

## **Stablecoins, Master Accounts, and National Trust Charters: Community Bankers Urge a Pause on Policies for Unaccountable Entities**

What happens to the banking system and the real economy when a novel financial product like cryptocurrency combines with direct access to the nation's central bank and a new charter that removes important safeguards that apply to traditional banks? This question is now front and center for community banks and the small businesses, farmers, and families they serve as policymakers greenlight changes that will undermine the foundation of the U.S. financial system.

While any one of these developments could lead to significant structural changes, their risks should not be assessed in isolation. Instead, these elements are evolving in lockstep as the stablecoin industry seeks national trust charters from the Office of the Comptroller of the Currency and master account access from the Federal Reserve. These regulatory advantages are designed to fulfill the industry's publicly stated ambitions to replace banks. Unfortunately, they operate without being regulated like banks and without being required to serve their communities like banks.

ICBA is calling on policymakers to pause new policies on this trinity of crypto developments to holistically assess their combined impact on the economy and reconsider the wisdom of attempting to fuel our economy with unaccountable crypto entities instead of well-regulated banks.

Before we dive into how this novel financial amalgam may harm community banks and the local economies they serve, let's recap the key developments with each one over the past year.

### **Stablecoins: A New Payment Mechanism Rises**

Last year, Congress passed the GENIUS Act to create a legal and regulatory framework for a new type of asset: payment stablecoins. Unlike other digital assets that experience extreme value volatility, such as bitcoin, a payment stablecoin is theoretically designed to maintain a stable value with reserves composed of high-quality liquid assets and deposits. In essence, every stablecoin should always be worth \$1 because the pool of assets held in reserves should provide sufficient backing.

ICBA successfully advocated for the inclusion of a critical prohibition in the GENIUS Act: stablecoin issuers are not permitted to pay yield, interest, or rewards on stablecoins, which prevents them from acting like shadow banks that can siphon deposits away from community banks and the communities they serve.

As of spring 2026, rulemakings to establish the regulatory framework for payment stablecoins are underway. There is a growing list of regulatory proposals from the FDIC, OCC, Treasury Department, and others, with more to come.

### **Master Account Access: Expanding Fed Services Outside the Banking System**

On March 4, the Federal Reserve Bank of Kansas City [unexpectedly announced](#) that Kraken, a Wyoming special-purpose depository institution, received limited access to a master account for one year, becoming the first crypto entity to gain this capability. This announcement came on the heels of the Fed Board of Governor’s [request for comment](#) on a proposed “Reserve Bank account prototype” that envisions a limited master account to service a growing number of fintech companies that specialize in payments.

ICBA [expressed strong concerns](#), citing the significant risks of expanding direct Fed account access to institutions that operate outside the traditional banking regulatory framework. But if the Federal Reserve were to nonetheless go down this path, ICBA said in its [formal comments on the Fed’s proposal](#), the agency should make the program a true experiment—rather than a “prototype” in name only—by limiting the number of participants, sharing regular reports on participants’ activities, establishing clear off-ramps if risks emerge, and committing to a mandatory conclusion and review after three years.

News of the Fed granting Kraken access to a master account while the agency considers its payment account rulemaking is a troubling development that demands more explanation from the Kansas City Fed and the Fed Board of Governors.

### **OCC National Trust Charters: Diverging from Historical Precedent**

National trust banks are special-purpose charters that the OCC has historically granted to institutions that provide fiduciary services. OCC Interpretive Letter #1176, which the OCC has codified through [a rulemaking](#), broadened the powers of national trust banks to include non-fiduciary custody. The non-fiduciary custody power allows national trust banks to act as the custodian for the reserve assets that back up stablecoins issued by the national trust bank or an affiliate.

While national trust banks are prohibited from making loans or taking deposits, their authority to facilitate the issuance of stablecoins significantly increases the risk of deposit flight from community banks to these crypto entities. Customers can spend or digitally transfer stablecoins in a similar manner to deposits in a transaction account. While customers might be under the impression that stablecoin

balances are FDIC-insured because national trust banks are chartered by the OCC, these institutions are not eligible for FDIC insurance.

Since the OCC expanded national trust bank powers, nearly 20 fintech- and crypto-related companies have applied for the charter. So far, several prominent players in the crypto industry—including Coinbase, Circle, and Ripple Labs—have received conditional approval.

ICBA has submitted comment letters objecting to each of the new crypto applicants and is continuing to explore ways to fight back against the OCC's expansion of national trust bank powers, which brings these nonbank entities into direct competition with community banks.

### **Triple Threat: A Significant Risk to Lending**

Why is the combination of stablecoins, master account access, and national trust charter so alarming? It all comes down to two things:

1. The key role that dependable, well-regulated banks play in the economy, with their ability to use deposits as funding for new loans serving as the lifeblood that sustains small businesses, farmers, ranchers, and rural communities.
2. The risky, unregulated nature of the crypto companies that seek to replace traditional banks without being regulated like them.

Last year, ICBA conducted research on how community banks would be affected if crypto exchanges continue to pay interest, yield, or rewards on payment stablecoins. The results were startling: We [predict](#) that the total payment stablecoin market will grow to \$5 trillion, draining off \$1.3 trillion in deposits from community banks. If such a deposit outflow occurs, community bank lending across the country will plummet by \$850 billion—a disaster for local economies nationwide.

An economist with the Federal Reserve separately [projected](#) the potential consequences of stablecoin issuers gaining access to a Fed master account. Her study reveals that lending may decline by \$600 billion to \$1.26 trillion.

These potential impacts to the credit that propels American communities are compounded by the fact that stablecoin issuers, crypto exchanges, and national trusts cannot engage in lending (and should not engage in lending because they do not have the safeguards and infrastructure required of banks). Per GENIUS, stablecoin issuers are forbidden from rehypothecating reserve assets, so they cannot lend. Likewise, Wyoming's [special-purpose depository institutions](#), such as Kraken, and national trust banks cannot issue loans.

If community banks continue to lose deposits to these entities, who or what will fill the lending vacuum? Studies already [reveal](#) that when branches close in rural communities, there are significant impacts to local economies because larger banks do not have a sizable presence outside of metropolitan areas and poor internet service limits the reach of potential fintech solutions.

This dilemma is not an issue for future generations to solve. Treasury Secretary Bessent says [stablecoins could grow tenfold](#) in just a couple of years to reach \$3 trillion in circulation. In fact, some policymakers support such a development under the belief that payment stablecoins will soak up demand for Treasuries and [lower the borrowing costs](#) of the American government. Some portion of this stablecoin growth (and the siphoning of bank deposits) will inevitably come from community banks, which underscores the need for policymakers to cautiously navigate the development of the GENIUS framework to minimize harm to community banks and the communities they serve.

### **Community Banks and Crypto: Dramatic Disparities in Risk and Oversight**

This threat to bank deposits and lending is compounded by the risky nature of the unregulated crypto companies that seek to replace banks without being regulated like banks.

As an example, to form a de novo bank, the executives running the bank must undergo extensive due diligence by the banking regulators, including an FBI background check. In contrast, anyone can start a crypto company and use their customers' money to buy luxury condos in the Bahamas, as did FTX founder Sam Bankman-Fried before potential fraud at the crypto exchange led to widespread customer withdrawals and bankruptcy.

Once formed, traditional banks receive constant, extensive scrutiny by bank regulators, including frequent on-site examinations in which the books and records as well as virtually any activity by the bank are subject to review and audit, including compliance with anti-money laundering laws. In contrast, the lightly regulated formation of Binance by Changpeng Zhao was followed by \$4.3 billion in criminal penalties for money-laundering violations, a personal fine of \$50 million, and a guilty plea and prison sentence.

### **A Needed Pause on Permissive Crypto Policies**

Given the demonstrated risks posed by crypto entities, ICBA asks that the policymakers involved—Congress, Federal Reserve, Treasury Department, and OCC—pause what they are doing with regard to stablecoins, “skinny” master accounts, and national trust charters to consider their combined impact on the banking system and the economy.

At a minimum, we as a nation deserve to understand the price paid by the small businesses, farmers, and families across America that community banks serve if policymakers continue to proceed down the path of promoting the growth of crypto entities at the expense of well-regulated banks and the communities they serve.