

April 2, 2025

Community Bank Statement for STABLE Act Markup

The Independent Community Bankers of America, representing community banks across the nation with nearly 45,000 locations, appreciates the opportunity to provide this policy statement for the April 2nd House Financial Services Committee markup of the “Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025” or the “STABLE Act of 2025.” (H.R. 2392). We look forward to ongoing opportunities to provide input and feedback on the STABLE Act to ensure that it does not disrupt economic stability or disintermediate community banks.

ICBA supports provisions that disallow payment yield or interest on stablecoins. Interest payments on stablecoins would create an incentive for consumers to shift funds out of community bank deposits and into stablecoins, reducing funds available for community banks to lend to promote local economic growth. To further protect against community bank disintermediation, the activities of permitted payment stablecoin issuers should be limited. Language permitting stablecoin issuers to undertake any “non-payment stablecoin activities” could allow issuers to engage in activities that directly compete with community banks, such as taking deposits, making loans, and other core community bank activities.

We thank the sponsors for the inclusion of language intending to clarify that the stablecoin reserve provisions are not intended to expand or contract legal eligibility to make deposits, or hold an account, at a Federal Reserve bank. However, ICBA urges the committee to further clarify the intent to not expand eligibility by removing language allowing reserves to be held in an account at a Federal Reserve Bank. The need to preserve the integrity of Federal Reserve Master Accounts is further discussed below along with our broader principles for evaluating any proposed stablecoins regulatory framework.

ICBA also appreciates inclusion of language which clarifies that community banks are able to utilize payment stablecoin reserve funds held as deposits to carry out the business of banking. Payment stablecoin reserve funds held as demand deposits in community banks should be exempt from rehypothecation and lending limits so they can be used to fund lending like other deposits.

Described below are ICBA’s broad principles for stablecoin regulatory frameworks which we urge the committee to address throughout the legislative process.

BROAD PRINCIPLES FOR STABLECOIN REGULATORY FRAMEWORK

From the community bank perspective, stablecoin legislation should establish a clear federal regulatory framework that addresses gaps in existing regulatory authority. As we expand upon below, regulatory frameworks must effectively address risks associated with stablecoins and not create opportunities for regulatory arbitrage and community bank disintermediation.

ICBA continues to evaluate any stablecoins regulatory framework against four broad principles:

- Community bank disintermediation
- Preserving the integrity of Federal Reserve Master Accounts
- Risks posed by commercial and “Big Tech” private currencies
- Potential for regulatory arbitrage

Community Bank Disintermediation

Digital assets of all kinds, including stablecoins, create a risk of disintermediating community banks. Community banks rely on both business and consumer deposits to fund local lending, including consumer loans such as mortgage and auto loans, as well as small business and small farm loans which undergird local economies. If these deposits migrate to digital assets, they will not be available to fund this lending, and local economies and consumers will suffer reduced access to credit and less favorable borrowing terms. Disintermediation poses a significant threat to local prosperity, particularly in smaller communities.

To prevent this, it is critical that standards that apply to insured depository institutions apply equally to nonbank payment stablecoin issuers. Under current frameworks, the difficulty of creating a subsidiary, obtaining regulatory approval, and the subsequent additional regulatory burden would effectively sideline community banks from issuing stablecoins.

Additionally, frameworks must clarify that community banks are able to utilize payment stablecoin reserve funds held as deposits to carry out the business of banking. Payment stablecoin reserve funds held as demand deposits in community banks should be exempt from rehypothecation and lending limits. This would ensure that these reserve funds can be used, like other deposits, to fund lending. As noted above, ICBA supports the STABLE Act provision that clarifies the authority of a bank to utilize such deposits for the business of banking.

Federal Reserve Master Account Access

ICBA has strong concerns about nonbank stablecoin issuers’ access to Federal Reserve master accounts and other Fed programs, which stand at the center of our payments and monetary ecosystem. Highly regulated, insured depository institutions are given access to Fed master accounts, as well as discount window and borrowing privileges, because they are subject to rigorous and comprehensive federal supervision and examination. Granting this access to nonbank payment stablecoin issuers, which are not subject to the same stringent regulatory oversight, would create systemic risk.

Allowing the reserves that back stablecoins to be held at the Federal Reserve would effectuate community bank disintermediation by siphoning away bank deposits that would otherwise support lending. This disintermediation is articulated and cautioned against in a [Federal Reserve paper](#), which describes a stablecoin backed by reserves held at the Federal Reserve as a “pass-through Central Bank Digital Currency” that “poses the largest risk of credit disintermediation” since depositors may flee to stablecoins during financial panics. The best way to mitigate this impact is a model in which stablecoins are backed by commercial bank reserves treated the same as other non-stablecoin deposits in order to minimize disruption to the banking system.

ICBA continues to urge the Committee to ensure the legislation does not provide an avenue for nonbank stablecoin issuers to be granted Federal Reserve Master Accounts.

Commercial and “Big Tech” Control

ICBA has strong concerns about the entrance of Big Tech and other commercial firms into the banking system, as this would erode the long-standing principle of the separation of banking and commerce on which the American system has flourished. The issuance of stablecoins by Big Tech and other commercial firms would create numerous conflicts of interest and give these firms significant economic power. This concern is heightened by the fact that current proposals do not prevent Big Tech firms from partnering with a stablecoin issuer or directly issuing a stablecoin, which could quickly scale to become a dominant payment method domestically and even internationally. This rapid growth would come at a cost, drawing funds away from community banks that provide necessary credit to Main Street and into the pockets of large tech companies with global interests.

This would be a radical change in economic policy carrying far reaching and unintended consequences for consumer security and privacy and American commerce.

Regulatory Arbitrage

Consistent standards of regulatory and supervisory oversight and prudential requirements should be applied to similar activities. This is a longstanding principle of financial regulation and should be applied regardless of the nature of the firm conducting an activity or the technology used. Any regulatory or supervisory regime applicable to nonbank issued stablecoins should be comparable to a functionally similar product offered by a bank or other traditional financial services provider. This will ensure risks created by loosely regulated nonbank firms do not spill over into the traditional banking system.

In particular, ICBA is concerned with any state pathway or opt-in state regime that would establish a regulatory race to the bottom ripe for exploitation by bad actors to take advantage of loopholes and lax oversight. Without a strong federal floor, nonbank stablecoin issuers would be incentivized to seek approval from the state with the least regulatory requirements and oversight.

Closing

Thank you for considering the concerns of the community banking sector. As this Committee advances stablecoin legislation, we urge you to be mindful of the concerns and input outlined above.

We remain grateful for the opportunity to review proposed legislation and respectfully provide the community bank perspective.