WHITE PAPER

The Benefits of Stablecoins for Bangladesh: A Global Perspective



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Executive Summary

Bangladesh receives large, steady remittance inflows, yet many key corridors still cost ~5–8% when fees and FX margins are combined, making informal channels attractive. A **time-bound, tightly supervised regulatory sandbox** for **stablecoin-based institutional settlement of inward remittances**—with **instant conversion to BDT** for beneficiaries—can compress costs and settlement times, strengthen AML/CFT telemetry, and increase formal channel share. This approach follows global regulatory developments (**USA GENIUS Law** for stablecoins, EU **MiCA**, **MAS** Singapore, **HKMA** Hong Kong, **Japan**), while keeping tokens **outside of retail hands and inside Bangladesh**.

At the same time, **India's e-rupee pilot** is scaling (₹1,016 crore in circulation by March 2025; expanded banks and users; programmability and offline features), signalling that **regional peers are moving** on digital money infrastructure. Bangladesh can learn from India's pilots—or risk a widening policy and infrastructure gap in cross-border payments and digital public finance.

Policy Context

Bangladesh's current stance prohibits virtual assets and related exchange/transfer/trading. Our strategy should therefore be **ring-fenced**: institutional use only, inward remittances and investments only, and **immediate conversion to BDT** through licensed banks/MFS—**no resident retail crypto custody or trading**.

Cost baseline. World Bank data shows that sending money to Bangladesh remains materially above the G20 target of ≤3%—a practical opportunity for cost compression through better rails and FX transparency.

CBDC (Central Bank Digital Currency) Context. A few retail CBDCs are fully launched globally; many remain in pilot, so regulated fiat-referenced stablecoins are increasingly used for cross-border settlement under clear rules. This proposal confines stablecoins to **institutional settlement**, preserving the role of deposits and BDT.

Major Use Cases: Remittance, Reserve, and Investments.

1. **Seamless Remittance Flow:** Bangladesh receives **$22 billion annually** in remittances from 10+ million overseas workers, but the current system imposes massive inefficiencies. Traditional remittance fees of **4-6%** cost families $880 million to $1.32 billion per year, while processing delays of 2-5 days and minimum transfer requirements prevent efficient micro-payments and emergency support. Stablecoins
2. **Reserve:** Flexible access to USD for Bangladesh's reserve, fast payment settlement (<30s) with other stablecoin providers, enabling micropayments and large payments with <0.1% cost.
3. **Investment Democratization:**
    a. Access to many currencies and liquidity pool for investments in local businesses.

b. Cross-Border Business Investment: Overseas investors and NRBs can directly invest in local Bangladeshi businesses through transparent blockchain-based platforms, supporting Bangladeshi enterprises and local economic development while maintaining USD-denominated holdings.

India's e-Rupee: A Case Study

- **Scale & scope.** Retail and wholesale pilots since late-2022; by **March 2025** retail e₹ in circulation reached **₹1,016 crore**, with pilots expanding across banks and cities.

- **Design features.** Ongoing work on **programmability**, **offline capability**, and exploration of **cross-border pilots**—useful for targeted transfers, resilience in low-connectivity settings, and corridor testing.

- **Key takeaway for Bangladesh.** Move in **measured steps**: start with a **supervised remittance sandbox** using regulated stablecoins (institutional layer only) while studying a **tokenised-deposits** model and tracking CBDC options. This reduces risk, produces measurable gains fast, and avoids locking into a single architecture prematurely.

Global Regulatory Benchmarks to Emulate

- **EU (MiCA).** Circle issues **USDC/EURC** under a French EMI entity—clear reserve, redemption, and disclosure rules.

- **Singapore (MAS).** Finalised a detailed framework for **fiat-referenced stablecoins** to ensure value stability, redemption rights, and transparency.

- **United States — GENIUS Act (2025).** The GENIUS Act (signed July 18, 2025) is the first U.S. federal stablecoin law: it creates licensing, 1:1 liquid-reserve and redemption requirements, and aligns state–federal oversight (OCC or primary bank regulator).

- **Hong Kong (HKMA). Licensing regime** for fiat-referenced stablecoins effective **1 Aug 2025**—issuer licensing and activity restrictions.

- **Japan.** Stablecoins treated as **currency-denominated assets**; issuance limited to banks/trusts with strict reserve rules (e.g., **Progmat**).

These regimes provide ready-made criteria Bangladesh can adopt for a sandbox whitelist (issuer quality, reserves, redemption, disclosures, and supervision).

Proposal: Bangladesh Remittance Stablecoin Corridor (BRSC) — Regulatory Sandbox (12 months)

Use case: Inward remittances only (no domestic crypto use), with **AD banks/MFS** as the **sole on/off-ramps**.
Corridors: UK, KSA, UAE, Malaysia (largest diaspora and high-volume corridors).
Participants:

- Overseas side: licensed MTOs/EMIs that can source **whitelisted, regulated** fiat-stablecoins (e.g., MiCA-compliant USDC/EURC; or SGD/HKD/JPY-regulated equivalents).
- Bangladesh side: **AD banks** + **MFS** (e.g., bKash/Nagad) under BB supervision.

Flow design: Sender pays MTO in fiat → MTO settles **stablecoin** to the **Bangladesh AD bank's institutional wallet** → **immediate redemption** and credit of **BDT** to beneficiary bank account or MFS wallet (T+0 where feasible). **Beneficiaries never hold tokens**; **no domestic crypto trading** is permitted. (Legal basis: sandbox general order providing a narrow exemption for institutional settlement of remittances.)

FX transparency: Publish a **market-referenced rate** methodology for sandbox corridors to reduce dispersion and narrow the incentive for informal channels. (Target: materially lower total cost versus baseline.)

Compliance & risk controls:

- **FATF Travel Rule** data exchange; **address whitelisting**; **on-chain analytics**; **velocity and value caps** by KYC tier.
- **Daily reporting** of flows and positions to BB/BFIU; kill-switch and corridor caps embedded in the sandbox order.

KPIs:

- **Cost:** move corridor all-in cost toward **≤3%** (G20 target).
- **Speed: T+0** payout in ≥90% of transfers.
- **Channel shift:** +10–20% formal share in pilot corridors versus baseline.
- **AML:** zero sanctions hits; monthly typology reports.

Risk Register & Mitigations

Risk	Mitigation
Legal/policy conflict with existing prohibitions	**Sandbox order** defines narrow, supervised scope; retail crypto remains prohibited.
AML/CFT (mixers/sanctions)	**Travel Rule**, **whitelists**, **chain analytics**, value caps, and real-time reporting to BFIU.
FX/monetary	**Immediate conversion to BDT** at published market-referenced rates; banks/MFS remain hubs.
Disintermediation concerns	Tokens used **only** for institutional settlement; beneficiaries receive **BDT**; aligns with **BIS** guidance favouring deposits/CBDC over circulating stablecoins.
Operational/cyber	ISO-aligned controls; segregated custody; operational kill-switch; incident SLAs.

Roadmap (12–18 months)

- **Phase 0 (60–90 days):** Issue sandbox order; constitute a Steering Committee (PSD, BFIU, AD banks, MFS, overseas MTOs); select **two corridors** and **two compliant issuers**; publish integration specs.

- **Phase 1 (Months 3–9):** Go-live with capped volumes; publish monthly scorecards (cost, speed, formal share, AML flags).

- **Phase 2 (Months 9–18):** Scale corridors and limits based on KPIs; in parallel, commission a **tokenised-deposits** concept study and keep optionality for CBDC evolution, informed by **India's e-rupee** experience (programmability/offline/cross-border pilots).

Communications

Public message: **"Faster, cheaper, safer remittances—no crypto app required."**
Beneficiaries receive **BDT instantly** in bank/MFS accounts; banks and MFS are the only gateways; AML/CFT is stronger than cash-based informal channels.

Conclusion

A **narrow, supervised** remittance sandbox positions Bangladesh to **lower costs, speed up settlement, curb informal channels, and improve FX and AML transparency**—without compromising monetary integrity or bank intermediation. With **India advancing its CBDC pilots** and regional regulators licensing stablecoins, Bangladesh should test and learn now to avoid strategic lag in digital money infrastructure.

Key References

- **Remittance costs:** World Bank RPW corridor data (US→BD). remittanceprices.worldbank.org
- **Bangladesh policy stance:** BB FE Circular No. 24 (Sep 15, 2022) & contemporary reporting. BBbdnews24.com
- **India e-rupee:** RBI FAQs (Jan 9, 2025); reporting of Annual Report 2024-25 metrics (₹1,016 crore). Reserve Bank of IndiaThe Times of India
- **Regulatory models:** EU MiCA (Circle USDC/EURC); MAS framework; HKMA stablecoin licensing; Japan PSA/trust-bank issuance. CircleMonetary Authority of SingaporeHong Kong Monetary AuthorityDavis Polk東京国際法律事務所
- **Central-bank perspective:** BIS Annual Report 2025—stablecoins vs tokenised deposits. Bank for International Settlements

Draft Policy Briefing Note (Working Paper) for Bangladesh Bank

To Hon'ble Governor, Bangladesh Bank,

Dr. Dr. Ahsan H Mansur.

Subject: Time-Bound Regulatory Sandbox for Stablecoin-Settled Inward Remittances (Institutional Layer Only)

Purpose

Seek approval to launch a **12-month, tightly supervised regulatory sandbox** that allows **licensed AD banks and MFS/PSPs** to receive **regulated, fiat-referenced stablecoins** for **inward remittance settlement only**, with **immediate conversion to BDT** for beneficiaries. The objective is to reduce corridor costs and delays, raise formal channels' share, strengthen AML/CFT telemetry, and generate data for a durable national policy on tokenised money.

Rationale and fit with BB objectives

- **Lower cost, faster settlement:** Many corridors to Bangladesh remain above the G20 cost target (≤3%). Stablecoin rails can compress fees, spreads, and settlement frictions while preserving bank intermediation.

- **Deterring informal channels:** Faster, cheaper, transparent formal rails reduce the premium that sustains hundi.

- **Policy visibility:** On-chain plus off-chain data (KYC, Travel Rule metadata) give BB/BFIU **real-time corridor intelligence**.

- **Monetary integrity:** Tokens never circulate domestically; they are used **only for institution-to-institution settlement** and converted **immediately to BDT** at transparent, market-referenced rates.

- **Regulatory convergence:** Sandbox criteria draw from **EU (MiCA)**, **Singapore (MAS)**, **Hong Kong (HKMA)**, and **Japan** (bank/trust issuance) to minimise supervisory risk.

Case -Study (Global)

Saudi Arabia (KSA) — “Wholesale-first, cross-border focus”

- SAMA ran Project Aber with the UAE to test a joint cross-border CBDC for bank-to-bank settlement; results published.

- KSA has since joined the BIS mBridge MVP platform, prioritizing wholesale CBDC for international payments rather than a retail coin.
    - *Bangladesh takeaway:* Emphasize institutional, cross-border settlement pilots (remittances/trade) before any retail CBDC—start where the FX and speed gains are largest.

United States — GENIUS Act (2025) “License, back 1:1, protect holders”

- The GENIUS Act (signed July 18, 2025) is the first U.S. federal stablecoin law: it creates licensing, 1:1 liquid-reserve and redemption requirements, and aligns state–federal oversight (OCC or primary bank regulator).

- It also grants superpriority to stablecoin holders in issuer bankruptcies, ensuring reserves sit outside the estate.

Scale & features: India’s **e-rupee pilots** (retail and wholesale) have grown materially, exploring **programmability**, **offline capability**, and **future cross-border pilots**.

- **Implication for Bangladesh:** Regional peers are moving on digital money infrastructure. A **measured, ring-fenced sandbox** lets Bangladesh learn quickly from real transaction data (cost, speed, AML efficacy) while keeping options open for **tokenised deposits** and possible **CBDC** evolution—avoidance of strategic lag.

Singapore — “Regulate & pilot”

- MAS **finalised a stablecoin framework** (value stability, reserves, redemption rights) for SGD/G10-pegged coins.

- Running **Project Orchid / Purpose-Bound Money (PBM)** pilots (programmable vouchers, retail use cases) and testing **wholesale CBDC to settle retail payments**

Malaysia — “Cross-border first”

- Bank Negara Malaysia co-led **Project Dunbar** with BIS (and SG/AU/SA), building **multi-CBDC prototypes** for cheaper, faster **international settlement**.

What is—and is not—in scope

In scope (Phase-1):

- **Use case: Inward remittances only** (retail payout to beneficiaries in BDT).
- **Participants:** Overseas **licensed MTOs/EMIs**; Bangladesh **AD banks** and **MFS/PSPs**.
- **Instruments: Whitelisted, regulated fiat-stablecoins** (e.g., MiCA-compliant USDC/EURC or equivalents licensed in SG/HK/JP).
- **Settlement model:** Stablecoins received **only** to **institutional wallets** of AD banks; **immediate redemption** and **credit in BDT** to beneficiary accounts/wallets.

Out of scope (prohibited):

- Any **resident retail** holding, trading, or transfer of crypto-assets.
- Any **domestic** use of tokens for payments, savings, or investments.
- Any stablecoin issuer **without** recognised licensing, reserve, and redemption obligations.

Flow and controls (summary)

1. Sender pays an overseas licensed MTO in fiat.
2. MTO settles a **whitelisted stablecoin** to a **Bangladesh AD bank institutional wallet**.
3. AD bank **redeems** and posts **BDT** to a beneficiary's bank account or MFS wallet. (T+0 payout.
4. **Compliance:** FATF **Travel Rule** metadata; on-chain address **whitelisting**; **chain analytics**; corridor-specific **caps**; daily reporting to BB/BFIU.
5. **FX:** Publish a market-referenced rate methodology for sandbox corridors; no ad-hoc premia.

KPIs and success metrics

- **Cost:** Move corridor all-in cost **toward ≤3%**.
- **Speed: T+0** payout in ≥90% of cases.
- **Formal share:** +10–20% increase in formal channel remittances on sandbox corridors vs. baseline.
- **AML/CFT:** Zero sanctioned-party breaches; <0.5% anomaly rate (post-event analytics); monthly typology reports.

Risk register & mitigations

Risk	Mitigation
Legal/policy conflict with existing prohibitions	**Sandbox General Order** creates a narrow, time-bound exemption for **institutional settlement of inward remittances** only; resident retail crypto remains prohibited.
AML/CFT exposure	Travel Rule data exchange; address whitelisting; on-chain analytics; value/velocity caps; real-time reporting; kill-switch.
FX/monetary concerns	Immediate conversion to **BDT** at **published market-referenced rates**; banks/MFS remain central nodes.
Operational/cyber	ISO-aligned controls; segregated custody; incident SLAs; supervisory testing; drills.
Reputational	Transparent public messaging (“faster, cheaper, safer formal remittances—no crypto app required”) and quarterly dashboards.

Implementation roadmap (12–18 months)

- **Phase 0 (60–90 days):** Issue General Order; constitute Steering Committee (PSD chair; BFIU; AD banks; MFS; 1–2 overseas MTOs; BB IT). Select **two corridors** (e.g., UK, KSA) and **two compliant issuers**; publish integration spec.

- **Phase 1 (Months 3–9):** Go-live with capped volumes; monthly scorecards (cost, speed, formal share, AML flags).

- **Phase 2 (Months 9–18):** Scale corridors/limits based on KPIs; initiate **tokenised-deposits** study; keep option to explore **Stable Coin** features (e.g., offline)

Decisions requested

1. **Approve** the 12-month sandbox scope and governance.

2. **Approve** corridor shortlist and issuer whitelist criteria.

3. **Authorise** PSD to issue the **General Order** and begin participant onboarding.

DRAFT – Regulatory Sandbox General Order

Title: Bangladesh Remittance Stablecoin Corridor (BRSC) – Regulatory Sandbox (Phase-1)
Issuing Authority: Bangladesh Bank (Payment Systems Department), pursuant to applicable powers under the Bangladesh Bank Order, the Foreign Exchange Regulation framework, the Payment and Settlement oversight framework, and the Money Laundering Prevention framework.

Definitions

- **"Stablecoin"**: A **fiat-referenced** digital token issued under a recognised licensing regime with enforceable **par redemption** rights and **segregated, high-quality liquid reserves**.

- **"Institutional wallet"**: A blockchain address controlled by a **licensed AD bank** for the exclusive purpose of receiving/remitting whitelisted stablecoins under this Order.

- **"Participants"**: Overseas **licensed MTOs/EMIs**, Bangladesh **AD banks**, and **MFS/PSPs** approved by Bangladesh Bank for this sandbox.

- **"Immediate conversion"**: Redemption of received tokens and posting of **BDT** to the beneficiary **without delay**, per SLA.

Scope and duration

- **Use case: Inward remittances** only; domestic retail use of tokens remains **prohibited**.

- **Duration: 12 months** from effective date, extendable/terminable at BB discretion.

- **Corridors:** [UK→BD], [KSA→BD], [UAE→BD], [Malaysia→BD] (as notified/updated by BB).

- **Caps:** Transaction-level, daily per-beneficiary, and daily per-participant caps **[to be set by BB]**.

Eligibility and whitelist

3.1 Issuers / Instruments

Stablecoins must meet **all** of the following:
a) Issuer is licensed under **EU (MiCA)**, **MAS (Singapore)**, **HKMA (Hong Kong)**, **Japan** (bank/trust), or other BB-recognised regimes;
b) **Daily reserve attestations** and **independent monthly assurance**; reserves held in **cash/T-bills** at regulated institutions;
c) **Par, same-day redemption** in issuer's fiat;
d) Public disclosures on reserves, governance, and risk.

3.2 Participants

- **Overseas side:** Licensed **MTOs/EMIs** in the sending jurisdiction.
- **Bangladesh side: AD banks** (institutional wallets, redemption, FX conversion) and **MFS/PSPs** (payout).
- All participants must sign the **Sandbox Participation Agreement** (SPA).

Permitted and prohibited activities

- **Permitted:** Receipt of whitelisted stablecoins by AD banks into **institutional wallets** for the sole purpose of **immediate conversion to BDT** and payout to beneficiaries via bank accounts or MFS wallets.
- **Prohibited:** Any resident retail custody, trading, payment, investment, or transfer of crypto-assets; any use of non-whitelisted tokens; any re-hypothecation of reserves by issuers.

FX, pricing, and disclosures

- AD banks must apply a **published market-referenced FX methodology** for sandbox corridors (Annex C) and disclose fees/spreads ex-ante.
- Beneficiaries shall receive **clear SMS/receipt** showing amount sent, fees, FX rate, and BDT received.

AML/CFT and sanctions compliance

- **Travel Rule** compliance: originator/beneficiary information must accompany transfers end-to-end.
- **Address whitelisting** and **on-chain analytics** (sanctions, mixer, and risk scoring) are mandatory.
- Suspicious transactions must be reported to **BFIU** per applicable laws.
- Participants must maintain **7-year** records (or as prescribed by law).

Data, reporting, and audit

- **Daily file to BB/BFIU**: flows by corridor, issuer, participant; anomalies; rejected transfers.
- **Monthly KPI report**: cost, speed, formal-share movement vs. baseline; AML typologies observed.
- **Independent audit**: BB may require technical and compliance audits at any time.

Technology and security requirements

- Segregated **institutional wallets**; multi-sig or HSM custody; role-based access; transaction policy controls.
- **Business continuity**: redundancy, incident response, and **24×7** contact.
- **Kill-switch**: Participants must implement BB-triggerable halts by corridor/token.

Consumer outcomes

- **No crypto requirement** for beneficiaries; payout is **in BDT** to bank/MFS.
- Complaint handling and dispute resolution per existing **MFS/banking** rules.

Supervisory powers

- Bangladesh Bank may **amend**, **suspend**, or **revoke** any permission under this Order at any time, including **immediate cessation** of specific corridors, tokens, or participants.

Evaluation and exit

- Steering Committee will publish a **Quarterly Dashboard** and a **Final Evaluation** at Month-12 with recommendations (continue/scale, migrate to tokenised deposits, consider CBDC pilots, or sunset).