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# STABLECOIN: FROM GEEKY TEENAGER TO POSTER CHILD OF BLOCKCHAIN FINANCE 🧐

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Stablecoin may now be the poster child of blockchain-based finance, but it didn't start out that way. For years, it was the geeky teenager of the crypto world: technically brilliant, quietly indispensable but rarely invited to the main stage. While Bitcoin grabbed headlines as digital gold and Ethereum dazzled developers with smart contracts, stablecoin matured behind the scenes by building its own dazzling infrastructure, earning self-trust and proving its own worth through real-world tech utility.

🤖 For those just meeting this now-confident contender, a stablecoin is a digital asset designed to maintain a stable value by being pegged to traditional currencies like the US dollar.

🎓 Legally, it's defined as ***“a crypto asset that aims to maintain a stable value relative to a specified asset or a basket of assets”***.

There are four main types:

- Currency-based;
- Financial instrument-based;
- Commodity-based;
- Crypto asset-based (or hybrids thereof).

### 🌟 **Stablecoin's rise to stardom**

Initially, stablecoin stats showed poor uptake by users, primarily confined to speculative arbitrage and niche DeFi access. But fast-forward to **July 2025**, and the narrative has flipped!

Kenya, long hailed as a pioneer in mobile money through **M-Pesa**, is now leading the charge in **blockchain-based financial innovation**. But this time round it is stablecoin, not the payment rails, that is driving the story. 🚀 Platforms like **#TransFi** have successfully integrated stablecoin (**#USDC**) into mobile money ecosystems, allowing users to receive stablecoin directly into e-wallets and convert them instantly into Kenyan shillings.

🚀 I quote: **“It's not just a hop from M-Pesa to USDC; it's a reimagining of financial identity.”**

🌟 Stablecoin is enabling:

- **Diaspora remittances:** Faster, cheaper alternatives to SWIFT and Western Union.
- **Dollar preference:** Access to USD-denominated value without needing a U.S. bank account.

What does this mean? In effect, private persons, merchants and cooperatives can bypass traditional banking bottlenecks, use stablecoin as a store of value, a medium of exchange and a gateway to global markets. 🚀

### 🗺️ **Navigating Stablecoin Issuance Across Africa**

As adoption accelerates in emerging markets, stablecoin issuers will be required to navigate complex and evolving regulatory terrains across African jurisdictions. We have identified the following **four pillars** to assist stablecoin operators in Africa and Asia:

🔍 **Licensing & Regulatory Mapping:** In South Africa, minting a stablecoin does not currently trigger licensing requirements. However, once stablecoin is issued into the crypto space, usage depends on market confidence, OTC desk integrations and treasury management. Where issuers are not involved in onboarding or exchange facilitation, our regulators will turn their attention to the operator's treasury management, reserve safekeeping and redemption protocols. 🚧

🔧 **Treasury & FX Structuring:** In the absence of explicit directives from the South African Reserve Bank (SARB), a defensible legal view holds that stablecoin-enabled cross-border transfers do **not** directly contravene foreign exchange regulations. The core argument is that these transactions do not constitute foreign exchange remittances in the conventional sense, but rather represent blockchain-based transfers of tokenized value, distinct from traditional forex flows

To avoid regulatory pitfalls, it will be essential for prospective issuers to formulate a **solid cross-border use case** and test it against the ADLA Manual and exchange control regulations. Depending on the stablecoin features and the nature of the operations, classification under ADLA Categories I, II, III or IV may apply, potentially triggering the need for a formal application to the Financial Surveillance Department. 🇿🇦

Further analysis is also required to measure the prospective issuer's **integrations with OTC desks** and crypto asset exchanges.

🔧 **Operational Risk & Compliance:** In line with international best practices, stablecoin ecosystems must embed robust AML/CTF protocols, wallet architecture safeguards, and escalation pathways to address redemption delays and liquidity risks. Even in semi-regulated environments, proactive alignment with **global standards** is essential, not only to mitigate financial crime exposure, but to ensure long-term viability, interoperability and regulatory credibility.

🌐 **Jurisdictional Strategy:** The regulatory landscape for stablecoin issuance is shaped by a complex interplay of incorporation jurisdictions, reserve custody location and corridor-specific compliance viability. Hybrid issuance and reserve models abound, but the critical determinants are (i) **where the issuing entity is domiciled** and (ii) **where its reserves are held**, these form the regulatory map. Comparing domicile options requires a rigorous assessment of regulatory defensibility, reserve governance mechanisms and corridor viability for enabling cross-border flows, whether peer-to-peer (P2P) or business-to-business (B2B). Strategic positioning within key payment corridors can be the difference between scalable adoption and operational stagnation. 🚩

## The Road Ahead 🚧

As African regulators and central banks scramble to catch up with the new kid on the block, expect a wave of policy scrutiny around **capitalization, liquidity, custody, redemption, disclosure, consumer protection**, and **AML/CFT**.

🚩 Issuers must design models that are:

- Regulator-proof and flexible to adapt to changes;
- Operationally sound with defined use cases, strict coin features and reliable OTC partners;

Stablecoin is quietly rewriting the rules of financial engagement. But after the hype has faded, like any precocious teenager stepping into the adult world, its long-term success will depend on the stability of its models, pragmatic testing by its operators and responsible development in conjunction with regulators and central banks.

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