebook:

- **Category 1:** (i) FRVA; (ii) ARVA; or (iii) other virtual assets as determined by VARA;
- **Category 2:** Virtual assets that are not Category 1 or are exempt (see below).
- **Exempt Virtual Assets:** Virtual Assets that do not constitute a Category 1 issuance and are either a (i) non-transferable virtual asset; (ii) redeemable closed-loop virtual asset; or (iii) other virtual asset as determined by the regulator.

Any VASP looking to issue a Category 1 virtual asset must secure a license from VARA and comply with the provisions of all other applicable rulebooks (e.g., Compliance and Risk Management Rulebook), in addition to the requirements outlined in the VA Issuance Rulebook. Category 2 virtual assets do not require a license, but their distribution must be carried out through a licensed distributor.

Notably, as outlined by Rule I.B.4 of the FRVA Rules, the issuance of any stablecoin pegged to the value of the AED remains “under the sole and exclusive regulatory purview of the CBUAE”. Furthermore, no stablecoin issued under a VARA license may be used as a means of payment for goods or services in the UAE.

Once an issuer secured a VA issuance license from VARA, it must obtain individual approval from VARA for each FRVA it is planning to issue. Approval is subject to conditions determined at the discretion of VARA and may include the segregation of the VASP’s business or operations as they relate to issuance.

Prior to making a stablecoin available publicly (including conducting marketing for the asset), all authorised issuers must publish a whitepaper and a risk disclosure statement for the FRVA in question, making all required disclosures as outlined in the VA Issuance Rulebook. Issuers have to inform holders of the FRVAs regarding any updates to the whitepaper or changes to the stablecoin before such changes take effect, except when responding to an immediate security issue or other threat.

Note that VARA reserves the right to designate any issuer licensed as a ‘Significant FRVA Issuer’ at its discretion, based on the adoption of the stablecoin in question or the extent to which the issuer has integrated into the UAE’s financial system, and to impose any additional rules or requirements on the issuer as the regulator deems appropriate.

5.2. CBUAE

The CBUAE introduced a comprehensive regulatory framework for the (i) issuance, (ii) custody and transfer, and (iii) conversion of stablecoins under the PTSR in 2024. The PTSR entered into force in August 2025, after a one-year transition period, during which the provisions of the regulation did not apply.

As indicated in the section above, regulating the issuance and use of stablecoins pegged to the value of the AED falls under the exclusive regulatory purview of the CBUAE. Under the PTSR, no VASP may perform any services in payment tokens in the UAE without being licensed by or registered with CBUAE – issuers must apply for the ‘Dirham Payment Token Issuer’ license specifically. Issuers not incorporated or located in the UAE (including issuers located in financial free zones, i.e., ADGM and DIFC) may apply for a ‘Foreign Payment Token Issuer’ registration to make their payment token available for use in the market.

To receive a license, the issuer must be located and incorporated in the UAE and demonstrate compliance/ability to comply with the relevant licensing conditions and requirements (e.g., regulatory capital and requirements regarding corporate governance, risk management, internal controls, etc.). Notably, license applicants must submit an independent assessment of their readiness to comply with all applicable requirements prior to the license being issued.

Additionally, issuers applying for the Payment Token Issuance license must submit a list of all payment tokens they intend to issue as part of the application process. The CBUAE, at its discretion, may require applicants to secure a legal opinion stating that their application and the proposed stablecoins meet all requirements of the CBUAE, including the accuracy of the white paper and reserve assets held.

Prior to making a payment token available to the public, issuers must also submit a white paper in line with the relevant disclosure requirements to the CBUAE for review and approval, together with an audit report prepared by an external auditor that confirms the white paper's compliance with all relevant requirements. They must also prominently state that CBUAE acceptance does not constitute endorsement.

5.3. ADGM

The FSRA issued its regulatory framework for the issuance of FRTs in December 2024, formally bringing stablecoin issuance into the fold as a regulated activity within the jurisdiction. The FSRA outlines the relevant regulatory requirements in Section 19A of the FSRA COBS.

Only an authorised person permitted to issue FRTs may issue stablecoins within the ADGM. Authorised issuers must submit a white paper to the FSRA as part of the authorisation process no later than 20 days prior to the issuance of the stablecoin, addressing the specific content requirements outlined by the FSRA. In addition to meeting all formal disclosure requirements, the white paper must clearly state that the paper has not been approved by the regulator, confirming that the issuer remains solely responsible for its contents. The issuer must publish the white paper on its website prior to any issuance. The paper must be continuously updated, as relevant, if its contents become materially inaccurate, or at least annually.

Notably, authorised providers that have issued an FRT are prohibited from conducting any additional regulated activities not incidental to the issuance of the FRT.

5.4. CBB

Following a public consultation launched in October 2024, the CBB published its SIO Module on the 2nd of July, 2025. Coming into effect upon publication, the SIO sets out the regulatory framework for stablecoin issuers providing services in or from Bahrain.

Licensed issuers are permitted to issue single-currency stablecoins backed by the (i) BHD; (ii) USD; or (iii) any other fiat currency acceptable to and approved by the CBB. Note that approved stablecoins may be used as a means of exchange in Bahrain. Notably, with the exception of BHD or USD-backed stablecoins, the CBB, at its sole discretion, may place a limit on the further issuance of an approved stablecoin where the regulator determines that it is being used widely as a means of exchange within Bahrain.

As part of the licensing process, issuers must submit a draft stablecoin white paper to the CBB, containing all required information on the issuer, the proposed stablecoin offering, underlying technology, and reserve assets. In addition to the white paper, a non-technical, easily understandable summary of the white paper must be made available to clients, providing details on the permanent redemption right, fees, and reserves, at least from the day the stablecoin is offered publicly. Should issuers wish to make any material changes to a published white paper (e.g., reserve assets), issuers must seek written approval of the CBB prior to publishing changes. Any material change to the issuer's operations or business model requires the filing of a modified white paper with prior approval from the CBB.

6. Issuance of Stablecoins – Reserve Assets

The UAE applies a fragmented but robust approach to reserve asset requirements for stablecoins through its four key regulators CBUAE, FSRA, DFSA, and VARA, each embedding reserve rules within broader regulatory frameworks. While all require stablecoins to be fully backed by fiat assets on a 1:1 basis, the specifics vary with respect to reconciliation of reserves; public disclosures, and independent attestations; the CBUAE limits acceptance to AED-pegged tokens issued by licensed entities and is expected to enforce similar backing standards.

The composition of reserve assets is generally expected to be high-quality and liquid, although detailed criteria may differ by authority. Capital requirements are not uniformly defined across UAE regulators but are often embedded in broader risk and governance obligations.

In contrast, Bahrain, under the SIO Module, enforces a unified and explicit reserve framework: stablecoins must be fully backed by high-quality, liquid fiat-denominated assets held in segregated accounts, with mandatory audits and clear proof of reserves.

Both the UAE and Bahrain require stablecoins to be fully backed by fiat currency on a 1:1 basis, ensuring a strong foundation for financial stability. In the UAE, all relevant authorities enforce this requirement, although the definition of reserve composition as high-quality, liquid assets is generally expected rather than uniformly specified. However, it is noteworthy that the under the PTSR, the CBUAE mandates the reserve assets to be held as cash in a separate escrow account, and in case where the DPT issuer is a wholly owned subsidiary of a bank, it may hold at least 50% of the reserve assets in cash and invest the remaining portion in M-bills.

Bahrain, through its SIO Module, explicitly mandates the use of high-quality, liquid fiat assets for reserve backing. While the segregation of reserves is either implied or mandated depending on the UAE authority, Bahrain clearly requires reserves to be held in segregated accounts.

Both jurisdictions enforce regulatory oversight, requiring issuers to be licensed and supervised, though Bahrain's framework provides a more centralized and detailed structure. Despite these commonalities, the UAE and Bahrain diverge also in their regulatory structures and the specific implementation of reserve and capital requirements for stablecoins.

The UAE adopts a decentralized, multi-authority regulatory structure for stablecoins, with frameworks varying across its main authorities. As a result, reconciliation frequency is not uniform, ranging from daily to weekly. Proof of reserves is required by some regulators, such as the DFSA, which mandates public disclosures and attestations, while others are less prescriptive. The composition of reserves is generally expected to consist of high-quality fiat assets, though this is not uniformly defined across UAE authorities.

Capital requirements are either variable or embedded within broader governance and risk frameworks rather than stated explicitly. Additionally, UAE stablecoin regulation is primarily focused on AED-pegged tokens, with non-AED stablecoins requiring separate approvals within different zones. In contrast, Bahrain takes a centralized approach through the Central Bank's SIO Module, which provides a consistent framework requiring annual reserve audits, mandatory third-party proof of reserves, and clearly defined high-quality, liquid fiat assets.

7. Issuance of Stablecoins – Prudential Requirements

The capital requirements applicable to stablecoin issuers and service providers across the Middle East are generally stringent and risk-sensitive, reflecting regulators' emphasis on financial resilience, reserve adequacy, and consumer protection. The issuance of stablecoins, in particular, carries a higher capital threshold given the systemic importance of maintaining redemption confidence, ensuring 1:1 reserve backing, and mitigating contagion risks in the event of market disruption. In contrast, other regulated financial services related to stablecoins – such as custody, transfer, exchange, or advisory – are generally subject to the same capital requirements prescribed for those services under the broader financial regulatory framework, without any additional or differentiated prudential buffers.

7.1. CBUAE

Under the PTSR, the CBUAE imposes one of the region's most robust capital frameworks for stablecoin-related activities. Licensed Payment Token Issuers must maintain a minimum paid-up capital of AED 15 million, together with an ongoing capital requirement equivalent to 0.5% of the fiat currency face value of outstanding payment tokens. This elevated threshold reflects the CBUAE's expectation that issuers maintain sufficient liquidity buffers to preserve redemption confidence and operational continuity at all times.

7.2. VARA

Under VARA's regulatory framework, VASPs licensed to issue FRVAs are subject to explicit prudential capital requirements. Specifically, FRVA issuers must maintain a minimum paid-up capital of AED 1,500,000, in addition to holding an amount equivalent to 2% of the total value of the FRVAs they have issued.

7.3. ADGM

Within the ADGM, the FSRA classifies the issuance of FRTs as a Category 3C regulated activity and carries a base capital requirement of USD 2 million under the FSRA's Prudential – Investment, Insurance Intermediation and Banking Rulebook. The heightened threshold reflects the FSRA's view that FRT issuance poses risks comparable to deposit-taking or e-money operations, warranting sufficient financial resources to maintain reserve backing and redemption capacity.

7.4. CBB

Bahrain, through the SIO, adopts a centralized and prescriptive model that mandates a net shareholders equity equal to the higher of: the initial paid-up share capital of BHD 250,000 or the par value capital (calculated as 2% of the average par value of approved stablecoins in circulation).

Both the UAE and Bahrain recognize the importance of prudential safeguards in regulating stablecoin issuers, integrating requirements related to financial soundness, operational resilience, and risk management into their respective frameworks. Additionally, both require stablecoin issuers to maintain sufficient financial resources to support ongoing operations, although the formality and thresholds of these requirements may differ.

8. Issuance of Stablecoins – Market Monitoring

8.1. CBUAE

The PTSR's purposeful segregation between DPTs (AED backed) and FPTs (non-AED backed) has notable implications on the country's monetary policy. It allows for increased utility for AED stablecoins as they effectively carry a legal tender status and can be used as payment tokens for all goods and services. In contrast, FPTs are restricted to paying for virtual assets and derivatives thereof. Further, the promotion of an AED ecosystem on chain protects the sovereignty of the AED and increases its utility allowing for improved utility of the CBUAE's wholesale and retail CBDCs.

In addition to regulating the issuance of DPTs, the PTSR creates a registration scheme for FPTs which allows the CBUAE to monitor the pervasiveness of such stablecoins and take effective monetary policy decision based off the such. This includes provisions which allow the imposition of limits on the total value of FPTs offered within the country.

Beyond these distinctions, the PTSR has taken considerable steps to safeguard the sovereignty of the AED and consumer trust including:

- **Prohibiting Algorithmic Stablecoins and Privacy Tokens:** The issuance, promotion, and services related to algorithmic stablecoins (due to inherent instability), and Privacy Tokens (due to AML/CFT risks) are explicitly forbidden. This directly supports financial stability and the integrity of the financial system.
- **Prohibition on Interest Payments:** Payment token issuers are explicitly banned from paying any interest or similar benefits to customers for holding these stablecoins. This prevents direct competition with traditional bank deposits as interest-bearing instruments, thus safeguarding the effectiveness of the CBUAE's monetary policy tools and preventing a diminishing of the role of commercial banks.
- **1:1 Backing and Segregation of Reserves:** Licensed payment token issuers ensure that DPTs must be fully backed 1:1 by segregated, high-quality liquid assets. While a prudential requirement, this directly supports the stability and redeemability of the DPTs, maintaining public trust, which is essential for overall financial stability and effective monetary policy transmission. For DPTs, the backing is limited to fiat or, in certain cases, M-Bills. This allows the CBUAE to continue implementing its monetary policy goals, with fiscal implications in the case of M-bills.

8.2. VARA

In the Emirate of Dubai and within the CBUAE's onshore purview, VARA has taken similar steps to safeguard the UAE's monetary sovereignty and financial stability through its framework for FRVAs.

The most prevalent restriction is limiting the issuance of any AED stablecoins under the FRVA. Any stablecoin issued under the VARA regime would be referenced against a non-AED currency. This ensures the exclusive role of the CBUAE in setting and operating monetary policy related to the AED.

Similar to CBUAE, VARA has also taken steps to safeguard financial stability primarily:

- **Prohibition** of Algorithmic Stablecoins and Privacy Tokens.
- **Clear Reserve Requirements:** an FRVA issuer must hold an equivalent segregated amount of reserves in that approved currency of the FRVA.
- **Significant FRVA Issuer Controls:** This allows VARA to specify stricter capital, governance and reporting requirements for issuers of FRVAs that are widely adopted and can cause systemic risk to the financial system.

8.3. ADGM

Although FSRA is considered offshore, its association with the UAE mandated monetary policy considerations under its FRT regulatory framework. This in addition to common sense financial stability considerations.

As with VARA, the most prevalent restriction is limiting the issuance of any AED stablecoins under the FRT regulatory framework. Any FRT issued under the ADGM regime would be referenced against a non-AED currency. This ensures the exclusive role of the CBUAE in setting and operating monetary policy related to the AED. Similar to other regulators ADGM has taken steps to ensure financial stability. These include:

- **Prohibition** of Algorithmic Stablecoins and Privacy Tokens.
- **Reserve Asset Requirements:** The most significant restriction is that FRTs must be fully backed on a 1:1 basis by high-quality, liquid reserve assets. These reserves must be held in the same fiat currency that the token references.
- **FSRA Control over FRT Acceptance:** The FSRA maintains a list of “Accepted Fiat-Referenced Tokens” (AFRTs) that can be used within ADGM. This gives the FSRA a high degree of control over which tokens are allowed to operate, enabling it to manage potential risks to the financial system.

Perhaps, the biggest distinction of the FSRA’s FRT regulation is its approach to yield. It allows for the distribution of income earned from reserve assets, effectively permitting yield-bearing stablecoins. However, the regulations strictly prohibit the issuer from promoting these stablecoins as investment or savings products and impose strict limitations on their marketing to avoid disrupting interest rates.

8.4. DIFC

Within the DIFC, the DFSA adopts a recognition-based supervisory framework for Fiat Crypto Tokens. The DFSA exercises market monitoring through its control over which Fiat Crypto Tokens may be recognised and traded within or from the DIFC, ensuring that only meeting stringent standards of stability, and governance can circulate. The recognition mechanism allows the DFSA to monitor the supply, adoption and systemic footprint of recognised Fiat Crypto Tokens, while preventing the introduction of unbacked or algorithmic Fiat Crypto Tokens that could threaten market integrity or financial stability.

Similar to other regulators in the UAE, the DFSA prohibits the use of Privacy Tokens and Algorithmic Tokens. This ensures that only fully backed, transparent and traceable Fiat Crypto Tokens may circulate within or from the DIFC, reinforcing the DFSA’s focus on financial integrity, market transparency and systemic stability.

The CBUAE, VARA, DFSA and FSRA have all prescribed provisions bringing stablecoin services under a regulated framework with strict AML/CFT and reporting requirements. The UAE regulators ensure a sound financial system, financial stability and ultimately consumer trust.

8.5. CBB

Bahrain's SIO framework is primarily designed to protect financial stability and the integrity of the financial system. The CBB has introduced a more flexible approach, especially where it relates to reserve assets while maintaining strict controls in ensuring financial stability.

The CBB's approach is unique in that it allows stablecoins to function more like traditional financial instruments, but with clear guardrails to protect the BHD and monetary policy.

- **No Monetary Sovereignty Restrictions on Foreign Currencies:** The CBB allows for the issuance of fiat-backed stablecoins pegged to a variety of currencies, including the BHD, the USD, and any other fiat currency approved by the CBB. This is a distinct difference from the UAE that distinguishes foreign stablecoins based on their jurisdiction of issuance as opposed to the currency they are pegged to.
- There are also no restrictions on the use of stablecoins for different purposes be it BHD backed or foreign non-BHD stablecoins.
- As with other regulators the CBB introduced controls that allow for stricter controls and limits where needed in order to safeguard the sovereignty of the BHD and protect the Bahraini financial system.

Similar to other regulators, the CBB has taken steps to ensure financial stability. These include:

- **Strict Reserve Requirements:** All stablecoins must be fully backed on a 1:1 basis by high-quality liquid assets, such as cash, bank deposits with a minimum AA- rating, or short-term debt securities from a central bank. This is a crucial prudential measure to ensure stability and redeemability, thereby mitigating the risk of a "bank run" and protecting market confidence.
- **Prohibition** of Algorithmic Stablecoins and Privacy Tokens.
- Ensuring compliance with the AML/CFT framework.

In contrast to the UAE, the CBB has allowed the offering of yield-bearing stablecoins, which can pay returns to their clients. The CBB requires that the yield rate be reasonable and not adversely affect the stability of the stablecoin or the financial health of the issuer.

9. Issuance of Stablecoins – Other Ongoing Compliance Requirements

Regulators across the Middle East place significant emphasis on a set of ongoing obligations that extend beyond the licensing and authorization stage. These obligations are designed to ensure that stablecoins remain trustworthy, transparent, and resilient in the face of financial and technological risks. Further, these safeguards are designed not only to safeguard financial stability but also to ensure consumer and investor protection, safeguard market integrity, enhance transparency and promote operational resilience. Regulators across the region have developed frameworks that, while varied in detail, converge on the core principles in relation to ongoing obligations. In practice, these obligations translate into comprehensive operational, technological, and governance requirements that span cybersecurity, data protection, consumer protection, and market integrity standards.

Cybersecurity frameworks are required to align with international standards including ISO 27001, with regular penetration testing and vulnerability assessments ensuring continued security effectiveness. Business continuity and disaster recovery capabilities necessitate infrastructure, backup systems, and tested recovery procedures. Data protection and privacy compliance encompass the safeguarding of customer information, regulatory reporting requirements, and cross-border data transfer restrictions. Technological infrastructure must support these regulatory reporting obligations while maintaining operational efficiency.

Consumer protection measures extend beyond basic disclosure requirements to include fair dealing obligations, complaint resolution procedures, and compensation schemes, where applicable. Clear terms of service, risk warnings, and educational materials ensure customers make informed decisions about stablecoin services. Market integrity protections include surveillance systems detecting manipulation, insider trading, or other prohibited activities, with coordination between service providers and regulatory authorities ensuring comprehensive market oversight. Professional indemnity insurance requirements provide additional customer protection, with coverage amounts scaled to transaction volumes and potential risk exposure. Regular audits and compliance assessments ensure ongoing adherence to protective standards.

Such comprehensive approaches establish the Middle East as a leading jurisdiction for stablecoin-related activities, providing robust consumer protection while enabling innovative service development. The coordinated oversight across multiple regulatory authorities maintains operational efficiency and competitive positioning for Middle East based service providers, while supporting the Middle East's broader objectives of economic diversification and sustainable growth in the digital finance sector.

These frameworks reflect global standards, such as those from FATF and FSB but are adapted to local supervisory priorities. This section compares how these regulators approach redemption obligations, AML/CFT compliance, and ongoing audit and reporting requirements, highlighting both shared trends and key differences.

9.1. Redemption Obligations

Across the region, redemption frameworks share a commitment to at-par redemption rights but differ in timelines and treatment of fees. Some regimes emphasize speed and prohibit fees altogether, others allow slightly longer timeframes with proportionate fees, and a few grant broader operational flexibility but counterbalance it with stricter disclosure and fallback mechanisms.

- **ADGM:** Under the FSRA COBS Rule 19A.4(1), the FSRA requires FRT issuers to honour redemption requests at par value within two business days (T+2), once customer due diligence checks are completed. Redemption fees are permitted under FSRA COBS Rule 19A.4(4), but only if proportionate and commensurate with the costs incurred for such redemptions and provided that such fee is disclosed in the white paper.
- **VARA:** VARA takes a more consumer-protective approach under Part III.C of the FRVA Rules. VARA requires redemption of FRVAs, at par value, within one business day of such redemption request. VARA further stipulates that no fees may be charged for processing and completion of redemption requests. Issuers are also required to maintain clear and detailed redemption policies.
- **CBUAE:** Article 21 of the PTSR requires redemption of payment tokens, at par value, no later than the next business day of such redemption request and allows only cost-based fees which are proportionate and commensurate with the costs incurred for redemption. The CBUAE also anticipates exceptional cases, requiring Payment Token issuers to adopt practices to enable redemption during events such as blockchain forks or disruptions, and mandating that redemption rights remain intact regardless of technical issues.
- **CBB:** Under SIO 6.5.2, redemption requests must be processed at par value within five business days. However, in case of significant disruption events beyond the control of the issuer, the issuer may process the redemption within one business day of the trading and/or settlement of the reserve assets no longer being significantly impacted by such disruption events.

9.2. AML/CFT Obligations

All licensed stablecoin-related activities must implement comprehensive AML/CTF programs meeting international standards including FATF recommendations and local regulatory requirements. CDD procedures include identity verification, address confirmation, and source of funds documentation for all business relationships.

EDD requirements apply to higher-risk customers, transactions, or geographic regions, with ongoing transaction monitoring utilizing advanced analytics to detect suspicious patterns. SARs must be filed promptly with relevant authorities when potential money laundering or terrorism financing is detected. Travel Rule compliance requires transmission of originator and beneficiary information for transactions exceeding specified thresholds, with technical implementations enabling secure information sharing between service providers while maintaining customer privacy.

- **ADGM:** ADGM integrates FRT issuers into a robust, risk-based AML/CFT framework that aligns closely with FATF standards and UAE federal law. At its core is the risk-based approach, which mandates that issuers implement governance, policies, systems, and internal controls proportionate to their risk profiles. Issuers must conduct Customer Due Diligence/Know Your Customer (CDD/KYC) before onboarding clients and maintain ongoing monitoring of transactions and relationships. They must also address sanctions and targeted financial sanctions through screening and system controls aligned with UN and UAE obligations. Additionally, issuers must adhere to regulatory reporting all overseen by a designated Money Laundering Reporting Officer (MLRO). The framework also includes requirements around the Travel Rule and transfer traceability.
- **VARA:** VARA requires VASPs to comply with UAE federal AML/CFT laws, the AML Rules under the VARA Risk and Compliance Rulebook, as well as international standards, including the FATF's risk-based approach. VARA requires the appointment of an MLRO who shall be responsible for the VASP's AML obligations. The AML obligations it places on VASPs include conducting customer and business risk assessments on a regular basis, CDD/KYC, transaction monitoring and compliance with the Travel Rule and targeted financial sanctions under the UAE local sanctions list and United Nations Security Council (UNSC) sanctions list.
- **DIFC:** All DFSA-authorized firms engaging must comply with the full AML framework, which includes appointing an MLRO, conducting risk assessments, implementing CDD/KYC, and maintaining ongoing monitoring of client relationships. Firms are expected to ensure that AML controls are commensurate with their risk profiles and subject to senior management oversight. The DFSA has incorporated Travel Rule equivalent provisions in the DFSA AML Rules 9.3A.1 to 9.3A.4, requiring authorized firms to ensure that all Crypto Token transfers are accompanied by identifying information on the originator and beneficiary. Firms must establish procedures to screen, verify, and retain this information and to prevent or freeze suspicious transactions in accordance with UAE and UN sanctions lists.
- **CBUAE:** Under the PTSR, payment token issuers are classified as AML Obligors and remain subject to the UAE AML Law. They must adopt comprehensive risk-based policies, overseen by senior management and an MLRO, and report suspicious activity to the UAE Financial Intelligence Unit without relying on secrecy exemptions. Recognising the high-risk nature of payment tokens, issuers must carry out enterprise-wide and customer-level risk assessments, maintain updated profiles, and apply proportionate CDD. Services cannot be provided where CDD is incomplete. Higher risks arise from cash funding, cross-border use, peer-to-peer transfers, multiple wallets, and links to high-risk sectors. These must be mitigated through controls such as limits on transaction values, restrictions on funding sources, and tighter monitoring. Issuers must also comply with wire transfer rules, sanctions screening, and freezing obligations, and may rely on digital onboarding provided authentication standards are met.
- **CBB:** Under SIO-5.9, issuers must comply with the AML/CFT systems and controls set out in the CBB's AML Module. This requires effective arrangements to prevent, detect, and report money laundering and terrorist financing. Obligations cover CDD at both issuance and redemption, ongoing transaction monitoring, and compliance with the Travel Rule and wire transfer requirements. Redemption requests cannot be processed until CDD obligations have been met. Issuers are also expected to use technology solutions to strengthen compliance, including advanced transaction monitoring to track the origin and destination of stablecoins and apply robust KYC controls, ensuring full transparency over client activity.

9.3. Audit and Reporting Requirements

Audit and reporting obligations across the region demonstrate an attempt to balance between regulatory assurance and compliance costs. Some frameworks adopt high-frequency audit requirements to build real-time confidence in reserve backing, while others maintain annual audit cycles to reduce operational burden.

- **ADGM:** FSRA COBS Rule 19A.10 requires FRT issuers to appoint an independent external auditor and submit annual audited financial statements covering the composition and valuation of reserve investments, along with the internal controls in relation to reserve investment management, within four months of year-end. FRT issuers are also required to conduct stress testing annually, with emphasis on liquidity stress scenarios, and submit of summary of the same to the FSRA.
- **VARA:** VARA requires FRVA issuers to commission an independent audit, on a monthly basis, verifying that FRVAs in circulation are 100% backed by reserves. Senior management must attest to their accuracy, creating a high-frequency accountability mechanism and submit the same to VARA.
- **DIFC:** DFSA authorised Firms that use DLT or similar technology to provide financial services relating to Crypto Tokens must appoint a qualified independent third party professional to carry out an annual audit of the firm's compliance with the technology resources and governance requirements. Such a report must be submitted to the DFSA within four months of the firm's financial year end.
- **CBUAE:** The PTSR subjects payment token issuers and service providers to rigorous, multi-level audits. Licensed payment token issuers must undergo a monthly audit by an independent external auditor confirming that reserves at all times equal or exceed the total fiat currency face value of tokens in circulation. In addition, every white paper must be reviewed by an external auditor to ensure its form and content comply with the requirements under the PTSR. Beyond these issuer-level obligations, all Payment Token service providers are required to appoint external auditors to conduct annual reviews of their financial statements as well as the systems, controls, and technology supporting payment token services. These annual audits must also cover smart contracts and the results of penetration and cyber-attack simulation testing mandated under Article 35(17) of the PTSR.
- **CBB:** According to SIO 6.2.1, an independent external auditor must conduct monthly external audit reports confirming that the stablecoin is 100% backed by reserve assets, the number and market value of the stablecoins in circulation and the composition and value of reserve assets.

10. Other Regulated Activities in relation to Stablecoins

10.1. Custody Services – Institutional-Grade Asset Protection

(a) Regulatory Framework and Licensing

Digital asset custody services represent the foundational layer of stablecoin infrastructure, requiring the highest levels of security, regulatory compliance, and operational resilience. Under ADGM's framework, virtual asset service providers must obtain specific licensing for custody activities, with Changer.ae (FSP No. 220142) serving as a prime example of regulated custody operations under FSRA oversight [43].

VARA's regulatory regime requires comprehensive documentation for custody service providers, including organizational structures, governance frameworks, key personnel details with fit and proper confirmations, and detailed financial projections [44]. The application process involves thorough review of business continuity plans, cybersecurity frameworks, and operational risk management procedures.

Furthermore, under the PTSR, engaging in the activity of payment token custody and transfer requires a license from the CBUAE.

(b) Security and Operational Requirements

Licensed custody providers must implement multi-signature security protocols, with industry standards requiring cold storage for 95% of assets held longer than 24 hours. Advanced security measures include Hardware Security Modules (HSMs) for hot wallets and offline multi-signature ledger keys using 3-out-of-5 signature requirements for maximum protection of cold wallets [43].

Operational requirements encompass 24/7 Security Operations Center (SOC) monitoring, multi-layer firewall protection, Web Application Firewalls (WAF), and privileged access management (PAM) solutions recording all activities with special approval requirements [43]. These measures ensure institutional-grade security comparable to traditional financial institutions while leveraging blockchain technology's inherent security benefits.

(c) Client Asset Protection and Insurance

Regulatory frameworks mandate complete segregation of client assets from custodial provider assets, ensuring "bankruptcy remote" status where customer holdings can be recovered independently of the service provider's financial condition. Professional indemnity insurance coverage is required, with leading providers maintaining coverage exceeding USD 50 million to protect against operational risks and potential losses.

10.2. Trading and Exchange Services – Market Infrastructure

(a) Market Operator Licensing

Digital asset exchanges facilitating stablecoin trading require comprehensive market operator licenses with specified capital requirements varying by jurisdiction and transaction volume. VARA's framework requires exchanges to demonstrate adequate financial resources, with capital requirements detailed in Part IV of the Company Rulebook, alongside organizational governance structures and risk management frameworks [44].

The licensing process involves detailed evaluation of trading infrastructure, order matching systems, market surveillance capabilities, and client fund segregation procedures. Exchanges must demonstrate real-time transaction monitoring, suspicious activity reporting capabilities, and fair pricing mechanisms to ensure market integrity.

(b) Market Surveillance and Compliance

Licensed exchanges must implement comprehensive market surveillance systems monitoring for manipulation, insider trading, and other prohibited activities. This includes real-time monitoring of order patterns, price movements, and trading volumes across all supported stablecoin pairs.

Compliance obligations extend to sanctions screening, ensuring all market participants are verified against international sanctions lists, and implementing transaction monitoring systems capable of detecting suspicious patterns or potential money laundering activities.

(c) Cross-Border Operations and Interoperability

Exchanges operating across multiple jurisdictions must navigate complex regulatory coordination requirements. The UAE's strategic position enables exchanges to serve both regional and international markets, with ADGM providing particular advantages for institutions requiring English common law and internationally recognized regulatory standards.

(d) Assessment of Stablecoins for Use within Jurisdictions

Regulators across the Middle East have established frameworks to determine which stablecoins may be traded on exchange and brokerage platforms.

- **Self-Assessment Frameworks**

Under Part VIII of the VARA Market Conduct Rulebook, all VASPs must conduct a self-assessment before permitting the use or listing of any virtual asset. VASPs must assess each virtual asset against the Virtual Asset Standards criteria prescribed under the VARA Market Conduct Rulebook, which includes market metrics, design and use, compliance risks, and regulatory risks, among others.

- **Regulator-Led Framework**

Both the FSRA and the DFSA adopt regulator-led frameworks that require prior approval or recognition of stablecoins before their use within the respective jurisdictions. In the ADGM, only "Accepted Fiat-Referenced Tokens (FRTs)" may be issued or used within the ADGM. Similarly, the DFSA enforces a recognition-based regime, permitting the use of a Fiat Crypto Token only after the DFSA confirms that it maintains a stable price relative to its reference fiat currency, is fully backed by segregated and independently verified reserves, and publishes monthly attested reserve information. This ensures that only transparent, prudentially sound, and regulator-approved stablecoins may circulate within either financial free zone, thereby safeguarding financial stability and market integrity.

10.3. Placement and Distribution Services – Market Access

(a) Distribution Framework Under CBUAE

The CBUAE's PTSR establishes comprehensive requirements for stablecoin distribution activities [45]. Licensed distributors must comply with marketing restrictions, ensuring all promotional materials are accurate, fair, and not misleading while providing clear risk disclosures to potential users. Under VARA's framework, any virtual asset may only be distributed by a licenced distributor holding a Broker-Dealer Services license.

Distribution channels include banks, licensed financial institutions, and approved digital asset platforms, with each channel subject to specific compliance requirements tailored to their risk profile and customer base. Distributors must conduct suitability assessments ensuring customers understand the risks and characteristics of stablecoins before facilitating transactions.

(b) Consumer Protection Measures

Distribution services must implement robust consumer protection mechanisms including clear terms of service, comprehensive risk disclosures, and effective complaints handling procedures. Educational requirements ensure customers receive appropriate information about stablecoin mechanics, risks, and usage before completing transactions.

Distributors must maintain detailed records of all distribution activities, customer interactions, and compliance measures, with regular reporting requirements to regulatory authorities ensuring ongoing adherence to protective standards.

(c) Cross-Border Distribution Compliance

International distribution activities require coordination between multiple regulatory regimes, with UAE-licensed distributors able to serve global markets while maintaining compliance with local regulations. This includes adherence to international anti-money laundering standards, sanctions compliance, and customer due diligence requirements across all served jurisdictions.

10.4. Transfer and Settlement Services – Payment Infrastructure

(a) Payment Service Provider Licensing

Entities providing stablecoin transfer and settlement services require appropriate payment service provider licenses under either CBUAE oversight for mainland operations or specialized virtual asset service provider licenses under FSRA or VARA frameworks. These licenses encompass money transmission permits and digital asset transfer authorizations depending on specific service offerings.

Technical standards include API integration requirements ensuring interoperability with existing financial infrastructure, settlement finality protocols providing certainty for transaction completion, and real-time processing capabilities supporting 24/7 operations independent of traditional banking hours.

(b) Risk Management and Operational Standards

Transfer service providers must implement comprehensive risk management frameworks including transaction limits based on customer risk profiles, velocity controls preventing rapid-fire transactions that might indicate suspicious activity, and advanced fraud prevention systems utilizing machine learning and behavioural analytics.

Operational resilience requirements include disaster recovery capabilities, business continuity planning, and redundant infrastructure ensuring continued service availability even during adverse conditions. Service level agreements typically specify 99.5% uptime requirements with rapid recovery procedures for any service disruptions.

(c) Cross-Chain and Multi-Currency Support

Modern transfer services increasingly require support for multiple blockchain networks and stablecoin varieties. This technical complexity demands robust infrastructure capable of managing different consensus mechanisms, transaction formats, and settlement times while maintaining security and compliance standards across all supported networks.

Interoperability protocols enable seamless transfers between different stablecoin types and blockchain networks, with atomic swap capabilities ensuring secure cross-chain transactions without counterparty risk during the transfer process.

10.5. Conversion Services – Liquidity and Exchange

(a) Regulatory Oversight and Capital Requirements

Conversion services enabling exchange between stablecoins and fiat currencies, or between different stablecoin varieties, operate under dual oversight by monetary authorities and securities regulators depending on specific activities. These services require adequate liquidity buffers to ensure continuous conversion availability and maintain confidence in exchange rate stability.

Capital requirements reflect the systemic importance of conversion services, with providers required to maintain sufficient reserves to honour all conversion requests even during periods of high demand. Regular stress testing ensures conversion capacity under adverse market conditions.

(b) Pricing Transparency and Fair Dealing

Conversion service providers must implement transparent pricing mechanisms with real-time rate disclosure, clear spread information, and comprehensive fee structures. Fair market pricing requirements prevent exploitation of customers through artificially inflated rates or hidden charges.

Operational standards include real-time conversion capabilities with immediate settlement guarantees, ensuring customers receive expected amounts without delays or additional charges beyond disclosed fees. Price discovery mechanisms must reflect genuine market conditions rather than manipulated or artificial pricing.

(c) Liquidity Management and Market Making

Professional conversion services often incorporate market making capabilities, providing continuous bid-offer spreads for supported stablecoin pairs. This requires sophisticated risk management systems managing exposure across multiple currency pairs and market conditions.

Liquidity sourcing involves relationships with multiple exchanges, financial institutions, and other liquidity providers ensuring continuous conversion availability. Advanced algorithms optimize routing and execution to provide customers with best available rates while managing provider risk exposure.

10.6. Placement and Distribution Services

(a) UAE's Progressive Regulatory Framework: Leadership Position

Unlike many jurisdictions where stablecoin distribution remains in regulatory grey zones, the CBUAE's PTSR explicitly addresses placement and distribution activities with clarity. The PTSR prohibits unauthorized promotion of payment tokens while creating clear pathways for licensed entities to distribute approved stablecoins [46]. This represents a different approach to jurisdictions like the United States, where multiple state-by-state licensing requirements create fragmented compliance burdens, or Hong Kong, where stablecoin distribution frameworks are still developing [47].

(b) Comparative International Analysis: UAE's Regulatory Framework

European Union – MiCA Framework:

While the EU's MiCA regulation provides comprehensive coverage, it creates potential barriers to distribution network expansion. The requirement for authorization as Electronic Money Institutions (EMIs) or credit institutions significantly limits the pool of potential distributors [48]. Additionally, MiCA's prohibition on interest payments to token holders reduces incentives for distribution partners, constraining network effects that could drive broader adoption [49].

Singapore's Approach:

Singapore's framework, while sophisticated, creates high barriers to entry that limit distribution network expansion. The Monetary Authority of Singapore requires Major Payment Institution (MPI) licenses for entities with over S\$5 million in circulation, effectively restricting distribution to well-capitalized players [48]. This approach, while ensuring stability, significantly limits the breadth of potential distribution channels compared to UAE's more flexible framework.

United States - Complexity:

The US regulatory landscape presents a challenging environment for stablecoin distribution. With state-by-state money transmitter licensing requirements, distributors face compliance costs across 50+ jurisdictions, each with different requirements, application processes, and ongoing obligations [49]. This fragmentation creates barriers to building comprehensive distribution networks, particularly for international players seeking US market access.

Hong Kong's Emerging Framework:

Hong Kong's new stablecoin regulatory regime, implemented in August 2025, requires comprehensive licensing but limits distribution to entities licensed by the Hong Kong Monetary Authority [50]. While providing regulatory clarity, the framework's restrictive approach to authorized distributors may limit network expansion compared to UAE's more inclusive model.

(c) UAE's Strategic Distribution Advantages**Multi-Jurisdictional Coordination:**

The UAE's unique regulatory structure enables distributors to operate across multiple regulatory zones while maintaining unified compliance standards. Entities can leverage CBUAE licensing for mainland distribution while accessing ADGM's international framework for cross-border activities, and VARA's comprehensive virtual asset services for Dubai-based operations [51]. This regulatory arbitrage opportunity does not exist in other major jurisdictions.

Inclusive Licensing Approach:

Unlike frameworks in Singapore or the complex multi-state requirements in the US, the UAE enables multiple categories of distributors including banks, licensed financial institutions, and approved digital platforms [46]. This creates opportunities for fintech companies, traditional financial institutions, and digital-native platforms to participate in stablecoin distribution networks.

Foreign Issuer Registration Framework:

The UAE's pioneering approach allows foreign stablecoin issuers to register with CBUAE for distribution to UAE investors, provided tokens are not denominated in AED [52]. This creates unique opportunities for international stablecoin providers like Circle (USDC), Tether (USDT), and other major issuers to access UAE markets through registered distribution partnerships - an approach not available in most other jurisdictions.

(d) Regulatory Recommendations for Enhanced Adoption Through Distribution Network Expansion**Streamlined Multi-Tier Licensing Framework:**

Regulators could implement graduated licensing requirements based on distribution scale and risk profile. A three-tier approach could include:

- Tier 1 – Limited Distribution License: For small-scale distributors (up to AED 50 million annual volume) with simplified compliance requirements and faster approval processes.
- Tier 2 – Standard Distribution License: Current full licensing requirements for medium-scale operations (AED 50–500 million annually).
- Tier 3 – Institutional Distribution License: Enhanced capabilities for large-scale distributors exceeding AED 500 million annually, including cross-border distribution rights.

Digital-First Distribution Channels:

- Enable broader distribution through digital platforms by creating specific regulatory pathways for:
- Mobile Payment App Integration: Allow licensed payment apps (like PayBy, Payit, or ADCB's digital platforms) to distribute approved stablecoins directly through existing user interfaces.
- E-commerce Platform Integration: Enable major e-commerce platforms to offer stablecoin distribution as part of merchant payment solutions.
- Digital Banking Channel Activation: Fast-track approval for existing digital banking licensees to add stablecoin distribution capabilities.

Simplified Merchant Integration Program:

Develop a "Merchant Stablecoin Program" that enables rapid onboarding of retail merchants for stablecoin acceptance:

- Pre-approved Merchant Categories: Create streamlined approval processes for low-risk merchant categories (fuel stations, retail chains, restaurants).
- Technology Integration Support: Provide technical standards and integration support for POS systems and e-commerce platforms.
- Educational Initiatives: Fund merchant education programs demonstrating stablecoin benefits including reduced payment processing costs and instant settlement.

Cross-Border Distribution Facilitation:

Leverage UAE's strategic position by creating enhanced frameworks for international distribution:

- GCC Distribution Passporting: Develop agreements enabling UAE-licensed distributors to serve other GCC markets through mutual recognition frameworks.
- Belt and Road Integration: Create specialized distribution pathways for Belt and Road Initiative countries, facilitating trade settlement in AED stablecoins.
- African Market Access: Establish distribution partnerships with African financial institutions for remittance and trade finance applications.

Innovation Sandbox for Distribution Models:

Expand regulatory sandbox programs specifically for distribution innovation:

- DeFi Distribution Protocols: Test decentralized distribution mechanisms while maintaining compliance oversight
- AI-Powered Distribution: Enable artificial intelligence-driven distribution decisions for enhanced user experience and risk management
- Embedded Finance Integration: Test stablecoin distribution through non-financial platforms (rideshare apps, delivery platforms, social media)

(e) Market Access Enhancement Through Regulatory Clarity

Consumer Protection Integration:

Unlike jurisdictions where consumer protection creates barriers to distribution, the UAE can enhance adoption by making protection measures a competitive advantage:

- **Guaranteed Redemption Rights:** Require all distributors to prominently display guaranteed 1:1 redemption rights, building consumer confidence
- **Deposit Protection Integration:** Explore extending UAE deposit guarantee schemes to cover stablecoin holdings up to specific limits
- **Dispute Resolution Systems:** Create fast-track dispute resolution specifically for stablecoin distribution issues

Financial Inclusion Through Distribution:

- **Unbanked Population Targeting:** Create specialized distribution pathways for UAE's migrant worker population through remittance centers and mobile money agents
- **Micro-Distribution Networks:** Enable small-scale distributors (convenience stores, exchange houses) to offer basic stablecoin services with simplified compliance requirements
- **Educational Integration:** Mandate financial literacy programs as part of distribution licensing, ensuring sustainable user adoption.

(f) Competitive Positioning

The UAE's approach to stablecoin distribution regulation demonstrates a different approach over international frameworks:

- **Speed to Market:** UAE's unified regulatory approach enables faster distribution network deployment compared to fragmented US state-by-state requirements
- **Cost Efficiency:** Single jurisdiction compliance vs. multiple licensing requirements in other markets reduces operational costs for distributors
- **Innovation Friendly:** Regulatory sandbox programs and clear guidance enable innovative distribution models not possible under more restrictive frameworks
- **International Integration:** Multi-regulator coordination (CBUAE, ADGM, VARA) provides unique flexibility for both domestic and international distribution strategies

By implementing these enhanced distribution frameworks, UAE regulators can accelerate stablecoin adoption while maintaining the rigorous consumer protection and financial stability standards that have established the country as a global leader in digital asset regulation. This approach positions the UAE not merely as a regional hub, but as the preferred jurisdiction for international stablecoin distribution operations targeting both local and cross-border markets.

The strategic implementation of these recommendations will create network effects that drive broader stablecoin adoption, supporting the UAE's objectives under the "We The UAE 2031" vision while establishing sustainable competitive advantages in the global digital finance landscape.

11. Concluding Remarks

The analysis in this paper demonstrates that the Middle East is transitioning from exploratory stablecoin policies to fully developed regulatory ecosystems capable of supporting stablecoin innovation at scale. The UAE and Bahrain exemplify how clear, principle-based regulation can attract institutional participation and foster cross-border financial integration without compromising financial stability. These frameworks, while distinct in structure, share common objectives: ensuring consumer protection, promoting transparency in reserve management, and aligning with global norms on AML/CFT and operational resilience. By embedding these principles into national rulebooks, regional regulators are not merely responding to technological change – they are shaping a sustainable, risk-mitigated environment for digital finance that can interoperate with global markets.

In the UAE, stablecoin regulation is delivered through a multi-authority framework with each authority applying distinct but complementary rules embedded within the broader digital asset and payment service regimes, with a common emphasis on licensing, reserve backing, disclosure, and governance. The CBUAE, through the PTSR, limits the use of stablecoins for payments to those issued by DPT issuers. The ADGM, through the FSRA, recognizes stablecoins as FRTs, requiring full 1:1 fiat backing and weekly reconciliation. The DIFC, under the DFSA's Fiat Crypto Token Regime, enforces comprehensive requirements, mandating full reserve backing, daily reconciliation and monthly public reserve disclosures. VARA, which oversees virtual asset activities in and from Dubai (excluding DIFC), maintains a separate regulatory framework that focuses on safeguarding market integrity, including registration, licensing, and ongoing compliance obligations for FRVA issuers.

In Bahrain, the CBB has introduced the SIO Module, marking significant progress for stablecoin-related activities in the region. This framework mandates licensing prior to issuance, full 1:1 fiat backing using high-quality liquid assets held in segregated accounts. Additionally, it outlines detailed requirements on minimum capital, governance, cybersecurity, and public disclosures, along with approvals for stablecoins pegged to BHD, USD, or other authorized currencies. A unique element in Bahrain's approach is the obligation for independent third-party readiness assessments covering risk management, internal controls, IT security, and capital adequacy prior to operational launch.

Both jurisdictions require that stablecoins be fully backed by high-quality, liquid assets, supported by regular reserve reconciliation to ensure ongoing financial stability. Issuers must obtain formal regulatory approval before issuance or the commencement of operations, and both Bahrain and the UAE mandate robust disclosure practices, including publication of whitepapers, governance frameworks, and compliance with stringent IT and cybersecurity standards. The influence of international benchmarks such as the FATF recommendations is evident in the structure and comprehensiveness of both regimes. However, while the UAE and Bahrain share common regulatory objectives, their approaches diverge in key respects that reflect the structural and supervisory priorities of each jurisdiction. The UAE's framework is fragmented across multiple authorities with stablecoin provisions embedded within broader digital-asset or payment regulations, whereas Bahrain adopts a more centralised model through the CBB's SIO Module, a dedicated rulebook tailored exclusively to stablecoin regulation. Reserve verification practices also differ: the UAE mandates frequent (daily or weekly) reconciliation and public disclosure requirements, the UAE primarily permits AED-pegged stablecoins, with non-AED tokens requiring separate approvals depending on the regulatory zone, whereas Bahrain allows stablecoins pegged to multiple fiat currencies such as the BHD, USD, or others subject to approval. Furthermore, Bahrain imposes a mandatory independent readiness assessment covering risk management, governance, and operational soundness prior to issuance, a requirement not explicitly present in the UAE framework.

Looking ahead, the path toward harmonization will depend on sustained regulatory coordination across jurisdictions and deeper engagement with international standard-setters. Establishing interoperable frameworks, shared supervisory mechanisms, and mutual recognition of regulatory standards will be critical to enabling cross-border stablecoin use across the GCC and beyond. The paper concludes that, as regional regulators continue to refine their approaches, stablecoins could evolve into a trusted medium for regional trade, remittances, and tokenized finance – anchoring the Middle East’s position as a global hub for regulated digital finance.



ANNEXURE

Jurisdiction	Definition & Classification	Exclusions from Scope	Prohibitions	Regulated /Licensed Activities	Market Monitoring & Controls	Reserve Assets Requirements	Redemption Rights
CBUAE	"Payment Token" includes stablecoins whose value is referenced 1:1 to a fiat currency (e.g. UAE Dirham or foreign fiat) [17]. Distinguishes "Dirham Payment Tokens" or "DPTs" (AED-pegged stablecoins) and "Foreign Payment Tokens" or "FPTs" (stablecoins pegged to non-AED fiat) [17].	Reward schemes and bonus point schemes Tokens used only for non-financial goods/service provided by the issuer Commodity-pegged tokens fall under Securities & Commodities Authority, not CBUAE [20]	Algorithmic stablecoins are banned (no issuance or service allowed) [18]. It is prohibited to use any crypto for payments in the UAE unless it is an approved Payment Token (i.e. a licensed DPT or a registered FPT) [17]. Banks are barred from dealing in unlicensed crypto assets. Privacy Tokens are also prohibited	Licensing is required for issuance, custody and transfer, and conversion of payment tokens [17]. Only UAE-incorporated entities can get a CBUAE license to issue stablecoins, and foreign issuers of non-AED stablecoins must register with CBUAE to offer them in the UAE [17]. Existing VARA or SCA licensees must obtain a CBUAE no-objection to handle stablecoins [17].	Direct oversight and approval of stablecoin arrangements. Only approved stablecoins are permitted for use or promotion [22]. Coordination with other regulators to monitor stablecoin activity for financial stability and AML compliance. Limits on number and volume of payment tokens sold/transfered; and number of customers Prohibition on holders' claim/interest in reserve assets	1:1 Reserve backing is required. Reserves must be held in cash and in the same fiat currency that the token is pegged to [23]. Reserves must be unencumbered and segregated, and may need to be held with approved custodians [22]. CBUAE's framework aligns with global standards (e.g. requiring reserves to be insolvency-ready and not rehypothecated) [22]. A minimum capital of AED 15 million is required for issuers, plus ongoing capital equal to 0.5% of outstanding token value [19].	Redeemability at par is mandated. Licensed issuers must honour redemption of stablecoins for fiat (e.g. 1 token for 1 AED or 1 USD) promptly upon holder's request. Redemption must occur in a timely manner and in the reference fiat currency [24] [22]. Reasonable redemption fees may be allowed if disclosed. These redemption rights are legally enforceable to protect token holders' ability to cash out [24].

Jurisdiction	Definition & Classification	Exclusions from Scope	Prohibitions	Regulated /Licensed Activities	Market Monitoring & Controls	Reserve Assets Requirements	Redemption Rights
ADGM	"Fiat-Referenced Token" (FRT) – a digital asset used as a medium of exchange and stable store of value by referencing a fixed 1:1 amount of a single fiat currency, and redeemable on demand from the issuer for that fiat [23][25]. (In practice, FRTs are fiat-backed stablecoins; the term "stablecoin" is used generally, but ADGM uses FRT for those meeting this definition.)	Multi-asset or non-fiat-pegged tokens (e.g. coins pegged to commodities, baskets of assets, or other crypto) [23]. Such assets would require case-by-case regulatory consideration. Virtual Assets Digital Securities Other digital assets (such as utility tokens) Such assets would require case-by-case regulatory consideration.	Algorithmic stablecoins are prohibited in ADGM [25]. Only stablecoins fully backed by a single fiat (or high-quality liquid assets of equivalent value) qualify as FRTs; others cannot be issued without specific approval. The FSRA will not "accept" or approve a stablecoin for use in ADGM unless it meets FRT criteria (single-currency, fully reserved)[23].	Issuance of an FRT is a regulated activity. ADGM's FSRA treats stablecoin issuance as a licensed activity 'Issuing a FRT' [25]. Any firm issuing or dealing in FRTs in ADGM must be an Authorized Person and may only handle FSRA-accepted FRTs [22]. Exchanges, custodians, or other service providers in ADGM can only list or use FRTs that the FSRA has approved and put on its "Accepted Fiat-Referenced Tokens" list [25]. In November 2025, the FSRA introduced the activity of 'FRT Intermediation' which is defined as "the purchase and sale of a Fiat-Referenced Token, as principal or agent on behalf of the issuer of the Fiat-Referenced Token, by way of business."	FSRA closely vets and monitors FRTs. Each stablecoin must be individually approved by the FSRA to be deemed an "Accepted FRT" for use in the market [23]. Issuers must publish a detailed white paper disclosing the token's features, redemption mechanics, and reserve policies [25]. Ongoing compliance includes monthly reserve reports by independent assessment[25], stress testing of reserve adequacy, and regular audits[25]. The FSRA imposes controls on technology risk, financial crime compliance, and has authority to suspend or revoke token approvals if standards are not met [25].	Full reserve backing is mandatory. FRTs must be backed by "Reserve Assets" in cash or high-quality liquid investments of the same currency as the stablecoin [25]. Permitted reserve assets include cash held with regulated institutions, short-term government securities (≤3 month maturity) with high credit ratings, overnight repo backed by government debt, qualifying money-market funds, etc., subject to FSRA approval and concentration limits[25]. The FSRA may require a minimum percentage of reserves to be held in cash, based on redemption demand patterns [25]. Reserves must be segregated with third-party custodians to ensure they are bankruptcy-remote [25]. Annual audits of reserves and issuer financials are required [25].	Mandatory redemption at par: FRT issuers must promptly redeem tokens for the reference fiat on demand. Regulations specify redemption to be completed within T+2 days after a valid request (and completion of any required KYC) [24]. Redemption must be at par value (1 token = 1 unit fiat) [24], paid in the fiat currency[24]. Any redemption fee must be minimal, cost-based, and disclosed in advance[24]. The FSRA emphasizes that timely redemption in "a timely and efficient manner" is a key requirement, distinguishing FRTs from other crypto-assets[25]. Holders thus have a clear legal right to redeem stablecoins for cash through the issuer at any time.

Jurisdiction	Definition & Classification	Exclusions from Scope	Prohibitions	Regulated /Licensed Activities	Market Monitoring & Controls	Reserve Assets Requirements	Redemption Rights
DIFC	"Fiat Crypto Token" – the DFSA's term for fiat-backed stablecoins. A Crypto Token is classified as a Fiat Crypto Token if its price is stabilized by reference to a single fiat currency (i.e. 1:1 pegged to one fiat) [26][27]. In practice, these are stablecoins fully backed by assets to maintain a stable value relative to one fiat (often also called "fiat stablecoins").	Non-fiat-backed stablecoins (e.g. tokens tied to commodities or multi-currency baskets) do not fall under "Fiat Crypto Token" – they would be treated as general Crypto Tokens (or possibly Investment Tokens if they have security features) [27]. Stablecoins pegged to multiple currencies are generally not accepted as Fiat Crypto Tokens because maintaining multiple pegs is deemed impractical; the DFSA indicates multi-fiat stablecoins would likely be treated just as ordinary Crypto Tokens [26]. CBDCs are not included within this regime.	The DFSA explicitly prohibits "Algorithmic Tokens," i.e. crypto tokens that use algorithms to maintain a stable value [28][27]. Such algorithmic stablecoins cannot be used in the DIFC. The DFSA also bans Privacy Tokens (anonymous cryptocurrencies) [27]. Aside from those, any token not recognized by the DFSA is effectively not allowed for use or promotion in DIFC.	Issuance of stablecoins in DIFC is not currently allowed unless authorized elsewhere. As of 2025 the DFSA has not license stablecoin issuers domestically [26]. Instead, the regime focuses on recognizing stablecoins issued in other jurisdictions. Firms in DIFC (exchanges, custodians, etc.) must obtain a Financial Services license to deal in Crypto Tokens and Fiat Crypto Tokens, and even then may only support recognised Crypto Tokens and Fiat Crypto Tokens [21]. In Feb 2025 the DFSA recognized two fiat stablecoins (USDC and EURC) for use in DIFC [21] – these became the first stablecoins approved for integration into financial services in the DIFC. Any other stablecoin must pass DFSA's Token Recognition process to be permitted.	The DFSA employs a strict token recognition and monitoring regime. It sets criteria for recognizing Fiat Crypto Tokens, including regulatory status in reputable jurisdictions, transparency of governance and operational robustness [24]. Only Fiat Crypto Tokens meeting these standards are placed on the DFSA's Recognized Crypto Tokens list (and only those can be used or promoted in DIFC) [21]. The DFSA monitors these tokens' ongoing compliance – issuers are expected to provide audits or information as needed. Recognized Fiat Crypto Tokens are allowed for limited use cases like payment transactions (money services) and settlement of crypto derivatives trades in the DIFC [26]. The DFSA can de-recognize a token if it no longer meets criteria, thereby barring its use.	Full backing by fiat assets is required as part of DFSA's recognition criteria. The DFSA expects Fiat Crypto Tokens to be fully reserve-backed by high-quality assets denominated in the same fiat to maintain the peg [26]. (Multi-currency or asset-backed tokens are not recognized as "fiat" stablecoins.) Reserves should be held with credible custodians and segregated, similar to prudential standards elsewhere [22]. There is an emphasis that reserves must be liquid and secure to ensure stability. Although the DFSA does not publicly prescribe a specific list (since it relies on issuers' home regulation), in practice recognized Fiat Crypto Tokens like USDC adhere to holding cash and short-term treasuries to back their supply.	Redemption rights are inherently expected but not directly regulated by DFSA (since the issuer is typically offshore). The DFSA's definition notes a Fiat Crypto Token's value "purports to be determined by reference to" fiat [27] and that such tokens are typically backed by financial assets to stabilize price [27] – implying redeemability. In practice, the stablecoins approved (e.g. USDC) allow redemption of tokens for fiat through their issuer. The DFSA requires disclosure of terms, so users are informed of redemption processes. Any stablecoin that does not offer redemption at par would likely fail the recognition criteria (as the promise of stability would be unsubstantiated). Thus, while the DFSA doesn't itself enforce redemption mechanics, it only recognizes Fiat Crypto Tokens from issuers who do offer one-to-one redemption (or equivalent mechanisms to maintain parity).

Jurisdiction	Definition & Classification	Exclusions from Scope	Prohibitions	Regulated /Licensed Activities	Market Monitoring & Controls	Reserve Assets Requirements	Redemption Rights
VARA	FRVA – VARA’s category for stablecoins. An FRVA is defined as a virtual asset that purports to maintain a stable value relative to one or more fiat currencies (except the UAE Dirham) without being legal tender [29]. It is not issued or guaranteed by a government, and derives its value from user acceptance and reserves. (In essence, fiat-backed stablecoins pegged to USD, EUR, etc., fall under FRVAs.) Dubai’s framework covers both single-currency and certain multi-fiat stablecoins, as long as they are fiat-referenced [29].	AED-pegged stablecoins are excluded from VARA’s remit – any stablecoin referencing the AED is under CBUAE’s sole authority [29]. VARA’s FRVA rules explicitly do not apply to CBDCs or other central bank-issued money [29]. They also exclude tokens representing equity or debt claims, and tokenized bank deposits for interbank use [29].	Issuing algorithmic stablecoins is prohibited under VARA’s regime (only fully backed fiat-referenced coins are allowed [19]. Moreover, any virtual asset activity in Dubai without VARA license is illegal – so unlicensed FRVA issuance or related services are prohibited.	VARA mandates that anyone issuing a stablecoin (FRVA) obtain a Category 1 VASP license [29]. This involves a full licensing process with VARA, including approval of a detailed whitepaper and compliance with prudential rules. Additionally, exchanges, custodians, and other VASPs must be licensed by VARA and may need a Non-Objection from CBUAE to handle stablecoins. All FRVAs must be approved by VARA prior to public offering (VARA will review the whitepaper and token structure).	VARA has implemented comprehensive monitoring and disclosure obligations for stablecoin issuers. The Virtual Asset Issuance Rulebook now includes specific rules for FRVAs [25]. Issuers must publish clear disclosures in their whitepaper about how the FRVA is created and burned, reserve composition, and redemption policies [25]. FRVA issuers are subject to monthly independent audits of both the stablecoin supply and the reserve assets’ value [25]. VARA imposes ongoing reporting on reserve status and requires notification of any material changes. It also enforces standards on technology risk, custody of reserves, and marketing restrictions (to ensure communications don’t mislead consumers about stability or safety). VARA can conduct inspections and has enforcement powers – it has already fined violators in the wider virtual asset sector [25], signalling strict oversight.	100% reserve backing is required. An FRVA issuer must maintain reserves equal to at least 100% of the outstanding stablecoins, in assets of equivalent value [29]. Reserve assets may comprise of cash, cash equivalents (such as CBDCs) and high liquid financial instruments (such as debt securities and repurchase agreements). The composition and custody of reserves must be disclosed, and monthly audits confirm that reserves meet or exceed liabilities [29]. Reserves should be segregated from the issuer’s own assets and safeguarded (e.g. held by regulated custodians) to protect token holders.	Mandatory redemption policies: VARA requires that stablecoin issuers have “clear and detailed policies on the redemption” of FRVAs disclosed to users [29]. Holders must be able to redeem their stablecoins with the issuer in exchange for the underlying fiat currency under the terms promised. Redemption requests must be processed within one (1) Working Day of any such requests or in case of significant disruptions, within one (1) day of the reserve assets no longer being significantly impacted. Redemption must be at par value (1:1) without charging any fees. Additionally, VARA’s rules include an “Approved stablecoin Recovery & Redemption Plan” – issuers must have contingency plans to ensure orderly redemption even under stress [32].

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CBB	"Approved Stablecoin" – under the new SIO Module (effective July 2025), Bahrain permits fiat-backed stablecoins denominated in BHD, US Dollar, or other fiat currencies approved by the central bank [33]. Stablecoins are defined as digital assets that maintain a stable value relative to a fiat currency by holding backing assets [33].	The framework is limited to fiat-referenced stablecoins. Algorithmic stablecoins or crypto-collateralized coins are not allowed – only those with real fiat or liquid asset backing qualify as "approved stablecoins." Stablecoins intended to maintain value relative to commodities (e.g. gold) are outside this framework (they may be considered investment tokens or commodities but not regulated as stablecoins). The rules also ensure that CBDCs and bank deposit tokens are excluded (since those are outside CBB's scope for stablecoin licensing).	Unlicensed issuance or offering of stablecoin is prohibited. All stablecoin issuers must be licensed by the CBB; offering a stablecoin to the public without a license violates CBB regulations [32]. Existing financial institutions in Bahrain must obtain CBB approval before launching any stablecoin products [32]. The CBB's 2019 policy of banning cryptocurrency services has evolved – now fiat-backed stablecoins are allowed under strict conditions, but other virtual assets remain largely unregulated or restricted. Bahrain has also indicated that unauthorized stablecoins will face enforcement; only "approved stablecoins" (those meeting the Module's requirements) are legal to market.	Licensing is now available for: (1) Stablecoin Issuers – entities that issue, manage supply (mint/burn) and maintain reserves for a fiat-backed stablecoin; (2) Custodians/Wallet Providers – entities that safeguard stablecoins or provide wallets/payment services using them [33]. License applicants must meet fit-and-proper criteria and demonstrate a track record (3+ years) in digital assets or financial services [34]. CBB requires submission of detailed operational plans, risk management frameworks, and resource commitments for approval [33]. Licensed banks in Bahrain can also seek permission to issue stablecoins as an extension of their services (with additional SIO compliance). All licensed issuers/custodians are subject to the CBB Rulebook and supervision (including inspections).	The CBB has instituted strong ongoing supervision for stablecoins. The SIO Module incorporates international best practices (drawing on MiCA, FATF, FSB standards) [33]. Key measures include: Real-time monitoring – issuers must continuously monitor their platforms and reserves (with threshold alerts for any stress) [35]. Reporting – regular reporting to CBB on reserve holdings, stablecoin circulation, and any operational incidents. Public disclosures – issuers must publish information on their website about the number of tokens in circulation and the value/composition of reserves, updated at least monthly [22] [36]. Audit – annual audits of financial statements and reserve attestations are required. The CBB also has a regulatory sandbox to allow innovative stablecoin solutions to be tested under oversight [33]. Overall, Bahrain's approach centralizes stablecoin oversight under the central bank for unified monitoring and risk control [33].	Full reserve backing (1:1) is mandatory. A stablecoin must be fully backed by high-quality reserve assets equal to 100% of the stablecoin's outstanding value at all times. Permitted reserve assets likely include fiat cash in segregated accounts and very liquid low-risk investments (the CBB's rules are influenced by EU MiCA's approach [33]). The reserve assets must be held with custodians or banks approved by CBB, ensuring they are ring-fenced for token holders' benefit. CBB allows reserves to generate interest – notably, yield-bearing stablecoins are permitted as long as any returns paid to users come solely from interest earned on the reserve assets (or Sharia-compliant reserves) [36]. Issuers can distribute such yield to token holders, but the CBB requires that the rate be prudent and not destabilize the peg [36].	Explicit redemption rights: The Bahrain framework guarantees that holders of an approved stablecoin can redeem it for the underlying fiat. Issuers must establish clear redemption mechanisms and disclose them in their Stablecoin Whitepaper (required for each stablecoin offering) [32]. Redemptions should be processed within a reasonable timeframe and at par value (1 stablecoin = 1 BHD/USD, etc.). The SIO rules include a dedicated section on "Reserve Asset & Redemption Right" [32], obligating issuers to honour redemption requests and maintain adequate liquidity to do so [32]. Furthermore, issuers must have a Recovery & Redemption Plan detailing how redemptions would be handled under crisis scenarios (e.g. large-scale withdrawals or reserve shortfalls) [32]. These provisions ensure that Bahraini stablecoin holders have legal assurance of convertibility back to fiat on demand.

Jurisdiction	Definition & Classification	Exclusions from Scope	Prohibitions	Regulated /Licensed Activities	Market Monitoring & Controls	Reserve Assets Requirements	Redemption Rights
Saudi Arabia (No dedicated stablecoin regime)	Saudi Arabia does not yet recognize stablecoins in law. There is no specific category for stablecoins; they would generally fall under "virtual assets" or "cryptocurrency s" in the eyes of regulators. The SAMA and CMA (Saudi Arabi) have not issued any licenses or official definitions for stablecoins as of 2025 [37].	All cryptocurrencies (including stablecoins) are outside the regulated space in KSA. They are not recognized as legal tender or as financial instruments. The authorities exclude crypto-assets from licensed financial activities – for example, banks and payment companies cannot deal in crypto without violating regulations [37]. (Saudi Arabia's focus has been on central bank digital currency pilots and fintech, rather than private stablecoins.)	General prohibition (informal): Saudi Arabia has taken a cautious, restrictive stance. While there is no explicit law banning holding crypto, SAMA has issued warnings against cryptocurrency trading and noted that these assets are unregulated and not protected by Saudi law[36]. In practice, banks are prohibited from processing crypto transactions, and the government has stated that crypto dealings are illegal in the Kingdom's financial system[37]. Thus, issuing or facilitating stablecoins in Saudi Arabia is effectively not allowed currently.	There is no licensing regime for stablecoin issuers or service providers. SAMA has not authorized any entity to issue stablecoins. The only related initiative is SAMA's pilot project to develop a wholesale CBDC (digital rial) for interbank use [39] – but that is a central bank initiative, not a private stablecoin. Any operation of a crypto exchange or wallet service in KSA would require special permission (none granted so far). The CMA (Saudi Arabi) treats crypto-assets as high-risk and unregulated and has not approved any crypto investment offerings.	Saudi regulators are monitoring the crypto market from a distance. SAMA monitors cryptocurrency developments and has set up an internal team to study them[40], but as of 2024 no consumer-facing oversight exists because such activities are not officially permitted. The government's approach is to warn consumers and prevent the financial sector from exposure. There is no stablecoin-specific monitoring beyond general AML surveillance to ensure crypto isn't used illicitly. Saudi authorities likely coordinate with global regulators on best practices, but implementation will only come if/when they legalize some form of virtual assets.	Not applicable. Since stablecoin activity is not authorized, there are no reserve requirements specified. (If an entity were hypothetically allowed in future, it would presumably need full fiat reserves as per international norms. Currently, this is moot as no stablecoin issuance is sanctioned.)	Not applicable. There is no legal framework guaranteeing redemption rights for stablecoins in Saudi Arabia. (Any stablecoins available to Saudi residents – e.g. on foreign crypto platforms – operate entirely at the users' own risk, with no regulatory assurances.)

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Qatar (stablecoins excluded)	Qatar's 2024 Digital Assets Framework does not recognize stablecoins as permissible digital assets. In the QFC, the new regulations classify tokens into "Permitted" vs "Excluded." Stablecoins are classified as "Excluded Tokens," being deemed substitutes for currency. In practice, Qatar does not define stablecoins except to exclude them from the regulatory regime.	Stablecoins and cryptocurrencies are entirely excluded from Qatar's regulated digital asset scope. The framework in Qatar is focused on tokenization of real-world assets and investment tokens. Tokens like Bitcoin or fiat-backed coins (USDT, USDC, etc.) are not allowed. The only digital assets allowed are those tied to underlying assets/rights and approved by the regulator – which pointedly excludes pure payment tokens.	Previously, Qatar maintained an outright ban on virtually all crypto activities. In 2019, the Qatar Central Bank and QFCRA prohibited local businesses from dealing in cryptocurrencies [41]. The QFC Authority in 2020 clarified that virtual asset services (exchange, transfer, custody of crypto or stablecoins) are not allowed in the QFC [41]. This ban encompasses stablecoins. The recent 2024 Digital Assets Framework now regulates tokens that are cryptographically secured, is a digital representation of real or personal rights and is capable of being issued, transferred and stored using DLT. However stablecoins, and even CBDCs are "Excluded" – meaning no trading, issuance, or promotion of such tokens is permitted in Qatar's jurisdictions [42].	There is no licensing pathway for any crypto or stablecoin business in Qatar. The regulators have only provided for licensing of "Token Service Providers" dealing with permitted (asset-backed) tokens. Any offering of a stablecoin would be illegal under current policy. (Qatar instead focuses on central-bank-led digital payment initiatives; e.g. Qatar is studying a CBDC but private stablecoins remain banned[42].)	Qatari authorities enforce a strict no-crypto regime. The QCB and QFCRA monitor financial institutions to ensure compliance – e.g. banks must block transactions involving cryptocurrency exchanges. The 2024 framework created a controlled environment for tokenization but explicitly kept certain cryptocurrencies excluded to protect the financial system from volatility and AML risks [41]. Qatar's financial regulators likely share information to detect any unauthorized crypto trading and have issued public reminders of the ban. There is an emphasis on traditional AML/CFT monitoring to prevent illicit use of unregulated crypto.	Not applicable. Qatar has no reserve asset rules for stablecoins, since none can be issued or operated legally. (Any stablecoin-like project would fall outside the law; the only "reserve" concept in Qatar's rules pertains to tokenizing real assets, not maintaining fiat reserves for a pegged token.)	Not applicable. No redemption rights are afforded in Qatar for stablecoins. By excluding stablecoins, Qatar avoids the need for such consumer protections. (Should Qatar ever allow stablecoins in the future, one would expect stringent redemption guarantees, but as of now the policy is simply exclusion.)

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