

Whitepaper on Stablecoins¹

Section I – Executive Summary

- 1.1. At present, India does not have a dedicated regulatory framework for stablecoins. Existing payments, exchange control and anti-money laundering frameworks, such as the Payment and Settlement Systems Act 2007 ("**PSS Act**"), Foreign Exchange Management Act 1999 ("**FEMA**"), and Prevention of Money Laundering Act 2002 ("**PMLA**"), address only portions of the risk spectrum. By contrast, the European Union's Markets in Crypto-Assets Regulation ("**MiCA**")² and the United States Guaranteeing Essential Neutral Interoperable Utility Stablecoins ("**GENIUS Act, 2025**")³ have already established comprehensive, disclosure-based regimes that integrate stablecoin issuance into their prudential and consumer-protection architecture.
- 1.2. In India's context, a calibrated approach would allow licensed institutions to issue or distribute Rupee-referenced tokens fully backed by cash and / or Government of India Treasury bills ("T-Bills"), with mandatory monthly attestation based on benchmarks similar to those set out in the AICPA 2025 Criteria for Stablecoin Reserves.⁴ Such a model would (a) enhance efficiency in domestic and cross-border settlements; (b) support export-oriented digital services; and (c) promote internationalisation of the Rupee, all while preserving the Reserve Bank of India's ("**RBI**") monetary-policy autonomy.
- 1.3. Globally, stablecoins now account for more than \$150 billion in daily transaction value,⁵ powering programmable-finance use-cases ranging from instant trade-finance settlement to tokenised bond issuance. Their regulated adoption can enable India's Digital Public Infrastructure (DPI), Unified Payments Interface ("**UPI**"), Aadhaar, Open Network Digital Commerce (ONDC), Open Credit Enablement Network (OCEN), and Account Aggregator infrastructures to interoperate with global Distributed Ledger Technology ("**DLT**") based networks through trusted, audit-ready payment instruments.
- 1.4. In this backdrop, it is proposed that the policy for Stablecoins safeguards India's monetary sovereignty, aligns with global regulatory trends, promotes rupee dominance for cross border trade and remittances as well as strengthens financial stability; while simultaneously combating illicit finance, ensuring Anti-Money Laundering ("**AML**") compliance and protecting consumers.

[This space is intentionally left blank.]

¹ The authors of this white paper can be contacted at the following e-mail addresses: Rohan Bagai – rohan.bagai@azbpartners.com; Sagnik Chatterjee – sagnik.chatterjee@azbpartners.com; Adishree Singh – adishree.singh@azbpartners.com. The views expressed in this paper do not constitute a legal opinion and / or advice on behalf of AZB & Partners.

² Regulation (EU) 2023/1114 (MiCA), Arts. 43–48.

³ U.S. Congress, GENIUS Act of 2025, Title II §102–107.

⁴ AICPA, 2025 Criteria for Stablecoin Reserves and Attestation Engagements (2025).

⁵ FXC Intelligence, The State of Stablecoins in Cross-Border Payments 2025 Industry Primer.

Section II - Opportunity to Introduce Stablecoins in India

2.1. What is Stablecoin?

- 2.1.1. Stablecoin is a form of cryptocurrency the value of which is pegged to another asset, including but not limited to fiat currency, gold, etc. to maintain a stable price.
- 2.1.2. Stablecoins are crucial in the cryptocurrency ecosystem due to their stability which is what make them unique. Cryptocurrencies like Bitcoin and Ether offer numerous benefits, such as not requiring trust in an intermediary institution to send payments anywhere and to anyone. However, their prices are unpredictable and can fluctuate wildly, making them challenging for everyday use.⁶
- 2.1.3. Stablecoins aim to tackle these price fluctuations by tying the value of cryptocurrencies to more stable assets, usually fiat currencies. This stability aims to maintain their value over time and encourages their adoption in regular transactions.
- 2.1.4. Use cases of Stablecoins include:
 - (a) Cross-border trade and remittances: Reduce costs from ~5% to <1%.
 - (b) MSME exports: Instant settlement of invoices instead of 3–5-day lags.
 - (c) Liquidity management: Real-time treasury operations for corporates.
- 2.1.5. Examples of Stablecoins include the USDC by Circle, which is a Stablecoin pegged 1:1 against the US Dollar. Hence, one USDC is equivalent to one USD.

2.2. Global Context and Regulatory Momentum.

- 2.2.1. Over the last five years, global financial regulators have converged on the view that fiat-backed stablecoins, when subject to prudential oversight, can coexist safely with existing monetary systems. The MiCA⁷ created the world's first passportable licensing regime for "asset-referenced" and "e-money" tokens, requiring full reserve backing, daily reconciliation, and redemption at par.
- 2.2.2. The United States, through the GENIUS Act, 2025,⁸ established federal charters for "payment stablecoin institutions", mandating segregation of customer assets, capital buffers, and Office of the Comptroller of the Currency ("OCC") supervised attestations. Singapore's Payment Services (Amendment) Regulations 2023⁹ introduced a Single-Currency-Stablecoin ("SCS") category under the MAS Payment Services Act 2019, that required 100 percent backing by cash and short-term sovereign debt, daily transparency reports, and annual audits. These frameworks collectively demonstrate that regulation, not prohibition, is the sustainable policy response. They also evidence that supervisory confidence increases when stablecoin reserves remain within the domestic banking system.
- 2.2.3. For India, these global developments provide both precedent and opportunity. The country already possesses a mature payments-law architecture under the PSS Act, a robust foreign-exchange regime under FEMA, and an established AML/CFT framework under PMLA. Similarly, India should also consider a robust regulatory framework for stablecoins.

⁶ <https://www.coinbase.com/en-in/learn/crypto-basics/what-is-a-stablecoin>.

⁷ Regulation (EU) 2023/1114, Markets in Crypto-Assets (MiCA), OJ L150/40, Arts. 43–48.

⁸ GENIUS Act of 2025, Title II §§102–107 (U.S. Congress).

⁹ Monetary Authority of Singapore, Payment Services (Amendment) Regulations 2023, Regs. 9A–9H.

2.3. Why India Needs a Regulated Stablecoin Framework.

2.3.1. The key benefits for introducing a dedicated regulatory framework for stablecoins would include:

- (a) **Preserving Monetary Sovereignty and Rupee Dominance:** Stablecoins pegged to foreign currencies can undermine RBI's control over money supply and exchange rates, which in turn may lead to capital flight.
- (b) **Enhancing cross-border trade and remittances:** Stablecoins can offer faster and cheaper cross border payments compared to existing traditional remittance framework. A tailored framework, possibly allowing regulated foreign pegged tokens under reciprocity arrangements could reduce remittance costs for millions of Indian expatriates, while preserving RBI's oversight of capital flows and macroprudential controls.
- (c) **Combating illicit finance and ensuring AML compliance:** Anonymous, cross border token transfers can facilitate money laundering, terror financing and tax evasion. Licensing stablecoin issuers as regulated financial institutions would ensure adherence to Know-Your Customer ("KYC"), transaction monitoring, suspicious activity reporting and sanction screening. Further, interoperability requirements with India's existing monitoring agencies such as Financial Intelligence Unit - India ("FIU-IND") would strengthen oversight.
- (d) **Protecting consumers and investors:** Digital-asset issuers are exposed to liquidity, credit and operational risks. A comprehensive regulatory framework can mandate transparency (reserve composition disclosures, proof-of-reserves audits), enforce conduct standards (fair terms, dispute resolution, bankruptcy related provisions) and impose capital and liquidity requirements on issuers. This would reduce fraud, misappropriation and sudden de-pegging (for e.g., TerraUSD) that have pegged global stablecoin issuers.
- (e) **Strengthening financial stability:** Unbacked or weakly collateralized stablecoins pose run and contagion risk.
- (f) **Integrating with a Digital Rupee Strategy:** As India designs its Central Bank Digital Currency ("CBDC" or "e₹") framework, a complimentary stablecoin regime would delineate roles; CBDC for monetary policy implementation and fiscal disbursements; and stablecoins for commercial payments. Such clarity would prevent overlap, encourage interoperability and leverage private innovation.
- (g) **Aligning with Global Regulatory Trends:** Major jurisdictions including the United States (US), European Union (EU), and Singapore have already introduced tailored stablecoin frameworks. An Indian framework aligned with international best practices would facilitate cross-jurisdictional coordination, mutual recognition and regulatory universality, ensuring Indian issuers have access to global markets under trusted regimes.
- (h) **Fostering innovation and payment system modernization:** A balanced, risk-based framework can encourage fintech innovation by providing legal certainty to issuers, service providers, and integrators. By permitting licensed stablecoins, India could accelerate digital payments, programmable escrow, and micro-remittance use cases. Regulatory certainty would attract investments and talent to the domestic digital-asset ecosystem.

2.3.2. India's digital-payments ecosystem, led by UPI, Immediate Payment Services (IMPS), and Aadhaar Enabled Payment System (AePS), processes billions of transactions monthly. Yet international settlements and B2B transfers remain slow and costly due to reliance on SWIFT correspondent banking, pre-funded nostro/vostro accounts, and FX-conversion frictions. Stablecoins can eliminate these inefficiencies by enabling atomic settlement that is simultaneous exchange of value and information.

- 2.3.3. A domestic, rupee-pegged stablecoin would act as a programmable digital cash equivalent, circulating only within the regulated financial perimeter. When issued by licensed entities, it would function as a regulated instrument, with each token representing a claim on underlying fiat reserves held with scheduled commercial banks.
- 2.3.4. In addition, cross-border MSME exporters suffer liquidity delays awaiting remittances; stablecoin-based rails could compress this to minutes.
- 2.3.5. Most importantly, a well-regulated stablecoin system would reduce systemic concentration risk by decentralising settlement infrastructure, making India's payment networks more resilient to cyber and operational outages, a growing concern noted in the RBI's 2024 Financial Stability Report.¹⁰
- 2.3.6. Therefore, India's objective should not be to replace the CBDC but to complement it. The e₹ can serve retail cash-replacement use cases, while stablecoins address programmable, cross-border, and institutional needs.

2.4. Economic Rationale and Macroeconomic Benefits.

- 2.4.1. Stablecoins offer tangible macroeconomic benefits for India's trade and financial-sector modernisation agenda.
 - (a) **Reduction in transaction costs:** Cross-border payments through SWIFT average 5–7 percent in total fees. Blockchain-based settlement using rupee-pegged tokens could reduce costs below 1 percent, directly improving India's current-account position.
 - (b) **Increased velocity of money:** Instant settlement frees working capital locked in transit; Bank for International Settlements ("BIS") estimates indicate potential GDP gains of 0.3–0.5 percent from settlement-time compression alone.¹¹
 - (c) **Enhanced financial inclusion:** Rural or unbanked users accessing stablecoin wallets through regulated FinTech intermediaries can participate in digital payments without requiring continuous internet connectivity, using offline QR solutions.
 - (d) **Rupee internationalisation:** Rupee-backed stablecoins used for invoicing in other geographies like South Asia, Africa, and the Gulf etc. could elevate the INR's status as a regional settlement currency, supporting India's long-term foreign-policy objective of currency diplomacy.¹²
- 2.4.2. These macro-benefits justify treating stablecoin development as a national economic-infrastructure project, akin to UPI.

2.5. Alignment with the RBI's CBDC and Digital Rupee Strategy.

- 2.5.1. India's ongoing CBDC pilot, the e₹, represents an essential innovation in sovereign money. However, CBDCs and stablecoins serve distinct but complementary roles. The CBDC is a direct central-bank liability, designed for retail payments and government disbursements. Stablecoins, by contrast, are private liabilities fully backed by fiat reserves, optimised for programmability, interoperability, and cross-border commerce.
- 2.5.2. International experience confirms that coexistence is feasible. The Monetary Authority of Singapore ("MAS"), Japan's Financial Services Agency ("FSA"), and the European Central Bank have all concluded that CBDCs can anchor trust in money while regulated stablecoins drive innovation at

¹⁰ Reserve Bank of India, Financial Stability Report, June 2024, Chap. V.

¹¹ Bank for International Settlements, The Future of Payments: Faster, Cheaper, More Transparent, 2023.

¹² Ministry of External Affairs, India and the Global South: Economic Diplomacy Report 2024.

the network edge.¹³ India's own CBDC white paper (RBI, 2022) acknowledges the need for token-based architectures and interoperability with other forms of digital money.

- 2.5.3. In this context, the RBI's CBDC Pilot Phase II could include a testbed for stablecoin interoperability, focusing on programmable cross-border use cases such as remittance and trade-credit settlement. This experiment would demonstrate how e₹ can serve as the final settlement layer for private-issued tokens, ensuring systemic safety while leveraging private-sector agility. Such coordination would place India among the few jurisdictions actively piloting hybrid digital-money ecosystems.

2.6. Reserve Management and Financial-Stability Considerations.

- 2.6.1. The core question before every central bank is whether stablecoin issuance might destabilise monetary transmission or divert deposits from the regulated banking system. International evidence suggests otherwise, provided that reserves remain entirely within domestic, supervised financial institutions. Under MiCA Art. 43(1), all e-money tokens must be backed by 1:1 reserves held in credit institutions or central banks, segregated from issuer assets and reconciled daily.
- 2.6.2. Singapore's MAS Notice PSN02 (2023) mandates that stablecoin reserves be held in cash or sovereign debt with maturities under three months, audited monthly, and attested by an independent public accountant.¹⁴ The U.S. GENIUS Act §104(b) follows the same prudential template.
- 2.6.3. Applying these standards to India, stablecoin issuers may be required to:
- (a) Maintain reserves exclusively in Indian-currency bank deposits and Government of India T-Bills with maturities not exceeding 90 days;
 - (b) Appoint a registered statutory auditor to attest monthly reserve statements filed with the RBI; and
 - (c) Publish independent attestation reports based on benchmarks similar to those set out under the AICPA 2025 Criteria for Stablecoin Reserves.¹⁵
- 2.6.4. These provisions would ensure that every stablecoin in circulation corresponds to an equivalent rupee asset within the domestic financial system, thereby supporting rather than undermining monetary stability. To mitigate contagion risk, stablecoin reserves could also be ring-fenced through a dedicated "trust account" structure akin to escrow arrangements under RBI's payment system frameworks.
- 2.6.5. The objective is not deregulatory freedom but regulated confidence, a framework where technology serves the policy goals of stability, inclusion, and transparency.

2.7. Consumer-Protection Considerations.

- 2.7.1. From a consumer-protection perspective, MiCA Art. 50 requires issuers to guarantee redemption at par and maintain customer complaint-handling mechanisms. India can replicate this by directing issuers to provide guaranteed redemption rights enforceable under an Ombudsman like scheme.

2.8. Risks, Mitigation Measures, and Supervisory Architecture.

- 2.8.1. Every jurisdiction that has adopted stablecoins has also established multi-layered supervisory safeguards. The Financial Stability Board (FSB 2024) identifies key risk categories: (a) run risk; (b)

¹³ European Central Bank, CBDC and Private Digital Money Coexistence Framework, 2023.

¹⁴ Monetary Authority of Singapore, Notice PSN02 on Stablecoin Reserves, 2023.

¹⁵ AICPA, 2025 Criteria for Stablecoin Attestation Engagements.

operational and cyber risk; (c) legal and governance risk; and (d) AML/CFT risk. Mitigation depends on prudential segregation, real-time reporting, and incident-response coordination. India could consider adapting this model through:

- (a) **A regulatory authority** – to license and supervise issuers, custodians, ensure maintenance of reserves and wallet providers under the PSS Act;
- (b) **A regulatory authority** – to monitor secondary-market token trading under its regulatory framework;
- (c) **AML/CFT supervision** – FIU-IND to ensure continuous monitoring via API-linked reporting.

2.9. Alignment with GIFT-IFSC and Cross-Border Innovation.

- 2.9.1. The International Financial Services Centres Authority ("IFSCA") was established to promote global financial innovation under Indian supervision. GIFT City already hosts multiple sandbox programmes allowing tokenised-bond and cross-border-payment pilots. Introducing a stablecoin pilot within GIFT-IFSC would enable India to test international stablecoin corridors without systemic exposure to the domestic economy.
- 2.9.2. The IFSCA could designate "Tokenised Settlement and Stablecoin Pilots" as a formal sandbox category. Participants may include banks and FinTechs issuing rupee-denominated stablecoins for B2B trade and remittance. Data from these pilots could inform nationwide regulation, much as Singapore's Project Guardian informed MAS's 2023 stablecoin amendments. GIFT-IFSC could thus become India's testbed for cross-border financial interoperability, balancing innovation with oversight.

2.10. Conclusion of Section II.

- 2.10.1. In sum, India's opportunity lies in translating its strengths, robust payments infrastructure, regulatory capacity, and digital public goods, into a globally competitive stablecoin ecosystem that safeguards stability while promoting innovation. By positioning stablecoins as regulated digital money instruments, India can bridge the gap between its domestic UPI-led revolution and the next phase of tokenised finance. The introduction of a regulatory framework for stablecoins would formalise this transition, ensuring (a) reserve transparency, (b) redemption certainty, and (c) consumer protection consistent with global best practices.
- 2.10.2. A Task Force can be constituted to draft a framework, supported by industry consultation and technical input from the RBI, IFSCA, and Ministry of Electronics and Information Technology (MeitY).

[This space is intentionally left blank.]

Section III - Principles for a Stablecoin Regulatory Framework

The preceding analysis established the macro-economic and institutional case for introducing regulated stablecoins within India's payments and financial ecosystem. This Section builds upon that premise by articulating the core regulatory principles that should guide any future rule-making process under Indian law.

The objective is to balance innovation and supervision, to create a framework that maximises economic efficiency while insulating the financial system from contagion. In developing these principles, the submissions draw upon global benchmarks, MiCA (EU 2023), the GENIUS Act (US 2025), MAS Payment Services (Amendment) Regulations 2023, and the Financial Stability Board 2024 Recommendations, and align them with India's domestic policy architecture under FEMA, PMLA, IT Act 2000, and Companies Act 2013.

Each subsection therefore identifies the underlying rationale, the corresponding international norm, and its legal transposition into India's statutory context.

3.1. Principle I - Decentralisation, Governance, and the "Same Activity, Same Risk, Same Rules" Doctrine.

- 3.1.1. Decentralisation must be understood as functional rather than anarchic. The intent is not to disintermediate regulation, but to distribute operational risk across multiple verified nodes while maintaining supervisory visibility. The FSB's 2024 report on Global Stablecoin Arrangements emphasises that resilience improves when validation and reserve management functions are segregated among independent, regulated participants rather than concentrated in one issuer.¹⁶
- 3.1.2. Accordingly, India's forthcoming framework could:
 - (a) Require issuers to constitute governance boards with at least one independent director possessing expertise in payments and cybersecurity;
 - (b) Mandate multi-signature control for reserve accounts and smart-contract deployment, reducing single-point vulnerabilities; and
 - (c) Stipulate that consensus nodes participating in transaction validation, subject to PMLA obligations.
- 3.1.3. The RBI may prescribe standards for "efficiency, access, and systemic safety." This authority could extend to defining minimum governance structures for stablecoin issuers. MiCA Art. 45 similarly imposes governance-fit-and-proper criteria for management bodies; the GENIUS Act §103 requires independent risk committees for issuers exceeding USD 5 billion in circulation. By aligning with these precedents, India can ensure that decentralisation does not dilute accountability but, instead, enhances redundancy and transparency.
- 3.1.4. All such governance charters can be filed with the RBI and disclosed publicly, mirroring SEBI (Listing Obligations) Regulations 2015 Reg. 26. In this manner, "decentralisation" becomes a regulated distribution of trust, a principle that reconciles blockchain's technical resilience with India's statutory standards of fiduciary oversight.

3.2. Principle II - Reserve Management and Prudential Backing.

- 3.2.1. Stablecoin credibility depends entirely on reserve integrity. The legal architecture may therefore require 100 percent, high-quality, liquid-asset (HQLA) backing, daily reconciliation, and third-party attestation. MiCA Art. 43(1) mandates that e-money-token reserves consist solely of deposits or

¹⁶

Financial Stability Board, Global Stablecoin Arrangements – Final Recommendations, 2024.

central-bank money; the MAS PSN02 (2023) rules restrict backing to cash, T-Bills, or MAS-approved instruments with maturities under 90 days. The AICPA 2025 Criteria introduce monthly attestation and daily reconciliation standards for auditors.¹⁷

3.2.2. India may adopt the following reserve-governance parameters:

- (a) **Eligible assets:** INR bank deposits and Government of India T-Bills $\leq$ 90 days.
- (b) **Custody:** Reserves to be maintained in escrow accounts with scheduled commercial banks designated as custodians.
- (c) **Reconciliation:** Daily ledger balancing and regulatory reporting via API interfaces.
- (d) **Attestation:** Independent monthly audits.
- (e) **Transparency:** Public disclosure of reserve composition on issuer websites within five business days of month-end.

3.3. Principle III - AML/CFT and Privacy-Preserving Compliance.

- 3.3.1. A stablecoin system must satisfy the dual imperatives of traceability and privacy. The PMLA empowers the Government to notify "reporting entities." All stablecoin issuers, wallet providers, and custodians can be covered under the categorisation of reporting entities under PMLA. Further, each transaction should carry metadata sufficient to satisfy the Financial Action Task Force's (FATF) "travel rule" requirement.
- 3.3.2. Internationally, Switzerland's FINMA Guidance 2023 and the FCA's Consultation Paper CP25/14 promote "selective disclosure", where cryptographic zero-knowledge proofs validate KYC without revealing identity data.¹⁸ India's data-governance ecosystem, built around the Data Empowerment and Protection Architecture ("DEPA"), can adopt this model.
- 3.3.3. Under DEPA, regulated consent managers enable users to share verifiable credentials with financial institutions. If integrated with stablecoin wallets, DEPA can ensure that only verified identities transact, while FIU-IND retain audit visibility.
- 3.3.4. By designing privacy and compliance as co-equal objectives, India can position itself as a jurisdiction where digital-money innovation respects both civil liberties and financial-integrity obligations.

3.4. Principle IV - Risk Mitigation and Systemic Oversight.

- 3.4.1. Stablecoins, if unregulated, can introduce systemic risks similar to those of shadow banking: maturity mismatch, leverage, and contagion through interconnected platforms. The Financial Stability Board (FSB 2024) warns that even asset-backed tokens can trigger run dynamics if redemption rights or reserve transparency are unclear.¹⁹ Accordingly, India's framework may adopt a macroprudential, layered-risk model, distinguishing between (a) small retail stablecoins for domestic payments; and (b) large-value or cross-border stablecoins for institutional settlement.
- 3.4.2. India may explore introducing differentiated capital and governance requirements based on systemic relevance, such that:

¹⁷ AICPA, 2025 Criteria for Stablecoin Attestation Engagements.

¹⁸ Financial Conduct Authority, CP25/14: Regulating Stablecoins in the UK, 2025; FINMA Guidance 2023/01.

¹⁹ FSB (2024), Assessment of Risks from Global Stablecoins.

- (a) **Tier I (Retail):** Issuers with circulation below a certain threshold must maintain minimum paid-up capital and simplified reporting.
- (b) **Tier II (Institutional):** Issuers exceeding a certain threshold require full prudential oversight, quarterly stress testing, and liquidity-coverage reporting.
- (c) **Tier III (Systemic):** Cross-border or multi-currency issuers must undergo continuous monitoring.

3.5. Principle V - Disclosure, Transparency, and Audit Assurance.

- 3.5.1. Transparency remains the single most effective safeguard for public confidence. Every major stablecoin incident, from TerraUSD's collapse in 2022 to Tether's early opacity, stemmed from disclosure failures.²⁰ MiCA Art. 46 mandates white papers detailing governance, redemption rights, and reserve composition, while MAS PSN02 requires monthly independent audits and public disclosure of asset breakdowns. The AICPA 2025 framework elevates these norms into formal attestation standards.²¹
- 3.5.2. Accordingly, India may consider exploring the following transparency requirements:
 - (a) **White Paper Disclosure:** Mandatory publication of token design, redemption mechanics, governance structure, and custodian details prior to issuance.
 - (b) **Monthly Attestation:** Independent audit of reserves and reconciliations, published within ten business days of month-end.
 - (c) **Continuous Disclosure API:** Issuers to provide regulator(s) with real-time dashboards on total tokens in circulation, reserve composition, and transaction velocity.
 - (d) **Incident Reporting:** Obligatory disclosure within 24 hours of any material operational or security event.
- 3.5.3. By enforcing transparency, the framework would make failure of trust structurally impossible, confidence would derive from data, not declarations.

3.6. Principle VI - Consumer Protection and Redemption Rights.

- 3.6.1. Consumer protection underpins legitimacy. Stablecoin users must enjoy the same level of safety as holders of e-money or deposits. The RBI's Ombudsman Scheme already provides grievance redress for digital-payment users. Similarly, the regulatory framework for Stablecoins must guarantee that each issuer ensures redemption at par within two business days, with penalties for delay. MiCA Art. 47(1) enshrines the right to redemption "at any time and at par value," while the GENIUS Act §104(b) compels 1:1 redemption backed by segregated reserves.
- 3.6.2. In this regard, Indian framework could entail the following:
 - (a) Every issuer may be required to establish a Customer Protection Fund (CPF) to compensate users in case of technical or operational failure.
 - (b) Redemption requests may be settled through designated custodial banks, ensuring liquidity under all conditions.

²⁰ <https://www.coindesk.com/layer2/2022/05/24/tether-transparency-is-needed-following-terras-ust-collapse-analyst>.

²¹ AICPA (2025), SOC for Stablecoin Reporting – Transparency and Assurance Framework.

- (c) Terms of service include mandatory disclosure of redemption procedures, fees, and dispute resolution mechanisms.
- (d) Issuers may be required to maintain insurance coverage for operational and cyber incidents, analogous to deposit-insurance for banks.

3.6.3. For redressal, a dedicated body may be created which is mandated to resolve complaints.

3.6.4. These measures would assure users that stablecoins are functionally equivalent in safety to existing payment instruments. Furthermore, to prevent misinformation, advertising of stablecoin products could fall under ASCI Guidelines and Consumer Protection (E-commerce) Rules 2020, ensuring transparent marketing of digital-financial products.

[This space is intentionally left blank.]

Section IV - Comparative Analysis: Stablecoins and Central Bank Digital Currencies (CBDCs)

Having delineated the foundational principles for a stablecoin regulatory framework above, this section turns to the comparative institutional architecture of stablecoins and CBDCs. Both instruments inhabit the digital-money spectrum but differ in issuer liability, governance model, and risk transmission. Whereas the CBDC is a direct sovereign liability, a fiat-backed stablecoin is a private-sector liability fully collateralised by central-bank money or government securities.

The challenge for regulators is to design a coexistence model that preserves monetary sovereignty while encouraging innovation at the periphery.

Comparative experiences from the EU, Japan, Singapore, the UK, and the US indicate that this balance is achievable through legal clarity, technical interoperability, and prudential equivalence.

4.1. Complementarity and Hybrid Coexistence Models.

- 4.1.1. Rather than treating CBDCs and stablecoins as competing species, several jurisdictions have adopted hybrid coexistence frameworks. The Monetary Authority of Singapore's Project Guardian (2023) demonstrated interoperability between tokenised deposits, CBDCs, and stablecoins using a common DLT infrastructure. Similarly, the Bank of Japan's CBDC experiments (Phase 2, 2023) emphasise coexistence through tiered liability design: the CBDC ensures settlement finality, while regulated stablecoins support programmability and innovation.
- 4.1.2. The Regulated Liability Network (RLN), a public-private consortium including the Federal Reserve Bank of New York, proposes a shared ledger linking multiple liabilities (CBDC, tokenised deposits, and stablecoins) under common compliance standards.
- 4.1.3. India could pursue a hybrid model anchored on three principles:
 - (a) **Interoperability:** Common DLT standards (ISO 24165 token identifiers; ISO 20022 message schemas) linking the e₹ ledger and authorised stablecoin systems.
 - (b) **Hierarchical Settlement:** All private stablecoin transactions to settle in final central-bank money via CBDC rails, ensuring monetary sovereignty.
 - (c) **Regulatory Tiering:** RBI to oversee systemic liquidity; IFSCA to govern cross-border corridors; SEBI to regulate tokenised asset settlements.
- 4.1.4. Such a model would preserve RBI's control over final settlement layers while leveraging private-sector agility. The e₹ would function as the base layer of trust, and regulated stablecoins as programmable intermediaries bridging legacy finance and digital ecosystems. This architecture mirrors India's broader approach to digital public infrastructure, public rails, private innovation.

4.2. Comparative Jurisprudence and Policy Philosophy.

- 4.2.1. Comparative analysis across major economies reveals divergent policy philosophies converging on a single objective: maintaining trust in digital money.
 - (a) The EU's MiCA regime recognises stablecoins as a form of "e-money tokens," requiring equivalence with deposit safety and subjecting issuers to EBA supervision.
 - (b) The UK's FCA Consultation Paper CP25/14 (2025) adopts the principle of "same activity, same risk, same rules," extending payment-system regulation to stablecoins used for settlement.

- (c) The United States distinguishes between "payment stablecoins" (supervised by the OCC) and "algorithmic or asset-linked tokens" (supervised by the SEC and CFTC).
 - (d) The IMF (2024) calls for global interoperability principles and data-sharing standards to mitigate cross-border fragmentation.
- 4.2.2. India's approach may align with this global convergence while recognising its unique institutional strengths. UPI and CBDC pilots already provide the technical scaffolding for interoperability.
- 4.2.3. The regulatory philosophy may thus rest on functional equivalence, ensuring that risk, not form, determines supervision. It is therefore proposed that the forthcoming Stablecoin framework expressly adopts this doctrine, codifying the principle that "digital representation does not alter the nature of the underlying obligation."

4.3. Comparative Economic Implications: Monetary Policy and Financial Stability.

- 4.3.1. Economic modelling from the BIS 2023 demonstrates that CBDCs, being non-interest-bearing central-bank liabilities, are monetary-policy tools, whereas stablecoins function as private-sector innovations affecting payment velocity, not money supply.
- 4.3.2. CBDCs allow central banks to calibrate liquidity directly, but they require extensive privacy safeguards and can disintermediate deposits if widely adopted. Stablecoins, conversely, can increase payment efficiency and inclusion without disintermediation when reserves remain within the banking system.
- 4.3.3. For India, the co-existence model offers macroeconomic advantages:
- (a) **Liquidity Recycling:** Stablecoin reserves held in domestic banks reinforce deposit bases, indirectly strengthening credit availability.
 - (b) **Operational Resilience:** Private-sector stablecoin networks can serve as redundancy layers in national payments infrastructure.
 - (c) **FX Efficiency:** Rupee-linked stablecoins in cross-border trade could stabilise demand for INR, improving external-sector balance.
- 4.3.4. Hence, India could adopt a "ring-fenced coexistence" policy, wherein CBDC issuance remains sovereign, but licensed stablecoin issuers operate under prudential linkages, ensuring that the two systems form a complementary monetary continuum rather than a competing dichotomy.

4.4. Synthesis: Designing a Dual-Digital Monetary Ecosystem.

- 4.4.1. The future of digital money could be neither entirely public nor entirely private, it is co-engineered. India's regulatory architecture should reflect a dual-tier digital monetary system, the CBDC anchoring trust and monetary control, and regulated stablecoins extending that trust into programmable, global, and sector-specific applications.
- 4.4.2. The interplay between them can be structured through interoperability protocols, shared compliance registries, and real-time supervisory dashboards. The result is an ecosystem where every digital rupee, sovereign or private, remains auditable, redeemable, and compliant within the national legal framework.

Section V - Global Developments and Best Practices

5.1. The European Union – MiCA Implementation and EBA Oversight.

- 5.1.1. MiCA²² entered into force in June 2023 and became fully operational in 2024, creating the world's first unified licensing and disclosure regime for stablecoins ("**e-money tokens**" and "**asset-referenced tokens**"). Under Articles 43 to 48, issuers must:
- (a) Maintain 1:1 reserve backing in EU credit institutions;
 - (b) Publish white papers pre-approved by the European Banking Authority (EBA);
 - (c) Guarantee redemption at par on demand; and
 - (d) Undergo continuous liquidity and redemption-risk supervision by the EBA and national competent authorities.
- 5.1.2. MiCA also differentiates between significant tokens (exceeding €1 billion circulation) and non-significant tokens, introducing enhanced stress-testing and liquidity requirements for the former. The regulation thus establishes a risk-proportionate template that other jurisdictions, Japan, Hong Kong, Singapore, are now emulating.
- 5.1.3. For India, MiCA provides three critical lessons:
- (a) **Supervisory symmetry:** prudential and conduct rules must apply irrespective of technology form (same activity, same risk, same rules).
 - (b) **Disclosure discipline:** white-paper publication, issuer fit-and-proper vetting, and EBA registration collectively establish baseline transparency.
 - (c) **EU equivalence model:** Article 121(1) of MiCA allows recognition of third-country frameworks deemed "comparable." India could therefore design its Stablecoin framework to target eventual MiCA equivalence, simplifying global interoperability for INR-pegged tokens used in trade invoicing.

5.2. United States – GENIUS Act 2025 and the Federal Prudential Charter.

- 5.2.1. The U.S. GENIUS Act 2025²³ establishes federal charters for "payment stablecoin institutions" supervised jointly by the OCC and the Federal Reserve. Section 103 mandates 100 percent reserve backing in cash or treasury securities. Section 104(b) imposes daily reconciliation and OCC-supervised attestation. Section 107 extends Bank Secrecy Act and FinCEN reporting to all wallet custodians.
- 5.2.2. The U.S. GENIUS Act's philosophy, codified in its title, is one of public-utility neutrality: stablecoin issuers are treated not as speculative enterprises but as payment-system operators akin to clearing houses. The regulatory perimeter thus encourages participation by banks and FinTechs under identical prudential norms.
- 5.2.3. For India, this model demonstrates how prudential regulation can be institution-agnostic: banks, NBFCs, or FinTechs could all issue stablecoins provided they meet identical liquidity, capital, and AML/CFT standards.

5.3. Singapore and Hong Kong – Precision and Sandbox Governance.

²² Regulation (EU) 2023/1114 (MiCA), Arts. 43–48.

²³ U.S. Congress, GENIUS Act of 2025, Title II §§102–107.

- 5.3.1. The MAS and the Hong Kong Monetary Authority ("**HKMA**") exemplify precision regulation. MAS's Payment Services (Amendment) Regulations 2023²⁴ create the SCS class: reserves 100 percent backed by Singapore-dollar assets, redemption at par, and mandatory audit publication. Non-compliant issuers may not use the term "stablecoin," preserving market integrity.
- 5.3.2. Hong Kong's Guideline on Authorization of Stablecoin Issuers 2024²⁵ similarly limits eligible backing assets to cash and short-term sovereign debt, mandates capital ratios, and introduces cross-border-settlement pilots through the HKMA's "Project Enbridge."
- 5.3.3. Key takeaways for India include:
 - (a) **Precision classification:** India's framework may explicitly differentiate fiat-backed, asset-backed, and algorithmic tokens, with only the first permitted for circulation.
 - (b) **Sandbox-first approach:** MAS's FinTech Regulatory Sandbox Express reduces experimentation-to-authorization time from 12 months to 3; India's IFSCA sandbox could replicate this efficiency.
 - (c) **Naming discipline:** Only RBI-authorised issuers may be permitted to label products as "stablecoins," avoiding consumer confusion.
- 5.3.4. Both jurisdictions also demonstrate that supervised innovation accelerates adoption, validating India's proposed GIFT-IFSC pilot corridor.

5.4. United Kingdom and Japan – Financial-Market Integration.

- 5.4.1. The UK Treasury's 2025 Amendments to the Financial Services and Markets Act 2000 and FCA CP25/14 integrate stablecoins into the recognised payment-system regime administered by the Bank of England (BoE).²⁶ Issuers are subject to capital adequacy, wind-down planning, and redemption guarantees. The BoE concurrently published a discussion paper on tokenised settlement assets, concluding that regulated stablecoins can safely support securities settlement alongside RTGS.
- 5.4.2. Japan's Revised Payment Services Act 2023²⁷ authorises banks, trust companies, and licensed money transmitters to issue fiat-backed stablecoins subject to custody segregation and annual audits. The Ministry of Finance requires disclosure of reserve composition and redemption policies to the FSA.
- 5.4.3. Both the UK and Japan exemplify financial-market integration, not separation: stablecoins are treated as extensions of existing market infrastructure, enabling on-chain repo, tokenised bonds, and 24x7 FX settlement. India could emulate this.

5.5. Global Institutional Coordination – BIS, FSB, IMF, IOSCO.

- 5.5.1. Multilateral institutions have converged on stablecoins as a global-priority area. The BIS Innovation Hub (2023) ²⁸ through Project mBridge and Project Icebreaker has validated multi-CBDC interoperability and cross-border atomic settlement. The FSB's 2024 Final Recommendations define governance, redemption, and disclosure principles now reflected in MiCA, MAS PSN02, and forthcoming U.S. regulations.

²⁴ Monetary Authority of Singapore, Payment Services (Amendment) Regulations 2023, Regs. 9A–9H.

²⁵ Hong Kong Monetary Authority, Guideline on Authorization of Stablecoin Issuers 2024.

²⁶ HM Treasury (UK), Financial Services and Markets Act Amendments 2025; FCA Consultation Paper CP25/14.

²⁷ Ministry of Finance (Japan), Revised Payment Services Act 2023, Arts. 60–64.

²⁸ Bank for International Settlements, Project mBridge Final Report 2023; Project Icebreaker Report 2023.

- 5.5.2. The IMF (2024) issued its Handbook on Central-Bank Digital Money and Private-Token Coexistence, advocating a "modular regulatory perimeter" whereby jurisdictional mandates overlap to ensure no unregulated gap remains. IOSCO's Stablecoin Disclosure Principles (2024) establish cross-border transparency metrics identical to those used for Systemically Important Financial Institutions (SIFIs).
- 5.5.3. For India, these international norms reinforce the need for multi-agency coordination. The RBI, SEBI, IFSCA, and FIU-IND may jointly monitor cross-border issuance and redemption through a National Stablecoin Registry interoperable with BIS and FSB data standards. This may enable India both to participate in and influence global rule-setting, a crucial consideration as digital-asset geopolitics intensifies.

5.6. Synthesis – Global Lessons for India.

- 5.6.1. Comparative analysis reveals that jurisdictions prioritising transparency and prudential equivalence, not blanket prohibition, have achieved market stability and innovation leadership. The regulatory success of the EU, U.S., Singapore, and Japan demonstrates that clarity invites compliance. India's Stablecoin framework may align with these best practices by:
- (a) Embedding reserve-assurance norms (MiCA Art. 43; MAS PSN02 Reg. 9A).
 - (b) Mandating attestation and continuous disclosure (AICPA 2025 Criteria).
 - (c) Establishing interoperable supervision with global agencies (FSB 2024 Framework).
 - (d) Leveraging GIFT-IFSC as India's regulatory laboratory for cross-border pilots.
- 5.6.2. Through this synthesis, India can position itself as a rule-shaping jurisdiction within the G20, demonstrating that democratic accountability, financial integrity, and technological sovereignty can coexist.
