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Development Trends and Challenges for Non-USD Stablecoins

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Development Trends and Challenges for Non-USD Stablecoins

While USD-pegged stablecoins (such as USDT and USDC) dominate today, stablecoins pegged to other currencies also have the potential for significant success, but their trajectory will be highly dependent on specific use cases, regulatory environments, and regional economic factors.

I. The Current USD Dominance is Overwhelming

USD stablecoins benefit immensely from the US dollar's role as the global reserve currency. They offer the deepest liquidity, the widest acceptance across crypto exchanges and DeFi protocols, and are the default for international crypto trading and settlements.

Furthermore, issuers have built significant scale and (increasingly) regulatory compliance frameworks, making them hard to displace globally.

For participants in volatile economies, USD stablecoins serve as a critical hedge and a stable medium for cross-border transactions.

On the other hand, the dominance of the USD in general has faced headwinds this year.

II. Why Non-USD Stablecoins Could Succeed

Regional Demand & Specific Use Cases:

- In countries with efficient domestic payment systems but a desire for blockchain-based programmability (e.g., instant settlement, smart contracts), a local-currency stablecoin could thrive. Examples include EUR, GBP, SGD, JPY, or CAD stablecoins for domestic e-commerce, B2B payments, or integration with national payment rails.
- Stablecoins pegged to the recipient's local currency (e.g., PHP, MXN, INR, BRL) could significantly reduce the cost, complexity, and time involved in cross-border remittances, thereby bypassing traditional corridors dominated by the USD.

- Bilateral trade partners may prefer to invoice and settle directly in their own currencies using stablecoins, thereby avoiding USD conversion costs and exposure.
- In economies with high inflation or unstable local currencies, stablecoins pegged to regional anchors (e.g., a synthetic SDR¹ or a basket of stable regional currencies) could emerge as alternatives to USD for those seeking stability without direct USD exposure.

Regulatory Tailwinds:

- Regulators in major economies (EU, UK, Japan, Singapore) are wary of excessive reliance on foreign-issued stablecoins for their domestic financial systems. Frameworks like MiCAR in the EU actively encourage and provide pathways for well-regulated EUR-denominated "e-money tokens."
- Jurisdictions like Singapore (Project Guardian), Hong Kong, and the UAE are actively exploring and supporting the development of local currency stablecoins and tokenized assets within regulated environments.

Integration with CBDCs & Tokenized Assets:

- As CBDCs develop (especially wholesale CBDCs), there could be demand for private stablecoins pegged to the same currency to facilitate specific DeFi applications or serve intermediaries who are not direct CBDC participants.
- The tokenization of real-world assets (RWAs), such as bonds, equities, and funds, in local currencies will naturally create demand for stable settlement instruments in those same currencies.

III. Challenges for Non-USD Stablecoins

Nevertheless, there are some challenges for non-USD stablecoins, which might be challenging to overcome:

- Achieving the deep, global liquidity of USDT/USDC is extremely difficult for a new EUR, GBP, or

¹ [Special Drawing Rights](#)

JPY stablecoin. Fragmented liquidity reduces utility.

- While some regulations encourage local options, the compliance burden (including reserve management, auditing, licensing, and AML/CFT) is immense, especially for issuers targeting multiple jurisdictions. MiCAR's restrictions on large non-EUR stablecoins illustrate this challenge.
- Competition from multiple fronts:
 - Overcoming the entrenched position of USD stablecoins is a massive uphill battle for global use.
 - If a country launches a highly functional, accessible retail CBDC, it could significantly dampen demand for a stablecoin in the same currency for domestic payments. Furthermore, central banks in such countries that have invested heavily in their CBDC development may be hostile towards stablecoins.
 - Banks might offer tokenized versions of existing demand deposits in local currencies, leveraging their existing customer base and trust, competing directly with stablecoin issuers.
- The size and openness of the underlying economy are important considerations. A stablecoin for a small, closed economy faces a much smaller potential market than one for the Eurozone.
- Establishing trust equivalent to that of major USD issuers or central banks takes time and requires significant transparency/capital.

IV. Likely Winners in the Non-USD Space

EUR Stablecoins: Driven by MiCAR, a strong regulatory push for European monetary autonomy, and a large integrated market. Success is likely focused on the EU/EEA domestic market and Euro-denominated trade. (e.g., potential offerings from major EU banks or licensed FinTechs).

SGD & HKD Stablecoins: Supported by proactive regulators (MAS, HKMA/SFC) in major financial hubs with strong rule of law and significant regional trade/investment flows, likely focused on institutional use, trade finance, and wealth management.

Stablecoins for Key Remittance Corridors: Stablecoins pegged to currencies such as PHP, MXN, INR, or BRL, issued by reputable entities (potentially local banks or FinTechs in partnership with global players), could revolutionize specific remittance routes if regulatory pathways are established.

"Synthetic" Multi-Currency Stablecoins: Basket-pegged stablecoins (e.g., pegged to the IMF SDR or a custom basket) may find niche appeal for specific hedging or institutional treasury management purposes, although their regulatory treatment is complex.

V. Summary

Non-USD stablecoins can be successful, but they are unlikely to become universally accepted "global" replacements for USD stablecoins. Instead, their success will be regional and use-case specific:

1. **Domestic & Regional Champions**: EUR, SGD, HKD, and potentially GBP or JPY stablecoins are likely to thrive within their respective home jurisdictions and associated trade blocks, driven by regulatory support and specific payment and tokenization needs. They will be "successful" in their defined markets.
2. **Remittance Specialists**: Stablecoins pegged to high-remittance-receiving currencies have significant disruptive potential if regulatory and infrastructure hurdles are overcome.
3. **Institutional & Niche Players**: Basket-pegged or commodity-pegged stablecoins may find success in specialized financial applications.

The era of a single dominant global stablecoin type (USD) will likely give way to a more multi-currency stablecoin ecosystem, coexisting with CBDCs and tokenized deposits, each serving distinct needs within a complex, interconnected global financial system. Regulatory clarity and issuer credibility will be the decisive factors for any non-USD stablecoin aiming for significant adoption.

Expert Biography:

Dr. Jochen Biedermann is a Fellow of the Asian Financial Cooperation Association Think Tankers Committee. Since 2018, he has served as Managing Director of the World Alliance of International Financial Centers (WAIFC), an international non-profit association registered in Belgium, representing

26 leading international financial centers globally. Its members are government agencies, associations, and similar institutions that develop and promote their financial centers. The World Alliance facilitates cooperation among its members, exchange of best practices, and communication with the general public.

As the Managing Partner of FinTech Consult, Jochen leads a network of FinTech experts in Asia, Europe, and Africa. This network, which supports FinTechs in expanding globally, is a testament to Jochen's extensive global connections in the FinTech industry.

Since 2022, he has served as an independent director at Eastnets, a Dubai-based leader in compliance, payment protection, and anti-fraud technologies.

Jochen is also an expert at the Sino-German Center for Finance and Economics in Frankfurt, backed by the central banks, government institutions, and leading universities in China and Germany, a fellow of the Think Tank of the Asian Financial Cooperation Association (AFCA), based in Beijing, and a founding board member of the International Digital Economies Association (IDEA), based in Hong Kong.

He is a long-standing advisor at Frankfurt Main Finance, the Frankfurt Financial Center initiative. Furthermore, he is a mentor at Cyberport in Hong Kong, OneEleven in Toronto, 1871 in Chicago, and 1000 Black Voices. Jochen sits on the board of several FinTech companies. Finally, he is a member of the working group of Dubai's DIFC Digital Economy Court.

Jochen has a master's degree in mathematics and computer science from the University of Goettingen and a Ph.D. in mathematics from the University of Cottbus, Germany. He has given guest lectures at leading universities and business schools in Europe, America, and Asia.

About AFTTC:

Asian Financial Cooperation Association(AFCA) was founded in May 2017. It is the first international financial social organization initiated by China. Asian Financial Cooperation Association Think Tankers Committee (AFTTC) is composed of over a hundred domestic and foreign experts from more than forty countries and regions. With the philosophy of "market location, global perspective, problem orientation, in-depth observation, and smart solution", AFTTC has developed AFCA working paper, Asian Financial Observation, Financial Development Report for the Guangdong-Hong Kong-Macao Greater Bay Area, and other bilingual products, conducted Quarterly Seminars, Annual Forums and other high-level financial activities, sending a strong Asian message constantly on the international stage.

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