



World Conference on Social Sciences, Law and Public Policy

Hosted Online from Toronto, Canada

Date: 26th September, 2026

Website: <https://econferencia.com>

THE USE OF STABLECOINS IN DEVELOPING COUNTRIES, INCLUDING CENTRAL ASIA: REMITTANCES, INFLATION PROTECTION AND FOREIGN-EXCHANGE RISKS

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Abstract

Stablecoins have emerged as one of the most discussed forms of digital assets because they attempt to combine some advantages of blockchain-based transactions with the relative price stability of traditional currencies or other reference assets. Their growing importance is particularly visible in developing countries, where people may face expensive international transfers, limited access to foreign currency, weak payment infrastructure, inflation, or rapid depreciation of the national currency. In such circumstances, a dollar-denominated stablecoin can appear attractive because it allows a person to hold and transfer a digital asset whose value is intended to remain close to that of the US dollar. However, describing stablecoins simply as a “digital dollar” would be legally and economically misleading. A stablecoin is not automatically the same thing as a bank deposit, foreign currency, electronic money, or legal tender. Its practical value depends on the reliability of its issuer, the quality of its reserves, the possibility of redemption, the availability of lawful exchange services, and the regulatory framework of the country in which it is used. Scholars have therefore approached stablecoins from different perspectives. This article examines these issues with particular attention to Uzbekistan and Central Asia and compares the emerging regional approach with international regulatory experience. It argues that stablecoins may have practical value for remittances and foreign-currency



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savings, but their benefits depend on the existence of reliable legal safeguards. They should therefore neither be treated as a guaranteed solution to inflation and remittance problems nor rejected merely because they are based on blockchain technology. The central legal task is to create rules under which useful forms of digital financial innovation can develop while users remain protected against loss, fraud, sudden devaluation, unlawful transfers and failures of issuers or intermediaries.

Keywords. Stablecoins, cryptocurrency, developing countries, Central Asia, Uzbekistan, remittances, inflation, foreign exchange, dollarization, financial regulation, consumer protection, AML/CFT, monetary sovereignty.

The discussion surrounding stablecoins is often presented as a discussion about blockchain and digital technology, but for ordinary people the real issue is much simpler: how can money be sent, saved and exchanged in a way that is fast, understandable and reasonably safe? This question becomes particularly important in developing countries where a person may receive money from a family member working abroad, need to protect savings against depreciation of the national currency, or need access to a foreign currency that is not always equally convenient to obtain through traditional financial institutions. Stablecoins have become attractive in precisely this environment because they attempt to represent a stable value while allowing the holder to transfer the asset through a digital network. The Financial Action Task Force explains that stablecoins are a form of virtual asset designed to maintain a stable value by reference to one or more assets and may be used as a means of payment or a store of value.[4] In practice, the most important stablecoins are linked to the US dollar, meaning that a person who buys such an asset is not merely buying “crypto” in the ordinary



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sense. That person is effectively obtaining a digital claim whose intended value is connected to the dollar. This distinction is important because Bitcoin and similar crypto-assets are normally associated with substantial price fluctuations, whereas stablecoins are specifically designed to reduce such fluctuations. Nevertheless, the word “stable” should not be understood as a legal guarantee. A stablecoin can remain close to its reference value only if the arrangements supporting it work properly. The issuer must be able to maintain adequate reserves, users must have confidence in the issuer, redemption must be possible, and the market must continue to provide sufficient liquidity.[5] The importance of these conditions becomes clearer in developing economies. If the domestic currency is losing purchasing power or its exchange rate is changing quickly, a dollar-denominated stablecoin may appear to offer a simple alternative. A person may prefer to hold value in a digital dollar-linked instrument rather than constantly converting savings into another form of foreign currency. This does not mean, however, that stablecoins eliminate inflation. They merely change the currency exposure of the person holding them. If the local currency loses value against the US dollar, a dollar-linked stablecoin may preserve the holder’s value relative to the dollar. But if the stablecoin itself loses its peg, if the issuer cannot meet redemption requests, or if the holder cannot legally or practically convert the stablecoin back into local currency, the expected protection may disappear. This distinction is central to understanding stablecoins in developing countries. Helene Rey argues that dollar-denominated stablecoins may offer citizens of countries with weak monetary conditions a convenient store of value and payment instrument, but she also points to the possibility that widespread use may contribute to dollarization, weaken domestic monetary policy and create financial-stability concerns.[1] Eswar Prasad takes a related but somewhat broader view, observing that stablecoins can make international payments easier



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while potentially reinforcing the dominance of the US dollar in the global financial system and placing pressure on smaller currencies.[2] Gary Gorton and Jeffery Zhang approach the problem through the history of private money. In their view, the crucial question is whether privately issued money can be accepted at a stable value without users having to constantly question the quality of the assets supporting it. They argue that stablecoins can resemble earlier forms of privately issued money and may therefore be vulnerable to runs if confidence in their backing disappears.[3] These views are especially relevant for developing countries because the same instrument can be useful at the individual level while creating broader problems at the national level. For an individual migrant worker, a stablecoin may provide a convenient way to transfer value. For a household facing currency depreciation, it may provide access to dollar-denominated savings. But if large numbers of residents begin to prefer foreign-currency stablecoins over the domestic currency, the issue becomes much larger. It may affect banks, foreign-exchange regulation, monetary policy and the ability of the central bank to influence economic activity. The Bank for International Settlements has therefore emphasized that stablecoins may provide easier access to foreign-currency liquidity in emerging and developing economies while simultaneously creating risks of currency substitution and monetary sovereignty.[6] The purpose of this article is not to portray stablecoins as either a technological miracle or a threat to the financial system. A more useful approach is to examine the concrete situations in which they may help people and the legal conditions under which those benefits can be achieved without creating unreasonable risks. Particular attention is given to remittances, protection against domestic-currency depreciation, foreign-exchange conversion, consumer protection, anti-money-laundering requirements and the developing regulatory approach in Uzbekistan and Central Asia.



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The easiest way to understand a stablecoin is to think of it as a digital asset that tries to maintain a relatively stable value by linking itself to another asset. In the most familiar case, one unit of a stablecoin seeks to remain close to one US dollar. The important point is that the stablecoin is not itself the US dollar. It is a digital token created under a particular legal and technological arrangement, and the stability of that token depends on the rules and institutions supporting it.[4] This is why it is misleading to say that owning a dollar stablecoin is exactly the same as having dollars in a bank account. A bank deposit normally exists within a banking relationship governed by banking law, deposit rules, contractual obligations and supervisory arrangements. A stablecoin may instead involve a private issuer, reserve assets, blockchain infrastructure and a separate set of contractual and regulatory arrangements. The European Union has recognized this distinction in its Markets in Crypto-Assets Regulation, known as MiCA. The regulation distinguishes between “e-money tokens,” which seek to maintain a stable value by reference to one official currency, and “asset-referenced tokens,” which refer to other assets or combinations of assets.[7] This classification is important because it demonstrates that the law does not treat every stablecoin as identical. The legal character of a stablecoin depends on what supports its value, how it is issued and what rights the holder has. This approach is useful for developing countries as well. Instead of asking whether “crypto” should be allowed or prohibited as a single category, regulators can ask a more practical question: what exactly is the instrument, who issues it, what backs it, who can redeem it, and what happens if the issuer fails? Such questions are more useful than focusing only on the technological form of the asset. Stablecoins may be backed by traditional fiat assets, other crypto-assets, commodities or, in some models, algorithms intended to maintain the price. These models do not carry the same risks. A stablecoin supported by liquid reserve assets presents a different



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legal and financial problem from an algorithmic token whose stability depends heavily on market incentives and automated mechanisms.[5] For ordinary users, however, the most important issue is not the technical name of the model. It is whether the promise of stability can actually be relied upon when the user needs the money.

One of the clearest possible uses of stablecoins in developing countries is the transfer of money across borders. Migrant workers regularly send money to relatives in their home countries. Traditional remittance systems may involve banks, money-transfer companies, correspondent institutions, exchange services and other intermediaries. Every additional intermediary can make a transfer more complicated and can add another fee or exchange-rate spread. Stablecoins can theoretically simplify part of this process because the digital asset can be transferred directly from one wallet to another without every transfer passing through the traditional banking chain.[6] This does not mean that stablecoin transfers are automatically cheap. The real cost of a remittance is not limited to the blockchain transaction fee. The sender may have to purchase the stablecoin, the recipient may need to convert it into local currency, and both parties may need to use an exchange or another regulated service. Exchange-rate spreads, service charges, withdrawal costs, compliance procedures and liquidity conditions can therefore determine the real cost of the transaction. The Bank for International Settlements has acknowledged that stablecoins may reduce the cost and increase the speed of some cross-border payments, while also warning that these advantages are not guaranteed in every transaction.[6] This is an important point for developing countries. The question should not be whether a blockchain transfer is technically faster than a bank transfer. The real question is whether the entire journey of the money—from the migrant worker to the recipient and finally into the recipient's hands in usable local currency—is simpler, cheaper and



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legally safer. Imagine a worker abroad who sends a dollar-linked stablecoin to a family member in Uzbekistan or another Central Asian country. If both parties have access to regulated platforms, if the stablecoin is liquid, if the recipient can legally convert it into local currency and if the exchange spread is reasonable, the stablecoin may provide a practical alternative to a traditional remittance channel. But if the recipient cannot easily convert the token into local currency, the theoretical speed of the blockchain does not solve the real problem. Therefore, stablecoins should be viewed as one possible layer within the remittance process rather than as a complete replacement for the financial system.[6] This distinction is particularly important from a legal perspective. Regulators should not regulate only the token itself. They should also examine the exchanges, wallet providers, payment services and conversion mechanisms that connect the digital asset to the real economy. A system can be technologically efficient but legally weak if users have no effective remedy when a transaction is fraudulent or an intermediary fails. Consumer protection must therefore remain part of the discussion. The FATF has emphasized that stablecoin arrangements can involve issuers, governance bodies, exchanges, wallet providers and other participants, and that relevant entities may fall within anti-money-laundering and counter-terrorist-financing requirements depending on their functions.[4] This means that the convenience of cross-border transfers cannot be separated from the responsibility to identify customers, monitor suspicious transactions and cooperate with competent authorities.

The second major reason people in developing countries may use stablecoins is the desire to protect savings. It is common economic behavior for people who have lost confidence in the purchasing power of their domestic currency to seek a more stable store of value. Historically, this has included foreign-currency bank deposits, cash foreign currency, real estate, gold and other assets. Stablecoins add



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a new digital option to this list. A dollar-denominated stablecoin may be attractive because it gives users exposure to the US dollar without requiring them to hold physical dollar notes or necessarily maintain a traditional foreign-currency bank account. The IMF has noted that stablecoins can provide easier access to foreign-currency assets, particularly in emerging and developing economies where people may have difficulty accessing foreign currency through conventional channels.[8] For an ordinary person, the logic can be simple: if the local currency becomes weaker against the dollar, a dollar-linked asset may lose less value when measured in the local currency. This is why it is tempting to describe stablecoins as an inflation hedge. Yet that description needs to be used carefully. A stablecoin does not automatically protect the holder from inflation. It protects the holder, if at all, from a particular type of currency risk—namely, the risk that the domestic currency will fall relative to the currency to which the stablecoin is linked. Inflation and exchange-rate depreciation are related but not identical phenomena. A person may experience rising domestic prices even when the exchange rate is relatively stable, and the dollar itself may lose purchasing power over time. Moreover, the stablecoin holder carries risks that a person holding physical or bank-held foreign currency may not face to the same degree. The stablecoin may lose its peg, the issuer may experience financial difficulties, the platform may suspend withdrawals, the wallet may be compromised, or a regulatory restriction may prevent conversion. Therefore, the more accurate conclusion is that dollar-denominated stablecoins can serve as a form of digital foreign-currency exposure, but they should not be presented as a guaranteed inflation-protection instrument.[8] Helene Rey's analysis is particularly useful here. She observes that people in countries with weak domestic monetary conditions may have understandable reasons to prefer dollar-denominated digital assets, because such instruments can offer an alternative store of value and payment mechanism.[1]



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At the same time, she stresses that widespread use can create broader consequences through dollarization and competition with domestic currencies. This creates an important legal and economic tension. From the perspective of the individual, choosing a stable foreign-currency asset may be a rational response to uncertainty. From the perspective of the state, widespread substitution of the domestic currency may weaken the effectiveness of monetary policy. A sound regulatory framework therefore needs to recognize both sides rather than assuming that one perspective completely eliminates the other.

Perhaps the most important misunderstanding surrounding stablecoins is the belief that stability means the absence of risk. In reality, stablecoins may reduce one type of volatility while introducing other types of risk. If a person in Uzbekistan holds a US dollar stablecoin, the token may remain close to one dollar, but the person still has exposure to changes in the USD/UZS exchange rate. If the Uzbek soum depreciates against the dollar, the local-currency value of the stablecoin may increase. If the soum strengthens, the opposite may occur. This is not a defect in the stablecoin; it is simply the consequence of holding an asset denominated in another currency. The second issue is conversion risk. A person may hold a stablecoin but still need local currency to pay rent, purchase food or meet other domestic expenses. The conversion from stablecoin to local currency therefore becomes an important part of the user's risk. If the market is illiquid, if the exchange applies a large spread or if the user cannot access a regulated conversion service, the theoretical stability of the token may provide little practical protection. The third issue is the risk of losing the peg. The fact that a stablecoin is designed to equal one dollar does not itself create a legal guarantee that every holder will always be able to receive one dollar. Gorton and Zhang emphasize precisely this point: the economic problem of stablecoins is connected to confidence in the assets backing them and the ability of users to



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redeem them at par.[3] Their historical comparison with private banknotes is valuable because it reminds regulators that the technology may be new while the underlying legal and economic problem is old. Whenever private entities issue money-like instruments, users must ask whether those instruments can be trusted under stress. The BIS has similarly emphasized that stablecoins may be vulnerable when holders attempt to redeem them during periods of financial stress, particularly if reserve assets cannot be converted quickly enough without losses.[5] For developing countries, this risk can be particularly important because users may treat a stablecoin as if it were equivalent to cash even though the legal protections may be very different. The term “stablecoin” can therefore create an expectation of safety that the legal structure may not always justify.

The use of dollar-linked stablecoins also raises a broader question: what happens when a foreign currency becomes available to ordinary people in digital form almost as easily as the domestic currency? This question is particularly relevant to developing countries. Historically, dollarization occurred when individuals and businesses began holding foreign currency, making contracts in foreign currency or using foreign currency alongside the national currency. Stablecoins may create a new digital form of the same behavior. The BIS has described this as a potential form of “digital dollarization” because dollar-denominated stablecoins can provide easy access to US dollar liquidity outside traditional banking channels.[6] Helene Rey argues that the international role of the dollar can become stronger through stablecoins because these instruments make dollar-denominated value easier to access across borders.[1] Eswar Prasad similarly emphasizes that stablecoins may strengthen the dollar’s global role while placing pressure on smaller currencies.[2] This does not mean that every stablecoin transaction creates a monetary-policy problem. A person who receives a stablecoin remittance and immediately converts it into local currency has not necessarily



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abandoned the national currency. Likewise, a person who holds a small amount of stablecoins for convenience does not necessarily create a meaningful macroeconomic threat. The concern becomes more serious if stablecoins begin to replace domestic money for savings, payments and pricing. At that point, the question is no longer simply whether an individual has chosen a convenient financial instrument. It becomes a question of whether the national currency remains the main unit through which economic life is organized. The BIS's recent analysis suggests that the macroeconomic consequences depend heavily on the economic conditions of each country and on whether stablecoins merely replace existing forms of foreign-currency holding or create new dollarization.[9] This distinction is important for Central Asia. Countries that already have significant foreign-currency use may experience stablecoins primarily as a digital version of an existing behavior. Countries with stronger domestic monetary confidence may face different effects. Consequently, regulation should be based on actual economic conditions rather than on a universal assumption that stablecoins will either destroy or improve monetary stability.

Uzbekistan provides an interesting example because the country has not treated digital assets as an entirely unregulated area. The National Agency of Perspective Projects is responsible for regulation, licensing and permitting in the sphere of crypto-asset turnover, and it maintains registers concerning crypto-asset service providers, crypto-assets and stablecoins.[10] The current institutional framework demonstrates that Uzbekistan is moving toward a model in which digital assets are brought within a defined regulatory structure rather than simply being treated as an informal technological phenomenon. According to the Agency's current information, the crypto-asset sector includes licensed activities such as crypto-exchanges, crypto-depositories, crypto-stores and mining pools, subject to the applicable licensing rules. More importantly for the subject of this article, the



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Agency now maintains a separate Stablecoin Registry and a register of participants in a special stablecoin regime.[10] The Agency's registry currently identifies HUMO as a registered stablecoin issued by HUMO Digital LLC, while the special-regime register records a project involving the testing of mechanisms for issuing, registering and launching the HUMO stablecoin, including its use for making and accepting payments.[11] This development is legally significant because it shows that stablecoins are no longer merely a theoretical foreign concept in Uzbekistan. The regulatory system is beginning to address them as a specific category requiring controlled experimentation and institutional oversight. At the same time, the existence of a registry should not be interpreted as a general guarantee that every foreign stablecoin is automatically equivalent to local money or that every form of stablecoin payment is unrestricted. The legal status of a particular token depends on the applicable national rules, its issuer, its registration or licensing status and the nature of the activity being conducted. The Uzbek experience therefore illustrates an important regulatory principle: innovation can be tested within a controlled legal environment without automatically treating every digital asset as either fully permitted money or completely prohibited property. The special-regime approach can allow authorities to observe how a stablecoin works in practice before deciding how broadly the model should operate.[11] For a developing financial market, this approach has an additional advantage. It creates an opportunity to test consumer protection, redemption procedures, reserve arrangements, payment functionality and AML/CFT controls in a controlled environment rather than learning only after a large-scale failure. The challenge, however, is to ensure that the legal rights of users are clear. A user should know whether the token represents a claim against the issuer, whether redemption is guaranteed, what assets support the token, which authority supervises the issuer and what remedy is available if the



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issuer fails. Without clear answers to these questions, technological innovation can create legal uncertainty rather than financial inclusion.

Central Asia presents a particularly interesting environment for stablecoins because the region combines increasing digitalization with substantial cross-border economic activity and close connections with larger foreign-currency markets. Remittances, trade and labor migration make cross-border payments important to households and businesses. At the same time, the legal treatment of crypto-assets differs between countries. This means that a stablecoin transaction that appears simple from a technological perspective can have a different legal meaning depending on where the sender, recipient, exchange and issuer are located. For this reason, Central Asian regulation should not be built only around the technology of the blockchain. It should also consider the legal geography of the transaction. A stablecoin transferred from one country to another may involve several jurisdictions at once: the country of the sender, the country of the recipient, the jurisdiction where the exchange is incorporated, the location of the issuer and the blockchain infrastructure itself. This creates a challenge for regulators because traditional financial law is usually organized around identifiable institutions and territorial jurisdictions, while blockchain transactions can cross borders almost immediately. The FATF framework responds to part of this problem by requiring countries to apply AML/CFT standards to relevant virtual asset service providers and by emphasizing licensing, supervision, customer due diligence and information-sharing.[4] For Central Asian countries, cooperation between financial regulators is therefore particularly important. If one country imposes strict rules on conversion while another provides easy access to stablecoins, users may move their activity toward the less restrictive jurisdiction. This does not necessarily mean that every Central Asian country should adopt identical legislation. National financial systems and monetary



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conditions differ. However, basic principles concerning licensing, consumer protection, AML/CFT, stablecoin reserves and cross-border cooperation would benefit from greater consistency. Otherwise, regulatory gaps may become more important than technological innovation itself.

The European Union provides one of the clearest examples of a comprehensive legal approach to stablecoins. MiCA does not simply classify stablecoins as ordinary cryptocurrencies. Instead, it creates specific categories and imposes requirements according to the nature and potential risks of the token. A token referencing a single official currency falls within the concept of an e-money token, while a token referencing other assets or combinations of assets may be treated as an asset-referenced token.[7] The significance of this approach lies in the underlying idea: the law should respond to what the instrument actually does and what risks it creates. This is a useful lesson for developing countries. If a stablecoin is intended to function as a payment instrument, its issuer should face obligations that protect users who rely on the token for payments. If the token is primarily an investment instrument, a different set of rules may be appropriate. If it represents a claim against an issuer, redemption rights and reserve requirements become particularly important. Regulation therefore becomes more effective when it begins with the economic substance of the instrument rather than its technological label. The European model also demonstrates that stablecoin regulation is not limited to preventing criminal activity. It includes questions of authorization, reserve assets, governance, redemption and consumer protection.[7] This is particularly relevant for countries such as Uzbekistan that are beginning to develop their own stablecoin frameworks. A legal regime that focuses only on licensing exchanges may leave important questions unanswered concerning the issuer itself. Conversely, a regime that imposes extremely heavy requirements on every form of digital asset may prevent legitimate innovation



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from developing. The challenge is to establish proportionate requirements based on the actual risks.

Stablecoins also create an important AML/CFT question. Because transactions can occur through digital wallets, it is sometimes assumed that stablecoins are completely anonymous. That is not accurate. Blockchain transactions are generally recorded publicly, but the identity behind a particular wallet may not always be immediately apparent. This creates both opportunities and risks. The FATF has emphasized that stablecoin arrangements may involve central governance bodies, issuers, exchanges, wallet providers and other participants, and that relevant entities can fall within the FATF framework depending on their functions.[4] The FATF has also highlighted risks associated with peer-to-peer transactions and unhosted wallets and has recommended stronger risk-based controls, including customer due diligence and technical mechanisms capable of identifying and responding to suspicious activity.[12] From a legal perspective, this means that stablecoins should not be treated as a space outside the financial regulatory system. At the same time, regulation should not assume that every stablecoin user is a potential criminal. A risk-based approach is more appropriate. Ordinary users making legitimate remittances should not face unnecessary obstacles merely because they use a new payment technology. But service providers that convert stablecoins into national currency, operate exchanges or facilitate large-scale transfers should be subject to clear compliance duties. The legal objective should therefore be to make legitimate transactions easier to identify and suspicious transactions easier to detect, rather than simply making digital transactions impossible.

For ordinary users, the most important stablecoin question may not be inflation, blockchain speed or monetary sovereignty. It may simply be: “If something goes wrong, who protects me?” This question is often overlooked when stablecoins



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are discussed primarily as technology. A user may lose access to a wallet, send funds to the wrong address, encounter a frozen account, discover that a stablecoin is no longer trading at its expected value, or find that an exchange has suspended withdrawals. In a traditional bank relationship, legal systems normally provide a relatively clear framework for complaints, supervision and remedies. The same clarity does not automatically exist in every crypto-asset arrangement. Gorton and Zhang's analysis is relevant here because they emphasize the historical problem of privately issued money: users need confidence that the instrument will be accepted at the expected value and that the issuer can meet its obligations.[3] This is why reserve transparency and redemption rights matter. If a stablecoin is marketed as being worth one dollar, users need meaningful assurance that the issuer has the assets and legal capacity necessary to honor that promise. The BIS similarly emphasizes that stability depends not merely on the name of the token but on the quality and liquidity of the assets backing it and the issuer's ability to redeem tokens under stress.[5] Therefore, a modern stablecoin law should address at least five basic questions: who issues the token; what supports its value; what right does the holder have to redemption; who supervises the issuer; and what happens if the issuer fails? These questions are understandable to ordinary users and should be understandable in the law as well. A legal framework that ordinary people cannot understand may be formally sophisticated but practically weak. The emergence of stablecoins also changes the way foreign exchange can be accessed. Traditionally, a person who wanted foreign currency had to use a bank, exchange office or another authorized financial institution. Stablecoins may create another route to foreign-currency exposure. This can be beneficial where conventional access is expensive or inconvenient. The IMF has recognized that stablecoins may provide easier access to US dollar-denominated value in emerging markets, particularly where financial systems are weak or cross-border



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transactions are costly.[8] But easier access can also challenge existing foreign-exchange rules. If a country has legitimate reasons for monitoring capital flows, stablecoins may make it more difficult to distinguish between domestic payments and cross-border movements of value. The BIS has specifically identified the possibility that wider use of foreign-currency stablecoins could weaken the effectiveness of existing foreign-exchange regulations and create concerns about monetary sovereignty.[6] This does not mean that foreign-exchange regulation is necessarily incompatible with digital assets. Rather, it means that regulators may need to update their understanding of what constitutes a cross-border movement of value. The old distinction between “sending money abroad” and “holding money at home” becomes less clear when a person can hold a digital token denominated in a foreign currency in a wallet that can be accessed from almost anywhere. The legal system therefore needs to focus on the economic substance of the transaction rather than simply on the location of the server or blockchain. It is understandable why stablecoins may appear attractive in countries facing inflation or currency depreciation. If a person sees the value of savings falling in domestic currency, a dollar-linked asset can appear safer. However, there is a significant difference between protecting against local-currency depreciation and eliminating inflation risk. A stablecoin cannot make food, housing or other domestic goods cheaper. It simply changes the currency in which the holder stores value. If domestic prices increase rapidly, the holder may still experience a decline in purchasing power. The protection may be stronger when the local currency is simultaneously losing value against the dollar, but this is an exchange-rate effect rather than a universal solution to inflation. Moreover, the holder exchanges one set of risks for another. Traditional foreign currency carries banking, exchange and sovereign risks; stablecoins may add issuer, technology, custody, liquidity and regulatory risks. The IMF has emphasized that stablecoins



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can bring benefits in payments and access to foreign currency but may also generate macro-financial risks, particularly currency substitution and capital-flow volatility in emerging markets.[8] This is why the language used by regulators, companies and researchers matters. Calling a stablecoin an “inflation-proof asset” would create expectations that cannot always be justified. A more accurate description is that certain stablecoins may provide a convenient form of foreign-currency exposure and may, in some circumstances, reduce the impact of domestic-currency depreciation on savings. The legal principle should be honesty in financial communication. Consumers should be told not only what the token is designed to do, but also what can cause it to fail.

Stablecoins present a genuine policy dilemma. On one side is financial inclusion. A person with a smartphone and internet connection may be able to access a digital financial asset without opening a traditional foreign-currency account. This may be particularly useful for migrant workers and families receiving international transfers. Stablecoins may also provide an alternative payment channel when traditional systems are slow or expensive. On the other side is monetary stability. If foreign-currency stablecoins become widely used for saving and payment, they may reduce demand for the domestic currency and complicate monetary policy. The BIS has described this as a potential form of digital dollarization and has emphasized that the impact may be particularly important for emerging and developing economies.[6] The correct legal response is not necessarily to choose one side and ignore the other. Instead, regulation should distinguish between limited, useful use and uncontrolled substitution of domestic money. A stablecoin used by a migrant worker to transfer money to a family member and then immediately converted into local currency creates a different policy concern from a stablecoin used as the primary savings instrument of a large part of the population. Similarly, a regulated stablecoin issued under domestic



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supervision is different from an offshore token whose issuer is outside the reach of local regulators. This distinction supports a proportionate regulatory approach. The law should identify where the actual risk lies and impose the strongest requirements where the potential harm is greatest.

The views of scholars help demonstrate why stablecoins should not be considered only from the perspective of technology. Helene Rey's work highlights the international monetary dimension: stablecoins can provide access to foreign-currency value but may strengthen dollarization and affect the position of domestic currencies.[1] Eswar Prasad places the issue within the wider international monetary system and emphasizes the possibility that stablecoins may reinforce dollar dominance while making cross-border payments more accessible.[2] Gary Gorton and Jeffery Zhang focus on the nature of private money and remind policymakers that the most important issue is trust in the issuer and the ability to maintain stable redemption.[3] Tobias Adrian, Marcello Miccoli and Nobuyasu Sugimoto provide a somewhat more balanced institutional perspective, recognizing that stablecoins can improve payment efficiency and cross-border finance while also creating risks that require appropriate regulation.[13] These positions are not necessarily contradictory. They simply examine the same instrument from different angles. Rey and Prasad focus more heavily on the international monetary consequences; Gorton and Zhang emphasize the legal and historical nature of private money; Adrian and his co-authors emphasize the potential efficiency gains and the importance of an appropriate regulatory environment. Taken together, these views suggest that the central question should not be whether stablecoins are "good" or "bad." The more useful question is under what legal and economic conditions they can perform a useful function without creating unacceptable risks.



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For Uzbekistan, the development of a regulated stablecoin environment creates an opportunity to approach the issue gradually and practically. The existence of an official Stablecoin Registry and a special regulatory regime indicates that the authorities are already moving toward a framework in which stablecoin projects can be identified and tested rather than operating entirely outside institutional supervision.[10] The HUMO project recorded by the NAPP is particularly relevant because the special-regime information refers to testing issuance, registration and circulation mechanisms, including making and accepting payments.[11] This can provide valuable practical experience. However, the long-term success of such a framework will depend on the clarity of the rights attached to the stablecoin. Users should be able to understand whether they have a direct claim against the issuer, what assets support the token, how redemption works, whether reserves are segregated, and what happens if the issuer becomes insolvent. These are not purely technological questions; they are questions of contract law, financial regulation, insolvency law and consumer protection. The regulatory framework should also clearly distinguish between the existence of a registered stablecoin and the general legal status of all foreign stablecoins. The presence of a domestic stablecoin regime does not automatically make every international stablecoin a lawful means of payment or foreign-currency instrument. The legal status of each transaction must continue to be determined by the applicable rules governing crypto-assets, payments, foreign exchange and AML/CFT. Uzbekistan's experience could nevertheless become an important example of how a developing country can experiment with digital financial instruments while keeping them within a recognizable regulatory structure.

The most reasonable regulatory approach is neither complete prohibition nor uncontrolled liberalization. A useful framework should begin with clear classification. Regulators should identify whether a stablecoin is designed



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primarily as a payment instrument, a store of value, an investment product or a combination of these functions. The second requirement should be transparency. Users should know who issues the token, what supports its value and what rights they have. The third requirement should be redemption. If an issuer promises that one token corresponds to one unit of a reference currency, the legal system should clarify the circumstances in which holders can demand redemption and the assets available to satisfy those claims. The fourth requirement should be AML/CFT compliance for relevant intermediaries, consistent with the FATF framework.[4] The fifth requirement should be consumer protection, including clear disclosure of risks and accessible mechanisms for complaints. The sixth requirement should be cross-border cooperation, because stablecoins do not respect traditional jurisdictional boundaries. Finally, regulators should monitor the interaction between stablecoins and the domestic financial system. If stablecoins remain a limited tool for remittances, the macroeconomic effects may be relatively modest. If they become widely used for savings, pricing, wages and domestic payments, the consequences can be much larger. The law should therefore be capable of responding to changes in scale and use rather than remaining fixed around the conditions that existed when the first stablecoin regulation was adopted.[6]

Conclusion

Stablecoins are important not because they have created an entirely new form of money, but because they have placed familiar financial questions into a new digital environment. The questions are ultimately about trust, value, payment, foreign currency, regulation and legal responsibility. For people in developing countries, stablecoins can offer a practical way to move value across borders, receive remittances and obtain exposure to foreign-currency value. These possibilities are particularly relevant where traditional payment channels are



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expensive, slow or difficult to access. However, the usefulness of stablecoins should not be exaggerated. A stablecoin is not automatically equivalent to cash, a bank deposit or legal tender. Its stability depends on the credibility of the issuer, the quality of its reserves, the possibility of redemption, market liquidity and the legal environment surrounding the asset.[5] The same instrument can therefore be useful to an individual while creating challenges for the wider economy. For a migrant worker, a stablecoin may reduce the practical difficulty of sending money home. For a household facing currency depreciation, a dollar-linked token may provide a convenient form of foreign-currency savings. For the financial system, however, widespread use of foreign-currency stablecoins may contribute to dollarization, weaken demand for the domestic currency and complicate monetary policy.[1][6] The views of Helene Rey, Eswar Prasad, Gary Gorton and Jeffery Zhang, as well as the more institutional analysis of Tobias Adrian and his co-authors, show that the issue cannot be reduced to a simple argument for or against digital assets. Their different approaches point toward the same fundamental lesson: the legal question is more important than the technological label. If stablecoins are to become part of the financial system, users must know who stands behind them, what rights they possess, what happens when the token loses its expected value and which authority is responsible for supervision. International experience, particularly the European Union's MiCA framework, shows the value of classifying stablecoins according to their actual characteristics and risks rather than treating them as one uniform category.[7] The FATF framework likewise demonstrates that stablecoins and the services surrounding them cannot simply exist outside AML/CFT regulation.[4] For Uzbekistan, the creation of an official Stablecoin Registry and the use of a special regime for testing the HUMO stablecoin indicate an emerging model in which innovation can be examined within a controlled legal environment.[10] The most important



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task now is not to decide whether stablecoins should replace traditional money. It is to establish clear rules under which legitimate uses can develop while users remain protected. In developing countries, stablecoins may become particularly useful when they solve a real problem: sending money home, accessing foreign-currency value or making a cross-border payment. They become more problematic when they are treated as risk-free substitutes for the national currency or when users are encouraged to believe that the word “stable” eliminates financial risk. A balanced legal approach should therefore recognize both realities. Stablecoins can make some financial activities more convenient, but convenience should not be confused with safety, and access to a dollar-linked digital asset should not be confused with complete protection from inflation or foreign-exchange risk. Their future role in Uzbekistan and Central Asia will ultimately depend less on the novelty of blockchain technology than on whether the legal system can build sufficient trust, transparency, accountability and cooperation around it.

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