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Stablecoins – How will they impact financial centers?

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Abstract: Stablecoins are not a passing fad but a foundational component of the evolving digital financial landscape. Their success depends critically on achieving regulatory legitimacy through transparency, robustness, and consumer protection. While Central Bank Digital Currencies (CBDCs) will provide the foundation for sovereign digital money, tokenized deposits will put bank money on a blockchain. Regulated stablecoins, however, offer unparalleled potential for innovation and efficiency in global finance, particularly in cross-border contexts.

We foresee a multi-polar future without a single winner among the three.

CBDCs will become widespread, particularly in advanced and emerging economies. Wholesale CBDCs will likely see near-universal adoption among major central banks due to significant efficiency gains. Retail CBDCs will experience varied adoption, heavily dependent on design choices and public trust.

Regulated stablecoins are poised for massive growth if robust regulatory frameworks are implemented and enforced globally. They offer unique advantages, including private-sector innovation speed, seamless integration with DeFi and Web3, and the potential for cross-border efficiency that surpasses traditional systems.

Tokenized deposits, i.e., commercial bank deposits represented on blockchains, could become a significant force. They combine the trust of established banks with the efficiency of blockchain rails for settlements.

The future belongs not to one form of digital money but to an integrated ecosystem where CBDCs, regulated stablecoins, tokenized deposits, and enhanced traditional systems interoperate seamlessly, driving efficiency, inclusion, and new economic opportunities on a global scale.

Financial centers, the hubs of the financial industry, need to develop clear, risk-proportionate regulatory frameworks proactively, support international coordination in fighting illicit transactions

in stablecoins, invest in enabling infrastructure, foster collaboration between traditional finance and digital finance innovators, and attract the necessary talent.

I. Introduction

(I) The New Landscape of Digital Money: Stablecoins¹

The digital money revolution is accelerating, and stablecoins have emerged as a pivotal, yet complex, innovation. Unlike volatile cryptocurrencies like Bitcoin or Ether, stablecoins are digital assets designed to maintain a stable value relative to a reference asset, typically a fiat currency such as the US dollar. They achieve this stability through various mechanisms, including holding reserves (cash, cash equivalents, and short-term government bonds), algorithmic supply adjustments, or over-collateralization with other crypto assets. Their primary appeal lies in offering the speed, programmability, and borderlessness of blockchain technology without the price volatility inherent in traditional cryptocurrencies.

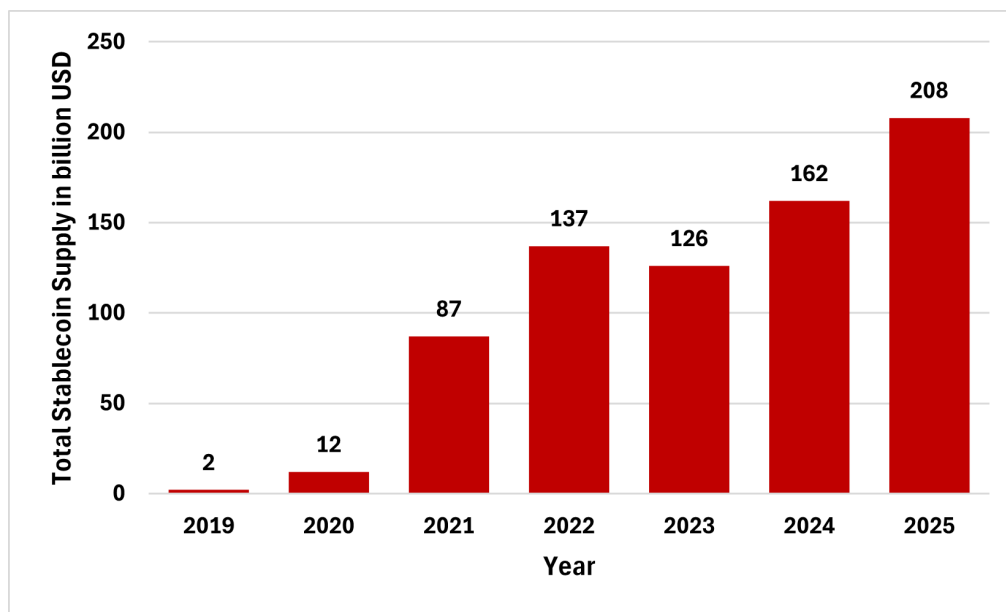


Figure 1: Average supply of stablecoins in circulation, across all stablecoins.

Source: World Economic Forum, Allium, Visa

¹ In this paper, we will use the commonly used terms like “stablecoin,” “cryptocurrencies,” “tokenized deposits,” “tokenization,” “retail CBDCs,” “wholesale CBDCs,” and “smart contracts,” while acknowledging the inadequacy of this terminology. For a better terminology, please refer to the ECB working paper by Ulrich Bindseil, Charles-Enguerrand Coste, and George Pantelopoulos (Bindseil, Coste, & Pantelopoulos, 2025).

Stablecoins emerged in 2014. Their total supply has increased from \$2 bn in 2019 to more than \$200 bn this year (Figure 1). The total transfer volume exceeded \$27 trillion in 2024, surpassing the combined volume of Visa and Mastercard transactions (Feingold, 2025).

(II) Essential Differences between Stablecoins, Tokenized Deposits, and CBDCs

Crucially, stablecoins, tokenized deposits, and Central Bank Digital Currencies (CBDCs) differ significantly from each other, as summarized in Table 1.

Table 1: Differences between Stablecoins, Tokenized Deposits, and CBDCs

	Stablecoins	Tokenized Deposits	CBDCs
Issuer	Private companies	Banks	Central Banks
Backing	Cash, bonds, crypto, or algorithmic	Regulated bank reserves	Central Bank balance sheet
Redemption	Not always 1:1 redeemable for fiat	1:1 redeemable	1:1 redeemable
Regulation	New stablecoin regulation	Banking rules	National laws and regulations
Access	Public	Permissioned (banks/clients)	Public
Form	Token	Token	Various, e.g., account or token
Primary Use Case	DeFi, Crypto	Banking system innovation	Digital payments
Risk	Moderate/High (Uninsured)	Low (Insured)	Very low

Vision	Replace legacy systems	Upgrade legacy systems	Digitize physical cash
Claim	“Private money on blockchain”	“Bank money on blockchain”	“Digital cash”

(III) Why this matters for International Financial Centers

Payment infrastructure is the backbone of the financial services industry. Financial centers are home to central banks, the vast majority of payment providers globally, and many users of payment services. Therefore, transformational changes in payment will have a profound impact on financial centers, particularly in their roles as clusters of talent, expertise, and data.

II. The Digital Money Landscape in 2035—Based on Expectations of Leading Financial Centers

Predicting the Digital Money Landscape in ten years involves assessing adoption drivers, including trust, utility, regulatory clarity, and integration.

We conducted a survey of senior representatives from leading financial centers in July 2025. We got 17 responses from 13 countries (Germany, Jersey, Luxembourg, Malta, Morocco, Oman, Poland, Qatar, Rwanda, South Korea, United Arab Emirates, United Kingdom, United States) for the following five questions:

Question 1: Which new form of digital money will play a significant role² as a Medium of Exchange in 5-10 years globally?

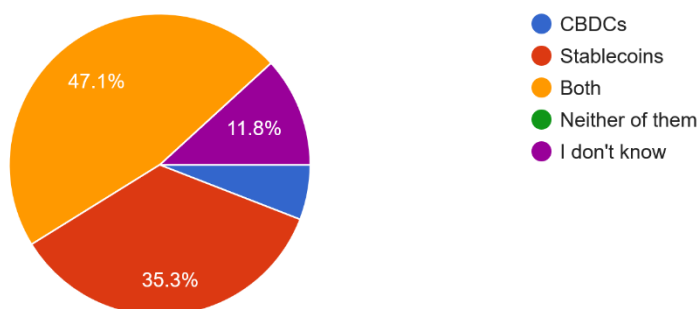


Figure 2: More than 80% of respondents foresee a significant role for stablecoins as a Medium of Exchange globally.

Question 2: Which new form of digital money will play a significant role as a Medium of Exchange in 5-10 years in your country?

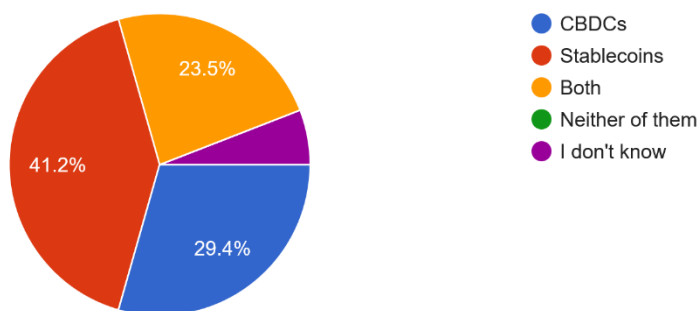


Figure 3: A two-thirds majority expect stablecoins to play a significant role in their countries, while only about half of them foresee a similar role for CBDCs

Question 3: Which new form of digital money will play a significant role as a Medium of Exchange

² A market share of >20% in the number or volume of transactions or similar.

among companies and financial institutions (i.e., wholesale) in 5-10 years in your country?

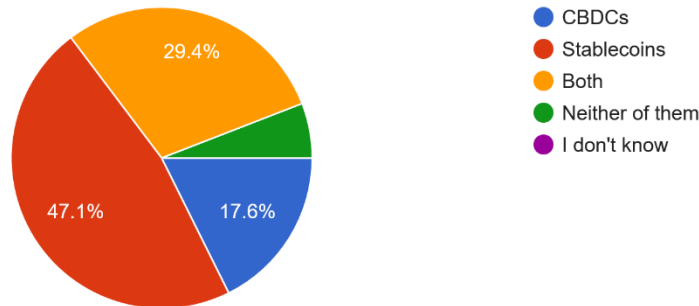


Figure 4: The respondents foresee an even stronger role of stablecoins in their country for wholesale transactions

Question 4: Who will be the leading issuers of stablecoins globally in 5-10 years?

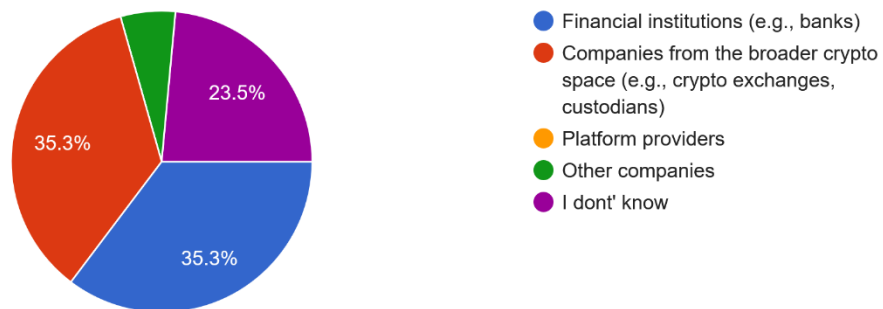


Figure 5: Financial institutions and companies from the broader crypto space are expected to be the leading issuers of stablecoins and tokenized deposits (banks)

Question 5: Who will be the leading issuers of stablecoins in your country in 5-10 years?

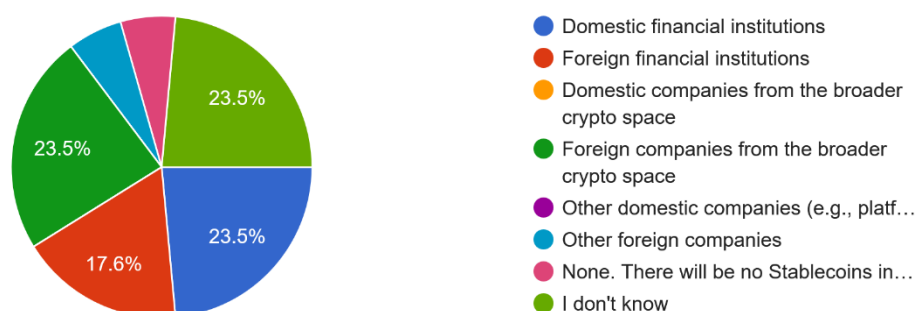


Figure 6: For individual countries, the responses were diverse, indicating a multi-polar future

The survey highlights the expectation of a significant role for stablecoins, even more so than CBDCs. There are diverse expectations in the types of issuers of stablecoins on a country-by-country basis.

III. Central Banks' Views on Stablecoins

(I) Bank for International Settlements

The Bank for International Settlements (BIS) discussed the next-generation monetary and financial system in its recent Annual Economic Report (Bank for International Settlements, 2025). On stablecoins, the BIS states:

"As digital bearer instruments on borderless public blockchains, stablecoins have been the go-to choice for illicit use to bypass integrity safeguards. The pseudonymity of public blockchains, where individual users' identities are hidden behind addresses, can preserve privacy but also facilitate illegal use. The absence of Know-Your-Customer (KYC) standards like those of the traditional financial system exacerbates this issue. The bearer nature of stablecoins allows them to circulate without issuer oversight, raising concerns about their use for financial crime, such as money laundering and terrorism financing.

Stablecoins also fare poorly on singleness and elasticity. As digital bearer instruments, they lack the settlement function provided by the central bank. Stablecoin holdings are tagged with the name of the issuer (...). As such, stablecoins often trade at varying exchange rates, undermining singleness. They are

also unable to fulfill the 'no-questions-asked' principle of bank-issued money. Their failure on elasticity stems from their construction: they are typically backed by a nominally equivalent amount of assets, and any additional issuance requires full upfront payment by holders, which undermines elasticity by imposing a cash-in-advance constraint.

Stablecoins raise a number of other concerns. For one, there is an inherent tension between their promise to always deliver par convertibility (i.e., be truly stable) and the need for a profitable business model that involves liquidity or credit risk. Moreover, loss of monetary sovereignty and capital flight are major concerns, particularly for emerging markets and developing economies. If stablecoins continue to grow, they could pose financial stability risks, including the tail risk of fire sales of safe assets."

(II) People's Bank of China

Since 2014, the Digital Renminbi, a CBDC, has been a priority for the People's Bank of China (PBoC) (Biedermann, 2022). In his speech at the 2025 Lujiazui Forum, Pan Gongsheng, Governor of the PBoC, notably mentioned stablecoins: *"Underpinned by new technologies such as blockchain and distributed ledger, central bank digital currencies and stablecoins are thriving, making possible the simultaneous processing of payment and settlement. The development has fundamentally reshaped the traditional payment landscape and significantly shortened the cross-border payment chain. It, however, has also posed great challenges to financial regulation."* (Pan, 2025)

(III) Hong Kong Monetary Authority

Eddie Yue, the Chief Executive of the Hong Kong Monetary Authority (HKMA), wrote in June 2025, *"As the regulator of stablecoin issuers, while we welcome the public's interest in stablecoins, we are also duty-bound to sound a word of caution that enables more balanced discussions."*

(IV) European Central Bank

At a central bankers' meeting in Portugal in July 2025, European Central Bank (ECB) president Christine Lagarde said that stablecoins will lead to the 'privatization of money,' undermining central

bankers 'public good: *"I think that we are falling prey to some confusion between money, means of payment, and payment infrastructure, and that is accelerated or emphasized as a result of the technology that is being used, and some technologies in particular. (...) I regard money as a public good, and ourselves as the public servants in charge of securing and protecting that public good."* (Confino, 2025)

Interestingly, the European Parliament's Committee on Economic and Monetary Affairs (ECON) examined the potential impacts that USD-denominated stablecoins could have on the Eurozone's monetary policy and reached more moderate conclusions: *"Stablecoins as a technology are developing rapidly. The US public policy seems to support this growth. Constant monitoring of the developments in these spaces is merited. Presently, we conclude there is no significant impact of foreign stablecoins on monetary policy in Europe."* (Economic Governance and EMU Scrutiny Unit, 2025)

(V) US Federal Reserve

Governor Christopher J. Waller, who called himself "a big advocate of stablecoins," commented on stablecoins at the Very Stable Conference in San Francisco in February 2025:

"Stablecoins—as with any means of payment—must demonstrate 1) a clear use case and 2) a clear commercial case to be economically viable. These terms are often conflated, but they are different, and both are necessary. Having a use case is how you attract consumers and businesses, while a business model is necessary for issuers of stablecoins to continue operating."

Furthermore, he stresses the need for a sound regulatory framework:

"The stablecoin market would benefit from a U.S. regulatory and supervisory framework that addresses stablecoin risks directly, fully, and narrowly. This framework should allow both non-banks and banks to issue regulated stablecoins and should consider the effects of regulation on the payments landscape, including competing payment instruments." (Waller, 2025)

IV. Global Regulatory Frameworks: A Patchwork Quilt

Regulation of stablecoins is rapidly evolving but remains fragmented.

(I) Regulation in Force

- Singapore: The Monetary Authority of Singapore (MAS) regulates stablecoins under its Payment Services Act (PS Act). Issuers must hold reserves (at least 100% in cash/cash equivalents/SDAs), maintain high capital, ensure timely redemption at par, and provide clear disclosures. MAS emphasizes reserve quality, custody, and audit. Only SGD or G10-pegged stablecoins meeting stringent criteria can be recognized as "MAS-regulated stablecoins."
- European Union: The landmark Markets in Crypto-Assets Regulation (MiCAR) provides the most comprehensive stablecoin framework globally (applicable from mid-2024). It defines "asset-referenced tokens" (ART; pegged to baskets/commodities) and "e-money tokens" (EMT; pegged to a single fiat currency). Requirements include strict reserve rules, robust governance, custody, licensing as a credit or electronic money institution, significant capital, and limits on non-EMT stablecoins for payments. Strong focus on investor protection and market integrity.
- Japan: Japan maintains one of the most conservative and stable regimes for stablecoins globally, prioritizing financial stability. Its stablecoin regulation, introduced in 2022, is one of the first globally, allowing only licensed banks, registered money transfer agents, and trust companies to issue stablecoins in Japan, ensuring full 1:1 backing by yen or other legal tender. Issuers must guarantee holders can redeem stablecoins at face value at all times. Reserve assets must be held separately from the issuers' own funds to protect users in case of insolvency. Furthermore, stablecoins are treated as electronic payment methods, subject to Japan's strict Anti-Money Laundering (AML)/Counter-Terrorist Financing (CFT) laws.

Upcoming reforms aim to strike a balance between innovation and safeguards, particularly as global stablecoins gain traction. The amendments could position Japan as a regulated hub for compliant stablecoin use in Decentralized Finance (DeFi) and payments. The Financial Services Agency (FSA)'s April 2025 discussion paper, "Examination of the Regulatory Systems Related to

Cryptoassets," aims to strike a balance between market innovation and user protection (Financial Services Agency, 2025).

- Hong Kong: The Legislative Council of the Hong Kong SAR passed a Stablecoins Bill in May 2025. The ordinance establishes a licensing regime for fiat-referenced stablecoins (FRS) issuers in Hong Kong to enhance its regulatory framework on virtual-asset activities, thereby fostering financial stability and encouraging financial innovation (Hong Kong Monetary Authority, 2025). Under the ordinance, only specified licensed institutions are permitted to offer an FRS in Hong Kong, and only an FRS issued by a licensed issuer may be offered to a retail investor.
- United States: The Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act was signed into law by the U.S. President in July 2025. It establishes a federal regulatory framework for payment stablecoins, requiring 100% reserve backing (in US dollars or short-term treasuries), monthly reserve disclosures, and annual audits for large issuers, thereby protecting consumers from depegging risks. It enforces strict marketing rules, banning false claims of government backing or FDIC³ insurance and prohibiting non-compliant digital assets from being marketed as stablecoins. The Act prevents financial instability by imposing reserve diversification, risk management standards, and creditor protections, prioritizing stablecoin holders in the event of insolvency while allowing state regulators to adopt "substantially similar" rules.

(II) Regulation under Consultation

- United Kingdom: The Financial Conduct Authority (FCA) is accelerating crypto regulation, proposing rules in a discussion paper CP25/14 that require prior authorization for issuing fiat-referenced stablecoins and mandate issuers to manage risks associated with stablecoin design and creation. The rules impose strict requirements on backing assets, primarily restricting them to short-term cash or government debt ("core" assets), unless FCA-approved "expanded" assets are used. This requires a minimum of 5% bank deposits and mandates segregation in a statutory

³ [Federal Deposit Insurance Corporation](#)

trust held by an independent custodian. Crucially, the definition of "issuing" stablecoins is broad, potentially encompassing exchanges or administrators facilitating stabilization. The consultation is open for feedback until 31 July 2025.

(III) No Specific Regulation

- Switzerland: The Swiss Financial Market Supervisory Authority (FINMA) regulates stablecoins under existing banking and financial market laws. Stablecoins are classified based on their purpose and structure (payment tokens, potentially asset tokens). Requirements include licensing, anti-money laundering compliance, and safeguarding of clients' funds. Known for a principles-based, technology-neutral approach.

In 2024, FINMA published guidance on stablecoins, providing information on aspects of financial market law that arise with stablecoin projects and their impact on supervised institutions (FINMA, 2024).

(IV) Summary

Christine Lagarde commented on this fragmentation: *"The EU has taken a decisive step in this direction. The Markets in Crypto-Assets Regulation is the world's first regulatory framework for stablecoins. It allows EU-based stablecoin investors to redeem their holdings at par value at all times and requires a substantial share of stablecoin reserves to be held in bank deposits, thereby minimizing the risks for consumers and financial stability.*

Most major jurisdictions, however (...) are still working towards establishing their own regulatory frameworks. This fragmented approach prevents a global level playing field and can open the door to new risks and systemic vulnerabilities. We must therefore remain alert to developments in other jurisdictions and advocate for globally aligned regulations for stablecoins." (Lagarde, 2025)

Reserve quality/transparency (predominantly cash/cash equivalents/short-term government bonds), redemption rights, robust risk management, governance, and stringent licensing/oversight are becoming global regulatory norms. Jurisdictions differ in their approaches to issuer types (banks vs. non-banks), specific reserve composition, and the handling of non-fiat pegged stablecoins.

V. Fighting Money Laundering, Terrorist Financing, and Financial Crime

Stablecoins, while offering benefits such as price stability and faster transactions, introduce several risks related to money laundering and financial crimes due to their unique characteristics. In the cryptocurrency space, they have surpassed Bitcoin (BTC) in terms of illicit transaction volumes by asset (Figure 7), according to the most recent Chainalysis "Crypto Crime Report" (Chainalysis, 2025).

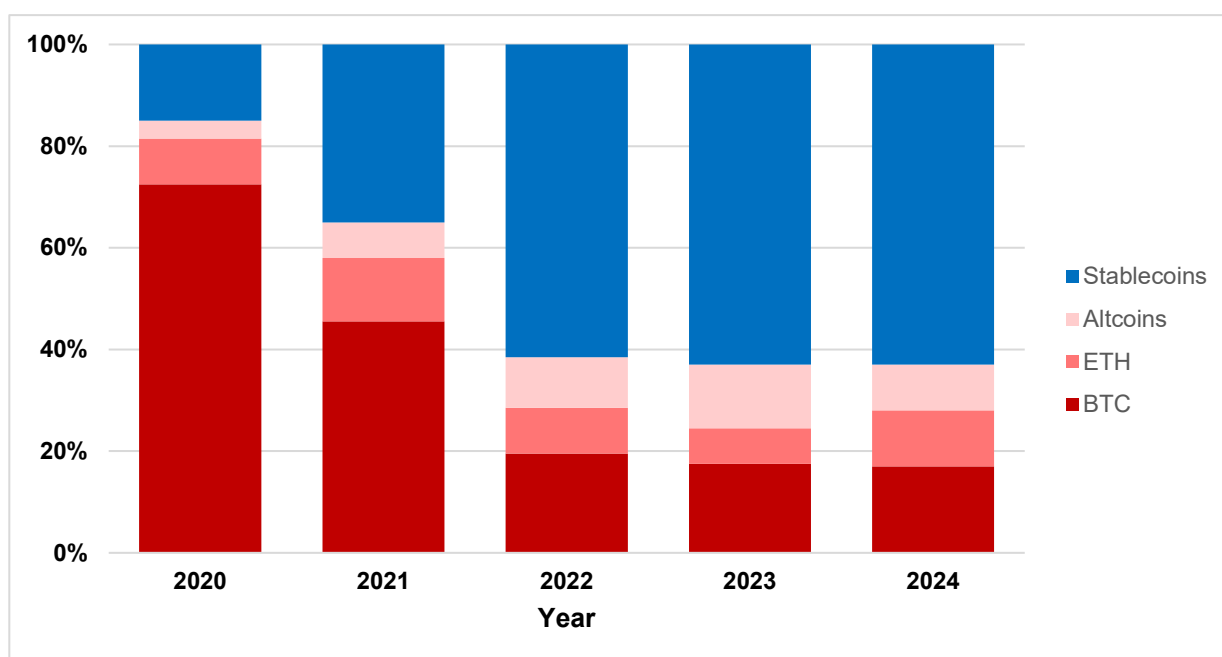


Figure 7: On-chain crime by asset (Chainalysis, 2025)

(I) Additional Risks Introduced by Stablecoins

Here are the key additional risks they pose: Enhanced Anonymity & Obfuscation of Transactions, Faster Cross-Border Movement of Illicit Funds, Decentralized Finance (DeFi) Exploitation, Lack of Consistent Regulatory Oversight, Peg Manipulation & Fraud Risks, Integration with Traditional Financial Systems, Use in Sanctions Evasion & Ransomware.

(II) Potential Mitigation Measures

Strict Virtual Asset Service Provider Regulations

Ensure all intermediaries handling stablecoins comply with AML/CFT obligations.

- Require all Virtual Asset Service Providers (VASPs) to register with financial authorities.
- Enforce FATF Travel Rule Compliance. (FATF, 2025)
- VASPs to implement automated AML systems to flag high-risk transactions.

Enhanced Issuer Transparency

Prevent fraud and ensure reserves fully back stablecoins.

- Stablecoin issuers should undergo regular audits by trusted third parties on a monthly or quarterly basis.
- Proof-of-reserves mechanisms: Blockchain-based verification that shows 1:1 backing (e.g., using Merkle tree proofs).
- Disclosure of reserve composition to assess risk.

DeFi AML Controls

Apply AML safeguards to DeFi platforms where stablecoins are traded/lent.

- While DeFi protocols are permissionless, front-end providers can enforce KYC.
- Monitor smart contracts and use tools to track illicit fund flows on-chain.
- Blacklist suspicious addresses (e.g., OFAC⁴-sanctioned wallets).
- Ensure vetted entities hold governance tokens to prevent manipulation.

Global Coordination

Prevent regulatory arbitrage by closing loopholes that allow criminals to exploit weak jurisdictions.

- Harmonize AML standards across jurisdictions.
- Share information among regulators.
- Pressure jurisdictions with lax crypto laws to adopt stricter AML rules.

⁴ [Office of Foreign Assets Control](#)

(III) Summary

Stablecoins amplify money laundering and financial crime risks due to their speed, pseudonymity, and integration with DeFi. While they improve financial efficiency, regulators must address these vulnerabilities to prevent misuse by criminals.

The four proposed mitigation measures — VASP regulation, issuer transparency, DeFi AML controls, and global coordination — are critical to reducing stablecoin-related financial crime. However, challenges remain due to technological complexity, jurisdictional fragmentation, and privacy concerns.

VI. A Multi-Polar Future of Digital Money

Combining the literature review, our findings, and the survey results, we predict the prevailing form of digital money a decade from now.

(I) A Multi-Polar Ecosystem

A singular winner is unlikely; instead, we foresee a multi-polar ecosystem:

- CBDCs (Wholesale & Retail): Will become widespread, particularly in advanced and emerging economies. Wholesale CBDCs (for interbank settlements) will likely see near-universal adoption among major central banks due to significant efficiency gains. Retail CBDCs will experience varied adoption, heavily dependent on design choices (such as privacy, offline capability, and interest-bearing features) and public trust. They will be "successful" as a foundational public infrastructure, but may not dominate everyday transactions everywhere.
- Regulated Stablecoins: These are poised for massive growth if robust regulatory frameworks are implemented and enforced globally. They offer unique advantages, including private-sector innovation speed, seamless integration with DeFi and Web3, and the potential for cross-border efficiency that surpasses traditional systems. Their success hinges on becoming trusted, interoperable, and widely accepted for payments and settlements beyond crypto-native activities. Expect significant consolidation around a few dominant, well-regulated players.

- Tokenized Deposits: Commercial bank deposits represented on blockchains could become a significant force. They combine the trust of established banks with the efficiency of blockchain rails for settlements. Their success depends heavily on bank adoption and interoperability standards.
- Unregulated/Algorithmic Stablecoins: Will likely persist in niche, crypto-speculative environments but face existential threats from regulation and loss of trust post-UST/Luna collapse. Widespread success in the broader economy is improbable.
- Enhanced Traditional Payment Rails: Existing fast payment systems will continue to evolve and remain dominant for many domestic transactions, especially where CBDC adoption is slow or public preference favors existing bank rails.

(II) Summary

Success will be defined by utility and trust. Regulated stablecoins and tokenized deposits could dominate cross-border commerce and capital markets. CBDCs will anchor domestic monetary systems and interbank settlements. Interoperability between these systems will be critical.

VII. Impact on Financial Center Ecosystems: Reshaping the Playing Field

First and foremost, stablecoins have an impact on monetary policy and financial sovereignty. (Digital Euro Association Working Group, 2025) lists some potential enhancements and challenges. In Table 2, we have highlighted those that are relevant to financial centers as well.

Table 2: Stablecoin Impacts on Financial Sovereignty, based on (Digital Euro Association Working Group, 2025). Green and red highlights by the author

Potential Enhancements	Potential Challenges
Currency Modernization: Ensuring the domestic currency remains useful and relevant.	Monetary Policy Disruption: Parallel financial systems outside central bank control; bank disintermediation.

<p>Competitive Positioning: Regulated domestic alternatives to counter foreign-issued stablecoins.</p>	<p>Currency Substitution: Foreign currencies replacing domestic ones.</p>
<p>Leveraging Private Innovation: Benefit from private sector efficiency, networks, and potentially faster adaptation.</p>	<p>Financial Instability: Run risks; violation of the money singleness principle via a depeg; contagion.</p>
<p>Extend Global Reach/Influence: Potentially enhance the currency's international role.</p>	<p>Commercial Bank Disintermediation: The transition from deposits to stablecoins may restrict credit creation.</p>
<p>Sovereign Debt Demand: Stablecoin reserves create demand for government bonds.</p>	<p>Conversion Difficulties: Difficulty integrating with traditional finance and achieving at-par conversion with other forms of money; bank disintermediation.</p>
<p>Network Alternatives: Providing regulated options to counter foreign network dominance.</p>	<p>Loss of Infrastructure Control: Bypassing domestic systems via global rails.</p>
<p>Strategic Resilience: Enhancing system robustness via diversification.</p>	<p>Standard Setting Challenges: Fragmentation, lack of interoperability.</p>
<p>Domestic Innovation: Facilitating advanced payment services.</p>	<p>Monitoring & Oversight Gaps: AML/CFT difficulties, esp. P2P/foreign.</p>
<p>Reduced Intermediary Reliance: Streamlining cross-border flows vs. correspondent banks.</p>	<p>Strategic Dependencies: Reliance on foreign tech, networks, and providers.</p>
<p>Assertion of Sovereign Standards in Digital Finance: Proactive regulation establishes domestic control over new financial</p>	<p>Transaction Monitoring & Oversight: Challenges in monitoring P2P transfers and foreign-issued stablecoins.</p>

technologies.	
<p>Enhanced Supervision & Compliance:</p> <p>Blockchain's immutable audit trails and potential for programmable compliance improve oversight and enforcement.</p>	<p>Regulatory Arbitrage & Market Fragmentation: Issuers may seek lenient jurisdictions or use DeFi to bypass rules.</p>
<p>Increased Infrastructure Optionality:</p> <p>Strategic consideration of leveraging credibly neutral global platforms alongside domestic development.</p>	<p>Cybersecurity Vulnerabilities: Exposure to global threats targeting underlying infrastructure, potentially outside regulatory reach.</p>

To summarize, stablecoins have the potential to drive innovation and enhance cross-border payments. At the same time, there is a risk of bank disintermediation and higher dependency on foreign currencies and services.

The rise of stablecoins and other digital monies profoundly impacts international financial centers (IFCs):

- IFCs that leverage digital money effectively can see significant improvements in settlement times, reduced counterparty risk, and lower transaction costs, particularly in cross-border payments and securities settlement (e.g., tokenized bonds and equities). This attracts new market participants and fintech innovators.
- IFCs with clear, supportive regulatory frameworks for digital assets (stablecoins, tokenization, DeFi) will likely gain a significant edge. Locations like Hong Kong, Singapore, Switzerland, the UK, and parts of the EU are actively positioning themselves as hubs. Lagging centers risk losing business, talent, and relevance.
- Banks face disintermediation risks in payments and settlement, but also opportunities via tokenized deposits and providing services to the digital asset ecosystem (custody, trading, stablecoin issuance). Their role may shift towards delivering value-added services and serving as integration points between traditional finance and DeFi.

- Digital money requires new or adapted infrastructure, including blockchain-based settlement systems, digital asset custodians, specialized exchanges, and robust cybersecurity frameworks. IFCs must foster this infrastructure development.
- Concentration of stablecoin activity within an IFC introduces new potential systemic risks. Regulators must monitor interconnectedness, reserve management practices, and operational resilience of critical digital money issuers and platforms.
- Failure to manage AML/CFT for stablecoins properly may attract illegal actors and fraudsters, potentially leading to FATF greylist inclusion and harming the reputation.
- Dominant global stablecoins could influence capital flows and potentially challenge the monetary sovereignty of smaller economies. IFCs hosting major issuers gain influence but also bear significant responsibility for global financial stability.
- IFCs will compete fiercely for talent in blockchain technology, cryptography, regulatory compliance (RegTech), and digital asset economics.

The financial centers that thrive will be those that proactively develop clear, risk-proportionate regulatory frameworks, invest in enabling infrastructure, foster collaboration between traditional finance and innovators, and attract the necessary talent.

The future belongs not to one form of digital money but to an integrated ecosystem where CBDCs, regulated stablecoins, tokenized deposits, and enhanced traditional systems interoperate seamlessly, driving efficiency, inclusion, and new economic opportunities on a global scale.

The race to build this future is well underway.

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.

Previous (In 2025):

No. 2025-01/192 Liu Xiaoshu, *Review and Outlook of the Asian Currency Market from 2023 to Mid-2024*

No. 2025-02/193 Guan Tao, *Review and Outlook of the Asian Foreign Exchange Market from 2023 to Mid-2024*

No. 2025-03/194 Feng Yuan, *Review and Outlook of the Asian Bond Market from 2023 to Mid-2024*

No. 2025-04/195 Chen Weidong, *Review and Outlook of the Asian Banking Industry from 2023 to Mid-2024*

No. 2025-05/196 Xu Shida, *Review and Outlook of the Asian Securities Industry from 2023 to Mid-2024*

No. 2025-06/197 John Zheng, *Review and Outlook of the Asian Insurance Industry from 2023 to Mid-2024*

No. 2025-07/198 Zhang Xuanchuan, *Review and Outlook of the Asian Fund Industry from 2023 to Mid-2024*

No. 2025-08/199 Chen Weidong, *Review and Outlook of the Asian Monetary Policy from 2023 to Mid-2024*

No. 2025-09/200 Chen Weidong, *Review and Outlook of the Asian Fiscal Policy from 2023 to Mid-2024*

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