



PROPOSED REGULATORY REGIME FOR STERLING-DENOMINATED SYSTEMIC STABLECOINS

Issued 10 February 2026

ICAEW welcomes the opportunity to comment on the Proposed regulatory regime for sterling-denominated systemic stablecoins (“the CP”) published by the Bank of England (“the Bank”) on 10 November 2025, a copy of which is available from this [link](#).

For questions or comments on this response, please contact ICAEW’s Financial Services Faculty on fsf@icaew.com.

This response should be read alongside [ICAEW’s 2024 response to the Bank’s Discussion Paper on the regulatory regime for systemic payment systems using stablecoins and related service providers](#) (“the DP”) which set out our comprehensive views on the overall approach to regulating systemic stablecoins in the UK.

Given the substantial overlap between the CP and the earlier DP, this submission is intentionally succinct and focuses only on areas where the CP proposes changes, additional detail or clarification, as summarised by the Bank in “Figure 2: Overview of the Bank’s proposed policy approach compared to the 2023 discussion paper” of the CP.

KEY POINTS

1. Many of ICAEW’s original concerns and recommendations remain valid and should be treated as standing.
2. The CP would benefit from earlier and more explicit consideration of accounting, assurance, safeguarding and tax implications, which will materially affect the regime’s success.
3. Several proposed changes raise questions of **proportionality, feasibility, competition and economic viability** that warrant further refinement.
4. ICAEW stands ready to **support the Bank, FCA and HM Treasury**, as well as others such as HMRC, the FRC and the IASB, including facilitating engagement with expert practitioners.

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SCOPE AND APPROACH

5. This response:
 - Explicitly refers back to [ICAEW Rep 015/24](#) rather than repeating settled positions.
 - Comments only on the changes and new emphases highlighted in Figure 2: Overview of the Bank's proposed policy approach compared to the 2023 discussion paper of the CP.
 - Brings forward cross-cutting professional considerations not substantively addressed in the CP, but critical to implementation.

CROSS-CUTTING CONSIDERATIONS

Accounting, assurance, safeguarding and tax

6. While we recognise that accounting and tax policy decisions are still to be determined, these areas **should be considered during regime design**, not left as downstream implementation issues.
7. In particular:
 - Accounting and tax outcomes will be driven by regulatory and policy choices embedded in the regime.
 - If systemic stablecoins are intended to have cash-like or cash-equivalent characteristics, early engagement with UK and international accounting standard setters will be essential.
 - Different regulatory outcomes may arise depending on the **economic substance of the stablecoin's use case**, rather than the technology itself.
8. ICAEW would be pleased to facilitate dialogue with standard setters and practitioners to support this work.

Nature of money and legal tender

9. We welcome the CP's clarity that systemic stablecoins will not be legal tender. We note, however, that this remains an area of active international debate, which the UK should continue to monitor. Regulatory framing should continue to emphasise systemic stablecoins as a medium of exchange, rather than implicitly equating them with money or cash for all purposes, with downstream implications across the regime – including accounting, tax, assurance and custody – aligned to this characterisation.

Comments specific to policy revision and clarifications noted in Figure 2: Overview of the Bank's proposed policy approach compared to the 2023 discussion paper

1. Definition of systemic and supervisory approach

10. The CP does not introduce a formal definition of "systemic", instead providing four illustrative examples and committing to engagement with issuers as they approach systemic thresholds.
11. While flexibility has merits, we ask whether:
 - Additional **objective indicators or transparency** could be provided to support issuer planning and investment decisions.
 - Further clarity is needed on **how the Bank of England, FCA and HM Treasury will coordinate** as an issuer approaches or reaches systemic status.

2. Capital and reserve requirements

12. We welcome the emphasis on high-quality backing assets for reserves but seek greater clarity on what this means in practice:

- Is backing intended to be strictly **GBP cash**, or would **UK government debt (eg gilts)** qualify?
 - Recent experience demonstrates that government debt can be subject to **material short-term price volatility**, raising questions about maintaining par redemption under stress.
13. Clear articulation is essential for prudential soundness, accounting treatment and assurance over reserves. A useful basis may be referring to the rules governing Constant Net Asset Value (CNAV) Money Market Funds (MMFs) under the UK Money Market Funds Regulation (UK MMFR), which require MMFs to maintain a stable net asset value (NAV) through specific liquidity management procedures.

3. Use of debt instruments in reserves

14. Where debt instruments are permitted as backing assets for reserves, further clarification is required on:
- Whether such debt must be **denominated in sterling**.
 - If non-sterling debt is permitted, how **currency risk and parity with GBP** would be managed and assured – again, reference to CNAV and MMF rules may be beneficial.

4. Capital and reserve requirements

15. We welcome the proportionate and risk-based approach to capital and reserve requirements, but would welcome further clarity in the following areas:
- **Largest plausible loss event:** guidance on whether this is intended to reflect a single point of failure and what scenarios issuers should reasonably consider as best practice.
 - **Operating expenses:** consider whether operating expense component (eg six months' costs) should prudently reflect historical, forward-looking, or both measures of costs, with guidance where these diverge materially.
 - **Wind-down cost assumptions:** clarity on the base scenario that should be used to estimate wind-down costs, recognising that certain costs (eg employee retention) may be higher under stressed conditions.
 - **Supervisory review:** given the systemic nature, consideration of periodic supervisory review of capital calculations to ensure ongoing adequacy as risks evolve, similar to biannual stress testing for banks.

5. Wind-down planning and assurance

16. The CP proposes assurance over wind-down plans for systemic stablecoin issuers. While we support robust wind-down planning, we have concerns regarding the **proportionality and feasibility** of the proposed assurance requirement, noting that similar requirements do not apply under the comparable European regime (MiCA) and that this approach appears more onerous than those applied to many financial institutions.
17. Wind-down planning is inherently judgement-based, raising questions about auditability in the absence of a clearly defined assurance framework or scope, particularly where stablecoin issuance forms part of a wider group structure. We also encourage consideration of the cost burden relative to regulatory benefit, particularly to new entrants, and the practicalities of implementation.
18. We encourage the Bank to clarify the policy rationale and to consider whether alternative, less burdensome mechanisms could achieve the same objectives. ICAEW are happy to convene senior practitioners, including wind-down experts, to inform further discussion with the regulator should this be useful.

6. Limits on issuance or holdings

19. While we understand and agree with the rationale for implementing limits, we remain concerned that proposed limits may be **unworkable and unenforceable in practice**, particularly in decentralised or cross border contexts, and risk distorting competition without clearly delivering financial stability benefits.

7. Economics and viability of issuers

20. The CP would benefit from greater consideration of the economic sustainability of issuers operating under the proposed regime, including:
 - Interaction between full backing requirements, remuneration caps and operational costs.
 - Whether viable business models exist without creating incentives for risk taking elsewhere.

8. Caps and remuneration of backing assets

21. The CP raises questions about remuneration of backing assets, particularly when compared with the banking regime (e.g. 100% backing versus a 5% capital requirement).
22. Clearer articulation of the **policy rationale and competitive implications** would support market confidence and innovation.

9. Competition and banks issuing stablecoins

23. We encourage further consideration of:
 - The implications of banks issuing stablecoins, including potential double regulation.
 - Whether bank issued stablecoins may be perceived as inherently safer, with knock-on effects for competition and market structure.
24. A coherent, joined up framework across regulators will be essential.

10. Use case specific outcomes

25. The CP discusses four illustrative use cases for systemic stablecoins. We emphasise that **accounting and potentially regulatory outcomes may differ across these use cases**, and a single approach may not be appropriate.
26. For example, where a systemic stablecoin is widely used for **everyday retail payments**, the current tax treatment, under which each transaction may give rise to a capital gains tax event, could prove onerous for individuals to track and may discourage widespread adoption. These downstream implications warrant further consideration when assessing the viability of different use cases with potential accounting and tax treatment.

CONCLUDING REMARKS

27. ICAEW supports the Bank of England's continued work on regulating systemic sterling stablecoins and welcomes the progress reflected in the CP. Our 2024 response to the Bank's previous DP remains highly relevant and should be treated as standing.
28. We encourage the Bank, FCA and HM Treasury to:
 - Address accounting, assurance and tax considerations early.
 - Ensure proportionality, feasibility and economic viability.
 - Continue close engagement with professional bodies and standard setters-setters.
29. ICAEW stands ready to assist further.