

GDF | Report

STABLECOINS IN THE MIDDLE EAST ROUNDTABLE

**Jointly hosted by Stablecoin Standard
and Global Digital Finance (GDF)**

Meeting Readout & Recommendations

Opening Remarks

The roundtable was opened by Ripple, who hosted the event at their offices, who welcomed participants and emphasized the growing importance of utility-driven regulatory frameworks for stablecoins, particularly in the Middle East and Africa (MEA) region. It was noted that “utility” will likely manifest differently in this region compared to more developed markets, with a focus on practical financial access and regional priorities such as cross-border trade, remittances, and financial inclusion.

Participants observed that in certain jurisdictions, regulatory frameworks perceived as overly compliant or rigid may inadvertently stifle innovation and called for a balance between regulatory integrity and innovation enablement.

Roundtable Readout

DISCLAIMER: The views and opinions expressed during this roundtable are those of the individual participants and do not necessarily reflect the official policy or position of the organizers or any affiliated institutions. Multiple industry participants as well as public sector officials contributed to the following discussion.

Comparative Regulatory Approaches: US, UAE, and MiCA

The initial portion of the roundtable discussion focused on comparing global approaches to stablecoin regulation, particularly those of the United States, the United Arab Emirates (UAE), and the European Union’s Markets in Crypto-Assets (MiCA) regulation.

Participants highlighted the fragmented nature of the U.S. regulatory environment, with stablecoin activities subject to overlapping oversight from both federal and state regulators. This fragmentation creates complexity and uncertainty for issuers seeking nationwide compliance.

In contrast, the UAE was praised for its more innovation-led frameworks, particularly the Abu Dhabi Global Market (ADGM)’s Financial Regulatory Technology (FRT) regime, which offers clearer licensing and a more centralized regulatory environment. However, the multiplicity of regulators within the UAE (e.g., ADGM, DFSA, CBUAE, VARA) was noted as a source of friction and uncertainty.

MiCA’s stablecoin framework was criticized for being overly restrictive, with potential to reduce the EU’s competitiveness in the digital asset space. Specific concerns included the treatment of e-money tokens, reserve requirements, and stringent licensing obligations that may deter market entry or stifle product innovation.

Across the discussion of all regions was a broad consensus on the need for:

- Cross-border fungibility of stablecoins;
- Consistent treatment of foreign-issued tokens; and
- Greater regulatory reciprocity across jurisdictions.

The group acknowledged that achieving mutual recognition remains a challenge due to a lack of harmonization and diverging supervisory philosophies.

Stablecoin Use Cases in the Middle East

Issuers shared insights into current and planned uses of dollar-backed stablecoins in the MEA region. Key applications include:

- Remittances: Leveraging stablecoins for faster, lower-cost cross-border transfers.
- FX Settlement: Using tokens to facilitate bilateral settlement between institutions.
- DeFi: Integration with permissioned or localized DeFi platforms.
- Trade Finance: Embedding stablecoins into supply chain and invoice settlement rails.

Despite the diversity of use cases, participants pointed to several practical challenges:

- **Integration with Local Banking Partners:** Issuers face significant hurdles in building banking relationships due to risk concerns, licensing requirements, and operational frictions.
- **FX Controls and On/Off Ramps:** Local currency conversion, capital controls, and unclear regulations for fiat on/off ramps limit scale.
- **Appetite for Local vs Global Issuance:** While there is interest in hosting global issuers, participants observed a growing policy and industry appetite for locally issued stablecoins—potentially pegged to regional currencies or designed for domestic use.

It was emphasized that to reduce concentration risk and enable scale, support from larger regional financial institutions will be crucial. Industry engagement with top-tier banks and regulators was flagged as a strategic priority.

Enhancing Competitiveness in the Middle East

Discussion shifted to identifying areas where the Middle East could further enhance its competitiveness in stablecoin innovation and adoption.

Challenges identified included:

- **Regulatory Timelines:** Prolonged authorization timelines and sequential licensing processes were seen as a barrier to market entry.
- **Custodian and Wallet Licensing:** Ambiguity around the roles, responsibilities, and licensing of custodians and wallet providers remains a source of risk and operational uncertainty.
- **Supporting Infrastructure:** Gaps in digital identity, payment rails, and compliance infrastructure were noted as impediments to safe scale-up.

Recommendations to address these included:

- Accelerating public-private pilots to test innovation safely.
- Enhancing regulatory clarity through coordinated guidance or memoranda of understanding across regional regulators.
- Investing in talent and education, particularly initiatives that equip local stakeholders with the knowledge to assess, implement, and oversee stablecoin solutions.

There was a shared view that national and regional competitiveness will depend not just on technology but on policy frameworks that are credible, agile, and collaborative.

Conclusion and Strategic Recommendations

The roundtable concluded with broad agreement on several strategic imperatives. These included:

- The importance of mutual recognition frameworks, both across UAE regulators and internationally, to facilitate passporting and reduce duplication.
- The formation of a public/private sector working group to improve bank understanding and risk assessments related to stablecoin models.
- A proposal to launch a stablecoin regulatory sandbox, either at the national (e.g., CBUAE or ADGM) or regional GCC level, to pilot models for interoperability, compliance, and liquidity.
- UAE jurisdictions were encouraged to lead globally by focusing on:
- Transparency and auditability of reserves and token mechanics;
- Interoperability standards across blockchain networks and jurisdictions;
- Explicit utility permissions within licensing frameworks to enable broader stablecoin applications beyond payments.

Key Takeaways, Actions and Recommendations



Key Takeaways

- Fragmented global regulation remains a major barrier to scale and interoperability.
- The UAE is perceived as a pro-innovation environment but still faces internal regulatory frictions.
- MiCA's approach, while comprehensive, may be overly restrictive and lacks flexibility for non-EU issuers.
- Stablecoin use cases are maturing in the MEA region, but operational and regulatory gaps persist.
- There is growing demand for both global and locally-issued stablecoins, with trade finance and FX settlement leading.



Recommended Actions

- Establish a GCC-wide Stablecoin Sandbox to test cross-border use cases and risk controls.
- Form a Regulatory-Education Working Group to assist local banks and regulators in understanding stablecoin business models.
- Streamline Regulatory Coordination across ADGM, DFSA, VARA, and CBUAE to avoid conflicting requirements.
- Engage Larger Banks in Innovation Pilots to reduce concentration risk and expand on/off ramp access.
- Clarify Custodian and Wallet Licensing Requirements, especially for entities holding or facilitating access to digital assets.




Strategic Recommendations

- Encourage international regulators to explore functional equivalence rather than formal harmonisation.
- Define and promote interoperability standards for stablecoin issuance and redemption.
- Update UAE frameworks to explicitly permit utility-focused use cases under mutually recognized stablecoin/FRT across UAE regulatory licenses.
- Champion auditable and transparent reserves, particularly for fiat-backed stablecoins, to build trust and enable adoption.

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