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Institute of Law

International Financial Law

Stablecoins

International Financial Law

Lecture 10

Prof. Dr. Kern Alexander

7 May 2026

Lecture evaluation International Financial Law:

https://www.qmsl.uzh.ch/de/PH9Gh

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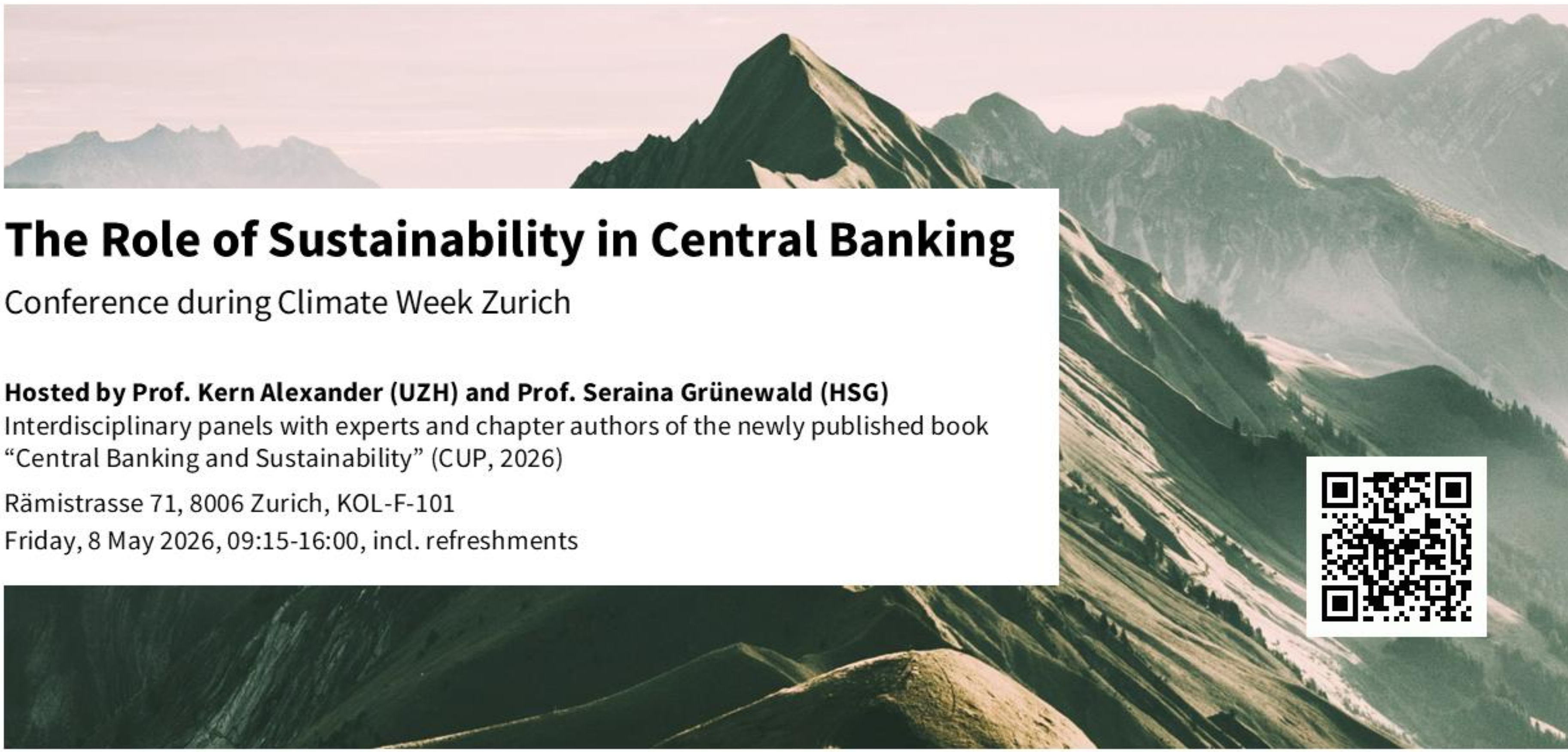
Universität Zürich[UZH] | Competence Center of Sustainability: Finance, Law, Sciences, and the Humanities

SCFL Society of Commercial and Financial Law



The Role of Sustainability in Central Banking

Conference during Climate Week Zurich

Hosted by Prof. Kern Alexander (UZH) and Prof. Seraina Grünewald (HSG)
Interdisciplinary panels with experts and chapter authors of the newly published book “Central Banking and Sustainability” (CUP, 2026)

Rämistrasse 71, 8006 Zurich, KOL-F-101

Friday, 8 May 2026, 09:15-16:00, incl. refreshments

Overview

- The FSB coordinates international efforts to ensure that crypto-assets, including stablecoins, are subject to effective regulation and oversight.
- The presentation summarises:
  - The FSB’s original recommendations for global stablecoin arrangements (GSCs).
  - The current state of implementation across jurisdictions (as of 2025).
  - Remaining gaps and policy priorities.
- Focus: financial stability, cross-border coordination and regulatory consistency.

Background: Why Stablecoins Matter

- Stablecoins aim to maintain a stable value relative to a reference asset (e.g., fiat currency).
- They are increasingly used for payments, trading, and remittances.
- Large-scale adoption could pose systemic risks to financial stability and monetary sovereignty.
- The collapse of TerraUSD (2022) highlighted vulnerabilities in governance, redemption, and reserve management.
- Hence, the G20 mandated the FSB to lead a coordinated global policy framework.

The FSB Global Framework

- The FSB developed a global framework for crypto-asset activities and stablecoins (2020–2023)
- Objectives:
  - Promote consistent regulation across jurisdictions.
  - Address cross-border risks and regulatory arbitrage.
  - Preserve financial stability while enabling responsible innovation.
- The framework complements Basel/BIS, IOSCO, FATF and IMF initiatives.

FSB Recommendations on Global Stablecoin Arrangements (2020–2022)

- Core Principles:
  - Governance: clear accountability and oversight structures.
  - Risk management: for reserve assets, liquidity, and operational integrity.
  - Redemption rights: users must be able to redeem stablecoins at par in a timely manner.
  - Data transparency: public disclosure of reserves and risk exposures.
  - Cross-border cooperation: supervisory colleges and information-sharing mechanisms.
  - Comprehensive regulation: “same activity, same risk, same regulation.”

Implementation Review 2025: Scope and Method

- The FSB's Peer Review (Oct 2025) covered 35 jurisdictions including G20 members, EU, UK, US and major Asian economies.
- It assessed the implementation of the 2020 recommendations for both crypto-assets and global stablecoins (GSCs).
- Review based on:
  - national legislation and supervisory guidance,
  - implementation timelines,
  - degree of alignment with FSB standards.
- Evaluation categories: *Implemented, Partially Implemented, Not Implemented.*

Implementation Results (Global Overview)

- Overall findings (FSB 2025):
  - 70% of jurisdictions have introduced or finalised crypto-asset legislation.
  - Stablecoin-specific frameworks: implemented or near-final in 15 jurisdictions.
  - EU (MiCA): comprehensive regulation in force (2024).
  - UK: implementing FCA-authorised stablecoin regime (2025).
  - US: Genius Act 2025 (stablecoins) and Clarity Act 2026 (crypto-assets).
  - Asia-Pacific: mixed progress (Japan, Singapore, Korea advanced; India, Indonesia still drafting, China prohibits stablecoin/crypto-assets).

Table 1: Overall implementation status of CA and GSC recommendations

	CA Recommendations		GSC Recommendations	
Stages of progress*	Jurisdictions**	Count	Jurisdictions**	Count
1 *No framework in place*	**China^, India,** Kazakhstan, Lebanon, **Mexico, Saudi Arabia^**	**6**	**Argentina,** Chile, **China^, India, Indonesia**, Kazakhstan, Lebanon, **Mexico, Saudi Arabia^, South Africa, Türkiye**	**11**
2 *Partial regulations in place*	**Argentina, Canada, South Africa**	**3**	**Canada,** Philippines, Thailand	**3**
3 *Plans for framework under public discussion*	**Brazil, Korea***, Switzerland***,** Uruguay	**4**	**Australia***, Brazil, Korea,** Nigeria, **Switzerland***,** Uruguay	**6**
4 *Framework proposed but not finalised*	Armenia, **Australia***,** Philippines, **UK**	**4**	Armenia, **Singapore***, UK, US**	**4**
5 *Regulatory framework finalised*	The Bahamas, Bermuda, Chile, **EU, Hong Kong, Indonesia, Japan**, Nigeria, **Singapore,** Thailand, **Türkiye**	**11**	The Bahamas, Bermuda, **EU, Hong Kong, Japan**	**5**

Source: Financial Stability Board, Thematic Review on FSB Global Regulatory Framework for Crypto-asset Activities (p. 3)

*The stages of progress reflect a jurisdiction's overall implementation progress and are not an assessment of compliance with each CA or GSC recommendations nor of effectiveness. For definitions of each stage, see Annex 1.

FSB member jurisdictions are **bolded.

***Indicates a jurisdiction where partial regulations are also in place.

^ Indicates a jurisdiction where crypto-asset activities are prohibited.

Identified Gaps and Challenges

- Regulatory fragmentation: differing definitions of stablecoins and reserve assets.
- Cross-border interoperability: lack of common redemption and reporting standards.
- Supervisory capacity: limited expertise and resources in several jurisdictions.
- Data gaps: incomplete reporting of cross-border flows and reserve composition of assets.
- Decentralisation claims: some issuers structured to avoid oversight.

Case Example: European Union (MiCA)

- Markets in Crypto-Assets Regulation (MiCA) adopted 2023, effective 2024.
- Introduces clear requirements for:
  - Authorisation and supervision of issuers,
  - Reserve management and redemption,
  - Disclosure and governance,
  - Cross-border passporting.
- The EU is the first jurisdiction with a comprehensive stablecoin (& crypto-asset) regime aligned with FSB principles.
- Implementation now monitored by ESMA and EBA.

FSB Policy Outlook (2025 and Beyond)

- The FSB recommends continued work on:
  - Supervisory cooperation through the Global Monitoring Framework (GMF).
  - Data aggregation on cross-border stablecoin exposures.
  - Integration of stablecoin risks into macroprudential surveillance.
  - Joint FSB–IMF assessment of policy consistency by 2026.
- Coordination with BIS CPMI, IOSCO, FATF.
- Next peer review planned for 2027.

Conclusions

- Stablecoin regulation has advanced substantially since 2020.
- Most G20 jurisdictions have at least partial frameworks in place.
- However, inconsistent implementation creates risks of arbitrage and regulatory gaps.
- FSB calls for accelerated and harmonised adoption of its recommendations.
- Stablecoin arrangements must not operate outside the perimeter of effective regulation.

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International Financial Law

International Insurance Regulation

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Main points

- International soft law and IAIS
- Insurance law and regulation – what is insurance?
- Core Principles of Insurance Supervision
- EU legal principles for insurance supervision (Solvency II)
- Swiss equivalence

International financial regulation and IAIS

- Basel Committee on Banking Supervision (Basel Accord, Concordat and Core principles)
- IOSCO standards (securities)
- **International Association of Insurance Supervisors (IAIS) standards, rules and guidance (Core Principles, ICPs)**
- FATF 49 Recommendations (AML/CFT)

Tietmeyer report (1999) stated that the primary role of the IAIS should be that of a supervisory rule-setting body and that there should be intensified cooperation and coordination with national financial authorities & international financial standard setting bodies charged with monitoring and fostering implementation of standards

What is Insurance

- Legal Nature
  - Private Contract
  - Difficulties in defining it
- The five elements of insurance:
  - Private contractual nature of insurance
  - Economic nature of insurance (managing economic risks)
  - Subjective nature (personalized interest in harm)
  - Temporal nature (delayed performance)
  - Abstract nature (final performance is uncertain)

Prudential Insurance Company v IRC [HL 1904]

When you insure a ship or a house you cannot insure that the ship shall not be lost or the house burnt, but what you do insure is that **a sum of money** shall be paid upon the happening of a certain event.

That I think is the first requirement in a contract of insurance. **It must be contract whereby for some consideration**, usually but not necessarily in periodical payments called premiums, you secure to yourself some benefit, usually but not necessarily the payment of a sum of money, upon the happening of some event.

Then the next thing that is necessary is that the event should be one which involves **some amount of uncertainty**. There must be either uncertainty whether the event will ever happen or not, or if the event is one which must happen at some time there must be uncertainty as to the time at which it will happen.

The remaining essential is … that the insurance must be against something. A contract which would otherwise be a mere wager may become an insurance by reason of the assured having an interest in the subject matter—that is to say, the uncertain event which is necessary to make the contract amount to an insurance must be an event which is *prima facie* **adverse to the interest of the insured**.

Insurance Companies

- Insure customers who pay regular premiums against certain risks
- Liabilities based on certain insured events happening
- Asset-side of balance sheet shorter than liability-side; In cirisis, sharp fall in asset values and increase in claims (liabilities)
- Don’t tend to face the risk of a run on their funds
- Not part of a centralized clearing and payment system
- No CB lender of last resort

Banks

- Accept short-term deposits and make long-term goals
- Mismatch between liabilities and assets. Asset side longer duration (more predictable) than liability side.
- More susceptible to runs by depositors
- Part of a centralized clearing and payment system
- Central Bank serves as lender of last resort

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FINANCIAL TIMES

Swiss Re swings to first annual loss since financial crisis

Hit to reinsurer from coronavirus pandemic climbs to $3.9bn in 2020

The pandemic has taken a big toll on Swiss Re's property and casualty insurance division © REUTERS

The financial cost of pandemic-related claims has grown to $3.9bn at Swiss Re, the reinsurance group said on Friday, driving it to its first annual loss since the financial crisis.

The company, [illegible] other insurers, swung from a profit of $727m in 2019 to a net loss of $878m in 2020 — underperforming analysts' expectations of a $456m hit.

The result was driven by $3.9bn of pandemic-related claims and reserves during the year, on a pre-tax basis. But for Covid, it would have recorded a $2.2bn net profit for the year, the company said.

Chief executive Christian Mumenthaler acknowledged the difficulty in predicting how the pandemic will end, but pointed to encouraging data from Israel on the positive impact of its vaccination campaign on infection and hospitalisation rates among older people.

"That gives us the hope that, indeed, things will get better in many parts of the world," he added.

The pandemic has been especially costly for Swiss Re's property and casualty insurance division, which received a surge in claims for business interruption and event cancellation in the second and fourth quarters. That pushed up the division's combined ratio — a core measure of profitability that calculates claims and costs as a proportion of premium income — to a lossmaking 109 per cent.

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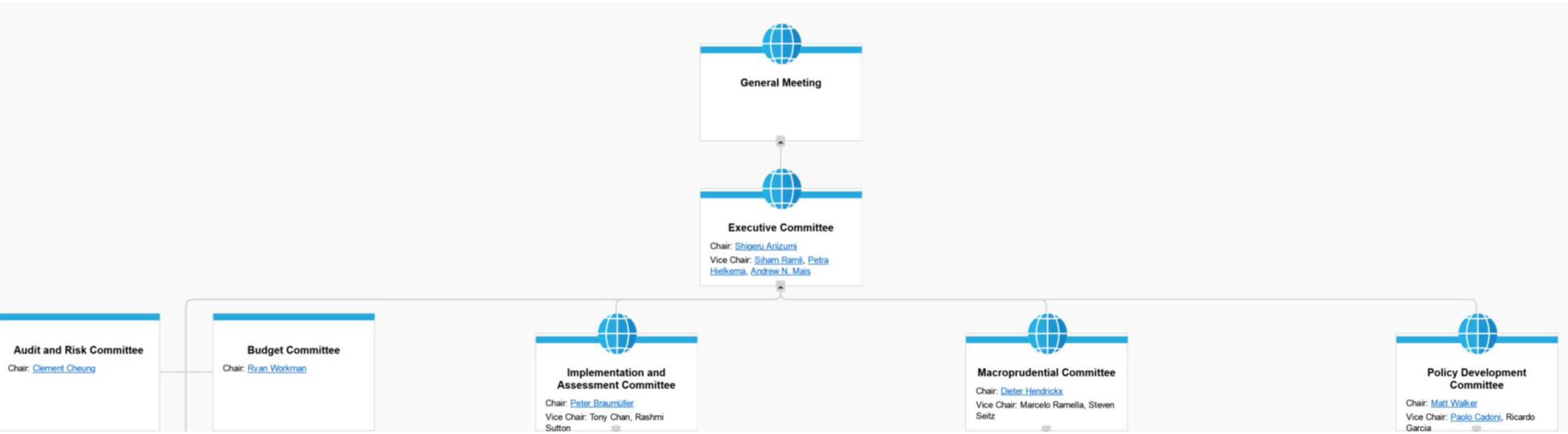
International Association of Insurance Supervisors (IAIS) – institutional structure



Source: https://www.iaisweb.org/about-the-iais/organisational-structure/

IAIS

ICP 1: Objectives, powers and responsibilities of the supervisors

Definition

- Each authority responsible for the supervision of insurance companies must have clealy defined objectives and powers. The authority's responsibility for overseeing the insurance sector should be precisely outlined to ensure proper regulation and protection of policyholders.

Key Points of ICP 1

- **Clearly Defined Responsibilities:** The supervisory authority should have well-defined tasks aimed at protecting policyholders, ensuring financial stability and fostering a fair market.
- **Powers of the Supervisor:** The authority should have the necessary legal and practical powers to fulfill its duties, such as licensing insurance companies, monitoring their financial health and enforcing regulations.
- **Objectives of Supervision:** The main objectives of insurance supervision are <u>policyholder protection</u>, fostering <u>market stability</u>, encouraging <u>fair competition</u> and ensuring <u>effective and transparent market oversight</u>.

IAIS
ICP 2: Supervisor

Definition

- The supervisory authority should be operationally independent, accountable and transparent in the exercise of ist responsibilities and powers. Additionally, it must have adequare resources to effectively carry out ist responsibilities.

Key Points of ICP 2

- **Operational Independence:** The supervisory authority must be free from political or economic influences to carry out ist tasks objectively and impartially.
- **Accountability:** The authority must be held responsible for ist decisions and actions and should provide regular reports to ensure transparency and trust.
- **Transparency:** The authority should provide clear and open communication about its decisions and processes to strengthen public trust and market participants' confidence.
- **Adequaty Resources:** To perform its duties effectively, the supervisory authority must be equipped with sufficient financial, human and technological resources.

IAIS – Proportionality

- ICPs establish the **minimum requirements for effective insurance**
- **Proportionality** underlies all the ICPs. Supervisors have the flexibility **to tailor their implementation** of supervisory requirements and their application of insurance supervision **to achieve the outcomes stipulated in the Principle Statements and Standards**.
  - **Implementation: translated into a jurisdiction's supervisory framework in a manner appropriate to its legal structure, market conditions and consumers**.
  - **Application: increase or decrease the intensity of supervision**
  - **A proportionate application involves using a variety of supervisory techniques and practices which are tailored to the insurer to achieve the outcomes of the ICPs. Such techniques and practices should *not go beyond what is necessary in order to achieve their purpose*.**

Source: https://www.iaisweb.org/icp-online-tool/13511-introduction-and-assessment-methodology/

IAIS – Revised Core Principles (1)

December 2024: ICP Introduction and Assessment Methodology & ICPs 8, 12, 14, 15, 16 and 17 have been amended

ICP 8: Risk management and internal controls: The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.

ICP 12: Exit from the market and resolution: Legislation provides requirements for:

1) the voluntary exit of insurers from the market; and

2) the resolution of insurers that are no longer viable or are likely to be no longer viable, and have no reasonable prospect of returning to viability.

IAIS – Revised Core Principles (2)

ICP 14: Valuation: The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.

ICP 15: Investments: The supervisor establishes regulatory investment requirements for solvency purposes in order for insurers to make appropriate investments taking account of the risks they face.

ICP 16: Enterprise risk management for solvency purposes: The supervisor requires the insurer to establish within its risk management system an enterprise risk management (ERM) framework for solvency purposes to identify, measure, report and manage the insurer's risks in an ongoing and integrated manner.

ICP 17: Capital adequacy: The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unexpected losses and to provide for different degrees of supervisory measures.

Source: Report IAIS "Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups", Dec. 2024

IAIS Regulatory Implications

- 3 Regulatory concerns & forms of supervision from 5 elements:
  - **Material Supervision**: Informational Asymmetry & Contractual Dimension
    - Ex-ante or ex-post review of contractual terms
  - **Technical Supervision**: Insurance Expertise & Concentration (Market-entry)
  - **Prudential Supervision**: control of investment-based, capital maximization.
- **Multiple typologies** of supervisory instruments for insurance
  - *to ensure fair trading, to promote fair access to markets, to promote price stability, as well as, although to a more controversial extent, to support the domestic industry*
- **An increasingly dominant logic**:
  - The insurer failure may be averted through strict financial oversight:
  - **Solvency requirements**

Solvency

$$A - L \geq E$$

A (Assets), L (Liabilities), & E (solvency Requirements)

IAIS – Insurance Capital Standards (2024)

Consists of three components (includes recent changes):

I. Valuation: more principle-based approach for management actions; addition of «Continuity criterion» to limit potential volatility; exclusion of cashflows from callable assets only after the first call date; allowance of cashflows from assets in a different currency subject to safeguards

II. Qualifying Capital Resources: provision is deleted from the technical specifications

III. A standard method for the ICS capital requirement: wording added to clarify the calculation of the capital requirement for non-insurance entities; wording added to amend the treatment of non-financial entities with negative equity

-additional changes e.g., in non-life risks, interest rate risks, currency risks, credit risks

Purpose: to create a common language for better convergence regarding group capital standards

Source: https://www.iaisweb.org/activities-topics/standard-setting/insurance-capital-standard/

Solvency capital regulation (SCR) – *EU Solvency II*

- In order **to promote good risk management and align regulatory capital requirements with industry practices**,
- **the SCR should be determined as the economic capital to be held by insurance and reinsurance undertakings in order to ensure that extreme losses (ruin!) occurs no more often than once in every 200 cases or, alternatively, that those undertakings will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months.**

That economic capital should be calculated on the basis of the true risk profile of those undertakings, taking account of the impact of possible risk-mitigation techniques, as well as diversification effects (Recital 64).

Solvency II: 3 pillars (similar to Basel III)

Quantitative requirements	Qualitative requirements	Reporting regime
• **Assets & technical provisions** • **Solvency Capital requirements** (SCR) (Calculated Annually) • Two options: - Standard Formula - Internal Model	**Governance requirements** Own risk solvency Assessment (ORSA) Internal Risk Management Practices Risk Tolerance Limits & Business strategy	Public and private supervisory disclosures.

Swiss Solvency Test (EU equivalence)

Companies, groups and conglomerates obliged to perform the SST

The principles underlying the SST are equivalent to those set out in Solvency II (the corresponding project in the EU).

The SST (since 1 January 2011).

SST has EU equivalence

Corrective active action based on predefined intervention thresholds.

Annual SST report, and reports on internal models

Conclusion

- International soft law important for recognizing fundamental norms of insurance regulation. Build on domestic private law principles.
- IAIS - Core principles of insurance supervision serve as a basis – but discretion for supervisory implementation
- Insurance risks different from banking risks
- Capital requirements are similar (but not the same) though.
- Supervisory principles and objectives are important
- The lessons from international banking regulation shows that one size does not fit all.