

August 12, 2025

The Honorable Tim Scott
Chairman
Committee on Banking, Housing & Urban
Affairs
United States Senate
Washington, DC 20510

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing & Urban
Affairs
United States Senate
Washington, DC 20510

The Honorable Cynthia Lummis
Chairman
Digital Assets Subcommittee
United States Senate
Washington, DC 20510

The Honorable Ruben Gallego
Ranking Member
Digital Assets Subcommittee
United States Senate
Washington, DC 20510

Dear Senators:

As Congress advances efforts to establish a clear digital asset market structure, the undersigned state bankers associations respectfully call attention to the recommendations outlined below. In particular, we urge you to use the upcoming consideration of market structure legislation to address several loopholes identified in the recently enacted GENIUS Act. The decisions made in this space will shape the future of our financial system—its structure, efficiency, and fairness—for decades to come.

A. Interest and Yield. Strengthen the prohibition on interest payments for payment stablecoins by extending it to brokers, dealers, exchanges, and affiliates of payment stablecoin issuers.

The associations support the GENIUS Act's prohibition against payment stablecoin issuers paying interest or yield on payment stablecoins, which appropriately reinforces stablecoins as a payment mechanism—not a store of value. However, this restriction is easily bypassed when exchanges or other affiliates offer yield or rewards to stablecoin holders, undermining the law and distorting market incentives.

Banks power the economy by turning deposits into loans; when deposits flow into stablecoins chasing yield, credit creation suffers. To close this loophole and protect the financial system, we urge Congress to extend the stablecoin issuers interest prohibition to cover digital asset exchanges, brokers, dealers, and affiliated entities. Doing so will preserve the role of banks in credit intermediation while allowing innovation in digital payments to flourish responsibly.

B. State Chartered Depositories. Repeal Section 16(d) of the GENIUS Act to restore state authority over out-of-state-chartered financial institutions.

Preserving the dual banking system and state authority is essential to the safety, soundness, and diversity of the U.S. financial system. Section 16(d) of the GENIUS Act weakens this balance by allowing uninsured, out-of-state-chartered institutions—like Special Purpose Depository

Institutions (SPDIs)—to operate across state lines without host state approval, despite lacking regulatory oversight equivalent to insured depository institutions.

States have both the constitutional authority and practical responsibility to license and supervise financial institutions that serve their residents. Congress should repeal Section 16(d) to reaffirm states' ability to protect consumers and ensure a level playing field for all institutions operating within their borders.

C. Nonfinancial Company Activity. Close loopholes in the prohibition on nonfinancial companies being payment stablecoin issuers by removing all approval pathways and prohibiting both public and private nonfinancial entities.

The separation of banking and commerce has long protected the U.S. financial system from conflicts of interest and excessive concentration of economic power. Allowing nonfinancial companies to issue payment stablecoins would dismantle this barrier, enabling these firms to drain deposits from community banks and reduce access to credit for households, small businesses, and farmers.

The GENIUS Act rightly prohibits stablecoin issuance by nonfinancial public companies, but it also allows for exceptions. Any approval path poses serious risks and marks a major shift in federal policy that demands additional public scrutiny. We urge Congress to strengthen this prohibition by eliminating all approval pathways and including nonfinancial private companies. Allowing such special treatment for certain companies risks regulatory arbitrage and undermines longstanding safeguards in financial regulation.

Conclusion

The digital assets landscape is evolving rapidly, and thoughtful, balanced legislation is needed to ensure it develops in a way that supports—not disrupts—the broader financial system. By closing regulatory gaps, preserving the dual banking system, and upholding the longstanding separation between banking and commerce, Congress can foster responsible innovation while protecting consumers, preserving access to credit, and promoting economic stability.

We appreciate your attention to these important issues and stand ready to serve as a resource as you continue this critical work.

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

DC 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
Nebraska 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: Members of the United States Senate