

July 21, 2023

The Honorable Patrick McHenry
Chairman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

As state and national trade associations representing virtually all banks, we write to offer our shared perspectives and concerns with proposed stablecoin legislation under consideration by the Committee. We share the committee's strong interest in supporting innovation and appreciate the changes made through the drafting process, namely the removal of non-insured depository institution access to Fed Master Accounts, but we have serious concerns with the most recent draft bill as it would create a significant charter arbitrage opportunity that puts consumers at risk, disadvantages banks, and undermines financial stability.

Stablecoins, which have grown in aggregate value from about \$12B in July 2020 to \$127B today, 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. Importantly, 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.

A key pillar of the proposed legislation is a role for state banking regulators to approve and supervise stablecoin issuers. While some have advocated for this role for state regulators by comparing it to the dual-banking system, the proposed state path for payment stablecoin issuers is not comparable to that of state-chartered banks. Rather, the proposed oversight model is more like state-based money transmitter licenses, a model that is insufficient to mitigate the risks to financial stability and consumer protection posed by stablecoins.

We agree and wholeheartedly support the sentiment that states can be an effective laboratory for innovation and can have robust regulatory operations that apply to banks and stablecoin issuers. In addition, we believe that federal oversight of banks and stablecoin issuers, in the form of application approval, rulemaking, and ongoing supervision, is imperative to ensure financial stability and consumer protection. These concepts are not at odds with one another, and in fact, reflect how the current dual banking system works today.

We urge the Committee to apply the same level of Federal oversight to state-licensed stablecoin issuers as is currently applied to state-chartered banks in order to limit the risk of charter arbitrage. Federal oversight applied in this equivalent manner – reflecting the principle of same activity, same risk, same regulation – would include state-licensed stablecoin issuers having 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.

We look forward to working with you to ensure that any legislation moving through the Committee establishes a level playing field for banks and nonbanks, encourages financial stability, and promotes adequate consumer protections.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association

Montana Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

Cc: All Members of the House Financial Services Committee