

BANK OF ENGLAND & STABLECOINS IS ITS STANCE SHIFTING AS BUSINESSES NAVIGATE CRYPTO HOLDINGS?

A Bank of England proposal to cap stablecoin holdings at a maximum of £10,000 or £20,000 for individuals has received fierce criticism; however, there are signs the Bank is softening its stance.

A stablecoin is a type of cryptocurrency that aims to maintain a stable value relative to a specified asset, such as the US dollar.

Many consider a £10,000/£20,000 restriction to be unworkable, and that it would leave the UK lagging behind the US and EU on digital asset regulation. For businesses, a £10 million maximum has been proposed. However, the governor of the Bank of England has recently backtracked by writing that it would be "wrong to be against stablecoins as a matter of principle".

WHY STABLECOINS?

Stablecoins are currently dominated by US dollar-based products, with stablecoins worth nearly \$300 billion in circulation. They are very convenient for investors who wish to park their funds while buying and selling other more volatile cryptocurrencies.

While not yet mainstream, stablecoins are a good way to pay for goods and services, avoiding most of the costs associated with traditional payment methods, such as credit cards. This is especially the case with cross-border transactions.

BITCOIN ON THE BALANCE SHEET

Businesses are increasingly holding bitcoin as an asset, although stablecoins might also be an option.

There are several drivers behind such holdings:

- Bitcoin gives more diversification compared to traditional treasury assets such as cash and short-term gilts, and holding bitcoin can provide protection against inflation.
- There are also reputational benefits because a business holding bitcoin will be seen as more digitally savvy.

Holding bitcoin does come with various risks. Apart from the price volatility, there will be the custodial challenges of a business holding cryptocurrency.

Under UK Generally Accepted Accounting Practice, bitcoin should be included on a company's balance sheet at cost; being classified as an intangible fixed asset.



The Bank of England's explainer on stablecoins can be found [here](#), although it has not been updated since 2023.

WE CAN HELP

If you need any further information, contact us on 01753 888 211 or email info@nhllp.com. We are here to help.