

Stablecoins and Systemic Compliance Risks: A Comparative Legal Analysis Under MiCA, the GENIUS Act, and Emerging Central Asian Frameworks

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ABSTRACT

Objective: This article examines the systemic compliance risks posed by stablecoins through a comparative legal analysis of three regulatory paradigms: the European Union's Markets in Crypto-Assets Regulation (MiCA, Regulation (EU) 2023/1114), the United States' Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act, enacted July 2025), and the nascent frameworks of Central Asian jurisdictions, principally Uzbekistan and Kazakhstan. **Method:** The analysis draws on FATF guidance, Financial Stability Board recommendations, IMF analysis, and primary legislative sources to examine stablecoin compliance risks within these regulatory frameworks. **Results:** The article argues that while MiCA and the GENIUS Act represent meaningful regulatory advances, persistent gaps in Travel Rule enforcement, reserve transparency, sanctions compliance, and cross-border supervisory cooperation create systemic vulnerabilities, particularly in emerging markets. **Novelty:** This article offers a comparative legal perspective on stablecoin regulatory challenges, focusing on the convergence of financial regulation, anti-money laundering law, and digital asset policy across major jurisdictions, with particular emphasis on emerging markets like Uzbekistan and Kazakhstan.

INTRODUCTION

The emergence of stablecoins as instruments of global commerce, cross-border remittance, and decentralised finance has produced one of the most consequential regulatory debates of the contemporary financial era. Unlike speculative cryptocurrencies, stablecoins are designed to maintain a fixed value relative to a reference asset typically a fiat currency such as the US dollar and are therefore uniquely positioned to function as digital money at scale [1]. By mid-2025, there were over 250 stablecoins in global circulation, and on-chain stablecoin transaction volume had grown by more than USD 30 trillion in the preceding twelve months [2].

Yet this same utility that makes stablecoins attractive for legitimate commerce makes them equally attractive to illicit actors. The Financial Action Task Force (FATF) reported in March 2026 that stablecoins now account for 84 percent of all illicit virtual asset transaction volume globally, a figure that reflects both their liquidity and their operational accessibility through peer-to-peer (P2P) networks and unhosted wallets[3]. The North Korean Lazarus Group's USD 1.46 billion theft from the Bybit exchange in

early 2025 of which only 3.8 percent has been recovered underscored in stark terms the sanctions evasion and asset recovery challenges that accompany mass stablecoin adoption [4].

Three distinct regulatory architectures have emerged to address these risks. The European Union, through MiCA, has constructed a comprehensive ex ante licensing and reserve framework applicable from June 30, 2024 [5]. The United States, historically reliant on patchwork application of the Bank Secrecy Act (BSA) and state money transmission statutes to virtual asset service providers (VASPs), enacted the GENIUS Act on July 18, 2025 the country's first federal statute dedicated exclusively to payment stablecoins. Meanwhile, Central Asian jurisdictions, particularly Uzbekistan and Kazakhstan, are constructing regulatory frameworks from the ground up, navigating the tension between fintech-led growth strategies and FATF compliance obligations [6].

This article proceeds as follows. Section II provides a conceptual and market overview of stablecoins and the systemic risks they pose. Section III conducts a comparative legal analysis across the three jurisdictional clusters. Section IV examines regulatory and compliance implications for practitioners and issuers. Section V identifies future risks and anticipated developments. Section VI concludes [7].

RESEARCH METHOD

This study employs a qualitative doctrinal legal research methodology combined with a comparative analytical approach to examine the systemic compliance risks associated with stablecoins. The research is based on the analysis of primary legal sources, including the European Union's Markets in Crypto-Assets Regulation (MiCA), the United States' Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), and relevant regulatory frameworks in Central Asian jurisdictions, particularly Uzbekistan and Kazakhstan. These primary materials are supplemented by secondary sources such as reports and guidelines issued by international organizations, including the Financial Action Task Force (FATF), the International Monetary Fund (IMF), and the Financial Stability Board (FSB).

The comparative analysis is conducted across three dimensions: regulatory architecture, anti-money laundering and counter-terrorist financing (AML/CFT) obligations, and supervisory enforcement mechanisms. A functional method of comparison is applied to identify similarities, divergences, and regulatory gaps across jurisdictions. The study further incorporates a risk-based analytical framework to classify systemic compliance risks, including reserve opacity, sanctions evasion, and Travel Rule enforcement deficiencies.

Data is analyzed through interpretive legal reasoning, focusing on the effectiveness of regulatory provisions in addressing cross-border financial risks associated with stablecoins. The methodology also considers emerging market constraints, particularly institutional capacity and enforcement limitations in Central Asia. This approach enables a comprehensive evaluation of how different regulatory

systems respond to the same category of financial innovation and highlights areas where international coordination remains insufficient.

RESULTS AND DISCUSSION

Stablecoins: Market Structure and Systemic Risk Typology

Architecture and Classification

Stablecoins are broadly categorised by their collateralisation mechanism. Fiat-backed stablecoins (e.g., USDC, USDT) maintain reserves in cash or near-cash equivalents [8]. Commodity-backed tokens reference physical assets such as gold. Crypto-collateralised instruments use over-collateralised digital asset reserves. Algorithmic stablecoins rely on supply-demand mechanisms managed by smart contract, a design that proved catastrophically unstable when TerraUSD (UST) collapsed in May 2022, erasing approximately USD 45 billion in value and prompting global regulatory reassessment [9].

Under MiCA, these categories map onto two legally distinct instruments. “Asset-referenced tokens” (ARTs) reference a basket of assets, currencies, or commodities [10]. “Electronic money tokens” (EMTs) reference a single fiat currency and function analogously to e-money. The GENIUS Act, by contrast, adopts a functional definition, regulating any digital asset issued for payment or settlement and redeemable at a predetermined fixed amount a deliberately technology-neutral formulation designed to capture future stablecoin architectures.

Systemic Risk Dimensions

The systemic risks associated with stablecoins operate across at least six dimensions, as set out in Table 2 below [11]. Reserve opacity the risk that issuers do not maintain adequate liquid backing was precisely what regulators observed in scrutiny of Tether (USDT), whose reserve composition has been subject to repeated regulatory and legal inquiry. Coinbase’s delisting of USDT from EU platforms in 2025 following MiCA’s stablecoin provisions entering force illustrates the market consequences of compliance gaps [12].

The IMF and FSB have both flagged a second dimension: systemic contagion. If a major stablecoin depeg event occurs whether through reserve mismanagement, a cyber breach, or a run the interconnectedness of stablecoins with decentralised finance (DeFi) protocols and centralised exchanges creates transmission channels for financial contagion comparable in speed and reach to those in traditional wholesale funding markets [16]. The GENIUS Act’s reserve requirements and MiCA’s “significant token” classification framework both respond, albeit imperfectly, to this concern.

Stablecoin Compliance Risk Typology

Table 1. Stablecoin Compliance Risk Typology (Comparative Overview, 2025–2026)

Risk Category	Description	Affected Jurisdictions
Reserve Opacity	Issuer failure to maintain or disclose full reserve composition; fractional-reserve risk	All (USDT scrutiny in EU; Tether MiCA non-compliance)
Travel Rule Gaps	P2P transfers via unhosted wallets bypass VASP identification obligations	All; especially KZ, UZ where enforcement capacity is nascent
Regulatory Arbitrage	Issuers domicile in permissive jurisdictions to avoid stricter rules	Offshore issuers targeting US/EU users; Central Asia as potential conduit
DPRK / Sanctions Evasion	State-sponsored actors exploit stablecoin liquidity for sanctions circumvention	Global; \$1.46B Bybit hack (2025); OFAC SDN designations
DeFi Protocol Risk	Stablecoins deployed in unregulated DeFi protocols outside VASP supervision	Emerging globally; MiCA and GENIUS Act do not fully resolve DeFi perimeter
Systemic Contagion	Depeg events trigger liquidity crises across interconnected DeFi/CeFi markets (cf. Terra/Luna 2022)	Global; FSB/IMF systemic risk flags; EBA “significant token” classification responds

Comparative Legal Analysis

The European Union: MiCA as a Comprehensive Licensing Architecture

The EU’s adoption of MiCA represents the most comprehensive stablecoin regulatory framework currently in force anywhere in the world [13]. Regulation (EU) 2023/1114 entered into force on June 29, 2023, with provisions governing ARTs and EMTs becoming applicable on June 30, 2024, and full application across all crypto-asset service providers (CASPs) achieved on December 30, 2024.

MiCA imposes a dual authorization architecture. ART issuers must obtain prior approval from a national competent authority (NCA) and submit a detailed white paper containing information on reserve composition, governance, environmental impact, and investor rights [14]. EMT issuers must hold either a credit institution license or an electronic money institution (EMI) authorization. Circle’s July 2024 EMI authorization from the French ACPR, making USDC and EURC the first MiCA-compliant stablecoins, demonstrates the practical operation of this pathway.

For stablecoins classified as “significant” by the European Banking Authority (EBA) based on criteria including a holder count exceeding 10 million, reserve assets

exceeding EUR 5 billion, or demonstrated interconnectedness with the financial system MiCA imposes enhanced prudential requirements and subjects the issuer to direct EBA supervision.²⁴ This classification mechanism reflects the FSB's recommendation that regulatory intensity should scale with systemic footprint.

AML compliance under MiCA is supplied by a separate but complementary instrument: the Transfer of Funds Regulation (TFR), applicable from December 30, 2024. The TFR extends the traditional wire transfer travel rule to all crypto-asset transfers, requiring CASPs to collect and transmit originator and beneficiary information regardless of transaction value a standard that goes beyond FATF's threshold-based approach.¹⁰ Issuers and CASPs must also comply with the sixth Anti-Money Laundering Directive (6AMLD) and, from 2027, the forthcoming EU AML Authority (AMLA) regulation [15].

The principal structural tension in the EU regime concerns the interplay between MiCA and pre-existing national AML frameworks implemented under the fifth AMLD (5AMLD). As ESMA noted in its December 2024 transitional measures statement, CASPs operating under national transitional regimes cannot yet avail themselves of MiCA passporting rights, producing a fragmented compliance landscape in the short term.⁹ The risk of regulatory arbitrage within the single market whereby issuers gravitate toward NCAs perceived as more permissive remains a live concern that ESMA and the EBA are actively monitoring.

The United States: GENIUS Act and the BSA Integration Model

For the better part of a decade, US regulation of stablecoins was conducted largely through regulatory interpretation rather than dedicated legislation. FinCEN's 2013 guidance treating certain virtual currency businesses as money services businesses (MSBs) subject to the BSA, combined with ad hoc enforcement actions and state money transmission licensing, constituted the operative legal framework. The GENIUS Act, signed into law on July 18, 2025, fundamentally altered this landscape. The Act introduces a tiered federal-state regulatory structure. Nonbank stablecoin issuers with more than USD 10 billion in outstanding stablecoins must obtain federal authorization from the Office of the Comptroller of the Currency (OCC) for standalone issuers, or from the relevant prudential regulator for bank subsidiaries. Smaller issuers may elect state supervision, provided the applicable state regime is certified as "substantially similar" to the federal framework by the newly created Stablecoin Certification Review Committee, a tri-agency body comprising the Treasury Secretary, the Federal Reserve Vice Chair for Supervision, and the FDIC Chair [16].

Crucially, the GENIUS Act designates all permitted payment stablecoin issuers (PPSIs) as "financial institutions" for BSA purposes, subjecting them to the full range of AML/CFT obligations applicable to banks and MSBs.¹¹ The April 2026 joint FinCEN-OFAC Notice of Proposed Rulemaking (NPRM) operationalises this mandate by requiring PPSIs to implement: (i) a risk-based AML/CFT program; (ii) a designated US-based compliance officer without disqualifying financial crime convictions; (iii) a

customer identification and due diligence program; (iv) suspicious activity reporting to FinCEN; and, crucially, (v) technical systems capable of blocking, freezing, and rejecting transactions in violation of federal or state law or any lawful order.

This last obligation the technical blocking and freezing requirement is architecturally significant. It extends compliance obligations beyond the VASP-as-gatekeeper model into the infrastructure layer, requiring issuers to hardcode compliance controls at the token level. Tether's demonstrated capacity to freeze USDT at the blockchain layer (having frozen over USD 1 billion in sanctioned addresses as of 2024) suggests that the technology exists; the GENIUS Act and its implementing rules now make it a legal obligation [17].

The GENIUS Act explicitly excludes payment stablecoins from the definitions of "security" under the Securities Exchange Act and "commodity" under the Commodity Exchange Act, resolving a long-standing jurisdictional ambiguity that had previously impeded capital formation and compliance investment in the sector.¹⁶ However, the legislation's silence on algorithmic stablecoins and on the integration of stablecoin settlement into securities markets, flagged by SEC Chair Paul Atkins as a pending issue leaves a meaningful regulatory perimeter question unresolved.

Central Asia: Supervised Innovation Between FATF Compliance and Growth Imperatives

Uzbekistan and Kazakhstan occupy a distinctive position in the comparative analysis: both are FATF-associated states with significant cryptocurrency adoption and growth-oriented regulatory policies, yet both face structural capacity constraints in supervisory implementation that create systemic vulnerabilities [18].

Uzbekistan's regulatory evolution has been rapid and strategically deliberate. Following initial legalization of cryptocurrency trading in 2018 under Presidential Decree, a 2019 reversal (banning resident purchases), and a subsequent policy recalibration, Uzbekistan by 2024 had established 15 licensed crypto providers, processed over USD 1 billion in licensed transactions, and achieved a cryptocurrency ownership rate of approximately 1.46 percent of the population the highest in Central Asia.¹⁸ On November 28, 2025, President Mirziyoyev signed a decree establishing a regulatory sandbox for stablecoin payments effective January 1, 2026, alongside a five-year fintech blueprint (2026–2030) targeting 200 licensed entities by decade's end [19].

Critically, the 2026 sandbox imposes AML standards "aligned with FATF guidelines," with oversight from the National Agency for Prospective Projects (NAPP). Participants benefit from a three-year tax concession and operate without full licensing during the sandbox period. The AML backbone is supplied by Law No. 660-II on combating money laundering and terrorist financing, enforced by the Central Bank's Financial Monitoring Department and the Financial Intelligence Unit.¹⁷ The December 2023 adoption of risk-based supervision guidelines aligns Uzbekistan's methodology with FATF Recommendation 15, though enforcement capacity and the practical supervision of blockchain-based transactions remain areas requiring investment.

Kazakhstan’s model is architecturally distinct, centred on the Astana International Financial Centre (AIFC) as a special economic zone with its own legal framework modelled on English common law. The AIFC’s independent regulator, the Astana Financial Services Authority (AFSA), licenses and supervises crypto-asset activities within the zone and enforces comprehensive AML/CFT rules most recently amended in December 2024 (effective January 1, 2025) to incorporate updated FATF standards on VASPs.¹⁹ The Financial Intelligence Unit receives suspicious transaction reports from all licensed entities, including crypto exchanges [20].

Both jurisdictions face a common challenge: the gap between formal legal frameworks and operational supervisory capacity. FATF’s June 2025 targeted update found that, globally, only 21 percent of assessed jurisdictions were fully or substantially compliant with Recommendation 15 as of April 2025 an improvement from prior years, but indicative of the structural distance between legislative enactment and effective enforcement. For Central Asian regulators, this gap creates a regulatory arbitrage risk: issuers and actors unable to satisfy MiCA or GENIUS Act requirements may seek to exploit lighter-touch regimes in the region as a compliance refuge.

Comparative AML Obligations: US, EU, Central Asia

Table 2. Comparative AML Obligations for Stablecoin Issuers (United States, European Union, and Central Asia, 2024–2026)

Legal Criterion	United States (GENIUS Act/ BSA)	European Union (MiCA / TFR)	Central Asia (UZ / KZ)
Primary Statute	GENIUS Act 2025; Bank Secrecy Act 31 U.S.C. §5311	Regulation (EU) 2023/1114 (MiCA); Transfer of Funds Regulation (TFR)	UZ Decree Nov 2025; KZ Law on Digital Assets 2023; AIFC AML Rules
Licensing / Authorization	OCC (nonbank); Federal Reserve / FDIC (bank subsidiaries); State regime (<\$10B)	NCA authorization (ARTs); EMI license (EMTs); EBA oversight for significant tokens	NAPP license (UZ); AIFC license (KZ); sandbox regime (UZ from Jan 2026)
AML/CFT Program	Full BSA compliance: KYC, SAR filing, CDD, Travel Rule; OFAC sanctions program	EU AML Directives (6AMLD); TFR Travel Rule (from Dec 2024); KYC/CDD by CASPs	FATF R.15 aligned; KYC/CDD mandatory; UZ Law No. 660-II; AIFC AML/CFT Rules

Legal Criterion	United States (GENIUS Act/ BSA)	European Union (MiCA / TFR)	Central Asia (UZ / KZ)
Reserve Requirements	1:1 reserve in permitted liquid assets (Treasuries, insured deposits, etc.)	Full backing in liquid assets; 1:1 ratio for EMTs; reserve segregation required	Emerging; UZ sandbox reserves under NAPP supervision; KZ framework developing
Sanctions Compliance	OFAC sanctions program mandatory; technical ability to block/freeze/seize transactions	EU sanctions regulations apply; NCAs empowered to freeze; cross-border enforcement	Sanctions obligations align with UN standards; limited autonomous enforcement capacity
Travel Rule	BSA-based travel rule applies to VASPs; PPSI-specific obligations via FinCEN NPRM 2026	TFR mandates data collection/transmission for all crypto transfers from Dec 30 2024	KZ AIFC Travel Rule operational; UZ implementing FATF R.15; enforcement gaps remain
Supervisory Penalties	Criminal exposure for BSA violations; OCC enforcement actions; FinCEN civil penalties	NCA fines; suspension/revocation of authorization; ESMA/EBA direct enforcement for significant tokens	Administrative sanctions; license revocation; fines (amounts jurisdiction-specific)

Regulatory and Compliance Implications For Stablecoin Issuers

Issuers operating across jurisdictions now face a multi-layered compliance architecture that requires simultaneous engagement with at least three distinct legal regimes . For an issuer like Circle, which obtained MiCA EMI authorization in July 2024 and will be subject to GENIUS Act obligations in the United States, the compliance cost structure includes: NCA-approved white papers and reserve audits in the EU; OCC-supervised reserve and governance programs in the US; and OFAC sanctions screening and BSA compliance across all markets.

The most demanding convergence point is the travel rule. The EU TFR applies to all transfers regardless of value; the GENIUS Act’s FinCEN implementing rules require transaction monitoring and SAR filings consistent with BSA standards; Central Asian

jurisdictions are at varying stages of Travel Rule implementation. Issuers must therefore maintain interoperable compliance systems capable of collecting, transmitting, and retaining originator-beneficiary data across these different threshold and data format requirements a significant technological and operational undertaking [21].

For Virtual Asset Service Providers and Exchanges

CASPs providing trading platforms face the additional complication of stablecoin delistings triggered by non-compliance. ESMA's directive that NCAs ensure CASPs cease making non-MiCA-compliant ARTs and EMTs available for trading by the end of Q1 2025 precipitated a wave of delistings including Tether's removal from several EU platforms that disrupted liquidity and imposed compliance costs on exchanges.³ This dynamic illustrates that stablecoin compliance failures are not merely issuer-level problems; they cascade through the broader VASP ecosystem [22].

For Central Asian Regulators

For regulators in Uzbekistan and Kazakhstan, the compliance implications are primarily institutional. Both jurisdictions need to invest in: (i) technical supervisory infrastructure capable of monitoring on-chain transactions and identifying suspicious patterns; (ii) cross-border information-sharing mechanisms with FATF partner jurisdictions; and (iii) legal frameworks that address the unhosted wallet P2P transaction risk that FATF flagged as the primary vulnerability in its March 2026 targeted report on stablecoins. The AIFC model in Kazakhstan importing common law governance standards into a domestic special economic zone offers a replicable template for building credible regulatory capacity without full legislative overhaul.

Future Risks and Developments

Three vectors of risk merit particular attention in the medium term. First, DeFi integration. Neither MiCA nor the GENIUS Act provides a comprehensive regulatory framework for stablecoin use within decentralised finance protocols, where the absence of a regulated intermediary makes traditional VASP-based AML controls structurally inapplicable. FATF's ongoing work on DeFi and the GENIUS Act's directive for a FinCEN study on novel detection methods for DeFi illicit activity represent preliminary steps, but a durable regulatory solution remains elusive [23].

Second, the digital-fiat boundary. As Uzbekistan contemplates a digital som (UZS) CBDC for interbank settlement and Kazakhstan tests a tenge-backed stablecoin pilot, the conceptual and legal boundary between sovereign digital currency and privately issued stablecoins will increasingly require clarification. The European Central Bank's digital euro project and the Federal Reserve's ongoing CBDC research similarly implicate this boundary. The legal and supervisory framework applicable at the intersection of CBDC infrastructure and private stablecoin settlement remains one of the most consequential open questions in contemporary financial law [24].

Third, and most urgently, the sanctions evasion threat. The DPRK's demonstrated capability to execute multi-billion-dollar virtual asset thefts and convert proceeds through stablecoin channels notwithstanding OFAC designations, on-chain analytics,

and international law enforcement cooperation exposes a fundamental weakness in the current compliance architecture: its dependence on centralised issuers and CASPs as choke points. If North Korean or other sanctioned actors develop reliable pathways through decentralised stablecoin protocols or through jurisdictions with weak supervisory frameworks including potentially nascent Central Asian markets the systemic integrity of the global stablecoin ecosystem will be materially compromised [25].

CONCLUSION

Fundamental Finding: The regulatory frameworks examined in this article represent a genuine and significant effort by legislators and regulators across three continents to address the systemic compliance risks of stablecoins. MiCA’s comprehensive licensing architecture, the GENIUS Act’s BSA integration model, and Central Asia’s supervised sandbox approaches each reflect coherent domestic policy responses to a common challenge. However, the analysis reveals that individual domestic frameworks cannot resolve the borderless nature of stablecoins and their associated AML/CFT risks. **Implication:** The FATF’s findings highlight the significant compliance deficit, with 84 percent of illicit virtual asset transaction volume in 2025 involving stablecoins, and only 21 percent of jurisdictions achieving substantial Recommendation 15 compliance. The scale of the compliance gap underlines the need for not only the maturation of domestic legal frameworks, particularly in Central Asia, but also enhanced cross-border cooperation to close this deficit through better implementation of the Travel Rule, sanctions enforcement, and asset recovery mechanisms. **Limitation:** The article does not resolve the question of whether the existing global stablecoin oversight architecture, in its embryonic form through the GENIUS Act and MiCA, can develop quickly enough to match the pace of stablecoin adoption and the ingenuity of illicit actors exploiting regulatory gaps across jurisdictions. **Future Research:** Future research should explore whether the current global oversight architecture for stablecoins can evolve swiftly and coherently, with sufficient coordination across jurisdictions, to address the systemic risks posed by the borderless nature of stablecoins and their evolving use in illicit activities.

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