

August 19, 2025

The Honorable Tim Scott
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate

The Honorable Cynthia Lummis
Chair
Subcommittee on Digital Assets
Committee on Banking, Housing,
and Urban Affairs
United States Senate

The Honorable Ruben Gallego
Ranking Member
Subcommittee on Digital Assets
Committee on Banking, Housing,
and Urban Affairs
United States Senate

RE: Opposition to August 12 ABA/State Bankers Letter on the GENIUS Act

Dear Senators,

We write to respectfully express our strong opposition to the August 12, 2025, letters from the Bank Policy Institute¹ and state bankers associations² (collectively, the “Letters”), which attempts to relitigate issues firmly resolved in the GENIUS Act, which has now been signed into law by the President. As you are aware, these matters were the subject of extensive debate, negotiation, and compromise during the legislative process. The Letters unfortunately seek to create an uncompetitive payment stablecoin environment, protecting banks at the expense of broader industry growth, competition, and consumer choice, which form the bedrock of America’s vibrant financial and innovation landscape.

Payment stablecoins are not bank deposits, or money market funds, or investment products, and thus, they are not regulated in the same way. Under the GENIUS Act – now federal law – payment stablecoin issuers must maintain one-to-one reserves in cash or other high quality liquid assets, and operate under federal or qualified state licensing and supervision. Unlike bank deposits, payment stablecoins are not used to fund loans. Unlike money market funds, they are

¹ BPI Staff, *Closing the Payment of Interest Loophole for Stablecoins* (Aug. 12, 2025), Bank Policy Institute, available at <https://bpi.com/closing-the-payment-of-interest-loophole-for-stablecoins/>.

² American Bankers Association et al., *Joint ABA and State Associations Letter Regarding Market Structure Recommendations* (Aug. 12, 2025) (on file with the Amer. Bankers Ass’n), available at <https://www.aba.com/-/media/documents/letters-to-congress-and-regulators/jointstateltrgenius20250812.pdf?rev=a60dfe3676094c5bb71215ac78a7be2c>.

not securities whose value depends on investment returns. We respectfully submit that Congress recognized these important distinctions and drafted the law accordingly.

Preserving the Banking System

Opponents of yield-bearing stablecoins assert that allowing interest or rewards would lead to as much as \$6.6 trillion in deposit outflows, threatening the lending capacity of community banks. Further examination, however, reflects that this claim does **not** hold up to scrutiny. As one example, a July 2025 analysis by Charles River Associates³ found no statistically significant relationship between stablecoin adoption and deposit outflows from community banks. In fact, the overwhelming majority of stablecoin reserves remain in the traditional financial system, either in commercial bank accounts or in short-term Treasuries, meaning they continue to support liquidity and credit. The \$6.6 trillion figure in the Treasury report⁴ is not for savings deposits and assumes that every dollar of stablecoin issuance permanently leaves the banking system, an assumption that is both economically unrealistic and unsupported by observed data. The same report suggests that stablecoin growth will ultimately increase inflows to the US money supply.

Expanding Access to Benefits

It has also been claimed that exchanges or affiliates sharing rewards undermines the GENIUS Act’s prohibition on issuer-paid interest. A level playing field demands that banks and crypto firms alike be permitted, and incentivized, to develop an intermediated and competitive market. This is especially important for underbanked consumers who increasingly rely on digital wallets for payments and as a store of value. Eliminating these features for stablecoin users, while allowing them in the banking sector, would tilt the playing field in favor of legacy institutions, particularly larger banks, that routinely fail to deliver competitive returns and deprive consumers of meaningful choice.

Today, the Federal Reserve’s target federal funds rate stands⁵ at 4.25%-4.50%, yet the national average checking account APY hovers at just 0.07%⁶ while the national savings account APY is at just 0.38%. This leaves everyday Americans facing real losses to inflation. Unlike legacy bank

³ Charles Rivers Associates (2025) *Stablecoins’ impact on community bank deposits.*, Available at: <https://media.crai.com/wp-content/uploads/2025/07/30121221/Stablecoins-impact-on-community-bank-deposits-July2025.pdf>

⁴ U.S. Department of the Treasury, “Potential Implications of Stablecoin Interest Payments on the U.S. Banking System,” Treasury Borrowing Advisory Committee, Second Quarter 2025 Charge, April 30, 2025, <https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf>

⁵ Federal Reserve Bank of New York. (n.d.). *Overnight Bank Funding Rate (OBFR)*. <https://www.newyorkfed.org/markets/reference-rates/effr>

⁶ Federal Deposit Insurance Corporation. (n.d.). *National rates and rate caps*. <https://www.fdic.gov/national-rates-and-rate-caps>

deposit products, where the yield gap often represents pure spread captured by the bank, rewards programs offered by third parties allow platforms to compete head-to-head for customers — and consumers win when that happens.

Maintaining the Integrity of the GENIUS Act

We oppose repealing Section 16(d). This provision is a necessary safeguard to protect stablecoin holders and ensure timely redemption and execution of other permitted stablecoin issuer activities. As written, Sec. 16(d) allows subsidiaries of state-chartered institutions to conduct money transmission only in support of lawful stablecoin issuer activities across state lines. This allows a stablecoin issuer to redeem stablecoins for fiat with a holder in another state without first having to seek a license. Without it, states could effectively veto the stablecoin redemption rights of out-of-state holders, recreating the same fragmented, balkanized regulatory regime that stifles interstate commerce and denies Americans equal access to financial products based solely on geography. Reinstating state veto authority would undermine that principle and invite a patchwork of 50 conflicting regimes to dictate the future of U.S. payments.

Retain Flexibility for Innovation

The demand to categorically ban all non-financial companies from issuing payment stablecoins — even under rigorous safeguards — is an extreme, anti-competitive overreach. Innovation in payments has often come from outside the traditional banking sector, and the GENIUS Act appropriately understood this. To that end, the GENIUS Act already strikes the right balance with appropriate controls on non-financial entities and should not be further litigated.

Indeed, the GENIUS Act already establishes a stringent regulatory pathway for qualified issuers that requires standalone, fully capitalized entities distinct from the bank or nonbank parent. Eliminating that pathway would not improve safety — it would merely shield incumbents from legitimate competition.

Conclusion

Stablecoins operate under rigorous reserve, operational, and supervisory requirements, and their reserves largely remain in the traditional financial system, continuing to support liquidity and lending. Allowing responsible, robustly regulated platforms to share benefits with customers is not a loophole—it is a feature that promotes financial inclusion, fosters innovation, and ensures American leadership in the next generation of payments. This balance, between consumer protection and innovation, has been thoughtfully struck by a shrewd and thoughtful bipartisan coalition of legislators in both the House and Senate. Altering the provisions already enshrined in the GENIUS Act would be unwise and would fundamentally weaken a legislative framework designed to encourage competition and democratize the benefits of technological advancement in digital finance. This proposed change introduces a significant policy shift that could create unintended consequences for the digital asset ecosystem and unnecessarily attempts to reimagine

language that has already passed into law in the GENIUS Act. We will oppose altering these provisions.

We respectfully urge you to reject the recommendations in the Letters in full.

Respectfully,



Ji Hun Kim
Chief Executive Officer
Crypto Council for Innovation



Summer Mersinger
Chief Executive Officer
Blockchain Association