

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 share our views on the House Financial Services Committee's draft stablecoin bill. We share the committee's strong interest in supporting innovation; however, we have serious concerns with the 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. We cannot support any proposed stablecoin legislation without the inclusion of a comparable level of federal oversight applied to payment stablecoin issuers as apply to America's banks.

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