November 4, 2025

*Via electronic submission*

U.S. Department of the Treasury
Attention: Office of the General Counsel
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: GENIUS Act Implementation (RIN 1505-ZA10)

To whom it may concern:

ABA and the undersigned state bankers associations appreciate the opportunity to respond to the U.S. Department of the Treasury's advance notice of proposed rulemaking (ANPR) regarding implementation of the recently enacted Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (GENIUS Act).[1] We appreciate the Administration and Congress for establishing a regulatory framework for payment stablecoins, which is a meaningful step toward fostering responsible innovation, but it is critical that foundational legislative concepts are carefully reflected in the rules that will implement the Act.

In addition to supporting the comment letter submitted by ABA and other financial trade organizations, the undersigned write to urge Treasury to broadly interpret the GENIUS Act's prohibition on interest,[2] a critical provision intended to support stablecoins' use as a means of payment rather than a store of value. This interpretation honors congressional intent and supports banks' continued ability to serve communities.

a. Honoring Congressional Intent

The GENIUS Act's prohibition on a payment stablecoin issuer paying interest or yield on payment stablecoins reflects Congress's intent for payment stablecoins to be used for transactions and not as investment vehicles. Treasury must reinforce this intent. The GENIUS Act defines payment stablecoins as digital assets used for payment or settlement and explicitly excludes deposits and securities, which typically offer returns.[3] The Senate Banking Committee's release promoting the GENIUS Act emphasizes this point, specifying that "The GENIUS Act also recognizes that payments products are different than banking products and therefore bans issuers from offering yield or interest on payment stablecoins."[4] But while Congress's intent is clear, digital asset platforms today offer incentives to attract users to hold payment stablecoins

[1] Department of the Treasury, GENIUS Act Implementation, Advance Notice or Proposed Rulemaking, 90 Fed. Reg. 45,159 (Sept. 19, 2025).
[2] GENIUS Act, § 4(a)(11) "Prohibition on interest.—No permitted payment stablecoin issuer or foreign payment stablecoin issuer shall pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin."
[3] GENIUS Act, § 2(22)(B)(ii)-(iii).
[4] U.S. Senate Comm. on Banking, Hous., & Urban Affs., *Myth vs. Fact: The GENIUS Act* (May 8, 2025), https://www.banking.senate.gov/newsroom/majority/myth-vs-fact-the-genius-act.

including, high-yield rewards, token bonuses, and promotional payouts[5], asserting the ban on interest does not apply beyond stablecoin issuers. Some GENIUS Act supporters have already spoken out against this interpretation as exploitation of a loophole that should be closed. For example, when asked about digital asset exchanges paying interest on payment stablecoins, Senator Mike Rounds told Politico[6] in early October: "the intent in the original legislation" was to ban yield payments to stablecoin holders. "This looks to me like it's an end-run on the original legislation."

b. Supporting Banks to Serve Communities

Banks power the economy by turning deposits into loans. Community banks, in particular, are foundational to credit access in rural and underserved areas. They rely on stable deposit bases to fund loans for small businesses, farmers, and families.[7] When stablecoin issuers or other market participants offer returns, they disrupt the traditional banking model by drawing deposits away from banks and into digital assets. This disintermediation reduces funds available for lending and disproportionately harms community banks, which lack the scale to compete with large, tech-affiliated issuers. Data supports this assertion.[8] If stablecoins are allowed to pay interest at the federal funds rate, deposit losses could reach 25.9%, eliminating approximately $1.5 trillion in lending capacity. Small business and farm credit would shrink by $110 billion and $62 billion, respectively. While all banks are affected, community banks face the greatest strain. Their deposit erosion directly threatens credit access for households, small businesses, and rural communities.[9]

To ensure the GENIUS Act's interest prohibition is effective, Treasury and regulators should:

- **Define "Interest or Yield" Broadly**
  Any economic benefit provided to a stablecoin holder should count regardless of what it is called or marketed.
- **Prevent Evasion Through Affiliates, Partners, or Other Arrangements**
  Direct and indirect payments from payment stablecoin issuers should be prohibited. Payments by a person (including digital asset service providers) that acts on behalf of or in coordination with a payment stablecoin issuer should be treated as payments by the issuer.
- **Avoid a Narrow Interpretation of "Solely"**
  Issuers should not be able to claim that a benefit is not "solely" for holding, use, or retention of a payment stablecoin just because they add a minor extra condition. If holding the coin is required to get the benefit, that should be enough to trigger the prohibition.

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[5] *See* Coinbase website, https://www.coinbase.com/usdc, accessed October 29, 2025.
[6] *See* PoliticoPro, Key Republican sides with banks in Wall Street's clash with crypto firms, October 8, 2025.
[7] *See* Fed. Deposit Ins. Corp., *2020 Community Banking Study* (Dec. 2020), https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf.
[8] Andrew Nigrinis, The Lending Impact of Stablecoin-Induced Deposit Outflows, SSRN (Oct. 10, 2025), https://ssrn.com/abstract=5586850.
[9] *Id*.

The digital assets landscape is evolving rapidly, and thoughtful, balanced rulemaking is needed to ensure it develops in a way that supports—not disrupts—the broader financial system. By honoring and strengthening Congress's interest prohibition, regulators 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