Stablecoins: the BIS Flags Risks, the U.S. Seize Opportunity by passing the GENIUS Act – Where Does Switzerland Stand?

As lawmakers, regulatory bodies and monetary institutions increasingly weigh in on the rise of stablecoins, their approaches differ across jurisdictions. In its latest reports, the Bank for International Settlements (BIS) reiterates its sceptical stance on crypto-assets, concluding that stablecoins lack the fundamental characteristics of money. Meanwhile, the United States has taken a significant step in the opposite direction with the bipartisan passage of the GENIUS Act, establishing a regulatory framework aimed at supporting U.S. dollar-backed stablecoins. Against this backdrop, and amid the growing recognition of the strategic importance of stablecoin regulation - including implications for monetary sovereignty and financial stability - Switzerland is being called upon to define its position.

Stablecoins: Rapid Adoption, Expanding Influence

Stablecoins - blockchain-based digital tokens pegged to fiat currencies, in practice predominantly the U.S. dollar - have seen rapid market growth. The combined market capitalisation of leading stablecoins USDT and USDC now exceeds USD 200 billion, and their use in cross-border payments and decentralised finance continues to increase. This momentum has prompted regulators and policymakers to address their implications for financial stability, compliance, and the global monetary system.

The BIS Position: Stablecoins Fall Short of "Money"

In a series of recent publications (BIS Bulletin No. 108 "Stablecoin growth – policy challenges and approaches" on 11 July 2025, and BIS Annual Economic Report, Chapter III «The next-generation monetary and financial system» on 24 June 2025), the BIS challenges the ability of stablecoins to serve as true monetary instruments, by finding that they fail to replicate the three key properties of modern fiat currencies:

Singleness: According to the BIS, stablecoins lack the "no-questions-asked" quality of sovereign money, as their value is not guaranteed by central banks and may fluctuate relative to the fiat currency they reference.

Elasticity: Since stablecoins are typically backed 1:1 by high-quality liquid assets (e.g., fiat currency, sovereign bonds), they cannot expand or contract in supply to meet systemic liquidity needs in the same way traditional money can via central bank credit mechanisms.

Integrity: Stablecoins, as bearer instruments, shift the burden of AML monitoring to law enforcement authorities, unlike fiat money, where these responsibilities are typically delegated to regulated intermediaries (typically banks) executing payments in fiat money (i.e. «book money»). The BIS argues that this reduces the AML oversight and thus compromises the integrity of stablecoins as payment instruments.

Despite these concerns on stablecoins, the BIS recognises the value of blockchain technology for modernising financial infrastructure, including the potential for tokenised representations of central bank reserves, commercial bank money, and sovereign debt. Such a framework could streamline clearing and settlement, enable automation (e.g., for delivery-versus-payment transactions), and allow for an automated monitoring of transactions – although the BIS does not comment on the privacy concerns raised by a complete surveillance of all money flows.

MiCA, the European Framework

The EU's response to the new asset models enabled by blockchains has been the Markets in Crypto-Assets Regulation (MiCA), in force since June 2023, which establishes a comprehensive regulatory regime for crypto-assets, including stablecoins. Designed to set a global benchmark, MiCA imposes significant compliance obligations on issuers, which some market participants view as too restrictive for euro-denominated stablecoins to thrive.

Since late 2024, the EBA and ESMA have issued technical standards and guidelines for stablecoin issuers, covering liquidity, governance, and redemption requirements. Several euro-denominated stablecoins have registered under MiCA, but few have received full authorisation, reflecting industry caution about compliance costs and regulatory uncertainty. Meanwhile, the European Commission is investigating potential risks arising from the fact that differing regional regulations - especially in the EU, where stricter reserve requirements apply - could lead worldwide holders of stablecoins existing simultaneously under both EU and non-EU regulations (typically USDC) to favor EU redemptions in times of crisis because of the better protections it offers, potentially disadvantaging EU users.

2, RUE DE JARGONNANT
PO BOX 6045 · 1211 GENEVA 6, SWITZERLAND
+41 22 707 18 00
BOREL-BARBEY.CH

The U.S. Approach: Encouraging Stablecoin Dollarisation via the GENIUS Act

In contrast, the U.S. has adopted a more pragmatic and innovation-friendly approach. The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) - passed with bipartisan support - aims to clarify the legal status and oversight of U.S. dollar stablecoins. Compared to MiCA, the U.S. framework is more flexible and decentralised, encouraging market-led innovation.

Beyond the regulatory philosophy, strategic considerations also play a role. With U.S. federal debt exceeding $31.5 trillion and institutional investor appetite for U.S. Treasury bills (T-bills) declining in some quarters, stablecoin issuers have emerged as a significant new class of T-bill purchasers. In 2024, these issuers ranked among the top three buyers of T-bills, helping to stabilise demand and exert downward pressure on yields. As U.S. dollar denominated stablecoins expand worldwide, they function as a synthetic dollar instrument in offshore markets and as a medium for ultimately selling U.S. debt to stablecoin holders, in particular in emerging markets where access to U.S. dollars through the banking system is more difficult and where the holding of U.S. dollars is attractive due to a less stable local currency.

The expansion of USD denominated stablecoins, however, raises monetary sovereignty concerns for all the other monetary jurisdictions, as it undermines their ability to make decisions and exercise influence over the monetary system within their borders, and creates a risk of capital flight.

The Swiss Perspective: Between Innovation and Sovereignty

In Switzerland, the financial industry's stablecoin strategy remains to be further defined. On 30 April 2025, the Swiss Bankers Association (SBA) released an analysis report suggesting that Switzerland - leveraging its strong financial ecosystem and innovation track record - could benefit from the issuance of Swiss franc-denominated stablecoins. Such an initiative is described not only as a commercial opportunity for Swiss financial institutions, but also as a monetary sovereignty tool that could preserve and extend the Swiss franc's relevance as a reserve currency internationally.

The SBA further recommends that the Swiss Federal Department of Finance and the State Secretariat for International Financial Matters integrate these considerations into their ongoing legislative efforts to adapt financial markets law to support new business models.

However, the SBA notes that the Swiss financial markets supervisory authority (FINMA) currently requires (as stated in its July 2024 Communication on stablecoins) stablecoin issuers to verify the identity of all token holders, regardless of whether a direct contractual relationship exists - an interpretation that appears to exceed current international AML standards and could impede the launch and adoption of Swiss regulated stablecoins.

Strategic Outlook: A Call for Swiss Pragmatism

As the global regulatory landscape for stablecoins takes shape, Switzerland faces a strategic inflection point. While the U.S. is proactively leveraging stablecoins to reinforce dollar dominance and the EU is focused on setting an example through high regulatory standards, Switzerland has the opportunity to chart a third path - one that balances regulatory safeguards with a pragmatic and swift response to preserve and expand its monetary sovereignty and enable financial innovation. However, this would imply a shift of focus by the Swiss authorities, in particular FINMA, from regulatory conservatism toward enabling a controlled yet user-friendly environment for the issuance of Swiss franc stablecoins.

For more information or legal support related to crypto-assets, blockchain and fintech, please contact the below members of our Digital Assets & Fintech team.

Maria Oberlin-Chiriaeva
Partner
maria.oberlin@borel-barbey.ch

Marc Freymond
Associate
Head of Technology & Digital Assets
marc.freymond@borel-barbey.ch