

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