

Issue Update

Stablecoins, which have grown in aggregate value from about \$12B in July 2020 to about \$190B as of December 2024, are a form of digital currency that seek 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. Developing such a framework has been a stated priority for the House Financial Services Committee, and in July 2023 a stablecoin bill was advanced out of the committee but was never taken up by the House.

Why It Matters

Stablecoin issuance is, in effect, a monetary exercise comparable to the business operations of regulated banks. To ensure effective consumer protection and financial stability, it is critical that the stablecoin ecosystem, like the banking ecosystem, is subject to strong regulatory oversight by the federal government. Any legislation that creates a regulatory framework for stablecoins should establish a level playing field for banks and nonbanks, encourage financial stability, and promote strong consumer protections. While we support and encourage responsible innovation in financial services, it is critical for Congress to create a regulatory structure that ensures risks presented by these novel financial products are fully considered and appropriately managed.

Recommended Action Items

Urge Congress to apply the same level of federal oversight to stablecoin issuers as is currently applied to banks in order to limit the risk of charter arbitrage and ensure consumer protection. Federal oversight applied in this 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.

Ask Congress to include the following provisions in legislation creating a regulatory framework for stablecoins:

- 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.
- Prohibit a non-financial commercial company from owning or controlling a payment stablecoin issuer. The same limitations that apply in the Bank Holding Company Act (BHCA) to bank holding companies should apply to non-bank owners or controllers of stablecoin issuers.
- Ensure that all entities engaged in the transmission of currency or value that substitutes for currency are subject to BSA regulations, as well as universal sanctions compliance obligations.
- Require periodic exams and audits for stablecoin issuers to enhance accountability.
- Ensure that banks who chose to are able to issue payment stablecoins under the same terms as nonbanks.