

Financial Services Regulation Committee

Corrected oral evidence: Growth and proposed regulation of stablecoins in the UK

Wednesday 18 March 2026

11.10 am

Watch the meeting

Members present: Baroness Noakes (The Chair); Baroness Donaghy; Lord Eatwell; Lord Griffiths of Fforestfach; Lord Hollick; Lord Lilley; Lord Sharkey; Lord Smith of Kelvin; Lord Turnbull; Lord Vaux of Harrowden.

Evidence Session No. 12

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Questions 125 - 133

Witness

[I](#): Jesse McWaters, Executive Vice President & Head of Global Policy, Mastercard.

Examination of witness

Jesse McWaters

Q125 **The Chair:** Welcome to the second part of today's meeting, which is the 12th oral session as part of the committee's inquiry into the growth and proposed regulation of stablecoins. Thank you, Mr McWaters, executive vice president and head of global policy at Mastercard, for attending this evidence session. I believe that you will start with some opening remarks. If you could keep them brief, that would leave as much time as possible for questions.

Jesse McWaters: Thank you very much. Good morning, chair and members of the committee, and thank you for the opportunity to provide evidence today. As a Canadian, I grew up learning about the role of the Houses of Parliament in the founding of my own country, and it is a remarkable privilege to be here today and to talk about a subject that I am very passionate about. My name is Jesse McWaters. I am the head of global policy at Mastercard, based in the United States, where I lead Mastercard's policy work on a range of issues, including stablecoins. Mastercard is a global payments technology company that provides the underlying infrastructure for people, businesses and governments to make and receive payments. In the UK, we provide our international card network and we operate the underlying infrastructure for account to account payments on behalf of Pay.UK.

We believe that stablecoins are an exciting innovation, with the potential to deliver what the Bank of England deputy governor Sarah Breeden has called a "multi-money" future. This new infrastructure will enable greater payment choice for consumers and businesses.

Stablecoins are at a turning point. The passage of regulatory frameworks around the world will foster innovation and reinforce trust, enabling responsible growth and unlocking real-world benefits. For close to a decade, we have worked at the intersection of digital assets, payments and financial infrastructure, partnering with governments, central banks, financial institutions and technology providers to explore how new forms of digital money can complement existing payment systems in a way that is safe, resilient and trusted.

We often hear the narrative that stablecoins and crypto are alternatives to existing payment networks, but the truth is somewhat more complicated. Stablecoins provide a way of moving value from point to point, but at a domestic level many options already exist to do that, such as instant payments, digital wallets, open banking, and buy now, pay later.

Moving value is easy. Making it safe, trusted and interoperable is not. On their own, stablecoins lack the compliance, fraud protection, dispute resolution, and identity verification frameworks that established networks like Mastercard provide. As such, we believe that there is significant

scope for Mastercard to work with and augment the capabilities of stablecoins.

We are constantly adapting to the evolving payments landscape, and we are excited to embrace and invest in the opportunities stablecoins provide, both here in the UK and around the world. Thank you.

The Chair: Thank you very much. Do you see stablecoins as a major disruption to the existing payments economy, or just as an evolution?

Jesse McWaters: I see stablecoins as being an additive evolution to the payments landscape. Blockchain technology—the rails on which stablecoins run—provides a new, innovative and potentially significantly additive way of moving money, particularly in cross-border contexts. We are excited to see the way that we have been able to build on that foundation and others have been able to build on that foundation. However, we do not necessarily feel that stablecoins will fundamentally disrupt either the financial and monetary system or the way that payments are conducted day to day, particularly in advanced economies for domestic payments.

The Chair: Do you see stablecoins as significantly threatening the current economic model of payment cards?

Jesse McWaters: As you have likely already been told by others who have provided evidence to this committee, stablecoins today are used almost exclusively to facilitate capital markets activity, in and around the trading of crypto assets. Our expectation is that the expansion of stablecoins is likely first to occur around an expansion of that capital market settlement activity to include the trading of regulated financial instruments—stocks and bonds on blockchains—as well as the facilitation of cross-border payments for large-value B2B transfers and smaller-value remittances. There is certainly the possibility that over time they will make an entry into domestic payments, but that will require consumers to choose that means of payment over a variety of other options that they have at their disposal. We do not today see a clear value proposition that would drive customers to make that choice.

Q126 **Lord Smith of Kelvin:** We have heard a lot about the speed and cost savings for businesses and so on. You just touched on retail. Do you ever see stablecoins being used for everyday payments in retail?

Jesse McWaters: It is certainly possible. Indeed, we provide a set of products today, colloquially called crypto cards, that facilitate the ability for stablecoins to be used simply and securely to make everyday payments. Effectively, this is a situation in which the issuer of a payments card partners with a virtual asset service provider in a way that allows the cardholder to spend stablecoins at any one of Mastercard's 150 million points of sale. In this sense, we have simplified the process of spending stablecoins at a domestic point of sale. Whether or not we will see other domestic payment solutions that more resemble, for example, a pay-by-bank push-payment solution, remains to be seen.

Q127 Baroness Donaghy: Why has the USD stablecoin developed so much more quickly than others? What are the advantages for the UK to open up a bit more in this area? Some siren voices might argue that all this would do is help the Yankee dollar. How would it impact on the UK and what threats do you see to our position as a global financial market?

Jesse McWaters: In my view, the reason that the US dollar is the predominant backing value of most stablecoins is determined not by the nature of stablecoins, nor even primarily by US policy in this space, but rather by the use case for those stablecoins. They are being used today almost exclusively to facilitate capital market settlement. As the international reserve currency, there are certain network effects associated with the use of the dollar for that.

In spite of that, I do think that there is significant value to the United Kingdom and other jurisdictions in advancing comprehensive stablecoin regulation. The reason for this is twofold. First, it will help to contain any potential risks related to stablecoins, whether those are risks to consumers or to broader financial stability. Secondly, it opens the door to responsible innovation. Stablecoins may or may not, in the future, be used extensively for a variety of use cases, whether domestic payments or remittances. But, if they are to be used for domestic payments, Britons will want to use pounds sterling to denominate those transactions. By creating a regime that opens the opportunity for responsible innovation in GBP-denominated stablecoins, you create the opportunity to have that additional choice and competition.

Q128 Lord Lilley: Can you envisage, way down the line when lots of us have a stablecoin account and we go into a shop in this country or abroad, that we will be able to make the transaction directly with the retailer with our bitcoin? If so, why would we ever use Mastercard?

Jesse McWaters: I certainly can envision that future, and it is one that we think about every day as we develop products and services in this space. As I have already talked about, we have worked extensively on building new products and innovations in this space, linking stablecoins to the existing card infrastructure and thinking about how we can provide value-added services that enhance the value proposition of stablecoins to be used natively—that is directly out of a stablecoin wallet.

That said, there would need to be a rationale for why consumers were migrating to the use of stablecoins. Consumer behaviour would need to be in response to some way in which that stablecoin provided new and additive value for a domestic payment beyond what they currently enjoy from payment cards. At this time I would not say that there is a clear value proposition there. However, we are excited to work ourselves on experimenting with the creation of those value propositions and to see what competitors do in this space.

Lord Lilley: You mentioned that at present and initially, apart from bitcoin trading, the main advantage is cross-border. Quite a lot of us travel. Would it be an advantage to use a stablecoin rather than the

somewhat expensive currency transfers if you are using a credit card?

Jesse McWaters: I would delineate here between account-to-account cross-border transfers and payments made by card. When a consumer, a cardholder, travels internationally there is the ability to use a payment that is accepted broadly around the world. We have over 150 million merchants worldwide that currently accept our products. It also extends—particularly important when traveling—a variety of consumer protection mechanisms, dispute resolution processes and guarantees of refunds. I would characterise that as an additive value proposition beyond the ability to simply push money quickly from point to point.

This is quite different from the situation that we see today for person-to-person cross-border payments, remittances and B2B payments, where often the existing corresponding banking system, which does not operate on a 24/7/365 basis, can introduce additional delays and complexities associated with those transfers. We are exploring the role that stablecoins could play in accelerating those transfers.

For example, particularly in making transfers from the Americas to Asia, nights and weekends can result in significant issues associated with an underlap of the real-time gross settlement systems within those countries that can sometimes result in the delay of a payment by two to three days. A stablecoin, because it works 24/7/365 and instantaneously, can help to address some of those challenges. Importantly, there is a role for organisations like our own and banks in helping to mask some of the complexity associated with that transaction from the consumer, be they an individual or a business, and to provide a simple way of accessing whatever infrastructure makes the most sense for that payment.

Lord Lilley: Finally, if it is assisting international transactions but it is in sterling, at the other end it will need to be translated into another currency. Will stablecoins do that virtually costlessly or not?

Jesse McWaters: Stablecoins do not fundamentally change the economics of foreign exchange. If a transaction is beginning in one currency and terminating in another, there will be a foreign exchange cost associated with that. You will see whether the transaction is being done in bank money, central bank money or stablecoins. Where stablecoins may provide additional value is in the fundamental machinery of how that money gets moved from one point to another.

Lord Vaux of Harrowden: Taking that a little bit further, we are always told by anybody who is trying to tell us how wonderful these things are that blockchain as a technology is faster and so on, but there are doubts about that—the so-called trilemma and so on. It seems to me that Mastercard is almost uniquely positioned, given that you operate existing rails and that you are also looking at blockchain rails. Is the technology faster and better? Intuitively, it should not be because you are trying to update multiple nodes at the same time as opposed to point-to-point ledgers. Is it scalable? In other words, can it take over a substantial part of the very fast and massive quantities of transactions that you see on a

traditional rail?

Jesse McWaters: This is a very good but challenging and technical question. I will endeavour my best to respond but with the caveat that I am not a computer scientist or a deep technology expert.

Lord Vaux of Harrowden: Nor are we; believe me.

Jesse McWaters: What I will say is that you are correct, particularly with respect to domestic payments. There is value associated with the centralisation of payments technology. By not needing to conduct validation at multiple validation nodes associated with a blockchain, you can achieve improvements to throughput and scalability of transactions per second. Interestingly, there has been some work done by the Federal Reserve of Boston looking at private chain technologies in which you have multiple validating units all controlled by the Federal Reserve, wherein they resolve some of those challenges.

The real issue, though, is not so much a question of centralisation versus decentralisation. It is a question of the fragmentation that exists when you look to move money account to account across borders. The current structure of that process often involves multiple intermediaries. It involves fragmented systems and fragmented standards, with respect to payment messaging, uncoordinated APIs and differing regulatory frameworks. If through the use of a common technology layer that is employed across multiple jurisdictions you can achieve greater efficiency in the transfer and fewer parties, as well as the creation of overlay layers that enable pre-validation—confirming that you will not have what is called in the industry an unhappy path associated with regulations or payment messaging not matching up—you will have the opportunity to build something new and better on this uniquely global technological fabric.

Lord Griffiths of Fforestfach: Can I come back to Lord Lilley's question? I am a debit card holder; I use it all the time. Buying turkey in a small town in Pembrokeshire in December, I went into the butcher's shop and there behind the counter on the wall it says, "Cash is king". I have seen the notice before, but I said to him, "Peter, tell me why cash is king?" Immediately, he said, "Because it takes four days before the money gets into my account". The question then arises, "What do you see?" It seems to me that if stablecoins are successful you do not have a business. What would it take for consumers generally to be using this? Is it so sophisticated that the average person will be able to master this, if we look ahead, not next year but in five, 10 or 15 years?

Jesse McWaters: That is a fascinating and important question. Let me try to dig into it and make sure that I answer all the different aspects of it.

First, I want to comment on the notion that cash is king. There is often a narrative that exists that cash is a less expensive way for merchants to accept payments. Our view and the view of a 2023 BCG study of

payments in the United Kingdom is that, in fact, cash is a slightly more expensive way for merchants to accept payments, but the aspects of those costs are not always directly visible and easily measurable by the merchant. The BCG study that I referred to found that, for a £50 domestic transaction within the UK, the cost of a card payment was approximately £1.20, whereas the cost of a cash payment was approximately £1.75. It is the case that, actually, only about 30 pence of a card payment transaction is card fees, of which about 6 pence comes to Mastercard. There are significant costs on the back end associated with reconciliation, fraud costs, cash handling, cash logistics and shrinkage.

It is important that, when we think about stablecoins, we make an apples-to-apples comparison, because stablecoins as they exist today do not provide consumers with protections. They do not have advanced systems to detect and incent the mitigation of fraud, for example. Our view is that, in order for consumers to want to accept those for the vast majority of their transactions, they would want those same protections to exist. That may not necessarily need to be the case for all transactions; you may have a trusted relationship with your butcher and not feel that you need fraud and dispute resolution mechanisms in place. However, for the vast majority of transactions, you would want to have those. Putting them in place would involve additional costs being placed on the payment networks that would use stablecoins.

Q129 Lord Turnbull: You are a major incumbent in this sector. There are consultations going on with authorities around the world. What is the attitude of Mastercard? Do you see bitcoin as a competitor? Do you want to make sure that the authorities do not give them what you would see as a soft ride to do things you cannot do, or do you look at it as a technology that they are trying to exploit, as are you, so you are partners in this endeavour?

Jesse McWaters: That is an excellent question. First, you said “bitcoin”. I would characterise bitcoin as not typically being used today for payments.

Lord Turnbull: Sorry—stablecoins.

Jesse McWaters: With respect to stablecoins, you are absolutely right in viewing us as seeing it as a tool—a new technology that we may be able to employ in order to deliver new, improved payment experiences to consumers and businesses around the world. No doubt others will look to use this tool as well. They will stimulate competition and payments choice in ways that we think are, ultimately, favourable to the overall health of the payment ecosystem.

On the topic of regulation, our view is that we need regulation that provides a technology-agnostic, level playing field for all payment types. As an example, it is essential that we have in place clear policies that prevent the use of any payment mechanism—cards, cash or stablecoins—for the facilitation of illicit flows. It is essential—the FCA is clearly doing this in its work on stablecoins—that we seek to make sure that

stablecoins are held to a high and consistent standard when it comes to those illicit flows. This must also be achieved as much as possible on a technology-neutral basis.

To summarise the two parts of your question, we view this as a tool that we are excited to use and are actively investing in, and we want the regulation in this space to mean that competitors and technologies win based on their intrinsic merits—not on unintentional regulatory arbitrage.

Lord Turnbull: That is what you say you want, but is that what is happening?

Jesse McWaters: Yes, it is happening. We are seeing strong, comprehensive and largely technology-neutral stablecoin regulation being advanced around the world. The UK absolutely is a participant in that trend. In our consultations with the FCA, the Bank of England and others, we have been strongly encouraging of the regimes that they are developing.

Q130 **Lord Eatwell:** I would like to take this a bit further and understand the relationship between Mastercard, as a credit card system, and stablecoins. If we ask, "What is money?", we would say that it is something that is accepted in discharge of a debt. In a sense, a credit card is not money, because it simply transfers the debt to the bank; the discharge is when you pay your bill with current account money or whatever. Is a stablecoin becoming money? It seems to be, as a simple image, digital cash, in the sense that it is a bearer instrument and it is a case of immediate settlement when you hand it over; there is no secondary process, as there is with a credit card. How do you see stablecoins fitting with your predominantly credit card business? Would you accept stablecoins in discharge of a credit card bill, for example?

Jesse McWaters: Yes. In several jurisdictions, we enable the settlement of obligations between our issuing and acquiring banks—that is, the bank of the cardholder and the bank of the merchant—with stablecoins. We absolutely do this, and we see it as a useful technology.

Let me take a step back from that and try to explore your question in a bit more depth. We often use, in our discussions on this, the analogy of rails and trains. There is a technological system by which value is transferred, then there is the value that is being transferred on that set of rails. Think about the types of value that exist in the current monetary and financial system. In an economy such as yours, they are: central bank money, or M0; bank money, or M1; and pre-funded stored value, which is sometimes called e-money.

If you think about the Mastercard network, today, we can facilitate debit card transactions in bank money and credit card transactions, which are, again, a credit obligation grounded in bank money. We also have prepaid instruments and cards linked to e-money providers, which are similar to stablecoins in terms of their prudential nature. In a small number of jurisdictions, we even have cards that are linked to M0 in environments

where the central bank has issued a central bank digital currency. So we see ourselves as being able to link our existing network to all of the different trains that are running on this system. We are also looking at how we can deliver new, value-added services on the rails that exist in this space. We are looking at coming at this from multiple angles.

Lord Eatwell: I see. With the issuance of a credit card, here in the UK, there are a number of responsibilities for the issuer—KYC and duty of care responsibilities, in particular. Given that a stablecoin can be held by just a bearer, those responsibilities would seem to disappear there.

Jesse McWaters: Those responsibilities do not disappear, by any means. My understanding of the legal and regulatory framework that exists and is being established is that, absolutely, KYC obligations still exist; it is simply that the mechanisms for ensuring that those KYC obligations are observed may not always be as clear or considered.

Lord Eatwell: Where are they located? Who is the responsible agent of the duty of care?

Jesse McWaters: That is a legal and regulatory question on which I do not feel prepared to comment. I am happy to speak to our regulatory team and come back to the committee with an answer.

Lord Eatwell: I would be grateful if you could.

Jesse McWaters: Perhaps I can give this as an excellent example of where Mastercard is seeking to provide additive value in this space. You have a situation in which there are multiple virtual asset service providers—VASPs—with different levels of adherence to KYC requirements. They have different standards associated with their wallets, and they allow their consumers to interact with different stablecoins from different issuers on different blockchains. This can create a complicated environment wherein an individual VASP customer does not necessarily have confidence that, if they want to make a stablecoin transaction to someone else, that individual will have been properly KYC-ed by their VASP and are not subject to a sanction. There can also be technological questions around whether that VASP will be able to receive the stablecoin I am sending on the blockchain on which I am sending it.

Mastercard is building a relatively nascent product called Crypto Credential, which looks to build some of the network orchestration that is necessary to make those transfers simpler. As part of that, we established a standard to which participants are expected to hold themselves, with respect to KYC and sanctions screening, so that there is a higher degree of certainty that everyone in that system is adequately KYC-ed and sanction-screened. We have also created a directory system and a pre-validation system that simplifies the movement of payments: rather than using some 40-character address, I can use your email address or your mobile number, and there is a pre-validation check that makes sure that, if I am sending funds to you, your VASP will be able to receive those funds.

Fundamentally, what we are thinking about is how we can add ourselves into these systems in a way that creates greater consistency and makes things safer, more secure and more compliant.

Q131 **Lord Hollick:** Many of our witnesses have pointed to the fact that the very high cost of payments in the United States and the very low cost of stablecoin transfers has given the competitive environment a jolt. I presume that one of the impacts is that Mastercard has had to reduce its transfer fees. Is that the case?

Jesse McWaters: It is not the case that we have changed fees in response to the presence of stablecoins. Moreover, although there is a very low cost to the transfer of stablecoins, the cost associated with a payment embodies the nature of the guarantees and assurances that are conveyed alongside that payment. When we think about a stablecoin payment today, it is much more akin to a push payment made through an instant payment system. As mentioned previously, it is an instantaneous and irrevocable transfer that does not contain fraud protection mechanisms, dispute resolution mechanisms or refund guarantees. Those are all activities that have costs associated with them. Our view is that, in order to be an apples-to-apples competitor in the types of payment that card networks facilitate, there is be a need for stablecoins to build those systems—something that would involve additional costs being associated with the transfer mechanism.

Lord Hollick: So you have not had to reduce the fees on transactions in order to remain competitive?

Jesse McWaters: We have not.

Q132 **Lord Hollick:** Moving on, my second point concerns the prudential wrapper that is around things. Say I have paid something with my Mastercard card and the supplier says, "I haven't received it". If I used a Mastercard card, I can come to Mastercard and you can say, "It has", or whatever. We can investigate the missing funds. When you use stablecoins on your system, how do you provide the same follow-up service?

Jesse McWaters: In our current payment system, in which we have crypto cards, as they are colloquially called—they are a stablecoin store of value that is used to pay at the point of sale—the majority of that transaction happens on the traditional card rails and is subject to the existing set of network rules. From the perspective of the merchant, they may not even have visibility—they likely do not—into the fact that the source of funds is stablecoin, because it is immaterial to them. In terms of the protections that are provided by the system and the fraud scores that are associated with them, all of these things are consistent as though the transaction were made through bank money. As a result, the economics associated with that transaction, the costs to the merchant and the responsibilities of all parties are the same whether a debit card or a prepaid card drawing on a prefunded store of value were used; that

would have no impact on the economics or the obligations of the associated parties.

Lord Hollick: One of the advantages of stablecoins is disguising who you are and using them for reasons—they are down to the users—of concealment from the authorities. How are you able to provide visibility throughout the transactions?

Jesse McWaters: For a virtual asset service provider to become an issuer of a crypto card, a variety of things need to happen. That virtual asset service provider needs to partner with a principal member issuer of our network; in most cases, that would be a bank or, in some cases, in some jurisdictions, a neobank. They then need to go through an enhanced due diligence process in which the issuer, who has the ultimate responsibility in this case, follows a set of procedures detailed by Mastercard to ensure that we know that that virtual asset service provider has adequately KYC-ed its customers and knows the sources of funds associated with it. Only after those activities have been undertaken can the issuer and the VASP collaborate in the issuance of a crypto card.

It is very similar, although it has certain additional due diligence associated with it, to if an e-money provider wanted to have a linked debit card associated with its e-money programme. There is a similar level of due diligence and a similar need to ensure that the sources of funds are well understood. The actual transaction happens on our networks, so we have full visibility.

Lord Sharkey: Following on from that for a moment, if you have a cross-border transaction, who chooses the rails and what time the trains run on this transaction? In other words, can the transaction be completed by you, using stablecoin, without reference to the people involved in the transaction?

Jesse McWaters: I think I understand the question; allow me to try to answer it. There are two types of payment activities, which I would characterise as being different, here. One of those is a person-to-merchant transaction using our card network: you are in a foreign country and make a payment at a point of sale. Today, the vast majority of that transaction happens entirely on Mastercard rails using our existing technology. In some instances, there may be an opportunity for the issuing bank, your bank and the merchant's bank to settle their obligations between one another using stablecoins, but that is a very rare occurrence today.

Lord Sharkey: Do they need your permission to do that?

Jesse McWaters: That is a good question. The short answer is that, yes, they would need our permission. It would need to be processed through our settlement team, on which they would need visibility. We would need to be certain that all of the associated parties had the necessary legal authorisations to utilise stablecoins, because we are not permitted to facilitate stablecoin settlement in all jurisdictions; also, in some

jurisdictions, banks may have restrictions on their ability to use stablecoins. We absolutely would need visibility on that, and it would need to be co-ordinated with our settlement team.

The Chair: You have been very patient with our questions.

Q133 **Baroness Donaghy:** What do you want? What are you looking for from the Bank of England, the UK Government and the FCA? What are you looking for, as a representative of Mastercard?

Jesse McWaters: Foundationally, what we are looking for is a technology-neutral regulatory regime for stablecoins that ensures that stablecoins are safe and well regulated. If we think about, for example, facilitating interbank settlement in stablecoins, we want to know that stablecoins are “money good”, as it is sometimes called—that is, that they are a stable and reliable asset. Moreover, we want to ensure that, as new competitors come into this landscape and leverage stablecoins, they are held to a high and consistent set of obligations around, for example, money laundering and terrorist financing requirements; that is essential to ensuring the overall safety and security of the payment system in the UK. Ultimately, when those rules are in place, they will enable responsible innovation and additional consumer choice.

Baroness Donaghy: What is your view on the 40% coverage?

Jesse McWaters: We do not have a specific point of view on the specific allocation. The systemic stablecoin regime being explored by the Bank of England is a world-leading piece of work that is, ultimately, well positioned to contribute to ensuring that stablecoins are safe, are secure and will not have a negative impact on financial stability. That is very important work of which we are highly supportive.

The Chair: A moment ago, I was about to thank you and ask my final question but Lady Donaghy just asked it; it was about whether you have any views on the regulation that we are proposing. Thank you for answering Lady Donaghy’s question, and thank you again for being a witness today and allowing us to explore an area about which we were, as I think you could detect, a little uncertain: the interaction between the development of stablecoins and the existing major payment systems. Thank you very much. We will now pause for a moment.