# Reeves and Bailey clash leaves Britain’s stablecoin ambitions at risk



Britain’s bid to become a leading centre for stablecoins and tokenised finance is running head‑first into a familiar institutional rift: the Chancellor’s push for rapid innovation is colliding with the Bank of England’s caution on the very nature of money. What began as a policy offer to modernise the payments system now risks turning into a policy standoff that could cede ground to rival jurisdictions.

In her Mansion House speech in July 2025 the Chancellor set out an ambitious agenda to “drive forward developments in blockchain technology, including tokenised securities and stablecoins,” and even floated the idea of a digital gilt as part of a wider strategy to modernise UK financial infrastructure and attract firms. That speech framed tokenisation and payments innovation as central to the government’s growth and investment plan and linked the reforms to broader measures on capital requirements and ring‑fencing.

The Bank of England has been more sceptical. In his own Mansion House remarks the governor, Andrew Bailey, warned that while payments innovation is welcome he would “question why we need to introduce a new form of money,” stressing the importance of the “singleness of money” and that any privately issued coins must meet strict tests for trust and resilience. He has made clear to MPs and at public fora that he would require “a lot of convincing” on credible use cases before endorsing wholesale change.

That institutional unease is not merely rhetorical. Ministers and the central bank have butted heads on a series of issues — from whether the Bank should block meetings between fintechs and regulators to disagreements over reforms to the ring‑fencing regime — creating the perception of a broader misalignment between the Treasury’s growth agenda and the Bank’s financial‑stability mandate.

Industry voices warn that this misalignment matters in concrete, economic terms. Trade bodies and payments groups have criticised what they see as prescriptive Bank proposals — notably on holding limits and asset‑backing requirements — that they fear would deter issuance and innovation, undermine London’s competitiveness and favour incumbent systems. Kunal Jhanji, partner at Boston Consulting Group and global lead for payments infrastructure, told City A.M. that clarity of communication is vital and that “everyone needs to sing from the same hymn sheet,” arguing that alignment across government, the Bank and regulators is a precondition for success.

Those warnings arrive against a backdrop of rapid market growth. Analysis by consulting firms shows stablecoin market capitalisation expanded sharply — rising materially in 2024 and further into 2025 — while transaction volumes reached many trillions of dollars last year, with a non‑negligible share already linked to real‑world payments. Industry specialists say economic turbulence and demand for dollar‑denominated, programmable payment instruments have pushed investors and corporates towards these instruments as a faster, borderless complement to legacy rails.

At the same time, regulatory certainty abroad is accelerating institutional adoption. The EU’s Markets in Crypto‑Assets framework created a pan‑European rulebook requiring licensing and robust asset‑backing, and in the United States lawmakers have advanced targeted federal legislation to create a legal regime for dollar‑pegged payment stablecoins. That US bill sets out issuer permissions, one‑to‑one reserve backing in liquid assets, regular disclosures and supervisory arrangements designed to give market participants clarity and confidence.

Corporate and incumbent financial players are already moving. Large banks and payments networks have rolled out pilot projects or new token initiatives aimed at integrating stablecoins into existing flows: some institutions have developed private token systems for institutional settlement and global payments networks have announced partnerships to explore mainstream stablecoin use across merchant and card rails. Those moves underline industry expectations that regulatory frameworks — where they exist — unlock investment and commercial rollout, even as companies stress that practical implementation will depend on compliance, security and supervisory clarity.

For the UK the immediate test is whether ministers and the Bank can reconcile innovation‑led ambitions with the Bank’s stability requirements without deterring the very firms the policy is meant to attract. The government and City regulators have signalled further action — the City regulator’s final rules on stablecoins are expected in 2026 and the Treasury is pressing ahead with a National Payments Vision — but industry leaders say speed and a co‑ordinated signal from all authorities will be decisive. As one payments expert put it to City A.M., Britain should aim not to be first but to be “a smart, fast follower”; to do that, the Chancellor and the central bank will need to agree which risks are tolerable and which must be eliminated before market development can proceed at scale.

### 📌 Reference Map:

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* Paragraph 1 – [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[4]](https://www.bankofengland.co.uk/speech/2025/july/andrew-bailey-speech-at-the-annual-financial-and-professional-services-dinner-mansion-house)
* Paragraph 2 – [[3]](https://www.gov.uk/government/speeches/rachel-reeves-mansion-house-2025-speech), [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/)
* Paragraph 3 – [[4]](https://www.bankofengland.co.uk/speech/2025/july/andrew-bailey-speech-at-the-annual-financial-and-professional-services-dinner-mansion-house), [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/)
* Paragraph 4 – [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[2]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/)
* Paragraph 5 – [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[2]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[5]](https://medium.com/%40ianjoung/gdc-report-reveals-the-26-1-trillion-stablecoin-tsunami-is-south-korea-ready-to-ride-the-wave-c7f5cb53e460)
* Paragraph 6 – [[5]](https://medium.com/%40ianjoung/gdc-report-reveals-the-26-1-trillion-stablecoin-tsunami-is-south-korea-ready-to-ride-the-wave-c7f5cb53e460), [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/)
* Paragraph 7 – [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[6]](https://www.congress.gov/bill/119-congress/senate-bill/1582)
* Paragraph 8 – [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[7]](https://www.mastercard.com/us/en/news-and-trends/press/2025/june/mastercard-fiserv-stablecoin-adoption.html)
* Paragraph 9 – [[1]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/), [[3]](https://www.gov.uk/government/speeches/rachel-reeves-mansion-house-2025-speech), [[5]](https://medium.com/%40ianjoung/gdc-report-reveals-the-26-1-trillion-stablecoin-tsunami-is-south-korea-ready-to-ride-the-wave-c7f5cb53e460), [[2]](https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/)

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## Bibliography

1. <https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/> - Please view link - unable to able to access data
2. <https://www.cityam.com/a-rachel-reeves-and-andrew-bailey-clash-risks-britains-stablecoin-dream/> - A City A.M. article reports that Chancellor Rachel Reeves’ Mansion House speech pledged to promote blockchain developments, including stablecoins, but that tensions with Bank of England governor Andrew Bailey risk undermining the UK’s ambitions. It outlines Bailey’s scepticism about introducing a new form of money and his demand for convincing use cases, plus friction over regulatory interventions and past disputes such as Revolut meetings and ring‑fencing reform. Industry voices, including BCG and UK trade groups, warn that prescriptive Bank proposals on holding limits and asset‑backing could deter issuance and innovation, potentially costing London a lead in tokenised finance and jobs.
3. <https://www.gov.uk/government/speeches/rachel-reeves-mansion-house-2025-speech> - The UK government’s official Mansion House speech transcript for 15 July 2025 records Chancellor Rachel Reeves announcing plans to 'drive forward developments in blockchain technology, including tokenised securities and stablecoins' and to design a digital gilt instrument. The speech frames these measures as part of a wider strategy to modernise UK financial infrastructure, support investment and growth, and attract firms through a new Office for Investment concierge. Reeves sets out reforms to capital requirements and ring‑fencing alongside initiatives to advance payments innovation, signalling a government intent to position the UK at the forefront of regulated digital asset development and jobs.
4. <https://www.bankofengland.co.uk/speech/2025/july/andrew-bailey-speech-at-the-annual-financial-and-professional-services-dinner-mansion-house> - In his July 2025 remarks the Bank of England governor Andrew Bailey expressed caution about stablecoins and potential new forms of money, noting that while innovation in payments is welcome, he would 'question why we need to introduce a new form of money' and required convincing evidence of use cases. Bailey emphasised the importance of 'singleness of money' and warned that privately issued coins must meet tests for trust and resilience. His comments reflect the Bank’s focus on financial stability, backing asset quality, and transitional holding limits proposed for systemic stablecoins, highlighting regulatory tensions with policymakers advocating faster innovation policy.
5. [https://medium.com/@ianjoung/gdc-report-reveals-the-26-1-trillion-stablecoin-tsunami-is-south-korea-ready-to-ride-the-wave-c7f5cb53e460](https://medium.com/%40ianjoung/gdc-report-reveals-the-26-1-trillion-stablecoin-tsunami-is-south-korea-ready-to-ride-the-wave-c7f5cb53e460) - A Medium summary of BCG’s white paper 'Stablecoins: Five killer tests to gauge their potential' outlines BCG’s analysis of rapid stablecoin growth. It reports stablecoin market capitalisation rose 57% in 2024 to about $210 billion and expanded a further c.30% to roughly $270 billion by mid‑2025, while transaction volumes reached c.$26.1 trillion in 2024. BCG estimates 5–10 per cent of that volume related to real‑world payments, around $1.3 trillion. The paper evaluates five tests for long‑term viability, urging regulators and industry to clarify use cases, backing, and interoperability to unlock broader institutional adoption and encourages careful policymaking to protect consumers.
6. <https://www.congress.gov/bill/119-congress/senate-bill/1582> - The official Congress.gov page for S.1582 outlines the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act), a 2025 federal bill creating a framework for 'payment stablecoins'. The legislation restricts issuance to permitted entities, requires one‑to‑one reserve backing in US currency or similarly liquid assets, monthly public disclosures of reserve composition, and supervisory requirements. It allows a mix of federal and state supervision, sets anti‑money‑laundering obligations, and clarifies that permitted payment stablecoins are not securities. The bill aims to provide legal certainty for dollar‑pegged stablecoins and accelerate institutional entry into digital payments while guarding financial stability risks prudently.
7. <https://www.mastercard.com/us/en/news-and-trends/press/2025/june/mastercard-fiserv-stablecoin-adoption.html> - Mastercard’s press release dated 24 June 2025 announces a partnership with Fiserv to integrate a new FIUSD stablecoin across Mastercard’s network, aiming to accelerate mainstream adoption. The collaboration will explore on/off‑ramping, merchant settlement in FIUSD, connectivity with Mastercard’s Multi‑Token Network, and stablecoin‑linked card products, enabling payments at more than 150 million merchants. Executives emphasised programmability, smoother fiat–crypto transitions and enhanced utility for banks, merchants and consumers. The release positions FIUSD as a token to be used across Mastercard products and highlights trials to expand stablecoin settlement options, fostering interoperability and broader payments innovation while addressing compliance, security and regulatory concerns.