

**NAVIGATING THE DIGITAL PAYMENTS
ECOSYSTEM: EXAMINING A FEDERAL FRAMEWORK
FOR PAYMENT STABLECOINS AND CONSEQUENCES
OF A U.S. CENTRAL BANK DIGITAL CURRENCY**

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

MARCH 11, 2025

Serial No. 119-9

Printed for the use of the Committee on Financial Services



www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

WASHINGTON : 2025

HOUSE COMMITTEE ON FINANCIAL SERVICES

FRENCH HILL, Arkansas, *Chairman*

BILL HUIZENGA, Michigan, <i>Vice Chairman</i>	MAXINE WATERS, California, <i>Ranking Member</i>
FRANK D. LUCAS, Oklahoma	SYLVIA R. GARCIA, Texas, <i>Vice Ranking Member</i>
PETE SESSIONS, Texas	NYDIA M. VELÁZQUEZ, New York
ANN WAGNER, Missouri	BRAD SHERMAN, California
ANDY BARR, Kentucky	GREGORY W. MEEKS, New York
ROGER WILLIAMS, Texas	DAVID SCOTT, Georgia
TOM EMMER, Minnesota	STEPHEN F. LYNCH, Massachusetts
BARRY LOUDERMILK, Georgia	AL GREEN, Texas
WARREN DAVIDSON, Ohio	EMANUEL CLEAVER, Missouri
JOHN W. ROSE, Tennessee	JAMES A. HIMES, Connecticut
BRYAN STEIL, Wisconsin	BILL FOSTER, Illinois
WILLIAM R. TIMMONS, IV, South Carolina	JOYCE BEATY, Ohio
MARLIN STUTZMAN, Indiana	JUAN VARGAS, California
RALPH NORMAN, South Carolina	JOSH GOTTHEIMER, New Jersey
DANIEL MEUSER, Pennsylvania	VICENTE GONZALEZ, Texas
YOUNG KIM, California	SEAN CASTEN, Illinois
BYRON DONALDS, Florida	AYANNA PRESSLEY, Massachusetts
ANDREW R. GARBARINO, New York	RASHIDA TLAIB, Michigan
SCOTT FITZGERALD, Wisconsin	RITCHIE TORRES, New York
MIKE FLOOD, Nebraska	NIKEMA WILLIAMS, Georgia
MICHAEL LAWLER, New York	BRITTANY PETTERSEN, Colorado
MONICA DE LA CRUZ, Texas	CLEO FIELDS, Louisiana
ANDREW OGLES, Tennessee	JANELLE BYNUM, Oregon
ZACHARY NUNN, Iowa	SAM LICCARDO, California
LISA McCLAIN, Michigan	
MARIA SALAZAR, Florida	
TROY DOWNING, Montana	
MIKE HARIDOPOLOS, Florida	
TIM MOORE, North Carolina	

Ben Johnson, *Staff Director*

C O N T E N T S

Tuesday, March 11, 2025

OPENING STATEMENTS

	Page
Hon. French Hill, Chairman of the Committee on Financial Services, a U.S. Representative from Arkansas	1
Hon. Maxine Waters, Ranking Member of the Committee on Financial Services, a U.S. Representative from California	3

STATEMENTS

Hon. Bryan Steil, Chairman of the Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence, a U.S. Representative from Wisconsin	4
Hon. Stephen F. Lynch, Ranking Member of the Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence, a U.S. Representative from Massachusetts	4

WITNESSES

Ms. Caroline Butler, Global Head of Digital Assets, The Bank of New York Mellon Corporation	5
Prepared Statement	7
Mr. Charles Cascarilla, CEO and Co-Founder, Paxos	16
Prepared Statement	18
Mr. Patrick Collison, Co-Founder and CEO, Stripe	23
Prepared Statement	25
Mr. Randall Guynn, Chairman, Financial Institutions Group, Davis Polk & Wardwell	31
Prepared Statement	33
Ms. Carole House, Senior Fellow, GeoEconomics Center, Atlantic Council	49
Prepared Statement	51

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD

Hon. French Hill:	
Statement from Fidelity Investments	128
Statement from American Bankers Association (ABA)	132
Hon. Maxine Waters:	
North American Securities Administration Association, Inc. (NASAA)	136

RESPONSES TO QUESTIONS FOR THE RECORD

Written responses to questions for the record from Representative Monica De La Cruz	
Mr. Charles Cascarilla	142

LEGISLATION

H.R. ———, the Stablecoin Transparency and Accountability for a Better Ledger Economy (STABLE) Act of 2025	145
H.R. ———, the Anti-CBDC Surveillance State Act	202

IV

	Page
H.J. Res. 64, Disapproving the rule submitted by the Bureau of Consumer Financial Protection relating to “Defining Larger Participants of a Market for General-Use Digital Consumer Payment Applications”	207

**NAVIGATING THE DIGITAL PAYMENTS
ECOSYSTEM: EXAMINING A FEDERAL
FRAMEWORK FOR PAYMENT STABLECOINS
AND CONSEQUENCES OF A U.S. CENTRAL
BANK DIGITAL CURRENCY**

Tuesday, March 11, 2025

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
Washington, DC.

The committee met, pursuant to notice, at 10:03 a.m., in room 2128, Rayburn House Office Building, Hon. French Hill [chairman of the committee] presiding.

Present: Representatives Hill, Lucas, Huizenga, Wagner, Barr, Williams of Texas, Emmer, Loudermilk, Davidson, Rose, Steil, Timmons, Stutzman, Norman, Meuser, Kim, Garbarino, Fitzgerald, Flood, Lawler, Ogles, Nunn, McClain, Salazar, Downing, Haridopolos, Moore, Waters, Velázquez, Sherman, Meeks, Scott, Lynch, Green, Cleaver, Himes, Foster, Beatty, Vargas, Gottheimer, Casten, Tlaib, Torres, Garcia, Bynum, and Liccardo.

Chairman HILL. The Committee on Financial Services will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

This hearing is entitled, “Navigating the Digital Payments Ecosystem: Examining a Federal Framework for Payment Stablecoins and Consequences of a U.S. Central Bank Digital Currency.”

Without objection, all members will have 5 legislative days within which to submit extraneous materials to the chair for inclusion in the record.

I now recognize myself for 4 minutes for an opening statement.

**OPENING STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF
THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REP-
RESENTATIVE FROM ARKANSAS**

Good morning, and welcome to today’s hearing entitled, “Navigating the Digital Payments Ecosystem: Examining a Federal Framework for Payment Stablecoins and the Consequences of a U.S. Central Bank Digital Currency.” Global payment systems are leveraging technology and modernizing legacy infrastructure, driving innovation and expanding access while lowering costs. The evolution of payment stablecoins and their increasing adoption beyond the digital asset ecosystem reflect broader modernization efforts in the United States and the global payment infrastructure.

Every day, there are billions of dollars of stablecoin transactions, reducing friction in cross-border payments, streamlining commercial transactions, and giving more communities broader access to digital financial tools. Since 2022, committee Republicans have worked to establish a legislative framework that strengthens their potential to become a cornerstone of a modern payment system. Last Congress this committee passed the Clarity for Payment Stablecoins Act of 2023. At the start of the 119th Congress, we built upon this foundation in coordination with the Senate Banking Committee. The House product, the Stablecoin Transparency and Accountability for a Better Ledger Economy (STABLE) Act, which we notice as part of today's hearing, reflects these key themes.

Since its initial notice at Digital Assets Subcommittee Chair Bryan Steil's hearing last month, we have incorporated updates to the discussion draft based on the extensive written feedback that we received. These refinements serve to strengthen the operational standards for payment stablecoin issuers, as well as clarify the supervision and enforcement authorities of the State and Federal regulators that will oversee these entities. The STABLE Act also makes sure that Bank Secrecy Act and anti-money laundering compliance along with cybersecurity and oversight are a critical part of the framework. The committee is grateful for the engagement and the feedback that we received on the STABLE Act, and we hope it will continue as we further iterate and strengthen this legislation.

A properly regulated stablecoin market can strengthen the U.S. dollar's dominance, modernize our payment infrastructure, and promote financial access without government overreach. It is essential that we deliberate and get this job done and done right. Unfortunately, there is a competing vision about the future of digital money, one that puts the government at the center of every transaction, and that is a central bank digital currency (CBDC). A government-controlled digital dollar would put the Federal Reserve in direct competition with the private sector and undermine the very progress that stablecoins are making.

Chair Dan Meuser's Oversight and Investigations Subcommittee has explored the troubling cases of debanking of politically favored industries. Unlike stablecoins, which operate in a competitive market, a CBDC would concentrate financial power within the Federal Government, restrict consumer choice, and undermine innovation that has made the U.S. financial markets the strongest, most liquid in the world. A CBDC would also suppress competition, jeopardize financial privacy, and weaken the role of the U.S. banking system. I am so grateful to my colleague and friend, Republican Whip, Tom Emmer, for leading the charge to prohibit a U.S. CBDC, and I thank him for the work that he has done to get his Anti-CBDC Surveillance State Act reintroduced in this Congress and noticed for this hearing.

Before I close, I want to emphasize that in addition to payment stablecoins, this committee has continued its efforts on a bipartisan basis to begin the work that we began last Congress to establish a comprehensive framework for digital assets market structure. We are moving full steam ahead in this Congress to strengthen and ex-

pand that pro-innovation agenda. I look forward to today's discussion, and I yield back the balance of my time.

**OPENING STATEMENT OF HON. MAXINE WATERS, RANKING
MEMBER OF THE COMMITTEE ON FINANCIAL SERVICES, A
U.S. REPRESENTATIVE FROM CALIFORNIA**

I now recognize with pleasure the ranking member of the full committee, Mrs. Waters, for a 4-minute opening statement.

Ms. WATERS. Thank you, Mr. Chairman. For years, my colleagues and I have sought to craft commonsense crypto legislation with guardrails for consumers and strong oversight. In less than 2 months, President Trump and Elon Musk have undermined all of this work. In fact, since taking office, Trump has only enriched himself, his crypto cabinet, and the rest of the crypto billionaire class, and he has done nothing to improve the economy, let alone anything to bring down the cost of groceries, energy, or housing, as he promised. In fact, under Trump, egg prices are up 53 percent, and just yesterday, the S&P 500 fell a blistering 2.7 percent. Trump started with the meme coin scheme that scammed investors out of \$2 billion, while Trump, his family, and other insiders pocketed \$350 million. Just last week, Trump signed an executive order to spend U.S. taxpayer resources to create a fund of billions of dollars of crypto that would squarely enrich Trump, Musk, and Make America Great Again (MAGA) cronies already holding these cryptocurrencies.

Mr. Chairman, despite my belief that the Trump Administration only wants crypto legislation that personally benefits them and protects their crypto financiers, I still hope we can work together on a bill that requires stablecoins to be robustly and fairly regulated. Unfortunately, the bill noticed for this hearing strips away critical protections to shield investors from criminals. The bill also tears down the wall that was used to separate banking from commerce, allowing Big Tech firms, including those owned by Elon Musk, to issue their own money, just like Facebook tried to do with Libra. I am proud of how this committee stopped Libra and Facebook, and I will do everything that I can to stop Musk also. It is also clear that given Trump's and Musk's actions on crypto and the mass layoffs of the employees who would be charged with overseeing crypto, we must go back to the drawing board on stablecoins. The best starting point for moving forward is the Waters-McHenry bill, which I released a few weeks ago.

Before I close, I am so deeply concerned that we are considering a bill today to strip the Consumer Financial Protection Bureau of supervision of Big Tech payment apps. This comes after Trump's appointees halted all Consumer Financial Protection Bureau supervision of Big Banks. Moreover, the Republican resistance to even allow the Federal Reserve System (Fed) to study central bank digital currencies is not only anti-innovation, but it is anti-American as it helps China win the digital currency space race and undermines the U.S. dollar as the world's reserve currency. Mr. Chairman, I am prepared to work with you and this committee, and we need to go back again to the drawing board on stablecoins and get started so we can really get into crypto, and I just believe that your leadership will take us there. I just cannot believe that this com-

mittee would follow what Trump is doing for himself and the other billionaire cronies of his. I yield back the balance of my time.

Chairman HILL. The gentlewoman yields back. The chair recognizes the gentleman from Wisconsin, the Chairman of the Digital Assets, Financial Technology, and Artificial Intelligence Subcommittee, Mr. Steil, for 1 minute.

STATEMENT OF HON. BRYAN STEIL, CHAIRMAN OF THE SUBCOMMITTEE ON DIGITAL ASSETS, FINANCIAL TECHNOLOGY, AND ARTIFICIAL INTELLIGENCE, A U.S. REPRESENTATIVE FROM WISCONSIN

Mr. STEIL. Thank you very much, Mr. Chairman, for holding this hearing. In the golden age of digital assets, the goal of our digital assets policy is to make sure that the next wave of crypto and third generation of the World Wide Web (Web3) businesses emerge in basements and in dorm rooms, not in boardrooms and law firms, and that is what our digital assets policy will do. The digital assets and blockchain technology are democratizing the internet and our financial choices. These technologies can extend dollar dominance, lower costs, and expand financial choices.

Just over a month ago, Chairman Hill and I released a discussion draft of the STABLE Act. The bill establishes a framework for issuing and operating U.S. dollar-backed stablecoins. We are now in the process of collecting feedback on the legislation as we move forward, and I am excited about where we are today and for where we are going. Thank you for holding this hearing, Mr. Chairman. I yield back.

Chairman HILL. The gentleman yields back. I recognize the gentleman from Massachusetts, Mr. Lynch, the Ranking Member of the Digital Assets, Financial Technology, and Artificial Intelligence Subcommittee, for 1 minute.

STATEMENT OF HON. STEPHEN F. LYNCH, RANKING MEMBER OF THE SUBCOMMITTEE ON DIGITAL ASSETS, FINANCIAL TECHNOLOGY, AND ARTIFICIAL INTELLIGENCE, A U.S. REPRESENTATIVE FROM MASSACHUSETTS

Mr. LYNCH. Thank you, Mr. Chairman. As this committee considers a potential regulatory framework for payment stablecoins, it is critical to prioritize financial stability, national security, and consumer protection. I have grave concerns about the Republican-proposed legislation that I hope we might be able to address. Naming the Republican bill the STABLE Act is like calling the Titanic the Titanic and telling the passengers it was unsinkable.

First, allowing Big Tech firms like Meta and Apple to effectively become stablecoin issuers and dominate the stablecoin market leaves consumers vulnerable to financial data exploitation and removes the separation of banking from financial commerce. Next, uninsured deposits have proven to be vulnerable to systemic runs. Legitimizing stablecoins without adequate safeguards risks our financial stability. Additionally, allowing issuers a State pathway without sufficient prudential oversight creates a race to the bottom, and very little in this bill prevents money laundering and illicit finance.

As every major economy races ahead of the United States in developing a central bank digital currency, discussions in the United States have been obscured by disinformation and political ideology. If my colleagues truly share the goal of maintaining dollar supremacy, they would encourage this type of innovation. Thank you, Mr. Chairman. I yield back.

Chairman HILL. The gentleman yields back. Today, we welcome the testimony of Ms. Caroline Butler, who is Global Head of Digital Assets at the Bank of New York Mellon; Mr. Charles Cascarilla, who is the CEO and co-founder of Paxos; Mr. Pat Collison, who is the Co-Founder and CEO of Stripe; Mr. Randall Guynn, who is the head of Financial Institutions Group at Davis Polk & Wardwell; and Ms. Carole House, who is a senior fellow at the Atlantic Council GeoEconomics Center and a senior visiting scholar at Georgetown University's CyberSMART Center. We are so delighted to have all of you here.

Each of you will be recognized for 5 minutes to give an oral presentation of your testimony, and without objection, your written comments will be made part of the record.

Ms. Butler, you are recognized for 5 minutes.

STATEMENT OF CAROLINE BUTLER, GLOBAL HEAD OF DIGITAL ASSETS, THE BANK OF NEW YORK MELLON CORPORATION

Ms. BUTLER. Good morning, Chairman Hill, Ranking Member Waters, and members of the committee. Thank you very much for the opportunity to testify here today on innovation in the financial system, including the use of stablecoins. My name is Caroline Butler, and I am the global head of Digital Assets in Bank of New York (BNY) since 2023, and prior to that, I ran our custody business. I have more than 20 years of experience working at global, systemically important banks, which guide me and BNY in applying regulated banking concepts to blockchain-based solutions. In doing so, we maintain the core tenets of asset safety and protection, regardless of the technology wrapper applied to the asset.

Founded by Alexander Hamilton in 1784, we are a global financial services company that helps make money work for the world by managing it, moving it, and keeping it safe. For over 240 years, we have continuously adapted to the needs of the U.S. economy and have a number of firsts. We provided the first loan to the U.S. Government after the Revolutionary War, we were one of the first companies on the New York Stock Exchange, and we were one of the first institutions to use an electronic system for clearing government securities. These actions, often taken for granted today, were financial innovations at the time and have played a significant role in helping the United States become the world's predominant economic engine. As the world's largest custodian with more than \$52 trillion of assets in custody, BNY helps companies and banks, big and small, access the money they need.

BNY plays a central role in supporting U.S. Treasury markets and process approximately \$2.4 trillion of payments per day across all payment rails. Our commitment to advancing the future of finance includes the integration of blockchain. This technology has the potential to make money move smarter and faster. Stablecoins

can use these benefits to serve as a complement to the existing payment services and rails we offer our clients today.

BNY supports stablecoin issuers by providing our traditional banking services, payments, deposit taking, and custody. For example, we serve as the primary custodian for the reserve assets of the largest stablecoin issuer in the United States today. Providing these traditional services to a new client type was a natural evolution for BNY. The stablecoin ecosystem will continue to develop as market participants explore use cases based on their business models and client needs. This ecosystem will benefit from Federal legislation that advances clarity and consistency no matter the type of stablecoin issuer or the governing regulatory regime.

BNY greatly appreciates the committee's bipartisan work, past and present, in developing a Federal framework toward those end goals. I appreciate the opportunity to testify here today, and I welcome any questions you may have.

[The prepared statement of Ms. Butler follows:]



**Statement of Caroline Butler
Global Head of Digital Assets
BNY**

**Before the
United States House Financial Services Committee**

**"Navigating the Digital Payments Ecosystem: Examining a Federal Framework
for Payment Stablecoins and Consequences of a U.S. Central Bank Digital
Currency"**

March 11, 2025

I. Introduction

Good morning, Chairman Hill, Ranking Member Waters and Members of the Committee. Thank you for the opportunity to testify on the importance of innovation in the financial system, including the use of stablecoins. My name is Caroline Butler, and I have served as the Global Head of Digital Assets at BNY since 2023.

BNY is a global financial services company that helps make money work for the world—managing it, moving it and keeping it safe. For more than 240 years BNY has partnered alongside clients, putting its expertise and platforms to work to help them achieve their ambitions. Today BNY helps over 90% of Fortune 100 companies and nearly all the top 100 banks globally to access the money they need.ⁱ As of December 31, 2024, BNY oversees \$52.1 trillion in assets under custody and/or administration and \$2.0 trillion in assets under management.ⁱⁱ

How money is managed and moved is transforming. Blockchain technology has the potential to serve as an additional payment rail, complementing the basket of existing payment options we offer our clients. This is because blockchain, specifically payment stablecoins, has the potential to unlock greater utility of assets, enhance resiliency, and drive operational efficiencies. Embracing blockchain technology in connecting the traditional and digital markets is consistent with BNY's long track record of supporting innovation in the global financial system. In 2021, we were one of the first banks to support the digital asset sector,ⁱⁱⁱ and we serve as the primary custodian for the reserve assets of the largest stablecoin issuer in the U.S.

Thoughtful regulation plays an important role in ensuring the potential of digital assets, including stablecoins, will be fully realized. We applaud the Committee for its bipartisan work—past and present—on stablecoin legislation. We welcome informed legislation



and associated regulatory frameworks designed to protect customers, promote resiliency, and allow banks to participate in the stablecoin ecosystem.

II. Our History

BNY is the nation's oldest bank, founded by Alexander Hamilton in 1784.^{iv} BNY established its credibility as a financial institution by being liquid, transparent, and highly resilient. These tenets, which have guided our development and growth as an institution, remain core to our business model today.

Over our more than 240-year history, we have developed solutions that led to a number of firsts in the United States economy: we provided the first loan to the U.S. government after the Revolutionary War; we were the first company listed on the New York Stock Exchange; and we provided essential financing to major infrastructure projects, from the Louisiana Purchase to the Erie Canal and the transnational railroads to the New York City Subway system. BNY was also one of the first financial institutions to use an electronic system for clearing government securities. Those actions—taken for granted today—were financial innovations at the time and have played a significant role in helping the U.S. become the world's predominant economic engine.

As to recent innovation in digital assets, BNY led the charge in providing services to the digital asset industry, including, in 2022, being the first global systemically important bank to offer custodial services to select U.S.-based institutional clients for their Bitcoin and Ether.^v Today we are focused on using the benefits of blockchain to develop other secure, innovative, and client-centric solutions, including:

- *Tokenization Services that Unlock Value:* Tokenization will result in greater speed, resiliency, and operational efficiencies.
- *Interoperability between Traditional & Digital Markets:* Connecting traditional and digital rails can offer scalable services that run 24/7 for our clients.
- *Innovation in Products and Operations:* Integrating blockchain technology can lead to new financial products and transform roles and operations in traditional finance.

BNY was one of the first banks to send an instant payment, and last month we sent the largest instant payment in U.S. history, \$10 million.^{vi} And BNY is at the forefront of the responsible adoption of artificial intelligence as we have, and continue to, incorporate artificial intelligence technology into our company.^{vii}

We are proud of the historic role that BNY has had in helping to grow the U.S. financial system into the leading power it is today.



III. Our Business Today

Today we are a global financial services company with more than 50,000 employees. We partner alongside our clients, putting our expertise to work to enable them to achieve their goals.

Our business strategy is led by client choice. We are where our clients want to be, and we have the scale and capacity to support their goals across the investments, communities, and countries they want to be in. Our global client base ranges across governments, pension funds, mutual funds, unions, endowments, corporations and financial services firms. We are proud of the trust our clients place in us, and of our role in helping them achieve their financial objectives, no matter their size, scale or complexity.

We have a different business model compared to a traditional retail, commercial or investment bank. Our core business is to provide custody and other financial services to governments and institutions—not consumer banking.

Through its three primary business segments, BNY is uniquely positioned to serve the end-to-end investment lifecycle, acting as a single, integrated platform for clients looking to create, administer, manage, transact, distribute or optimize investments.^{viii}

Our Securities Services segment is composed of our Asset Servicing, Corporate Trust and Depositary Receipts businesses. This segment includes our core custody services: the safekeeping, recordkeeping and servicing of assets on behalf of our clients and their clients.

Our Market and Wealth Services segment includes a number of industry-leading businesses. The first is Pershing, whose platform provides access to clearing, settlement and other services for broker dealers and registered investment advisors. The next is our Clearance and Collateral Management business, which plays a central role in supporting U.S. Treasury markets—on average we settle \$16.3 trillion in Treasury securities per day.^{ix} Our Treasury Services business includes our payments platform, which offers clients the ability to process payments across multiple instant payment rails. We process approximately \$2.4 trillion of payments per day across all payment rails.^x

Finally, our Investment and Wealth Management segment comprises our asset management business and a private bank that services individuals, families, family offices and non-profits. BNY has a multi-firm investment management business, which gives clients the choice to invest in an array of asset classes and strategies through a variety of vehicles depending on their needs.



IV. The Evolution of Custody

Regulated banks like BNY play a critical role in the functioning of financial markets, including providing “core custody services”: the safekeeping of client assets and record-keeping services, asset servicing, transaction processing and settlement, and banking services. We have been providing these safekeeping services for decades, evolving from holding physical assets in their vaults, to an electronic book-entry notation representing shares held through central securities depositories, to most recently custodianship of assets that are natively-issued on blockchains. While non-banks may seek to provide some of these core custody services, bank custodians are differentiated by a number of important factors. We have robust risk management, operating and resiliency controls built into our business model. These controls are subject to scrutiny and testing from a second line of defense which includes independent Compliance and Risk Management functions. In addition, we are subject to robust prudential regulation, ongoing supervision and examination, and a comprehensive enforcement regime.

Although technology has evolved to now include blockchains, as discussed more fully below, certain established principles underpin custody regardless of its technological wrapper, including segregation of client non-cash assets from BNY assets in a bankruptcy-remote manner, clear record keeping, security and technology standards, and strong risk management and regulatory guardrails.

V. How Stablecoins Fit into the Digital Assets Ecosystem

When we talk about the “digital assets” ecosystem, it is important at the outset to define what that term means—I am a believer that “words make worlds,” and this is a space where taxonomy is critical. For nearly two years, I have had the privilege of serving as the Co-Chair of the Digital Asset Markets Subcommittee (DAMS) to the CFTC’s Global Markets Advisory Committee. The DAMS developed a “Digital Assets Classification Approach and Taxonomy,” which is instructive for present purposes.^{xi}

Digital assets can be classified into multiple groups, including:

- *Digital Money*: Tokenized deposits (digital tokens that represent an existing record of a traditional ownership claim for a bank deposit on the token-issuing bank or depository institutions).
- *Money-Like Digital Assets*: Stablecoins, which are privately-issued tokens that aim to maintain a stable value relative to a peg specified by a reference asset(s) and designed to minimize value fluctuations relative to these reference assets(s).



Stablecoins must also be referenced to at least one or more assets specified under the specific regulatory framework, including for example, cash and securities (e.g., low risk, high-quality liquid assets such as US Treasury Bills).

- *Financial Digital Assets*: Securities or derivatives that exist in one of two forms: a digital twin (a token that represents an underlying security or other financial instrument issued on a different platform such as a traditional central securities depository or registrar) or a digital native.
- *Cryptoassets (also referred to as cryptocurrencies)*: A platform cryptoasset is a non-redeemable digital native token, with no rights conferred against the issuer (if one exists) that may be exchanged for a specified value and is hard-coded into any platform. Examples include Bitcoin and Ether.

This breakdown emphasizes that stablecoins—the focus of today's hearing—are one specific class of “digital assets.”

VI. Stablecoin Arrangements - Roles and Responsibilities

There are multiple roles to be played in stablecoin arrangements. Those roles include, but are not limited to:

First, the stablecoin issuer is the entity licensed or otherwise authorized to issue the stablecoin, the issuance of which generally represents an obligation of the issuer to repay the amount invested by the holder.

Second, the custodian of the reserve is the entity that holds the assets that reference the stablecoin. For example, \$1 billion of stablecoins in circulation must generally have at least \$1 billion in assets in the reserve fund. The custodian holds cash on deposit and custodies the non-cash assets (e.g., securities) in that reserve fund

Third, the stablecoin reserve manager is distinct from the reserve custodian. The reserve manager makes investment decisions with respect to the reserve assets, including maintaining a liquid source of assets that can be invested and redeemed almost instantaneously, with a liquidity buffer to further protect against run risk.



VII. BNY's Role in Stablecoin Arrangements

BNY provides traditional banking services to U.S. stablecoin issuer clients, including payments, deposit taking, and custody services. Providing these services was a natural evolution for BNY—our core business is to hold cash on deposit and custody securities such as US Treasuries for our traditional institutional clients, and this is the same service we are providing for stablecoin issuers. This presented an opportunity for BNY to support its clients at the intersection of the traditional and digital markets, and to advance the stablecoin market through our long history of providing custody services under a robust regulation and supervision framework.

Let me offer some additional details and considerations on our role as custodian of stablecoin reserves:

- Before engaging in any stablecoin-related activity, BNY performs its established client-onboarding processes and controls, including specialized due diligence; in addition, the provision of services is subject to thorough business and enterprise-wide compliance governance processes and approvals.
- BNY conducts this activity primarily out of its New York state-chartered bank, which is a member of the Federal Reserve System. As a result, this activity is conducted in accordance with the regulations, guidance, and supervisory expectations of the New York Department of Financial Services, its regulator at the state level, and the Federal Reserve, its regulator at the federal level. Similar activity conducted out of one of our other banking subsidiaries is regulated by the Federal Reserve, as well as any other appropriate regulator. Stablecoin issuers look to banks to serve as the custodian of their reserves due to this regulation and safety and soundness expectations.
- Securities and other non-cash assets that comprise a stablecoin reserve are the property of the beneficial owner (the stablecoin issuer in this case) and are recognized on the balance sheet of the stablecoin issuer. Those assets are not on BNY's balance sheet and instead recognized off-balance sheet in segregated accounts on BNY's books and records. Because client securities and other non-cash assets are not our property, we cannot—and do not—use them for proprietary purposes. Application of our traditional custodial practices in this context is an additional reason why stablecoin issuers look to banks to serve as the custodian of their reserves.



VIII. U.S. Regulatory and Legislative Stablecoins Frameworks

In the absence of a unified federal framework governing stablecoins, participants in stablecoin arrangements look to various state and federal laws, licensing, and chartering regimes. We commend this Committee for its work to develop a targeted federal framework that addresses threshold questions such as who can issue stablecoins, who can hold stablecoin reserves and the types of assets that comprise those reserves, and how to promote consumer protection through principles such as asset segregation, reserve attestation, and transparency.

Based on BNY's provision of services to stablecoin issuers, we offer the following high-level views on stablecoin legislation:

- **Role of Banks:** Bank participation in stablecoin arrangements imparts trust and resiliency in the overall financial system. We appreciate legislation that codifies the permissibility of banks to engage in stablecoin-related activity, including as an issuer of a stablecoin and/or as the custodian for the reserve. This clarity will help serve as a catalyst for banks to explore and evaluate opportunities in this space based on their business models, client needs, and use cases.
- **Level Playing Field:** As recognized in the legislation, both banks and non-banks can issue stablecoins—however, neither should have a competitive advantage over the other. As payment stablecoin issuers will engage in activities that are economically equivalent to payment and settlement activities of banks and will therefore present risks analogous to those that banks must manage (including with respect to capital, liquidity, risk management, and consumer protection), any legislation should impose consistent standards on payment stablecoin issuers no matter the nature of the issuer or the governing regulatory regime.
- **Align Custody Requirements with Market Practice:** Legislation should not impose barriers to typical bank custodial arrangements. As previously stated, bank custodians custody client securities and other non-cash assets off-balance sheet. Client cash is ordinarily treated as a deposit liability of the bank (in this case, to the payment stablecoin issuer) such that the cash is reflected on-balance sheet; holding cash in this manner is well-established and a long-standing principle for deposits. There should not be any changes to these practices in order for banks to continue to serve as the custodian for stablecoin reserve assets.



- **Authority of Banking Institutions:** It is critical for legislation to be technology-neutral in that it adheres to the principle of "same activity, same risk, same regulation." For example, tokenization of deposits (a form of "Digital Money" described above) does not change the fundamental nature of the claim and the acceptance of those deposits should be subject to this technology neutrality principle (and not require any new legislation). We appreciate provisions in the legislation confirming (1) that it is permissible for banks to issue digital assets that represent deposits, as well as using blockchain for books and records purposes and to affect intrabank transfers; and (2) scoping those activities out of stablecoin legislation.

We look forward to working with the Committee as it considers stablecoin legislation, as well as other digital assets legislation (such as market structure legislation) that sets clear permissibility standards for banks to engage in digital assets-related activities.

IX. The Future of Stablecoins and Cash-on-Chain Solutions

As we look to the future, we believe that payment stablecoins hold promise to offer faster, more efficient, and more inclusive payment options.

We also encourage the continued exploration more broadly of "digital money" and "money-like digital assets." A key underlying benefit of stablecoins is that they represent cash (the U.S. dollar) on-chain (meaning on a distributed ledger such as a blockchain). If one thinks about the speed of asset mobility, there is a demand for "always on" cash to facilitate transactions that occur on a blockchain, or even to serve as the on and off ramps of such transactions into fiat. Stablecoins are one way that role can be performed.

X. Conclusion

We are committed to responsible innovation in the digital assets ecosystem, including as it relates to stablecoins. Blockchain holds the potential to unlock greater utility of assets, enhance resiliency, and drive operational efficiencies. By embracing this technology, BNY is connecting traditional and digital markets, staying true to our long-standing commitment to innovation within the global financial system.



ⁱ BNY, *About BNY*, <https://www.bny.com/corporate/global/en/about-us/about-bny.html>.

ⁱⁱ Press Release, BNY, BNY Reports Fourth Quarter 2024 Financial Results (Jan. 15, 2025), <https://www.bny.com/assets/corporate/documents/pdf/investor-relations/earnings-press-release-january-2025.pdf>.

ⁱⁱⁱ Press Release, BNY Mellon Forms New Digital Assets Unit to Build Industry's First Multi-Asset Digital Asset Digital Platform (Feb. 11, 2021), <https://www.bny.com/corporate/global/en/about-us/newsroom/press-release/bny-mellon-forms-new-digital-assets-unit-to-build-industrypercent27s-first-multi-asset-digital-platform-130169.html>.

^{iv} Alexander Rose, *Making Money Work for the World: A Brief History of Bank of New York Mellon*, <https://www.bny.com/assets/corporate/documents/pdf/240-history-timeline.pdf>.

^v Press Release, BNY, BNY Mellon Launches New Digital Asset Custody Platform (Oct. 11, 2022), <https://www.bny.com/assets/corporate/documents/pdf/investor-relations/earnings-press-release-january-2025.pdf>.

^{vi} Press Release, BNY, BNY Sends Largest Instant Payment in U.S. History, \$10 Million, Following Transaction Limit Increase (Feb. 10, 2025), <https://www.bny.com/corporate/global/en/about-us/newsroom/press-release/bny-sends-largest-instant-payment-in-us-history.html>.

^{vii} Isabelle Bousquette, *BNY, America's Oldest Bank, Signs Multiyear Deal With OpenAI*, Wall St. J. (Feb. 26, 2025), <https://www.wsj.com/articles/bny-americas-oldest-bank-signs-multiyear-deal-with-openai-74987d1d>.

^{viii} BNY, *2024 Annual Report*, <https://www.bny.com/assets/corporate/documents/pdf/investor-relations/annual-report-2024.pdf>.

^{ix} *Id.*

^x *Id.*

^{xi} Commodity Futures Trading Comm'n Global Markets Advisory Council for Digital Asset Markets Subcommittee, *Digital Assets Classification Approach and Taxonomy* (Mar. 6, 2024), https://www.cftc.gov/media/10321/CFTC_GMAC_DAM_Classification_Approach_and_Taxonomy_for_Digital_Assets_030624/download.

Chairman HILL. Thank you very much for your testimony. Mr. Cascarilla, you are recognized for 5 minutes.

STATEMENT OF CHARLES CASCARILLA, CEO AND CO-FOUNDER, PAXOS

Mr. CASCARILLA. Chairman Hill, Ranking Member Waters, and members of the committee, thank you for the opportunity to testify today. My name is Charles Cascarilla, and I am the Co-Founder and CEO of Paxos. For 25 years, I have worked at financial services as an analyst, investor, and entrepreneur, getting a front row seat to the inefficiencies and systemic risks embedded in our legacy financial infrastructure. These experiences drove me to found Paxos in 2012 as a regulated financial institution using blockchain technology to re-platform the financial system. In 2015, Paxos received the first limited purpose trust charter from the New York State Department of Financial Services (DFS). We have worked closely with global regulators to advance the safe adoption of regulated stablecoins. Today, we provide stablecoin and tokenization infrastructure to some of the world's leading enterprises, including PayPal, MasterCard, Robinhood, and Stripe.

There are three points I hope you will take away from my testimony. First, stablecoins are a national imperative to modernize the U.S. financial system and preserve the dollar's dominance. Second, to achieve this, the United States must set global standards that enable broad financial adoption and interoperability. Third, we strongly support the STABLE Act, and with some enhancements, it will be truly enduring.

Since testifying in 2021, blockchain technology has evolved dramatically from the periphery to the mainstream. Today, the United States stands at a critical juncture. The question is no longer whether financial markets will evolve, they already have, but whether America will lead this transformation or be left behind. The stakes could not be higher. Our economic competitiveness, national security, and the dollar's role as the world's reserve currency hang in the balance. However, one constant remains unchanged. Everyone in the world wants U.S. dollars. When we export dollars, we export American values, free markets, the rule of law, and financial transparency. History teaches us that dominance is not eternal. For the dollar to remain the undisputed reserve currency, it must adapt to an always-on, internet-based, and AI-enabled global economy.

Stablecoins represent the next evolution of money management. The global economy today demands secure programmable payments that move instantly 24/7 at nearly zero cost. This is not science fiction. It exists today thanks to blockchain. Our financial system already accommodates various forms of dollars: central bank cash in your wallet, bank liabilities and electronic account, money market funds on exchanges, or balances held in PayPal. Each operates on different rails. A stablecoin is just the dollar that operates on a blockchain rail. This is a new and more efficient way to distribute dollars around the world to consumers.

The benefits of stablecoins are profound. While bank accounts have existed for hundreds of years, nearly 20 percent of Americans are underbanked, and 30 percent of the world is unbanked. Yet, in

15 years, nearly 85 percent of the global population have smartphones. At virtually no cost, anyone with only an internet connection and a smartphone can now use blockchain dollars, revolutionizing payments. I believe the private sector is the source of financial innovation, and I see no need for a U.S. CBDC at this time.

The most important innovations have been and will continue to be driven by the private sector. I want to thank Chair Hill and Representative Steil personally for developing the STABLE Act. It represents a historic opportunity to cement America's leadership in finance. We strongly support the clear distinction between stablecoin issuance and traditional banking. Issuers like Paxos do not take deposits and we do not make loans. We facilitate payments and transfers. Designating the Office of the Comptroller of the Currency (OCC) as the Federal regulator for non-bank issuers is the right choice. We also endorse the bill's reserve requirements that mandate one-to-one backing, prohibit re-hypothecation, enforce redemptions, and require audits. These standards mirror the high bar Paxos already meets.

We appreciate that the STABLE Act requires issuers to adhere to the same anti-money laundering (AML), Know Your Customer (KYC), and Bank Secrecy Act (BSA) standards as banks, no carveouts, no exceptions. As a globally regulated issuer with first-hand experience navigating markets, I urge the committee to consider two enhancements to make the STABLE Act enduring. First, we recommend strengthening international reciprocity by requiring the Treasury to designate compatible jurisdictions. This approach fosters a race to the top, encouraging international partners to align with U.S. standards. Second, State-regulated entities like Paxos must meet standards equivalent to those imposed by the OCC. If they do, these prudentially licensed issuers should be permitted to serve customers nationwide, providing a register report in customer States. Primary oversight should remain with their home State regulator, avoiding redundant regulatory burdens.

In closing, Congress has the opportunity to act decisively. If we fail to act, other nations will fill the void, dictating the future of money on their terms, not ours. Passing clear, balanced legislation now is not just an opportunity, it is an imperative. The STABLE Act with these refinements will secure the dollar's global reserve status and reinforce our economic leadership. Thank you for the time, and I look forward to your questions.

[The prepared statement of Mr. Cascarilla follows:]

**HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE
ON FINANCIAL SERVICES**

**"Navigating the Digital Payments Ecosystem: Examining a Federal Framework for Payment Stablecoins
and Consequences of a U.S. Central Bank Digital Currency"**

Testimony of Charles Cascarilla, Co-Founder and CEO of Paxos
March 11, 2025

Chairman Hill, Ranking Member Waters and distinguished members of the Committee, thank you for the opportunity to testify today. My name is Charles Cascarilla and I am the Co-Founder and CEO of Paxos. Over the past 25 years, I have worked in financial services as an analyst, investor and entrepreneur, gaining a front-row seat to the inefficiencies, vulnerabilities and systemic risks embedded in our legacy financial infrastructure. These experiences drove me to establish Paxos in 2012 as a regulated financial institution committed to replatforming the financial system using blockchain technology.

In 2015, Paxos became the first digital asset company to receive a limited-purpose trust charter from the New York State Department of Financial Services. Over the past seven years, we have worked closely with global regulators to advance the safe and widespread adoption of regulated stablecoins. Today, we provide stablecoin and tokenization infrastructure to some of the world's leading enterprises, including PayPal, Mastercard, Mercado Libre, Robinhood, Stripe and Interactive Brokers, among others.

I come before you today with three key points I hope you will take away from my testimony:

1. Stablecoins are a national imperative for the United States to modernize our financial system and preserve the dollar's global dominance.
2. To achieve this, the U.S. must set global standards that enable broad financial adoption and interoperability.
3. The STABLE Act is a commendable legislative achievement, but there are specific enhancements that can ensure its enduring success.

When I last testified before this Committee on December 8, 2021, blockchain technology was still viewed by many as a niche experiment. In the three years since, it has evolved dramatically, moving from the periphery to the mainstream and transforming the landscape of digital finance. Today, the United States stands at a critical juncture. The question is no longer whether financial markets will evolve—they already are—but whether America will lead this transformation or be left behind. The stakes could not be higher: our economic competitiveness, national security and the dollar's role as the world's reserve currency hang in the balance.

Maintaining the Dollar's Dominance and the Need for Evolution

One constant remains unchanged since my last appearance: everyone in the world wants the U.S. dollar. This is not merely an economic fact—when we export dollars, we export American values: free markets, rule of law and financial transparency. History teaches us that dominance is not eternal. The British pound, French Franc and Dutch Guilder once held the mantle of global reserve currency, only to lose it as economic and technological realities shifted.

For the U.S. dollar to avoid a similar fate, it must adapt to an always-on, internet-based, software-driven and AI-enabled global economy. We can either enable the dollar to remain the backbone of global finance or we risk being overtaken by foreign currencies, tokenized assets like Bitcoin or gold or even central bank digital currencies (CBDCs) that may not align with American values.

Stablecoins represent the next evolution of money movement. Consider the analogy of communication: just as the transition from physical mail to email revolutionized how we connect across borders, the global economy today demands secure, programmable money that moves instantly, 24/7, at near-zero cost. This is not science fiction, it exists today thanks to blockchain technology.

A stablecoin is, at its core, a dollar that operates on a blockchain—an open, decentralized ledger accessible via the internet. Our financial system already accommodates various forms of dollars: central bank issued physical cash in your wallet, bank liabilities in an electronic account, money market funds traded on exchanges or balances held in PayPal or Venmo. Each represents a dollar and operates on different rails with distinct characteristics. Stablecoins add a new dimension that offers a more efficient, inclusive way to distribute existing U.S. dollars to consumers here in America and across the entire world.

At Paxos, we issue stablecoins like PayPal's PYUSD under a regulated trust structure. Unlike some other issuers, we hold reserves in cash and cash equivalents in a bankruptcy-remote trust, ensuring a 1:1 backing without lending or rehypothecation. This method represents the safest commercially available dollar on any rail, blending the stability of traditional finance with the efficiency of blockchain rails.

The Transformative Power of Stablecoins

The benefits of stablecoins are profound, both domestically and globally. Within the United States, nearly 20% of Americans remain unbanked or underbanked, according to FDIC data—a figure that rises 50% among those without a high school diploma.¹ In developing countries, almost 40% of people lack adequate access to banking services.² Bank accounts have existed for hundreds of years, while smartphones have existed for only 15 years, yet more than 90% of Americans and nearly 70% of the global population have smartphones -- meaning more people have smartphones than bank accounts.³ A blockchain-based dollar can be transferred instantaneously, at virtually no cost, and held by anyone with simply an internet connection and smart phone.

The current system imposes a regressive tax on these populations through high fees: ATM charges, overdraft penalties and wire transfer costs that disproportionately burden working families. Stablecoins promise to eliminate or drastically reduce these costs by providing a low-friction alternative and improving access for all Americans.

¹

<https://www.fdic.gov/household-survey/#:~:text=In%20contrast%2C%2081.6%20percent%20of%20less%20common%20among%20underbanked%20households> <https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-banking-credit.htm>

² <https://blog.ete.education/the-worlds-top-5-unbanked-countries-have-more-than-60-of-their-population-without-bank-accounts/>

³ <https://www.pewresearch.org/internet/fact-sheet/mobile/> and

<https://www.statista.com/statistics/203734/global-smartphone-penetration-per-capita-since-2005/#:~:text=Smartphone%20penetration%20worldwide%20as%20share%20of%20global%20population%202016%2D2023&text=The%20global%20smartphone%20penetration%20rate,population%20of%20around%207.4%20billion>

Beyond our borders, U.S. dollar stablecoins are a strategic asset. They counter declining central bank demand for U.S. Treasuries and reinforce dollar dominance in an era where alternative reserve assets—gold, Bitcoin or foreign CBDCs—are gaining traction. In countries with unstable currencies, rampant inflation or untrusted banking systems, regulated stablecoins deliver access to U.S. dollars where traditional banking cannot. This increases demand for U.S. Treasuries and bolsters domestic liquidity, reduces borrowing costs and enhances economic security—a virtuous cycle that strengthens our financial system.

For American businesses, stablecoins offer practical advantages. Instant settlement eliminates the capital constraints and default risks inherent in multi-day transaction cycles, freeing up billions of dollars currently trapped in limbo. Small merchants, who often bear the brunt of high payment processing fees, benefit from reduced costs, which ultimately translate to lower prices for consumers. Stablecoins are not speculative instruments; rather they are a more efficient, inclusive way to distribute existing U.S. dollars to the world.

The Global Context and the Risk of Inaction

The urgency of this moment cannot be overstated. While the United States has hesitated, other jurisdictions have acted decisively. Japan,⁴ Singapore,⁵ the European Union (EU)⁶ and the United Arab Emirates (UAE)⁷ have established clear, productive regulatory frameworks for digital assets, attracting capital, talent and innovation. Paxos itself operates under licenses not only in New York but also in Singapore, the UAE and the EU, reflecting the global nature of our business. In the absence of U.S. leadership, these regions are poised to capture the economic benefits of digital finance, potentially at our expense.

Many of the largest financial firms already recognize the potential of stablecoins. In 2023, Paypal, the world's largest peer-to-peer payment platform, launched its own stablecoin, PYUSD, using Paxos infrastructure.⁸ In 2024, Stripe, one of the globe's top payment processors, started to enable stablecoin payments using Paxos infrastructure.⁹ And just last week, Bank of America expressed interest in launching its own stablecoin.¹⁰ Citi estimates that up to \$5 trillion in global assets could move into stablecoins and other digital money formats by 2030 -- a massive increase from the roughly \$200 billion in dollar-backed stablecoins currently in circulation.¹¹

I firmly believe that the private sector will continue to drive progress in financial technology solutions and I see no need for a U.S. CBDC. The most important financial innovations were driven by the private

⁴ <https://www.fsa.go.jp/inter/etc/20220914-2-02.pdf>

⁵ <https://www.msi-global.org/resource/singapore-finalises-its-new-regulatory-framework-for-stablecoin.html#:~:text=According%20to%20the%20MAS%20and,tokens%20%E2%80%9CDP%E2%80%9D>

⁶ <https://legalnodes.com/article/misa-regulation-explained>

⁷ <https://www.thenationalnews.com/future/technology/2024/07/19/what-you-need-to-know-about-the-uae-central-banks-new-regulation-on-stablecoins/>

⁸ <https://www.paypal.com/us/digital-wallet/manage-money/crypto/pyusd>

⁹ <https://www.paxos.com/newsroom/paxos-launches-new-stablecoin-payments-platform>

¹⁰ <https://coingsdk.com/stablecoins-are-killer-app-bca-considers-joining-the-party/>

¹¹ <https://www.citi.com/global/insights/citizens-money-tokens-and-names> and <https://coinmarketcap.com/view/fiat-stablecoin/>

sector. ATMs expanded access to deposits, debit and credit networks reduced reliance on physical cash and electronic payments eliminated settlement delays. The private sector, guided by clear and responsible rules set by the United States, will foster experimentation and deliver more effective and efficient financial products, while also promoting financial inclusion and accessibility. By encouraging continued private sector innovation, we allow for a more competitive, responsive and diverse digital payments ecosystem.

If we fail to act, the United States is in danger of becoming the rust belt of the financial industry. Capital, jobs and expertise will migrate offshore, beyond the reach of U.S. regulators and our banking system. Digital dollars will proliferate outside our purview, weakening our ability to shape global standards and threatening our economic competitiveness. Worse, alternative systems—whether foreign CBDCs or unregulated stablecoins could fill the void, dictating the future of digital money on terms that may not align with American interests. The STABLE Act offers a chance to reverse this trajectory, but it must be crafted with a global perspective to succeed.

The STABLE Act: A Strong Foundation with Room for Enhancement

I want to thank Chair Hill and Representative Steil personally for their work to develop the STABLE Act. The STABLE Act represents a historic opportunity to cement America's leadership in digital finance.

We strongly support its core framework, particularly its clear distinction between stablecoin issuance and traditional banking. Stablecoin issuers like Paxos do not take deposits or make loans; we facilitate payments and asset transfers. Designating the Office of the Comptroller of the Currency (OCC) as the federal regulator for non-bank issuers is the right choice, aligning oversight with the unique nature of our operations.

We appreciate that the STABLE Act requires stablecoin issuers to adhere to the same anti-money laundering (AML), Know Your Customer and Bank Secrecy Act standards as banks—no carve-outs, no exceptions. These are the gold standard for financial integrity, ensuring stablecoins combat illicit finance without compromising their utility. At the same time, the bill rightly avoids imposing undue compliance burdens on stablecoin issuers that go beyond those imposed on similarly situated financial institutions, which would limit the ability of issuers to operate effectively and undermine the innovation that drives the stablecoin market forward.

We also endorse the bill's robust reserve requirements: mandating 1:1 backing with cash and cash equivalents, prohibiting rehypothecation and enforcing transparent redemptions and audited disclosures. These standards mirror the high bar Paxos already meets as a globally regulated issuer with licenses in New York, Singapore, the EU and the Abu Dhabi Global Market, and ensures consumer protection and financial stability without stifling innovation. However, as a globally regulated issuer with firsthand experience navigating international markets, I urge the Committee to consider two key enhancements to make the STABLE Act truly enduring.

1. Cross-Jurisdictional Reciprocity

We recommend strengthening the current international reciprocity language by including clearly defined, accelerated timelines within which the Treasury Department must designate overseas jurisdictions as substantially similar and to update the list of vetted jurisdictions on a rolling basis. This timeframe would force swift action and prevent bureaucratic delays while guaranteeing thorough scrutiny of foreign regulatory regimes.

Without this mandated timeline, we fear that products like Paxos' Global Dollar (USDG) stablecoin, issued by a regulated affiliate in Singapore, will languish while departments and agencies make their determinations. Such delays would prevent stablecoins like USDG from being distributed and used in the United States and from operating seamlessly across borders, as intended.

Reciprocity is not about lowering standards—it's about raising them globally. By establishing a framework to recognize jurisdictions with comparable regulatory regimes—covering reserve requirements, AML measures and cybersecurity protocols—the United States can prevent regulatory arbitrage, where issuers exploit lax oversight abroad. This approach fosters a race to the top, encouraging international partners to align with U.S. standards. It also enhances interoperability, ensuring stablecoins facilitate seamless cross-border transactions—a core promise of blockchain technology.

2. Equivalence in State and Federal Oversight

The United States has a long tradition of dual banking, where state and federal regulators coexist and supervise financial institutions. This has fostered innovation and protecting this historical role is important. The STABLE Act should extend this principle to stablecoin issuers. Issuers should be able to make business decisions about whether to be primarily regulated at the state or federal level, as long as state regulators meet or exceed the federal standards.

State-regulated entities, like Paxos under its New York trust charter, must meet standards equivalent to those imposed by the OCC. If they do, these prudentially licensed issuers should be permitted to serve customers nationwide, provided they register in customer states and report on operations. Primary oversight should remain with their home-state regulator, avoiding redundant regulatory burdens.

Conclusion

Congress has the opportunity to act decisively. Passing clear, balanced legislation now is not just an option—it is an imperative. The STABLE Act, with these enhancements, will secure the dollar's global reserve status, reduce consumer costs, strengthen domestic financial innovation and reinforce our economic leadership. If we fail to act, other nations will fill the void -- dictating the future of digital money on their terms, not ours. I urge this Committee to seize this moment, refine the STABLE Act and ensure America remains the preeminent home for financial innovation.

Thank you for your time. I look forward to your questions.

Chairman HILL. Thank you, sir. Mr. Collison, you are recognized for 5 minutes.

**STATEMENT OF PATRICK COLLISON, CO-FOUNDER AND CEO,
STRIPE**

Mr. COLLISON. Chairman Hill, Ranking Member Waters, distinguished members of the committee, thank you very much for inviting me to testify about the future of our digital payments ecosystem. If you will forgive the sentimentality, being here is a big deal for me. I grew up in rural Ireland, a couple of miles away from Ms. Butler. I was fortunate enough to move to the United States for college. This country has extended immense opportunity to me, and I want to start out by simply saying how grateful I am. This is an amazing country. My dad is actually sitting here in attendance, so I am going to be on my best behavior.

My introduction to technology was taking my first communion money and buying a computer, but in our rural Irish community, getting a decent internet connection was very difficult. Both the promise of global connectivity, but also frustration with technology that did not quite live up to it were ingrained from an early age. I started Stripe with my brother in 2010 in that literal dorm room. At the time, we were merely trying to solve what we thought was a simple problem, making it easier for businesses to accept payments online, and this was an undertaking that we had found surprisingly difficult when starting a previous business.

Today, businesses running on Stripe move over \$1.4 trillion annually. We are proud to serve businesses from small family shops to Fortune 500 enterprises across the United States. We help power more than 10,000 companies in every congressional district represented here today. We build infrastructure, the out-of-sight mechanics of making payments and money movement easier. We support card payments, automated clearing house (ACH) wire transfers, and over 100 global payment methods. Our goal is to connect businesses both to established financial rails and also to emerging payments technologies. We see this work as part of a much larger journey. Throughout history, improvements in how money moves have expanded economic opportunity. From coins to bank notes, from gold to fiat currency, and from paper to digital payments, each transition has made commerce more efficient and more inclusive.

It is from this vantage point that we see the promise of stablecoins. This is why we recently acquired Bridge, the world's leading platform for developers and businesses building with stablecoins. Bridge enables businesses to move money quickly and more cheaply across borders, which in turn helps them compete more effectively in the global marketplace. The Bridge acquisition reflects our conviction that stablecoins represent a fundamental innovation in how money moves. Now, importantly, this belief is grounded specifically in what the businesses themselves tell us. This is not speculative. They say that stablecoins deliver real utility. Today, we see businesses finding better ways to manage corporate Treasury, to handle international transfers, and to access dollars overseas. That is to say that stablecoins are creating economic opportunity for American businesses at this moment.

Now, beyond the usability and the efficiency improvements for businesses, stablecoins also strengthen America's position in the global financial system. Despite regulatory uncertainty, approximately 99 percent of stablecoin balances today are U.S. dollar based. It is easy sitting here to underestimate how much demand exists globally for dollar-denominated assets, and this matters tremendously when approximately 1.3 billion people live in countries with average inflation rates exceeding 10 percent. As such, stablecoins are enhancing the dollar's status as the world's reserve currency and lowering American borrowing costs.

Stripe now supports millions of businesses of all sizes, and we are acutely conscious of the attendant responsibilities that come with that position. We believe that a trusted financial ecosystem requires clear and effective regulation, and thoughtfully constructed frameworks for stablecoins will bring certainty, stability, and safety for businesses and consumers. That is why I appreciate this committee's consideration around an appropriate Federal framework.

I respectfully suggest that any legislation be based on five essential principles: one, regulatory clarity; two, flexibility and support for innovation; three, neutrality and interoperability with existing systems; four, robust consumer protection with a heavy focus on transparency; and five, an outcome-based framework for ensuring system integrity and preventing illicit activity.

Overall, stablecoins benefit American consumers, American businesses, the American Government, and the global economy at large. Because of these benefits, stablecoins are seeing incredible adoption, with use more than doubling over the past year. I commend Congress' recognition of the fact that stablecoins are an innovation of unusual import. I am very grateful for the opportunity to share these perspectives. I look forward to your questions.

[The prepared statement of Mr. Collison follows:]



**Testimony of Patrick Collison
Founder and CEO,
Stripe**

**Before the
House Financial Services Committee
Hearing on**

**“Navigating the Digital Payments Ecosystem:
Examining a Federal Framework for Payment Stablecoins and
Consequences of a U.S. Central Bank Digital Currency”**

March 11, 2025

Chairman Hill, Ranking Member Waters, and distinguished Members of the Committee, thank you for the opportunity to testify today.

My name is Patrick Collison, and I am the cofounder and CEO of Stripe. Born in Ireland, I founded Stripe in the United States with my brother John in 2010 to make it easier for businesses to accept payments online. What began as a simple idea to solve payment friction for software developers has grown into a global financial infrastructure platform that powers millions of businesses worldwide.

Today, businesses running on Stripe process over \$1.4 trillion in total payment volume annually, equivalent to approximately 1.3% of global GDP. We serve customers ranging from the world's largest corporations to early-stage startups, with a particular focus on providing payment solutions that help businesses grow and adapt to changing technological landscapes.

Stripe now connects every corner of the financial ecosystem. We began by supporting card payments, which continue to be a large part of our business. Today, we also facilitate bank transfers, direct deposits, and wire transfers, and offer access to over 100 local payment methods that are essential in markets worldwide.

Stablecoins: the next evolution in payments

It is from this vantage point across the financial ecosystem that we see promise in stablecoins. Our deep experience with traditional payment systems gives us insight into friction points in global money movement and where new technologies can create meaningful improvements. Our interest in stablecoins is not about replacing existing payment infrastructure, but instead complementing it with innovations that solve real world problems American businesses face related to cost, speed, and accessibility of global payments.

In October 2024, we announced Stripe's acquisition of Bridge, the world's leading stablecoin platform, which provides infrastructure for developers and businesses that want to build with stablecoins. Bridge has helped accelerate the use of dollar-backed stablecoins as a complement to traditional payment rails. This acquisition was driven by our recognition that stablecoins represent the next significant innovation in the evolution of money and payments.

Throughout history, improvements in the basic usability of money have consistently made economies more prosperous. From coins to banknotes, from gold to fiat currency, and from paper tender to electronic exchange—each transition expanded economic opportunity. Stablecoins represent the next logical step in this evolution.

Stablecoins solve five specific problems for American businesses:

1. **Global by design:** As open-access and decentralized technology, stablecoins are immediately available worldwide without requiring complex bilateral agreements between financial institutions. This global architecture not only facilitates international trade but also assists legibility and transparency, potentially strengthening anti-money laundering efforts.
2. **Lower costs:** Stablecoin-based systems may end up much cheaper for many use-cases. If a US company wants to, for example, pay out a contractor in another country, it can often take several days for the money to arrive, and the transaction may incur separate fees because of necessary intermediaries. Stablecoins can reduce these costs by up to an order of magnitude.
3. **Greater speed:** Stablecoin transactions settle nearly instantly, 24/7/365, eliminating delays inherent in legacy systems. In today's digital age, it is unnecessary for international money movement to still be bound by formal banking hours. Stablecoin transactions significantly reduce settlement times across global corridors.

4. **Programmable money movement:** Smart contracts, and other forms of native programmability, can enable new business models and applications that would be difficult or costly to implement with traditional financial rails.
5. **Strengthening financial integrity:** Stablecoins can also strengthen financial integrity while promoting inclusion. Traditional financial crime systems are fragmented, creating both security gaps and unnecessary rejections. Stablecoins are built on transparent networks that can enable more precise risk management—better targeting actual illicit activity while reducing false positives that exclude legitimate participants who lack extensive financial histories, simultaneously strengthening security of the ecosystem and expanding financial access.

At Stripe, our history with and thinking about digital currencies has evolved. While we pioneered Bitcoin support in 2014 but paused it due to limited demand, we are now seeing meaningful business interest in stablecoins as the underlying technology has matured. To give a sense of the demand: when Stripe launched stablecoin pay-ins in April of 2024, we saw more volume in stablecoin payments over the first week than we saw with Bitcoin over a year and a half.

Real-world applications

What makes stablecoins particularly compelling is their focus on solving tangible, real-world problems rather than speculative use cases. Today, we are seeing how businesses and citizens are adopting stablecoins for:

- **Business growth:** Stablecoins expand payment options across both established and underserved global markets, allowing US businesses to reach more customers who were previously inaccessible through traditional payment methods. By integrating stablecoins, companies can serve more customers, creating more commerce that boosts economic output and growth.
- **Corporate treasury management:** Businesses use stablecoins to make cross-border money movement more programmable and efficient. This enables American companies to repatriate funds earned abroad more quickly and at a lower cost, returning money back into the US economy faster.
- **Global remittances:** Stablecoins enable faster, cheaper money transfers for international workers.
- **Financial stability:** Providing individuals in countries with direct access to U.S. dollars, regardless of their local currency condition, and protecting them from inflation or depreciation of their local fiat currency. This allows entrepreneurs and

consumers around the world to easily transact with U.S. businesses and services, strengthening America's economic reach and influence.

Top stablecoin uses today involve tangible, real-world financial operations across borders. Some specific examples served by Bridge today include:

- Powering fintechs that provide USD denominated stablecoin accounts to individuals in LATAM and Africa, enabling them to receive salary and contractor payments in USD.
- Supporting enterprise companies with globally distributed workforces, enabling them to pay their employees and contractors across the world—without those workers needing USD accounts or the enterprise needing to handle complex and costly FX exchange and local payouts.
- Enhancing access to US goods and services for international enterprise clients on large projects—like inventory, manufacturing, and agriculture—without requiring USD bank accounts. This approach reduces cross-border payment costs and boosts sales for American companies.

These are not theoretical applications. This is real economic activity happening today, creating tangible value for consumers and businesses worldwide.

Reinforcing Dollar Dominance

As Treasury Secretary Bessent noted last week, the broader adoption of stablecoins may substantially strengthen American monetary leadership. Despite regulatory uncertainty in the United States, early stablecoin adoption has shown a remarkable U.S. dollar weighting—an estimated 99% of stablecoin balances are USD-based.

This phenomenon can be compared to the “petrodollar” system established in the 1970s, which created substantial international demand for U.S. dollars and contributed to America's leading position in the global financial system. Stablecoins may well represent the next wave of durable, trade-agnostic demand for U.S. dollars, further strengthening the dollar's reserve status.

Framework for the future

Stripe is now a major player in the financial ecosystem, supporting millions of businesses of all sizes, and we understand that this comes with great responsibility. We are proud of

our deep partnerships with financial partners and regulators around the world, and of our work in together fighting crime and online fraud.

As this Committee considers a federal framework for payment stablecoins, I would respectfully encourage focusing on several key principles:

1. **Regulatory clarity:** Businesses need clear guidelines on how payment stablecoins are classified and regulated. Well-designed stablecoins functioning primarily as payment instruments should have a distinct regulatory treatment that provides certainty while fostering innovation. A balanced regulatory approach would ideally create conditions where diverse providers can participate in the ecosystem, encouraging healthy competition that ultimately benefits the broader economy.
2. **Innovation-forward:** Any stablecoin regulatory framework should focus on addressing core risks—including AML, safety and soundness, consumer protection and cybersecurity—in a manner that creates a level playing field. A well-crafted approach built on the inherent benefits of blockchain and stablecoin design (i.e., on-chain transaction monitoring and controls, reserve transparency, etc.) and which encourages outcome-based innovations would lay a strong foundation for the industry.
3. **Neutrality and interoperability:** Any framework should ensure payment system access by allowing stablecoin issuers and custodians to readily connect with existing payments infrastructure in a technology neutral manner. This integration facilitates interoperability between traditional financial systems and stablecoin networks, ensuring that benefits can be broadly realized across the economy.
4. **Consumer protection:** As noted above, stablecoin providers should maintain transparent disclosures about reserve assets, redemption rights, and custody arrangements. Strong safeguards for consumers are essential while maintaining the accessibility that makes stablecoins powerful tools for financial inclusion. One of the most promising aspects of stablecoins is that consumer deposits ought to be *safer* than they are at many other depository institutions, because of better duration matching in the assets on the issuer's balance sheet.
5. **Global leadership:** We see other countries (e.g. in Europe) already putting their legal frameworks into motion to regulate stablecoins. The U.S. should move quickly and seize the opportunity to lead on global standards for stablecoin and payments regulation, reinforcing dollar dominance and ensuring American companies remain at the forefront of financial innovation.

Conclusion

At Stripe, we believe that stablecoins represent a significant opportunity to enhance the efficiency of the global financial system, strengthen U.S. monetary leadership, and create new economic opportunities for American businesses and individuals.

The businesses on our platform are already benefiting from stablecoin adoption. And major financial institutions are integrating stablecoins into their operations, demonstrating the broad recognition of their potential. With thoughtful regulation that balances innovation with appropriate safeguards, the United States can lead the next evolution of the global financial system, just as it has done throughout much of modern history.

Thank you for the opportunity to share these perspectives. I welcome your questions.

Chairman HILL. Thank you, sir. Mr. Guynn, you are recognized for 5 minutes.

STATEMENT OF RANDALL GUYNN, CHAIRMAN, FINANCIAL INSTITUTIONS GROUP, DAVIS POLK & WARDWELL

Mr. GUYNN. Thank you, Chairman Hill, Ranking Member Waters, and the other distinguished members of this committee. It is very difficult to follow that great opening statement, but as he explained, stablecoins are a modern digital version of private money. If a payment stablecoin issuer has a properly calibrated reserve of high-quality liquid assets, a properly calibrated capital buffer, and no material amount of other liabilities, payment stablecoins should be as safe as insured deposits or even central bank money.

While a substantial portion of the U.S. money supply consists of public money in the form of coins, paper money, and demand deposit claims against the Federal Reserve Bank, the vast majority of the U.S. money supply consists of private money. This includes demand deposit claims against commercial banks, amounts standing to the credit of a person's account with non-bank payment companies like Venmo or PayPal, and stablecoins. A central bank digital currency, or CBDC, would be a new digital form of public money that would compete with private money, including stablecoins. The STABLE Act would create a regulatory framework for stablecoins modeled on the framework that applies to the dual banking system. That model has not changed fundamentally since the 1930s. It is well understood, and it has worked well. As a result, it makes sense to base the regulatory framework for payment stablecoins on the framework for the dual banking system.

Let me make four points about the STABLE Act. First, the 100 percent reserve requirement, together with a properly calibrated capital requirement and the activities restrictions in the STABLE Act, should make payment stablecoins issued by permitted payment stablecoin issuers as safe as insured deposits or central bank money. These features should reduce any run—risk against a payment stablecoin issuer to a negligible or even infinitesimal amount. Second, the current list of qualified reserve assets, however important it is, is too restrictive. The government should allow U.S. Government securities to have an original maturity of up to 1 year. The regulators can limit the interest rate risk in the overall portfolio by capping the average duration of the portfolio at 6 months or less, or some other figure.

Third, there is a tradeoff between the average duration of the reserve portfolio and the capital buffer. For example, if the average duration of the portfolio is 1 month, the capital buffer should be calibrated at a much lower level than if the average duration is 6 months or more. Fourth, the Federal Reserve should not be permitted to issue a CBDC unless two conditions are satisfied. First, it should be required to show that the alleged benefits of a CBDC could not be produced by private money in the form of payment stablecoins or demand deposit claims against commercial banks. Second, it should be required to show that the benefits of the CBDC clearly outweigh its considerable risks in terms of threats to financial privacy, core freedom, and financial stability.

Thank you, and I would be happy to answer any of your questions.

[The prepared statement of Mr. Guynn follows:]

33

STATEMENT OF
RANDALL D. GUYNN
BEFORE
THE HOUSE COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

MARCH 11, 2025

**NAVIGATING THE DIGITAL PAYMENTS ECOSYSTEM: EXAMINING A FEDERAL
FRAMEWORK FOR PAYMENT STABLECOINS AND CONSEQUENCES OF A
U.S. CENTRAL BANK DIGITAL CURRENCY**

RANDALL D. GUYNN BIOGRAPHY

My name is Randall D. Gynn and I am Chairman of the Financial Institutions Group at Davis Polk & Wardwell LLP, where I have worked since 1986. My practice has focused on advising banks of all sizes on their most critical financial regulatory issues and transactions. During my career, I have played key roles in designing or drafting some of the most important financial regulatory reforms, including Title II of the Dodd-Frank Act, the European Bank Resolution and Recovery Directive, the Hague Securities Convention, the Gramm-Leach-Bliley Act, the European Finality Directive, the 1994 revisions to Article 8 of the Uniform Commercial Code and the 1990 amendments to the Trust Indenture Act. I have also played a leading role in designing the single-point-of-entry (SPOE) recapitalization within resolution strategy, which is widely considered to be the best solution to the too-big-to-fail problem. In recent years, I have advised a large number of financial technology and cryptoasset companies. Among other things, I helped design the proposed Libra/Diem payment stablecoin, most of the features of which are reflected in the proposed STABLE Act. I recently posted a working paper on how the FDIC can avoid a repeat of the disastrously expensive failure of Silicon Valley Bank. I am currently working on a book on the history of private money from Mesopotamia to cryptocurrency and another on the Kirtland Safety Society Anti-Banking Company and other common-law banks in early modern England and on the America frontier. The views I express are my own, and not necessarily those of Davis Polk, any client or any other organization with which I am or have been affiliated.

Introduction

Stablecoins are a modern, digital version of private money. They can be transferred 24/7 on a real time gross basis anywhere around the world. As digitally native payment instruments, they are the most efficient way to pay for a wide variety of cryptoassets on a blockchain. They also have the potential to be an efficient way to transfer remittances across borders and to pay for other goods and services.

If a payment stablecoin issuer has a properly calibrated reserve of liquid assets, capital buffer and no material amount of other liabilities, payment stablecoins should be as safe as insured bank deposits and central bank money. They should also be as safe as the sort of demand deposit liabilities that would have been issued by the 100% reserve banks described in the Program for Monetary Reform developed by some of the most celebrated economists in the 1930s as an alternative to deposit insurance.¹ They should be safer than uninsured deposits held with many commercial banks engaged in maturity or liquidity transformation.² Together with other forms of cryptocurrency, stablecoins are the latest version in a long line of various types of private money.

Private money has historically been developed by private actors in response to market demand or predicted market demand for a highly fungible, divisible and durable thing that would facilitate the efficient exchange of a wide variety of goods and services. Voluntary exchange of goods and services increases individual and aggregate well-being by reallocating goods and services to individuals and companies that value them the most.

Private money overcomes the inefficiencies of exchanging goods and services by barter. The inefficiencies of barter are well known and include the lack of a coincidence of wants. For example, if farmer Jones has chickens and farmer Brown has cows, but farmer Jones does not want cows and farmer Brown does not want chickens, no voluntary exchange will take place even if they would both be better off by trading all or some of their animals for other goods or services. If some form of private money is available, however, farmer Brown and farmer Jones can sell some or all of their animals for that private money and use it to buy what they want. Those exchanges will increase their well-being and anyone else's who voluntarily participates in the network of voluntary exchanges on an informed basis.

Earlier forms of private money included shekels of barley, gold or silver bullion, private credit money in the form of book-entries on account books or even clay tablets, bills of exchange, privately minted coins or tokens, cowry shells, salt, tobacco receipts, promissory notes, gold- or silver-backed banknotes, and demand deposit claims against private-sector commercial banks. All of these things are highly fungible, divisible and durable and have been useful forms of private money at one point or another in history. While a substantial portion of the U.S. money supply currently consists of public money in the form of coins, paper dollars and demand deposit claims against the Federal Reserve Banks, the vast majority of the U.S. money supply consists of private money. This includes demand deposit claims against commercial banks, ownership interests in money market funds, short-term trade credit extended by commercial companies, amounts standing to the credit of a person's account with a non-bank payment company, stablecoins and various forms of cryptocurrency.

Once a particular form of private money has become widely accepted as a payment instrument for goods and services in a community or economy, public authorities have often reinforced its desirability among market participants by allowing taxpayers to use it to pay taxes, using it to buy armies and navies, and declaring it to be legal tender for public and private debts. Public authorities have also minted their own coins, issued gold- or silver-backed promissory notes, fiat currency or other forms of public money that have competed with private money. A central bank digital currency (CBDC) would be a new, digital form of public money that would compete with private money, including payment stablecoins.

People have been free during most of human history to innovate in the creation of private money without government interference, including any requirement to obtain government permission to do so.³ In modern times, governments have attempted to assert control over the production and circulation of private money with limited success. Among other methods, they have granted monopolies to certain entities, imposed excise taxes on certain forms of private money or prohibited companies from issuing certain forms of private money without a government license or charter to do so.

For example, the English Parliament incorporated the Bank of England in 1694. The Bank immediately started issuing promissory notes designed to circulate as paper money (banknotes) alongside banknotes previously circulated by various goldsmith banks starting in about 1650. Both the Bank of England and the goldsmith banks issued their banknotes pursuant to a natural or common-law right to do so, without any need to obtain any express government approval, license or charter. To protect the Bank of England against competition after 1708, however, Parliament prohibited any entity other than the Bank of England to issue promissory notes that circulated as paper money.⁴ But that prohibition was limited by its terms to the territory of England and for all practical purposes to the city of London. It also contained an exemption for virtually all of the goldsmith, private, country, joint stock and other common-law banks that existed or were formed over the next two centuries. Those common-law banks continued to issue banknotes alongside the Bank of England until the early 20th century.⁵

After the Civil War, the U.S. federal government attempted to drive state-chartered banks out of business by imposing a 10% excise tax on their banknotes, but not on the banknotes issued by national banks chartered under the new National Bank Act.⁶ The state-chartered banks survived despite this attack on one of their core functions by persuading their customers that payment orders in the form of checks were just as useful as banknotes to pay for goods and services. The excise tax on their banknotes was never extended to the checks used by customers to buy goods and services by ordering their banks to debit specified amounts from their deposit accounts and credit those amounts to the deposit accounts of their sellers.

Finally, Section 21 of the Glass-Steagall Act makes it a crime for anyone to willfully engage in the business of issuing demand deposit liabilities that can be transferred by checks without first obtaining a government license or charter to do so.⁷ Although ownership interests in money market funds (MMFs) are economically similar to bank deposits, the U.S. Department of Justice issued an opinion in 1979 that ownership interests in MMFs are not deposits for purposes of Section 21.⁸ Nonbank payment companies allow customers to maintain credit balances that can be used to pay for goods and services without issuing demand deposit liabilities that are prohibited by Section 21. Finally, nonbank payment stablecoin issuers allow customers to

purchase and use stablecoins to pay for goods and services including other cryptoassets without issuing demand deposit liabilities prohibited by Section 21.

The STABLE Act

Today we are faced with a new form of private money—payment stablecoins. Legislation like the STABLE Act seeks to bring payment stablecoins inside the regulatory perimeter just as earlier forms of private money have been brought inside that regulatory perimeter.

Licensing Requirements

The STABLE Act would require payment stablecoin issuers to obtain a state or federal license to issue payment stablecoins. It would prohibit anyone from issuing payment stablecoins for use by any person in the United States without first obtaining such a license.

Reserve Requirements

Section 4(a)(1) of the STABLE Act would require licensed or “permitted” payment stablecoin issuers to maintain a reserve of high quality liquid assets equal to at least 100% of their stablecoin liabilities. The assets that would qualify as high quality and liquid are listed in Section 4(a)(1). Together with a properly calibrated capital requirement and activities restrictions, this 100% reserve requirement should make payment stablecoins as safe as insured bank deposits or even central bank money, including any potential central bank digital currency, or “CBDC”. These features will reduce any run risk against a payment stablecoin issuer to a negligible or even infinitesimal amount.⁹

For example, suppose that a payment stablecoin issuer’s reserve consisted exclusively of U.S. Treasury securities with an original maturity of 93 days or less as required by the current version of the STABLE Act. Assume that the issuer laddered those Treasury securities consistent with sound risk management so that the portfolio had an average duration of one month. Such a portfolio would be virtually immune from interest-rate and credit risk, unlike the bond portfolio of, say, Silicon Valley Bank (SVB), which had an average duration of more than six years at the time of its failure. For every 1% increase in interest rates, the market value of SVB’s bond portfolio dropped by more than 6%.¹⁰ For every 1% decrease in interest rates, the market value of SVB’s portfolio would have risen by more than 6%.¹¹

In the case of a portfolio of U.S. Treasury securities with an average duration of only one month, every 1% change in interest rates would only change the market value of the portfolio up or down by 0.08%. Assuming the issuer had a capital buffer calibrated to reflect the negligible interest-rate and credit risk of its reserve as required by Section 4(a)(4) of the STABLE Act and was not permitted to incur any material liabilities other than its stablecoin liabilities, it should be able to liquidate its reserve immediately at a haircut to face value of only 0.08% and use the proceeds to immediately redeem all of its outstanding stablecoins. This is fundamentally different from the failure of SVB where the FDIC spent \$22 billion of the Deposit Insurance Fund to bail out uninsured depositors and then imposed special assessments of \$22 billion on the surviving banks (and ultimately their shareholders, management and customers depending on the elasticity of demand) to pay for it.¹²

Although the assets permitted to be included in the required reserve need to be limited to sufficiently safe and liquid assets, the current list of qualifying assets is too restrictive. The STABLE Act should permit all short-term U.S. government securities, meaning those with an original maturity of less than one year, to be included in the required reserve. At a minimum, the 93-day requirement should be extended to 26 weeks (6 months). In addition, the STABLE Act should be amended to give the Federal Reserve the limited discretionary authority to designate additional assets as permitted reserve assets if they are sufficiently safe and liquid. Those changes might increase the average duration of the portfolio of reserve assets from one month to a range between three and six months. That would mean that the market value of the reserve portfolio might vary by 0.25% to 0.5% instead of only 0.08% for every 1% change in general interest rates. But that modest amount of additional interest rate risk could easily be addressed by a modest increase in the capital buffer required by Section 4(a)(4) of the STABLE Act.

Capital Requirements

Section 4(a)(4) of the STABLE Act would require the relevant payment stablecoin regulators to impose capital requirements on permitted payment stablecoin issuers. Capital requirements should protect stablecoin holders against any loss arising from any interest-rate or credit risk that might exist in the reserve portfolio despite the safe and highly liquid nature of the assets that would qualify as permitted reserve assets. The STABLE Act provides that the Collins Amendment in Section 171 of the Dodd-Frank Act would not apply to payment stablecoin issuers or their parent holding companies on a consolidated basis. The Collins Amendment imposed minimum leverage capital requirements on insured depository institutions (IDIs) and their parent depository institution holding companies on a consolidated basis. The Collins Amendment might make sense in the context of IDIs engaged in maturity or liquidity transformation. But because the STABLE Act would prohibit permitted payment stablecoin issuers from engaging in maturity or liquidity transformation, a minimum leverage capital requirement would be inappropriate. A permitted payment stablecoin issuer should be subject only to risk-based capital requirements. Moreover, any risk-based capital requirement should be calibrated to reflect the risk profile of the permitted payment stablecoin issuer's reserve and other assets, which would be different and much less risky than the assets of a bank engaged in maturity or liquidity transformation.

Activities Restrictions

Section 4(a)(6) of the STABLE Act would prohibit a permitted payment stablecoin issuer from engaging in any activities other than those specified in that subsection. Among other things, these activities restrictions would prohibit a permitted payment stablecoin issuer from engaging in maturity or liquidity transformation or incurring a material amount of liabilities other than its payment stablecoin liabilities. These restrictions will reinforce the protections against losses provided by the reserve requirements and capital requirements.

Regulatory Framework Modeled on Regulation of the Dual-Banking System

The proposed regulatory framework for payment stablecoins appears to have been modeled on the framework for regulating, examining and supervising the dual banking system. This framework has existed in one form or another since the enactment of the National Bank Act

in 1863. As a result of its long existence, the framework for regulating, examining and supervising banks under the dual-banking system is well understood. The STABLE Act seems to reflect the time-honored principles that if it ain't broke, don't try to fix it and don't reinvent the wheel.

Dual-Banking System

Federal depository institutions. Under the dual banking system, national banks and federal thrifts are regulated, examined and supervised under the National Bank Act and the Home Owners Loan Act, respectively, as administered by the Office of the Comptroller of the Currency (OCC). Federal credit unions are regulated, examined and supervised under the Federal Credit Union Act by the National Credit Union Authority (NCUA). National banks are required to become members of the Federal Reserve System and are therefore subject to the Federal Reserve Act, as administered by the Federal Reserve. Federal thrifts are permitted but not required to become members of the Federal Reserve System. Deposit insurance from the FDIC is optional for both, but most of them apply for such deposit insurance.

State depository institutions. State-chartered depository institutions are regulated, examined and supervised under the banking laws of their states, as administered by their relevant state banking supervisors. If their deposits are insured, they are subject to certain additional federal standards, including a provision that prohibits them from engaging in any activity as principal that a national bank is not permitted to engage in. If state IDIs elect to become members of the Federal Reserve System, they are also subject to the additional regulation, examination and supervision of the Federal Reserve. If they do not elect to become members of the Federal Reserve System, they are subject to the additional regulation, examination and supervisory of the FDIC. Uninsured state-chartered depository institutions and nonbank financial companies are not subject to any federal banking rules or oversight unless they are affiliated with an IDI, but are typically subject to state regulation such as state money transmission or licensed lender laws.

Bank Holding Company Act (BHC Act). If an IDI has a top-tier parent holding company, that top-tier parent would be treated as a bank holding company (BHC) for purposes of the BHC Act. The BHC Act imposes activity and investment restrictions on the BHC and its direct and indirect nonbank subsidiaries. It also imposes certain reporting and other requirements on the BHC and its direct or indirect nonbank subsidiaries, including being subject to the regulation, examination and supervision of the Federal Reserve.

The BHC Act generally prohibits a BHC and its direct or indirect non-bank subsidiaries from engaging in any activity that is not so closely related to banking as to be a proper incident thereto. If a BHC qualifies as a financial holding company (FHC), it is permitted to engage in a broader range of activities — namely, any activity that is financial in nature, incidental to a financial activity or complementary to a financial activity. The OCC has determined that acting as a custodian for digital assets, including stablecoins, is a permissible activity for national banks.¹³ As a result, that activity would be permissible for a BHC. But the Federal Reserve has not yet determined whether acting as a principal or agent with respect to cryptoassets is financial in nature, incidental to a financial activity or complementary to a financial activity for purposes of the BHC Act.

State-Federal Regime for Permitted Payment Stablecoin Issuers

Similarities. The proposed regulatory framework for payment stablecoins has several features in common with the state-federal framework for the dual banking system. Under the STABLE Act, payment stablecoin issuers that are national trust banks or subsidiaries of insured national banks or federal thrifts are subject to regulation, examination and supervision under Section 4(a) of the STABLE Act by the OCC. Those that are subsidiaries of federal credit unions are subject to regulation, examination and supervision under Section 4(a) by the NCUA.

Payment stablecoin issuers that are subsidiaries of state-chartered IDIs are subject to regulation, examination and supervision under Section 4(a) or 4(b) by their state payment stablecoin regulators, which are generally the same as the state's banking agency. Any state-level regime under Section 4(b) must meet the federal standards and requirements in Section 4(a). If a payment stablecoin issuer is the subsidiary of a state member IDI, the subsidiary will be subject to the additional regulation, examination and supervision by the Federal Reserve. If it is the subsidiary of a state nonmember IDI, it will be subject to additional oversight by the FDIC. Payment stablecoin issuers that are uninsured state-chartered depository institutions, state trust companies or their subsidiaries are subject to state but not any additional federal oversight unless they are affiliated with an IDI just like their counterparts in the dual-banking system.

Differences. The proposed regulatory scheme for payment stablecoins has two features that are different from the dual banking system. The first is that payment stablecoin issuers that are not IDIs or subsidiaries of IDIs are subject to regulation, examination and supervision under Section 4(a) or 4(b) by the OCC or their state payment stablecoin regulators, depending on whether they apply to the OCC to be a Federal qualified nonbank payment stablecoin issuer or to their state payment stablecoin issuer to be a State qualified nonbank payment stablecoin issuer.

The second is that the ultimate parent of a permitted payment stablecoin issuer would not be subject to the BHC Act or provisions substantially similar to those in the BHC Act. The STABLE Act reflects the view that permitted payment stablecoin issuers are fundamentally different from and less risky than IDIs engaged in maturity or liquidity transformation.

The principal purpose of the BHC Act was originally to prevent banking groups from avoiding federal laws against interstate branching by a single bank. Before enactment of the BHC Act, banking groups could engage in banking across state lines without violating the law against interstate branching by establishing BHCs that would establish or acquire bank subsidiaries in multiple states instead of establishing branches from a single bank across state lines. The BHC Act sought to discourage those structures by imposing activities restrictions on any BHC that had two or more bank subsidiaries. It generally prohibited BHCs that had more than one bank subsidiary from engaging in any activities that are not so closely related to banking as to be a proper incident thereto. In 1970, Congress amended the BHC Act to extend the activities restrictions to BHCs that had only one bank subsidiary. In 1994, Congress enacted the Riegle-Neal Interstate Banking and Branching Efficiency Act, which repealed the long-standing federal prohibition on nationwide branching. In 1999, the Gramm-Leach-Bliley Act permitted BHCs that qualified as FHCs to engage in any activity that is financial in nature, incidental to a financial activity or complementary to a financial activity.

The STABLE Act would not amend the term “bank” in the BHC Act to include a permitted payment stablecoin issuer.¹⁴ Nor would it impose activities or investment restrictions substantially similar to those in the BHC Act on the parent companies of payment stablecoin issuers unless they were otherwise BHCs for purposes of the BHC Act. It would not prohibit large technology companies that are not predominantly engaged in activities that are financial in nature, incidental to a financial activity or complementary to a financial activity to directly or indirectly acquire or maintain a controlling interest in a permitted payment stablecoin issuer. Nor would it do so assuming that acting as an issuer, principal or agent with respect to stablecoins or other cryptoassets would be considered financial in nature, incidental to a financial activity or complementary to a financial activity for purposes of any such prohibition.

As noted above, the STABLE Act reflects the view that permitted payment stablecoin issuers are fundamentally different from and less risky than IDIs engaged in maturity or liquidity transformation. Thus, imposing the activities or investment restrictions of the BHC Act or substantially similar restrictions on their affiliates is not justified. Unlike the deposit liabilities of IDIs, the stablecoin liabilities of permitted payment stablecoin issuers are required to be 100% backed by high quality liquid assets and are not FDIC insured. Permitted payment stablecoin issuers are also prohibited from engaging in maturity or liquidity transformation and from having any material liabilities other than their stablecoin liabilities. Finally, permitted payment stablecoin issuers do not have access to the Federal Reserve’s discount window or benefit from any other aspect of the federal safety net.

In contrast to the STABLE Act, the discussion draft released by Ranking Member Maxine Waters in December 2024 would require the Federal Reserve to issue regulations:

- prohibiting a “non-financial commercial company” to acquire control of a “registered payment stablecoin issuer or licensed nonbank entity”; and
- requiring that “the activities of all affiliates of the registered payment stablecoin issuer or licensed nonbank entity be financial activities or incidental to such financial activities.”¹⁵

The discussion draft does not define the term “non-financial commercial company”. The draft does not specify or require the Federal Reserve to determine that acting as an agent or principal with respect to cryptoassets is or would be a financial activity or incidental to a financial activity. As noted above, the Federal Reserve has not yet determined that such activities are financial in nature, incidental to a financial activity or complementary to a financial activity for purposes of the BHC Act.

Customer Protection

Section 8 of the STABLE Act would seek to protect customers that hold stablecoins through a custodian by requiring the custodian to treat the stablecoins and any related private keys, cash and other property as the customers’ property, and not the property of the custodian, and to segregate them from any stablecoins and other property owned by the custodian. The Act would also provide that the claims of the customer with respect to any stablecoins or other property held in custody for it by the custodian would have priority over the claims of the issuer

or any creditor of the issuer. That provision should be amended to replace the term “issuer” with the “person described in subsection (a)” — namely, the custodian. If amended in this manner, these customer ownership and priority rules would result in the same outcome as the customer property and priority rules in Section 8-503 and 8-511 of the Uniform Commercial Code. If a customer consents to having all or a portion of its stablecoins or other property pledged to secure an obligation of the custodian or a third party, the secured creditor would step into the shoes of the customer with respect to any claims for stablecoins and or any other property held in custody by the custodian.

CBDC

Various central banks, including the Federal Reserve, have studied whether to issue public money in the form of a CBDC. Some of them other than the Federal Reserve have started issuing foreign-currency denominated CBDCs. Proposals to establish a U.S. CBDC have been highly controversial mainly because of the adverse impact that a retail or wholesale CBDC could have on the financial privacy and freedom of ordinary Americans. Just last year, the House passed H.R. 5403, the CBDC Anti-Surveillance State Act. Representative Patrick McHenry, then the Chairman of the House Financial Services Committee, introduced that bill with the following statement:

“This bill is straightforward. It halts unelected bureaucrats from issuing a central bank digital currency, or CBDC, that would be detrimental to Americans’ right to financial privacy. We’ve already seen examples of governments weaponizing their financial system against their own citizens. For example, the Chinese Communist Party uses a CBDC to track spending habits of its citizens. This data is being used to create a social credit system that rewards or punishes people based on their behavior. That type of financial surveillance has no place in the United States.”¹⁶

This concern echos concerns expressed by various Federal Reserve Board governors or former governors. For example, Governor Chris Waller has long taken the position that the Federal Reserve should not create a CBDC that competes with stablecoins and other existing forms of private money unless there is a clear problem for the CBDC to solve.¹⁷ In a speech late last year, he elaborated:

“In a speech I gave in August 2021, I asked, what problem would a CBDC solve? In other words, what market failure or inefficiency demands this specific intervention? In more than three years, I have yet to hear a satisfactory answer as applied to CBDC.”¹⁸

Former Federal Reserve Vice Chairman for Supervision, Randal Quarles, compared CBDC to wearing parachute pants — a fad in the 1980s that disappeared almost as quickly as it burst into popular culture.¹⁹ He too asked what problem a CBDC was supposed to solve and whether its alleged benefits were greater than its clear risks to financial privacy and freedom. He concluded that private money in the form of stablecoins would produce virtually all of the benefits that a CBDC would allegedly produce without any of the risks. Federal Reserve Chairman Jerome Powell recently told Senator Bernie Moreno that the Federal Reserve would not create a CBDC so long as he is the Federal Reserve Chairman.²⁰

Other prominent critics of a U.S. dollar CBDC include Norbert Michel of the Cato Institute²¹ and Dante Disparte of Circle, a prominent stablecoin issuer.²² Michel has argued that various existing and emerging forms of private money, including bank deposits and stablecoins, provide virtually all of the alleged benefits of a CBDC without any of its significant risks. Norbert has argued that the serious risks of CBDCs include:

- *Financial Privacy Risks.* “A CBDC could spell doom for what little financial privacy protections Americans still have because it would give the federal government complete visibility into every financial transaction.”²³
- *Risks to Core Freedom.* “With so much data in hand and consumers so closely connected to the central bank, a CBDC would provide countless opportunities for the government to control citizens’ financial transactions and, therefore, their lives. For instance, such control could be preemptive (prohibiting and limiting purchases), behavioral (spurring and curbing purchases), or punitive (freezing and seizing funds). The programming capabilities of a CBDC could mean that people would be prohibited from buying certain goods or limited in how much they might purchase.”²⁴

The Federal Reserve issued a report in January 2022 on the benefits and risks of a CBDC.²⁵ The report concluded that if the Fed were ever to establish a CBDC, it should be structured to be “privacy-protected, intermediated, widely transferable, and identify-verified.”²⁶ The report identified several risks with CBDCs, including the privacy risk noted by Michel and the following financial stability risk, at least with retail CBDCs:

“Because central bank money is the safest form of money, a widely accessible CBDC would be particularly attractive to risk-averse users, especially during times of stress in the financial system. The ability to quickly convert other forms of money—including deposits at commercial banks—into CBDC could make runs on financial firms more likely or more severe. Traditional measures such as prudential supervision, government deposit insurance, and access to central bank liquidity may be insufficient to stave off large outflows of commercial bank deposits into CBDC in the event of financial panic.”²⁷

President Biden issued Executive Order 14067 in February 2022 directing the U.S. Treasury to conduct another study, describing the creation of a CBDC to be a matter of the “highest urgency” for the Biden Administration.²⁸ In September 2022, the U.S. Treasury published its report.²⁹ Its first recommendation was for the government to “[a]dvance work on a possible U.S. CBDC, in case one is determined to be in the national interest.”³⁰ One of President Trump’s first Executive Orders in 2025 reversed this policy on CBDCs. It repealed Executive Order 14067 and directed the U.S. government to take “measures to protect Americans from the risks of [CBDCs], which threaten the stability of the financial system, individual privacy, and the sovereignty of the United States, including by prohibiting the establishment, issuance, circulation, and use of a CBDC within the United States.”³¹

Prominent advocates for a U.S. CBDC have included Senator Elizabeth Warren,³² former Senator Sherrod Brown,³³ Harvard economics professor Kenneth Rogoff,³⁴ U.C. Hastings, Columbia and Vanderbilt law professors John Crawford, Lev Menand and Morgan Ricks,³⁵ and

Cornell law professor Saule Omarova.³⁶ Former Federal Reserve Governor Lael Brainard³⁷ and former Under Secretary of the Treasury Nellie Liang have argued that CBDCs may have benefits that outweigh their risks.³⁸ *Financial Times* journalist Martin Wolf has gone so far as to argue that all forms of private money should be banned.³⁹ Former Senator Brown and the law professors have all argued that a CBDC would foster financial inclusion by giving every U.S. citizen direct access to CBDC tokens, eliminating the role of commercial banks in creating private money and relegating them to the role of acting as mere distributors of the Fed's CBDC tokens.⁴⁰ Professor Rogoff has argued that a CBDC would enhance the Federal Reserve's monetary policy tools by giving it an effective tool to enforce negative interest rates,⁴¹ the modern equivalent of monetary debasement.⁴²

Conclusion

Payment stablecoins are a modern, digital version of private money. If a permitted stablecoin issuer has a properly calibrated reserve of liquid assets, capital buffer and no material amount of liabilities other than its stablecoin liabilities, as contemplated by the STABLE Act, its payment stablecoins should be as safe as insured bank deposits and central bank money. A CBDC would be a new form of public money that would compete with payment stablecoins and other forms of private money, such as demand deposit claims against commercial banks. The proponents of a U.S. CBDC have not demonstrated that the alleged benefits of a CBDC are greater than its costs and risks in terms of threats to financial privacy, financial freedom, financial stability, cybersecurity losses and other risks. Given the seriousness of these risks, the legal standard should be that the alleged benefits clearly outweigh the costs and risk. Nor have the proponents demonstrated that payment stablecoins issued by private actors would not produce most if not all of the alleged benefits of a CBDC without any of its risks. Finally, they have not demonstrated that the alleged risks of payment stablecoins would not be adequately addressed by a properly calibrated reserve, capital requirements, limits on non-stablecoin liabilities and the other provisions of a sound federal regulatory framework like the one that would be established by the STABLE Act.

Notes

¹ Paul H. Douglas, Earl J. Hamilton, Irving Fisher, Willford I. King, Frank D. Graham & Charles R. Whittlesey, *A Program for Monetary Reform* (July 1939), transcript of original plan at https://web.archive.org/web/20121103110209/http://home.comcast.net/~zthustra/pdf/a_program_for_monetary_refo_rm.pdf. According to the authors of this program, otherwise known as the Chicago Plan, money issued by 100% reserve banks would have been as safe or safer than banks whose deposits were insured by the Federal Deposit Insurance Corporation, without creating the sort of moral hazard created by deposit insurance. The authors also argued that 100% reserve banking would not have any impact on monetary policy because every dollar of money issued by such a bank would be backed by a dollar of public monetary assets that would have been taken out of circulation.

² Virtually all commercial banks today maintain only a fractional reserve of high quality liquid assets (HQLAs) to back their demand deposit liabilities. The largest banks are also required to maintain a reserve of HQLAs equal to 100% of a presumed outflow of cash under severely adverse economic conditions as defined by regulation. The rest of their assets consist of longer-term and other illiquid loans, investments and other assets, which is why they are described as engaging in maturity or liquidity transformation: they transform longer-term and less liquid assets into demand deposit claims and other short-term or more liquid liabilities, and vice versa.

³ For example, private credit money in the form of book entries on account books, promissory notes or trade tokens was the most common form of money for retail transactions in early England and America. It was issued by private actors pursuant to a natural or common-law right to do so, without the need for a government license or charter. The smallest gold or silver coins minted by the government had face amounts and market values that were several times higher than the price of a loaf of bread, a gallon of milk, a dozen eggs or a mug of beer. Private credit money satisfied the demand for something that could be used to pay for these basic commodities that the public money did not satisfy. See, e.g., Christine Desan, *Making Money: Coin, Currency and the Coming of Capitalism*, ch. 5 (Oxford Univ. Press 2014); Richard L. Bushman, *The American Farmer in the Eighteenth Century*, pp. 5-6 (Yale Univ. Press 2018); Bruce H. Mann, *Neighbors and Strangers: Law and Community in Connecticut, 1690-1760*, pp. 13-14 (Harvard Univ. Press 1987); William T. Baxter, *The House of Hancock: Business in Boston, 1724-1775*, pp. 39-40, 184-195, 204-208 (Harvard Univ. Press 1945). When goldsmith, private and country banks issued promissory notes designed to circulate as paper money in Great Britain starting around 1650, they also did so pursuant to the natural or common-law right to issue promissory notes without the need for a government license or charter. Even the Bank of England issued its banknotes for nearly two centuries pursuant to the natural or common-law right to do so. It did not receive an express license or charter from Parliament to issue banknotes until 1844 or later. These traditional actions reflect the general principle in the Western legal tradition that people have the freedom to engage in any activity they want unless the activity has been expressly prohibited by the government. See Thomas Hobbes, *Leviathan*, Book 2, Chapter 21 (1651), in Machiavelli, Hobbes, Great Books of the Western World, Vol. 23, p. 116 (U. Chi. Press & Encyclopedia Britannica 1952). See also Isaiah Berlin, *Liberty* (Oxford University Press 1969); Eugene Schlossberger, *Entitlements, Liberties, Permissions, and the Presumption of Permissibility*, 34 J. Social Philosophy 537-544 (2003); *Positive and Negative Liberty*, Stanford Encyclopedia of Philosophy, <https://plato.stanford.edu/entries/liberty-positive-negative/> (visited January 11, 2025).

⁴ Bank of England Act, 7 Ann. c. 30, § LXI (1708).

⁵ The monopoly included an exception for all banking partnerships with six or fewer partners. *Id.* That exception described virtually all of the English goldsmith, private and country banks that existed or were formed between 1650 and 1826. Those common-law banks issued paper money alongside the Bank of England and were responsible for virtually all of the paper money that circulated outside of London until 1826. In that year, the exception was expanded to include all common-law joint stock banks regardless of the number of their stockholders. Country Bankers Act of 1826, 7 Geo. 4 c. 46. At the same time, the Bank of England was authorized to open branches outside of London. *Id.* In 1844, the Bank of England's monopoly started a long march to becoming absolute throughout England, which was finally achieved in 1903. Bank of England, § 2: Bank Notes, pp. 25-37, *The Statutory Rules and Orders Revised, Being the Statutory Rules and Orders (Other than Those of a Local, Personal, or Temporary Character) in Force on December 31, 1903*, vol. I. The Bank of New York similarly commenced operations and started issuing paper money as a common-law bank in 1784 before it obtained a charter from the New York legislature in 1791. Henry Williams Domett, *A History of the Bank of New York, 1784-1884*, pp. 18-19, 31, 34-35 (G.P. Putnam's Sons 1884). Many if not most U.S. banks in the late 18th and early 19th centuries commenced operations as common-law banks before receiving bank charters from their respective state legislatures. See, e.g., An Act to Incorporate Certain Banks There Named, and to Extend the Charters of Existing Incorporated Banks, Acts of the First Session of Fourteenth General Assembly of the State of Ohio, vol. 14, pp. 913-924 (Chillicothe, OH: Nushee & Denny, February 23, 1816) (incorporating the following joint stock company banks that had previously commenced operations as common-law banks: Lebanon Miami Banking Company, Bank of Cincinnati, Urbana Banking Company, Columbiana Bank of New Lisbon, Farmers, Mechanics and Manufacturers' Bank of Chillicothe and the German Bank of Wooster). Even the Bank of England initially issued its banknotes pursuant to the common-law right to do so. It did not receive an express license or charter from Parliament to issue banknotes until at least 1844. Bank Charter Act of 1844, 7&8 Vict. c. 32. Professor Lawrence White has referred to unchartered British banks as free banks, especially those in Scotland. Lawrence H. White, *Free Banking in Britain: Theory, Experience and Debate, 1800-1845*, ch. 2 (Cambridge Univ. Press 1984). I prefer the term common-law banks to avoid confusing Scottish, English or Irish *unchartered* banks with U.S. *chartered* banks that were chartered under the so-called free-banking laws in the United States. At a minimum, I would call British unchartered banks classical free banks to distinguish them from U.S. chartered banks that were chartered under the U.S. free-banking laws.

⁶ Omnibus Excise Tax Act, § 9, 14 Stat. 98, 146 (1866).

⁷ 12 U.S.C. 378(a).

⁸ Letter dated October 19, 1979 from Philip B. Heymann, Assistant Attorney General, Criminal Division, to Martin Lybecker, Associate Director, Division of Marketing Management, Securities and Exchange Commission.

⁹ Critics of stablecoins have exaggerated the risk of a run on payment stablecoin issuers by ignoring how a properly calibrated reserve of liquid assets, capital requirements and activities restrictions would reduce any run risk to a negligible or even infinitesimal level. See, e.g., Report on Stablecoins, President's Working Group on Financial Markets, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (November 2021) (emphasizing run risk as a major risk to payment stablecoin issuers as if they had the same risk profile as uninsured banks engaged in maturity or liquidity transformation and without adequately considering the offsetting effects of a 100% reserve of high quality liquid assets, a properly calibrated capital buffer to address any residual interest-rate or credit risk in the portfolio of reserve assets or provisions that prohibit the payment stablecoin issuer from incurring any material amount of liabilities other than stablecoin liabilities), available at https://home.treasury.gov/system/files/136/StableCoinReport_Nov1_508.pdf; Adam Levitin, *The GENIUS Act: Insolvency Risk with Stablecoins*, Credit Slips (Mar. 2, 2025), available at <https://www.creditslips.org/creditslips/2025/03/the-genius-act-insolvency-risk-with-stablecoins.html>.

¹⁰ See, e.g., Frank J. Fabozzi, ed., *The Handbook of Fixed Income Securities*, at 197-98 (McGraw Hill 7th ed. 1983); Andrew Metrick, *The Failure of Silicon Valley Bank and the Panic of 2023*, 38 J. Econ. Persp. 133, 137 (2024).

¹¹ *Id.*

¹² See, e.g., Randall D. Gynn, *The Deposit Insurance Fund as an Early Resolution Tool* (draft of July 15, 2024), available at <https://www.davispolk.com/insights/articles-books/deposit-insurance-fund-early-resolution-tool>.

¹³ OCC Interpretive Letter No. 1170, *Authority of a National Bank to Provide Cryptocurrency Custody Services for Customers* (July 22, 2020); OCC Interpretive Letter No. 1183, *OCC Letter Addressing Certain Crypto-Asset Activities* (Mar. 7, 2025).

¹⁴ A permitted payment stablecoin issuer would not fall within the current definition of the term "bank" in the BHC Act because it would not be an IDI and it would not be engaged in the business of both taking deposits and making commercial loans. Indeed, it would be prohibited by the STABLE Act from making any loans.

¹⁵ Waters Stablecoin Discussion Draft, § 3(e)(2) (Dec. 3, 2024).

¹⁶ Introductory Statement of House Financial Services Chairman Patrick McHenry on H.R. 5403 (Sept. 20, 2023), available at <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=408980>.

¹⁷ See, e.g., Christopher J. Waller, Member, Board of Governors of the Federal Reserve System, *The U.S. Dollar and Central Bank Digital Currencies* (Oct. 14, 2022).

¹⁸ Christopher J. Waller, Member, Board of Governors of the Federal Reserve System, *What Roles Should the Private Sector and the Federal Reserve Play in Payments?* (Nov. 12, 2024). See also Michelle Bowman, Member, Board of Governors of the Federal Reserve System, *Considerations for a Central Bank Digital Currency* (Apr. 18, 2023).

¹⁹ Randal K. Quarles, Member and Vice Chairman for Supervision, Board of Governors of the Federal Reserve System, *Parachute Pants and Central Bank Money* (June 28, 2021).

²⁰ Diccon Hyatt, *A Digital Dollar from the Fed? Not on Jerome Powell's Watch*, Investopedia (Feb. 11, 2025).

²¹ Testimony of Norbert J. Michel, Vice President and Director Center for Monetary and Financial Alternatives, Cato Institute, Hearing Before the House Financial Services Committee (Sept. 14, 2023); Nicholas Anthony and Norbert Michel, *Central Bank Digital Currency Assessing the Risks and Dispelling the Myths*, Cato Policy Analysis No. 941 (April 4, 2023), available at <https://www.cato.org/policy->

analysis/central-bank-digital-currency.

²² Dante Alighieri Disparte, Chief Strategy Officer and Head of Global Policy, Circle, *The Case Against Central Bank Digital Currencies*, International Economy (Summer 2022).

²³ See Michel Testimony, *supra* note 21, at 7.

²⁴ *Id.*

²⁵ Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (January 2022).

²⁶ *Id.* at 2.

²⁷ *Id.* at 17.

²⁸ Executive Order No. 14067, *Ensuring Responsible Development of Digital Assets* (March 9, 2022).

²⁹ U.S. Department of the Treasury, *The Future of Money and Payments: Report Pursuant to Section 4(b) of Executive Order 14067* (Sept. 2022).

³⁰ *Id.* at 2.

³¹ Executive Order, *Strengthening American Leadership in Digital Financial Technology* (Jan. 23, 2025).

³² Greg Ahlstrand, *Elizabeth Warren Calls for US to Create a CBDC*, Coindesk (May 11, 2023).

³³ Banking for All Act, S. 3571 (Mar. 23, 2020) (introduced by Senator Brown) (granting authority for the Federal Reserve to issue a CBDC that would be directly available to all individuals who wanted them).

³⁴ Kenneth Rogoff, *Covid Coin?*, Project Syndicate Op-ed (August 20, 2020), available at <https://www.project-syndicate.org/commentary/covid19-impact-on-rise-of-central-bank-digital-currency-by-kenneth-rogooff-2020-08>. See also Kenneth Rogoff, *The Case for Deeply Negative Interest Rates*, Project Syndicate Op-ed (May 4, 2020); Kenneth Rogoff, *The Curse of Cash: How Large Denomination Bills Aid Crime and Tax Evasion and Constrain Monetary Policy*, Part II: Negative Interest Rates (Princeton Univ. Press 2016).

³⁵ John Crawford, Lev Menand & Morgan Ricks, *FedAccounts: Digital Dollars*, 74 Geo. Wash. L. Rev. 951 (2021); Morgan Ricks, John Crawford & Lev Menand, *Banking for All: A Public Option for Bank Accounts*, The Great Democracy Initiative (June 2018).

³⁶ See, e.g., Saule T. Omarova, *The People's Ledger: How to Democratize Money and Finance the Economy*, 74 Vanderbilt L. Rev. 1231 (2021).

³⁷ *Digital Assets and the Future of Finance: Examining the Benefits and Risks of a U.S. Central Bank Digital Currency*, Testimony of Federal Reserve Governor and Vice Chair Lael Brainard Before the House Financial Services Committee (May 26, 2022).

³⁸ Under Secretary of the Treasury for Domestic Finance, Nellie Liang, Remarks on Next Steps to the Future of Money and Payments, Workshop (Mar. 1, 2023).

³⁹ Martin Wolf, op-ed, *Strip private banks of their power to create money*, Financial Times (April 24, 2014).

⁴⁰ See *supra* notes 33, 35 and 36.

⁴¹ See *Covid Coin?*, *supra* note 34.

⁴² Debasement was the practice of Roman, medieval and early modern governments to devalue gold or silver coins by reducing the amount of gold or silver bullion in them either by recalling outstanding coins and replacing them with newly minted coins with a reduced amount of gold or silver bullion or by clipping or shaving some of the precious metal off existing coins. The public responded to debasements by increasing the price of goods and services, thus fueling inflation.

Chairman HILL. Thank you, sir. Ms. House, you are now recognized for 5 minutes.

**STATEMENT OF CAROLE HOUSE, SENIOR FELLOW,
GEOECONOMICS CENTER, ATLANTIC COUNCIL**

Ms. HOUSE. Thank you, Chairman Hill, Ranking Member Waters, and distinguished members of the committee for holding this hearing and the honor of the invitation to testify on the digital payments ecosystem. I am Carole House, a senior fellow at the Atlantic Council, having recently departed the White House for my second tour on the National Security Council. I have served at the intersection of national security and emerging technologies and finance my whole career as an Army officer, a regulator, a delegate to international standards bodies, and also a national security and strategic tech expert. I am very glad now to see the level of support within Congress for elevating stablecoin legislation to a priority this year and applaud the efforts to date by many here today, including Chair Hill and Ranking Member Waters, for helping to paint a clear pathway.

We must ensure that our regulatory frameworks create a foundation for providing trustworthy and affordable access to financial services for consumers, while also reinforcing the centrality of the United States in the financial system and as the home for responsible cutting-edge innovation in emerging tech and payments. That includes the critical need for timely progress on a comprehensive stablecoin framework that supports these objectives as well as driving broader experimentation and competitiveness in digital payments. These frameworks must also be comprehensive of the real and present risks as well as opportunities that we have observed in the digital asset ecosystem. For example, with proper protections, stablecoins have the potential to improve delivery and efficiency of financial products and services, to dismantle barriers to access and inclusion, and to promote U.S. leadership in payments. Let us also be realistic that most of those use cases still are in a nascent form and stage and still have time that is needed to bear out the benefits that are purported there because most of the use cases really have been in settlement of trading activity.

We also see in the wake of serious national security threats, like billion-dollar hacks by rogue nations, growing integration of cryptocurrency, including stablecoins, as a tool for transnational organized crime, market abuses and frauds that can threaten system stability and integrity, as well as pressure from adversarial nations that are leveraging alternative payment systems to weaken and circumvent the dollar. It is clear that strong safeguards, including for U.S. competitiveness, are needed. This framework also demands that we ensure policy and enforcement approaches, both domestically and internationally, create a level playing field for U.S. firms, often the most compliant firms in the world, to be able to compete fairly.

A policy that is not enforced does nothing to benefit consumers nor U.S. firms with stronger compliance that have been operating at higher costs and less competitive advantages than many foreign operating firms. This framework is achievable, able to build on years of bipartisan efforts working across the aisle to construct a

truly comprehensive approach. We need strong prudential consumer protections and regulations to ensure that stablecoins are truly stable. We need to be able to shift the burden from consumers doing their own research to assess which stablecoin is truly stable. In this way, a clear regulatory framework that fosters trust can actually help set conditions to drive broader adoptions and competition. We also need to have strong AML protections in place for stablecoin ecosystems, and we need to ensure that cyber and AML vulnerabilities that are being exploited by hackers, like in the recent \$1.5 billion ByBit hack by North Korea, are closed in this ecosystem.

I am pleased to see many elements in the STABLE Act that I support and are critical safeguards, such as high-quality reserves on at least a one-to-one basis and vision roles for State and Federal regulators and restrictions on hypothecating Federal Reserve assets, as well as stablecoin issuer activities. These are critical safeguards, but there are also several key elements that are missing from this proposed legislation and that have been previously negotiated. If not addressed, we risk this framework not being comprehensive and needing to be patched and fixed later in the future. I propose some areas for consideration, like we must ensure Federal line of sight to support supervision on issues of systemic importance. I support the State charter and the dual system in banking, and we must preserve that option, but not by denying critical visibility for agencies like the Federal Reserve to be able to fulfill their mission on overseeing financial stability and conduct monetary policy.

The legislation should also broaden to include a greater scope of risk coverage like credit and counterparty risk, market risk, and concentration risks. There is also no clear articulation of an enforcement mechanism, affiliate controls, or bankruptcy resolution to protect consumers in the wake of a failure. There is also not clear enough direction on AML sanctions and extraterritorial application. U.S. dollar stablecoins have been exploited by cartels and sanction evaders and terrorism financiers. We need to message that is unacceptable and make clear that U.S. dollar stablecoins must comply with sanctions, including freezing and recovery capabilities.

The most important message here on innovating in digital payments is that we need to do so responsibly and invest in the building blocks that will allow for us to make this system more secure and inclusive. Thank you very much. I look forward to your questions.

[The prepared statement of Ms. House follows:]

TESTIMONY OF
Carole House¹
BEFORE THE
United States House Financial Services Committee
**Hearing on Navigating the Digital Payments Ecosystem: Examining a Federal
Framework for Payment Stablecoins and Consequences of a U.S. Central Bank
Digital Currency**
March 11, 2025

Thank you Chairman Hill, Ranking Member Waters, and distinguished members of the Committee, for holding this hearing and the honor of the invitation to testify on the digital payments ecosystem. I applaud your leadership in convening the Committee on this important issue and continuing the years-long efforts of this Committee across several Congresses to evaluate and build legislation for a stablecoin regulatory framework. I hope my testimony will be helpful in considering some of the most important aspects of frameworks needed to drive innovation in a secure, competitive, safe, and sound digital payments ecosystem that reinforces national security interests, defends consumers, and preserves personal liberty.

I have spent my career working at the intersection of national, economic, and technological security. I have had the honor of serving three tours in the White House, including recently departing from my second stint at the National Security Council leading various policy efforts on cybersecurity, emerging technology, and digital assets, to include the U.S. Counter-Ransomware Strategy and the previous Administration's Executive Order on Ensuring Responsible Development of Digital Assets.² I previously led digital asset policy initiatives at the U.S. anti-money laundering and countering financing of terrorism (AML/CFT) regulator, the Financial Crimes Enforcement Network (FinCEN) and have served on advisory boards for the U.S. Commodity Futures Trading Commission (CFTC), the Idaho Department of Finance, and the New York Department of Financial Services (NYDFS). Through my ongoing work as a Senior Fellow at the Atlantic Council GeoEconomics Center and previous work as a consultant and executive at a venture

¹ Nonresident Senior Fellow, Atlantic Council GeoEconomics Center; Senior Visiting Scholar, Georgetown University. *Previous Advisory Roles:* Chair, Commodity Futures Trading Commission (CFTC) Technology Advisory Committee; Member of the Emerging Technology Advisory Committee (ETAC) to the Idaho Department of Finance (IDOF); Member of the Virtual Currency Advisory Board (VCAB) to the New York Department of Financial Services (NYDFS); Advisory Board Member, Third Way U.S.-China Digital World Order Initiative; Advisory Board Member, Digital Dollar Project. *Previous Government Roles:* Special Advisor for Cyber and Critical Infrastructure & Director of Cybersecurity and Secure Digital Innovation, White House National Security Council; Senior Strategic Policy Officer for Cyber and Emerging Technology, U.S. Financial Crimes Enforcement Network; Presidential Management Fellow (PMF) and Policy Advisor, White House Office of Management and Budget and U.S. Senate Homeland Security and Governmental Affairs Committee; Captain, U.S. Army.

² See The White House, Executive Order 14067, [Ensuring Responsible Development of Digital Assets](#), (March 9, 2022).

capital firm, I have advised companies, academia, and policymakers in support of strategy, policy, standards, and product development ranging across areas like cybersecurity, AML/CFT, digital assets, and artificial intelligence and machine learning. The views I share are my own and do not reflect the views of the Atlantic Council.

The most important message I can underscore to this Committee is the criticality of ensuring our regulatory frameworks create a foundation for providing trustworthy and affordable access to financial services for consumers while also reinforcing the centrality of the United States in the financial system and as the home for *responsible*, cutting-edge innovation in emerging technologies and payments. That includes the critical need for timely progress on a comprehensive stablecoin framework that supports these objectives, as well as driving broader experimentation and competitiveness in digital payments. Just as important, any framework demands more than just policy that is clear, strong, and comprehensive, but also that is *implemented* and enforced timely and scoped to shape the sector.

While timely progress is critical, these frameworks must be deliberate, thoughtful, and comprehensive of the real and present risks, as well as opportunities, that we have observed in the digital asset ecosystem and broader financial system. In the wake of serious national security threats like billion-dollar hacks by rogue nations³, growing integration of cryptocurrency as a tool for transnational organized crime⁴, market manipulation and fraud that can threaten system integrity and stability, as well as pressure from adversarial nations seeking to develop and leverage alternative payment systems to weaken and circumvent the dollar⁵, it is clear that strong safeguards, including for U.S. competitiveness, are needed. This framework also demands we ensure policy and enforcement approaches both domestically and internationally create a level playing field for U.S. firms – often the most compliant firms in the world – to be able to compete fairly. Otherwise, the foundation we build these systems on risk faltering, with the potential to not only reap significant harms but also prevent us from harnessing the greatest positive potential that is possible from a secure and innovative digital payments ecosystem.

³ See Federal Bureau of Investigation (FBI), Public Service Announcement, I-022625-PSA, "[North Korea Responsible for \\$1.5 Billion Bybit Hack](#)," (February 26, 2025).

⁴ See TRM Labs, "[Understanding the Use of Cryptocurrencies by Cartels](#)," (January 22, 2025); and Douglas Farah and Marianne Richardson, Georgetown University Journal of International Affairs, "[The Growing Use of Cryptocurrency by Transnational Organized Crime Groups in Latin America](#)," (March 20, 2023).

⁵ See Hippolyte Fofack, Atlantic Council, "[Piece by Piece, the BRICS Really Are Building a Multipolar World](#)," (August 23, 2023).

Background: Exigency for Competition, Security, and Liberty

Stablecoin Features, Uses, Benefits, and Risks

Stablecoins, a class of cryptoassets that maintain a stable value in relation to another asset, most predominantly fiat currencies, hold potential to help drive needed innovations in our digital payments ecosystem. Stablecoins with proper protections can help improve efficiency in delivery of financial products and services, promoting greater transparency for monitoring of various risks in financial services, enhancing resiliency within the financial system, dismantling barriers to financial access and inclusion, and promoting innovation and competition that can strengthen U.S. markets and leadership.⁶ With the current stablecoin market cap sitting at over \$227 billion, use cases are growing across areas like dollar settlement for financial services firms⁷, cross-border remittances, relief efforts like to Ukrainian refugees⁸, and even for inflation hedges in places like Venezuela.⁹ However, stablecoins are largely still used as settlement in trading activity on cryptocurrency platforms¹⁰ – wide adoption in exchange for goods and services is not yet a reality, though it's possible that a clear regulatory framework to enable greater trust and accountability may facilitate higher adoption.

Most of the core features for any cryptocurrencies apply to stablecoins – including their ability to transfer significant value *peer-to-peer* (i.e., from user to user without the need for a typical custodial role of a third-party financial intermediary), *pseudonymously*, *immutably* (or irreversibly), with *global reach*, with *increased speed and cost efficiencies* – though we must note that these are all features that are attractive to both licit and illicit actors.¹¹ Challenges in mitigating risks in cryptocurrency are especially driven by lagging AML/CFT compliance as well as broader prudential standards across the sector internationally¹², reinforced by the *absence or reduction of financial institution intermediaries and central points of control* in more highly decentralized cryptocurrency systems that can *obscure clear lines of responsibility and accountability* within cryptocurrency ecosystems. While stablecoins are used across more decentralized

⁶ See CFTC TAC Subcommittee on Digital Assets and Blockchain Technology, Report, "[Decentralized Finance](#)," (January 2024); and Bank of International Settlements (BIS) Committee on Payments and Market Infrastructures, "[Considerations for the Use of Stablecoin Arrangements in Cross-Border Payments](#)," (October 2023).

⁷ For example, see MoneyGram, "[MoneyGram and Stellar Announce Cash to Crypto/Crypto to Cash Partnership with Zero-Fees for the First 12 Months](#)," (June 15, 2022).

⁸ See Ian Hall, Global Government Fintech, "[UN Pilots Blockchain and USDC Stablecoin for Disbursements in Ukraine](#)," (December 29, 2022).

⁹ See Prashant Jha, "[Venezuela Turns to Crypto to Battle Inflation and Instability](#)," (December 31, 2024).

¹⁰ See Anneke Kosse, Marc Glowka, Ilaria Mattei and Tara Rice BIS, Paper No. 141, "[Will the Real Stablecoin Please Stand Up?](#)" (November 2023).

¹¹ See Carole House, testimony before the House Financial Services Committee Subcommittee on Digital Assets, Financial Technology, and Inclusion, "[Hearing on Crypto Crime in Context Part II: Examining Approaches to Combat Illicit Activity](#)," (February 2024).

¹² See Financial Action Task Force (FATF), "[Virtual Assets: Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers](#)" (June 27, 2023).

networks, in most cases stablecoins generally at least central administrators and issuers that can ease establishing lines of responsibility.

Where there is an absence of clear responsible parties, compounded by the immutability or unchangeability of cryptocurrency ledgers, it can be extremely challenging to provide mechanisms for victim recourse as well as timely adaptation to take measures to stop movement of illicit funds or patch security vulnerabilities in networks and smart contracts.¹³ However, in contrast to SWIFT, FedWIRE, and cash movements that do not publish transactions to public ledgers, on-chain stablecoin transactions include a lot of *public transparency* that can be beneficial to market surveillance and crypto investigations. Though ultimately the benefits presented by this transparency can be difficult to leverage with earlier-mentioned challenges with compliance, acceptance of accountability, and expertise across both public and private stakeholders.

Risks that can be presented by stablecoins without proper controls in place generally reflect the same kinds of risks that can exist in traditional finance (or “tradfi”). For example, fraud, market manipulations, and conflicts of interest across stablecoin leaders or public officials can present risks to investors and consumers. Pump-and-dump schemes and front-running capabilities enabled through maximal extractable value (MEV) schemes can endanger market integrity, and complex interconnections, concentration risks, and hardwired procyclicality in stablecoin or any other decentralized finance (“defi”) systems can present risks to financial system stability. Failures like that of Synapse Financial Technologies¹⁴ and of stablecoin Terra¹⁵ underscored the consequences of insufficient oversight of regtech and stablecoin platforms, and the devastating consequences to consumers without access or ability to recover some or all of their funds.

The risks to national security on getting the stablecoin framework wrong – either by being too lax on controls or by overly restricting companies and driving innovation offshore – are also important to evaluate. If stablecoins present the greatest potential for at-scale adoption for cross-border payments in cryptocurrency, then national security concerns of losing sanctions and AML/CFT tool efficacy can present in several ways: either from failing to drive U.S. stablecoin competitiveness compared to other national currency-denominated stablecoins or payment systems; or risks that could present from stablecoins and other defi diminishing reliance or need for U.S. correspondent banking relationships in foreign exchange (FX) transactions or other cross-border funds flows. *(See Appendix A for a more detailed walkthrough of pros and cons for risk mitigation presented by specific features of cryptocurrencies like stablecoins)*

¹³ See CFTC TAC Subcommittee on Digital Assets and Blockchain Technology, Report, “[Decentralized Finance](#),” (January 2024).

¹⁴ See David Krause, Marquette University, “[The Fall of Synapse Financial Technologies: Lessons and Implications for the Fintech Industry](#),” (July 29, 2024)

¹⁵ See Russell Wong, Federal Reserve Bank of Richmond, “[Why Stablecoins Fail: An Economist’s Post-Mortem of Terra](#),” (July 2022).

The Need for a Framework

The United States does not yet have a comprehensive framework for regulation of stablecoins. Instead, existing authorities are fragmented at the Federal level largely only via AML/CFT regulation and then across certain states like New York¹⁶ that cover stablecoins. In the absence of leveraging existing bank and trust charter authorities; using Dodd-Frank payment, clearing, and settlement activity designation authorities¹⁷; setting up a Federal payments charter¹⁸; or taking any other action to create a framework, the United States lags behind many other jurisdictions like the European Union, Singapore, Japan, and the United Arab Emirates that have established requirements and most importantly clear pathways to registration and supervision for stablecoins operating within their jurisdictions.¹⁹

The United States must prioritize establishing a stablecoin framework during this Congress. Similar in many functions and operations to more traditional financial assets, stablecoins and associated deposit and payments activities are things that we understand how to regulate and protect.²⁰ This framework is achievable, able to build on years of bipartisan efforts working across the aisle to construct a truly comprehensive approach. With Congress and the Administration positioned to prioritize this legislation, we are at a critical juncture to get a law passed in 2025.

We need strong prudential and consumer protection regulations to ensure that stablecoins are truly "stable," allowing any user to trust in its value and avoid losses from the issuer's default or illiquidity.²¹ In this way, a clear regulatory framework that fosters trust can actually help set conditions that could help drive broader adoption and competition. We also need to have strong AML/CFT protections in place for stablecoin ecosystems. These different regimes do not operate in siloes, but instead mutually reinforce each other and address vulnerabilities that are being exploited by illicit actors targeting the cryptocurrency sector. For example, in the case of Democratic People's Republic of Korea (DPRK) hacks of cryptocurrency platforms, like the recent \$1.5 billion Bybit hack, are exploiting both cybersecurity weaknesses and vulnerabilities as well as AML/CFT deficiencies in their crypto heists and subsequent laundering activities.²² In

¹⁶ See NYDFS, "[Superintendent Adrienne A. Harris Announces New DFS Regulatory Guidance on the Issuance of U.S. Dollar-Backed Stablecoins](#)," (Jun 8, 2022).

¹⁷ See Pub. L. 111-203, title VIII, § 802.

¹⁸ See Ballard Spahr podcast, interview with Dan Awrey, "[Should Congress Create a New Federal Charter for Non-Bank Payments Companies?](#)" (November 14, 2024)

¹⁹ See Atlantic Council, [Cryptocurrency Regulation Tracker](#).

²⁰ See Austin Campbell, testimony before House Financial Services Committee Subcommittee on Digital Assets, Financial Technology, and Inclusion, "[Hearing on Understanding Stablecoins' Role in Payments and the Need for Legislation](#)," (April 19, 2023).

²¹ See Howell Jackson, Tim Massad, Dan Awrey, Hutchins Center on Fiscal & Monetary Policy at Brookings, "[How We Can Regulate Stablecoins Now – Without Congressional Action](#)," (August 2022).

²² See Ledger Insights, "[Bybit Crypto Hack: SAFE Wallet Reveals How It Happened](#)," (March 7, 2025).

crypto heists, stablecoins have been targets²³ as well as laundering tools exploited by hackers.²⁴ Only through a comprehensive framework can we ensure that measures across the spectrum of areas like cybersecurity and AML/CFT are holistically addressed in these important ecosystems.

Though also important to note, especially in light of recent changes in enforcement posture – beyond just creating the policy framework, the government and industry must work to apply and *enforce* the framework. A policy that isn't enforced or implemented does nothing to benefit consumers nor U.S. firms with stronger compliance programs that have been operating at higher costs and less competitive advantages than many foreign-operating firms.

Proposed Stablecoin Legislation – Ensuring Sufficient Protections

There has been a great amount of attention paid to stablecoin legislation in recent years with various stablecoin bills introduced, including the McHenry-Waters bill²⁵ and Lummis-Gillibrand Payment Stablecoin Act²⁶ developed last Congress, as well as the STABLE Act²⁷ and GENIUS Act²⁸ introduced so far this Congress.

I am very glad to see the level of support within Congress for elevating stablecoin legislation to a priority this year, something I spoke to as essential in my testimony to the Subcommittee on Digital Assets, Financial Technology, and Inclusion last year.²⁹ I'm also pleased to see many elements included in the STABLE Act referenced for this hearing that I support, such as high-quality reserves on at least a 1:1 basis, envisioned roles for both state and Federal regulators, and restrictions on rehypothecating reserve assets as well as stablecoin issuer activities. However, the STABLE Act appears to walk back a lot of the hard work done for years across the aisle to develop the negotiated text between then-Chair McHenry and Ranking Member Waters in 2024. It's unclear why some of those critical protections, especially the prudential framework and clear AML/CFT and sanctions applicability to U.S. dollar-denominated stablecoin activity, are absent in the STABLE Act and the GENIUS Act or if the associated risks are otherwise being addressed.

²³ See Yohan Yun, Cointelegraph, "[Infini Loses \\$50M in Exploit, Developer Deception Suspected](#)," (February 24, 2025).

²⁴ See Ben Foldy, Wall Street Journal, "[From Hamas to North Korean Nukes, Cryptocurrency Tether Keeps Showing Up](#)," (October 27, 2023).

²⁵ See McHenry-Waters Bill, [H.R. _____](#), 118th Congress (2024).

²⁶ See Lummis-Gillibrand Payment Stablecoin Act, [S. 4155](#), 118th Congress (2024).

²⁷ See STABLE Act of 2025, [H.R. _____](#), 119th Congress (2025).

²⁸ See GENIUS Act of 2025, [S. _____](#), 119th Congress (2025).

²⁹ See Carole House, testimony before the House Financial Services Committee Subcommittee on Digital Assets, Financial Technology, and Inclusion, "[Hearing on Crypto Crime in Context Part II: Examining Approaches to Combat Illicit Activity](#)," (February 2024).

Here I outline some areas for the Committee's consideration in hopes that the legislation for stablecoins issued this year can be truly comprehensive³⁰:

- *Ensuring Federal Line-of-Sight for Supervision on Issues of Systemic Importance:* The STABLE Act, in some ways similar to the existing banking regime, provides for both Federal and state authorities to charter stablecoin issuers. However, the STABLE Act does not include any coordination between the Federal and state regulators. Rather, the current draft permits a system where a trillion-dollar nonbank stablecoin issuer, engaging in globally-reaching payments activity that would typically place an institution under the oversight of Federal authorities, without any sufficient line of sight by the Federal Reserve of activities and risks that rise to systemic importance. Unclearly defined "exigent" circumstances, especially in the way of *Loper-Bright*, as the only context for certain additional regulatory authorities severely restrict a regulators' ability to monitor for and intervene to mitigate risks for assets that operate 24/7 around the world and with no concerns for borders.

I agree with many others who have testified before you all that state authorities provide an important chartering and oversight capability, including agility and expertise that can help scale appropriate supervision. State regulators with strong prudential, AML/CFT, and consumer protection frameworks are critical partners on the front lines of regulating the cryptocurrency industry, and I'm sympathetic to the desire to preserve the states' regulatory authorities. Though, it stands to reason that when these issuers are operating systems, especially large platforms, that are administering a substitute for the *U.S. dollar* in international payments, some Federal regulator – like the Federal Reserve Board, with its responsibility for monetary policy and financial stability, or the Office of the Comptroller of the Currency (OCC) with its chartering and supervision authority – should have the ability to monitor for their critical risks and have a say in the standards that stablecoin issuers needs to meet, at a minimum when they are of a large enough size. The STABLE Act, as it currently stands, raises serious questions around the ability of Federal authorities to have visibility of and ability to respond timely to moments of financial crisis and address systemic risks that may arise.

- *Scope of Risk Coverage and Enforcement Regime:* The STABLE Act references risks to mitigate around operational and cybersecurity risks, but otherwise is severely lacking in reference to credit risk, market risk, concentration risk, and even limitations on additional management of capital and liquidity risk beyond the 1:1 reserve collateralization requirement. There is no clear articulation of

³⁰ See also a thorough outline of many similar issues – Tim Massad, testimony to the House Financial Services Committee Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence, "[Hearing on The Golden Age of Digital Assets: Charting a Path Forward](#)," (February 11, 2025). Note that many of the issues I outline were addressed in the previously negotiated McHenry-Waters bill.

responsibility for rules or implementation of requirements under privacy regimes like Gramm-Leach-Bliley Act or the AML/CFT framework of the Bank Secrecy Act (e.g., if Treasury/FinCEN would have sole AML/CFT rulemaking authority for payment stablecoin issuers or if they would be issued jointly). Additionally, the enforcement framework is unclear, with no references to specific penalties or enforcement provisions, including no clarity on extraterritorial operations of U.S. dollar-denominated stablecoins.

- *Affiliate Controls and Application of Bank Holding Company Act and Bank Services Company Act:* The STABLE Act does not address affiliate relationships and restrictions for nonbank payment stablecoin issuers to preserve separation of activities like banking and commerce. In this new bill, it is unclear to what extent controls like from the Bank Holding Company Act as well as authorities for oversight and delegation of functions as delineated under the Bank Services Company Act apply to payment stablecoin issuers.
- *AML/CFT and Sanctions:* While the STABLE Act and GENIUS Act delineate that payment stablecoin issuers are financial institutions under the Bank Secrecy Act, it is not clear (especially to the degree needed in the wake of Loper-Bright) to what degree rulemaking can cover different parts of stablecoin ecosystems and which agency would be responsible for the rulemaking and oversight. Stablecoins have been exploited by illicit actors ranging from cartels to sanctions evaders to terrorism financiers, especially leveraging the absence of sufficient compliance across international operations and defi platforms. The U.S. Treasury has underscored the benefit for Congress to clarify that any U.S.-dollar denominated stablecoin must comply with U.S. sanctions policy, including extraterritorial applicability, and also make clear the expectation to maintain and assert freeze and recovery capability for illicit proceeds across the stablecoin. We should not find it acceptable for a USD stablecoin to be leveraged in transactions to designated actors and jurisdictions that present threats to U.S. national security.

While unlikely in this round of legislation, Congress should start solidifying its views and drafting legislation to expand the regulatory perimeter to help mitigate risks across more decentralized applications of the assets. Expanding such a perimeter would generally involve considering what other entities would be of greatest utility to cover due to visibility and control of the assets, and ensuring that a risk-based approach properly scopes the obligations and does so in full understanding of what is technologically and operationally possible. While there are many differing views on how to approach defi controls, it is encouraging to see that within the defi community there are actors who are trying to implement responsible innovative fixes, even if they are not yet successful, as we saw recently in the unsuccessful attempt by several THORChain developers to try to stop DPRK money laundering

on their platform.³¹ (Congress should consider this illustrative table – see Appendix B – built by the CFTC’s Technology Advisory Committee to demonstrate the different kinds of controls that can be implemented throughout the cryptocurrency technology stack, showing that compliance is possible.)

- *Bankruptcy and Resolution Measures:* Bankruptcy protections are one of the last lines of defense for fostering consumer trust in a product – building comfort for the customer that they will be able to get access to or redeem their assets held by the platform or issuer at any time on demand. The U.S. Bankruptcy code, if applied to stablecoins in the wake of a failure, could be disastrous for token holders who would be treated equivalently to all other unsecured creditors. The McHenry-Waters bill outlined a potential alternative resolution process to help expedite recovery of assets for token holders that could work across Federal and state levels and provide critical recourse for consumers.
- *Fed Master Accounts and Broader Payments Framework:* There is no reference in the STABLE Act or GENIUS Act to the authority of the Federal Reserve to grant access for stablecoin issuers to a master account, something that likely will continue to be sought especially as stablecoins get more regulated and attain higher assurance of their safety and soundness. With this legislation aiming to serve as the comprehensive construct of guardrails and authorities to enable innovation and protect payments, it should include provisions like this to ensure the capability exists with the Federal Reserve for any issuer it deems to be appropriate to grant access.

More broadly, stablecoin legislation would optimally be pursued as part of a holistic approach to regulation and supervision of all payments platforms, which are growing enough in complexity and adoption. Many of the risks for stablecoins are similar to those for broader payments, and given the desire to ensure critical protections for consumers regardless of the denomination of their asset or which app they happen to be using, Congress should keep an eye toward how to evolve regulatory frameworks to capture any of these activities regardless on if it is blockchain-based or not.

Again, I applaud the Committee’s work on this issue and the continued leadership on these issues by key leaders like Chair Hill and Ranking Member Waster. I encourage the Committee to consider working from the previously negotiated McHenry-Waters bill, which includes bipartisan-vetted provisions that address many of the outstanding issues for the desired comprehensive stablecoin framework. I hope that my views on key missing elements will be helpful to the Committee in its thoughtful efforts to build out and

³¹ See Aaron S., Bitdegree, “[THORChain Dev Walks Away after Attempt to Stop Illicit Funds Fails](#),” (February 28, 2025).

implement a competitive, comprehensive stablecoin framework that addresses risks while promoting responsible innovation.

Proposed CBDC Legislation – Privacy as Paramount in Retail CBDC

The new proposed CBDC Anti-Surveillance State Act bans CBDC experimentation. Innovations in digital payments and across digital forms of both public and private money can also take many forms – whether wholesale or retail CBDCs, stablecoins, tokenized deposits, digital payment applications, etc. – each of which carry a spectrum of diverse implementations and associated risks. Ultimately, it is likely that a mix of modernizations of public and privately-administered rails, such as with the current financial system, will be needed to achieve a future of vision like global instantaneous reach and accessibility of the dollar.³²

This legislation is pointed specifically at addressing concerns around privacy specific to CBDCs, which is a greater point of concern around retail CBDC implementations rather than wholesale payments that aren't associated with specific consumers and related sensitive personal data. The bill proposes to address the privacy concerns by banning even experimentation to even assess if there are technological and governance implementations that could achieve desired privacy outcomes, whether in the U.S. or even just for templates that partner nations could implement. The bill also does not address privacy issues presented by private cryptocurrencies, such as privacy concerns exacerbated by public unobscured records of financial transactions and challenged cybersecurity practices across the sector.

An apparent improvement on this bill from earlier versions appears to be amending the prohibition to only retail CBDCs. Concerns around privacy for a retail CBDC are understandable and very important³³, especially in the United States given sentiments of Americans around making information available to the government and even challenges that have existed in trying to adopt digital identity infrastructure.³⁴ Many feel that given such concerns in the United States, focus on wholesale CBDCs as an initial area for innovation in cross-border settlement could be ripe for nearer-term exploration.

The kinds of building blocks that could enable privacy preservation and security in technologies like CBDCs – innovative technologies like digital identity infrastructure and privacy enhancing technologies like homomorphic encryption, multi-party computation, and zero-knowledge proofs – are also building blocks that can enable privacy and security in private cryptocurrency implementations as well. Even if specific development of a U.S.

³² For example, see SIFMA, "[Regulated Settlement Network Proof-of-Concept](#)," (December 2024).

³³ See Josh Lipsky and Ananya Kumar, "[Don't Let the US Become the Country to Ban CBDCs](#)," (May 21, 2024).

³⁴ See Ash Johnson, Information Technology and Innovation Foundation (ITIF), "[The Path to Digital Identity in the United States](#)," (September 23, 2024).

retail CBDC is not likely, broader research and development and experimentation across the more nascent and underlying technologies and components can be helpful to identify mechanisms to achieve desired objectives across a variety of future forms of public and private money innovations.

This bill could further exacerbate a growing gap for the United States in digital payments innovation, as over 100 countries representing 98% of global GDP³⁵ continue to explore CBDCs and conduct cross-border pilots.³⁶ The United States remains the only member of the G20 to not be in advanced stages of CBDC exploration.³⁷ CBDC experimentation is at the heart of significant research and development across the international community trying to shape what the future of the financial system looks like, experimentation that without a major U.S. leadership presence is in some ways both a symptom and a driver towards interest of potential rails less reliant on the dollar, and something in which we cannot idly forsake leadership.

In the interests of safeguarding capabilities for experimentation and ensuring that the United States remains at the forefront of digital payments innovation, I outline here some areas for consideration for this proposed anti-CBDC legislation:

- *Narrowing the Prohibition to Retail CBDCs:* Recent updates to the proposed CBDC Anti-Surveillance State Act appears to narrow the prohibition of research and development, testing, or issuance to retail CBDCs only with the addition of the feature “widely available to the general public” into the definition of CBDC. If that is the intent, this avoids several significant challenges presented by the previous House-passed³⁸ version of the bill, as well as that referenced in the recent Executive Order prohibition, that even the Congressional Budget Office (CBO) noted³⁹ included such broad definitions that it was unclear if they could be interpreted to ban existing digital forms of central bank reserves and impact the ability to conduct monetary policy. However, if this bill is aimed at prohibiting wholesale digital payments innovation, or other forms of digital payments innovations like tiered or intermediated innovations like in certain implementations of stablecoins or tokenized deposits, additional concerns would remain related to stifling the ability to modernize the U.S. financial system.
- *Legal Necessity Unclear:* The necessity of this legislation to prohibit any experimentation and research and development in CBDCs appears unnecessary if the ultimately concern is to ensure against the issuance of a retail CBDC without

³⁵ See Atlantic Council, [CBDC Tracker](#).

³⁶ See Bank of International Settlements, [“BIS Innovation Hub Work on Central Bank Digital Currency.”](#)

³⁷ See Atlantic Council, [CBDC Tracker](#).

³⁸ See House Committee on Financial Services, [“House Passes CBDC Anti-Surveillance State Act”](#) (May 23, 2024).

³⁹ See Congressional Budget Office, [“H.R. 5403, CBDC Anti-Surveillance State Act,”](#) (May 7, 2024).

Congressional approval. The Federal Reserve already published its own analysis⁴⁰ highlighting that the Federal Reserve Act does not authorize direct Federal Reserve accounts for individuals. Both the Fed and Treasury have also voiced that they would only move forward with issuance of a CBDC with clear support from both Congress and executive branches. With Congressional approval already assessed as a precondition to issuance of at least retail CBDCs, and supported as necessary by the lead executive authorities, this prohibition appears unnecessary to achieve the policy outcome when Congress could just withhold authorization. If the refocus of this updated proposed legislation is only prohibiting retail CBDCs, research and development as well as operations to optimize and conduct of digital wholesale payments and settlement activities by central banks would hopefully not be affected by this legislation as the Congressional Budget Office assessed could have been impacted by previously proposed versions.⁴¹

- *Adjusting Framing – The U.S. Government Fully Supports Privacy in Any Democratic CBDC:* This bill's title and corresponding messaging unfortunately present an inaccurate picture that CBDCs must inherently intimate an authoritarian "surveillance state." CBDCs do not have to mean "Big Brother" just as cryptocurrencies do not have to mean anarchy. The implications for privacy are vastly different for wholesale versus retail CBDCs. Just as with privately-administered cryptocurrencies, inherent features like privacy and discoverability are completely dependent upon the specific design of the systems.⁴² The Federal Reserve⁴³, the U.S. Treasury⁴⁴, and prior Administrations have been extremely consistent in messaging, including alongside the G7⁴⁵, that "rigorous standards of privacy" and accountability for that privacy are critical for any retail CBDC implementation. The CBDC discussion warrants nuance, just as the cryptocurrency discussion does.
- *Refocusing on Impactful Privacy Measures:* Rather than this legislation barring pilots and experimentation of implementations and building blocks to preserve privacy for some future possible CBDCs likely at least a decade away (research that could also help provide building blocks for other digital assets like stablecoins), Congressional action could instead pivot to focus on long-existing challenges

⁴⁰ See Federal Research, Research and Analysis, "[Money and Payments: The U.S. Dollar in the Age of Digital Transformation](#)," (January 2022).

⁴¹ See Congressional Budget Office, "[H.R. 5403, CBDC Anti-Surveillance State Act](#)," (May 7, 2024).

⁴² See Sandra Waliczek, "[Privacy Concerns around CBDCs – Are They Justified?](#)" (November 7, 2023).

⁴³ See Federal Research, Research and Analysis, "[Money and Payments: The U.S. Dollar in the Age of Digital Transformation](#)," (January 2022).

⁴⁴ See U.S. Department of the Treasury, "[The Future of Money and Payments: Report Pursuant to Section 4\(b\) of Executive Order 14067](#)" (September 2022).

⁴⁵ See G7, "[Public Policy Principles for Retail Central Bank Digital Currencies](#)," (2021).

presented by the absence of comprehensive consumer data privacy legislation.⁴⁶ Especially given the low likelihood and far-off reality of cross-U.S. Government and public interest in a U.S. retail CBDC (which the Federal Reserve,⁴⁷ U.S. Treasury, and potentially Congress [ref. section 5] have all agreed would require Congressional approval to issue if there ever were such an interest), Congressional focus on privacy legislation would be a more impactful area for focus.

- *Needed Clarity on the Protections Meant for Private Stablecoins:* It is unclear exactly what protections are being offered under section 4, which defends from prohibition only “any dollar-denominated currency that is open, permissionless, and private, and fully preserves the privacy protections of United States coins and physical currency.” This is oddly framed and could place significant prohibitions on industry cryptocurrency implementations, if this intimates that there are intended to be restrictions here placed on certain industry cryptocurrency implementation, such as private stablecoins that aim to get a master account with the Federal Reserve. It is unclear if this intimates that permissioned stablecoin implementations may be barred from direct or indirect relationship with the Fed. It is also unclear what fully preserved privacy protections means in this context, given that the privacy features of cash (e.g., can move value without a third party, is not posted to any ledgers) do not exactly equate to the privacy features of any existent cryptocurrency (e.g., value movements generally require certain types of third parties – even if unregulated intermediaries – such as miners and validators, and transactions post on public ledgers). It would be important to clarify which privacy features of cash they desire, or what the specific balance of discoverability versus obfuscation is desired in the cryptocurrency system, as part of broader clarity on what this section is intended to achieve.

In closing, I’d like to again underscore my gratitude for the honor of the opportunity to speak with you all today. It is critical that the United States make timely progress on establishing and implementing a comprehensive stablecoin regulatory framework that leverages years of effort on defining critical holistic protections that also reinforce the central role in the financial system and as a leader in technological innovation.

Thank you.

⁴⁶ See Thorin Klosowski, [“The State of Consumer Privacy Laws in the US \(And Why It Matters\),”](#) (September 6, 2021).

⁴⁷ See Federal Reserve, Research and Analysis, [“Money and Payments: The U.S. Dollar in the Age of Digital Transformation,”](#) (January 2022).

Appendix A: Risks and Mitigations Presented by Key Features of Cryptocurrency

Cryptocurrency systems vary significantly in design and implementation, and their specific features carry potential positives and well as negatives for combating exploitation and illicit finance. Many of these features exist on a spectrum and do not exist as a complete extreme one way or the other, and require thoughtful evaluation to assess potential risk.

Figure 1. Potential Pros and Cons for Addressing Risks Presented by Key Features of Cryptocurrency, including Stablecoins⁴⁸

Feature Description	Potential Pro	Potential Con
Decentralization – The extent to which the system has no single point of failure, does not rely on a single source of information, and is not governed by a central authority that is capable of altering or censoring this information. Generally will manifest across <i>functional</i> dimensions (e.g., access, development, governance, balance sheet, operational) and technological dimensions (e.g., open source software, smart contracts, etc.) of decentralization.	With greater decentralization, a system may exhibit greater operational resilience against manipulation by illicit actors like cybercriminals aiming to take over a network. A more decentralized system can also mitigate “too-big-to-fail” concentration risks and potentially enable greater competition in the marketplace.	With the removal or reduction of key intermediaries in high-risk, high-value activity, decentralization can challenge the ability to identify clear lines of responsibility and accountability for when things go wrong or to implement fixes to security vulnerabilities or recover stolen or illicit funds. ⁴⁹ Fewer intermediaries can also reduce points for detection, implementation of controls, and interdiction of illicit activity.
Speed and Cost Efficiencies – The ability to transfer funds and financial assets quickly and with lower costs, generally driven through optimizing aspects like automation, network capacity,	Licit actors and consumers benefit from an alternative to existing systems like slow and	Efficiencies in cost and speed can also increase for illicit actors, enabling their ability to scale frauds and money laundering at lower cost

⁴⁸ This table is adapted from the table at the end of my previous testimony – Carole House, testimony before the House Financial Services Committee Subcommittee on Digital Assets, Financial Technology, and Inclusion, “[Hearing on Crypto Crime in Context Part II: Examining Approaches to Combat Illicit Activity](#),” (February 2024). . These illustrative summaries leverage descriptions from the CFTC TAC report on DeFi. See CFTC TAC Subcommittee on Digital Assets and Blockchain Technology, Report, “[Decentralized Finance](#),” (January 2024)

⁴⁹ See Osato Avan-Nomayo and Aislinn Kelly, The Block, “[Circle Freezes USDC Funds in Tornado Cash’s US Treasury-Sanctioned Wallets](#)” (August 8, 2022).

<p>and reducing or consolidating intermediaries.</p>	<p>costly cross-border remittances.⁵⁰</p>	<p>and friction. The scalability in speed and reach enabled with crypto, reinforced by hardwired procyclicality of software- and algorithm-enabled activity, can expand the impact and speed of negative consequences until they can be mitigated.</p>
<p>Openness and Global Reach – The extent to which a system permits participants into the ecosystem and movement of assets anywhere in the world. "Permissionless" systems generally implement no restrictions to those who can access the system, while permissioned systems implement some type of control on ecosystem participation.</p>	<p>Can lower barriers to financial access for the 1.7 billion people around the world who are unbanked⁵¹, and (if the system is sufficiently regulated and appropriately transparent) could improve achievement of financial inclusion objectives, as well as enhance the ability to detect illicit activity within an observable ecosystem. Wider adoption of U.S. cryptocurrency projects and stablecoins could also expand the reach of the U.S. dollar, including application of U.S. national security tools like sanctions and AML/CFT visibility.</p>	<p>With unrestricted openness can enable access for illicit actors like rogue states who are otherwise restricted from the global financial system. Level of tech savvy also presents remaining barriers to entry and broader adoption. With inadequacies in consumer protection and regulation, open systems could enable "predatory inclusion."⁵²</p>

⁵⁰ See The World Bank, "[Remittance Prices Worldwide Quarterly: An Analysis of Trends in Costs of Remittance Services](#)" (March 2023).

⁵¹ See The World Bank, "[The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19](#)" (June 2022).

⁵² See Tressie McMillan Cottom, "[Where Platform Capitalism and Racial Capitalism Meet: The Sociology of Race and Racism in the Digital Society](#)", 6:4 Sociology of Race and Ethnicity 441 (October 2020).

<p>Transparency – Includes the nature and amount of information (such as critical information needed to understand risks like for counterparties, sanctions, screening, etc.) that is available, whether publicly or some means of disclosure, to ecosystem participants. Public, unobscured blockchains generally have a lot of information about the existence, amount, provenance, and destination of transactions that is visible to the public.</p>	<p>The high level of transparency of most cryptocurrency ledgers enables detection, monitoring, and establishment of trust and validation of accuracy of transaction information. To the extent needed information is available and consumable by counterparties and authorities, this can permit an unprecedented level of real-time market surveillance and even investigation of cryptocurrency illicit finance, often more efficiently than traditional investigations.⁵³</p>	<p>Much of the raw data available cannot be effectively used by investigators due to issues of capacity, resources, or insufficient RegTech. The transparency of public ledgers is insufficient without additional AML/CFT measures, as they only include information that is “on-chain,” not “off-chain” transaction and identity information. Transparency also presents significant privacy concerns, and is also not inevitable. Obscuring methods through use of anonymity-enhanced cryptocurrencies, mixers, and other privacy enhancing technologies (PETs) are already used, and likely to be integrated at greater scale.</p>
<p>Pseudonymity and Anonymity – The ability to conduct transactions without one’s identity being known or discoverable.</p>	<p>Licit users can engage in more private financial activity without needing to disclose sensitive personal information that could be a target for illicit actors. This privacy and obfuscation can also be beneficial for those seeking to</p>	<p>This pseudonymity, without compensating AML/CFT controls like KYC measures and some form of discoverable identity elsewhere in the ecosystem, denies critical information for investigators and for</p>

⁵³ See Ari Redbord, [written testimony](#) to the U.S. House Committee on Financial Services Subcommittee on National Security, International Development, and Monetary Policy, Hearing on Under the Radar: Alternative Payment Systems and National Security Impacts of their Growth (September 20, 2022).

	<p>avoid detection and discrimination by corrupt or authoritarian regimes.</p>	<p>counterparties to understand the nature of the risk of their counterparty. Even with transparency of funds flows and wallet information, absence of information about users significantly limits recourse for victims and holding accountable illicit actors.</p>
<p>Immutability and Censorship Resistance – The inability of network participants to change a system’s ledgers, protocols, transactions, or other features.</p>	<p>Assets can be used to provide financial support to populations under repressive regimes via means the regime cannot interdict and deny access to.⁵⁴ Could promote greater auditability and resilience to manipulation by illicit actors in the financial system.</p>	<p>With increased immutability brings increased challenges to censor illicit actors and activities on a network. It also is more difficult to implement desired changes to a system, such as to patch a software vulnerability or recover assets stolen due to a security weakness.</p>

⁵⁴ See Circle, blog, “[Circle Partners with Bolivarian Republic of Venezuela and Airm to Deliver Aid to Venezuelans Using USDC](#)” (November 20, 2020).

Appendix B: Compliance across the DeFi Tech Stack

Policymakers may need to assess what reshaping AML/CFT and other illicit finance obligations should look like elsewhere in the “DeFi technology stack.” At each “layer” of DeFi ecosystems, there are different options for players or components to focus obligations on and potential features or controls that could help meet regulatory objectives.

Figure 2. *Potential Mechanisms to Support Security and Compliance throughout the DeFi Tech Stack*⁵⁵

Layer	Key Players and Components	Examples of Technical Features and Controls
Governance	<ul style="list-style-type: none"> • Developers, issuers, owners, voters • Governance tokens 	<ul style="list-style-type: none"> • On-chain governance, token distribution, certifications
Asset/Market	<ul style="list-style-type: none"> • Liquidity providers • Tokens, capital, collateral, prices 	<ul style="list-style-type: none"> • Capital requirements, audits, market metrics and reports
User	<ul style="list-style-type: none"> • Developers (including layer 2 builders), consumers, businesses, financial intermediaries 	<ul style="list-style-type: none"> • Digital identity, geolocation information, activity and transaction thresholds and monitoring
Application	<ul style="list-style-type: none"> • Exchanges and other service providers • DApps, smart contracts, wallets, APIs, oracles 	<ul style="list-style-type: none"> • Trust registries, terms of service, redundancy and diversity of data sources, performance monitoring, authentication, authorization, access control, encryption
Data	<ul style="list-style-type: none"> • Ledgers/blockchains, explorers, addresses, other on-chain data 	<ul style="list-style-type: none"> • Parent-child keys, block headers, information fields
Network	<ul style="list-style-type: none"> • Miners, validators, block builders, pools, voters • Nodes, relayers, bots, mempools 	<ul style="list-style-type: none"> • Consensus mechanisms, internet protocol screening, validation requirements, network allow/do not allow lists, domain name system seeds
Protocol	<ul style="list-style-type: none"> • Code repositories • Software code 	<ul style="list-style-type: none"> • Software updates and patches, distribution, tiered version control, interoperability standards
Physical/Hardware	<ul style="list-style-type: none"> • Mobile devices, computers, servers, and other physical infrastructure 	<ul style="list-style-type: none"> • Mining hardware specifications, physical security (e.g., compromise, natural disasters, temperature changes)

⁵⁵ Table with illustrative examples of compliance as possible, taken from CFTC TAC [DeFi Report](#).

Chairman HILL. Thank you so much. We will now turn to member questions, and the chair recognizes himself for 5 minutes.

As I started out in my opening remarks, it is our job as Members of Congress to establish a legislative framework for payment stablecoins that balances growth and innovation with strong consumer protections, and I think all of us on both sides of the aisle have that as a cornerstone. Crafting a durable regulatory framework that achieves this balance is iterative and requires extensive stakeholder feedback and engagement. Today, we will use this hearing to further strengthen the STABLE Act, incorporating the expert testimony of our witnesses to refine our bill's consumer protections and solidify the Federal and State pathways for both banks and non-banks.

Let me start and talk about banking engagement. In October 2020 and January 2021, the OCC under the Trump Administration clarified that banks can both issue stablecoins and hold stablecoin reserves. Then just a few months later in November 2021, the OCC, the Comptroller of the Currency Office, under the Biden Administration, stated that these activities could only be conducted by banks if they received a non-objection letter. Finally, just this past Friday, the Comptroller of the Currency has issued a statement indicating that banks under its supervision will no longer need permission to engage in certain digital asset-related activities. It is certainly my point of view why we need a regulatory framework so that we do not do this bouncing around.

Ms. Butler, you work at BNY Mellon. You are a descendant of Alexander Hamilton. Can you explain how the STABLE Act addresses this inconsistency by changing administration and alters these rules on banks' ability to engage here?

Ms. BUTLER. Thank you very much, Chairman, for your question. The STABLE Act gives us the clarity and certainty to know what we can actually perform in terms of activities for our clients, and that is absolutely incredibly important. In addition, the consistency of applying those same standards across the ecosystem so whilst we need the clarity as a bank to understand what activities we can perform. We need to know that the ecosystem we are performing those activities in is all players are meeting the same set of standards. That is going to be very important to ensure that there is a system of trust with regulatory oversight to ensure that we can protect the safety and soundness of financial markets.

Chairman HILL. You believe that the same kind of service deserves the same kind of regulatory treatment, whether it is a bank or a non-bank. Is that right?

Ms. BUTLER. Hundred percent, same service, same risk, same regulation.

Chairman HILL. Okay. Thank you very much. Let me turn to the topic of a State pathway, which has been a big issue over the last couple of years that we have talked about this. Throughout the 118th Congress, we took testimony on this, including from Superintendent Harris of the New York Department of Financial Services, about that balance between State and Federal oversight. Any framework for payment stablecoins should build on the well-established dual banking system that many of you have talked about. Mr. Guynn, can you describe some of the benefits that the dual

banking system has brought the U.S. financial system, and explain how our framework attempts to replicate that for stablecoin?

Mr. GUYNN. Certainly. I think the dual banking system has allowed banks to function as 50 laboratories for innovation. I think that is the most important function they have played. The Federal Government has often set minimum standards for banking, but they have not created a comprehensive Federal framework, so the banks are regulated both by Federal and State laws. The regulatory framework in the STABLE Act is virtually identical to the framework for the dual banking system, with two exceptions. First, the STABLE Act establishes a single Federal regulatory framework in 4(a) that applies to all Federal-qualified and State-qualified payment stablecoin issuers, and the alternative State-level framework has to meet the standards or be stronger than the standards in 4(a). It is different in the sense that it actually creates a comprehensive Federal floor.

Chairman HILL. Some have argued this is a race to the bottom, and you believe that Federal floor would prevent that. Is that your view?

Mr. GUYNN. Yes, I do not see how there could be a race to the bottom because any State regulator who is applying the STABLE Act would have to either comply with the Federal standards in 4(a) or standards that meet or exceed those standards.

Chairman HILL. Yes, and, Mr. Cascarilla, you have dealt with this for years because of your work in New York. Would you say that the STABLE Act is somehow light-touch regulation, or do you think it strikes the balance that is important to have a high standard, but you preserve your right to work in the State of New York, for example?

Mr. CASCARILLA. Today, we are the only prudentially regulated issuer of stablecoins, at least in New York. Sorry, I should say New York State is the only place where you can prudentially issue stablecoins, and I think that is important to preserve. It creates a laboratory for innovation, as Randy was pointing out, but also, having a Federal floor is actually going to create a consistency across the entire country and I think actually on a global basis. I think it would be actually a race to the top of meeting the same set of standards, which is the right way to operate, and if everyone meets those standards, you are in the right—

Chairman HILL. Thanks so much, and I thank our panel. I now call on my friend, the ranking member, for 5 minutes of questions.

Ms. WATERS. Thank you very much, Mr. Chairman. Ms. House, in the 117th Congress, I reached across the aisle to work with the then Ranking Member McHenry, and led years of negotiations with Treasury, the Federal Reserve, and other stakeholders to establish the first of its kind bipartisan stablecoin legislation. Unlike the Republican bill posted for this hearing, our bill creates a strong regulatory framework that supports the responsible innovation with Federal oversight, along with the role for States. My bill includes appropriate supervision authority, including for third-party vendors, along with civil and criminal penalties for violations, language to address overseas threats, like from Tether, and a ban on convicted individuals, like Sam Bankman-Fried.

In your testimony, you said, "In the wake of serious national security threats, like billion-dollar hacks by rogue nations, growing integration of cryptocurrency as a tool for transnational organized crime, market manipulation and fraud that can threaten system integrity and stability, as well as pressure from adversarial nations seeking to develop and leverage alternative payment systems to weaken and circumvent the dollar, it is clear that strong safeguards, including for U.S. competitors, are needed." Do you stand by that? Why is what you are telling us so important?

Ms. HOUSE. Yes, ma'am, it is entirely necessary. I think we all would find that totally acceptable for the Nation's greatest threats to us, which often are on the other end of our sanctions, to be able to leverage the U.S. dollar and to get access to the U.S. system. Yet, that is happening in U.S. dollar-denominated stablecoins. So many of the protections, like what you just mentioned on extraterritorial application, are needed in order for us to make sure that our adversaries are not exploiting our system.

Ms. WATERS. Thank you very much. I think enough is going to be said here today to see the difference between what Mr. McHenry and I was trying to do and what this bill does not do, but I want to jump over to something a little beyond stablecoins. When Trump first issued his meme coin 3 days before his inauguration, I expressed my deep concern. I warned that this raised major conflicts of interest, national security risks for the country, and left consumers vulnerable to rug pulls, market manipulation, and more. Unfortunately, that has happened. Can you quickly tell everybody what a rug pull is and how it works?

Ms. HOUSE. Sure. With limited time, just, basically, when people are trying to hype up and get people to invest in an asset and making a broader promise, and then ultimately pulling out your investments in the assets. Ultimately, that ends up normally crashing the market value.

Ms. WATERS. Well, I expressed my deep concern, and I warned that this raised major conflicts of interest, national security risks for the country, and left consumers vulnerable to these rug pulls, market manipulation, and more. Unfortunately, that is just what happened. President Trump's insiders reportedly earned a staggering \$350 million from sales and fees in the 3 weeks after his meme coin was launched. While Trump ran away with his money, reports show that a far larger number of investors lost more than \$2 billion after the meme coin crashed. Meanwhile, a Republican-led Securities Exchange Committee (SEC) has conveniently stated that meme coins are not subject to their regulatory oversight.

With that, I want to just say to this committee and to everybody else, whenever you see this side and that side get together to work on something, that is significant and that is important. You cannot just erase the fact that Mr. McHenry and I put together stablecoins with the kind of guardrails that would avoid consumers from being ripped off. Now, I cannot understand why anybody on either side of the aisle would ignore all of this and a new SEC led by someone who does not believe in guardrails would continue to go down this road. We are not just talking about what you have advised us about. We are talking about the way that these meme coins are put together and the rug pulls. Those insiders, who know what they

are doing, invest all of that money up front, and then after it grows, they pull it out, and the stupid people who thought they were investing in something lose everything. Why does everybody not just understand that? I yield back the balance of my time.

Chairman HILL. The ranking member yields back. The chair recognizes the gentleman from Oklahoma, Mr. Lucas, the Chair of the Task Force on Monetary Policy, for 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman, and thank you to our witnesses for testifying today. I want to first focus on central bank digital currencies. As one of the few remaining Members of Congress who were on the Dodd-Frank Conference Committee, I am especially sensitive to expanding the authorities and reach of the Federal Reserve. We have seen the way partisan politics creeps into the supervision and regulation of our financial systems when we allow unaccountable agencies to look over our shoulder. As Chairman of the Task Force on Monetary Policy, Treasury Market Resilience, and Economic Prosperity, I have spent a lot of time talking about the Federal Reserve System becoming more partisan, and I expect to continue that dialog through our work on the task force. My view is to maintain the Fed's independence on monetary policy; we must hold the Fed accountable when they overreach on the regulatory proposals.

Mr. Guynn, do you think a U.S. CBDC would lead to further polarization of the Fed, and how could increased authority, like the issuing of a U.S. CBDC, be abused by political partisans?

Mr. GUYNN. Thank you. I wish I could answer no to your question, but Operation Choke Point 1 and 2 have taught me that, unfortunately, I must say, yes, there is a possibility that it would increase the politicization of the Federal Reserve. A CBDC would give the Federal Reserve staff a direct window into virtually every transaction every person in America makes, and at least one of them will not be able to resist the temptation to use that information to promote what they consider to be worthy political goals. I think the real dangers have been outlined before by Norbert Michel of Cato Institute, which is there is a potential threat to financial privacy, to core freedom, and actually to financial stability, because if you have a CBDC in times of stress and if it is available to retail investors, then they will have a temptation to pull money out of the banking system and move it into CBDC.

Mr. LUCAS. We pride ourselves in the United States, and rightfully so, on our global leadership and technological advances. In the case of stablecoins and digital assets, Congress' failure to put together a workable legal framework and regulatory environment is putting our financial firms and consumers at a tremendous disadvantage. Ms. Butler, why is it so important for us to catch up to the other jurisdictions on this, and what happens when we fall behind the United Kingdom and the European Union here?

Ms. BUTLER. Thank you very much, Congressman, for your question. As a global bank, we serve many different clients across over 100 markets, and it is imperative that we are able to use the latest and greatest technologies to meet the needs of our clients. The United States has been the world's economic leader and leader in innovation, and it is imperative to be able to take the new technologies and apply them to the needs that are in the market. It is

very important to protect the U.S. dollar. The U.S. dollar is our largest currency for trade. A stablecoin is just a representation of that dollar on a blockchain, but the blockchain enables the dollar to be used more because of the benefits the blockchain can yield.

Mr. LUCAS. Around the world, we can see CBDC is being abused by central banks, and we cannot let that happen here at home. That is why I am a proud co-sponsor of Mr. Emmer's CBDC Anti-Surveillance State Act. Mr. Cascarilla, Mr. Emmer's bill would prevent the Federal Government from surveying and restricting American spending habits through a CBDC. In your view, what is the risk of failing to pass a bill with these protections?

Mr. CASCARILLA. I think the key point with the CBDC is that it is creating a competitor to the private sector. Right now, we are at a stage in the market where you need to have as much innovation as possible, and we need to have stablecoins become as broadly adopted as possible for the benefit of the United States and for the U.S. people.

Mr. LUCAS. In my remaining time, Mr. Collison, could you discuss the potential impacts of stablecoins on financial innovation and why it is important for consumers in my district to have access to these technologies?

Mr. COLLISON. Stablecoins make money movement faster, cheaper, and more programmable, creating entirely new kinds of financial applications, and we have been very struck from our Stripe vantage point about how this adoption is already occurring. I think it is important to emphasize it is not speculative. We see it today.

Mr. LUCAS. My time has expired. I yield back, Mr. Chairman.

Chairman HILL. Thank you, sir. The chair recognizes Ms. Velázquez, the Ranking Member of the Small Business Committee, for 5 minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman, and let me start off by thanking you for holding this very important hearing. We need to have a serious discussion about the future of stablecoins and the use of digital assets in our country, and I think to do that, we need to discuss the broader context and the environment in which we are holding this hearing.

Since being sworn in as President, President Trump has sought to hand control of our financial system to the richest men in the world, a man who spent millions of dollars to get Republicans elected. Elon Musk and Department of Government Efficiency (DOGE) have sought to destroy the Consumer Financial Protection Bureau (CFPB), gain access to the Treasury Department's payment system, and froze rulemakings, litigation, and enforcement actions, not to mention firing or laying off thousands of Federal employees. Many of whom perform critical oversight roles in the regulators we are discussing here today. Now Elon Musk is working to transform X.com into a virtual wallet and payment system, and according to media reports, has ambitions to create his own stablecoin. Ms. House, as we sit here today discussing the merits of stablecoin legislation and what is likely to be a broader discussion on digital asset legislation later this Congress, do you think it is important for us to keep this broader context in mind?

Ms. HOUSE. Yes, absolutely, Congresswoman. When we have the privilege and honor of serving in office and for the government, we

have a sacred duty to maintain the public trust and to ensure that our activities are there. It is why there are so many clear protections, like things of conflicts of interest, so it makes sense to keep that context certainly in mind.

Ms. VELÁZQUEZ. Thank you, and, Ms. House, CBDCs are official government-issued stablecoins that operate with all the protections and rules of their traditional counterpart. Private stablecoin issuers do not like them because they are a threat to their issuances. They hide this fact by arguing behind things like government control and infringement on individuals' right to privacy. Ironically, one of the bills we are discussing here this morning bans CBDC experimentation in the name of privacy. Yet, as you correctly pointed out, the bill does nothing to address privacy issues presented by private crypto companies. Can you explain your statement? What privacy concerns do you think need to be further addressed in this proposal?

Ms. HOUSE. Thank you, Congresswoman, for the question. I appreciate this point since I wanted to underscore that the U.S. Treasury, the Federal Reserve, the prior White House, and then it looks like this Congress have all agreed, in fact, that the Federal Reserve does not have the authority to issue a CBDC. The legal necessity of the legislation on banning issuance of a retail CBDC remains in question to me but thank you for highlighting the broader issues on privacy. There is no reference to broader issues of just general privacy legislation that is still needed, as well as what the privacy implications are certainly for publishing transactions on a public unobscured ledger that present risks to consumers.

Ms. VELÁZQUEZ. Thank you. Ms. Butler, in your testimony, you highlight that BNY performs custody services for stablecoin issuers in accordance with regulations guided at both the State and Federal level. How does the current participation of banks in stablecoin arrangements facilitate broader trust and reduce risk in the financial system, particularly compared to nonbank participants?

Ms. BUTLER. Thank you very much for that question, Congresswoman. We do indeed custody the reserve assets, and we do so in accordance with our longstanding custody practice. We have been providing custody for decades, \$52 trillion worth of custody, and we apply the same customer and asset protections to the reserve custodian work that we do to the traditional side. It is effectively the same custody we provide, and we take all of the protections and apply it as well. What is very important for the ecosystem is to make sure that with banks that are providing custody, there is implicit trust and confidence in the ecosystem that clients' assets are indeed protected and protected according to Federal legislation and regulation.

Ms. VELÁZQUEZ. Thank you, and I yield back, Mr. Chairman.

Chairman HILL. The gentlewoman yields back. The gentleman from Michigan, the Vice Chairman of the House Financial Services Committee, Mr. Huizenga, is recognized for 5 minutes.

Mr. HUIZENGA. Thank you, Chairman Hill, and good to see many of you again. I do want to note, Mr. Collison, I know your dad is back there and I am sure he is very proud. I had a chance, actually, to be at your headquarters out in San Francisco a number of

years ago pre-coronavirus disease (COVID), met with your brother, John, in his opulent office. He is laughing because he knows what I mean. If you have not been there, it is a cafeteria. That is their opulent office space, but it was great. My tribe happens to hail from Cork, a little further down, I think, the coast from the two of you. With a Dutch name, it throws everybody off, but it is the season to see some good Irishmen around.

Mr. Chairman, as you know and as everybody knows, stablecoins hold immense potential, and I think you have seen a little bit of that getting talked down on the other side by some. As you all have demonstrated, the capacity to simplify our payment system is going to be huge. I have been bouncing back and forth. I also sit on the Foreign Affairs Committee, where I am doing a review of Bureau of Industry and Security (BIS) and where chips are and where artificial intelligence (AI) is going. It terrifies me and fascinates me every time I get a briefing, but this is where the rubber is hitting the road, and I just applaud you all.

Obviously, we have seen President Trump's actions, Secretary Bessent, the crypto czar, Mr. Sacks, and others. I think there is a moment for us here in Congress now to act. As legislators, it is ultimately up to us to provide the regulatory clarity needed to ensure that the U.S. dollar remains the dominant reserve currency, and I believe stablecoins can do that. I want to start by just setting the stage, and this question is for all of the witnesses very briefly. Ms. Butler, let us start with you. Please highlight one aspect of the proposals that you have seen that you think hits the mark.

Ms. BUTLER. Thank you very much for your question. I would say asset segregation. This is the foundational principle of custody, and it needs to be preserved at all times, never co-mingling client assets with firm assets. We need to make sure that it is preserved in the digital ecosystem as well as the traditional ecosystem.

Mr. HUIZENGA. All right. Mr. Cascarilla?

Mr. CASCARILLA. I agree. I think the most important thing is to make sure that a dollar is always a dollar. The way you can do that is by having legal protections on how the assets are held, which is why holding assets in a trust and a custodian are important. Second is making sure the assets cannot fluctuate in price, which is about having a very clear set of guidelines of what is investable. That allows a dollar to be a dollar and really, therefore, gives everyone confidence to use this in everyday commerce all over the world.

Mr. HUIZENGA. Okay. Mr. Collison.

Mr. COLLISON. My answer would have been the same as these two witnesses, but for the sake of variety, I will say—

Mr. HUIZENGA. I am good with a good theme. That is all right, but, yes, give us a little spice.

Mr. COLLISON. Having a viable State-based framework as the laboratory for innovation, I think is very helpful.

Mr. HUIZENGA. You said State-based as well?

Mr. COLLISON. Yes, in addition.

Mr. HUIZENGA. Yes. Mr. Guynn.

Mr. GUYNN. I think if the goal to become truly accepted as money, stablecoins need to become no questions asked money. That is sort of the standard that economists have developed recently,

and I think there are three aspects of the STABLE Act that actually should help stablecoins achieve that: the 100 percent reserve requirement, the properly calibrated capital requirement, and the restriction on activities that would prevent it from having any material amount of other liabilities other than stablecoin liabilities.

Mr. HUIZENGA. Ms. House, what do you think is hitting the mark?

Ms. HOUSE. Great. I totally agree that with the measures that are in there, the ones, like the one-to-one reserve requirement and the restriction on rehypothecation of assets, is absolutely fundamental. As a cyber nerd, I will say the reference to cybersecurity protection is also very much appreciated.

Mr. HUIZENGA. Okay. In the discussion draft of the STABLE Act, payment stablecoin issuers are permitted to issue stablecoins through a subsidiary. Mr. Guynn, what are the pros and cons, really quickly, on requiring issuance of that subsidiary?

Mr. GUYNN. Yes, so they are mostly pros, but I think the most important thing is it is very easy to match up the reserve with the stablecoin liabilities. If you actually were to issue stablecoins out of an entity that is engaged in a whole variety of activities, it would be very difficult. Particularly if the issuer were an insured depository institution, because there are depositor preference rules that give depositors preference over, say, a stablecoin holder, and there are also restrictions on securing liabilities for the insured depository institution.

Mr. HUIZENGA. Okay. I would love to have more time, but yes or no from each one of you. Markets in Crypto-Assets regulation (MiCA) is now the law of the land in EU countries. Should we be following their lead? Ms. Butler.

Ms. BUTLER. We should be following the lead in the sense of giving clear guidelines as to what can be done.

Mr. HUIZENGA. Their structure—

Ms. BUTLER. We should engage the private space, like we are doing, and ensure that we take the best of the rules that are in MiCA and apply them here.

Mr. HUIZENGA. Okay. I have run out of time. That was a very good political answer, but I will follow up in writing with everyone. Thank you very much.

Chairman HILL. We invite everybody to answer the question in writing.

[The information referred to was not received prior to printing.]

Chairman HILL. Now we will turn to the gentleman from California, Mr. Sherman, the Ranking Member of the Capital Markets Subcommittee, for 5 minutes.

Mr. SHERMAN. Article I, Section 10, Clause 1 of the U.S. Constitution, “Congress shall have the power to coin money and regulate the value thereof,” so the Constitution says coining money is supposed to be done by the Federal Government. Now the private sector gets in and comes before Congress and says is not it outrageous that the Federal Government is competing with us, and we have to hamstring them and make sure they cannot compete with us effectively. This would be like saying that now you can say that the Federal Government is supposed to coin money, so it cannot be electronic. That would be like saying that the Federal Government

can only build roads designed for horses and buggies and that we should have private toll roads for automobiles.

Mr. Guynn, I think you made the point very well. You said it is unfair to have a CDBG because it is too reliable, it is too secure, and in times of stress, that is where people will put their money. Then we are told, oh, but we are going to have privacy. Yes, Sam Bankman-Fried and Elon Musk are going to know every damn trade, every transaction I engage in, then they are going to sell that information to anybody who wants it, and then we are going to pass some loophole written law to say they cannot do it. They will just do it overseas. The idea that you are going to have privacy by giving the crypto bros all the information and letting them sell it to anybody they want, there is only one advantage of the coins we are talking about, stablecoins, and that is the crypto bros can make money from it. The goal of this hearing is to make sure that we do not have any competition from Section 10 of Article I.

This is about the 400th hearing we have had on promoting cryptocurrency. We have not had a single witness come and tell us and make the case that we just simply should not have the cryptocurrency. We are told, if you invest in America and build jobs by investing in common stocks, your broker will send a Form 1099-A, and you will have to pay taxes on your gains. Then this Congress says, invest in crypto, create no jobs, except the jobs moving money around in crypto, not a single manufacturing job, and you pay no taxes.

Ms. House, Zelle, is an electronic system. Unfortunately, for some people, it is not really good for tax evaders or people trying to hide their money from their former spouse. It is free. Our other witness has a system that is similar. They charge 2.9 percent at Stripe. Other than concealing assets from the government and former spouses, why would somebody go with a 2.9 percent fee rather than a Zelle, which is free?

Ms. HOUSE. Not knowing some of the specifics of Zelle since I am not a user, I think that there is interest in some of the broader, like, marketplace applications, where stablecoin is. Honestly, since most stablecoin activity is happening in trading, that is really where Zelle is not settling trading activity on crypto.

Mr. SHERMAN. Okay. I have to make just one other point. Mr. Cascarilla tells us that people have iPhones, and they are unbanked, and we are going to get them banked, so the best way to get them banked is to have a CDBG. You want to prohibit that. Then it is talking as if CDBG would be mandatory. Why not just have one more competitor? Some people will want Elon Musk to know about their transactions and will trust him, and some will want to trust the Federal Government. We want to deny them the choice because anything that prevents Elon from making a profit, anything that prevents the crypto world from making a profit must be snuffed out no matter how useful it is to consumers. Okay. What could go wrong? I think Sam Bankman-Fried illustrated that to us.

Ms. House, you have laid out in your testimony the protections we could have for Know Your Customer and anti-money laundering. I guarantee that the industry will block all of those that are effective because this industry cannot compete against the dollar unless it has an advantage, and that advantage is not that it is

electronic because even Zelle is electronic. They are trying to snuff out a CDBG, which will be electronic. They can only compete for the tax evasion and spouse avoidance.

Chairman HILL. The gentleman's time has expired.

Mr. SHERMAN. I yield back.

Chairman HILL. The gentleman from Kentucky, Mr. Barr, the Chairman of the Financial Institution Subcommittee, is recognized for 5 minutes.

Mr. BARR. Mr. Guynn, let us just start with Mr. Sherman's concern that the STABLE Act might be inconsistent with Congress' power to coin money. Can you set the record straight about why the STABLE Act is consistent with Article I, Section 8 and Section 10 of the Constitution?

Mr. GUYNN. For over 250 years or so, close to 250 years, States have chartered banks to issue private money in the form, first, of paper money, and second, as demand deposit claims. In fact, as I mentioned earlier in my testimony, that private money accounts for anywhere between 80 and 90 percent of the U.S. money supply, be it coins, the paper money, the claims against the Fed actually only account for a small fraction of it.

Mr. BARR. Thank you for setting the record straight there. I totally agree with Mr. Cascarilla's point that stablecoins are a national security imperative for the United States, not only to modernize our financial system, but ensure the maintenance of the dollar's dominance, not just against bitcoins or digital currencies, cryptocurrencies, but also CBDCs that are competitors, potentially, to the dollar, the digital yuan, for example. I do care about banks, and I care about the economic growth that is sourced from our banks, and I think of community banks in Kentucky and the deposit base that is used to then extend loans. Some of the community bankers out there expressed concern about CBDCs and maybe even payment stablecoins in terms of the risk of eroding the deposit base. Ms. Butler, how might stablecoins issued under the STABLE Act be different than a central bank digital currency in terms of eroding or the potential to erode the deposit base?

Ms. BUTLER. Thank you very much, Congressman, for that question. I think there are a couple of reasons. First, there is consistency of applying the same set of standards across the ecosystem. Whether you are banks or nonbanks or the size of a bank, you can actually participate in the ecosystem with clarity of what you can and cannot do. That is super important. Second, the asset protection rules that are proposed in the legislation are very important to protect that safety and soundness of the ecosystem, including the customer protections, AML, BSA. We are committed to making sure that those are always protected at all times, carrying over what we do in the traditional financial system into the digital financial ecosystem, and then finally allowing innovation to grow with the competitiveness at the backbone, right? That is how markets thrive when you have competitive solutions coming to the market.

Mr. BARR. Ms. Butler, what role do you see banks actually playing in the payment stablecoin ecosystem under the STABLE Act?

Ms. BUTLER. Thank you very much. We see ourselves performing a very similar role to what we do today, providing trust and con-

fidence in the ecosystem and enabling our clients' needs to be met by a variety of different payment rails. Today, we offer a variety of payment rails. This is a new mechanism for payment and will continue to evolve payment rails as technologies evolve.

Mr. BARR. Mr. Guynn, another question for you. Last Friday, the OCC rescinded OCC Interpretive Letter 1179, which required OCC charter banks to receive supervisory non-objection before engaging in digital-asset-related activities, including payment stablecoins. In addition, the OCC withdrew from two interagency statements as they applied to national banks and Federal savings associations, the joint statement on crypto asset risks to banking organizations and the joint statement on liquidity risks to banking organizations resulting from crypto asset market vulnerabilities. Mr. Guynn, what do these actions mean for the banking system?

Mr. GUYNN. This means that the banks can now, without uncertainty, act as custodians, act as service providers, act as issuers of stablecoins, which I think is a good thing. In my view, it should never have been put on hold, and it is a good thing, and it is a good experimentation. The OCC is a perfectly competent regulator to manage and supervise the risks of those activities.

Mr. BARR. What other actions could both regulators and Congress take to ensure that banks have the clarity necessary to engage with the digital asset ecosystem while maintaining compliance with other bank related laws?

Mr. GUYNN. I think they could do something very simple. They could issue a regulation that says that acting as an agent or principal with respect to digital assets, including stablecoins, is financial in nature for purposes of the Bank Holding Company Act.

Mr. BARR. As you see from my questions, I think that the STABLE Act is a very important step in the right direction, and I think banks can participate in the stablecoin ecosystem in a way that fosters innovation and includes banks in this process. With that, I yield.

Chairman HILL. The gentleman yields. The gentleman from New York, Mr. MEEKS, the Ranking Member on the House Foreign Affairs Committee, is recognized for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman. Let me start out with Ms. Butler. There has been a lot of concern about debanking crypto companies, with mixed messaging from the Federal regulators on how traditional finance can integrate with and provide essential services to the crypto industry. Bank of New York is a New York State-chartered bank that has been actively working with crypto companies. This has been facilitated by clear guidance to banks from the New York's Department of Financial Services and has led to a vibrant crypto ecosystem in New York for crypto companies and traditional financial institutions. New York's leadership here demonstrates the importance of a strong State pathway for stablecoin regulation. Can you talk about the importance of working with the New York's DFS in building a strong, well-regulated crypto ecosystem in New York?

Ms. BUTLER. Thank you very much, Congressman, for your question. We work very closely with the New York DFS and with all our regulators. Given the evolving nature of this space, it is very important to have that very engaged dialog on a continuous basis,

to ensure that, again, we know the clarity that we can operate in. As these rules evolve and as the ecosystem evolve, we can make sure that there is a two-way communication. Clear and consistent framework across the entire ecosystem needs to be upheld at all times, and it needs to not be whether you choose a State pathway or whether you choose a Federal pathway. We need to have consistency at the Federal level for our regulations and our legislation so that we can ensure the integrity of the entire ecosystem and all players are meeting the high standard.

Mr. MEEKS. Thanks for that. Let me go to Mr. Cascarilla. You spoke about Paxos' history with the New York State DFS in your testimony. What do you see as the advantages of State regulation as a stablecoin issuer?

Mr. CASCARILLA. Thank you, Congressman, for the question. The New York DFS was the first regulator in the world to approve the issuance of a regulated stablecoin, and I think that underscores the importance of having a State pathway that allows innovation to happen and continue to happen. In fact, the regulations and the framework that the DFS has constructed have been, I think, the cornerstone for a number of regulators around the world as they have built their frameworks. I think that really shows how important it is for the States to be able to lead. If we did not have New York leading, today there would not be a prudentially regulated stablecoin issued from the United States.

Mr. MEEKS. I, like many of my colleagues, have concerns about the use of stablecoins and other digital assets by illicit actors. I appreciate that you and I have had the opportunity to discuss the importance of including strong illicit financing protections in any stablecoin bill that becomes law. What is your perspective on where the greatest risks are, and how should we think about addressing them?

Mr. CASCARILLA. I think it is very important to make sure that there are bank standards, which today, Paxos adheres to, for AML, KYC, and BSA. The last thing we want is for anybody to use these products illegally. I think, also, this new technology creates new tools, so there has to be new frameworks. There has to be new ways to be able to understand how assets are being utilized, and on the one hand, we will create new ways for people to have access to this, which is important. On the other hand, it could create new ways for people to use it illegally. With the right types of protections and the right types of banks like standards for knowing your customer, I think you can have a framework that allows you to marry both the risks and the rewards in the right way.

Mr. MEEKS. Let me also, with the time I have left, go to Mr. Collison. We talk a lot about stablecoins here in a theoretical sense, but the practical, real-world applications for everyday people are often overlooked, in my opinion. From your perspective, how can stablecoins broaden access to essential financial services for communities, both domestically and internationally, particularly in underserved regions and in countries experiencing severe currency volatility?

Mr. COLLISON. Yes. I think there are extensive applications here in the United States where many forms of payment are slow and expensive. Dan Awrey, a professor at Columbia, describes the U.S.'

payment system as the most expensive in the G20. Even more importantly, internationally, precisely as you point out, a very large fraction of the world's population lives in a country with a significantly unstable or inflationary currency, and providing those who have access to, one, a stable reserve currency, that is to say the dollar, but then second, the ability to engage on a level playing field in the world financial system is a huge deal for them.

Mr. MEEKS. Thank you. My time has expired.

Chairman HILL. The gentleman yields back. The Chairman of the Small Business Committee, Mr. Williams of Texas, is recognized for 5 minutes.

Mr. WILLIAMS of Texas. Thank you, Mr. Chairman. Chinese involvement in digital assets and the blockchain could raise serious national security concerns for the United States, and blockchain technology has the potential to revolutionize various industries like finance, supply chains, and infrastructure. If China gains a competitive advantage over the United States, it could have leverage over economic, national security interests through surveillance and cyberattacks. It is key to maintain U.S. dominance and keep bad actors from jeopardizing our national security. Mr. Cascarilla, would you describe the consequences of stablecoins being primary denominated in the Chinese and not the U.S. dollar?

Mr. CASCARILLA. I think, fortunately, right now, 98 percent of transactions that are happening in the crypto-related space are happening against U.S. dollars. Of course, that does not always need to be the case in the future, and if the United States has not set a clear framework, that does open up the possibility for other nations and other types of currencies to gain not just a foothold, but even a predominance, which, of course, would be problematic for the United States.

Mr. WILLIAMS of Texas. All right. Stablecoins are becoming extremely popular in the payments network and are operating on the decentralized network, giving users a degree of financial freedom. Whereas a central bank digital currency gives the government more control over private citizens' transactions, and can lead to increased consequences with privacy, supervision, and overall financial freedom. We must allow for more innovation in the digital payments world, not constructing growth with a central bank for digital currency. Mr. Collison, does Stripe have any examples of customers using Stripe's stablecoin orchestration platform to break free from authoritarian governments or deflationary national currencies?

Mr. COLLISON. Thanks for the question. We see many examples of this. I think of the comparison to the petrodollar system, where, starting back in the 1970s, the series of agreements with Gulf States created an enormous new source of secular demand for dollars. We are seeing the same thing happening today in emerging markets, where people are taking enthusiastic advantage of this new liberty and this new capability where they can hold dollars and they can, again, get direct access to the world's preeminent reserve currency. I think this is a really big deal for double liberty and for double prosperity.

Mr. WILLIAMS of Texas. Quickly, this committee feels strongly that the interact of Federal regime for stablecoin issuers will ulti-

mately inhibit China's ability to control the space. We have seen countries around the world take action to establish national regimes for stablecoins. EU, Japan, U.K., Singapore have all taken steps to establish the regulatory framework for stablecoins' recognized potential to modernize payments and enhance financial. Mr. Collison, again quickly, as a global payments company, could you elaborate on how important it is for the United States to establish a Federal framework to maintain U.S. competitiveness?

Mr. COLLISON. I think this is important for two reasons. One, there are the practical benefits for American consumers and for American business today, and I think it is simply on those merits worth putting forth a formalized Federal framework that enables the stablecoin ecosystem here in the country, but then I think there is a second reason. I think this is what you are getting at that while it is the case that an overwhelming majority of transactions today are, in fact, denominated in dollars, and that is enormously to the U.S.' benefit, there is a risk that if the United States adopts a posture of discouraging and inhibiting stablecoin adoption, that the rest of the market will respond and adapt. Perhaps we are here in 5 years and the preeminent stablecoin currency is euros or renminbi or some other global currency, and I think that would be to the U.S.' detriment.

Mr. WILLIAMS of Texas. Mr. Chairman, I yield my time back.

Chairman HILL. The gentleman yields back. The chair recognizes the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. SCOTT. Thank you very much, Mr. Chairman. First of all, let me say, I totally agree with Ms. Waters. She gave a brilliant opening statement, and I hope everybody heard that. It was plain. It was clear.

First of all, I did a little research. Stablecoins are often promoted as safe, but they are not. For example, the stablecoin, Beanstalk, suffered a heist in which attackers manipulated governance mechanisms, and they stole \$182 million in crypto assets. Another Bridge hack resulted in a theft of \$320 million. You think that is safety? Here is another one: in 2023, Curve Finance, which is a major platform with exposure to multiple stablecoins, fell victim to a vulnerability that led to tens of millions of dollars in losses due to an exploit in its smart contract. Do you all know this? Now, Ms. House, am I scoring some points here?

Ms. HOUSE. Yes.

Mr. SCOTT. How in the world can we say they are safe when we are losing all of the millions of dollars? My first question is, given these vulnerabilities, what regulatory frameworks can be applied to protect consumers and financial stability in the face of ongoing stablecoin heists losing millions of dollars in our economy?

Ms. HOUSE. Yes, Congressman. Thank you for the question. This was a critical issue in priority, certainly at the National Security Council, also seeing hundreds of millions and billions being stolen by illicit actors and, in some cases, nation-states who were fueling their proliferation activities with these heists. One of the most critical things that is being exploited specifically in these heists is poor cybersecurity. Many of these heists are being exploited because of poor key management and, basically, just basic information security practices not being put in place in some cases, and there has

not been enough of a focus in organization around standards and security. The prudential protections, largely the ones that I outlined earlier, and which are present in the McHenry-Waters Bill in a more fulsome way, I think will help to reinforce some of the security measures and protections that need to get put in place to defend against these exploits.

Mr. SCOTT. Let me ask you this. Should the United States consider requiring stablecoin issuers to hold fully audited reserves at insured banks to prevent castigating risk in the event of a breach?

Ms. HOUSE. Roger, yes, Congressman. I do believe that the full reserve holdings are critical, and I am glad to see that being reflected across several pieces of proposed legislation.

Mr. SCOTT. How can Federal agencies ensure that stablecoin issuers adopt industries' best practices in cybersecurity and risk mitigation?

Ms. HOUSE. Great. The first would be to ensure that Federal agencies have a line of sight for oversight on especially systemically important and very large stablecoin actors that will serve as very high-value targets and have the responsibility to custody many of these assets, so making sure that, at least on some of those critical components, that there is the Federal arm of oversight. Beyond that, I do think that there are work-like standards, that there is an absence, to a certain extent, of standards. Decentralized communities have a tougher time organizing, so I think that some prompting and encouragement from the government side to help to identify where certain vulnerabilities are being exploited and also to create new standards that are bespoke and unique to the blockchain space.

Mr. SCOTT. Well, let us hope you are right, and thank you for your excellent testimony. Thank you very much.

Chairman HILL. The gentleman yields back. The chair recognizes the distinguished Republican Whip of the House, Mr. Emmer of Minnesota, who is also the author of the Anti-CBDC Surveillance Act, is recognized for 5 minutes.

Mr. EMMER. Thank you, Mr. Chairman. Thanks for those words and for holding this important hearing today to study the promises of stablecoin technology to unlock economic efficiencies and the risks of central bank digital currencies to our privacy and freedom. I appreciate the committee's efforts to incorporate my feedback into the stablecoin bill over the past several Congresses, and I am grateful to this committee for noticing my bill, the Anti-CBDC Surveillance State Act, in this hearing today.

The bill is simple. It halts the efforts of unelected bureaucrats from ever issuing a central bank digital currency that could upend the American way of life. This bill has the support of over a 100 Members of Congress and groups ranging from the Independent Community Bankers Association and the American Bankers Association to Club for Growth, Heritage Action, and the Blockchain Association. CBDC technology is inherently un-American, and I am grateful to President Trump for understanding this and signing an executive order banning CBDCs as one of his first actions as President. My bill would codify the executive order into law and prevent a future administration from creating such an obvious tool for financial surveillance against its own citizens.

Great to see you, Mr. Cascarilla. Proponents of the U.S. central bank digital currency often cite global competition and the race to extend the dollar status as the world's reserve currency as promises of a CBDC. Do you think there is anything a potential U.S. CBDC could accomplish that a privately issued stablecoin cannot?

Mr. CASCARILLA. Thank you for the question, Congressman Emmer. I do not think so. I think, historically, innovation in the United States, in both technology and in the financial services landscape, has come from the private sector, and I think that is what we should continue to embrace. I think that is what the bill would enable.

Mr. EMMER. Well, speaking of stablecoins, Section 15 of the STABLE Act, the proposed legislation, requires Federal regulators to create and implement reciprocal agreements between the United States jurisdiction and jurisdictions with substantially similar regulatory frameworks for dollar backed payment stablecoins. Can you explain the impact this section will have in extending the status of the dollar as the world's reserve currency?

Mr. CASCARILLA. Thank you. Yes, I think the important point is that everybody wants the dollar. The United States is, of course, the home of the dollar. We are exporting dollars or exporting American values. We want to make sure we have the same set of rules in the United States as we have around the world so that there is not some arbitrage that is possible to issue from another jurisdiction. By having that same set of rules that everyone has to meet in order to access the U.S. market, it will actually create a race to the top, not a race to the bottom.

Mr. EMMER. Thank you, Mr. Cascarilla. CBDCs introduce significant privacy risks and are fundamentally the antithesis of American values. On the other hand, this stablecoin bill can bring traditional finance on chain at a global scale while preserving privacy, individual sovereignty, and free market competitiveness. This underscores why we must prioritize pro-stablecoin legislation alongside anti-CBDC legislation. I want to thank Chairman Hill again, and especially for working with me on the anti-CBDC Surveillance State Act, both in this Congress now and in the last Congress. I would like to applaud the efforts of Representative Warren Davidson, Representative Andy Ogles, and former representative and a good friend of the chair and myself, Representative Alex Mooney, for their contributions to this text and for helping make it a stronger legislative proposal. I yield back the rest of my time.

Chairman HILL. I thank the gentleman. The gentleman yields back. The gentleman from Massachusetts, Mr. Lynch, the Ranking Member of the Digital Assets Financial Technology and Artificial Intelligence Subcommittee, is recognized for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman. Ms. House, currently, just a couple of stablecoins have about 90 percent of the market. Is that correct?

Ms. HOUSE. Yes, sir. Yes, Congressman.

Mr. LYNCH. Yes. This market is susceptible to concentration.

Ms. HOUSE. It does. Yes, Congressman.

Mr. LYNCH. Yes. We are looking at Meta. Meta has 3.9 billion subscribers across all its platforms, Instagram and WhatsApp, as well as Facebook, and Apple probably has a billion paid monthly

subscribers. What would be the impact if both those firms came in and just established stablecoins? What would happen to the competitiveness of the market here in stablecoins?

Ms. HOUSE. It is an interesting exercise. I think, first off, it depends on whether there is a regulatory framework that would help to enable competition and enable protection for some smaller players to come in. Without protections against it, I think that the potential for them to come in and leverage very, very large market shares with their devices and applications and others, it is possible that they could take over. Of course, without protections, there are still very major players, especially foreign operating ones, that have currently been operating without much transparency or customer protection that they will be coming up against.

Mr. LYNCH. Well, stablecoins operate a lot like deposits, so that would break down the separation between banking and commerce, would it not?

Ms. HOUSE. Yes, absolutely. That is also a major risk. If you start to conflate those and you do not have the kinds of protections that we do in the banking system, for good reasons, to divorce and separate banking and commerce, then that would present those major challenges as well.

Mr. LYNCH. Mr. Guynn, is that how you pronounce your name? I do not want to pronounce your name wrong.

Mr. GUYNN. Sorry, it is Guynn.

Mr. LYNCH. Guynn, I am sorry. First of all, thank you for your testimony. To all the panelists, you mentioned a couple of times that stablecoins should be as safe and as secure as Federal Deposit Insurance Corporation (FDIC)-insured deposits, but in the past several years, I sat up here and I saw the collapses. We have had at least 20 stablecoins just collapsed. We have had every single major stablecoin in the world depeg from the dollar. We watched as the Federal Reserve and FDIC had to go in and rescue Silicon Valley Bank. I mean, did that not happen?

Mr. GUYNN. It certainly did.

Mr. LYNCH. Yes, okay, because this is the first time any of you have said that happened. Look, the idea of scientific method is when you try something and it does not work, and it blows up and it causes people damage, you adjust and you develop improvements, but we keep doing the same thing over and over with stablecoins. They keep blowing up.

Mr. GUYNN. I do not think that is the case.

Mr. LYNCH. My time. Now we want to just expand that, and it just seems like it is inviting a disaster, I guarantee you. I read the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act over in the Senate. I am a little wary about anything called "genius" coming out of the U.S. Senate, but there were so many problems with that, and I am hopeful that my colleagues, Mr. Hill and others, will amend that vigorously because it had huge, huge problems. The other piece of this is stablecoins, especially if they offer interest. Do you support stablecoins that offer interest, that are actual deposits?

Mr. GUYNN. Are you asking me that question?

Mr. LYNCH. Yes. Yes.

Mr. GUYNN. I think if they had—

Mr. LYNCH. Yes or no. It is pretty clear, interest-bearing stablecoins.

Mr. GUYNN. I think it is yes if they have appropriately calibrated capital requirements.

Mr. LYNCH. Okay. That is what I was fearful of. Instead of traditional banks, here is the difference. Stablecoins, it is going to take deposits, and it is going to use those deposits as reserves, right? That is how this thing is going to work, and it is going to have to hold those for protection. A normal bank, traditional bank, would take those deposits and lend them out to small businesses, mortgages, and that type of activity. I am afraid it is going to siphon off a lot of the credit market, and we will be using those deposits to back the stablecoins to prevent disaster instead of putting that money to work. Ms. House, is that a legitimate concern?

Ms. HOUSE. I think the concerns are founded and why bipartisan legislation on a good regulatory framework is critical.

Mr. LYNCH. Thank you. I yield back. Thank you.

Mr. STEIL [presiding]. The gentleman yields back. The gentleman from Georgia, Mr. Loudermilk, is recognized.

Mr. LOUDERMILK. Thank you, Mr. Chairman. Thank you all for being here. This is a very timely discussion we are having. In fact, while you guys were giving your statement, I was meeting with some middle school students talking about financial markets. Obviously, these students, as I was Zooming into them, their eyes were glazed over, until I got to the point about digital assets. That is when they perked up and listened. Why? Because this is their age. This is the technological revolution they are growing up with, and either we fall way behind in technology, as we have in previous decades, or we try to keep up with it and we make the inevitable part of a viable free market system and our economy.

I would like to kind of follow up on the previous questions, Mr. Guynn. Both stablecoin depegging events and the 2008 Reserve Primary Fund crisis involved the loss of confidence in an asset that is supposed to maintain a stable value. When the Primary Reserve Fund broke the buck, it led to investor panic and liquidity crisis in money markets. Similarly, when stablecoin depegs, such as what we saw in Terra, United States dollar (USD) investors rushed to redeem, potentially destabilizing the markets. Mr. Guynn, can you compare and contrast the risks posed by these two events in terms of systemic impact and redemption dynamics?

Mr. GUYNN. Yes, definitely. The Reserve Primary Fund is a money market fund. They are not required to have capital requirements, and so when their assets fell below parity, basically, they had less than what they needed to redeem all the interest. Terra USD is an algorithmic stablecoin issuer, and so it did not have a 100 percent reserve with safe assets like would be required here, so that would not have been a payment stablecoin. Here, in contrast, the entities would have a 100 percent reserve requirement, they would have a properly calibrated capital requirement, and they would have restrictions on their non-stablecoin activities. Those three things make them fundamentally different from the Reserve Primary Fund, Terra USD, and the stablecoins that he was talking about earlier.

Mr. LOUDERMILK. Okay. Thank you. That is why I want to give you some time to actually respond to the question. follow up: while the types of assets that can be used to back stablecoins in the STABLE Act are recognized as highly liquid cash equivalents, it seems like there could be slight variations in the liquidity of these assets at times. At a high level, how would different asset mixes affect redemption mechanics during a mass redemption event, and how can we avoid liquidity mismatches?

Mr. GUYNN. I think the permitted assets now are very short-term. In fact, as I said in my opening statement, I think they are overly restrictive, but I do think that they need to have a duration of something like 6 months or something like that on an average basis. They need to be short term so they can be liquidated so that even if interest went up and their value went down, they could be liquidated pretty much at par or close to par. Then to the extent they are not exactly at par, instead of having the situation with the Reserve Primary Fund, they would have a capital buffer that would allow them to make up the difference.

Mr. LOUDERMILK. Okay, last question. The STABLE Act requires stablecoin issuers to periodically publish information on the reserves backing a stablecoin. Can you explain how this might mitigate risk related to mass redemption events?

Mr. GUYNN. Yes. Public disclosure is critically important to that and also to distinguish a payment stablecoin issued under this act and other stablecoins. As I said earlier, the goal is to structure payment stablecoins so that they are what economists call no questions asked money so you can have absolute confidence in them. I think that is what needs to be done, and I think that the STABLE Act should accomplish that.

Mr. LOUDERMILK. Okay. Thank you. Ms. Butler, for the few moments I have remaining, on Friday, Treasury Secretary Scott Bessent said that stablecoins would help ensure that the U.S. dollar remains the world's reserve currency. How would the demand for Treasuries created by the new stablecoin collateralization requirements affect the demand for U.S. dollars and U.S. dollar foreign exchange rates globally?

Ms. BUTLER. Thank you very much for the question. Given that U.S. Treasuries are actually one of the non-cash assets held in the reserve, it would stand to reason that as the demand for U.S. dollar represented on chain, i.e., a stablecoin, grows, that you would see the underlying reserve grow as well. That backbone of the global economy today, in terms of trust and security, being the U.S. Treasury, would continue to be there in the form of a U.S. stablecoin.

Mr. LOUDERMILK. Okay. Thank you. I yield back.

Mr. STEIL. The gentleman yields back. The gentleman from Missouri, Mr. Cleaver, the Ranking Member of the Housing and Insurance Subcommittee, is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman. Is there anyone here who does not believe that in 2008 the central focus of the economic collapse in our country had nothing to do with housing? [No response.]

Mr. CLEAVER. Is there anyone who believes that housing was the central fact?

Mr. GUYNN. I think it was housing combined with very leveraged investments in real estate.

Mr. CLEAVER. Okay. Everybody else agrees? Thank you. From the Ranking Member, Maxine Waters, and all the way down to me, we were here on the day that the Secretary of Treasury came in and told us that we were in a position where we had to act very quickly. We might have a worldwide depression, and I have come to believe over my career and life that experience is the very best teacher. The worst experience teaches us the best lessons, and that causes me to have great concern. There was a ProPublica article that came out recently, and over at U.S. Department of Housing & Urban Development (HUD), there were two officials who believed that HUD needs to start using cryptocurrency, and that was actually a meeting. They went into great detail on how this would function, and it would be a trial run, but would not this be just another unregulated security in the housing market? Anybody?

Mr. COLLISON. I will just briefly say that I think the dynamic you are highlighting actually relates to one of the reasons to be enthusiastic about stablecoins. Because of, and I think Mr. Guynn makes the points very clearly and well, the extremely tight controls about how stablecoin deposits can be managed, I think some of the duration mismatch and other fractional reserve-related risks in the financial system can be significantly mitigated.

Mr. CLEAVER. Okay. HUD now wants to start doing their funding through cryptocurrency.

Mr. COLLISON. I do not know anything about the HUD-specific dynamics.

Mr. CLEAVER. Well, they are. I mean, that is kind of a fact, and so I am concerned, just because of experience, and when you look at this sheet, you cannot see it, I do not think, but this is congressional intergovernmental relations staff. Right now, Ms. House, there is a move to shut down the CFPB, as I think everybody in the world knows, and their only job is protecting consumers. If ProPublica did not just make this up, and that HUD is planning on trying to respond to funding by giving them the funding through crypto, and we have all of these positions with HUD unfilled, deputy assistant secretary for congressional intergovernmental relations, congressional relations specialist, congressional relations specialist 1048, congressional relations specialist 10148. We are talking about cryptocurrency. We do not have a staff. They are trying to shut down the whole operation of CFPB. I mean, don't you think somebody is having a nervous breakdown? I mean, you do not have to tell me who is having a nervous breakdown.

Ms. HOUSE. Just to reinforce some of the issues that you have been highlighting about this, the need for us to make sure that we have strong consumer protections, and especially in a space like with stablecoins and other digital services, we are getting more and more reliant and interconnected with these digital services with even more data and more access and reach. Ultimately, what that demands is a stronger capacity to be able to protect consumers, so, ultimately, I do not think that it is wise to make arbitrary decisions to shut down things that are protecting consumers. If they want to drive more, like, effectiveness and efficiencies, there is the place to do it.

Mr. STEIL. The gentleman's time has expired.

Ms. HOUSE. Apologies.

Mr. STEIL. The gentleman's time has expired. The gentleman from Ohio, Mr. Davidson, Chair of the National Security, Illicit Finance, and International Financial Institutions Subcommittee, is recognized for 5 minutes.

Mr. DAVIDSON. I thank the Chairman. I thank our witnesses for your testimony and frankly, your work in the marketplace. It is inspiring, and I am glad we are finally here today to talk about important legislation protecting, frankly, the ability to transact in the United States, and let us just begin with first principles. In a State of nature, people can transact. The government is not the giver of the right to transact. Does anyone believe that? Do we believe permission to conduct a transaction is given to us by the government? [No response.]

Mr. DAVIDSON. Okay. No takers, so it is a private sector right. It is a natural right. In our country, that is kind of the way our country was founded, that we recognize our rights come from a Creator, that among them are life, liberty, and the pursuit of happiness, and the Constitution protects them.

We are in a period where there is a lot of debate about how much control should the government have over the transactions, and the market has moved on. Stablecoins are a thing. They are not as big as we think they should be because they are less than 10 percent of all the market capitalization of all digital assets right now, but they hold a lot of promise. For that reason, we are trying to get regulatory clarity beyond the State of New York and here across the Nation, and, frankly, with international agreements.

Mr. Cascarilla, I appreciate your recognition of how important it is to add the ability to recognize jurisdictions that do get it right. First, let me just start with cash because cash has been around for a long time, and you physically possess it in a permissionless way. You do not need permission from the government or even your bank to get it. Now it is almost illegal to get your own cash, but not entirely, right, and financial institutions have an interest in preserving the deposits. They want all the stuff deposited, but at the end of the day, so do the consumers. They want the deposit. Some portion they protect, and I think that is why self-custody is important.

Ms. Butler, you have done a lot of work in custody of all sorts. How important is it for a permissionless transaction to be able to happen that we protect self-custody?

Ms. BUTLER. Thank you very much, Congressman, for your question. I think self-custody is a very interesting topic, and I think there are two things that need to be considered. The asset underlying it is the custody and the protections of asset safety. If you can apply the asset safety protections in terms of segregation, in terms of AML and BSA, so you can protect the assets, then it is a customer choice, right? I think customer choice is always going to be important when there are a variety of different options in the market.

Mr. DAVIDSON. Yes, thank you. Mr. Collison, you guys are facilitating a large number of transactions, and certainly, consumers and vendors want to use your platform to do transactions. Some

portion of that in the digital world, if you read the bitcoin white paper, you do not have to go very far. The goal was to facilitate permissionless transactions, not entirely permissioned. How do you see self-custody fitting in that framework?

Mr. COLLISON. I appreciate you highlighting this. I think the self-custodial aspects of cryptocurrencies are an important liberty but also something that creates real challenges with respect to illicit activity and fraud and AML and so forth. With respect to stablecoins, in particular, something that I think is helpful and I think has been highlighted here is that because of the on-ramp/off-ramp dynamic, you have these natural points where some degree of system integrity can be ensured, and BSA and other requirements can be applied. To your point, there is a separate question as to how this should work with more traditional cryptocurrencies.

Mr. DAVIDSON. Yes. Thank you for that and, frankly, you have KYC responsibilities for your customers. Once they off-ramp it, just like cash, you might have some obligation to report that they did, but then you are not responsible for the entire network of money because whatever U.S. dollar coin is used for by anyone, you are only responsible for your customers. We want to safeguard that.

The nice thing, to the point about what is it backed, we are here talking about stablecoins, and stablecoins are backed. Frankly, they are more secure than bank deposits. There is no fractional reserve lending against the deposits. It is 1-to-1 in the case of a dollar, and you do not have any liquidity or time period horizon, 6 months T-bills versus repo markets, reverse repo markets with commodity-backed stablecoins like gold. It is a redemption of 1 ounce of gold claim, and so it is very secure. You are, essentially, by self-custody, signing ownership.

The last thing, I definitely want to associate myself with Mr. Emmer's remarks on central bank digital currency. We do not want them to design it, develop it, implement it, or impose it. It is the polar opposite of the system. It is a system for surveillance, coercion, and control. We certainly do not want that form of money anywhere, and I yield.

Mr. STEIL. The gentleman yields back. Mrs. Beatty, the Ranking Member of the National Security Illicit Finance and International Institution Subcommittee from Ohio, is recognized for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman and Ranking Member. First, all the witnesses, thank you for being here today. Ms. House, like you, I care about economic and technological security. I take very seriously the national security concerns posed by emerging technology and the unknowns that exist within the digital asset ecosystem. The existence of the digital market is not going to change, and the public appetite for it is not waning any time soon, it appears. Like you, I agree that we need to establish mechanisms for victim resources and ways to track illicit funds and patch security vulnerabilities in smart contracts.

It is clear that the current administration is going all in on crypto. The President and the First Lady made over a billion dollars on a Trump and Melania coin, defrauding his supporters on their hard-earned money and allowing him to make more money than he has ever in his past failed businesses. Eric Trump has also used his social media pages to promote coins, and he is invested

in under the guise of good investment. To me, this is a direct example of fraud, market manipulation, and conflict of interest.

Now, Ms. House, you noted in your testimony that pump-and-dump schemes endanger market integrity. My question, how can we ensure the stablecoins uphold their integrity through regulation when the surrounding ecosystem is the wild, wild West?

Ms. HOUSE. Great. Thank you, Congresswoman, for the question, and, ultimately, it is really the purpose of this hearing, putting in place, as timely as possible, the prudential framework that we need quickly for stablecoins to make sure that we have the necessary protections for consumers to ensure the integrity of the asset. That means things like bankruptcy and resolution capabilities. It does mean things like 1-to-1 reserves, and also prevention of and the prohibition on rehypothecation of assets, so many of the protections that are outlined, some of them in the STABLE Act, and more holistically in the Waters-McHenry Bill.

Mrs. BEATTY. Okay. While I have you, as the chairman mentioned in introducing me, I serve as the Ranking Member on the Subcommittee of National Security, Illicit Funds, and International Financial Institutions. As we know, cryptocurrency is the favorite payment method for bad actors and criminals engaging in cybercrime, money laundering, sanctions of evasions, bribery, embezzlement, and I could go on and on with that. The stablecoin legislation that was negotiated between our ranking member and former Chairman McHenry included critical protections for anti-money laundering and counter financial terrorisms that we stripped in Republican-led bills that we are considering today. Can you discuss the provisions in which the AML/combating the financing of terrorism (CFT) protections should be included in any stablecoin framework?

Ms. HOUSE. Absolutely, Congresswoman, something I cared very much about when I led crypto policy at FinCEN, AML regulator. I think what we need is certainly very clear guidance and expectation on the holistic framework for countering illicit finance, so that is both AML/CFT and on sanctions applicability. Looking to things like extraterritorial application, that, ultimately, is critical, including for rewarding the good actors, many of which have been U.S. firms that have long been operating more compliantly versus others. We need to make sure that anyone who is purporting to be administering a U.S. dollar-backed stablecoin does not allow for U.S. dollars to become accessible to the greatest threats to our national security, so strengthening those provisions, making sure that we are clear about who is implementing those regulations and controls, and ensuring that they are as strong or on parity and equivalent to things like our banking requirements, and then also making sure that freeze and recovery capability is in place, which will help AML and also fraud and consumer recovery and recourse.

Mrs. BEATTY. Thank you. As an expert, that certainly helps me, and for me, it confirms or reconfirms that the Waters-McHenry critical protections that they were putting in their proposed legislation is something we really need. Hopefully, Mr. Chairman, you all would consider going back to what former Chair McHenry had proposed with Ranking Member Waters. Thank you, Mr. Chairman. I yield back the rest of my time.

Mr. STEIL. The gentlewoman yields back. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you to Chairman Hill and Ranking Member Waters for holding this hearing and thank you to our witnesses for taking time from your schedules to join us today. The STABLE Act forges a path forward based on both innovation and accountability. While we have heard a lot regarding the innovation that this bill would unlock, I also think it is important to highlight the accountability that this brings to the stablecoin industry. The STABLE Act would require reports regarding the stablecoin issuer's reserve composition to be publicly disclosed, audited, and attested to by the issuer's executives. Mr. Guynn, how will these requirements hold the stablecoin issuers accountable to the bill's reserve requirements?

Mr. GUYNN. Well, first of all, the market will be looking at these disclosures quite intensely because they are required monthly, so the market, in many ways, will impose a certain discipline on them. Also, the certifications, if they are willfully or knowingly misleading, they are subject to criminal penalties. I think that would deter any CEO or CFO from making misleading certifications. I am glad you asked that question because I kind of left off an important thing to one of the other questions on the disclosure. It is very important in the disclosure to be able to distinguish a payment stablecoin as being a very safe instrument that complies with this law as opposed to something that might have the label "stablecoin" on it that may not actually be subject to the same standards.

Mr. ROSE. Thank you. Mr. Guynn, you spoke about the success and clarity of the U.S. dual banking system. Under the STABLE Act, issuers licensed by a State regulator must respect the sovereignty of other States who may choose to harmonize their requirements. Do you think this is the correct approach to a true State pathway, and potential issues could arise if a State is able to preempt another State's laws?

Mr. GUYNN. I actually think the scenario you are painting is probably very difficult because at least the way the act is written now. There is a baseline of Federal standards that are actually quite comprehensive, and to the extent there is a State-level regime. It is required to equal or exceed the standards in the Federal. For instance, it would be very difficult for one State to say, I am going to attract a bunch of stablecoin issuers by having a lax regulatory framework. They just cannot do it consistently with the STABLE Act.

Mr. ROSE. Thank you. I appreciate the insights. While blockchain-based solutions, like stablecoins, offer compelling new capabilities, traditional dollar payments will, in my opinion at least, remain dominant for the foreseeable future, likely accounting for the vast majority of transactions for years to come. However, our current system lacks many features that are being contemplated by the STABLE Act and could be available with proper regulatory modernization and rightsizing. Mr. Collison, what do you think Congress should focus on when aiming to modernize the payments world?

Mr. COLLISON. Thank you for the question. With respect to stablecoins, I think simply putting in place a clear framework with

prudent rules for the road will do a tremendous amount of good. More broadly on payments, to your question, Stripe strongly supports the concept of some sort of Federal payments charter. There is no single clear framework for payments companies like Stripe today, and we think that the Federal Government has a significant interest in ensuring that across our ecosystem effective standards are upheld. We also think that with access to things like the Fed's payment system, we can provide better services to businesses and to consumers, so I think a Federal regulation payment system could be very beneficial.

Mr. ROSE. When you say a Federal payments charter, do you mean chartering institutions for that purpose?

Mr. COLLISON. Correct. Payments today are primarily, not solely, but primarily regulated at the State level, and that has a lot of benefits. We do not think that should go away. We think in addition to that, there should also be a Federal framework.

Mr. ROSE. Okay. Thank you. The next decade will bring significant innovation in financial services and products. These innovations will require regulatory clarity and appropriate risk-based supervision matching how payments work in a digital economy. Mr. Collison, the same way that a stablecoin charter will jumpstart stablecoin innovation, what would a payments framework do for the modern economy?

Mr. COLLISON. There are analogs to the payments charter in other jurisdictions like Europe, Canada, other places as well. We can see that this works well in practice, and in places like Europe. They have been an incredible stimulus for vibrant innovation in consumer financial services broadly. I recognize that the time is about to expire here, but I think there are many ways in which this would be helpful in the United States.

Mr. ROSE. Thank you. If you would like to expand on that off the record, I would appreciate it.

Mr. ROSE. Mr. Chairman, I yield back.

Mr. STEIL. The gentleman yields back. The gentleman from Illinois, Mr. Casten, is recognized for 5 minutes.

Mr. CASTEN. Thank you. I appreciate you all being here. I want to start a little wonky. There has been some academic discussion sort of linking stablecoins to Eurodollars as something that exists outside of the normal payment system. Ms. Butler, I just want to start with you. Do you agree that the U.S. correspondent banking system, as it sits right now, has sufficient guardrails to make it difficult for illicit actors to access the global dollar system?

Ms. BUTLER. Thank you very much for your question, Congressman. I do believe that the rules that we operate today in the traditional banking services, including correspondent banking, are applying the right safety guards and rules.

Mr. CASTEN. Okay. I agree with you. I raise that because stablecoins, as they are structured right now, do not have that same sort of nexus of control, right? They can hop across the river, if you will. They can be transferred on public blockchain networks. There is no central operator, no entity. Ms. House, I think you had alluded to some of this in your testimony, and I wonder if you could just share with us how you think Congress should address that gap in our sanctions and anti-money laundering networks so that

stablecoins do not just become a backdoor for the bad actors to get into the U.S. dollar system.

Ms. HOUSE. Thank you, Congressman, for the question. You are right that I started on the earlier answer, but, basically, the most important provisions, I think, that are necessary are making sure that the issuer and the administrator of the stablecoin is implementing some AML requirements, and especially for sanctions requirements, making sure that we are not facilitating transactions denominated in U.S. dollars to sanctioned jurisdictions and sanctioned wallets, which is happening right now, so making sure that freeze and recovery capabilities are in place and then making sure that the U.S. dollars are not being made accessible to the greatest threats to this country.

Mr. CASTEN. Okay. Mr. Guynn, you had alluded earlier to saying that some of the algorithmic stablecoins that had broken the buck, if you will. Unless I missed it, you did not mention the fact that the most recent breaking of stablecoins was when Silicon Valley Bank (SVB) and Signature Bank runs happened and you had a bunch of stablecoins that were sitting there in uninsured deposits. Is it your position that any liquidity that is in cash deposits should be absolutely 100 percent insured?

Mr. GUYNN. It is interesting. I do think that—

Mr. CASTEN. I am just looking for a “yes” or “no” because I want to get through a couple of things.

Mr. GUYNN. I do not know that I have a “yes” or “no” to that. I think that one has to be more careful with uninsured deposits. The SVB had 95 percent of its deposit uninsured.

Mr. CASTEN. Well, we have liquidity underpinning these things. Stablecoins need to be boring to work. We do not want fractional banking and blow this thing up. Ms. House, correct me if I am wrong, dollars deposited in European accounts are not insured by the FDIC, correct?

Ms. HOUSE. That is correct.

Mr. CASTEN. I want to turn now to the fact that we just witnessed the largest cryptocurrency heist in history when North Korean hackers stole \$1.5 billion from Bybit. Mr. Cascarilla, maybe you can just share, what is Paxos’ policy for freezing funds that have been used for illicit activity?

Mr. CASCARILLA. We have a couple of different guardrails in place. The first is we have terms of condition that set forth how we could freeze and then seize funds, which we have done in the past. We also have this overseen by our prudential regulator. When we receive a subpoena from a lawful jurisdiction, we can freeze the funds, and when that is adjudicated, we can seize them.

Mr. CASTEN. Is it your policy that you will freeze them only if a regulator directs you to, or will you take proactive action to seize them as well if you detect illicit activity?

Mr. CASCARILLA. We will contact a regulator when we have seen illicit activity. An example would be our Pax School product. When we saw it moving after the Futures Exchange (FTX) collapse, we contacted our regulator. I think it was the Department of Justice (DOJ), actually.

Mr. CASTEN. I just want to understand because we are all Americans here. If you knew that North Koreans were laundering money

to finance their nuclear program and the regulator had not yet said to stop, would you shut it down immediately or would you wait for someone to call you?

Mr. CASCARILLA. We have these conversations in real time with the regulator, so we would, of course, talk to them and make sure that we were doing it appropriately.

Mr. CASTEN. Okay. Well, all of us, if we are participating in the banking system or want to participate in the banking system, need to address that. Given the speed at which some of these people go through, particularly, right, because it is one thing to say we are having real-time conversations, but, I mean, these things can pop through in an instant, running through mixers, running through D5 protocols, chain hopping. Ms. House, does Congress need to consider requirements to, at a minimum, make sure that stablecoin issuers have the technological capabilities to freeze these funds and that stablecoin issuers are compelled to act proactively, not just after the horse is out of the barn?

Ms. HOUSE. Absolutely, yes, sir, and to a certain extent, I think that they already are obligated to do that. Sanctions carry strict liability, and AML programs require a reasonable program to detect and prevent money laundering through their systems, but those things need to be enforced, need to be clearly articulated and implemented.

Mr. CASTEN. Okay. I am almost out of time, but I just want to say to the whole committee, stablecoins, A, have to be stable; B, have to be structured, not in ways that would destabilize the global financial system; and C, should not provide a backdoor to money laundering. I hope that any legislation stays true to those three principles. I yield back.

Mr. STEIL. The gentleman yields back. I now recognize myself for 5 minutes for the purpose of asking questions.

I thank all of our witnesses for being here. It is exciting. We are in the golden age of digital assets, and we have a huge opportunity to move forward on two really important pieces of legislation in this committee and to see them ultimately signed into law, in particular stablecoin in market structure. I want to dive into a little bit on the stablecoin legislation, and I will start with you if I can, Mr. Collison.

I believe that stablecoins, in particular, give us a real opportunity to maintain dollar dominance across the globe, and we have talked a little bit about use cases. As a policymaker in general, I might not be concerned about the way that someone in Mexico, Panama, Peru, Nigeria, or another location is engaged in transactions, but what we actually see is when Stripe has a neobank in Mexico or Bridge is used to distribute payments to workers across Latin America, that actually strengthens the U.S. dollar. Would you agree? Can you comment on that briefly?

Mr. COLLISON. Yes. I think it strengthens the United States in two ways. One, many of the companies engaged in the activity you are describing are themselves American businesses, and so they become stronger, but second, and I think this is what your question is getting at, it increases dollar demand, increases the demand for U.S. Treasuries, and it, in turn, lowers U.S. borrowing costs.

Mr. STEIL. Thank you very much. I am going to come over to you if I can, Ms. Butler. Sometimes you will hear people say that the banks do not like stablecoins, stablecoins do not like the bank. You get all this back-and-forth, but BNY Mellon is very engaged in the stablecoin space. Could you just put a little color as to what the value proposition is to your customers at your bank?

Ms. BUTLER. Thank you very much, Congressman. Yes, indeed, there are a number of different things. First, the value proposition in the kind of near term is providing trust and security to stablecoin issuers as the reserve custodian. We also manage many different types of payment vehicles, so whether it is the instant payment vehicles provided through the Fed and a variety of different options for our clients. We want to be able to participate in the new and evolving options and mechanisms, stablecoins and blockchain technology, just being an example of that, so that we can continue to meet the evolving needs of the markets and our clients.

Mr. STEIL. Thank you very much. I want to come to you, Mr. Cascarilla, if I can, to talk about how do we make stablecoins stable. In the updated draft that Chairman French Hill and I introduced, we were tweaking the language of what can be held by a stablecoin to back it. Could you provide a little bit of color, based on your experience, about stability, liquidity, and investor confidence in the Pax dollar, and what you are backing that with, and what we should be looking at?

Mr. CASCARILLA. Yes. We have issued a number of different regulated dollar tokens. They all have the same exact reserve parameters, generally having a maturity of less than 20 days, having overnight liquidity available through overnight repos that are over collateralized by Treasuries, plus having T-bills and minimizing the amount that is held in bank cash and where possible buying private insurance to supplement FDIC insurance. When you do that, you basically have, I think, the safest dollar in the world. It is safer than a dollar in a money market fund. It is certainly safer than a dollar that is above an FDIC limit at a bank, and I think that creates the confidence to be able to use a stablecoin as if it is cash in your pocket, and that is the whole point.

Mr. STEIL. Thank you very much. I want to use the remaining time that I have. I want to just touch base here with you, Ms. House, if I can. You were commenting earlier about the importance of BSA, AML. I could not agree more with the importance of it. I think the question then is what policies we put in place to get this right. I think, in part, my big concern here is that we let perfection be the enemy of the good. What I mean by that is across the globe, people can engage in illicit behavior regardless of what technology is being used. If we think about when the Obama Administration in 2016 sent literal pallets of cash to Iran, the first shipment, I think, had \$400 million in pallets of actual cash went to the Iranian regime, an amazing and disastrous policy decision, in my personal opinion, but remove the commentary. Let us just analyze the cash. What controls were in place to track that cash once it left U.S. custody and entered the custody of Iran? Any?

Ms. HOUSE. Honestly, I would not be familiar with that. I was in the Army.

Mr. STEIL. In general, you are familiar with cash. Would there be any tracking mechanism in place as that cash floated around the country of Iran?

Ms. HOUSE. Generally, no. It would be very difficult.

Mr. STEIL. It would be really, really difficult, right? If Iran was taking literally those pallets of cash provided by the Obama Administration and was doing something illicit, like funding terrorism, we know Iran is one of the or probably is the number one funder of illicit finance, that is a really bad scenario. Although we could pick and choose and critique other legislation, we know, actually, that stablecoins is a major step forward from cash transactions, and I think we need to make sure that we do not allow perfection to be the enemy of the good.

Recognizing the time, I yield back. I will now recognize the gentlewoman from Michigan, Ms. Tlaib, for 5 minutes for questions.

Ms. TLAIB. Thank you so much, Mr. Chair. Everybody on the panel, do you all agree that market manipulation is bad? Raise your hand if you agree market manipulation is bad. [Hands raised.]

Ms. TLAIB. Oh, great. Okay. I want to get to conflict of interest. Ms. House, I do not know if you know about this, but I want to talk about a billionaire crypto entrepreneur, Justin Sun. In March 2023, the SEC charged Sun with market manipulation. Last year, Sun started investing millions of dollars in the Trump family crypto business. They call it World Liberty Financial. Are you familiar with Trump's crypto business?

Ms. HOUSE. Yes.

Ms. TLAIB. Yes. He starts putting money into that, and then, in total, I think Sun's investments have put more than \$50 million—not \$1 million, not \$2 million—\$50 million in Trump's pocket. Then just last month, SEC announced that it was dropping its charges against Sun. Ms. House, how is this not a conflict of interest? Do you think those who are regulated by, and in some cases investigated by, Federal regulators should be able to invest ventures directly benefiting the President of the United States?

Ms. HOUSE. On the second question, on whether they should be able to and if that is conflict of interest, it definitely sounds like it, and that there should be protections there. I encourage those responsible, forcing them to look into it. Then, on the first question about it, I would go back to my earlier comment that when we are in government, we hold a sacred duty to uphold public trust, and that we need to make sure that we are held to a higher standard, and we need to make sure that we uphold it.

Ms. TLAIB. Yes. I mean, we have the Emoluments Clause. You would think that the President would have no idea that it is in the Constitution and that he is violating it. Then there is the meme coin. Just days before he is sworn in, the President, he issues his own meme coin. While investors suffered more than \$2 billion in losses, Trump and his partners made \$100 million on trading fees alone. Now, the SEC has declared that the meme coin is not subject to oversight. It is now dropping crypto cases and investigations left and right. Check this out, even where the CEO already pleaded guilty, they dropped the charges on them.

Trump and Musk have also gutted the CFPB, as you know, Ms. House, and the Commodity Futures Trading Commission (CFTC)

has announced that they are meeting directly with crypto CEOs to further reduce regulations of crypto. Ms. HOUSE, yes or no, does President Trump stand and benefit when none of the regulators are providing rigorous oversight of the crypto market? He benefits personally, right?

Ms. HOUSE. It sounds like the financial interests may, although I will say that there have been instances where more regulation and clarity have benefited the market also.

Ms. TLAIB. The President of the United States has no oversight over this meme coin, all this investment right now, none. Does the fact that foreign nationals, Ms. HOUSE, have invested in Trump's meme coin and other crypto businesses have national security implications? Foreign nationals have invested in the meme coin.

Ms. HOUSE. Sorry, I am not an attorney. I recognize that there are legal implications there, but I would say that there are definitely some hallmarks of concern about influence and where it makes sense for those with the authority, like those in this room, to look into this in a bipartisan way.

Ms. TLAIB. During the last election, the crypto industry spent over \$130 million backing Trump and others. It looks like that investment is paying off, to me. I mean, \$130 million. Last week, President Trump issued an executive order creating a strategic reserve of cryptocurrencies. Ms. HOUSE, given that President Trump has a personal stake in the success and the perceived legitimacy of crypto industry, is this not a conflict of interest? I mean, he is in the industry, and he just did an executive order.

Ms. HOUSE. Roger. It definitely sounds like there may be conflicts of interest, and, again, I hope that the offices with the authority for oversight, like Office of Government Ethics and Congress, consider looking at that. I know, obviously, I had a bank account, and we still regulated banks, so there are other places, but, ultimately, for an industry that is highly speculative, there are a lot of questions. There are a lot of questions.

Ms. TLAIB. Ms. HOUSE, given that interests of the President and the crypto industry are so closely aligned, how can investors trust that their interests are prioritized by financial regulators?

Ms. HOUSE. I think the trust there needs to demonstrate, that regulators need to demonstrate dispassionate, putting in place of the guardrails that will protect them, that will protect consumers, and that are going to benefit the American public, and not appear to serve only public officials or those who are in. I think that there is a great opportunity here with stablecoin regulation to do both.

Ms. TLAIB. Thank you. I yield.

Mr. STEIL. The gentlewoman yields back. The gentleman from Indiana, Mr. Stutzman, is recognized for 5 minutes.

Mr. STUTZMAN. All right. Thank you, Mr. Chairman, and thank you to the panel for being here. Mr. Collison, I would like to come to you. You built quite a family business—congratulations—and to have your dad with you is pretty neat. I come from a family business background as well. I work with my family, and some days it is great, and some days they are my family. I want to go to your testimony, because I see, as you wrote in your testimony, back in 2014, that you put a pause on supporting Bitcoin, and you saw limited demand, but you kind of relaunched it again with Stripe. We

did the stablecoin pay-ins in April 2024 and you saw more volume in stablecoin payments over the first week than you saw in Bitcoin over a year and a half. Can you talk a little bit about that? Like, what do you think that was, and why?

Mr. COLLISON. Yes, it was not very popular in the Bitcoin community when we sort of removed support from Stripe, but that was not because of any ideological principle or position. We are very responsive to what our customers want and what we observe user behavior as trending towards, and we saw declining usage of Bitcoin. Again, back in 2014, it was a very different time, and so we have obviously been paying close attention to the ecosystem, and the world is becoming more densely connected and globalized. The crypto ecosystem has matured substantially, and we have been very struck, as you mentioned, as we have gradually, over the past 2 years or so, rolled out new support for stablecoins. There is very real usage, there is very real appetite, and again, we are seeing use cases outside of what one might traditionally consider the crypto industry, and it is really expanding into the economy as a whole.

Mr. STUTZMAN. I also want to touch on, down later in your testimony, you say that stablecoins enable faster, cheaper money transfers for international workers. You touched on that a little bit. Are you seeing global activity, like, in emerging markets? I mean, Africa is a place that I believe that the world is looking at for stability and opportunity. What are you seeing within your company and the activity around the world?

Mr. COLLISON. Yes. I understand those exhibits are discouraged. I will just note that I have a little chart of the naira-USD exchange rate here, and over the last 15 years, the Nigerian naira has depreciated by about 90 percent against the U.S. dollar. There are a lot of people in Nigeria, and they very understandably want access and recourse to stable savings and some secure way to store their hard-earned money. We are seeing substantial adoption across jurisdictions like this where people are seeking to improve their lives and their livelihoods with what stablecoins make possible.

Mr. STUTZMAN. Yes. A little bit further, you talk about fighting crime and online fraud, which, obviously, we are all very, very concerned about that. You mentioned that we see other countries, especially in Europe, already putting their legal framework into motion to regulate stablecoins. Can you touch on, what are they doing that we are not?

Mr. COLLISON. Well, I think the most important thing is simply having a clear, established, formalized framework, and that is, by far, the most significant consideration. I think the second aspect, in particular to the fraud and illicit activity considerations you bring up, is recognizing that this is a new transport layer for money, but, ultimately, it is still the same money. We should bring and apply the same AML, CFT, BSA considerations and apply them co-equally here, but it is still money.

Mr. STUTZMAN. Yes. Very good. Mr. Guynn, I would like to come to you. Fortunately, this committee is aligned with the great State of Indiana and President Trump and its opposition to a CBDC and has taken several steps to facilitate development in private sector alternatives. In your view, would a private sector-driven model for

payment stablecoins foster more innovation and efficiency than a government-issued CBDC?

Mr. GUYNN. I think the private sector has always been the innovator in money for centuries, if not longer. I think that fostering private innovation with stablecoins is very important and critical.

Mr. STUTZMAN. Would you have any concern of monopoly at all?

Mr. GUYNN. I do not see any now. I think it is best for Americans for there to be a lot of competition among stablecoin issuers. I think having a clear framework and clear pathways to entry is the best policy in order to foster competition.

Mr. STUTZMAN. All right. Thank you. Mr. Chairman, I will yield back.

Mr. TIMMONS [presiding]. Thank you. The gentleman from New York, Mr. Torres, is now recognized for 5 minutes.

Mr. TORRES. Thank you, Mr. Chair. No technology should be judged solely by its abuses or worst possible uses. Every technology has constructive uses and destructive uses, and crypto is no exception. Take as an example the automobile, which has a death toll of more than 40,000 Americans every year. The proper legislative response to the automobile is not to ban it. It is not to sabotage it. It is to regulate it. It is to make it safer. As far as I am concerned, the proper role of Congress is not to sabotage digital asset transactions, but to make them safer to strike a careful balance between financial stability and innovation.

There is a narrative that crypto and blockchain have no use cases beyond criminality, no benefit, that these technologies are nothing more than a fraud and a grift and a scam. That is the caricature of crypto that often pervades mainstream media coverage. I have a few questions about the use cases of crypto. I will start with Stripe. Does blockchain, and these are “yes” or “no” questions, does blockchain have the power to enable better, cheaper, and faster payments and remittances?

Mr. COLLISON. Yes.

Mr. TORRES. Would you consider that a beneficial use case?

Mr. COLLISON. Yes.

Mr. TORRES. For Paxos, there are billions of people in the Global South who lack access to a stable currency, whose countries are plagued by hyperinflation. Does blockchain have the power to afford those impoverished people access to a stable currency and protection from runaway inflation?

Mr. CASCARILLA. Yes.

Mr. TORRES. Would you consider that a beneficial use case?

Mr. CASCARILLA. Yes.

Mr. TORRES. For Stripe, does blockchain have the power to exponentially expand the market for U.S. Treasuries and lower the cost of U.S. debt?

Mr. COLLISON. That is certainly what it looks like today.

Mr. TORRES. Would you consider that a beneficial use case?

Mr. COLLISON. Very much so.

Mr. TORRES. Bank of New York, does blockchain have the power to tokenize real-world assets and facilitate custodial banking?

Ms. BUTLER. Yes, it does.

Mr. TORRES. Would you consider that a beneficial use case?

Ms. BUTLER. Absolutely.

Mr. TORRES. Now, Bank of New York is the bank of Alexander Hamilton. It is the oldest bank in the United States, the ultimate expression of the traditional financial system. I imagine you are obsessed with regulatory compliance. As the oldest bank in the world with more than \$50 trillion in assets under custody and administration, would the Bank of New York waste its valuable time and resources and reputation on a technology that had no use cases beyond criminality? Does that sound remotely plausible?

Ms. BUTLER. No, we would not.

Mr. TORRES. Now, tokenization is becoming the future of the global financial system. As more and more assets become tokenized and more and more financial transactions become blockchain-based, does the lack of regulatory clarity around blockchain put the United States at risk of losing its financial competitiveness? Bank of New York?

Ms. BUTLER. Yes, it does.

Mr. TORRES. If the United States had gotten internet regulation wrong, do you think the United States would have gone on to dominate the internet-based financial system that eventually emerged, Stripe?

Mr. COLLISON. It is very hard to say, of course, but quite plausibly not.

Mr. TORRES. It will stand to reason if the United States gets blockchain regulation wrong, do you think the United States will go on to dominate a blockchain-based financial system that might ultimately emerge?

Mr. COLLISON. No, I do not think it will, and we have already seen some evidence that if the United States does not move here, the nexus of activity will move elsewhere.

Mr. TORRES. As far as I am concerned, in order for the United States to remain the superpower of the world, we must embrace emerging technologies. We must harness the power of emerging technologies to make America more productive at home and more competitive abroad, and any policy that has a chilling effect on experimentation with new technology could erode American competitiveness. I had a special hatred for Staff Accounting Bulletin (SAB) 121 because it essentially had the effect of prohibiting an institution like Bank of New York from even experimenting with blockchain technology. I feel we in Congress should have the intellectual humility to recognize that digital assets will develop use cases that none of us can foresee.

Since there are limits to what we can know about the future, it is incumbent upon us as policymakers to foster a flexible and nimble regulatory environment that allows for the development of a new technology and allows for experimentation with an emerging technology. Telling an institution like Bank of New York that you cannot even experiment with blockchain technology is the worst thing we can do for American competitiveness. What are your thoughts?

Ms. BUTLER. I appreciate the point, and I think it is important that we continue to innovate within the safety and soundness of the financial system. We need to do both, right? We need to innovate, and we need to protect the system, and absolutely, we should have the clarity of rules to enable us to do that. We should wel-

come competition, right? That competition drives our economy, and it enables the right types of outcomes for all consumers in the marketplace.

Mr. TORRES. I see my time has expired. Thank you.

Mr. TIMMONS. I now recognize myself for 5 minutes. First, I want to thank the witnesses for being with us today. I also want to align myself with the comments from my friend from New York, Mr. Torres. It is fantastic that this has become such a bipartisan issue. With multiple executive orders in last weekend's discussions at the White House Crypto Summit, it is clear that President Trump is making regulatory clarity in the digital asset space a top priority. Now Congress must follow through by passing legislation that cements this framework into law, ensuring that years from now neither rogue Senators nor power hungry SEC commissioners can stifle American innovation.

As President Trump and many on this panel have emphasized, maintaining U.S. leadership in digital assets from stablecoins to tokenization to the future of blockchain, it is critical to our economic success and our future. A strong legislative framework will give entrepreneurs, investors, and businesses the certainty they need to innovate without fear of regulatory overreach or shifting political agendas. Without clear laws, the digital asset industry remains vulnerable to arbitrary enforcement actions that stifle growth and push talent overseas. Now is the time to act before regulatory uncertainty drives the next wave of groundbreaking technology to other countries.

Mr. Cascarilla, how would clear and favorable stablecoin legislation affect the U.S. position in the global digital asset market, particularly in competition with regions like the EU and Asia?

Mr. CASCARILLA. I think the most important thing to remember is everybody wants the U.S. dollar all around the world, and the dollar is a product in a sense. In order for the product to continue to be usable in an internet-based economy, you have to make it work on internet-based rails, which is why blockchain is so important. If the United States does not do that, then other countries will, other currencies will. If you have the right frameworks to create trust and more ubiquity of adoption, then inevitably they could gain the reserve status that the United States has now. That is, I think, something the United States should want to avoid.

Mr. TIMMONS. I could not agree with you more. One follow up for you. What are the most promising real-world applications where stablecoins are already being used in favor of traditional banking functions, and how can these models be scaled to include those who have been left out of traditional finance?

Mr. CASCARILLA. Well, right now, all you need to have is a wallet on your smartphone in order to be able to hold a blockchain-based dollar or a stablecoin. That means that people all over the world who do not have access to traditional financial system, who do not have access to a bank account, which, by the way, is billions of people, can now have access to the U.S. dollar. They want the dollar because most of those people who are unbanked or underbanked are potentially and very significantly in countries that have depreciated currencies, as Patrick was pointing out.

Mr. TIMMONS. I am going to follow up on that. I kind of see this future where autocracies that use controlling their banking system as a means of controlling their population as being challenged by this future and the future of digital assets. Do you agree that is something that authoritarian governments are going to have as a challenge in the future once this becomes more commonplace?

Mr. CASCARILLA. Absolutely, and that is why I think it is so important to recognize that we are not just exporting dollars, we are exporting American values, and everyone who wants a dollar, they also want America. They want to be able to have access to our financial system and to our assets, and we should take advantage of that by making sure that we can give it to them in a way that actually has true utility for where the economy is going.

Mr. TIMMONS. In addition to digital assets challenging authoritarian governments, I do believe that Starlink has potential to disrupt authoritarian governments' control of information. I think that the future that these technologies can provide us with has the potential to really reshape global politics for the better. Mr. Collison, how do we ensure that payment companies like yours are able to serve all types of businesses, no matter the uncertainty in Washington?

Mr. COLLISON. I think that so long as there are clear regulatory frameworks in place and that those frameworks are stable, I think that the financial ecosystem as a whole is going to focus its efforts on serving American consumers and businesses.

Mr. TIMMONS. Thank you for that. In my view, this committee's most important role in the DeFi space is to create stability and consistency in the market for stablecoins and tokenized real world assets. For years, the digital asset sector has suffered from the constant swings of the political pendulum. This uncertainty only harms American innovators and weakens the U.S. economy and marketplace. As Congress, we must use stablecoins to set clear precedent. Regulatory clarity is coming for the digital assets industry. President Trump has made this a priority, and we must follow through to ensure that blockchain innovation has a strong foundation here in the United States. By taking decisive action now, we can solidify America's leadership in the global digital economy for years to come.

With that, I yield back, and the gentlewoman from Texas, Ms. Garcia, is now recognized for 5 minutes.

Ms. GARCIA. Thank you and thank you to all the witnesses here today. Especially, the two from Ireland, we will remember you next week. Mr. Chairman, I think we should have had them here on St. Patrick's Day rather than today. It would have been more fun.

As you know, cryptocurrencies have the capacity to expand financial inclusion and bring digital assets to historically marginalized communities, much like those in my district. Despite this, for the average American consumer, all this is seen as very overwhelming and some of them quite do not understand what the crypto stuff is all about, especially when there is a new stablecoin or cryptocurrency created it seems like almost every day. The market continues to be unregulated, vulnerable to stablecoin runs and hacks. Aside from the structural and operational risk, most stablecoins do not offer enough consumer protection.

Mr. Collison, I think you mentioned the need for transparency and consumer protection and so has Ms. House. Ms. House, if an issuer fails and there is no protection, what happens? What are we dealing with people's hard-earned dollars? I am not talking about investors. I am not talking about the millionaires or billionaires that are investing. I am talking about the average American. Why is strong regulation and enforcement authority critical in this stablecoin legislation to protect them?

Ms. HOUSE. Thank you, Congresswoman, for the question. It is entirely critical to protect everyday Americans. The people that the cryptocurrency industry want to provide democratized access to financial services to. In order for them to do that safely and securely, they need to have a way other than "do your own homework" to know that a stablecoin is, in fact, stable. They also need to be able to trust that they are going to have recourse if they get defrauded or if they get stolen from and to be able to believe that there is going to be this means for redress, which is not possible without a comprehensive regulatory framework in place, enforced, and that we do the same with our international partners given the global reach.

Ms. GARCIA. Right, and one of the things that they have always used as a reason to really explore this whole option is replacement of remittances. Coming, again, from a 77-percent Latino district that does use remittances and other forms of ways to transmit money to their family members is that really real? I mean, I just do not see someone in my neighborhood going somewhere to use crypto or to transmit not knowing what is going to happen at the other end because, quite frankly, as there are risks in the banking system in many countries, there will also be risks in the crypto industry.

Ms. HOUSE. Roger. I think that the point that you are you are speaking to is really why we are seeing most stablecoin use happening in settling trading on platforms rather than facilitating these remittances. We have not created the ecosystem for that trust. If a regulatory framework allows for that trust and for the people in your neighborhood to believe that if they send these remittances of their hard-earned funds overseas, that money is not going to be defrauded or it is not going to be stolen. If they trust this ecosystem, then they may start using it, but that business case has yet to prove out. I think that the regulatory framework is actually a pre-condition to allow for that mass adoption.

Ms. GARCIA. Right. We saw in the 2008 financial crisis that extraterritorial reach was needed to help regulate the impact that foreign institutions may have on domestic markets. Two out of the 3 proposed stablecoin bills lack extraterritorial reach and fail to address national security concerns. Given the global nature of stablecoins in this sector, the question is whether to regulate cryptocurrencies on the State or Federal level.

Ms. HOUSE. In my view, the Federal level has to be involved. I support the State level happening and there being kind of a partnership, again, reflective of the McHenry-Waters bill that made room for there to be partnership, and the role for Federal agencies in creating the standards. Given the global reach and allowing for global instant access payments and specifically purporting that

these assets are a dollar substitute or representing a dollar, it makes sense that Federal regulators would want to have oversight into these assets, especially when they reach potentially systemic risk levels.

Ms. GARCIA. Do you see that we can really get to that balance of having, again, the broad Federal regulation, then still allow States to do some of the things that some of our State banks do?

Ms. HOUSE. Yes, ma'am, I do believe so.

Ms. GARCIA. You do? I have 7 seconds. Quickly, in your opinion, who should oversee stablecoin issuers of less than \$10 billion?

Ms. HOUSE. The Federal level should have oversight, but it makes sense for States to run the charters with some conditions for when the Federal Agency oversight comes to play.

Ms. GARCIA. What about for nonbank issuers less than \$10 billion?

Ms. HOUSE. I think State charters and licenses would be appropriate.

Ms. GARCIA. Thank you.

Mr. TIMMONS. The gentlewoman's time has expired.

Ms. GARCIA. Time has expired. Thank you.

Mr. TIMMONS. The gentleman from Pennsylvania, Mr. Meuser, is now recognized for 5 minutes.

Mr. MEUSER. Thank you, Chairman. Thank you to you all very much for being here. It is a very worthwhile hearing and really important.

Stablecoins, when properly regulated, can provide fast and more efficient payment options and help keep the U.S. dollar at the forefront of global financial systems. They can accomplish these goals without the privacy and free market concerns associated with the central bank digital currency. Whip Emmer, as we know, has introduced the Anti-CBDC Surveillance State Act that protects Americans' privacy by preventing the direct issuance of a CBDC, which I did co-sponsor. As well, States have taken different approaches to regulating digital assets. This patchwork, however, has gotten stablecoin ecosystems where it is today, but if we want to see the benefits of payment stablecoins nationally, Congress needs to act. We need to enact a Federal framework for stablecoin issuance.

Ms. Butler, BNY is one of the oldest and largest custodians in the world. Can you describe how custody in the traditional financial system differs from custody in the payment stablecoin ecosystem?

Ms. BUTLER. Thank you very much, Congressman, for your question. It does not differ because the custody that we provide for the reserve assets of a stablecoin, for example, taking cash deposits and then taking non-cash securities into our custody, applying asset safety and segregation rules, is the exact same that we would do for the traditional custody that we provide.

Mr. MEUSER. Great. BNY Mellon, of course, holds reserve assets for major stablecoin issuers like Circle. How did BNY Mellon and Circle decide to form this partnership, and what custody standards were agreed upon to ensure that Circle's reserves were securely held?

Ms. BUTLER. Again, our custody standards were the same long-standing standards that we have for all custody that we provide

globally around the world. In terms of deciding to take on the custody reserves for Circle, we followed our business practices and risk framework. We looked at the client, their legal permissibility and their regulatory coverage. We looked at the activities that they were performing and were those activities legal and permitted. We looked at the assets themselves, and in this case, given the assets are very traditional assets, so, again, cash and cash equivalents that fit right into the standard custody that we provide.

Mr. MEUSER. Great. Clearly, you believe it is important for banks and nonbanks to have the same custody rules for stablecoin reserves?

Ms. BUTLER. We do, yes.

Mr. MEUSER. Okay, great. Thank you very much. Mr. Cascarilla, many argue—some anyway, less than the majority shall we say—the CBDC could strengthen the dollar globally, but they, of course, raise concerns about privacy and free market competition. How does a payment stablecoin approach these concerns differently?

Mr. CASCARILLA. I think the important point with the payment stablecoin issued by private issuers is that you are creating an innovation to respond to the market in a very timely manner, and we are still at a very early stage of the market where there is a lot of innovation that is still needed. I think that there have been some examples of attempt for CBDCs to be issued by other countries, and they have been perceived as surveillance coins and have not been widely adopted as of yet. I think that could potentially be a limitation to the United States being able to successfully issue a CBDC.

Mr. MEUSER. Can payment stablecoins strike a better balance between preserving individual privacy rights and maintaining the dollar's status as a leading global currency?

Mr. CASCARILLA. I agree with that.

Mr. MEUSER. You agree we could find a better balance?

Mr. CASCARILLA. I think that the right balance is to make sure that the private sector is leading and being able to create the innovation and being able to make sure that it is responding to the market as fast as possible, and I think that is going to be done from the private sector.

Mr. MEUSER. Do you think the protections are then enough within the STABLE Act and FIT21, for that matter?

Mr. CASCARILLA. I do think that they are fit for purpose. I think that they have the right BSA, AML rules, as well as the right reserving requirements, and the right international reciprocity can be put into place to make sure that the United States is setting the standards that everyone follows.

Mr. MEUSER. Okay. Thank you. Mr. Guynn, in States like Pennsylvania, for instance, digital asset regulations, limited money, transmitted licensing, State regulators often want Federal guidance on emerging technologies but also prefer to maintain their own authority. How does the Federal floor concept in the STABLE Act ensure consistent national standards for stablecoins while still respecting each State's ability to regulate according to local needs?

Mr. GYNN. Yes. I would say that the States have more flexibility in the dual banking system to have alternative regulatory frameworks. There are Federal minimum standards in the bank-

ing, but they only cover a small part of the activity. Here, it is pretty comprehensive. I think it would be very difficult for a State to do much other than increase standards if they wanted to do so.

Mr. MEUSER. Okay, great. Thanks very much. Mr. Chairman, I yield back.

Mr. TIMMONS. Thank you. The gentleman from California, Mr. Liccardo, is now recognized for 5 minutes.

Mr. LICCARDO. Thank you very much. I appreciate the progress in the political discourse over stablecoin. I represent a district that includes half of Silicon Valley. Obviously, we have a different view from many about certainly the importance of this technology, and I appreciate much of the testimony I have heard so far. I also appreciate we have moved from discussing whether to regulate to how to regulate. That is an important progression, and I want to thank my colleagues on both sides of the aisle for their hard work.

For example, in the STABLE Act, we have protections that would require issuers to abide by standards relating to AML to Bank Secrecy Act, mandate 1-to-1 backing, cash and cash equivalents, enforcing transparent redemptions and audit disclosures. Those are all very important requirements, but my concern is we are in a world where we know issuers are out of the country. In fact, Tether, the largest, I understand, for U.S. dollar-linked stablecoin, is in El Salvador. I am trying to understand why we would not want those protections globally, given that the U.S. dollar, of course, is going to be linked to much of the stablecoin.

Particularly, I appreciate your comments, Mr. Collison. In the written testimony, it says the United States should move quickly and seize the opportunity to lead on global standards for stablecoin payments regulation, reinforcing dollar dominance, ensuring American companies remain at the forefront of financial innovation. Typically, that includes a sense that our regulatory structures will also be the leaders, as they have been, in financial regulation globally. I guess I wanted to go to you first, Mr. Collison, and by the way, I think you were born in Tipperary County, where my grandmother was born also. She also managed to make it to San Francisco. You are on a well-trod path.

Mr. COLLISON. I was far from the first Irishman in San Francisco.

Mr. LICCARDO. Yes, that is what I noticed. My question is, would not your customers want to know that there was extraterritorial enforcement and the capacity for the United States to be able to enforce beyond its borders?

Mr. COLLISON. I think on the margins, they would prefer that for all the reasons that you are saying. I think in practice, they are so enthusiastic about the quotidian benefits they can realize, they are probably not going to block on that. If you ran a survey of them, yes, I think so.

Mr. LICCARDO. Could you help me understand—I know you do not speak for the whole industry by any stretch—why would not we want to have extraterritorial enforcement?

Mr. COLLISON. Well, I think there is probably some degree of devil in the details, right, as to what precisely the nature of that framework and enforcement would be. To the analogy of States being the laboratories for various forms of innovation in the United

States, there is probably some degree to which we do not want an excess of global cohesion, precisely because there should be some degree of variation permitted.

By the way, I think it is helpful just in conversation generally to separate to some extent crypto from stablecoins. They are, of course, related, but I think there are important differences, but I think all stablecoin and, again, even crypto failures in any part of the world, they do not look great for the sector. Inasmuch as global frameworks can inhibit that and make it less likely, I think that is beneficial for everyone.

Mr. LICCARDO. I appreciate your candor. I know this is a concern that is shared on both sides of the aisle. We want to make sure that Americans sanctions are abided by and that U.S. dollar-linked stablecoin is not used to evade sanctions. We want to ensure that anti-money laundering provisions are enforced globally. We want to ensure that terrorism is not funded through stablecoin. We know it can be funded by any currency as well. Certainly, this is not unique to stablecoin, but I hope that we can work across the aisle to ensure that this bill could be improved with extraterritorial provisions. Thank you very much. I yield my time.

Mr. TIMMONS. Thank you. The gentlewoman from California, Mrs. Kim, is now recognized for 5 minutes.

Mrs. KIM. Thank you, Chairman. I appreciate the witnesses for joining us today. Let me ask my first question to Mr. Collison. According to Stripe's own annual letter and your testimony here today, your company processed \$1.4 trillion of payment volume just last year, 2024. That represents roughly 1.3 percent of global Gross Domestic Product (GDP), and that is significant. As we explore emerging technologies like stablecoins, the vast majority of the economy still relies on dollar payments. This is an industry that is currently regulated by the State-by-State patchwork that is designed for pre-internet era, and that creates unnecessary friction and costs that ultimately affect American consumers and businesses. Can you talk to us about how Congress can think about solutions to those issues?

Mr. COLLISON. Thank you for the question. I think that providing a clear framework for stablecoins that enable U.S. businesses and U.S. consumers to realize some of the benefits of cheaper and faster and more efficient and even more innovative transaction technology. I think that will be extremely beneficial. I really appreciate Congress' curiosity in exploring this issue and the kind of bipartisan nature of this discussion. Beyond that, I think that looking at the payment system more holistically and broadly, possibly up to and including a Federal payments charter construct, would be very helpful, either complement, or maybe a succeeding action to stablecoin legislation. I am really glad that the proposals under consideration here today are being seriously—

Mrs. KIM. Can you also talk about some of the challenges that this will bring to the industry?

Mr. COLLISON. Which, that the—

Mrs. KIM. This approach that you are talking about.

Mr. COLLISON. Oh, that the patchwork brings. I see. One of the most inhibitory forces in the financial services industry is ambiguity and a lack of clarity, in that if something is clearly permitted

that is great, if it is clearly forbidden and proscribed that it is clear. One can build a business, and one can plan around that. I think the current patchwork that is not very cohesive makes it difficult for businesses to know how seriously they should invest, and I think it is very admirable that BNY Mellon has built such a successful practice here. I think it should be easier for others to do the same thing.

Mrs. KIM. Let me ask my question to Mr. Cascarilla. My home State of California is a leader in issuing remittance payments, and in 2022, Californians sent over \$18 million in remittance payments to Latin America. However, our modern-day system of payments can make dollar transfers abroad costly and time consuming, and it can lack the appropriate legal oversight. That is why, obviously, we are talking about stablecoins that can offer so much promise, and studies have estimated that stablecoins could reduce remittance costs by as much as 80 percent, right? Can you talk to us about what makes the traditional payment rail so costly and time consuming for cross-border payments, and how would stablecoins solve those problems and reduce the remittance costs?

Mr. CASCARILLA. I think what is important to think about, the way the dollar moves today is really analog. It is almost moving like the post office. It takes 2, 3, 5 days in some cases for money to move from one point to another, especially when there are international jurisdictions, and, of course, there are high costs and fees. With the stablecoin, it will move instantaneously 24/7, almost for no cost at all. By some estimates, right now, as much as 30 percent of remittances are using a stablecoin rail in which the end user might not even realize it because, ultimately, a blockchain is just a rail. You do not have to use it as a stablecoin, as something that, yet, at the same time, have it move in a way that is utilizing the technology, and that is the real promise here.

Mrs. KIM. Thank you. Let me ask one more question to Mr. Collison. I know that there is a concern that these funds were being sent to or from bad actors. How do innovative payment companies work to keep bad actors from accessing funds from untrustworthy sources?

Mr. COLLISON. I think it is important that we recognize that stablecoins are another transport layer for money, the same money, but moved in a different way, and we should bring across the exact same frameworks, BSA, AML, CFT, and so forth, and apply them equally.

Mrs. KIM. Thank you. My time is up. I yield back.

Mr. TIMMONS. Thank you. The gentleman from Illinois, Mr. Foster, the Ranking Member of the Financial Institutions Subcommittee, is now recognized for 5 minutes.

Mr. FOSTER. Yes. Thank you, Mr. Chair, and to our witnesses. Mr. Cascarilla, Paxos has the ability to block, freeze, and recover fraudulent or mistaken transactions. Could you explain how this works technically, both for hosted and unhosted wallets, and, for example, could this be used to stop the use of stablecoins for ransomware and other illicit activities?

Mr. CASCARILLA. Thank you for the question. I think this is an important point, and as the issuer of various regulated stablecoins, about 5 of them right now, we have the ability as the issuer be-

cause we control the smart contract, and this is an important point. We control the smart contract. We are able to decide if an address should be frozen or if funds should be seized.

Mr. FOSTER. All right. For example, if someone's screen locks up with ransomware and it says transfer money into this wallet, this much of one of your stablecoins to this wallet, the person who has that screen can go and contact you and say freeze that wallet, and it is done?

Mr. CASCARILLA. We have a process for that, but correct, yes.

Mr. FOSTER. Correct. You have the ability to put a crowbar in, for example, ransomware or other. If you could get sort of some technical information sort of at the level of Congress' actual blockchain programmer, I would be very interested in how that is implemented. Obviously, you have huge cybersecurity issues on your end because if someone gets a hold of the ability to throw that crowbar into your whole payment ecosystem, all holders of their asset could be wiped out. It is also my understanding that the Senate, which has the GENIUS Act, that was, I guess, introduced yesterday on a bipartisan basis, has a mandate for that, and if you could comment on how that compares to what your practices are and what the pros and cons of putting that mandate. Since it was issued yesterday, if you have had a look at it, I am interested.

Mr. CASCARILLA. I think it will be nice for our staff to come back and—

Mr. FOSTER. Yes, that is fine. For the record, please respond to that.

Mr. CASCARILLA. Thank you.

[The information referred to was not received prior to printing.]

Mr. FOSTER. Now, many of you mentioned financial inclusion and local transaction cost as really the desirable things that you are going for. Now, among the G20, India is by far the leader in that. Essentially, 100 percent of households are banked in India, more than a billion people, and the only group that is not banked are women whose husbands do not want them to have a bank account, which is not exactly a financial problem. In India, if you want to give a pauper 3 rupees, you both get out your cellphones, you do your biometric log in, you authenticate your bank account, you transfer 3 rupees zero cost, and, essentially, a 100 percent penetration.

Could you explain what the advantages of a blockchain system are over the system that exists for a billion people in India in terms of just everything? It is also my understanding that the system in place in India based on bank accounts is not usable for ransomware, it is not usable for \$1.5 billion hacks, and I was just wondering if you could, like, contrast that and particularly describe how a blockchain system would have advantages over that system.

Mr. CASCARILLA. Is that a question for me?

Mr. FOSTER. Yes, sure. Yes.

Mr. CASCARILLA. I think main advantage is that—

Mr. FOSTER. Oh, yes, Mr. Collison.

Mr. CASCARILLA. Sure. I will—

Mr. FOSTER. Well, either one of you. Mr. Collison, why do not you have a swing at that one?

Mr. COLLISON. I think what India has done with Unified Payments Interface (UPI) is extremely impressive, and actually, we are starting to see similar systems emerge in other countries.

Mr. FOSTER. Yes, they are giving it to other countries, which are adopting it, at which point, you will have zero cost payment rails across borders, which is another use case for stablecoins.

Mr. COLLISON. Yes. Today, these systems are not globally interoperable, and I think the most fundamental advantage that stablecoins confer is this global universality and this global ubiquity. You do not need to wait on a country-by-country basis to roll it out, get adopted, and then—

Mr. FOSTER. You regard that as a feature or a bug? If you are trying to prevent payments for fentanyl precursors, it is nice to have a measuring point at the border. I was just wondering if an absolute cross-border zero surveillance regime is really the end point we should head forth.

Mr. COLLISON. I think global access is a huge advantage, but to your prior questions, I think the ability for stablecoin issuers to ensure that proper controls are applied and that system integrity is maintained is also really important.

Mr. FOSTER. Mr. Guynn, during the 2008 financial crisis, how long did it take AAA rated mortgage-backed security tranches to become toxic assets, and how does that compare to the monthly reporting requirement contemplated in this bill?

Mr. GUYNN. Sorry. It took a lot longer than the monthly reporting, but those assets were very different from reserve assets here. Those were not U.S. Treasuries. Those were Collateralized Debt Obligations (CDOs) or CDO-squared, very illiquid assets—

Mr. DAVIDSON [presiding]. The gentleman's time has expired, and I now recognize the gentleman from Wisconsin, Mr. Fitzgerald, for 5 minutes.

Mr. FITZGERALD. Thanks to all the witnesses. I know it is a long morning-afternoon. Thanks for being here. We have seen countries like Brazil allow payments not just from digital wallets or payment apps, but, as was discussed a couple times this morning, also directly to and from bank accounts as well as instantly between digital wallets from different non-bank providers. As you know, stablecoins, the lower fees, more payment provider competition, wider accessibility, and because stablecoins reduce the cost of the transactions to nearly zero, I think there are a lot of members that are trying to wrap their minds around this. It just frees up retail businesses, right, with frictionless, low-cost alternatives. Mr. Collison, I know you have touched on this already, but can you discuss how providing kind of the regulatory clarity through the STABLE Act could increase or will increase consumer adoption?

Mr. COLLISON. Absolutely. I think in financial services, ambiguity is the greatest inhibitor to adoption. Things that are clearly permitted or clearly proscribed that is clear. I think we have seen in stablecoins is a lot of enthusiasm, a lot of excitement, but also significant hesitation because, well, it is not clear how the ecosystem is going to unfold within the United States. I think the single best way to ensure that U.S. dollar stablecoins are broadly adopted around the world is for Congress to provide that regulatory clarity.

Mr. FITZGERALD. Right, and in a regulatory framework, we will also give businesses more incentive to use the stablecoins for operational transactions, right, would you not agree? I know that some of the issuers are establishing kind of strategic partnerships. I guess you would call them and try to link up with traditional payment companies. Mr. Cascarilla, can you discuss some of Paxos' partnerships and explain how these kinds of relationships that you guys have been able to develop help with the integrations and incentivizing, the adoption of all this technology, right?

Mr. CASCARILLA. Well, I think one of the interesting components about a stablecoin is that the interest is being kept by the issuer as a general matter. In our case, we are setting up partnerships where the interest is being returned to the distributor, whoever might be controlling the end user as a payment company or otherwise.

Mr. FITZGERALD. Right.

Mr. CASCARILLA. That is an opportunity then to eventually maybe pass that on further through rewards to the end user. You create an ability not just to democratize access to dollars, which is I think what stablecoins do, but you could even start democratizing access to the risk-free rate. That is a really important way of changing how the financial system works and how individuals are able to access it.

Mr. FITZGERALD. Let me go back to Mr. Collison. There has been some confusion as to the difference between U.S. CBDC, a stablecoin, and the FedNow system, right? I mean, again, I hate to pick on the Financial Services Committee, but I think it would be hard pressed to get somebody to come up with a definition for all three. Would you describe the differences between the three and the issues that they are seeking to resolve in the U.S. payment system? How do you view those three topics or headings, I guess?

Mr. COLLISON. I think FedNow provides a valuable service for making interbank transfers within the United States more streamlined, and that is very helpful. It does not provide the same degree of global access that stablecoins or, in principle, CBDCs could. With respect to stablecoins versus CBDCs, I think that the United States gets, basically, all of the benefits of a notional CBDC without some of the attendant downsides that have been discussed here today. My view is that there is very little downside and tremendous degree of benefit to formalizing stablecoins along the lines of what is proposed. Beyond that, I do not really see how a CBDC would help against some of the points made. I think it could easily, inadvertently inhibit innovation.

Mr. FITZGERALD. Thank you very much. Thank you all, and I yield back, Mr. Chairman.

Mr. DAVIDSON. I thank the gentleman. The gentleman from New Jersey, Mr. Gottheimer, is now recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Mr. Chairman. Mr. Guynn, if I can start with you, you have emphasized the importance of legislation in the stablecoin industry. I have been a supporter of the stablecoin legislation for a long time, introducing one of the original pieces of legislation and being supportive of the Payments Stablecoins Act in this committee last year. Could you explain to us what your experi-

ence has been with the current status quo? What would happen if there was a further delay in congressional action?

Mr. GUYNN. I think the problem is that until we bring stablecoins into the regulatory perimeter, we risk having stablecoins that are not structured appropriately the way this bill would do it, and, for instance, your bill would have done it. I think that the real benefit is having a regulatory structure that sets a minimum that anyone who is identified as a licensed stablecoin issuer would be adhering to.

Mr. GOTTHEIMER. Are there any specific oversight measures you think should be included in that comprehensive framework?

Mr. GUYNN. Well, I think the framework now allocates the oversight to either State regulators or one of the Federal regulators, with a Federal framework that really is the anchor for it. There can be alternative State regulatory frameworks, but they have to satisfy the same standards. I do think that there is a good anchor there and it seems like there is much oversight in this framework as there is in the dual banking system.

Mr. GOTTHEIMER. Would you support requirements for regular audits and transparent reserve reporting, which I believe to help prevent banking failures like we saw in 2023?

Mr. GUYNN. Yes, I think those are absolutely critical, not only for preventing that, but also just publicizing in some ways to the public who wants to use this as to which are the safe stablecoins and which are not. They can look at the disclosure and make informed decisions.

Mr. GOTTHEIMER. Thank you. Mr. Cascarilla, as someone heavily involved in the international payment system, you are familiar with threats to the dollar's role as a global reserve currency. China is heavily promoting digital payment systems from Alipay and Tencent in countries that are involved in the Belt and Road Initiative. They are also, as you know, seeking to make Hong Kong into a major player in global crypto markets. How might a clear U.S. regulatory framework for stablecoins affect international adoption and strengthen the dollar's global position?

Mr. CASCARILLA. Well, I think it will be a very significant boost because it will create a level of trust in the usage of stablecoins that right now still does not exist. If you look around the traditional financial system and the desire to be able to use stablecoins, it is very significant. Until you have this regulatory clarity, traditional financial institutions, as well as more widespread consumer adoption, it is just going to be limited, and that, of course, creates opportunity because other nations and other currencies can take advantage of that.

Mr. GOTTHEIMER. Thank you so much. Ms. Butler, you discussed BNY stablecoin activities out of its New York State-chartered bank. State-chartered banks play a critical role in New Jersey, where I am from, and the economic opportunities that stablecoins offer are continuing to grow. Do you believe the proposed dual Federal-State structure in the STABLE bill is sufficient for both bank and non-bank stablecoin issuers?

Ms. BUTLER. We support Federal consistency, no matter what pathway you choose, whether it is State or Federal, but we need to have Federal standards applied consistently to all.

Mr. GOTTHEIMER. Thank you. If I can move quickly to Mr. Collison, one of my primary concerns is that without proper guardrails, more crypto companies will flee overseas to jurisdictions like Bermuda, the Bahamas, or France, who already have comprehensive regulatory systems in place. I worry that giving them first-mover advantage will allow them potentially adversarial jurisdictions to set the playing field on a global scale. What specific competitive advantages are other countries gaining in the digital asset space, and what does the United States need to do to maintain its financial leadership?

Mr. COLLISON. Well, most importantly, I concur. I think that is a risk, and I think by far the most important thing that the United States can do and that Congress can do is to provide a clear and effective framework for stablecoins here in the country. I think in broad strokes that which is under discussion today does that.

Mr. GOTTHEIMER. Thank you so much, and I yield back. Thank you.

Mr. DAVIDSON. I thank the gentleman. The gentleman from Nebraska and also the Chairman of the Housing and Insurance Subcommittee, Mr. Flood, is now recognized for 5 minutes.

Mr. FLOOD. Thank you, Chairman. My interest in stablecoins goes back to the work I did in the Nebraska unicameral legislature on this very issue. After my bill entitled, The Nebraska Financial Innovation Act, passed, Nebraska became the second State to have a regulatory structure for a new kind of State-chartered bank called a digital asset depository institution. A Nebraska digital asset depository institution can issue stablecoins, which puts my State in a unique position as it relates to the broader debate about a State pathway within this bill. Due to the laws in our State, I am interested in the State pathway, specifically as it relates to State-chartered bank issuers. My hope is that any Federal stablecoin legislation will work hand-in-glove with our Nebraska Department of Banking and Finance and the work they are already taking on these very issues. I appreciate the continued dialog we have had with Chairman Hill and his team on ensuring that we strike just the right balance.

Mr. Guynn, can you please walk through your understanding of how the STABLE Act would regulate a State-chartered bank subsidiary that issues a stablecoin pursuant to the bill's State pathway?

Mr. GUYNN. As I understand it, there are sort of two possible regulatory frameworks. One is 4(a), which sets Federal standards, and then 4(b) that would allow a State to have an alternative regulatory regime that would satisfy or exceed those standards. It is a little bit more restrictive than the dual banking system, where States have a little bit more freedom because the Federal standards simply. It is not that they do not apply, it is that they cover a much narrower field of applicability, whereas here the standards are pretty comprehensive.

Mr. FLOOD. Good answer because you answered my second question about how it compares to the dual banking system, so thank you. I would like to emphasize a few things about the State pathway before moving on to my next question. One is that State regulars must get a certification approved by the Treasury, as you

have said, showing that their State regime is in line with the bill's Federal requirements or exceeding the Federal requirements. In addition, there is an exigent circumstances provision in the bill that would allow a Federal regulator to step in over a State regulator and enforce directly on State issuers in certain circumstances. Quite honestly, this has concerned me, just what is an exigent circumstance, but in other words, even the State pathway has a very extensive Federal involvement.

With that caveat, I would like to highlight a line in Mr. Cascarilla's testimony which said the following as it related to cross-border regulation of State-chartered stablecoin issuers, "Primary oversight should remain with State-chartered issuers, home State regulator, avoiding redundant regulatory burdens." Mr. Cascarilla, if a State pathway for insurance does not include some form of regulatory primacy for the rules of their home State regulator, would State issuers juggling several State regulatory laws be at a disadvantage relative to issuers that receive a Federal charter?

Mr. CASCARILLA. Yes, they would, and I think that is the exact point, which is today as a State issuer. You have to juggle a number of different State approvals and exams, and that is a conflicting process that takes up a lot of resources and could certainly snowball in a situation like this.

Mr. FLOOD. I appreciate that answer, and let me just say this: does anybody in this room not think that the New York DFS could handle this? I mean, we have to respect the rights of States to have their own regulatory regime. Mr. Guynn, can you comment on the same question, juggling all these different regulators? Does it put the State-chartered issuers at a disadvantage?

Mr. GUYNN. Look, we get this question all the time from State issuers as a law firm. There is always a choice, but having a choice between a State and a Federal regulatory authority is a good choice to have. It may well be that a particular institution decides I have more freedom to innovate if I am regulated by a State, even if I have to go through the headache of looking at all these different State laws, whereas if I go with a national regulatory, then it will be preempted.

Mr. FLOOD. Totally agree, and let us remember, what makes America the best financial market in the world, what makes us so successful is we have diversity in our banking. We have the G-SIBs, we have the regional banks, we have the community banks, we have the Federal chartered, we have the State chartered, and we have innovation. When you control all of that, you get Europe, with a couple of banks and a couple of board of directors that are making the decisions for every consumer on the continent. Let us celebrate what makes America strong by encouraging diversity, relying on States to manage and regulate State issuers of stablecoins with appropriate safeguards.

I want to compliment Chairman Hill, Brian Steil, Mr. Davidson, Allison, and all of the work that the staff has done. We are in a good place because of the hard work of this committee, and I am excited to see this bill pass. With that I yield back.

Mr. DAVIDSON. I thank the gentleman. The gentleman from Texas, Mr. Green, who is also the Ranking Member on the Over-

sight and Investigation Subcommittee, is now recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I thank the Ranking Member as well, and I am grateful to the witnesses for appearing today. I would like an expression of whether or not it is beneficial for us to be concerned with the use of cryptocurrency in certain areas. More specifically, is it beneficial to use cryptocurrency of some type in money laundering, terrorist activities, ransomware attacks, illegal trafficking of drugs, sex, weapons, illegal gambling, and evasion of taxes? Ms. House, let us start with you. Is it beneficial for us to be concerned about the use of some sort of cryptocurrency with this type of criminality?

Ms. HOUSE. It is beneficial for us to be concerned about it, if that is what you mean. If it is beneficial for us for its use in that way, no, it is not. It is only beneficial to those who are currently exploiting it. It is not inevitable to stay that way, but the current State of compliance across the ecosystem makes it attractive for those users.

Mr. GREEN. Explain what you mean by the “State of compliance.”

Ms. HOUSE. Yes, sir. Basically, I was the head delegate to the Financial Action Task force (FATF), the United Nations, for anti-money laundering. If you are not familiar with it, we created the first international standards for virtual assets and anti-money laundering. The standards exist. The policy exists. It just has not been implemented internationally. If we had wide-scale, cross-global implementation of our requirements to detect and prevent illicit activity and to stop use of, let us say, sanctioned actors in North Korea’s use of cryptocurrency and that successful ability to launder, we would not be in this current position. Unfortunately, it has not been implemented internationally.

Mr. GREEN. Does the bill in question prevent this type of illicit activity?

Ms. HOUSE. I do not feel that the anti-money laundering measures in it are strong enough. It makes a reference to them being regulated under the Bank Secrecy Act, but there is not clarity on who is purporting the regulations or how strong they need to be.

Mr. GREEN. As a result, would we still have exposure to the criminality that I call to your attention?

Ms. HOUSE. I fear that if we do not strengthen the measures, that could be an outcome, especially the extraterritoriality provision.

Mr. GREEN. Is there a rush to judgment here, meaning—I should not say judgment—a rush to get this done such that we do not have the time to carefully craft legislation that will help us prevent this type of criminality?

Ms. HOUSE. I would hope that even with the exigency of the issue, that given the years of bipartisan work that have been done by many members of this committee and those sitting in this room, we would be able to leverage that work. I feel that the outcome of that work was more reflected in the McHenry-Waters bill, which had a more holistic coverage of these protections. I am not certain why the new legislation does not integrate some of those stronger provisions, which I think would be beneficial.

Mr. GREEN. Would implementing those stronger provisions somehow weaken that legislation, this new legislation?

Ms. HOUSE. I do not feel so. I think it would strengthen it and make it truly comprehensive.

Mr. GREEN. Do you think that the McHenry-Waters legislation had other redeeming value?

Ms. HOUSE. Absolutely. I think that it had a much more fulsome, holistic list of different measures. There was some good overlap, too, things like 1-to-1 capital reserve requirements and a restriction on rehypothecation and investment of depositor's assets, basically. Unfortunately, I feel that the STABLE Act is missing some of the most important provisions also that are outlined in the McHenry-Waters bill.

Mr. GREEN. When this illicit activity takes place and there is a transfer of money in an illegal fashion or illegal purposes, more appropriately, who benefits from that in the system?

Ms. HOUSE. Currently, the illicit actors benefit from it. I think that no responsible actor wants to be a platform for money laundering or for North Korean sanctions evasion and proliferation financing. So really, it is the illicit actors that are benefiting from lax controls.

Mr. GREEN. All right. Quickly to my last question. When this occurs, does the person, the people who are purveyors of the currency, the person with the system, do they get punished in any way?

Ms. HOUSE. There should be enforcement actions that can be taken if they fail to meet compliance obligations.

Mr. GREEN. Thank you, Mr. Chairman. I yield back.

Mr. DAVIDSON. I thank the gentleman. The gentleman from Montana, Mr. Downing, is now recognized for 5 minutes.

Mr. DOWNING. Thank you, Mr. Chairman, and thank you to the witnesses. I came out of technology. In my formative years, I was part of a company that built really one of the world's first massively scalable computer systems. It was an exciting, innovative time. I have always said that the United States of America needs to be, must be the hotbed of innovation, and we cannot cede leadership over emerging technologies to other countries, and that starts with Congress passing clear laws governing cryptocurrencies. I applaud Chairman Steil for his leadership on the STABLE Act, which continues to receive industry feedback.

I am going to start, Mr. Collison, one notable change in the discussion draft of the STABLE Act from the 118th Congress is making the OCC the primary regulator and supervisor of nonbank payment stablecoin issuers. Can you discuss the benefits of allowing the OCC to serve as the primary regulator and supervisor for nonbank stablecoin issuers?

Mr. COLLISON. We do not really have a strong view on what the best primary regulator is. I think the two things that are of greatest importance are, one, that there is an effective State-based framework for experimentation, and then, second, there is simply a clear framework at the Federal level. Within those kind of two principles and within reason, I think there are probably multiple avenues that could work.

Mr. DOWNING. Thank you. I want to move on to central bank digital currencies, or CBDCs, which represent one of the greatest threats to civil liberties in our lifetime. The American people expect our payment system to operate efficiently without offering the Federal Government a window into their day-to-day transactions and look no further than the authoritarian countries pursuing CBDCs, which are not being used for innovation, but for surveillance, for stopping dissent, like China and Russia. I do not trust the Federal Government with any of my data, let alone financial data. I once got a letter from the Federal Government telling me we are sorry, but all your data from your security clearance has been released to a foreign actor. Here, we will give you a couple of years of credit monitoring. You are welcome. I have got issues there.

I am going to go to Mr. Cascarilla. Some CBDC advocates say that issuing CBDC is the only way to improve the efficiency of our payment system because stablecoins are some sort of wild West where crime and money laundering will run rampant. First, is that true, and then second, are law enforcement officials incapable of combating bad actors in the stablecoin ecosystem?

Mr. CASCARILLA. Well, I think that from studies that have been shown and done, they have shown that the amount of illicit activity that is happening in crypto, stablecoins, and blockchain is less than in the traditional financial system, precisely because there is an ability to be able to track movements on chain forever. That is an important way to create a new set of tools as well as being able to create a new set of products to be able to track what is happening. Second, there really is not an analog to the government offering something to the end user, aside from physical cash. It does not run its own banking system. It does not offer mutual funds, money market funds, et cetera. In the same way, I do not think that we are going to promote innovation by having the central bank issued digital currency compete with private issuers.

Mr. DOWNING. Well, thank you. Would the Federal Reserve's issuing CBDC discourage or crowd out digital asset innovation in the United States?

Mr. CASCARILLA. I think that it will actually crowd out innovation and slow the adoption on a global basis of using the dollar, precisely because I think some of your fears would also be shared by others outside the United States.

Mr. DOWNING. Let me go back to stablecoin regulations. The prior administration was no fan of digital assets and payment stablecoins. The SEC under Gary Gensler tried to treat all cryptocurrencies the same as a security, despite many cryptocurrencies clearly serving different purposes. Section 14 of the STABLE Act clarifies that payment stablecoins are not security. I am going to go to Mr. Guynn. Can you explain why regulating payment stablecoins as securities is impractical?

Mr. GUYNN. The whole goal with payment stablecoins is for it to be accepted as a no-questions-asked payment instrument, just like a bank deposit. If it is treated as a security, it will be subject to all kinds of disclosure requirements, which is completely inconsistent with that. The disclosure here are the disclosure requirements in the STABLE Act and the structure saying the stablecoin has to be 100 percent backed by safe assets and things like that.

Actually, having it be a security would actually undermine the ability of achieving a no-questions-asked money standards.

Mr. DOWNING. Well, thank you. Unfortunately, my time has expired, so I yield.

Mr. DAVIDSON. I thank the gentleman. The gentleman from New York, Mr. Lawler, is now recognized for 5 minutes.

Mr. LAWLER. Thank you, Mr. Chairman. As a New Yorker, I am interested in gaining some insight into New York Department of Financial Services, who has been on the leading edge in the reality of how their processes are working in practice. Mr. Cascarilla, since Paxos received the first limited-purpose trust charter for digital assets from the New York Department of Financial Services in 2015, can you tell us a bit about how Paxos' experience working with them has been?

Mr. CASCARILLA. Well, we were the first trust that was approved, really, in the country, and it was by New York. The idea had been at the time that as an infrastructure provider, this would be a very strong way to be able to hold client assets, not just for dollars. We also have a gold stablecoin and others, and we have been able to successfully create some of the most innovative products in the financial system and in the crypto space because of the Oversight of the New York Department of Financial Services.

Mr. LAWLER. What specifically would you attribute as working well, and what do you think could be improved?

Mr. CASCARILLA. Well, I think, when you launch a new product, there are many different concerns you have to take into account around customer protections, around safety and soundness, and around the ability to operate. New York has put in place a framework for issuing stablecoins that has now been the basis for really the frameworks that have been adopted in a number of other jurisdictions. We also issue stablecoins out of both the UAE and Singapore, and they are very substantially similar to what New York pioneered.

Mr. LAWLER. I know in your opening statement you touched on your support for reciprocity with other jurisdictions globally that have strong frameworks. Do you think the New York Department of Financial Services should be looking at approving stablecoins that are already approved by other jurisdictions with high standards?

Mr. CASCARILLA. Yes, and I think that creating a common level of reciprocity for tokens that are issued at the same type of safety and soundness level is just critical. You do not want to balkanize the market. You balance the market; I think you then create opportunities for other currencies and other types of countries to take advantage of it.

Mr. LAWLER. One of the stories that we have consistently heard from opponents of digital assets is how it provides a significant source of financing for terrorist groups and other illicit activities. While we must ensure we are combating malign actors, according to recent reports, illicit activity is down, with analysts estimating that crypto transaction volume associated with illicit activity is only .34 percent. Mr. Cascarilla, you have already detailed a bit of the work you are doing on due diligence with Mr. Casten. Mr. Collison, can you describe some of the issues that are considered

when institutions are working through these KYC/AML requirements, and how do companies like Coinbase approach these requirements?

Mr. CASCARILLA. In our case, we are approving customers through bank-like standards. We are regulated in New York under banking law. That is AML, KYC and BSA rules, similar to any other financial institution, and that is important. We want to make sure we know our customers. We want to make sure that we are doing our best to stop illegal or illicit activity from happening through our products, and so far, I think we have been able to show that to a number of large enterprises that use us as infrastructure. The importance of making sure that you have those right types of controls in place is what then gives the world the confidence to use these products on a broader basis.

Mr. LAWLER. Mr. Collison?

Mr. COLLISON. We have a very strong incentive to not only cure the bar of complying with the law, but to do everything possible to reduce and to eliminate fraud in our ecosystem because, actually, customers come to us if they are implementing some platform or some little product suite. They often find the fraud that they experience online themselves to be unmanageable, and they come to us for assistance. We try to lead the industry in this respect, and just like Mr. Cascarilla said, we apply the exact same BSA, AML, KYC, CFT, et cetera, standards for our sector.

Mr. LAWLER. Great. Thank you. I yield back.

Mr. DAVIDSON. I thank the gentleman. The other gentleman from New York, Mr. Garbarino, is now recognized for 5 minutes.

Mr. GARBARINO. Thank you, Chairman. Thank you all to the witnesses for being here today. Ms. Butler, New York was the first State regulator to come out with guidance related to stablecoin issuers. I know you have chatted with Mr. Meuser on this topic before. However, as a New York-regulated bank, could you please discuss how you comply with sound custody disclosure practices?

Ms. BUTLER. Thank you very much for the question. We comply with sound custody practices by ensuring that there is asset segregation. We apply AML, BSA and KYC practices. We have robust risk and control infrastructure around record keeping as an example.

Mr. GARBARINO. Sounds like you do quite a bit.

Ms. BUTLER. Yes.

Mr. GARBARINO. In January 2023, New York DFS released additional guidance, reiterating expectations for sound custody and disclosure practices for payment stablecoin issuers. Mr. Cascarilla, you were just talking with my colleague about some of these. Can you discuss the released guidance in particular and highlight what changes were required for issuers?

Mr. CASCARILLA. The guidance actually did not change anything. From our perspective, we were already following that guidance, but I think what it set was a framework that other jurisdictions and other issuers could then follow, so—

Mr. GARBARINO. It raised the bar for other people?

Mr. CASCARILLA. Yes. I think there were a number of other stablecoin issuers who were not following the idea of backing their stablecoins with cash and cash equivalents on a true 1-for-1 basis

or with something that would be readily redeemable. While it did not change what we were doing, it certainly led to other issuers changing how they operated.

Mr. GARBARINO. Great. That is good. The recent draft of the STABLE Act updates permissible reserves outlined in the previous draft released by Chairman Hill and Steil. These now include Treasury bills with an issued and remaining maturity of 3 months or less, reverse repo transactions backed by these Treasury bills as collateral, and money market funds invested in approved assets. Mr. Guynn, can you explain how these reserves function as cash equivalents and ensure stablecoins are truly backed 1-to-1?

Mr. GUYNN. First of all, in some ways I think that is too restrictive, but if you actually had a reserve where the maximum maturity is 3 months, typically an issuer would actually ladder those securities. The average maturity is probably more layered to something called duration, is probably more like a month or 1 1/2 months. That means that if, even if there is a pretty big swing in interest rates, the value of those assets only goes down by a modest amount. So, it makes it very easy then to liquidate those, if you needed to liquidate and to redeem stablecoins. To the extent there is any drop in the value below par, the STABLE Act would require at least a modest capital buffer that would be used to make up the difference.

Mr. GARBARINO. Right. Our dual banking system, regulatory system, where State and financial regulators share, supervisory and regulatory authority has worked well as it utilizes the strengths of both Federal and State regulators, while allowing States like New York to remain laboratories for innovation. Guynn, would you comment on how a national, Federal framework can complement the work that has already been done at the State level?

Mr. GUYNN. 4(a), I think, is consistent with the State regulatory framework in New York, so I do not think it changes things, but it would create a floor for all other States. States would not be able to create regulatory frameworks that were more relaxed than the Federal standard in Section 4(a) of the STABLE Act. What States would be allowed to do is to have more rigorous standards or just apply things differently in a way that allows for more innovation.

Mr. GARBARINO. Is that something like setting the floor, but not a ceiling?

Mr. GUYNN. Yes, it is a floor, not a ceiling.

Mr. GARBARINO. You agree with them?

Mr. GUYNN. Look, I think in the dual banking system, there is a little more leeway for the States to actually have their own regulations. I could see allowing more leeway for the States here, but that is not what the bill is doing, no.

Mr. GARBARINO. Okay. I appreciate that, and with that, I am going to end early because I know the conference chair would like to ask questions before votes are called. Mr. Chairman, I yield back.

Mr. DAVIDSON. I thank the gentleman. The gentlewoman from Michigan, also the Chair of the Republican Conference, Mrs. McClain, is recognized for 5 minutes.

Mrs. MCCLAIN. Thank you, Mr. Chair, and thank you all for being here today. I appreciate it. I want to start with Mr.

Cascarilla. I want to understand and explore more. Many stablecoin issuers, including Paxos, have set up operations in foreign jurisdictions. Why did you decide to make that decision to set up additional operations abroad? What was the thought process behind that?

Mr. CASCARILLA. There are a number of different reasons. I think the first important one is those jurisdictions had a clear set of rules. We had the clarity, the consistency and the certainty to be able to invest for a long period of time. We have operated out of Singapore for over 10 years, so we have been there for quite a long period of time, and the Monetary Authority of Singapore is a very credible regulator. At the same time, there was not a Federal framework to be able to operate inside the United States, and as well-intentioned as the New York Department of Financial Services has been, it is still a State regulator. In order to be able to operate on a global basis, you need to be able to have, I think, a Federal framework.

Mrs. MCCLAIN. Thank you. In your view, what would happen if we failed to enact a Federal framework?

Mr. CASCARILLA. Well, I think you are ceding leadership and potentially ceding the position of the dollar as a world reserve currency.

Mrs. MCCLAIN. Interesting. Thank you. Mr. Collison, how are small businesses and entrepreneurs using stablecoin to facilitate more international operations?

Mr. COLLISON. We sometimes discuss an idea at Stripe via the micro multinational, in that, if you employ 10,000 or 100,000 people, it is possible to serve 100 markets or something like that. As a much smaller business, or a business just getting started, that is much more difficult. I think part of the promise of stablecoins is that for those businesses that are just getting off the ground, it enables them to serve a global audience from day one, and that can multiply their market and thus their revenue quite significantly.

Mrs. MCCLAIN. Which is a good thing. Yes. Ms. Butler, BNY is one of the world's largest custodians. It is essential that the Reserve Bank backing stablecoins are secure and transparent. Can you describe how BNY Mellon keeps the stablecoin reserves that it manages safe, and that is fully able to meet all of the redemption requests at any time?

Ms. BUTLER. Thank you very much, Congresswoman, for your question. We are the custodian of the reserve, and as such we apply longstanding custody practices around asset safety. Similar to what we do for the \$52 trillion of assets we have under custody. We are not the reserve manager of the reserve itself that is held by the, either the stablecoin issuer or a separate reserve manager.

Mrs. MCCLAIN. Okay. Is there a concern about meeting redemption requests, or do you feel there is enough regulation around that and how the system is set up?

Ms. BUTLER. We support the proposals in the bill to make sure that there are the right safeguards on how you manage the reserves, what assets are in the reserves, how you disclose them, and ensure that there are regular audits on those reserves.

Mrs. MCCLAIN. Transparency is good then.

Ms. BUTLER. Yes.

Mrs. MCCLAIN. It is good. Mr. Guynn, it is my understanding that STABLE Act establishes a Federal floor of requirements that all payment stablecoin issuers must meet in order to issue in the United States, so I think that floor is extremely important. Can you explain in layman's terms why it is important to ensure that regulatory framework for payment stablecoin establishes a baseline across State and Federal jurisdictions?

Mr. GUYNN. Sure. Basically, having a Federal floor creates uniformity across the United States and across different stablecoin issuers. I think that is important so that it will be easy to compare and say everybody is subject to the same standards. There could be some dis-uniformity, but only by increasing the standards from State-to-State.

Mrs. MCCLAIN. It provides a level playing field. It is easier to operate, to do business, to figure out how to function, if I am a—

Mr. GUYNN. Much easier to understand to and apply, yes.

Mrs. MCCLAIN. Okay. Thank you. Last question, if I can, Mr. Cascarilla, there is a tremendous concern about the use of digital assets in money laundering. How can stablecoins be used to reduce illicit financial transactions, and what protections are included in the Stablecoin Act to inhibit nefarious financial actors, in essence, keep out the bad actors?

Mr. CASCARILLA. I will try to be fast. There are requirements for AML, KYC and BSA, and then, second, because it is on a blockchain, it is a forever ledger. You are always able to track movements, and so you can now use different tools to be able to understand how illicit activity is happening.

Mrs. MCCLAIN. Very good with that. I am over my time. Thank you, Mr. Chairman. I yield back.

Mr. DAVIDSON. Thank you. The gentleman from Iowa, Mr. Nunn, is now recognized for 5 minutes.

Mr. NUNN. Well, thank you, Chairman Davidson, and I appreciate you all being at this very important hearing. We are on the cutting edge here. Stablecoins offer a powerful opportunity to build a modern and efficient payment system and shape our financial future. The United States will not and should not sit back while countries like China and Russia try and occupy this space. I am encouraged by this committee's thoughtful discussion and its action.

Mr. COLLISON, as a leader, both as Co-Founder and now CEO at Stripe, you are on the forefront when it comes to financial innovation. In fact, you know what technology looks like because you have been doing it. Over the next decade, I believe we will see a dramatic shift toward real-time, data-driven payments and deeper integration in the financial services candidly in everyday life. By passing the STABLE Act, we can unlock a wave of American leadership in digital payments, all while upholding our Nation's high standards of consumer protections. Could you talk to us here about how you see the payments landscaping evolving over the next 5 years and what role stablecoins might play in shaping that future?

Mr. COLLISON. Well, I think you summarized it very nicely yourself just there. I would maybe briefly add, first, I think there are immense opportunities within the United States to make things cheaper, more efficient, faster, easier to use. The United States today is one of the most expensive countries in the G20, I think the

most expensive, in fact, for just basic money movement functionality. There is also a World Bank report this year showing that not only are remittance costs quite high, but they are actually increasing rather than decreasing over time, so there is lot of opportunity here. I think the second angle that is very compelling is the global access to dollars, which is going to enhance the status of the dollar as the world's preeminent reserve currency, and that has geopolitical benefits. It also has straightforward fiscal benefits in lowering U.S. borrowing costs, and so I think the benefit is very extensive.

Mr. NUNN. I think an important point to drive home here is, this is American-dollar-backed stablecoins which really helped drive this space. God forbid we ever get into a renmi-backed stablecoin or ruble-backed stablecoin, or whatever else is going to be out there. Being able to help drive this is part of our economic engine here in the United States, along with the security that comes with that puts us in the driver's seat for decades to come. Thank you. Ms. Butler, you are head of digital assets at BNY. You operate globally. You have seen a lot of this stuff take place. How are your experiences working in other jurisdictions, particularly Europe, London, Singapore, others, compared to what we have here in the United States?

Ms. BUTLER. Thank you very much for the question. There is increasing clarity in other jurisdictions that enable us to actually meet the needs of our clients in a more real way. With clarity coming out of the proposal here, we will be able to do the same and apply our services to U.S. dollar stablecoins, not just in the traditional space that we do today, but also increasingly across the whole spectrum of payment services related to stablecoins.

Mr. NUNN. I would agree with you. Our inability to get some kind of framework here has driven great innovators, investors and opportunities to the Caribbean, to London, to Singapore, and in worst-case scenarios is actually pushing them into the arms of Pyongyang, Beijing and Russia. Look, Ms. House, you and I had the opportunity to serve together on a number of national security aspects. Would you agree with me that lack of clarity in this area or lack of regulation could potentially jeopardize the future of America's ability to be competitive in this space?

Ms. HOUSE. Yes. I think it already has.

Mr. NUNN. With that, I know STABLE Act may not be exactly what you are looking at, but could you talk to us about some of the things that you think the STABLE Act is driving in building out that framework?

Ms. HOUSE. Absolutely, and there are some points of commonality with other legislation that I like, and I know I have referenced the McHenry-Waters legislation. Things like the 1-to-1, high-quality liquid reserve requirements are really great. The restriction on rehypothecation of assets is good. The reference to cybersecurity controls in the wake of \$1.5 billion hacks that have happened lately. I think that there are some good measures that are in there. There are just some other areas that I think bipartisan legislation that has been worked on in this committee can actually help fill the gaps.

Mr. NUNN. Ms. House, and thank you for your work at the Atlantic Council. I do believe this is a bipartisan issue. More importantly, it is an American issue. If America does not start leading in this area, we have the opportunity to bleed out. Mr. Cascarilla, in our time left, I want to give a little more time to talk about—I look at illicit financing as being a real challenge in this space. How can STABLE Act actually help us clamp down on illicit financiers?

Mr. CASCARILLA. Well, I think, first of all, it sets a set of rules for AML, KYC and BSA, which do not exist today for all issuers, and it also, I think, sets this floor for what people will be able to do and how they will issue on a global basis. For international issuance as well.

Mr. NUNN. Very good. Thank you very much for the time today. Mr. Chairman, I yield back.

Mr. DAVIDSON. Yes. I thank the gentleman. The gentleman from North Carolina, Mr. Moore, is now recognized for 5 minutes.

Mr. MOORE. Thank you, Mr. Chairman. Ensuring America continues to lead in financial innovation is not just about industry growth, it is also about giving consumers better choices, improving financial access and protecting consumer privacy. Blockchain technology and digital assets are already transforming the way Americans and businesses transfer value. That is why this week I plan to introduce the Financial Services Innovation Act. This bill aims to ensure the United States remains the home of financial innovation by establishing the Financial Services Innovation offices within each financial regulator and a Federal sandbox for innovative financial products and services. The regulatory sandbox approach has proven successful in States like North Carolina, which launched its financial and insurance regulatory sandbox through the North Carolina Innovation Council in 2021.

I just have one question. Ms. Butler, in North Carolina, our regulatory sandbox has fostered innovative services that have reduced costs for consumers. They expand access to credit. My question simply is, how will at the Federal level a regulatory sandbox approach accelerate adoption while ensuring proper oversight?

Ms. BULTER. Thank you very much for the question. I think, first and foremost, we are seeing a number of sandboxes where we can actually experiment in a controlled way, and that is giving us the ability to really test out the technology. In addition to that, though, we really do need the rules. We need to have clarity of the rules. We need to have those rules applied consistently across all players in the ecosystem, and I cannot underscore that enough. It is super important so that everybody, particularly, that is issuing and managing and custodialing any part related to a U.S. stablecoin, those same rules and high standards are applied, and then you get to experiment within the safety of a sandbox.

Mr. MOORE. Thank you, and I want to thank all the witnesses for their testimony before the committee today. With that, Mr. Chairman, I yield back.

Mr. DAVIDSON. I thank the gentleman. Thanks to all the witnesses. I appreciate your testimony today.

Without objection, all members will have 5 legislative days to submit additional written questions for the witnesses to the chair-

man. The questions will be forwarded to the witnesses for response, and witnesses, when you receive them, please respond no later than April 15.

[The information referred to can be found in the appendix.]

Mr. DAVIDSON. This hearing stands adjourned.

[Whereupon, at 1:46 p.m., the committee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD



March 11, 2025

Statement for the Record by Fidelity Investments

Hearing Entitled: Navigating the Digital Payments Ecosystem: Examining a Federal Framework for Payment Stablecoins and Consequences of a U.S. Central Bank Digital Currency

Chairman Hill, Ranking Member Waters, and Members of the Committee,

Fidelity Investments ("Fidelity") appreciates the opportunity to submit this statement for the record at today's critical House Committee on Financial Services ("Committee") hearing to examine a federal framework for payment stablecoins. We applaud the Committee's work and proactive legislation that would represent a major step forward for the United States' digital assets ecosystem.

Business Overview

Fidelity was founded in 1946 and is one of the United States's largest providers of financial services, providing investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing and many other financial products and services. We serve more than 52 million individuals with financial planning and advice, 28,000 businesses from start-ups to multinationals to create dynamic benefits programs for their employees, and over 15,700 wealth management firms to help grow their businesses with innovative investment and technology solutions. As part of our 78-year history of innovation, Fidelity began exploring digital assets in 2014 with a focus on research and development. Today, we remain focused as an industry leader on the long-term development of responsible products, regulations, and education that meet the demands and curiosity of our thousands of institutional clients and millions of retail customers.

In 2018 we launched Fidelity Digital Assets, pursuing product development with a methodical approach to safety and security including but not limited to multi-site institutional-grade custody and clearing, extensive AML compliance, conservative capital positions, and a commitment to shield our costumers' assets from proprietary activities. This approach led to our 2022 launch of Fidelity Crypto®, allowing retail investors to buy, sell and secure bitcoin and ether custodied with Fidelity, and only available within the Fidelity mobile app and on Fidelity.com. And most recently in 2024, the launch of Fidelity® Wise Origin® Bitcoin Fund, an exchange-traded product (ETP) available to financial advisors and individual investors that seeks to track the performance of bitcoin, with underlying bitcoin custodied by Fidelity Digital Assets.

Stablecoins

As the Committee has discussed and studied for years, stablecoins are a type of digital asset that are designed to maintain a stable value based on an external reference asset, often a fiat currency such as the U.S. dollar. There are several types of stablecoins based on the mechanism used to maintain the stable value. For purposes of this statement, we refer to fiat-backed stablecoins, which maintain a fully collateralized reserve comprised of cash, cash equivalents, and high-quality short-term government securities custodied in the traditional financial system. As such, stablecoins can provide both a basis and unit of account facilitating trading and the transfer of value across blockchains and are a critical part of the digital asset ecosystem as the majority of cryptocurrency transactions are settled in stablecoins.

In addition, “payment stablecoins” offer benefits of both digital assets and fiat currency as a medium of exchange and money movement technology as a payment tool in the traditional financial system. Confidence in stablecoins and stablecoin issuers will depend upon the reliability and credibility of these issuers which can be derived by transparency into their operations and reserve asset management. Fidelity supports the creation of a domestic stablecoin ecosystem based on stability, transparency, and interoperability. We believe that innovation of blockchain-based payments requires both banks and nonbanks to be issuers of stablecoins.

Fidelity supports legislation that will support and strengthen stablecoin adoption by implementing minimum standards for issuers through appropriate regulation and supervision. A properly capitalized, collateralized and regulated stablecoin represents a very low risk activity because it would be primarily backed by reserve assets guaranteed by the full faith and credit of the United States government.

To promote a robust marketplace for innovation that preserves safety and soundness, stability, and investor protections, a U.S. payment stablecoin regulatory construct should include the following principles:

- 1. Stablecoin issuance should be permissible for insured depository institutions, state-chartered entities and approved nonbank entities.** Exclusively favoring a federal regulatory regime would ignore years of thoughtful and industry-defining work by state banking regulators and constrain competition. Issuers should not be limited to insured depository institutions (IDIs) but should include other types of federal and state banks, trust companies, and nonbank entities even if they are not in the deposit taking business, provided they meet appropriate levels of oversight. Optionality for federally or state licensed banks, trust companies, and nonbank issuers will help foster innovative growth, market competition and consumer choice.

As Fidelity has demonstrated for decades, an appropriate risk management framework with disclosures, investor protection, and oversight has provided effective safeguards for consumers. If a stablecoin is backed “one-to-one” with U.S. government-backed reserve assets by a nonbank or trust company issuer—so long as asset quality and

redemption transparency requirements are properly structured to ensure liquidity—**there is no need to layer on capital or insurance requirements historically used for fractional reserve banking products.** Bank-like capital requirements would make fully collateralized one-to-one stablecoin products economically unviable.

Fidelity supports provisions contained in current legislation in the House (the *STABLE Act of 2025*) and Senate (S. 394, the *GENIUS Act of 2025*) that do not grant exclusive regulation of stablecoins to the Federal Reserve. Allowing other Federal financial regulators, including the Office of the Comptroller of the Currency, as well as state banking regulators with appropriately tailored regulatory regimes, to regulate stablecoin issuers will lead to competition and enhance organic market growth.

2. **Regulatory capital requirements should not be imposed on reserve assets.** As long as one-to-one reserve asset backing is explicitly required, and those reserve assets meet certain criteria for valuation and liquidity (see number 3 below), other capital requirements—typically designed to reflect the risks of fractional reserve banking—should not be imposed on reserve assets in order to prevent against excessive overcapitalization, making the business economically impractical. Rather, any capital requirements should be designed to address the operational risks specific to a stablecoin issuer.
3. **Standards regarding reserve management and liquidity should be established to ensure stability of stablecoins and protection of stablecoin holders.** Reserve assets underlying stablecoins should be subject to strict standards to ensure high quality and liquidity with appropriate maturity profiles. Stablecoin issuers should have basic collateral requirements requiring one-to-one reserve asset backing per stablecoin issued with explicit redemption policies, clear reserve asset disclosures and clarity that reserve assets will be exclusively available to reimburse holders if an issuer becomes insolvent. Fidelity also supports the inclusion of appropriately structured money market funds as a reserve asset in both the *STABLE Act* and the *GENIUS Act*.
4. **Standards should ensure transparency in order to build confidence among stablecoin issuers and users.** Stablecoin issuers should provide frequent reporting of reserve assets, liquidity profiles, and periodic attestations from Registered Public Accounting Firms (15 U.S.C. § 7201(12)).
5. **Allow the option for consumers to benefit from yield or interest generated by underlying reserves.** Reserve assets backing stablecoins may generate yield. Stablecoin issuers should have the option to pass along some of the earnings from these reserve assets without prompting the securities laws.
6. **Consumer protection and interoperability must be upheld.** Legislation should confirm the application of anti-money laundering (AML), know your customer (KYC), and countering the finance of terrorism (CFT) regulations to stablecoin issuance in a

manner consistent with their purpose and structure, while ensuring individual privacy rights are upheld. Finally, the potential for technological advances, cross-chain transferability and fungibility among protocols should be protected.

U.S. Competitiveness

As the United States strives to cement its position as the global leader in digital assets, fostering a robust stablecoin ecosystem will **bolster the dollar's competitiveness** and transform payments, offering greater speed, affordability and reliability. If the United States does not undertake the regulation of stablecoins in a coordinated fashion, the U.S. risks losing the competitive advantage its markets afford developers of new technologies, who will themselves seek jurisdictions that encourage innovation and growth. An appropriate analogy about how we should approach the regulation of digital assets is how Congress and the Clinton Administration approached the rise and growth of the Internet in the 1990's.¹ The creation of the "Framework for Global Electronic Commerce" and bipartisan passage of the *Telecommunications Act of 1996* ushered in an unprecedented era of private sector development and investment that helped to transform the American economy.² Indeed, today most of the world's most prominent and successful Internet companies are American. The growth of stablecoins and other digital assets markets in the U.S. need be no different.

Fidelity looks forward to continuing our dialogue with the Committee to ensure a safe and secure payment stablecoin framework that makes the United States the global leader in digital assets.

¹ See Special Address of CFTC Commissioner J. Christopher Giancarlo, Mar. 29, 2016, available online: Special Address of CFTC Commissioner J. Christopher Giancarlo Before the Depository Trust & Clearing Corporation 2016 Blockchain Symposium | CFTC

² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996), and The Framework for Global Electronic Commerce, The White House, available online: The Framework for Global Electronic Commerce (archives.gov)

Statement for the Record
On Behalf of the
American Bankers Association
before the
House Financial Services Committee
March 11, 2025



Statement for the Record*On Behalf of the***American Bankers Association***before the***House Financial Services Committee****March 11, 2025**

The American Bankers Association (ABA) appreciates the opportunity to provide a Statement for the Record for this hearing, *Navigating the Digital Payments Ecosystem: Examining a Federal Framework for Payment Stablecoins and Consequences of a U.S. Central Bank Digital Currency*. ABA is the voice of the nation's \$24.1 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2.1 million people, safeguard \$19.2 trillion in deposits and extend \$12.7 trillion in loans.

Stablecoin is an area of particular interest to our members, given the token's similarity in use to commercial bank money. We applaud the Committee's efforts to establish a regulatory framework for payment stablecoin. A regulatory framework that balances the potential for improving a customer's payment experience with the need to limit negative economic consequences, as well as financial stability and consumer protection risks, has potential to spur innovation, and the banking industry is ready to participate. We appreciate that the bill codifies the repeal of SAB 121, offers a path for banks to issue payment stablecoins, and acknowledges the authority of banking institutions to issue digital assets that represent deposits (i.e., tokenized deposits), otherwise use distributed ledgers for recordkeeping, and provide custodial services for payment stablecoins and their reserves. Banks are responsibly innovating in these areas and subject to a robust regulatory framework that ensures the safety and soundness of their operations.

ABA remains strongly opposed to a consumer-facing or retail central bank digital currency (CBDC), which would set the Federal Reserve up as a direct competitor for bank deposits and limit banks' ability to make the loans that power economic growth. It's worth noting that the deposit substitution risk we identified relative to CBDC is also a risk as we think about the impact of a scaled payment stablecoin market. Despite their name, there is strong evidence that payment stablecoins will serve as a store of value. Take Tether, for example; as of December 31, 2024, it held about \$143 billion in reserves, with about 80% of these in US TBills and just 0.09% in cash and bank deposits. The presumption is that these are funds that moved from Tether holders' bank deposits to Tether. If non-bank payment stablecoins scale, it is reasonable to expect the same dynamic to occur in the US – an outflow of funds from bank deposits to the issuers of these stablecoins. This would be similar to the outflow experienced with the development of money market mutual funds. We urge the Committee to avoid establishing a framework that disintermediates the banking industry by incentivizing a flow of deposits out of community banks and into payment stablecoins.

As Congress, regulators, and the Administration develop a regulatory framework for digital assets, we urge them to apply the principle of "same activity, same risk, same regulation" and to

ensure the resulting ecosystem operates with safeguards that appropriately mitigate financial stability and consumer protection risk. These issues come up regarding the robustness of the regulatory framework; the degree of supervision and mechanism for enforcement; the limits placed on nonbanks, including commercial activities restrictions, master account access, and the ability to pay interest on tokens; and the application of the Bank Secrecy Act (BSA) to the payment stablecoin ecosystem. We have identified three principles that guide our thinking about what the proposed legislation should accomplish to mitigate risk:

Avoid a negative economic impact. Payment stablecoin has the potential to significantly disintermediate core commercial bank activity like deposit taking and lending. This concept is not a mere competitive concern; rather it poses significant risk to the fundamental role banks play in credit intermediation. Banks power the economy by providing loans and credit to consumers, small businesses, and corporations. This lending is funded in part by taking on liabilities in the form of bank deposits. History shows us time and again that having fewer deposits in the banking system leads to fewer loans being made and lower economic output being generated. It is imperative that the regulatory framework for payment stablecoin not interrupt the flywheel for credit creation by incentivizing value be held in the form of payment stablecoin rather than bank deposits.

Control for the known risks. Perhaps the most critical role of a payment stablecoin issuer is to establish confidence among the public that the token it issues will retain its value and is redeemable on demand. A worst-case scenario would be one in which that trust falters, the stablecoin price drops, token holders rush to redeem their tokens, the issuer cannot meet its obligation fast enough, and the issuer is forced into a fire sale of reserve assets. Under this scenario, fear surrounding the stablecoin's depeg would likely spread to other stablecoin issuers, even if on their own nothing indicates their tokens' value is at risk. The regulatory framework must reduce the likelihood of this outcome by applying a strong and common set of guardrails around reserves, redemption, capital and liquidity, operational risk management, and cybersecurity to all stablecoin issuers.

In addition, the potential use of payment stablecoin for financing illicit activities is a known risk. The regulatory framework must apply the Bank Secrecy Act (BSA) to all entities engaged in the transmission of value that substitutes for currency (i.e., payment stablecoin). Given that most payment stablecoin transactions will occur in the secondary market via digital asset service providers, like exchanges, the regulatory framework must account for the very real illicit financing risk by extending BSA obligations and associated supervision to these service providers.

Prepare for the unknown risks. Today, the payment stablecoin market is relatively nascent and immature. While proponents of the ecosystem have a vision for low cost and frictionless retail, B2B, and cross-border payments using payment stablecoin, that world is not yet a reality. In fact, payment stablecoin today is predominantly used as an on ramp to other cryptocurrency activities. Many of the risks and unintended consequences are yet to be realized and may not be identified until the market scales and more productive use cases emerge. With those unknowns in mind, the regulatory framework for payment stablecoin must not preemptively limit the ability of regulators to establish appropriate rules and supervise market participants.

Banks have a critical role to play in the digital asset ecosystem, which has the potential to be a catalyst for change in traditional financial markets, with significant implications for our financial

system, economy, markets, and most importantly for the American consumer. Thank you for the opportunity to express our views, and we look forward to continuing to work with the Committee and other policymakers on this important topic.



 NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

750 First Street, NE, Suite 990
 Washington, DC 20002
 202-737-0900
 www.nasaa.org

March 10, 2025

The Honorable Tim Scott (R-SC)
 Chairman
 U.S. Senate Committee on Banking,
 Housing, and Urban Affairs
 534 Dirksen Senate Office Building
 Washington, D.C. 20510

The Honorable Elizabeth Warren (D-MA)
 Ranking Member
 U.S. Senate Committee on Banking,
 Housing, and Urban Affairs
 534 Dirksen Senate Office Building
 Washington, D.C. 20510

The Honorable French Hill (R-AR)
 Chairman
 House Financial Services Committee
 2129 Rayburn House Office Building
 Washington, D.C. 20515

The Honorable Maxine Waters (D-CA)
 Ranking Member
 House Committee on Financial Services
 2129 Rayburn House Office Building
 Washington, D.C. 20515

RE: NASAA Calls on Congress to Exclude All Interest-Bearing Securities from the
 Definition of Payment Stablecoin

Dear Chairmen Scott and Hill and Ranking Members Warren and Waters:

On behalf of the North American Securities Administrators Association, Inc. ("NASAA"),¹ I write to thank you for your implementation of NASAA's earlier feedback that federal payment stablecoin legislation at minimum should retain a registration pathway for money market funds. In addition, I write to request that you amend the definition of "payment stablecoin" in any related federal legislation so that it includes a prohibition on the payment of interest entirely. As explained below, we believe Congress should effectuate this prohibition by carving interest-bearing securities out entirely from the definition of payment stablecoin. Relatedly, we encourage Congress to include a provision in any related federal legislation that makes clear that (i) the references to "securities" and "investment companies" in the legislation include both on-chain and off-chain securities and funds and (ii) the inclusion of off-chain securities and funds is *solely* for the limited purpose of interpreting the definition of payment stablecoin. Last, we recommend that Congress allow the work currently underway by the U.S. Securities and Exchange Commission's ("SEC") Crypto Task Force, including anticipated engagement with state securities regulators, to mature and generate technical and other comments to promote a consistent approach to the definition of "payment stablecoin."

¹ Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA's membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, México, Puerto Rico, the U.S. Virgin Islands, and Guam. NASAA is the voice of securities agencies responsible for grassroots investor protection and efficient capital formation.

President: Leslie M. Van Baakirk (Wisconsin)	Secretary: Stephen Bowchard (District of Columbia)	Directors: Jane Anderson, K.C. (Nova Scotia)
President-Elect: Marni Rock Gibson (Kentucky)	Treasurer: Elizabeth Bowling (Tennessee)	Jesse A. Devine (Maine)
Past-President: Claire McHenry (Nebraska)		Andros Seidl (Ohio)
Executive Director: Joseph Brady		Melanie Senter Lubin (Maryland)

I. Present Treatment of Securities in the Pending Legislative Proposals

As noted, pending payment stablecoin bills, including the Guiding and Establishing National Innovation for U.S. Stablecoins (“GENIUS”) Act of 2025 and the Stablecoin Transparency and Accountability for a Better Ledger Economy (“STABLE”) Act of 2025, continue to be written in a way that arguably can be read to include certain securities that should be carved out of the definition of payment stablecoin. This letter focuses on the GENIUS Act and the STABLE Act.

Section 2 of the GENIUS Act would define payment stablecoins as any digital asset designed to be used as a means of payment or settlement. The issuer of such assets must be an entity that is obligated to convert, redeem, or repurchase for a fixed amount of monetary value and represents, will maintain, or creates the reasonable expectation that it will maintain a stable value relative to a fixed amount of monetary value. Payment stablecoins would not include national currency or a security issued by an investment company.²

Section 14 of the GENIUS Act would amend federal securities laws to carve payment stablecoins out of the securities law. Specifically, in Section 14, the legislation would amend the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Securities Investor Protection Act of 1970 to state the following: “The term ‘security’ does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined, respectively, in section 2 of [the legislation].”³

The STABLE Act would take the same approach. Section 2 of the STABLE Act would define payment stablecoins and similarly exclude a security issued by an investment company registered under section 8(a) of the Investment Company Act of 1940.⁴ Section 13 of the bill would amend federal securities laws to carve payment stablecoins out of the securities law.⁵

As background, the above approaches differ from an earlier approach offered by then-Senator Patrick Toomey (R-PA) through his Stablecoin Transparency of Reserves and Uniform Safe Transactions (“TRUST”) Act of 2022. Section 2 of the Stablecoin TRUST Act would define payment stablecoin as any digital asset that is designed to maintain a stable value relative to a fiat currency or currencies, is convertible directly to fiat currency by the issuer, is designed to be widely used as a medium of exchange, is issued by a centralized entity, does not inherently pay interest to the holder, and is recorded on a public distributed ledger. Section 7 of the

² See [S. 394](#), the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, 119th Congress, 1st Session (Feb. 4, 2025).

³ See *id.*

⁴ See [H.R. _____](#), the Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025, Discussion Draft, 119th Congress, 1st Session (Mar. 6, 2025). The STABLE Act of 2025 also contains a carveout for deposits (as defined under section 3 of the Federal Deposit Insurance Act) for being considered a payment stablecoin.

⁵ See [H.R. _____](#), the Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025, Discussion Draft, 119th Congress, 1st Session (Mar. 6, 2025).

Stablecoin TRUST Act would amend federal securities laws to exclude payment stablecoins from the definition of a security.⁶ Indeed, Senator Toomey stated that one of the “key components” of his legislation was that it would provide “much-needed clarity that, at a minimum, stablecoins that do not offer interest are not securities.”⁷

As further background, to the best of our knowledge, Congress has yet to consider any legislation specific to payment stablecoins that acknowledges the fact that, at present, our securities markets have both (i) securities and funds that are issued and traded off-chain (so-called traditional financial products) and (ii) securities and funds that are issued and traded on-chain. As explained below, we encourage Congress to include a provision in any related federal legislation that makes clear that (i) the references to “securities” and “investment companies” in the legislation include both on-chain and off-chain securities and funds and (ii) the inclusion of off-chain securities and funds in the legislation is *solely* for the limited purpose of interpreting the definition of payment stablecoin.

II. Present Illustrative Interest-Bearing Securities

As you know, the state and federal securities laws use the same or a very similar definition of a security. The definition of a “security” in the Securities Act of 1933 is illustrative of present securities law. The definition includes the following:

any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a ‘security’, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.⁸

Historically, the above products have been traded without distributed ledger technologies. Today, while adoption is limited, there is a growing menu of tokenized securities and funds,

⁶ See [S. 5340](#), the Stablecoin Transparency of Reserves and Uniform Safe Transactions Act of 2022, 117th Congress, 2nd Session (Dec. 21, 2022).

⁷ See U.S. Senate Committee on Banking, Housing, and Urban Affairs, [Toomey Introduces Legislation to Guide Future Stablecoin Regulation](#), U.S. Senate Committee on Banking, Housing, and Urban Affairs (Dec. 21, 2022).

⁸ See [Securities Act of 1933](#).

including for fixed-income products such as government bonds, corporate bonds, treasury bills, certificates of deposit, debentures, and mortgage-backed securities.⁹ The following are examples:

- As of March 2025, there are tokenized notes issued as an ERC-20 token on the Ethereum blockchain and secured by U.S. Treasuries and bank demand deposits. The holders receive yield generated from the underlying asset in the form of increasing redemption value. The issuer describes applicable regulation as follows: “Continuous Reg S Compliant Offering.”¹⁰
- In February 2025, Figure Certificate Company (“FCC”), a face-amount certificate company, registered securities called YLDs. FCC is the first company to register with the SEC as a face-amount certificate company under the Investment Company Act of 1940 in over a quarter century and only the second currently operating face-amount certificate company in the United States.¹¹ YLDs are debt securities that FCC will issue and redeem using blockchain technology and which will be transferrable on the blockchain in peer-to-peer and registered alternative trading system (“ATS”) transactions. YLDs are the first U.S. registered debt security stablecoin that offers interest on invested principal and is transferable in both peer-to-peer transactions and in transactions on a registered ATS.¹²
- The tokenization of U.S. Treasuries is a relatively new trend. Today, there exist tokenized U.S. Treasury funds that provide investors access to tokenized forms of U.S. Treasuries on blockchains that behave in many ways like Treasury exchange-traded funds or government money market funds. In addition, there are tokenized U.S. Treasury repurchase agreement projects. Here, tokenized U.S. Treasuries allow for instantaneous, 24/7 settlement and trading. Further, there are ongoing pilot projects that would use tokenized U.S. Treasuries in different applications ranging from posting/return collateral for a margin trade and hypothecating a tokenized U.S. Treasury in case of a default.¹³

As additional context, over several years, state and federal securities regulators have held companies accountable for selling unregistered securities to retail investors through interest accounts. In short, the companies promoted interest accounts with promises of high returns for investors. The company took control of and pooled the investors’ loaned digital assets and

⁹ See RWA.xyz, [Tokenized Treasuries](#) and [Tokenized Global Bonds](#) (Last accessed Mar. 7, 2025) (listing types of tokenized U.S. treasuries, bonds, and cash-equivalents trading in global markets and in some cases in the United States).

¹⁰ See Readi, [Onco US Dollar Yield Token](#), Readi (Last accessed Mar. 7, 2025).

¹¹ See A&O Shearman, [A&O Shearman advises on registered security/stablecoin offering for Figure Certificate Company](#) (Feb. 24, 2025).

¹² [Access Figure Certificate Co. regulatory filings on EDGAR](#).

¹³ See U.S. Department of the Treasury, Office of Debt Management, Fiscal Year 2024 Q4 Report, [Presentation to the Treasury Borrowing Advisory Committee](#) (Oct. 2024), at p. 107 of 132. See also SIFMA, [Business Applicability Report, Regulated Settlement Network \(RSN\) Proof of Concept](#) (Dec. 5, 2024), at p. 24; U.S. Department of the Treasury, [About Treasury Marketable Securities](#) (Last accessed Mar. 9, 2025).

exercised sole discretion over the pooled digital assets, including how to use those assets to generate a return and pay investors the promised interest. The regulators held companies accountable for violations employing the investment contract and note analyses, as well as Investment Company Act violations.¹⁴

III. The Exclusion of All Interest-Bearing Securities from the Definition of Payment Stablecoin

NASAA respectfully requests that federal legislators exclude all interest-bearing securities from the definition of payment stablecoin. In our opinion, such an exclusion would be the easiest way, as a matter of law and policy, to make clear that securities that historically have been used as cash equivalents are not payment stablecoins. As illustrated above (see Section II), the exclusion would ensure that Congress is not inadvertently recharacterizing certain tokenized securities, such as tokenized U.S. Treasuries, as “payment stablecoins.” The exclusion would ensure that Congress does not deny securities market participants the choice of exploring the use of distributed ledger technologies to issue and trade additional types of interest-bearing securities.

IV. The Recognition of On-Chain and Off-Chain Securities and Funds in Federal Legislation *Solely* for the Limited Purpose of Interpreting the Definition of Payment Stablecoin

Congress has been debating and discussing legislation related to payment stablecoins for several years now. During this period, securities market participants have begun to use distributed ledger technologies to issue and trade so-called traditional securities and funds. Further, Congress has not updated the federal securities and other financial laws to distinguish between securities and funds that use distributed ledger technologies and securities and funds that do not use distributed ledger technologies.

In turn, we encourage Congress to include a provision in any related federal legislation that makes clear that (i) the references to “securities” and “investment companies” in the legislation include both on-chain and off-chain securities and funds and (ii) the inclusion of off-chain securities and funds in the legislation is *solely* for the limited purpose of interpreting the definition of payment stablecoin. Stated differently, the new law for payment stablecoins would have no legal effect on the principles and requirements set forth in the federal securities laws pertaining to off-chain securities and funds. Being clear and precise in this respect would help avoid a situation where Congress inadvertently creates confusion within the traditional (or off-chain) securities regulatory markets.

V. Benefit from the SEC’s and NASAA’s Ongoing Work

Last, NASAA respectfully requests that Congress avoid the inevitable confusion among market participants and investors that will result from not allowing the work underway at the

¹⁴ See NASAA, [NASAA and SEC Announce \\$100 Million Settlement with BlockFi Lending, LLC](#) (Feb. 14, 2022).

SEC and at many other agencies¹⁵ to advance before finalization of any federal legislation regarding payment stablecoins or market structure. We believe the new SEC Crypto Task Force and its engagement with stakeholders will yield new information that could affect your decisions regarding the definition of payment stablecoin. In addition, NASAA recently launched an internal crypto working group, which builds on the work of prior similar efforts, that will yield insightful information. While we, too, fully recognize the urgency of providing additional support to our market participants, we would oppose the passage of any legislation on any topic that would fuel confusion or introduce more problems than it solves.

Thank you for your time and consideration. Should you have questions or wish to engage on any legislative proposals, please do not hesitate to contact me or Kristen Hutchens, NASAA's Director of Policy and Government Affairs, and Policy Counsel, at khutchens@nasaa.org.

Sincerely,



Leslie M. Van Buskirk
NASAA President and
Administrator, Division of Securities
Wisconsin Department of Financial
Institutions

¹⁵ See White House, [Strengthening American Leadership in Digital Financial Technology](#) (Jan. 23, 2025) (establishing the President's Working Group on Digital Asset Markets with representation from across the federal government, including the Commodity Futures Trading Commission, SEC, and U.S. Department of the Treasury).



Navigating the Digital Payments Ecosystem: "Examining a Federal Framework for Payment Stablecoins and Consequences of a U.S. Central Bank Digital Currency," March 11, 2025

Response to Questions for the Record from Representative De La Cruz

1. Mr. Cascarilla, can you describe some of the benefits of stablecoins to a rural border district like mine, when being used for things like remittances or cross-border payments?

Stablecoins hold significant potential for remittances and cross-border payments. They serve as a distribution mechanism for U.S. dollars on the blockchain, enabling instant transactions, 24/7, at minimal cost. Some estimates suggest that nearly 30% of remittances utilize a stablecoin rail, although end users may not even be aware of it.

A considerable percentage of Americans remain underbanked or unbanked, with these numbers often higher in many developing countries. Within the United States, nearly 20% of Americans remain unbanked or underbanked, according to FDIC data¹—a figure that rises 50% among those without a high school diploma. In developing countries, almost 40% of people lack adequate access to banking services.^{2,3}

The current domestic electronic dollar transfer system incurs high fees, such as ATM charges and overdraft penalties. These can be eliminated or significantly reduced through the use of stablecoins. Stablecoins present a low-friction alternative for those burdened by high costs in the traditional financial system.

Stablecoins address numerous common challenges in the traditional remittance system, including high fees and lengthy processing times. Given that many vulnerable communities rely on remittance flows, stablecoins have the potential to enhance financial health on a broad scale. Additionally, the current system is extremely slow. Trillions of dollars' worth of capital are often tied up in transactions that have not yet settled. As a result, remittance recipients and other payees do not have immediate access to their funds. Quicker settlement times also help reduce risk within the system.

Stablecoins introduce a new paradigm, providing a more efficient and inclusive means of distributing existing U.S. dollars to consumers in America and around the globe.

¹

<https://www.fdic.gov/household-survey#:~:text=In%20contrast%2C%2081.6%20percent%20of,less%20common%20among%20underbanked%20households>

²

<https://blog.cfte.education/the-worlds-top-5-unbanked-countries-have-more-than-60-of-their-population-without-bank-accounts/>

³ <https://www.worldbank.org/en/publication/globalindex>

Compared to traditional money transfer services, stablecoins facilitate faster, safer, and lower-cost international remittances.

Beyond our borders, U.S. dollar stablecoins are a strategic asset. They counter declining central bank demand for U.S. Treasury bonds and reinforce dollar dominance.

2. Mr. Cascarilla, coming from a border district, I want to ensure that there are proper guardrails in place to counter any criminal activity that could take place using payment stablecoins. Can you talk about what mechanisms Paxos has in place to monitor and impede illicit activity using your stablecoins?

At Paxos, we recognize the critical importance of preventing illicit activity, particularly in regions like border districts where such risks can be elevated. As a regulated financial institution and issuer of payment stablecoins, we have comprehensive controls in place to monitor and impede criminal use of our stablecoins—both on-chain and off-chain.

Screening and KYC Controls:

All users interacting directly with Paxos must undergo rigorous Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures. These include identity verification, sanctions screening, and risk-based onboarding aligned with the standards of our regulators, including the New York Department of Financial Services (NYDFS). We also assess counterparties' compliance programs before enabling access to our platform.

On-Chain Monitoring:

We actively monitor blockchain activity using industry-leading tools and analytics providers to track transactions involving Paxos-issued stablecoins. These systems allow us to detect patterns consistent with money laundering, sanctions evasion, or other illicit behaviors. We can trace transactions across wallets, identify suspicious flows, and, where necessary, freeze assets under our control in accordance with legal or regulatory obligations.

Ecosystem Oversight ("In the Wild"):

Even when Paxos-issued stablecoins are transacted beyond our immediate ecosystem, we maintain oversight through partnerships with law enforcement and blockchain intelligence firms. We regularly share information with federal and international agencies and respond swiftly to subpoenas, requests for information, and investigations. Our compliance team also conducts ongoing counterparty reviews and due diligence to ensure stablecoin distribution aligns with our risk appetite.

Transaction Monitoring:

Paxos employs real-time and post-transaction transaction monitoring systems to flag

anomalous behavior. This includes transaction velocity checks, geographic risk filters, and wallet behavior analytics. Our compliance team investigates alerts promptly and escalates as necessary under our SAR (Suspicious Activity Report) protocols.

In sum, Paxos applies a multi-layered compliance framework designed to safeguard against illicit finance. We believe that payment stablecoins can and should operate within the traditional financial system's standards—and we are committed to ensuring they do.

3. Mr. Cascarilla, can you explain what other countries are doing in this space? Who is taking the lead? What challenges are they encountering? Additionally, can you explain the downsides of the U.S. not leading in this space? What happens if we don't move forward with this legislation?

While the United States has hesitated to adopt a federal framework, other jurisdictions have acted decisively. The European Union (EU), Japan, Singapore, and the United Arab Emirates have established clear regulatory frameworks for digital assets, attracting capital, talent, and innovation.

Paxos operates under licenses not only in New York but also in the Abu Dhabi Global Market, the EU, and Singapore, reflecting the global nature of our business. In the absence of U.S. leadership, these jurisdictions are poised to capture the economic benefits of digital finance, potentially at the expense of U.S. jobs and tax revenue.

Meanwhile, other stablecoin issuers—including the current largest issuer by market share—do not operate out of countries with strong regulatory frameworks. This means there is little transparency into the adequacy of reserves, protection of customer funds, or compliance with sanctions or internationally-accepted anti-money laundering standards. This threatens consumers, businesses, financial stability, and national security interests.

The United States stands at a critical juncture. The question is no longer whether financial markets will adopt payment stablecoins—they already are—but whether America will lead this transformation. If the United States fails to adopt a federal framework to give legal certainty for stablecoins issued in our country, the growth of the stablecoin market will continue largely outside of our borders. The benefits of U.S. consumer, business, and government adoption of this new payment technology will come more slowly to our economy, and the risks associated with the growth of unregulated stablecoins will go unchecked.

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To provide for the regulation of payment stablecoins, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. STEEL (for himself and Mr. HILL of Arkansas) introduced the following bill; which was referred to the Committee on

A BILL

To provide for the regulation of payment stablecoins, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stablecoin Trans-
5 parency and Accountability for a Better Ledger Economy
6 Act of 2025” or the “STABLE Act of 2025”.

7 **SEC. 2. DEFINITIONS.**

8 In this Act:

1 (1) APPROPRIATE FEDERAL BANKING AGEN-
2 CY.—The term “appropriate Federal banking agen-
3 cy” has the meaning given that term under section
4 3 of the Federal Deposit Insurance Act (12 U.S.C.
5 1813).

6 (2) BANK SECRECY ACT.—The term “Bank Se-
7 crecy Act” means—

8 (A) section 21 of the Federal Deposit In-
9 surance Act (12 U.S.C. 1829b);

10 (B) chapter 2 of title I of Public Law 91–
11 508 (12 U.S.C. 1951 et seq.); and

12 (C) subchapter II of chapter 53 of title 31,
13 United States Code.

14 (3) BOARD.—The term “Board” means the
15 Board of Governors of the Federal Reserve System.

16 (4) COMPTROLLER.—The term “Comptroller”
17 means the Comptroller of the Currency.

18 (5) CORPORATION.—The term “Corporation”
19 means the Federal Deposit Insurance Corporation.

20 (6) DIGITAL ASSET.—The term “digital asset”
21 means any digital representation of value which is
22 recorded on a cryptographically-secured distributed
23 ledger.

24 (7) DISTRIBUTED LEDGER.—The term “distrib-
25 uted ledger” means technology where data is shared

1 across a network that creates a public digital ledger
2 of verified transactions or information among net-
3 work participants and the data is linked using cryp-
4 tography to maintain the integrity of the public dig-
5 ital ledger and execute other functions.

6 (8) FEDERAL QUALIFIED NONBANK PAYMENT
7 STABLECOIN ISSUER.—The term “Federal qualified
8 nonbank payment stablecoin issuer” means a sub-
9 sidiary of a nonbank entity approved by the primary
10 Federal payment stablecoin regulator, pursuant to
11 section 5, to issue payment stablecoins.

12 (9) INSTITUTION-AFFILIATED PARTY.—With re-
13 spect to a permitted payment stablecoin issuer, the
14 term “institution-affiliated party” means any direc-
15 tor, officer, employee, or person in control of, or
16 agent for, the permitted payment stablecoin issuer.

17 (10) INSURED CREDIT UNION.—The term “in-
18 sured credit union” has the meaning given that term
19 in section 101 of the Federal Credit Union Act (12
20 U.S.C. 1752).

21 (11) INSURED DEPOSITORY INSTITUTION.—The
22 term “insured depository institution” means—

23 (A) an insured depository institution, as
24 defined in section 3 of the Federal Deposit In-
25 surance Act (12 U.S.C. 1813); and

1 (B) an insured credit union.

2 (12) MONETARY VALUE.—The term “monetary
3 value”—

4 (A) means—

5 (i) a national currency; or

6 (ii) deposit (as defined in section 3 of
7 the Federal Deposit Insurance Act (12
8 U.S.C. 1813)) that is denominated in a na-
9 tional currency; and

10 (B) does not include any agricultural or
11 other physical commodity (as defined in section
12 1a of the Commodity Exchange Act (7 U.S.C.
13 1a).

14 (13) MONEY.—The term “money” means any
15 financial instrument that is legal tender, is required
16 to be received by a taxing authority in satisfaction
17 of tax obligations, or is widely accepted in an econ-
18 omy for the payments of goods or services.

19 (14) NATIONAL CURRENCY.—The term “na-
20 tional currency” means a Federal Reserve note, (as
21 the term is used in the first undesignated paragraph
22 of section 16 of the Federal Reserve Act (12 U.S.C.
23 411)), money standing to the credit of an account
24 with a Federal reserve bank, money issued by a cen-
25 tral bank, and money issued by an intergovern-

1 mental organization pursuant to an agreement by
2 one or more governments.

3 (15) NONBANK ENTITY.—The term “nonbank
4 entity” means a person that is not an insured depos-
5 itory institution or subsidiary of an insured deposi-
6 tory institution.

7 (16) PAYMENT STABLECOIN.—The term “pay-
8 ment stablecoin” means a digital asset—

9 (A) that is or is designed to be used as a
10 means of payment or settlement;

11 (B) that is denominated in a national cur-
12 rency;

13 (C) the issuer of which—

14 (i) is obligated to convert, redeem, or
15 repurchase for a fixed amount of monetary
16 value; or

17 (ii) represents that the digital asset
18 will maintain or creates the reasonable ex-
19 pectation that the digital asset will main-
20 tain a stable value relative to the value of
21 a fixed amount of monetary value; and

22 (D) that is not—

23 (i) a national currency;

24 (ii) a security issued by an investment
25 company registered under section 8(a) of

1 the Investment Company Act of 1940 (15
2 U.S.C. 80a-8(a)); or

3 (iii) a deposit (as defined under sec-
4 tion 3 of the Federal Deposit Insurance
5 Act).

6 (17) PERMITTED PAYMENT STABLECOIN
7 ISSUER.—The term “permitted payment stablecoin
8 issuer” means—

9 (A) a subsidiary of an insured depository
10 institution that has been approved to issue pay-
11 ment stablecoins under section 5;

12 (B) a Federal qualified nonbank payment
13 stablecoin issuer; or

14 (C) a State qualified payment stablecoin
15 issuer.

16 (18) PERSON.—The term “person” means an
17 individual, partnership, company, corporation, asso-
18 ciation (incorporated or unincorporated), trust, es-
19 tate, cooperative organization, or other entity.

20 (19) PRIMARY FEDERAL PAYMENT STABLECOIN
21 REGULATOR.—

22 (A) IN GENERAL.—The term “primary
23 Federal payment stablecoin regulator” means—

24 (i) with respect to an insured deposi-
25 tory institution (other than an insured

1 credit union) or a subsidiary of an insured
2 depository institution (other than an in-
3 sured credit union), the appropriate Fed-
4 eral banking agency of such insured depos-
5 itory institution;

6 (ii) with respect to an insured credit
7 union or a subsidiary of an insured credit
8 union, the National Credit Union Adminis-
9 tration;

10 (iii) with respect to a Federal quali-
11 fied nonbank payment stablecoin issuer
12 and any nonbank entity that seeks to have
13 a subsidiary approved as a Federal quali-
14 fied nonbank payment stablecoin issuer,
15 the Comptroller; and

16 (iv) with respect to any entity char-
17 tered by the Comptroller, the Comptroller.

18 (B) PRIMARY FEDERAL PAYMENT
19 STABLECOIN REGULATORS.—The term “pri-
20 mary Federal payment stablecoin regulators”
21 means the Comptroller, the Board, the Corpora-
22 tion, and the National Credit Union Adminis-
23 tration.

24 (20) REGISTERED PUBLIC ACCOUNTING
25 FIRM.—The term “registered public accounting

1 firm” has the meaning given that term under section
2 of the Sarbanes-Oxley Act of 2002 (15 U.S.C.
3 7201).

4 (21) STATE.—The term “State” means each of
5 the several States, the District of Columbia, and
6 each territory of the United States.

7 (22) STATE QUALIFIED PAYMENT STABLECOIN
8 ISSUER.—The term “State qualified payment
9 stablecoin issuer” means an entity that—

10 (A) is legally established and approved to
11 issue payment stablecoins by a State payment
12 stablecoin regulator; and

13 (B) issues a payment stablecoin in compli-
14 ance with a State regulatory regime certified
15 under section 4(b).

16 (23) STATE PAYMENT STABLECOIN REGU-
17 LATOR.—The term “State payment stablecoin regu-
18 lator” means a State agency that has primary regu-
19 latory and supervisory authority in such State over
20 entities that issue payment stablecoins.

21 (24) SUBSIDIARY OF AN INSURED CREDIT
22 UNION.—With respect to an insured credit union,
23 the term “subsidiary of an insured credit union”
24 means—

1 (A) maintain reserves backing the issuer's
2 outstanding payment stablecoins on an at least
3 1 to 1 basis, with reserves comprising—

4 (i) United States currency (including
5 Federal reserve notes) or money standing
6 to the credit of an account with a Federal
7 reserve bank;

8 (ii) funds held as demand deposits (or
9 other deposits that may be withdrawn
10 upon request at any time) at insured de-
11 pository institutions (including foreign
12 branches and agencies of insured depository
13 institutions) or approved foreign de-
14 pository institutions (as defined in para-
15 graph (4)(iv)) or insured shares at insured
16 depository institutions, subject to limita-
17 tions established by the Corporation and
18 the National Credit Union Administration,
19 respectively, to address safety and sound-
20 ness risks of such insured depository insti-
21 tutions;

22 (iii) Treasury bills, notes, or bonds—

23 (I) with a remaining maturity of
24 30 days or less; or

1 (II) issued with a maturity of 93
2 days or less;

3 (iv) repurchase agreements, wherein
4 the permitted payment stablecoin issuer is
5 acting as a seller of securities, or reverse
6 repurchase agreements, wherein the per-
7 mitted payment stablecoin issuer is acting
8 as a purchaser of securities, with a matu-
9 rity of 7 days or less that are backed by
10 Treasury bills with a maturity of 93 days
11 or less that are—

12 (I) centrally cleared through a
13 clearing agency registered with the
14 Securities and Exchange Commission;
15 or

16 (II) bilateral, settling either
17 through delivery versus payment or
18 through a tri-party control account,
19 with a counterparty that the issuer
20 has determined to be adequately cred-
21 it worthy even in the event of severe
22 market stress;

23 (v) securities issued by an investment
24 company under section 8(a) of the Invest-
25 ment Company Act of 1940 that operates

1 as a money market fund in compliance
2 with Rule 2a-7 under the Investment Com-
3 pany Act of 1940 (or any successor rule)
4 and that are invested solely in the under-
5 lying assets described in clauses (i)
6 through (iv); or

7 (vi) any other similarly high quality
8 and liquid asset approved pursuant to
9 paragraph (4)(v);

10 (B) publicly disclose the issuer's redemp-
11 tion policy;

12 (C) establish procedures for timely redemp-
13 tion of the issuer's outstanding payment
14 stablecoins; and

15 (D) publish a report on the monthly com-
16 position of the issuer's reserves on the website
17 of the issuer, containing—

18 (i) the total number of outstanding
19 payment stablecoins issued by the issuer;
20 and

21 (ii) the amount and composition of
22 the reserves described under subparagraph
23 (A).

24 (2) PROHIBITION ON REHYPOTHECATION.—Re-
25 serves described under paragraph (1)(A) may not be

1 pledged, rehypothecated, or reused, except for the
2 purpose of satisfying obligations associated with re-
3 serves described under paragraph (1)(A)(iv) if the
4 permitted payment stablecoin issuer receives the
5 prior approval of the primary Federal payment
6 stablecoin regulator or the State payment stablecoin
7 regulator.

8 (3) MONTHLY CERTIFICATION; EXAMINATION
9 OF REPORTS BY REGISTERED PUBLIC ACCOUNTING
10 FIRM.—

11 (A) IN GENERAL.—A permitted payment
12 stablecoin issuer shall, each month, have the in-
13 formation disclosed in the previous month-end
14 report required under paragraph (1)(D) exam-
15 ined by a registered public accounting firm.

16 (B) CERTIFICATION.—Each month, the
17 Chief Executive Officer and Chief Financial Of-
18 ficer of a permitted payment stablecoin issuer
19 shall submit a certification as to the accuracy
20 of the previous month-end report to—

21 (i) the primary Federal payment
22 stablecoin regulator; or

23 (ii) in the case of a State qualified
24 payment stablecoin issuer, to the State
25 payment stablecoin regulator.

1 (C) CRIMINAL PENALTY.—Any person who
2 submits a certification required under subpara-
3 graph (B) knowing that such certification is
4 false shall be subject to the criminal penalties
5 set forth under section 1350(c) of title 18,
6 United States Code.

7 (4) CAPITAL, LIQUIDITY, RISK MANAGEMENT,
8 AND OTHER REQUIREMENTS.—

9 (A) IN GENERAL.—The primary Federal
10 payment stablecoin regulators shall, jointly,
11 issue—

12 (i) capital requirements applicable to
13 permitted payment stablecoin issuers,
14 which may not exceed an amount that is
15 sufficient to ensure the permitted payment
16 stablecoin issuer’s ongoing operations;

17 (ii) requirements implementing liquid-
18 ity standards applicable to reserves de-
19 scribed in paragraph (1) for permitted
20 payment stablecoin issuers, which may not
21 exceed an amount that is sufficient to en-
22 sure the financial integrity of the per-
23 mitted payment stablecoin issuer and the
24 ability of the issuer to meet the financial

1 obligations of the issuer, including redemp-
2 tions;

3 (iii) risk management requirements
4 applicable to permitted payment stablecoin
5 issuers, including cybersecurity risk, tai-
6 lored to the business model and risk profile
7 of the permitted payment stablecoin issuer;

8 (iv) requirements regarding the ap-
9 proval of foreign depository institutions
10 that may hold demand deposits of per-
11 mitted payment stablecoin issuers; and

12 (v) such rules as may be appropriate
13 to permit assets in addition to those de-
14 scribed under paragraph (1)(A) to be held
15 as reserves by permitted payment
16 stablecoin issuers.

17 (B) TAILORING OF REQUIREMENTS.—The
18 primary Federal payment stablecoin regulators
19 shall, in issuing requirements under this para-
20 graph, tailor or differentiate such requirements
21 among permitted payment stablecoin issuers on
22 an individual basis or by category, taking into
23 consideration such issuers' capital structure,
24 business model, risk profile, complexity, finan-
25 cial activities (including financial activities of

1 any subsidiaries), size, and any other risk-re-
2 lated factors that the primary Federal payment
3 stablecoin regulators determine appropriate.

4 (C) RULE OF CONSTRUCTION.—Nothing in
5 this paragraph may be construed to limit the
6 supervisory, regulatory, or enforcement author-
7 ity of a Federal banking agency (as defined in
8 section 3 of the Federal Deposit Insurance Act
9 (12 U.S.C. 1813)) to further the ability of an
10 institution under the supervision of the Federal
11 banking agency to comply with this Act.

12 (D) APPLICABILITY OF EXISTING CAPITAL
13 STANDARDS.—Section 171 of the Financial Sta-
14 bility Act of 2010 (12 U.S.C. 5371) shall not
15 apply to requirements issued under this para-
16 graph.

17 (5) TREATMENT UNDER THE BANK SECRECY
18 ACT.—A permitted payment stablecoin issuer shall
19 be treated as a financial institution for purposes of
20 the Bank Secrecy Act.

21 (6) LIMITATION ON PAYMENT STABLECOIN AC-
22 TIVITIES.—A permitted payment stablecoin issuer
23 may only—

24 (A) issue payment stablecoins;

25 (B) redeem payment stablecoins;

1 (C) manage related reserves (including
2 purchasing, selling, and holding reserve assets);

3 (D) provide custodial or safekeeping serv-
4 ices for payment stablecoins, private keys of
5 payment stablecoins, and associated information
6 of payment stablecoins;

7 (E) provide custodial or safekeeping serv-
8 ices for reserves; and

9 (F) undertake other functions that directly
10 support activities described in subparagraphs
11 (A) through (E).

12 (7) REGULATION OF FEDERAL QUALIFIED
13 NONBANK PAYMENT STABLECOIN ISSUERS BY THE
14 COMPTROLLER.—A Federal qualified nonbank pay-
15 ment stablecoin issuer shall be regulated and super-
16 vised primarily by the Comptroller.

17 (b) STATE-LEVEL REGULATORY REGIMES.—

18 (1) IN GENERAL.—A State qualified payment
19 stablecoin issuer may only issue payment stablecoins
20 pursuant to the regulation of a State payment
21 stablecoin regulator of a State with a regulatory re-
22 gime for issuing payment stablecoins that is certified
23 under this subsection as meeting or exceeding the
24 standards and requirements described in subsection
25 (a).

1 (2) CERTIFICATION.—

2 (A) IN GENERAL.—Beginning on the date
3 that is 1 year after the date of enactment of
4 this Act, a State payment stablecoin regulator
5 may submit to the Secretary of the Treasury a
6 certification that the regulatory regime of the
7 State for issuing payment stablecoins meets or
8 exceeds the standards and requirements de-
9 scribed in subsection (a).

10 (B) VALIDITY OF CERTIFICATION.—A cer-
11 tification under subparagraph (A) shall be valid
12 upon submission and remain valid unless sub-
13 ject to a rejection by the Secretary of the
14 Treasury under paragraph (5).

15 (3) FORM OF CERTIFICATION.—An initial cer-
16 tification described under paragraph (2)—

17 (A) shall contain an attestation that the
18 regulatory regime of the State for issuing pay-
19 ment stablecoins meets or exceeds the stand-
20 ards and requirements described in subsection
21 (a); and

22 (B) may include supporting information,
23 such as a copy of any State law or regulation
24 implementing such standards and requirements.

25 (4) ANNUAL REPORT AND ATTESTATION.—

1 (A) IN GENERAL.—A State payment
2 stablecoin regulator with a valid certification
3 under this subsection shall submit an annual
4 report to the Secretary of the Treasury con-
5 taining either—

6 (i) an attestation that the State regu-
7 latory regime has not materially changed
8 since the most recent annual report (or,
9 for the first annual report, the initial cer-
10 tification); or

11 (ii) an explanation of all material
12 changes to the State regulatory regime
13 since the most recent annual report (or,
14 for the first annual report, the initial cer-
15 tification).

16 (B) FORM OF MATERIAL CHANGES EXPLA-
17 NATION.—With respect to a State payment
18 stablecoin regulator that submits an expla-
19 nation of material changes to the State regu-
20 latory regime under subparagraph (A)(ii), the
21 payment stablecoin regulator shall make such
22 explanation in the same manner, and containing
23 the same attestation, as described under para-
24 graph (3) for an initial certification.

1 (5) ADVISORY OPINIONS ON PROPOSED LAWS
2 OR REGULATIONS.—Upon request of any State pay-
3 ment stablecoin regulator, the Secretary of the
4 Treasury shall—

5 (A) review any proposed law or regulation
6 of the State provided by the State payment
7 stablecoin regulator; and

8 (B) not later than 30 days after being pro-
9 vided the proposed law or regulation, either—

10 (i) inform the State payment
11 stablecoin regulator that the proposed law
12 or regulation is consistent with a State
13 regulatory regime for issuing payment
14 stablecoins that meets or exceeds the
15 standards and requirements described in
16 subsection (a); or

17 (ii) provide the State payment
18 stablecoin regulator with a detailed expla-
19 nation of why the proposed law or regula-
20 tion is not consistent with a State regu-
21 latory regime for issuing payment
22 stablecoins that meets or exceeds the
23 standards and requirements described in
24 subsection (a).

1 (6) REGIMES THAT ARE NOT SUBSTANTIALLY
2 SIMILAR.—

3 (A) IN GENERAL.—The Secretary of the
4 Treasury may reject an initial certification
5 under paragraph (3) or a certification with re-
6 spect to which a State payment stablecoin regu-
7 lator has submitted an explanation of material
8 changes under paragraph (4), if the Secretary,
9 not later than 30 days after the date on which
10 the initial certification or explanation of mate-
11 rial changes is submitted—

12 (i) determines that the State regu-
13 latory regime does not meet or exceed the
14 standards and requirements described in
15 subsection (a); and

16 (ii) provides the State payment
17 stablecoin regulator with a written expla-
18 nation for the rejection, describing the rea-
19 soned basis for the rejection with sufficient
20 detail such that the State can bring the
21 State regulatory regime into compliance
22 based on the explanation.

23 (B) OPPORTUNITY TO CURE.—

24 (i) IN GENERAL.—With respect to a
25 rejection described under subparagraph

1 (A), the Secretary of the Treasury shall
2 provide the State payment stablecoin regu-
3 lator with not less than a 180-day period
4 from the date on which the State payment
5 stablecoin regulator is notified of such re-
6 jection to—

7 (I) make such changes as may be
8 necessary to ensure the regulatory re-
9 gime of the State for issuing payment
10 stablecoins meets or exceeds the
11 standards and requirements described
12 in subsection (a); and

13 (II) resubmit the initial certifi-
14 cation or explanation of material
15 changes.

16 (ii) REJECTION.—If, after a State
17 payment stablecoin regulator makes
18 changes described under clause (i) during
19 the period described in clause (i), the Sec-
20 retary of the Treasury again determines
21 that the certification should be rejected,
22 the Secretary of the Treasury shall, not
23 later than 30 days after such determina-
24 tion, provide the State payment stablecoin
25 regulator with a written explanation for

1 the determination, describing the reasoned
2 basis for the determination with sufficient
3 detail such that the State can bring its re-
4 gime into compliance based on the expla-
5 nation.

6 (C) APPEAL OF REJECTION.—

7 (i) IN GENERAL.—A State payment
8 stablecoin regulator that has had a certifi-
9 cation rejected under this paragraph may,
10 after the cure period described under sub-
11 paragraph (B)(i), appeal such rejection to
12 the United States Court of Appeals for the
13 District of Columbia Circuit, which shall,
14 upon a determination that the regulatory
15 regime of the State for issuing payment
16 stablecoins meets or exceeds the standards
17 and requirements described in subsection
18 (a), reverse such rejection.

19 (ii) REVIEW BY THE SUPREME
20 COURT.—The judgment and decree of the
21 Court of Appeals shall be final, except that
22 the same shall be subject to review by the
23 Supreme Court upon certiorari, as pro-
24 vided in section 1254 of title 28.

1 (D) RIGHT TO RESUBMIT.—A State pay-
2 ment stablecoin regulator that has had a certifi-
3 cation rejected under this paragraph may re-
4 submit a new certification under paragraph (2).

5 (c) RULEMAKING.—

6 (1) IN GENERAL.—The primary Federal pay-
7 ment stablecoin regulators may issue such orders
8 and regulations as may be necessary to administer
9 and carry out the requirements of this section, in-
10 cluding to establish conditions, and to prevent eva-
11 sions thereof.

12 (2) JOINT ISSUANCE OF REGULATION.—All reg-
13 ulations issued to carry out this section by the pri-
14 mary Federal payment stablecoin regulators shall be
15 issued jointly.

16 (3) RULEMAKING DEADLINE.—Not later than
17 the end of the 180-day period beginning on the date
18 of enactment of this Act, the Federal payment
19 stablecoin regulators shall issue regulations to carry
20 out this section.

21 **SEC. 5. APPROVAL OF SUBSIDIARIES OF INSURED DEPOSI-**
22 **TORY INSTITUTIONS AND SUBSIDIARIES OF**
23 **NONBANK ENTITIES.**

24 (a) IN GENERAL.—

25 (1) APPLICATION.—

1 (A) IN GENERAL.—The primary Federal
2 payment stablecoin regulator shall receive and
3 review applications from any insured depository
4 institution that seeks to issue payment
5 stablecoins through a subsidiary and any
6 nonbank entity that seeks to issue payment
7 stablecoins through a subsidiary.

8 (B) COMPLETION OF APPLICATION.—With
9 respect to an application filed under this para-
10 graph, once the primary Federal payment
11 stablecoin regulator has informed the applicant
12 that the application is complete, such applica-
13 tion shall be deemed to be complete unless the
14 primary Federal payment stablecoin regulator
15 determines that a significant change in cir-
16 cumstances requires otherwise.

17 (2) EVALUATION OF APPLICATIONS.—A com-
18 plete application received under paragraph (1) shall
19 be evaluated by the primary Federal payment
20 stablecoin regulator based on the ability of the sub-
21 sidiary of the applicant to meet the requirements set
22 forth in section 4.

23 (3) TIMING FOR DECISION; GROUNDS FOR DE-
24 NIAL.—

1 (A) TIMING.—The primary Federal pay-
2 ment stablecoin regulator shall—

3 (i) inform the applicant whether the
4 applicant has submitted a complete appli-
5 cation not later than 45 days after receiv-
6 ing the application; and

7 (ii) render a decision on an applica-
8 tion not later than 120 days after inform-
9 ing the applicant that the application is
10 complete.

11 (B) DENIAL OF APPLICATION.—

12 (i) GROUNDS FOR DENIAL.—The pri-
13 mary Federal payment stablecoin regulator
14 may only deny a complete application re-
15 ceived under paragraph (1) if the regulator
16 determines that the activities of the appli-
17 cant would be unsafe or unsound based on
18 the ability of the subsidiary of the appli-
19 cant to meet the requirements set forth in
20 section 4.

21 (ii) EXPLANATION REQUIRED.—If the
22 primary Federal payment stablecoin regu-
23 lator denies a complete application received
24 under paragraph (1), the regulator shall,

1 not later than 30 days after the date of
2 such denial, provide the applicant with—

3 (I) written notice explaining the
4 denial with specificity, including all
5 findings made by the regulator with
6 respect to all identified material short-
7 comings in the application; and

8 (II) actionable recommendations
9 on how the applicant could address
10 the identified material shortcomings.

11 (iii) OPPORTUNITY FOR HEARING;

12 FINAL DETERMINATION.—

13 (I) IN GENERAL.—Not later than
14 30 days after the date of receipt of
15 any notice of the denial of an applica-
16 tion under this subsection, the appli-
17 cant may request, in writing, an op-
18 portunity for a written or oral hearing
19 before the primary Federal payment
20 stablecoin regulator to appeal the de-
21 nial.

22 (II) TIMING.—Upon receipt of a
23 timely request, the primary Federal
24 payment stablecoin regulator shall no-
25 tice a time (not later than 30 days

1 after the date of receipt of the re-
2 quest) and place at which the appli-
3 cant may appear, personally or
4 through counsel, to appeal the denial,
5 to submit written materials, or to pro-
6 vide oral testimony and oral argu-
7 ment.

8 (III) FINAL DETERMINATION.—

9 Not later than 60 days after the date
10 of a hearing under this clause, the
11 primary Federal payment stablecoin
12 regulator shall notify the applicant of
13 the final determination of the primary
14 Federal payment stablecoin regulator
15 with respect to the appeal, which shall
16 contain a statement of the basis for
17 such determination, with specific find-
18 ings.

19 (IV) NOTICE IF NO HEARING.—If

20 an applicant does not make a timely
21 request for a hearing under this
22 clause, the primary Federal payment
23 stablecoin regulator shall notify the
24 applicant, not later than 10 days after
25 the date by which the applicant may

1 request a hearing under this clause, in
2 writing, that the denial of the applica-
3 tion is a final determination of the
4 primary Federal payment stablecoin
5 regulator.

6 (C) FAILURE TO RENDER A DECISION.—If
7 the primary Federal payment stablecoin regu-
8 lator fails to render a decision on a complete
9 application within the time period specified in
10 subparagraph (A), the application shall be
11 deemed approved.

12 (D) RIGHT TO REAPPLY.—The denial of
13 an application under this subsection shall not
14 prohibit the applicant from filing a subsequent
15 application.

16 (4) REPORT ON PENDING APPLICATIONS.—
17 Each of the primary Federal payment stablecoin
18 regulators shall annually report to Congress on—

19 (A) the number of calendar days each ap-
20 plicant waited for either an approval or denial
21 of an application under this subsection;

22 (B) the number of calendar days each ap-
23 plicant with an outstanding application has
24 waited for a decision; and

1 (C) the number of applications that have
2 been pending for 6 months or longer since the
3 date of the initial application filed under para-
4 graph (1) where the applicant has been in-
5 formed that the application remains incomplete,
6 including providing documentation on the sta-
7 tus of the application and why the application
8 has not yet been approved.

9 (5) RULEMAKING.—

10 (A) IN GENERAL.—The primary Federal
11 payment stablecoin regulators shall, jointly,
12 issue rules to carry out this section, which may
13 only relate to the application process under this
14 subsection and may not implement the require-
15 ments set forth in section 4.

16 (B) TAILORING OF RULES.—The joint
17 rulemaking required under subparagraph (A)
18 shall be tailored so as to minimize any incre-
19 mental burden placed on well capitalized and
20 highly-rated insured depository institutions.

21 (b) EFFECTIVE DATE.—

22 (1) IN GENERAL.—This section shall take effect
23 on the earlier of—

24 (A) 18 months after the date of enactment
25 of this Act; or

1 (B) the date that is 120 days after the
2 date on which the primary Federal payment
3 stablecoin regulators issue final regulations im-
4 plementing this section.

5 (2) AUTHORITY TO ISSUE REGULATIONS AND
6 PROCESS APPLICATIONS.—The primary Federal pay-
7 ment stablecoin regulators may, before the effective
8 date described under paragraph (1)—

9 (A) issue regulations to carry out this sec-
10 tion; and

11 (B) pursuant to regulations described
12 under subparagraph (A), accept and process ap-
13 plications described under this section.

14 (3) NOTICE TO CONGRESS.—Each of the pri-
15 mary Federal payment stablecoin regulators shall
16 notify Congress upon receiving their first application
17 described under this section.

18 (4) SAFE HARBOR FOR PENDING APPLICA-
19 TIONS.—The primary Federal payment stablecoin
20 regulator may waive the application of the require-
21 ments of this section for a period not to exceed 12
22 months beginning on the effective date described
23 under paragraph (1), with respect to—

24 (A) a subsidiary of an insured depository
25 institution, if the insured depository institution

1 has an application pending for the subsidiary to
2 become a permitted payment stablecoin issuer
3 on the effective date described under paragraph
4 (1); or

5 (B) a subsidiary of a nonbank entity, if the
6 nonbank entity has an application pending to
7 become a Federal qualified nonbank payment
8 stablecoin issuer on the effective date described
9 under paragraph (1).

10 **SEC. 6. SUPERVISION AND ENFORCEMENT WITH RESPECT**
11 **TO SUBSIDIARIES OF INSURED DEPOSITORY**
12 **INSTITUTIONS AND FEDERAL QUALIFIED**
13 **NONBANK PAYMENT STABLECOIN ISSUERS.**

14 (a) SUPERVISION.—

15 (1) SUBSIDIARY OF AN INSURED DEPOSITORY
16 INSTITUTION.—

17 (A) IN GENERAL.—Each permitted pay-
18 ment stablecoin issuer that is a subsidiary of an
19 insured depository institution shall be subject to
20 supervision by the primary Federal payment
21 stablecoin regulator in the same manner as
22 such insured depository institution.

23 (B) GRAMM-LEACH-BLILEY ACT.—For
24 purposes of title V of the Gramm-Leach-Bliley
25 Act (15 U.S.C. 6801 et seq.) each permitted

1 payment stablecoin issuer that is a subsidiary
2 of an insured depository institution shall be
3 deemed a financial institution.

4 (2) FEDERAL QUALIFIED NONBANK PAYMENT
5 STABLECOIN ISSUER.—

6 (A) SUBMISSION OF REPORTS.—Each Fed-
7 eral qualified nonbank payment stablecoin
8 issuer shall, upon request, submit reports to the
9 Comptroller as to—

10 (i) the financial condition of the Fed-
11 eral qualified nonbank payment stablecoin
12 issuer;

13 (ii) the systems of the Federal quali-
14 fied nonbank payment stablecoin issuer for
15 monitoring and controlling financial and
16 operating risks; and

17 (iii) compliance with this Act by the
18 Federal qualified nonbank payment
19 stablecoin issuer.

20 (B) EXAMINATIONS.—The Comptroller
21 may examine a Federal qualified nonbank pay-
22 ment stablecoin issuer in order to inform the
23 Comptroller of—

1 (i) the nature of the operations and fi-
2 nancial condition of the Federal qualified
3 nonbank payment stablecoin issuer;

4 (ii) the financial, operational, and
5 other risks within the Federal qualified
6 nonbank payment stablecoin issuer that
7 may pose a threat to—

8 (I) the safety and soundness of
9 the Federal qualified nonbank pay-
10 ment stablecoin issuer; or

11 (II) the stability of the financial
12 system of the United States;

13 (iii) the systems of the Federal quali-
14 fied nonbank payment stablecoin issuer for
15 monitoring and controlling the risks de-
16 scribed in clause (ii); and

17 (iv) the compliance of the Federal
18 qualified nonbank payment stablecoin
19 issuer with the requirements of the Bank
20 Secrecy Act.

21 (C) REQUIREMENTS FOR EFFICIENCY.—In
22 supervising and examining a Federal qualified
23 nonbank payment stablecoin issuer, the Comp-
24 troller shall, to the fullest extent possible, use

1 existing reports and other supervisory informa-
2 tion.

3 (D) AVOIDANCE OF DUPLICATION.—The
4 Comptroller shall, to the fullest extent possible,
5 avoid duplication of examination activities, re-
6 porting requirements, and requests for informa-
7 tion in carrying out this Act with respect to a
8 Federal qualified nonbank payment stablecoin
9 issuer.

10 (E) GRAMM-LEACH-BLILEY ACT.—For
11 purposes of title V of the Gramm-Leach-Bliley
12 Act (15 U.S.C. 6801 et seq.) each Federal
13 qualified nonbank payment stablecoin issuer
14 shall be deemed a financial institution.

15 (b) ENFORCEMENT.—

16 (1) SUSPENSION OR REVOCATION OF REGISTRA-
17 TION.—The primary Federal payment stablecoin
18 regulator may prohibit a permitted payment
19 stablecoin issuer from issuing payment stablecoins, if
20 the primary Federal payment stablecoin regulator
21 determines that such permitted payment stablecoin
22 issuer, or an institution-affiliated party of the per-
23 mitted payment stablecoin issuer, is—

1 (A) materially violating or has materially
2 violated this Act or any regulation or order
3 issued under this Act; or

4 (B) materially violating or has materially
5 violated any condition imposed in writing by the
6 primary Federal payment stablecoin regulator
7 in connection with a written agreement entered
8 into between the permitted payment stablecoin
9 issuer and the primary Federal payment
10 stablecoin regulator.

11 (2) CEASE-AND-DESIST PROCEEDINGS.—If the
12 primary Federal payment stablecoin regulator has
13 reasonable cause to believe that a permitted payment
14 stablecoin issuer or any institution-affiliated party of
15 a permitted payment stablecoin issuer is violating,
16 has violated, or is attempting to violate this Act, any
17 regulation or order issued under this Act, or any
18 written agreement entered into with the primary
19 Federal payment stablecoin regulator or condition
20 imposed in writing by the primary Federal payment
21 stablecoin regulator in connection with any applica-
22 tion or other request, the primary Federal payment
23 stablecoin regulator may order the permitted pay-
24 ment stablecoin issuer or institution-affiliated party
25 of the permitted payment stablecoin issuer to—

1 (A) cease and desist from such violation or
2 practice; or

3 (B) take affirmative action to correct the
4 conditions resulting from any such violation or
5 practice.

6 (3) REMOVAL AND PROHIBITION AUTHORITY.—

7 The primary Federal payment stablecoin regulator
8 may remove an institution-affiliated party of a per-
9 mitted payment stablecoin issuer from their position
10 or office or prohibit further participation in the af-
11 fairs of the permitted payment stablecoin issuer or
12 all permitted payment stablecoin issuers by such in-
13 stitution-affiliated party, if the primary Federal pay-
14 ment stablecoin regulator determines that—

15 (A) the institution-affiliated party has, di-
16 rectly or indirectly, committed a violation or at-
17 tempted violation of this Act or any regulation
18 or order issued under this Act; or

19 (B) the institution-affiliated party has
20 committed a violation of any provision of sub-
21 chapter II of chapter 53 of title 31, United
22 States Code.

23 (4) PROCEDURES.—

24 (A) IN GENERAL.—If the primary Federal
25 payment stablecoin regulator identifies a viola-

1 tion or attempted violation of this Act or makes
2 a determination under paragraph (1), (2), or
3 (3), the primary Federal payment stablecoin
4 regulator shall comply with the procedures set
5 forth in subsections (b) and (e) of sections 8 of
6 the Federal Deposit Insurance Act (12 U.S.C.
7 1818).

8 (B) JUDICIAL REVIEW.—A person ag-
9 grieved by a final action under this subsection
10 may obtain judicial review of such action exclu-
11 sively as provided in section 8(h) of the Federal
12 Deposit Insurance Act (12 U.S.C. 1818(h)).

13 (C) INJUNCTION.—The primary Federal
14 payment stablecoin regulator may, in the dis-
15 cretion of the regulator, follow the procedures
16 provided in section 8(i)(1) of the Federal De-
17 posit Insurance Act (12 U.S.C. 1818(i)(1)) for
18 judicial enforcement of any effective and out-
19 standing notice or order issued under this sub-
20 section.

21 (D) TEMPORARY CEASE-AND-DESIST PRO-
22 CEEDINGS.—If the primary Federal payment
23 stablecoin regulator determines that a violation
24 or attempted violation of this Act or an action
25 with respect to which a determination was made

1 under paragraph (1), (2), or (3), or the con-
2 tinuation thereof, is likely to cause insolvency or
3 significant dissipation of assets or earnings of a
4 permitted payment stablecoin issuer, or is likely
5 to weaken the condition of the permitted pay-
6 ment stablecoin issuer or otherwise prejudice
7 the interests of the customers of the permitted
8 payment stablecoin issuer prior to the comple-
9 tion of the proceedings conducted under this
10 paragraph, the primary Federal payment
11 stablecoin regulator may follow the procedures
12 provided in section 8(c) of the Federal Deposit
13 Insurance Act (12 U.S.C. 1818(c)) to issue a
14 temporary cease-and-desist order.

15 (5) CIVIL MONEY PENALTIES.—

16 (A) FAILURE TO BE APPROVED.—Any per-
17 son who issues a payment stablecoin and who is
18 not a permitted payment stablecoin issuer, and
19 any institution-affiliated party of such a person
20 who knowingly participates in issuing such a
21 payment stablecoin, shall be liable for a civil
22 penalty of not more than \$100,000 for each day
23 during which such payment stablecoins are out-
24 standing.

1 (B) FIRST TIER.—Except as provided in
2 subparagraph (A), a permitted payment
3 stablecoin issuer or institution-affiliated party
4 of such permitted payment stablecoin issuer
5 that materially violates this Act or any regula-
6 tion or order issued under this Act, or that ma-
7 terially violates any condition imposed in writ-
8 ing by the primary Federal payment stablecoin
9 regulator in connection with a written agree-
10 ment entered into between the permitted pay-
11 ment stablecoin issuer and the primary Federal
12 payment stablecoin regulator, shall be liable for
13 a civil penalty of up to \$100,000 for each day
14 during which the violation continues.

15 (C) SECOND TIER.—Except as provided in
16 subparagraph (A), and in addition to the pen-
17 alties described under subparagraph (B), a per-
18 mitted payment stablecoin issuer or institution-
19 affiliated party of such permitted payment
20 stablecoin issuer who knowingly participates in
21 a violation of any provision of this Act, or any
22 regulation or order issued thereunder, is liable
23 for a civil penalty of up to an additional
24 \$100,000 for each day during which the viola-
25 tion continues.

1 (D) PROCEDURE.—Any penalty imposed
2 under this paragraph may be assessed and col-
3 lected by the primary Federal payment
4 stablecoin regulator pursuant to the procedures
5 set forth in section 8(i)(2) of the Federal De-
6 posit Insurance Act (12 U.S.C. 1818(i)(2)).

7 (E) NOTICE AND ORDERS AFTER SEPARA-
8 TION FROM SERVICE.—The resignation, termi-
9 nation of employment or participation, or separa-
10 tion of an institution-affiliated party (includ-
11 ing a separation caused by the closing of a per-
12 mitted payment stablecoin issuer) shall not af-
13 fect the jurisdiction and authority of the pri-
14 mary Federal payment stablecoin regulator to
15 issue any notice or order and proceed under
16 this subsection against any such party, if such
17 notice or order is served before the end of the
18 6-year period beginning on the date such party
19 ceased to be an institution-affiliated party with
20 respect to such permitted payment stablecoin
21 issuer.

22 (6) NON-APPLICABILITY TO A STATE QUALI-
23 FIED PAYMENT STABLECOIN ISSUER.—This sub-
24 section shall not apply to a State qualified payment

1 stablecoin issuer, except in exigent circumstances, as
2 described in section 7(e).

3 **SEC. 7. STATE QUALIFIED PAYMENT STABLECOIN ISSUERS.**

4 (a) IN GENERAL.—With respect to a State, a State
5 payment stablecoin regulator shall have supervisory, ex-
6 amination, and enforcement authority over a State quali-
7 fied payment stablecoin issuer of such State.

8 (b) AUTHORITY TO ENTER INTO AGREEMENTS.—A
9 State payment stablecoin regulator may enter into a
10 memorandum of understanding with the Board and Comp-
11 troller under which the Board and Comptroller may par-
12 ticipate in the supervision, examination, and enforcement
13 authority with respect to the State qualified payment
14 stablecoin issuers of such State.

15 (c) SHARING OF INFORMATION.—A State payment
16 stablecoin regulator, the Comptroller, the Board, the Cor-
17 poration, and the National Credit Union Administration
18 shall share information on an ongoing basis with respect
19 to each State qualified payment stablecoin issuer of such
20 State, including a copy of all initial applications and any
21 accompanying documents.

22 (d) RULEMAKING.—A State payment stablecoin regu-
23 lator may issue orders and rules under section 4 applicable
24 to State qualified payment stablecoin issuers to the same
25 extent as the primary Federal payment stablecoin regu-

1 lators issue orders and rules under section 4 applicable
2 to permitted payment stablecoin issuers that are not a
3 State qualified payment stablecoin issuers.

4 (e) ENFORCEMENT AUTHORITY IN EXIGENT CIR-
5 CUMSTANCES.—

6 (1) BY THE PRIMARY FEDERAL BANKING AGEN-
7 CY.—

8 (A) IN GENERAL.—Subject to subpara-
9 graph (C), in exigent circumstances, the pri-
10 mary Federal banking agency may, after not
11 less than 5 days prior written notice to the ap-
12 plicable State payment stablecoin regulator,
13 take an enforcement action against a State
14 qualified payment stablecoin issuer that is a
15 subsidiary of an insured depository institution
16 or an institution-affiliated party thereof for vio-
17 lations of this Act that are exigent in nature.

18 (B) RULEMAKING.—Not later than the end
19 of the 180-day period beginning on the date of
20 enactment of this Act, the primary Federal
21 banking agency shall issue rules to set forth
22 those exigent circumstances in which the pri-
23 mary Federal banking agency may act under
24 this paragraph.

1 (C) IMPOSITION OF RESTRICTIONS.—If the
2 primary Federal banking agency determines
3 that there is reasonable cause to believe that
4 the continuation of any activity by a State
5 qualified payment stablecoin issuer that is a
6 subsidiary of an insured depository institution
7 constitutes a violation of this Act, the primary
8 Federal banking agency may impose such re-
9 strictions as the primary Federal banking agen-
10 cy determines to be necessary to address such
11 activity.

12 (D) EXIGENT AUTHORITY UNDER SECTION
13 6(b).—Solely for purposes of carrying out this
14 paragraph, section 6(b) shall apply to a State
15 qualified payment stablecoin issuer that is a
16 subsidiary of an insured depository institution
17 as if the primary Federal banking agency were
18 the primary Federal payment stablecoin regu-
19 lator with respect to the State qualified pay-
20 ment stablecoin issuer.

21 (E) PRIMARY FEDERAL BANKING AGENCY
22 DEFINED.—In this paragraph, the term “pri-
23 mary Federal banking agency” means—

24 (i) the appropriate Federal banking
25 agency; and

1 (ii) the National Credit Union Admin-
2 istration, in the case of an insured credit
3 union.

4 (2) BY THE COMPTROLLER.—

5 (A) IN GENERAL.—Subject to paragraph
6 (C), in exigent circumstances, the Comptroller
7 shall, after not less than 5 days prior written
8 notice to the applicable State payment
9 stablecoin regulator, take an enforcement action
10 against a State qualified payment stablecoin
11 issuer that is a nonbank entity or an institu-
12 tion-affiliated party thereof for violations of this
13 Act.

14 (B) RULEMAKING.—Not later than the end
15 of the 180-day period beginning on the date of
16 enactment of this Act, the Comptroller shall
17 issue rules to set forth those exigent cir-
18 cumstances in which the Comptroller may act
19 under this paragraph.

20 (C) LIMITATIONS.—If the Comptroller de-
21 termines that there is reasonable cause to be-
22 lieve that the continuation of any activity by a
23 State qualified payment stablecoin issuer that is
24 a nonbank entity constitutes a violation of this
25 Act, the Comptroller shall impose such restric-

1 tions as the Comptroller determines to be nec-
2 essary to address such activity.

3 (D) EXIGENT AUTHORITY UNDER SECTION
4 6(b).—Solely for purposes of carrying out this
5 paragraph, section 6(b) shall apply to a State
6 qualified payment stablecoin issuer that is a
7 nonbank entity as if the Comptroller were the
8 primary Federal payment stablecoin regulator
9 with respect to the State qualified payment
10 stablecoin issuer.

11 (f) GRAMM-LEACH-BLILEY ACT.—For purposes of
12 title V of the Gramm-Leach-Bliley Act (15 U.S.C. 6801
13 et seq.) a State qualified payment stablecoin issuer is
14 deemed a financial institution.

15 (g) EFFECT ON STATE LAW.—The provisions of this
16 section do not preempt any law of a State and do not su-
17 persede any State licensing requirement.

18 **SEC. 8. CUSTOMER PROTECTION.**

19 (a) IN GENERAL.—A person may only engage in the
20 business of providing custodial or safekeeping services for
21 permitted payment stablecoins or private keys of per-
22 mitted payment stablecoins, if the person—

23 (1) is subject to—

24 (A) supervision or regulation by a primary
25 Federal payment stablecoin regulator or a pri-

1 mary financial regulatory agency described
2 under subparagraph (B) or (C) of section 2(12)
3 of the Dodd-Frank Wall Street Reform and
4 Consumer Protection Act (12 U.S.C.
5 5301(12)); or

6 (B) supervision by a State bank super-
7 visor, as defined in section 3 of the Federal De-
8 posit Insurance Act (12 U.S.C. 1813) or a
9 State credit union supervisor, as defined in sec-
10 tion 6003 of the Anti-Money Laundering Act of
11 2020 (31 U.S.C. 5311 note), and such State
12 bank supervisor or State credit union supervisor
13 makes available to the Board such information
14 as the Board determines necessary and relevant
15 to the categories of information under sub-
16 section (d); and

17 (2) complies with the segregation requirements
18 under subsections (b), (c), and (d), unless such per-
19 son complies with similar requirements as required
20 by a primary Federal payment stablecoin regulator,
21 the Securities and Exchange Commission, or the
22 Commodity Futures Trading Commission, as appli-
23 cable.

24 (b) CUSTOMER PROPERTY REQUIREMENTS.—A per-
25 son described in subsection (a) shall—

1 (1) treat and deal with the payment stablecoins,
2 private keys, cash, and other property of another
3 person for whom or on whose behalf the person re-
4 ceives, acquires, or holds payment stablecoins, pri-
5 vate keys, cash, and other property (hereinafter in
6 this section referred to as the “customer”) as be-
7 longing to such customer and not as the property of
8 such person; and

9 (2) take such steps as are appropriate to pro-
10 tect the payment stablecoins, private keys, cash, and
11 other property of a customer from the claims of
12 creditors of the person.

13 (c) COMMINGLING PROHIBITED.—

14 (1) IN GENERAL.—Payment stablecoins, cash,
15 and other property of a customer shall be separately
16 accounted for by a person described in subsection
17 (a) and shall not be commingled with the funds of
18 the person.

19 (2) CUSTOMER PRIORITY.—The claims of a cus-
20 tomer with respect to property of the customer shall
21 have priority over the claims of a payment stablecoin
22 issuer or any creditor of a payment stablecoin issuer
23 unless the customer expressly consents otherwise.

24 (3) EXCEPTION.—Notwithstanding paragraph
25 (1)—

1 (A) the payment stablecoins, cash, and
2 other property of a customer may be commin-
3 gled and deposited in an omnibus account hold-
4 ing the payment stablecoins, cash, and other
5 property of more than 1 customer at an insured
6 depository institution;

7 (B) such share of the payment stablecoins,
8 cash, and other property of the customer that
9 shall be necessary to transfer, adjust, or settle
10 a transaction or transfer of assets may be with-
11 drawn and applied to such purposes, including
12 the payment of commissions, taxes, storage,
13 and other charges lawfully accruing in connec-
14 tion with the provision of services by a person
15 described in subsection (a); and

16 (C) in accordance with such terms and
17 conditions as the Board may prescribe by rule,
18 regulation, or order, any customer payment
19 stablecoin, cash, and other property described
20 in this subsection may be commingled and de-
21 posited in customer accounts with payment
22 stablecoins, cash, and other property received
23 by the person and required by the Board to be
24 separately accounted for, treated, and dealt
25 with as belonging to customers.

1 (d) REGULATORY INFORMATION.—A person de-
2 scribed under subsection (a) shall submit to the primary
3 Federal payment stablecoin regulator (or, if the person
4 does not have a primary Federal payment stablecoin regu-
5 lator, to the Board) information concerning the person’s
6 business operations and processes to protect customer
7 payment stablecoins, cash, and other property, in such
8 form and manner as the primary Federal payment
9 stablecoin regulator (or, if the person does not have a pri-
10 mary Federal payment stablecoin regulator, the Board)
11 shall determine.

12 (e) EXCLUSION.—The requirements of this section
13 shall not apply to any person solely on the basis that such
14 person engages in the business of providing hardware or
15 software to facilitate a customer’s own custody or safe-
16 keeping of the customer’s payment stablecoins or private
17 keys.

18 **SEC. 9. INTEROPERABILITY STANDARDS.**

19 The primary Federal payment stablecoin regulators,
20 in consultation with the National Institute of Standards
21 and Technology, other relevant standard setting organiza-
22 tions, and State governments—

23 (1) shall assess compatibility and interoper-
24 ability standards for payment stablecoin issuers; and

1 (2) if necessary, may, pursuant to section 553
2 of title 5 and in a manner consistent with the Na-
3 tional Technology Transfer and Advancement Act of
4 1995 (Public Law 104–113), prescribe standards for
5 payment stablecoin issuers to promote compatibility
6 and interoperability.

7 **SEC. 10. MORATORIUM ON ENDOGENOUSLY**
8 **COLLATERALIZED STABLECOINS.**

9 (a) **MORATORIUM.**—During the 2-year period begin-
10 ning on the date of enactment of this Act, it shall be un-
11 lawful to issue, create, or originate an endogenously
12 collateralized stablecoin not in existence on the date of en-
13 actment of this Act.

14 (b) **ENDOGENOUSLY COLLATERALIZED STABLECOIN**
15 **DEFINED.**—In this section, the term “endogenously
16 collateralized stablecoin” means any digital asset—

17 (1) in which its issuer has represented will be
18 converted, redeemed, or repurchased for a fixed
19 amount of monetary value; and

20 (2) that relies solely on the value of another
21 digital asset created or maintained by the same
22 originator to maintain the fixed price.

23 **SEC. 11. STUDY ON NON-PAYMENT STABLECOINS.**

24 (a) **STUDY BY TREASURY.**—

1 (1) STUDY.—The Secretary of the Treasury, in
2 consultation with the Board, the Comptroller, the
3 Corporation, and the Securities and Exchange Com-
4 mission, shall carry out a study of non-payment
5 stablecoins, including decentralized stablecoins.

6 (2) REPORT.—Not later than 365 days after
7 the date of the enactment of this Act, the Secretary
8 shall provide to the Committee on Financial Services
9 of the House of Representatives and the Committee
10 on Banking, Housing, and Urban Affairs of the Sen-
11 ate a report that contains all findings made in car-
12 rying out the study under paragraph (1), including
13 an analysis of—

14 (A) the categories of non-payment
15 stablecoins, including the benefits and risks of
16 technological design features;

17 (B) the participants in non-payment
18 stablecoin arrangements;

19 (C) utilization and potential utilization of
20 non-payment stablecoins;

21 (D) nature of reserve compositions;

22 (E) governance structure, including as-
23 pects of decentralization;

24 (F) nature of public promotion and adver-
25 tising; and

1 (G) clarity and availability of consumer no-
2 tices disclosures.

3 **SEC. 12. REPORT ON RULEMAKING STATUS.**

4 Not later than 6 months after the date of enactment
5 of this Act, the primary Federal payment stablecoin regu-
6 lators shall provide a status update on the development
7 of the rulemaking under this Act to the Committee on Fi-
8 nancial Services of the House of Representatives and the
9 Committee on Banking, Housing, and Urban Affairs of
10 the Senate.

11 **SEC. 13. AUTHORITY OF BANKING INSTITUTIONS.**

12 (a) **RULE OF CONSTRUCTION.**—Nothing in this Act
13 may be construed to limit the authority of a depository
14 institution, Federal credit union, or State credit union to
15 engage in activities permissible pursuant to applicable
16 State and Federal law, including—

17 (1) accepting or receiving deposits and issuing
18 digital assets that represent deposits;

19 (2) utilizing a distributed ledger for the books
20 and records of the entity and to affect intrabank
21 transfers; and

22 (3) providing custodial services for payment
23 stablecoins, private keys of payment stablecoins, or
24 reserves backing payment stablecoins.

1 (b) TREATMENT OF CUSTODY ACTIVITIES.—The ap-
2 propriate Federal banking agency, the National Credit
3 Union Administration (in the case of a credit union), and
4 the Securities and Exchange Commission may not require
5 a depository institution, national bank, Federal credit
6 union, or State credit union, or any affiliate thereof—

7 (1) to include assets held in custody as a liabil-
8 ity on any financial statement or balance sheet, in-
9 cluding payment stablecoin custody or safekeeping
10 activities;

11 (2) to hold additional regulatory capital against
12 assets in custody or safekeeping, except as necessary
13 to mitigate against operational risks inherent with
14 the custody or safekeeping services, as determined
15 by—

16 (A) the appropriate Federal banking agen-
17 cy;

18 (B) the National Credit Union Administra-
19 tion (in the case of a credit union);

20 (C) a State bank supervisor (as defined in
21 section 3 of the Federal Deposit Insurance Act
22 (12 U.S.C. 1813)); or

23 (D) a State credit union supervisor (as de-
24 fined in section 6003 of the Anti-Money Laun-
25 dering Act of 2020 (31 U.S.C. 5311 note));

1 (3) to recognize a liability for any obligations
2 related to activities or services performed for digital
3 assets that the entity does not own if that liability
4 would exceed the expense recognized in the income
5 statement as a result of the corresponding obliga-
6 tion.

7 (c) DEFINITIONS.—In this section:

8 (1) DEPOSITORY INSTITUTION.—The terms
9 “depository institution” has the meaning given that
10 term in section 3 of the Federal Deposit Insurance
11 Act (12 U.S.C. 1813).

12 (2) CREDIT UNION TERMS.—The terms “Fed-
13 eral credit union” and “State credit union” have the
14 meaning given those terms, respectively, under sec-
15 tion 101 of the Federal Credit Union Act.

16 **SEC. 14. AMENDMENTS TO CLARIFY THAT PAYMENT**
17 **STABLECOINS ARE NOT SECURITIES.**

18 (a) INVESTMENT ADVISERS ACT OF 1940.—Section
19 202(a)(18) of the Investment Advisers Act of 1940 (15
20 U.S.C. 80b–2(a)(18)) is amended by adding at the end
21 the following: “The term ‘security’ does not include a pay-
22 ment stablecoin issued by a permitted payment stablecoin
23 issuer, as such terms are defined, respectively, in section
24 2 of the STABLE Act of 2025.”.

1 (b) INVESTMENT COMPANY ACT OF 1940.—The In-
2 vestment Company Act of 1940 is amended—

3 (1) in section 2(a)(36) (15 U.S.C. 80a-
4 2(a)(36)), by adding at the end the following: “The
5 term ‘security’ does not include a payment stablecoin
6 issued by a permitted payment stablecoin issuer, as
7 such terms are defined, respectively, in section 2 of
8 the STABLE Act of 2025.”; and

9 (2) in section 3(c) (15 U.S.C. 80a-3(c)), by
10 adding at the end the following:

11 “(15) Any permitted payment stablecoin issuer,
12 as such term is defined in section 2 of the STABLE
13 Act of 2025.”.

14 (c) SECURITIES ACT OF 1933.—Section 2(a)(1) of
15 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is
16 amended by adding at the end the following: “The term
17 ‘security’ does not include a payment stablecoin issued by
18 a permitted payment stablecoin issuer, as such terms are
19 defined, respectively, in section 2 of the STABLE Act of
20 2025.”.

21 (d) SECURITIES EXCHANGE ACT OF 1934.—Section
22 3(a)(10) of the Securities Exchange Act of 1934 (15
23 U.S.C. 78c(a)(10)) is amended by adding at the end the
24 following: “The term ‘security’ does not include a payment
25 stablecoin issued by a permitted payment stablecoin

1 issuer, as such terms are defined, respectively, in section
2 2 of the STABLE Act of 2025.”.

3 (e) SECURITIES INVESTOR PROTECTION ACT OF
4 1970.—Section 16(14) of the Securities Investor Protec-
5 tion Act of 1970 (15 U.S.C. 78ll(14)) is amended by add-
6 ing at the end the following: “The term ‘security’ does
7 not include a payment stablecoin issued by a permitted
8 payment stablecoin issuer, as such terms are defined, re-
9 spectively, in section 2 of the STABLE Act of 2025.”.

10 **SEC. 15. RECIPROCITY FOR STABLECOINS ISSUED IN OVER-**
11 **SEAS JURISDICTIONS.**

12 The Board, in collaboration with the Secretary of the
13 Treasury, shall create and implement reciprocal arrange-
14 ments or other bilateral agreements between the United
15 States and jurisdictions with substantially similar pay-
16 ment stablecoin regulatory regimes to facilitate inter-
17 national transactions and interoperability with any United
18 States dollar-denominated stablecoins issued overseas.

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To amend the Federal Reserve Act to prohibit the Federal reserve banks from offering certain products or services directly to an individual, to prohibit the use of central bank digital currency for monetary policy, and for other purposes,

IN THE HOUSE OF REPRESENTATIVES

Mr. EMMER introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Federal Reserve Act to prohibit the Federal reserve banks from offering certain products or services directly to an individual, to prohibit the use of central bank digital currency for monetary policy, and for other purposes,

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Anti-CBDC Surveil-
5 lance State Act”.

1 **SEC. 2. PROHIBITION ON FEDERAL RESERVE BANKS RE-**
2 **LATING TO CERTAIN PRODUCTS OR SERV-**
3 **ICES FOR INDIVIDUALS AND PROHIBITION**
4 **ON DIRECTLY ISSUING A CENTRAL BANK DIG-**
5 **ITAL CURRENCY.**

6 Section 16 of the Federal Reserve Act is amended
7 by adding at the end the following new paragraph:

8 “(18)(A) A Federal reserve bank may not—

9 “(i) offer products or services directly
10 to an individual;

11 “(ii) maintain an account on behalf of
12 an individual; or

13 “(iii) issue a central bank digital cur-
14 rency, or any digital asset that is substan-
15 tially similar under any other name or
16 label.

17 “(B) In this paragraph, the term ‘central bank
18 digital currency’ has the meaning given that term
19 under section 10(11)(D).”.

20 **SEC. 3. PROHIBITION ON FEDERAL RESERVE BANKS INDI-**
21 **RECTLY ISSUING A CENTRAL BANK DIGITAL**
22 **CURRENCY.**

23 Section 16 of the Federal Reserve Act, as amended
24 by section 2, is further amended by adding at the end the
25 following paragraph:

1 “(19)(A) A Federal reserve bank may not offer
2 a central bank digital currency, or any digital asset
3 that is substantially similar under any other name
4 or label, indirectly to an individual through a finan-
5 cial institution or other intermediary.

6 “(B) In this paragraph, the term ‘central bank
7 digital currency’ has the meaning given that term
8 under section 10(11)(D).”.

9 **SEC. 4. PROHIBITION WITH RESPECT TO CENTRAL BANK**
10 **DIGITAL CURRENCY.**

11 Section 10 of the Federal Reserve Act (12 U.S.C. 241
12 et seq.) is amended by inserting before paragraph (12) the
13 following:

14 “(11) PROHIBITION WITH RESPECT TO CEN-
15 TRAL BANK DIGITAL CURRENCY.—

16 “(A) IN GENERAL.—The Board of Gov-
17 ernors of the Federal Reserve System may not
18 test, study, develop, create, or implement a cen-
19 tral bank digital currency, or any digital asset
20 that is substantially similar under any other
21 name or label.

22 “(B) MONETARY POLICY.—The Board of
23 Governors of the Federal Reserve System and
24 the Federal Open Market Committee may not
25 use a central bank digital currency to imple-

1 ment monetary policy, or any digital asset that
2 is substantially similar under any other name or
3 label.

4 “(C) EXCEPTION.—Subparagraph (A) and
5 sections 16(18)(A)(iii) and 16(19)(A) may not
6 be construed to prohibit any dollar-denominated
7 currency that is open, permissionless, and pri-
8 vate, and fully preserves the privacy protections
9 of United States coins and physical currency.

10 “(D) CENTRAL BANK DIGITAL CURRENCY
11 DEFINED.—In this paragraph, the term ‘central
12 bank digital currency’ means a form of digital
13 money or monetary value that is—

14 “(i) denominated in the national unit
15 of account;

16 “(ii) a direct liability of the Federal
17 Reserve System; and

18 “(iii) widely available to the general
19 public.”.

20 **SEC. 5. SENSE OF CONGRESS.**

21 It is the sense of Congress that the Board of Gov-
22 ernors of the Federal Reserve currently does not have the
23 authority to issue a central bank digital currency, or any
24 digital asset that is substantially similar under any other
25 name or label, and will not have such authority unless

1 Congress grants it under Congress's Article 1 Section 8
2 powers.



IA

119TH CONGRESS
1ST SESSION

H. J. RES. 64

Disapproving the rule submitted by the Bureau of Consumer Financial Protection relating to “Defining Larger Participants of a Market for General-Use Digital Consumer Payment Applications”.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2025

Mr. FLOOD (for himself, Mr. MEUSER, Mrs. KIM, Mr. DOWNING, and Mr. STEIL) submitted the following joint resolution; which was referred to the Committee on Financial Services

JOINT RESOLUTION

Disapproving the rule submitted by the Bureau of Consumer Financial Protection relating to “Defining Larger Participants of a Market for General-Use Digital Consumer Payment Applications”.

1 *Resolved by the Senate and House of Representatives*
 2 *of the United States of America in Congress assembled,*
 3 That Congress disapproves the final rule submitted by the
 4 Bureau of Consumer Financial Protection relating to “De-
 5 fining Larger Participants of a Market for General-Use
 6 Digital Consumer Payment Applications” (89 Fed. Reg.

208

2

1 99582 (December 10, 2024)), and such rule shall have

2 no force or effect.

○

•HJ 64 IH

○