

# Stability earns trust: Best practices for the stablecoin issuers and users

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# Contents

About	03	Safe custody practices for enterprise users	07
Executive Summary	04	Enhancing the user experience to drive institutional adoption	08
A global framework that accounts for local nuances	05	Conclusion	09
Operational best practices for issuers	06	Contributors	10
Building a Compliance-First Culture	07	References	11

# About

The Global Finance & Technology Network (GFTN) (formerly known as Elevandi) is a not-for-profit organisation established by the Monetary Authority of Singapore (MAS) in 2024 to harness technology and foster innovation for more efficient, resilient, and inclusive financial ecosystems through global partnerships. GFTN organises convening forums, offers advisory services on innovation ecosystems, provides access to transformative digital platforms, and invests in technology startups with the potential for growth and positive social impact through its venture fund.



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# Executive Summary

Stablecoins, with their rapid growth and stability, are beginning to fulfil their potential in the evolving digital finance landscape. By virtue of the stablecoin peg to reference assets, typically fiat currencies, stablecoins are well positioned as a bridge between traditional finance and cryptocurrency. They facilitate mainstream adoption by mitigating some of the volatility commonly associated with digital assets and cryptocurrencies. With their unique structure of being pegged to stable assets, stablecoins offer significant potential for various real-world applications and for playing a vital role in the broader financial ecosystem. This stability makes them suitable as collateral, reducing market risk during transactions, which enhances their utility in efficient settlement, market access, and smart contract programmability. These benefits are further amplified when combined with the broader efficiencies of tokenisation, digital representation and atomic settlement.

By September 2024, the global market for stablecoins stood at approximately USD \$172 billion (CoinGecko, n.d.), with a high concentration of market share among a few dominant issuers. This growth underscores the urgent need for robust regulatory frameworks and best practices to ensure stability and prevent risks that could disrupt the broader financial system.

Two pressing questions arise:

- What safeguards need to be adopted as we incorporate stablecoins into the financial ecosystem?
- How can ecosystem partners build cohesive best practices to ensure a secure and sustainable path forward?

In response to the evolving stablecoin landscape, Ripple and StraitsX hosted a roundtable as part of the Global Finance & Technology Network (GFTN)'s by-invitation-only Insights

Forum 2024. The roundtable brought together regulators, standard setting bodies, stablecoin issuers, and enterprise technology providers to discuss the future of stablecoins and the necessary best practices for their safe and effective integration into the financial system. The roundtable was supported by a [Stablecoin primer for issuers and users](#) published by the Blockchain Association of Singapore (BAS), Ripple and StraitsX (2024), which explores stablecoin types, benefits, risks, and real-world use cases, with a focus fiat-collateralised stablecoins given the existing regulatory perimeter.

This report distills five key takeaways from the roundtable discussion, each offering actionable steps for establishing a trusted and sustainable ecosystem for fiat-pegged stablecoins:

- Fostering a global regulatory framework with local adaptations;
- Operational excellence for issuers;
- Building a compliance-first culture;
- Safe custody practices for enterprise users; and
- Enhancing the user experience to drive institutional adoption.

As the ecosystem continues to explore the benefits and wide-ranging applications of stablecoins, the importance of setting standards that balance innovation, trust, and consumer protection has become critical. Without a concerted effort from regulators and the wider industry to build robust frameworks, risks such as potential market disruptions, security vulnerabilities, and challenges in cross-border compliance could undermine the potential of stablecoins. Establishing a sound regulatory foundation now will mitigate these risks, fostering growth and trust in the stablecoin sector and ensuring its role as a reliable pillar within the broader financial landscape.

# A global framework that accounts for local nuances

As globally transacted financial instruments, stablecoins require a consistent yet adaptable regulatory framework to mitigate risks and ensure market integrity. International standard-setting bodies (SSBs), such as the Financial Stability Board (FSB) and the Bank for International Settlements (BIS), are well-positioned to foster collaboration and establish common standards.

The FSB published their report on [High-Level Recommendations for the Regulation, Supervision, and Oversight of Global Stablecoin Arrangements](#) in July (FSB, 2023). These recommendations aim to promote consistent and effective oversight of global stablecoin arrangements (GSCs) across jurisdictions to mitigate financial stability risks while supporting responsible innovation & allowing flexibility for domestic implementation. Furthermore, these recommendations would also provide a foundation upon which jurisdictions can tailor frameworks to their specific contexts.

## Cross-Sectoral Considerations

Stablecoins often sit at the intersection of payments and banking, requiring diverse regulatory perspectives. A coordinated approach among regulators from different jurisdictions is essential to manage overlapping responsibilities

and prevent gaps. International SSBs can support this effort through capacity-building programmes, helping jurisdictions craft holistic frameworks.

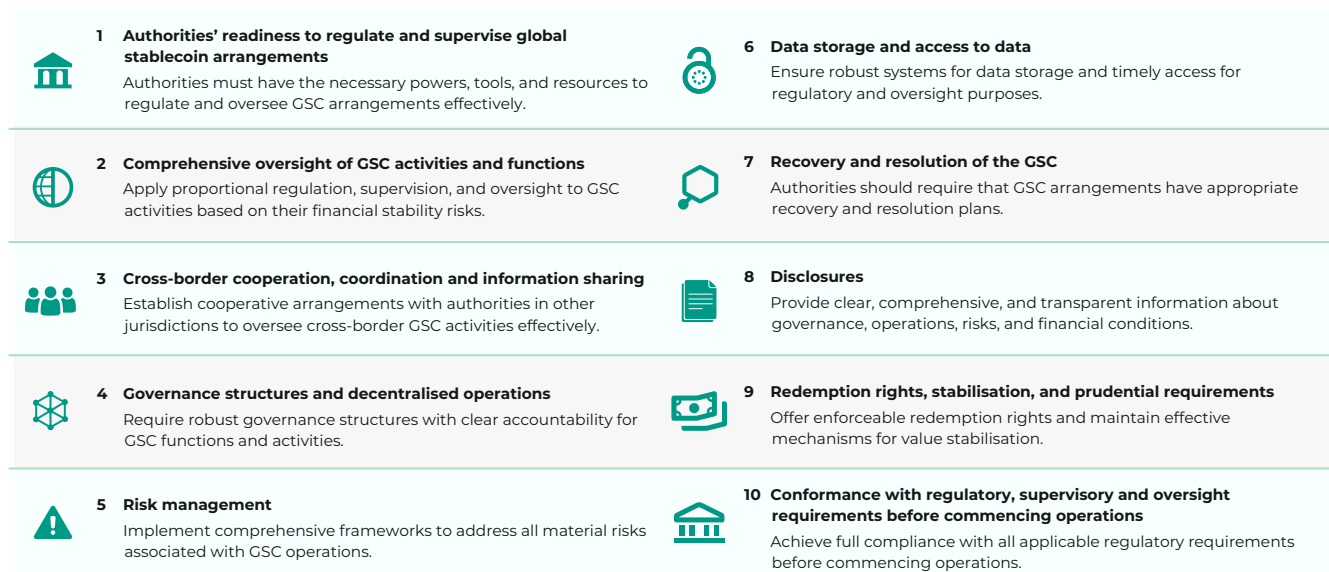
For instance, emerging markets and developing economies may need technical assistance to address unique challenges, such as the high demand for US dollar-denominated stablecoins as a hedge against local currency instability, which could lead to de facto dollarisation of their economies. Guidance and training from international SSBs can empower these regions to design oversight mechanisms and policies tailored to their needs.

## Common Standards with Local Adaptations

While international collaboration is vital, stablecoin regulations must also accommodate local regulatory nuances. Jurisdictions that have made significant progress in their regulatory regime, such as Singapore and the United Kingdom, offer insightful examples of balancing global standards with domestic priorities:

- Monetary Authority of Singapore (MAS): Requires fiat-backed stablecoins regulated as Single Currency Stablecoins (“SCS”) to maintain a 1:1 reserve ratio backed by high-quality liquid assets, ensuring value stability and consumer protection (MAS, 2023).
- Bank of England (BoE): Proposes that systemic stablecoins hold reserves in central bank-approved deposits to safeguard liquidity during periods of market stress (BoE, 2023).

**Figure 1: FSB 10 High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements (FSB, 2023)**



## Addressing Challenges in Implementation

Despite progress made in this space, discussants in the roundtable addressed several challenges that have hindered the global adoption of stablecoin regulations:

- *Legislative Gaps:* The FSB's [G20 Crypto-asset Policy Implementation Roadmap: Status Report](#) highlights that many stablecoin arrangements operate outside existing regulatory frameworks, necessitating legislative or parliamentary action in most jurisdictions (FSB, 2024). This often results in delayed implementation timelines.
- *Emerging Market Constraints:* Emerging markets face unique challenges, such as limited regulatory infrastructure and high dependence on foreign-denominated stablecoins. These economies often use stablecoins to hedge against inflation or currency instability, yet many of these stablecoins remain unregistered and unsupervised within domestic jurisdictions, exposing these economies to stability risks (FSB, 2024).

To address these challenges, collaborative efforts should focus on:

- Encouraging issuers to register and comply with regulations in the jurisdictions where their stablecoins are predominantly used.
- Supporting emerging markets with developing the technical expertise to create robust oversight mechanisms through capacity-building<sup>1</sup>.

International SSBs, working together with regulators and policymakers across jurisdictions, play a key role in catalysing a cohesive global framework for stablecoins. A well-constructed global framework can prevent regulatory arbitrage, promote market stability, and create a fertile ground for innovation.

## Operational best practices for issuers

Operational best practices are essential for stablecoin issuers to maintain market stability, comply with regulations, and foster trust among users. These practices focus on reserve management, risk mitigation and governance, diversification of banking partners and payment rails, technological resilience, customer experience, & effective implementation insight.

A participant at the roundtable highlighted this importance, stating, *“Operational best practices are not just regulatory requirements; they are fundamental to ensuring trust, stability, and seamless integration into traditional finance systems. It always goes back to how the market perceives your stability itself, and we cannot steer away from good business practices.”*

**Figure 2: Operational best practices for issuers that were addressed during the roundtable.**



### 1 Reserve Management

Maintaining high-quality liquid assets in the same currency as the stablecoin reduces the risk of depegging. Transparent reserve disclosures and regular third-party audits ensure accountability and build user trust.



### 2 Robust Risk Management and Governance

Establishing comprehensive governance frameworks allows issuers to manage risks effectively. Issuers must develop protocols to handle liquidity crises and ensure timely redemptions. This approach strengthens user confidence and enhances market stability.



### 3 Diversification of Banking Partners and Payment Rails

Relying on a single banking partner poses systemic risks. Diversified banking relationships ensure continuity of operations during periods of financial stress.



### 4 Technological Resilience

Relying on a single banking partner poses systemic risks. Diversified banking relationships ensure continuity of operations during periods of financial stress.



### 5 Customer Support Excellence

A responsive customer support system strengthens user trust. Addressing inquiries within 24 hours and providing clear explanations for delays enhances the user experience. Efficient support also mitigates reputational risks associated with operational delays.



### 6 Implementation Insight

Issuers should integrate advanced technologies, such as blockchain analytics, to monitor transactions for compliance with anti-money laundering (AML) and know-your-customer (KYC) standards. This approach ensures both regulatory adherence and operational efficiency, creating a foundation for long-term success.

<sup>1</sup> Initiatives such as the policy-maker sessions co-hosted by the Regulator Knowledge Exchange at GFTN Insights.



# Building a Compliance-First Culture

A compliance-first culture is critical for stablecoin issuers to establish credibility, navigate regulatory uncertainty, and promote user trust. In the absence of clear regulatory frameworks, issuers should look to adopt proactive self-regulation and governance practices, sympathetic to global baselines.

global compliance standards with local regulatory requirements. This dual approach ensures consistent governance while allowing for regional nuances. For example, issuers complying with high standards in one jurisdiction can leverage equivalent agreements to align closely with other markets. Adopting a high benchmark allows issuers to offer high quality products across jurisdictions, supporting interoperability and global scale.

#### d. Emphasis on Responsible Innovation

A compliance-first culture aligns broader industry goals, such as enabling safe growth and detecting fraud and financial crimes. By leveraging advanced tools like

**Figure 3: Operational best practices for issuers that were addressed during the roundtable.**



**Governance and Self-Regulation**



**Collaboration with Industry and Regulators**



**Emphasis on Responsible Innovation**



**Global Standards with Local Adaptations**

The key elements of a compliance-first culture include:

#### a. Governance and Self-Regulation

Establishing governance structures that prioritise risk management and compliance builds resilience. An example that was discussed during the roundtable was the Centre Consortium, a self-regulatory framework for USDC that was founded by Circle and Coinbase. This framework initially ensured governance & transparency through collective oversight. As regularity clarity emerged, Circle transitioned to assume full accountability for USDC governance: streamlining operations, consolidating smart contract management, and enhancing compliance measures to support broad adoption and applicability. This is one example of the industry's adaptive approach to balancing governance with operational efficiency in a fast-growing and maturing market.

#### b. Collaboration between Industry and Regulators

Industry-wide initiatives like the Financial Action Task Force (FATF) Travel Rule compliance framework, developed in consultation with industry stakeholders, enable issuers to meet FATF's requirements for customer data sharing securely and efficiently (FATF, 2024). Such collaborations further demonstrate responsible innovation and the industry's proactive stance in engaging with regulators and meeting compliance obligations.

#### c. Global Standards with Local Adaptations

Issuers operating across jurisdictions must balance

blockchain analytics for Know Your Customer (KYC)/Know Your Transaction (KYT) assessment and conducting risk assessment of blockchain networks, issuers can work towards innovating to issue new products and services to better serve consumers, while maintaining security and financial system integrity.

## Safe custody practices for enterprise users

As enterprises adopt stablecoins, secure custody practices are essential for managing large holdings of digital assets and the currencies that settle them. Effective custody frameworks should protect assets from theft and fraud, and ensure compliance with Anti-Money Laundering (AML) and countering the financing of terrorism (CFT) standards. However, achieving cross-border compliance can be complex due to regulatory differences across different jurisdictions.

Cold storage, a mechanism where digital assets are held offline, provides a secure solution by minimising the risk of cyber-attacks over internet connections. Major custodians use cold storage to protect client assets, reducing their exposure to online threats. Another mechanism adopted by the industry is multi-signature controls, where multiple

parties must authorise access, adding an additional layer of security and safeguarding assets against unauthorised access.

Regular security audits are essential for identifying vulnerabilities and enhancing safe custody practices. Adherence to AML and KYC standards further mitigates risks associated with financial crimes. For example, Zodia Custody, a digital asset custodian backed by Standard Chartered and SBI Holdings, provides bank-grade, segregated and compliant custody solutions tailored to institutional clients. By meeting stringent regulatory requirements and maintaining robust operational frameworks, Zodia Custody ensures a secure environment for enterprises subject to regulation and scrutiny who manage significant digital reserves.

Enterprise custody solutions must also ensure interoperability with traditional financial systems. This capability enables businesses to conduct stablecoin transactions within a compliant framework.

# Enhancing the user experience to drive institutional adoption

A seamless user experience is fundamental to driving institutional demand for stablecoins. Businesses adopting stablecoins in their payment infrastructure seek efficiency, reliability, and operational transparency, and may expect more streamlined experiences to those offered in traditional fiat transactions. Removing friction in stablecoin processes ensures that enterprises can integrate these tools smoothly

into their workflows, meet customer expectations and foster trust.

## 1. Balancing Compliance with Efficiency

Striking a balance between compliance and efficiency is critical. Overly conservative compliance processes can act as a double-edged sword, leading to situations where funds are frequently frozen due to multiple red flag alerts. This not only undermines the user's confidence in the technology but complicates the compliance process by increasing exception handling and reporting. Enterprises should look to build systems that combine regulatory adherence with intelligent transaction monitoring to minimise disruptions. For example, systems that use blockchain analytics and context-based decision-making can better identify anomalies while ensuring legitimate transactions proceed seamlessly.

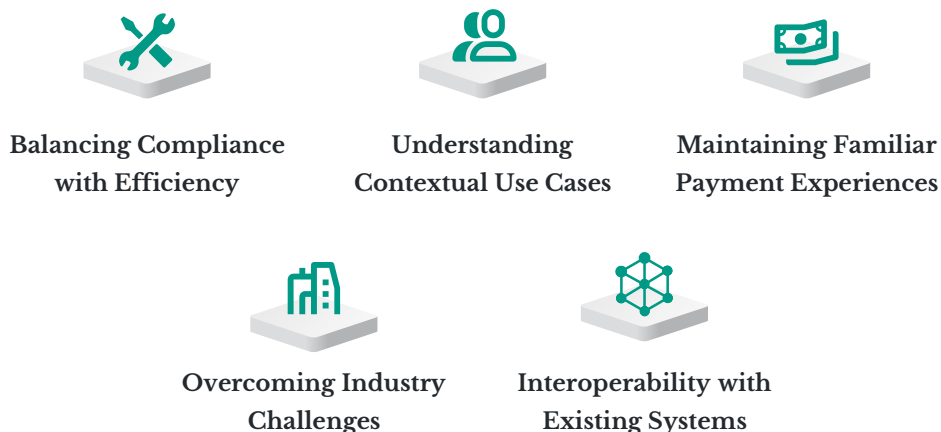
## 2. Understanding Contextual Use Cases

Payments require context-specific analysis. What may appear normal for a corporate treasury transaction might be flagged as abnormal for a B2C client. Traditional finance institutions may manage these differences through utilising different entities to face different client types, or through the use of distinct client account profiles. Payment platforms transacting with stablecoins in their flow must adopt a feedback loop with these enterprise clients, equipping their compliance teams to make informed judgment calls and tailor processes to diverse business models. This would help manage the balancing act between compliance and efficiency.

## 3. Maintaining Familiar Payment Experiences

Businesses looking to adopt stablecoin usage into their existing payment flows should look at stablecoins as an alternative solution that does not disrupt the habits of retail users. For instance, users of GrabPay, an MAS-licensed e-money wallet, rely on seamless payment experiences that align with familiar commercial arrangements. Users may top up their wallet using stablecoins and transact as though they had topped up

Figure 4: Areas to strengthen the user experience that were discussed during the roundtable.





their wallet in fiat. Stablecoins should function as a "back-end innovation", enabling platform and operational efficiencies to be gained without requiring end users to understand the intricacies of the underlying core technology, or adopt new behaviours.

#### 4. Overcoming Industry Challenges

The absence of universal accounting standards for stablecoins remains a challenge for institutional adoption. Whether stablecoins are classified as cash equivalents or securities affects their treatment in accounting systems and, accordingly, influences business models. Collaboration between the stablecoin industry, accounting firms, and regulators is essential to establish consistent accounting treatment and asset representation.

#### 5. Interoperability with Existing Systems

Stablecoin platforms must integrate seamlessly with enterprise systems, such as Enterprise Resource Planning (ERP) and treasury management software. This reduces the need for costly infrastructure changes and ensures efficient cross-border transactions. Interoperable solutions also simplify the adoption process, increasing confidence in stablecoin usage. An example that was discussed during the roundtable was Paxos' Stablecoin Payments Platform which enables enterprises to seamlessly integrate stablecoin transactions into their existing systems, thus facilitating an efficient global payments system for enterprise adoption.

Ultimately, the adoption of stablecoins into real-world enterprise applications should be seamless and reliable. By removing friction in user experiences, businesses can:

- **Streamline Cross-Border Transactions:** Stablecoins eliminate intermediaries, reducing settlement times and costs for multinational corporations.
- **Enable Treasury Management:** Enterprises can use stablecoins to manage liquidity across jurisdictions, aligning with global payment cycles, as discussed in our [Stablecoin primer for issuers and users](#). (BAS, Ripple, StraitsX, 2024).
- **Build Trust Through Familiarity:** By designing user interactions from a baseline of existing commercial practices, stablecoin solutions can ensure that businesses retain the payment experiences they are accustomed to while enhancing operational efficiency and delivering value behind-the-scenes. By delivering a higher-quality experience, stablecoin solutions can earn the trust and loyalty of users.

# Conclusion

The stablecoin ecosystem is rapidly evolving, offering transformative opportunities to enhance efficiency, security, and accessibility in global financial systems. However, as regulations continue to develop across jurisdictions, the industry faces challenges in balancing innovation with consumer protection. Addressing these challenges will require focused efforts to educate policymakers, regulators, issuers and enterprises on the unique benefits and practical applications of stablecoins. Building a shared understanding is essential for sustainable adoption.

Interoperability remains a critical area of focus, as stablecoins span multiple segments within the financial sectors, including payments, banking, and securities. Without coordination, fragmented frameworks risk hindering scalability and creating inefficiencies. The development of global standards, complemented by tools like regulatory sandboxes and mutual recognition agreements, can address these gaps while allowing for local adaptations that respect regional priorities.

Operational resilience and governance will also be vital for issuers to maintain market stability and user confidence. Transparent reserve management, robust risk mitigation strategies, and secure custody solutions tailored for enterprises will be key to ensuring stability. Prioritising a compliance-first culture further strengthens trust among users and regulators alike, laying the foundation for long-term growth in the ecosystem.

As the ecosystem progresses, ongoing collaboration between industry stakeholders, regulators, and policymakers will be necessary to overcome barriers and align on best practices. Through these efforts, stablecoins can integrate seamlessly into the global financial landscape, driving innovation while ensuring the stability and security needed for widespread adoption.

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