Stablecoin

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Issue Update

Stablecoins, which have grown in aggregate value from about $12B in July 2020 to almost $250B as of May 2025, are a form of digital asset that is intended to maintain a 1-to-1 peg with a reference asset often by holding reserves as collateral. Stablecoins are unique among digital assets in that they mimic commercial bank money with potential use as a means of payment and as a deposit substitute restricting credit availability. Today, stablecoins are used primarily as a way to access digital asset markets, but many stablecoin issuers envision broader use of stablecoins for everyday payments in the future.

There is currently no comprehensive federal framework for regulating stablecoin issuers or related service providers. However, both the House Financial Services Committee's STABLE ACT, H.R. 2392, and the Senate Banking Committee's GENIUS Act, S.919, have passed out of committee on a bipartisan basis. They each await floor action with the Senate likely to move first. While there are several differences between the two bills, passing stablecoin legislation that establishes a regulatory framework for payment stablecoin issuers is a priority for both chambers and the Administration.

Why It Matters

Stablecoin issuance is, in effect, a monetary exercise. Despite the name payment stablecoin, which implies value transfer, there is strong evidence that payment stablecoins will also 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 T-bills 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 nonbank payment stablecoins scale, it is reasonable to expect the same dynamic to occur – an outflow of funds from bank deposits to the reserves backing these stablecoins. 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.

Recommended Action Items

Urge Congress to avoid negative economic impacts and bank disintermediation. Two important ways to control this incentive structure are to prohibit payment of interest or yield on payment stablecoin and to prohibit nonbank payment stablecoin issuer access to Federal Reserve master accounts. In addition, bank deposits must be a viable option for payment stablecoin reserves. Finally, nonfinancial commercial companies should be prohibited from owning or controlling payment stablecoin issuers. This separation of commerce and payment stablecoin issuance is critical to avoid conflicts of interest and concentration of economic power.

Urge Congress to ensure robust, consistently applied regulation, supervision and enforcement to all payment stablecoin issuers in order to limit the risk of charter arbitrage and ensure financial stability and consumer protection. Federal oversight applied in an equivalent manner – reflecting the principle of same activity, same risk, same regulation – would maintain the integrity of the financial services ecosystem by establishing consistent standards for all entities that issue stablecoins.

In addition, ask Congress to include the following provisions in legislation creating a regulatory framework for stablecoins:

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- Establish a sufficient federal floor for stablecoin regulation that applies to all stablecoin issuers, regardless of where they are domiciled and what path they pursue for approval, and require that all stablecoin issuers have a primary federal regulator that evaluates and approves or rejects license applications, establishes and enforces compliance with rules to ensure financial stability and consumer protection, and participates in ongoing supervision.
- Align payment stablecoin reserve requirements to those of money market mutual funds; reserves should be held functionally away from the payment stablecoin issuer with at least daily disclosure of composition.
- Ensure that all entities engaged in the transmission of currency or value that substitutes for currency are subject to Bank Secrecy Act regulations, as well as universal sanctions compliance obligations.
- Ensure that banks who chose to are able to issue payment stablecoins under the same terms as nonbanks.