Submitted via Federal E-Rulemaking Portal

May 1, 2026

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street NW, Suite 1E-216
Washington, D.C. 20219

RE: "Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency" [Docket ID OCC–2025–0372]

To Whom It May Concern,

The Independent Community Bankers of America ("ICBA")[1] is pleased to offer our comments to assist the Office of the Comptroller of the Currency ("OCC") in developing effective and robust regulations to implement the Guiding and Establishing National Innovation for U.S. Stablecoins Act, enacted into law in July 2025 ("the GENIUS Act").[2] The OCC published a notice of proposed rulemaking ("the NPR", "the Proposed Rule", or "the Proposal") on March 2, 2026 to promulgate regulations for the issuance of payment stablecoins and certain related activities by entities that are subject to the OCC's jurisdiction.[3] Through the Proposal, the OCC intends to create final regulations governing the issuance of payment stablecoins through subsidiaries of national banks and federal savings associations, Federal qualified payment stablecoin issuers, and State qualified payment stablecoin issuers that exceed the $10 billion issuance threshold and convert to Federal or joint state and Federal oversight.

In implementing the GENIUS Act, the OCC must carefully weigh any potential benefits of payment stablecoins against the serious risks of deposit disintermediation to the community banking industry and the thousands of communities across the country that rely on community

[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at www.icba.org.
[2] GENIUS Act, Pub. L. No. 119-27, 129 Stat. 419 (2025).
[3] 91 *Fed. Reg.* 10202 (Mar. 2, 2026).

banks for local funding. Payment stablecoins have the capacity to disintermediate deposits of community banks, diminishing their ability to provide essential credit that sustains America's rural communities, ranchers, farmers, and small businesses. The negative effects of community bank disintermediation will increase as payment stablecoins become more prevalent for everyday payments and will be amplified if the regulations governing stablecoins are not properly designed to address evolving risks.

Community banks' concerns about stablecoins are not speculative or hypothetical. Several private and government studies, including by Federal Reserve economists, conclude that increased use of payment stablecoins will likely result in deposit flight from community banks. ICBA estimates that community banks may lose more than $1 trillion of deposits in the coming years as customers move payments to payment stablecoins, resulting in a decline in total lending by community banks of at least $850 billion. This will fundamentally alter the financial landscape for community banks and their customers, and not for the better.

The diversity of the American banking system, powered by thousands of community banks, is one of the fundamental forces that propels American innovation, new job creation, and the national economy. Community banks are one of the most distinguishing features of America's leading financial system as compared to others in the world. Small business owners rely on community bankers' relationships and specialized expertise to finance their businesses and purchase the equipment that allows them to build new products, and farmers rely on community banks to extend credit to prepare for the next planting season. Indeed, Comptroller Gould has recently championed "the outsized role that community banks play in promoting economic growth and security."[4]

The critical financial services community banks provide cannot be replaced by other market participants because only community bankers put local deposits to work with local lending. If local deposits leave community banks, communities throughout the nation will lose their primary sources of local lending. In light of serious implications of this substantial concern, ICBA and community bankers approach the OCC's GENIUS Act rulemaking guided by one overarching objective: Preserving the lifeline to credit that community banks provide their local communities.

To achieve this objective, ICBA strongly recommends the final rule promulgated by the OCC must:

1. minimize the negative impacts of stablecoins on community banks and credit to local communities**,**
2. minimize deposit flight and the impact on credit creation,
3. clarify key definitions to prevent regulatory gaps and protect end users,
4. establish strong consumer protection guardrails for payment stablecoins,
5. foster safety and soundness of payment stablecoin issuers, and
6. place appropriate operational limits on permitted payment stablecoin issuers.

---

[4] Office of the Comptroller of the Currency, *Statement on Bank Supervision and Regulation at Financial Stability Oversight Council Meeting*, News Release No. 2025-124 (Dec. 11, 2025), https://occ.gov/news-issuances/news-releases/2025/nr-occ-2025-124a.pdf.

Part I of this letter provides economic analysis of the impacts stablecoins may have on community banks, including potentially devastating the ability to make credit available in local communities across the country. Part II of this Letter provides feedback and recommendations related to the proposal.

PART I. ECONOMIC ANALYSIS

A. The OCC Final Rule Must Minimize the Negative Impacts of Stablecoins on Community Banks and Credit to Local Communities

Community bank lending is the fuel that powers the engines of the U.S. economy, including new job creation and credit availability. The following economic impacts illustrate the significance of community banking to the nation:

Community banks play a critical role in credit availability for small businesses. Community banks hold a larger share of small business loans relative to regional and large banks: in the second quarter of 2024, small business loans as a percent of total loans at community banks was more than double that of regional and large banks.[5] Small businesses are most likely to be approved for credit at community banks.[6]

Community banks play a vital role in agricultural lending. They serve as "a major supplier of credit to agricultural producers and businesses, including during times of economic stress when the need for credit is most acute."[7] The majority of bank farm credit is provided by community banks, accounting for 81 percent of farm real estate debt held by commercial banks and 74 percent of operating debt.[8] Community banks are even more crucial to small dollar farm loans, accounting for almost 90 percent of commercial bank farmland loans with original amounts of $500,000 or less.[9]

Community banks are key providers of banking services to rural communities across the country.[10] Community bank branches represent over 71 percent of all bank branches in rural

---

[5] Federal Reserve Bank of Kansas City, *Community Banking Bulletin: Highlight, Community Bank Focus on Small Business Lending* (Oct. 9, 2024), https://www.kansascityfed.org/documents/10524/Community_Banking_Bulletin_Highlight_-_Oct_2024_-_SBL.pdf.
[6] Fed Small Business, 2025 Report on Employer Firms: Findings from the 2024 Small Business Credit Survey - *2025 Report on Employer Firms: Findings from the 2024 Small Business Credit Survey* (Mar. 27, 2025), https://www.fedsmallbusiness.org/reports/survey/2025/2025-report-on-employer-firms.
[7] Matt Hanauer, Brent Lytle, Chris Summers, and Stephanie Ziadeh, *Community Banks' Ongoing Role in the U.S. Economy,* Federal Reserve Bank of Kansas City Economic Review (2021) at 48, https://www.kansascityfed.org/documents/8159/EconomicReviewV106N2HanauerLytleSummersZiadeh.pdf.
[8] *Id.* at 52.
[9] *Id*.
[10] *Id*. at 48.

areas and held nearly two-thirds of rural deposits, in additional to accounting for more than 56 percent of total commercial bank branches in the 25 states with the largest rural population shares.[11] Additionally, rural households depend on physical bank branches, "with 88 percent stating they had visited a branch within the past 12 months, and over one-third reporting bank branches as their primary method for account access."[12]

ICBA recommends that the OCC carefully consider the individual and collective risks to community banks and the wider financial system that will result from the OCC's regulations governing the composition of stablecoin issuer reserves, stablecoin redemption policies, stablecoin issuer reserve interactions with the banking system, and the prohibition on issuers paying yield, interest, rewards or other consideration.

1. Stablecoin Issuers' Failure to Maintain Adequate Reserve Composition Will Cause Negative, Systemic Downstream Effects on Community Banks

Section 4(a)(1) of the GENIUS Act establishes the following categories as the only permissible assets for reserves that supply the value of stablecoins:

1) United States coins and currency or money standing to the credit of an account with a Federal Reserve Bank;
2) Funds held as demand deposits or insured shares at an insured depository institution.
3) Treasury bills, notes, or bonds with a remaining maturity of 93 days or less or issued with a maturity of 93 days or less;
4) Money received under repurchase agreements, with the permitted payment stablecoin issuer serving as the seller of securities and with overnight maturity (plus, this activity must be supported by Treasury bills with a maturity of 93 days or less);
5) Reverse repurchase agreements;
6) Securities issued by an investment company registered under section 8(a) of the Investment Company Act of 1940 that invests only in the assets previously listed;
7) Any other liquid asset issued by the Federal government and approved by the primary Federal payment stablecoin regulator; and
8) Tokenized versions of the approved reserve assets that comply with all applicable laws and regulations.

However, the GENIUS Act did not establish specific parameters for any single asset or the composition of a permitted payment stablecoin issuer's complete reserves. The Proposal is the first attempt by any U.S. financial regulator to evaluate how much of any one asset should be allowed, where the assets should be held, and how the answers to these questions may ultimately impact deposits throughout the banking system and credit creation in communities across the country.

---

[11] *Id*.
[12] *Id*. at 51.

In the current market, stablecoin issuers are free to choose how they wish to construct their reserves and then share that information with investors and users. Although models vary, most stablecoin issuers, especially the largest ones, tend to keep most of their reserves as Treasury bills to earn yield to cover operational expenses and maintain assets that should be able to be liquidated quickly enough to meet user redemptions. Since the reserves primarily consist of Treasury bills, stablecoin issuers only hold relatively small amounts as deposits at banks. For example, as of February 2026, the second largest stablecoin issuer (Circle) held approximately 13.8% of its reserves as deposits and as of December 2025, the world's largest stablecoin issuer (Tether) held less than 1% of its reserves as deposits.[13]

Issuer reserve composition is a key factor in ensuring that stablecoins can live up to the so-called "stability" in their name by delivering a stable value. Whether a stablecoin issuer fails to maintain a stable value depends on whether:

A. Issuers mismanage reserve assets (e.g. have more volatile assets that fail to maintain full value of tokens in circulation, or fail to maintain adequate security over the assets);
B. Adverse market conditions cause steep, sudden declines in asset values and/or leave issuers with few buyers; or
C. Issuers fail to liquidate or are unable to liquidate assets fast enough to satisfy a rapid surge in redemption requests.

In sum, the loss of a peg and/or an inability to redeem the full value of payment stablecoins in circulation could result in negative, systemic risk across the financial system that ultimately harms community banks.

2. Community Banks May Not Benefit from Recycled Reserve Asset Deposits Under Current Regulatory Framework

While stablecoins pose other near-term risks to community banks discussed in this comment letter that the OCC must address through appropriate regulatory requirements, the main long-term risk to community banks and their customers is that payment stablecoin issuers will either disintermediate community bank deposits with reserves primarily composed of Treasury bills, or they will only recycle a small portion of deposits back into the banking system. Importantly, these recycled deposits will be fundamentally different from, and less stable than, core retail deposits because they will be wholesale (and likely uninsured).

There are many reasons why recycled deposits do not have the same utility to community banks as core retail deposits. First, uninsured wholesale deposits, especially those associated with

[13] Independent Accountants' Report to Board of Directors & Management, Circle Internet Group, Inc. Deloitte & Touche, LLP, March 27, 2026, https://6778953.fs1.hubspotusercontent-na1.net/hubfs/6778953/USDCAttestationReports/2026/2026%20USDC_Examination%20Report%20February%2026.pdf and Assurance Report According to ISAE 3000R on the Financials Figures & Reserves Report to the Board of Directors of Tether International, S.A. de C.V. (Dec. 31, 2025), https://assets.ctfassets.net/vyse88cgwfbl/20d2BoOAd28ZfkiQPYPjGN/4ed12f5939e1e06ee5aceccad4effbe4/ISAE_3000R_-_Opinion_Tether_International_Financial_Figure_31-12-2025.pdf.

novel products that rely on nascent technology without a deep history of redemption activities, pose enhanced liquidity management risks to community banks. These deposits are inherently unsticky and could leave a community bank in a moment's notice, which constrains a community bank's ability to deploy these deposits to support local lending. Second, the added expenses that are necessary to invest in upgraded technology and to train and hire knowledgeable staff to manage these services make stablecoin reserve deposits less attractive to community banks than other stable and stickier forms of funding, such as Federal Home Loan Bank advances, brokered deposits, or short-term loans from the discount window.

Third, the recycling of reserves as wholesale deposits may also lead to a fundamental shift in the nature and services of community banks. If payment stablecoins achieve proponents' expectations of trillions in circulation by the end of the decade,[14] they will only do so by drawing in trillions of retail customer deposits from banks. Therefore, ICBA poses this pressing question to the OCC: **How can recycled wholesale deposits from payment stablecoin issuers make up for lost retail deposits at community banks?** If the OCC promulgates a regulatory framework without addressing this question, community banks will become much more reliant on serving the needs of giant stablecoin issuers, rather than deploying local capital to meet local credit needs, as community banks have capably done for generations.

3. Deposit Flight from Community Banks Will Reduce Community Banks' Abilities to Lend to Members of their Local Communities

Deposit flight from community banks will not simply change the composition of the total amount of deposits in the US banking system. It will drastically reduce lending by community banks because under the GENIUS Act, permitted payment stablecoin issuers are precluded from rehypothecating their reserves.[15] Pablo Hernández de Cos, General Manager for the Bank for International Settlements, recently spoke about the implications of such a development, stating, "A shift towards narrow banking through stablecoins would loosen the tight link between deposit-taking and lending that exists in a fractional reserve system. As a result, a larger share of credit supply to the private sector would have to be provided by non-bank financial institutions ("NBFIs") to sustain the level of credit provision."[16]

If lending by community banks declines, there is no guarantee that NBFIs will have the capacity or expertise necessary to fill the credit void. For example, studies show that rural areas depend on community banking because community banks "are three times more likely to locate their offices in a non-metro area, and community banks hold the majority of banking deposits in U.S. rural and micropolitan counties."[17] NBFIs cannot replace this critical role as many rural

---

[14] *See Remarks by Secretary of the Treasury Scott Bessent before the Treasury Market Conference*, Nov. 12, 2025 ("The stablecoin market, meanwhile, is valued around $300 billion and could grow tenfold by the end of the decade thanks to the innovation made possible by the GENIUS Act.").
[15] GENIUS Act, § 4(a)(2) (2024).
[16] Pablo Hernández de Cos, *Stablecoins: Framing the Debate,* speech at the Bank of Japan Seminar (Apr. 20, 2026), https://www.bis.org/speeches/sp260420.pdf.
[17] CFPB, *Data Spotlight: Challenges in Rural Banking* (Apr. 2022), https://files.consumerfinance.gov/f/documents/cfpb_data-spotlight_challenges-in-rural-banking_2022-04.pdf

communities lack access to reliable broadband internet, which limits the reach of financial technology companies. Surveys of citizens in rural areas reveal that the decline of local banking services "can mean the loss of the people who often provide much needed expertise and leadership beyond their role as bankers, undermining the civic fabric of rural communities."[18] A local community bank is more than a lender; it is a pillar of its community as bank employees often use their knowledge to help their local communities by serving in local government and non-profit boards.

Moreover, NBFIs lack the safeguards that have developed over decades governing well-regulated banks and therefore pose risks both to consumers and to financial stability. It is simply not an option for the U.S. financial system to hand over credit provision in local communities to non-regulated NBFIs.

4. No Reserve Allocation Fully Preserves Traditional Deposit-Based Credit Intermediation

Section 15.11 of the Proposed Rule presents two options for the regulatory treatment of reserve composition:

Option A: A principles-based safe harbor that will deem issuers in compliance with § 15.11(c) of the Proposed Rule if they have at least 10% of required reserves held as deposits or on account with a Federal Reserve Bank, at least 30% held as deposits, on account with a Federal Reserve Bank, or amounts unconditionally available within five business days following sale or maturation of reserve assets, 40% or less of reserve assets permitted to be held within one institution as deposits, custodied securities, or bilateral repurchase agreements with any counterparty, no more than 50% of amounts allowed in § 15.11(c)(2)(i) of the Proposed Rule at any one eligible financial institution; and reserve assets with a weighted average maturity of less than or equal to 20 days.[19]

Option B: Permitted payment stablecoin issuers will be compelled to adhere to all the quantitative standards of Option A.[20]

ICBA is deeply concerned that neither of these two options fully addresses our concerns about deposit flight, impacts to credit creation, and the potential growth of systemic risk as connections between stablecoin issuers and the banking system multiply. It is imperative that the OCC fully address these concerns, given they are not theoretical--in 2023, the second largest stablecoin, USDC, lost its peg to the dollar because it was the largest uninsured depositor at Silicon Valley Bank.[21]

---

[18] *Id*.
[19] *Id*.; Proposed Rule § 15.11.
[20] *Id*.
[21] Ashley Capoot, *Stablecoin USDC Breaks Dollar Peg After Firm Reveals It Has $3.3 Billion in SVB Exposure*, CNBC (Mar. 11, 2023), https://www.cnbc.com/2023/03/11/stablecoin-usdc-breaks-dollar-peg-after-firm-reveals-it-has-3point3-billion-in-svb-exposure.html

These concerns are also supported by research. ICBA's comments offer research for the OCC to consider as to how community bank deposits and lending capabilities may be affected by four scenarios described in this Proposal and other statements by policymakers (a baseline scenario, a yield scenario, a reserve scenario, and a recycled scenario). The research confirms not only how any yield, interest, or rewards to holders of payment stablecoins will amplify the consequences for community banks and the communities they serve. If they become more widely adopted as an alternative to bank deposits, the resulting loss of core deposits at banks and the resulting loss of local credit and lending will ripple across the national economy.

B. The OCC's Final Rule Must Minimize Deposit Flight and The Impacts on Credit Creation

Stablecoin adoption at scale will reduce bank lending under any regulatory framework. The key policy question is not whether credit creation will decline, but by how much and how those costs are distributed across the banking system. At a baseline market size of $1.2 trillion (which is consistent with a stablecoin market in which yield or yield-equivalent rewards are prohibited), ICBA estimates lending at community banks would fall by at $141 billion, or four percent. On the other hand, if stablecoin issuers are permitted to offer yield or yield-equivalent rewards (or to evade the prohibition, such as through DeFi wrappers), the stablecoin market is likely to grow to $3–5 trillion and cause community bank lending to fall by $850 billion — equivalent to placing at risk roughly one in five dollars currently lent by community banks to farms, small businesses, and other borrowers.

1. Research Methodology

ICBA has conducted research to assess the impact on credit creation in four scenarios:

The Baseline Scenario: First, we established estimates for a baseline scenario of stablecoin market growth in which stablecoins are restricted to a payments-only environment (*i.e.*, stablecoins are used solely for transactions with no yield or yield-equivalent features) and deposit flight is the primary driver of lending losses. This scenario captured the impact of deposit substitution (*i.e.*, consumers replacing traditional bank deposits with stablecoins) and wholesale funding costs (*i.e.*, the increased cost banks face when replacing lost retail deposits with more expensive market-based borrowing), but excluded the additional effects of issuer reserve recycling (*i.e.*, stablecoin issuers reinvesting the assets that back their tokens into the banking system).

The Yield Scenario: Second, we demonstrated how relaxing the current prohibition against yield or yield-equivalent rewards intensifies the negative impact on bank lending compared to the baseline. Permitting yield, either directly or indirectly, shifts stablecoins from a payments substitute to a store-of-value competitor. This dramatically expands the size of the stablecoin market and drives up the degree of deposit substitution.

The Reserve Scenario: Third, we established how stablecoin issuer reserves impact bank lending. Empirical evidence suggests that even reserves held directly as bank deposits tend not to translate into additional lending, as the intraday liquidity demands of stablecoin issuers require partner banks to hold those funds in reserve rather than deploy them as loans.

The Recycling Scenario: Fourth, we evaluated whether issuer reserve growth offsets deposit flight through T-bill and repurchase agreement (repo) recycling. While stablecoin reserves do reenter the financial system, the benefits are uneven. Recycling, primarily through issuer purchases of U.S. Treasuries, partially offsets deposit flight for large banks that participate in U.S. Treasury markets. However, as previously discussed in this comment letter, since community banks typically do not operate as dealers, and because of the differences between recycled and core deposits, community banks receive little benefit from recycled deposits.

ICBA's research, demonstrated across four scenarios, shows the ultimate impact of stablecoin adoption at-scale is a more concentrated U.S. banking system. As the market for stablecoins grows, deposits and lending capacity shift from community banks toward larger institutions. This matters because large banks are not interchangeable with community banks. Community banks are vital partners to U.S. small businesses, farmers, and rural communities, accounting for 81% of farm real estate debt held by commercial banks and 74% of operating debt, and representing over 71% of all bank branches in rural areas.[22] These impacts illustrate that the diversity of the U.S. banking system — highlighted by thousands of community banks spread across the nation — is the bedrock of the nation's economy that policymakers should continue to preserve and promote.

2. In a Baseline Scenario, A $1.2T Stablecoin Market, Deposit Flight Drives Lending Loss

Under the baseline scenario, stablecoins are primarily used as a payment medium, stablecoin issuers do not have access to Federal Reserve master accounts, and interest payments on payment stablecoins are prohibited. Forms of yield such as exchange rewards or yield-bearing wrappers are not considered in the baseline effects, though their likely effect on bank disintermediation is discussed in other scenarios.

As a medium of exchange, stablecoins compete directly with the transaction balances households and businesses hold at banks, attracting deposits through their programmability, settlement speed, and portability. ICBA estimates that deposit flight of this nature could reduce lending by $269 billion at a baseline stablecoin market size of $1.2 trillion, with community banks bearing $141 billion of that loss (see Table 1).

These estimates are grounded in a macroeconomic model developed by Whited, Wu, and Xiao (2023)[23], which analyzes how the introduction of a central bank digital currency (CBDC) affects the U.S. banking system. The CBDC-based modeling framework is well suited for analyzing private market stablecoin adoption effects because it captures the core mechanism of interest:

---

[22] Hanauer, Lytle, Summers, and Ziadeh, *Community Banks and Agricultural Lending, Federal Reserve Bank of Kansas City*, Economic Review, Vol. 106, No. 2 (2021), https://www.kansascityfed.org/Economic%20Review/documents/8159/EconomicReviewV106N2HanauerLytleSummersZiadeh.pdf.

[23] Toni M.Whited, Yufeng Wu, and Kairong Xiao, *Will Central Bank Digital Currency Disintermediate Banks?* (2022), https://ssrn.com/abstract=4112644.

competition between bank deposits and a digital outside option. Nigrinis (2025)[24] treats CBDC as a potential lower-bound for stablecoins because privately issued digital alternatives have stronger distribution incentives and fewer policy constraints compared to a tightly regulated, government-issued CBDC. Nigrinis, in a literature review of many other studies finds that "*Whited et al. (2023) provide the most complete and policy-relevant framework for estimating how stablecoin adoption translates into changes in bank lending.*" Therefore, the Nigrinis analysis and the ICBA analysis use stablecoins as a stand-in for CBDC in the Whited et al. framework.[25]

Table 1. Baseline Scenario: Impact of Stablecoin Adoption on U.S. Bank Deposits and Lending With No-Yield

	Scenario 1 – Baseline $1.22T Stablecoin Market	
	Large Banks	**Community Banks**
Total Deposits ($B)	$13,157	$4,789
Total Lending ($B)	$8,994	$4,007
Deposit Substitution Rate	$0.801	$0.844
Lending Loss per $1 Deposit Lost	$0.16	$0.46
% Change in Deposits	*-6.1%*	*-6.4%*
% Change in Lending	*-1.4%*	*-3.5%*
Deposit Flight ($B)	**($801)**	**($307)**
Forgone Lending ($B)	**($128)**	**($141)**
Total Forgone Lending ($B)	**($269)**	

Sources: ICBA analysis based on research conducted by Whited et. al (2023); Nigrinis (2025); and FDIC Call Report Data as of Q2 2025.

In the baseline scenario, depositors choose among bank deposits and stablecoins based on interest rates, non-rate attributes like convenience and services, and other consumer preferences. The introduction of stablecoins increases competition for deposits, leading some depositors to reallocate funds even as banks respond to competitive pressures by increasing deposit rates. This, in turn, raises banks' marginal funding costs. Banks attempt to replace lost

[24] Andrew Nigrinis, *The Lending Impact of Stablecoin-Induced Deposit Outflows,* Legal Econ. LLC, (Oct. 10, 2025), https://ssrn.com/abstract=5586850.

[25] The Council of Economic Advisers (CEA) notes that private stablecoins differ from a CBDC in that issuers hold reserves as bank deposits, U.S. Treasuries, repurchase agreements, and other assets. This creates a potential recycling effect whereby some funds leaving retail deposits re-enter the banking system. ICBA examines this recycling effect in depth in the third section and finds that while recycling provides a partial offset for large banks, community bank losses remain largely unchanged across reserve scenarios. As ICBA demonstrates in the third section, this recycling effect is partial, unevenly distributed, and sensitive to assumptions.

deposits with wholesale funding, but wholesale funding is more expensive, uninsured, and less stable than core deposits. These costs compound as reliance on wholesale funding increases.

When stablecoins cannot bear interest directly or indirectly, the baseline scenario demonstrates that each $1 increase in stablecoin adoption displaces roughly $0.81 of bank deposits, translating into an average $0.19 reduction in bank lending.[26]

The effect is stronger for community banks. Small banks are heavily dependent on deposits to fund credit, while large banks can more easily access wholesale funding if needed. Nigrinis finds that "while all banks are exposed, the heaviest burden falls on community banks, where deposit erosion directly undermines credit to households, small firms, and rural borrowers."[27] **In the no-interest scenario, each $1 deposit loss reduces lending by $0.46 at small banks and $0.16 at large banks,[28] a threefold increase in sensitivity to deposit flight.**

These estimates only capture deposit flight and wholesale funding costs for individual banks; in other words, these impacts represent a floor because current models do not capture system-wide, cascading effects like the money multiplier. The effects of issuer reserve recycling and asset reallocation at partner banks are addressed in the third section.

3. In a Yield Scenario, Yield Expands Total Market Size and Intensifies Lending Losses

There are two primary functions of money to consider as the stablecoin market expands: its role as a medium of exchange and as a store of value (reflecting a combination of safety and yield). The effects of a stablecoin market operating primarily as a medium of exchange were explored in the previous section, which found that lending losses may arise but are constrained by the overall size of the market.

In contrast, permitting stablecoins to compete with bank deposits as a store of value through the introduction of yield threatens a much larger pool of deposits. Under a pure payments use case, the stablecoin market is likely to grow, but the overall market size would be more limited given the narrower application for stablecoins.[29] However, permitting yield or yield-equivalent workarounds stands to dramatically expand stablecoin market size. To illustrate this dynamic, we extend the analysis from the previous scenarios to include two additional projections: Secretary Bessent's forecast that the payment stablecoin market could reach $3 trillion by 2030, and the Whited et al. (2023) estimate that the market could grow to $5 trillion in a long-run equilibrium. Both projections reflect a hypothetical scenario in which stablecoins compete with traditional deposits as a store of value based on their ability to offer yield or yield-equivalent rewards.

---

[26] Whited et al., *supra* note 23, at 49.
[27] Nigrinis, *supra* note 24, at 1.
[28] Nigrinis, *supra note 24*. The lending loss per dollar of deposit lost is not directly reported in Whited et al. but is derived by dividing the estimated reduction in lending per unit of CBDC by the corresponding reduction in deposits per unit of CBDC.
[29] Nigrinis, *supra* note 24, at 87.

As shown in Table 2, at the $3 trillion market size, total forgone lending reaches $945 billion, with community banks accounting for more than half of that loss ($505 billion) despite holding roughly one quarter of total deposits. This asymmetry reflects the same dynamics discussed in the previous scenarios: community banks are more sensitive to deposit flight and experience a greater lending contraction per every dollar flowing to stablecoins ($0.65 per dollar compared to $0.22 per dollar at large banks).[30] At the $5 trillion market size, total forgone lending rises to $1.6 trillion. Large bank lending falls by $738 billion (-8.2%) and community bank lending falls by $850 billion (-21.2%).

Table 2. The Yield Scenario: Impact of Stablecoin Adoption on U.S. Bank Deposits and Lending if Yield or Yield-Equivalent Rewards are Permitted

	Scenario 2 – Bessent/Treasury $3.0T Stablecoin Market		**Scenario 3 – Fully Realized Market** $5.01T Stablecoin Market	
	Large Banks	**Community Banks**	**Large Banks**	**Community Banks**
Total Deposits ($B)	$13,157	$4,789	$13,157	$4,789
Total Lending ($B)	$8,994	$4,007	$8,994	$4,007
Deposit Substitution Rate	$0.815	$0.858	$0.815	$0.858
Lending Loss per $1 Deposit Lost	$0.22	$0.65	$0.22	$0.65
% Change in Deposits	*-15.2%*	*-16.2%*	*-25.5%*	*-27.3%*
% Change in Lending	*-4.9%*	*-12.6%*	*-8.2%*	*-21.2%*
Deposit Flight ($B)	**($2,001)**	**($777)**	**($3,355)**	**($1,307)**
Forgone Lending ($B)	**($440)**	**($505)**	**($738)**	**($850)**
Total Forgone Lending Across Banks ($B)	**($945)**		**($1,588)**	

Sources: ICBA analysis based on research conducted by Whited et. al (2023); Nigrinis (2025); and FDIC Call Report Data as of Q2 2025.

[30] In Table 1 (the no-yield baseline scenario), lending loss per dollar outflow of deposits is $0.16 for large banks and $0.46 at smaller banks. These figures rise to $0.22 and $0.65 respectively in the yield or yield-equivalent scenarios represented in Table 2. These differences reflect how lending contractions grow more severe as deposit flight accelerates. Deposit flight per dollar increase in stablecoin market size also drifts up in the presence of yield from $0.80 to $0.82 per dollar for large banks and from $0.84 to $0.86 per dollar for smaller banks.

According to a new working paper released by the European Central Bank ("ECB") in March 2026, as adoption of payment stablecoins increases, stablecoins' impact on bank lending will grow.[31] If stablecoin adoption grows enough to trigger significant bank deposit loss, credit effects increase disproportionately.[32]

Treasury Secretary Bessent recently recognized this risk, particularly for community banks. On February 5, 2026, in a hearing before the Senate Committee on Banking, Housing and Urban Affairs on "The Financial Stability Oversight Council's Annual Report to Congress," Secretary Bessent stated that the Treasury Department is working to ensure there would be no deposit volatility associated with yield-bearing stablecoins.[33] ICBA recommends that the OCC work to ensure that the Proposed Rule does not cause or increase deposit volatility associated with yield-bearing stablecoins.

The lending effects of yield-bearing stablecoins have been the subject of study over the last year. Some studies have concluded that the impact on bank deposits and lending would be minimal, but this conclusion is based upon current usage of payment stablecoins, which is not a sound proxy for future usage of payment stablecoins. For example, a July 2025 Coinbase-funded study by Charles River Associates ("CRA")[34] indicates that there will be minimal impact on community bank deposits from growth of payment stablecoins. However, this study uses a conservative baseline projection of payment stablecoin market size that is only one-sixth as large as Treasury Secretary Bessent's $3 trillion projection from November 2025.

In contrast to the relationship between the adoption of payment stablecoins and significant credit loss established by the March 2026 ECB paper, the CRA study based its conclusion exclusively on near alignment of current and projected stablecoin usage. Thus, this Coinbase-funded research is grounded in today's relatively small stablecoin market and makes no attempt to account for the acceleration of effects once adoption reaches scale. This puts the research at odds with a central finding of the subsequent ECB paper that the relationship between stablecoin market size and deposit and lending effects is nonlinear.

Similarly, a recent paper from the Council of Economic Advisers ("CEA") estimated that eliminating stablecoin yield would only result in minimal increases to overall bank lending ($2.1 billion) and community bank lending ($500 million).[35] While ICBA appreciates that the CEA is engaging in the issue at hand, at least three assumptions used in the CEA analysis are flawed and unduly minimize the impact of yield-bearing stablecoins on lending loss on community banks.

---

[31] Carlo Altavilla et al., S*tablecoins and Monetary Policy Transmission*, ECB Working Paper Series No. 3199 (Mar. 2026),https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp3199~ad552b59ec.en.pdf.
[32] *Id.* at 18.
[33] *Hearings to Examine the Financial Stability Oversight Council's Annual Report to* Congress Before the S.Comm. on Banking, Hous. & Urb. Affrs., 119th Cong. (Apr. 24, 2026), https://www.congress.gov/event/119th-congress/senate-event/337957.
[34] Charles River Assocs., *Stablecoins' Impact on Community Bank Deposits* (July 2025),https://media.crai.com/wp-content/uploads/2025/07/22152125/Stablecoins-impact-on-community-bank-deposits-July2025.pdf.
[35] The White House, *Effects of Stablecoin Yield Prohibition on Bank Lending* (Apr. 2026),https://www.whitehouse.gov/research/2026/04/effects-of-stablecoin-yield-prohibition-on-bank-lending/.

First, the authors solely base their findings on additional lending on today's immature stablecoin market, ignoring Treasury Secretary Bessent's $3 trillion projection of payment stablecoin market size and the nonlinear increases in deposit loss that would ensue. In a fully mature payment stablecoin market, deposit loss, and accordingly, lending loss, would be significant.

Second, CEA's analysis assumes that stablecoin-linked deposits as a share of total bank deposits will remain 1.7%; accordingly, the lending effect the CEA finds is minimal, as the CEA has not examined the realistic scenario where the stablecoin market is mature. If yield is allowed, and the payment stablecoin market approaches Treasury Secretary Bessent's projections, the stablecoin share of bank deposits cannot remain at the 1.7% benchmark used by CEA without an unrealistic increase in the total deposit base.

Third, CEA treats community banks as outsiders in the stablecoin market, stating that *"stablecoin flows are concentrated at large institutions on both sides of the market."* CEA views this positively: if stablecoins operate outside of the community banking system, then any yield impacts would be minimal for community banks. However, as noted by Nigrinis in his response to the CEA report, large banks and community banks run different deposit businesses. Small banks compete with large banks by offering local pricing, local knowledge, and community ties. **The unique benefit of community banks for small and rural communities is the exact thing at stake in the yield question; the CEA paper ignores the impact that shifting community bank deposits to large banks would have on the types of credit community banks support.**[36]

4. Under a Reserve Scenario, Stablecoin Reserves as Bank Deposits Do Not Lead to Increased Lending, Do Not Offset Lending Losses from Deposit Flight, and Do Not Replace Lost Retail Deposits with Deposits from Stablecoin Issuers

The GENIUS Act requires stablecoin issuers to hold reserves dollar-for-dollar against stablecoins in circulation. As the payment stablecoin market grows, so does that reserve pool. Some of those reserves re-enter the financial system, including as deposits at banks. However, the benefits are uneven, and for community banks, they are essentially nonexistent.

The GENIUS Act requires stablecoin issuers to offer "timely redemption" for stablecoin holders, meaning that issuers would place a portion of their assets in bank deposits to fulfill redemption obligations. These stablecoin-linked deposits are often highly concentrated in specialized partner banks. Redemption obligations follow daily stablecoin primary market activity and are thus frequent and volatile, requiring banks with stablecoin-linked deposits to maintain substantially larger reserve balances to service stablecoin payment activity than is necessary for traditional deposits.

---

[36] Andrew Nigrinis, *Big Assumptions, Bigger Impacts: Rethinking Stablecoin Policy Findings: Who Lends to Main Street When the Deposits Leave*? (Apr. 2026), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6582639.

Lee and Tou find that in the nine months following new partnerships with stablecoin issuers, banks' daily interbank payment activity increases by 67%, creating significant variation in banks' reserve balances within a given day.[37] Among banks holding stablecoin-linked deposits, the loan share of assets falls approximately 14 percentage points relative to peers.[38] **Consistent with theory, partner banks must operate more narrowly to service stablecoin redemptions — holding assets but not necessarily lending to consumers or businesses. Thus, while stablecoin issuers holding reserves at banks may preserve bank deposit bases, these deposits are less likely to be used for lending.**

5. In a Recycling Scenario, Community Banks Lose Core Deposits that Are Replaced with Smaller Amounts of Less Lendable Deposits

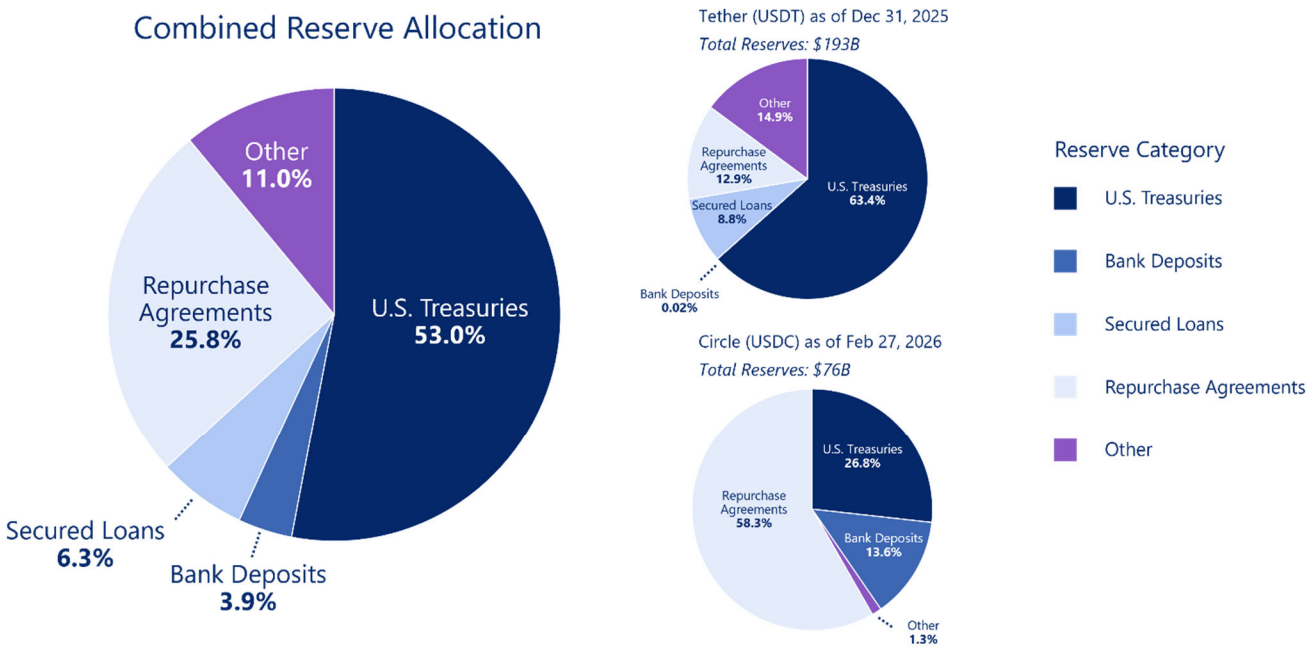
The recent White House CEA study concludes that stablecoin reserves are likely to be recycled into the banking system as stablecoin issuers purchase U.S. Treasuries, which are primarily held by banks.[39] But the CEA study fails to show that only a small portion of reserves are recycled as deposits, and those are fewer in quantity and less lendable than other core deposits.

Consider the current distribution of reserve assets across the two largest stablecoin issuers, Tether and Circle, which account for roughly 90% of the current stablecoin market. Distributing these percentages, the total composition of reserves across these two issuers is 53% U.S. Treasuries, 26% repurchase agreements, 11% other (which includes assets like non-U.S. Treasuries, other investments, precious metals/bitcoin, and issuer-specific residuals), 6% secured loans, and 4% bank deposits (see Figure 1). Secured loans and other assets have no reliable path back to the U.S. banking system, so they are treated as non-recycling. Under the most favorable assumptions, that leaves 83% of assets as potentially recycling and offsetting deposit flight, although maturity mismatches between repurchase agreements and other forms of lending makes it unlikely that this portion of reserves will be fully recycled into the banking system to support lending activities.

---

[37] Michael Junho Lee and Donny Tou, *Stablecoin Disintermediation*, Fed. Reserve Bank of N.Y. Staff Reports, no. 1185 (Feb. 2026), at: https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1185.pdf.
[38] *Id* at 5.
[39] White House Council of Econ. Advisers, *Effects of Stablecoin Yield Prohibition on Bank Lending* (Apr. 2026).

Figure 1: Composition of Reserves Across Major Stablecoin Issuers



Circle figures exclude timing & settlement differences; remaining assets renormalized to sum to 100%. "Other" includes assets such as non-U.S. Treasuries, precious metals, bitcoin, issuer-specific residuals, and other investments.
Source: Adapted from Wang (2025) with updated data from publicly available transparency reports by issuers.

In its analysis, CEA assumes that 12% of issuer reserves are held as bank deposits[40], which CEA acknowledges as non-lendable due to intraday liquidity concerns discussed by Lee and Tou. The remaining 88% of reserves are recycled into the banking system through the purchase of U.S. Treasuries and repurchase agreements in CEA's model.

In reality, the reserve composition of stablecoin issuers suggests that a significantly smaller share of reserve assets will be recycled through the banking system to offset deposit loss and support lending activity. As shown in Figure 1, U.S. Treasuries make up only a portion of non-deposit assets. Reserves in assets like Bitcoin or precious metals, as well as secured loans, have no clear path to re-enter the U.S. banking system. Therefore, in ICBA's analysis of the CEA's recycling argument, ICBA focused on the share of U.S. Treasuries (53%) and repurchase agreements (26%) for the top two stablecoin issuers in the U.S. as the basis for recycling scenarios.

To assess the likely impact of reserve recycling on credit creation, ICBA analyzed three different recycling scenarios: high, moderate, and low recycling. These scenarios were based on the reserve composition of major stablecoin issuers and their holdings of U.S. Treasuries and

[40] The 12% in bank deposits is based on Circle's December 2025 Reserve Report.

repurchase agreements as a share of reserves, and reflected some uncertainty about the extent of recycling across different reserve asset categories. Unlike the assumptions used in CEA's model that assume recycling of all non-deposit assets, these scenarios presented plausible outcomes based on the reality of reserve composition and the suitability of various reserve asset categories in supporting lending activity.

- The High Recycling scenario (79% of stablecoin assets) treats both U.S. Treasuries and repurchase agreements as fully recycling, which is consistent with the CEA framework.
- The Moderate Recycling scenario (66%) treats U.S. Treasuries as fully recycling and repurchase agreements as 50% recycling as a result of maturity mismatches between repos and other forms of lending.
- The Low Recycling scenario (53%) treats only U.S. Treasuries as recycling.

Importantly (and unlike the CEA analysis), the recycling adjustment was applied only to large banks across all three scenarios. Community banks are not participants in T-bill secondary markets or repo settlement circuits and have no institutional mechanism to receive these deposits. While community banks may borrow from larger banks, the cost of wholesale funding is much larger for small banks as previously discussed in this comment letter. Community bank deposit flight and forgone lending figures are therefore invariant across all three recycling cases. **A dollar leaving a community bank through stablecoin adoption is funding lost from local credit creation regardless of the recycling assumption applied to large banks.** The results are presented in Table 3.

In the baseline no-yield scenario, community banks lose $141 billion in lending (-3.5%) across all recycling cases. Large banks, by contrast, face a range of outcomes, including deposit base and lending increases under high and moderate recycling scenarios as dollars flow out of community banks and reconcentrate at large institutions.

As the market scales to $3 trillion, community bank lending losses reach $505 billion (-12.6%), invariant across recycling cases, while large banks range from +$80 billion to -$90 billion depending on recycling assumptions.

At $5 trillion, community bank lending losses reach $850 billion (-21.2%).

The analysis demonstrates that if the market for stablecoins expands rapidly due to the allowance of yield or yield-equivalent rewards, deposits will be funneled away from both community banks and large banks and toward a smaller volume of less stable and less lendable reserves, which will be held almost exclusively at large banks. The result will be a much more concentrated U.S. banking system, undermining one of its core strengths. We agree with the statement of Beth Hammack, President and CEO of the Federal Reserve Bank of Cleveland, "In good times and bad, the large and diverse U.S. banking system is our economy's 'secret sauce,'

and like any great recipe, our banking sector blends a variety of ingredients to create a flavor profile with balance and harmony, one which is uniquely American."[41]

That balance is precisely what stablecoin-driven lending loss and industry concentration threatens.

The OCC must apply the GENIUS Act's yield prohibition to intermediaries to avoid evasion of the law. An issuer-level prohibition on yield is insufficient. Additionally, ICBA's analysis shows that the OCC cannot use reserve asset distribution rules alone to neutralize the credit creation risks associated with rapidly expanding stablecoin adoption. This is particularly true for community banks, whose losses are invariant across recycling scenarios.

[41] Beth M. Hammack, *A Recipe for a Thriving U.S. Economy*, speech at the Ohio Bankers League 2026 Economic Summit (Feb. 10, 2026), Fed. Reserve Bank of Cleveland, https://www.clevelandfed.org/collections/speeches/2026/sp-20260210-recipe-for-a-thriving-us-economy.

Table 3. Impact of Stablecoin Adoption on U.S. Bank Deposits and Lending Under High, Moderate, and Low Reserve Recycling Offsets

	Scenario 1 – Baseline $1.22T Stablecoin Market		Scenario 2 – Bessent/Treasury $3.0T Stablecoin Market		Scenario 3 – Fully Realized Market $5.01T Stablecoin Market	
	Large Banks	**Community Banks**	**Large Banks**	**Community Banks**	**Large Banks**	**Community Banks**
Total Deposits ($B)	$13,157	$4,789	$13,157	$4,789	$13,157	$4,789
Total Lending ($B)	$8,994	$4,007	$8,994	$4,007	$8,994	$4,007
Lending Loss per $1 Deposit Lost	$0.16	$0.46	$0.22	$0.65	$0.22	$0.65
Change in Deposits ($B) (Unadjusted for Recycling)	($801)	($307)	($2,001)	($777)	($3,355)	($1,307)
Recycling Adjustment (Applied to Large Banks Only – Community Banks Assumed to Receive No Recycling Benefit) ($ Billions)						
Large Bank Net Deposit Loss – High Recycling (79%)	+$160	($307) *(invariant across recycling cases)*	+$363	($777) *(invariant across recycling cases)*	+$592	($1,307) *(invariant across recycling cases)*
Large Bank Net Deposit Loss – Moderate Recycling (66%)	+$3		($24)		($54)	
Large Bank Net Deposit Loss – Low Recycling (53%)	($154)		($410)		($699)	
Forgone Lending ($ Billions)						
High Recycling Case	+$26	($141) *(invariant across recycling cases)*	+$80	($505) *(invariant across recycling cases)*	+$130	($850) *(invariant across recycling cases)*
Moderate Recycling Case	+$0.5		($5)		($12)	
Low Recycling Case	($25)		($90)		($154)	
Total Forgone Lending – All Bank Types Combined ($ Billions)						
High Recycling Case	**($116)**		**($425)**		**($719)**	
Moderate Recycling Case	**($141)**		**($510)**		**($862)**	
Low Recycling Case	**($166)**		**($595)**		**($1,004)**	
Percent Change in Lending						
Community Banks – All Recycling Cases	--	-3.5%	--	-12.6%	--	-21.2%
Large Banks – High Recycling	+0.3%	--	+0.9%	--	+1.4%	--
Large Banks – Moderate Recycling	0.0%	--	-0.1%	--	-0.1%	--
Large Banks – Low Recycling	-0.3%	--	-1.0%	--	-1.7%	--

Sources: Whited, Wu & Xiao (2023); Nigrinis (2025); ICBA analysis; CEA (2026); Deposit and lending base data from FDIC Quarterly Banking Profile and FFIEC Call Reports Q2 2025.

PART II. RECOMMENDATIONS

A. The OCC Final Rule Must Clarify Key Definitions to Prevent Regulatory Gaps and Protect End Users

1. Definition of "Customer"

The Proposed Rule defines the term "customer" to mean a person that purchases (through any consideration) the products or services of another person.[42] Section 2 of the GENIUS Act establishes thirty-three defined terms that are used within the statute. While none of these defined terms establishes a precise meaning of the term "customer," the term "customer" is used throughout the statute in an array of important substantive areas that frame the obligations and requirements that apply to the parties that are subject to the GENIUS Act.

Both the GENIUS Act and the Proposed Rule use the term "customer" in significant contexts, including, but not limited to, (1) definitions of the terms "digital asset service provider," "nonpublic personal information," and "United States customer;"[43] (2) permissible activities, such as allowing payment stablecoin issuers to pay fees to facilitate customer transactions;[44] (3) public disclosure requirements, such as regarding the permitted payment stablecoin issuer's redemption policy, including a link to the websites where a customer can redeem payment stablecoins;[45] (4) information security of customer information and notification to customers of unauthorized access to sensitive customer information;[46] and (5) liquidation requirements, such as a prohibition on charging customers a fee to redeem their payment stablecoins at any time during liquidation.[47]

ICBA supports the OCC's broad, functional definition of the term "customer" in the Proposed Rule because the scope of the definition is appropriate to cover the myriads of direct and indirect contexts in which the term "customer" arises and thereby fosters a more sound regulatory regime

---

[42] See Proposed Rule § 15.2.

[43] *See e.g.*, Section 2(7) of the GENIUS Act, (defining "digital asset service provider" to mean a person that, for compensation or profit, engages in the business in the U.S. "(including on behalf of *customers* or users in the United States)" in certain activities (italics added); Proposed § 15.2 (defining the term "Nonpublic personal information" to mean information provided by a *customer* to a permitted payment stablecoin issuer to obtain a financial product or service, about a *customer* resulting from any transaction involving a financial product or service between the permitted payment stablecoin issuer and a *customer*, or otherwise obtain by the permitted payment stablecoin issuer in connection with providing a financial product or service to a *customer* (italics added), and defining the term "United States customer" to mean a *customer* that resides in the U.S.

[44] *See* Proposed Rule, § 15.10(a)(7) (allowing permitted payment stablecoin issuers to pay fees to facilitate customer transactions).

[45] *See* Proposed Rule, § 15.12(a)(4) regarding redemption (requiring the issuer to provide a statement with clear instructions on how a payment stablecoin holder can redeem a payment stablecoin, including a link to the websites where a customer can redeem the payment stablecoin).

[46] *See* Proposed Rule, § 15.13(b)(6) (regarding information technology and security program for customer information).

[47] *See* Proposed Rule, § 15.11.(g)(3) (prohibiting charging customers a fee to redeem their payment stablecoins at any time during liquidation).

to carry out the requirements of the GENIUS Act. A careful reading of the GENIUS Act makes clear that the meaning of the term "customer" is based upon direct or indirect interaction with a permitted payment stablecoin issuer; whenever a person interacts functionally with a permitted payment stablecoin issuer, the GENIUS Act treats that person as a "customer" based upon interaction with the issuer.

The Proposal asks if the definition of the term "customer" should expressly include only persons with direct interactions with a permitted payment stablecoin issuer, or should include all downstream payment stablecoin holders (*i.e*., not just customers with direct interactions with the permitted payment stablecoin issuer).

ICBA believes it is inconsistent with the framework of the GENIUS Act to limit the definition of "customer" only to persons with direct interactions with a permitted payment stablecoin issuer. This would create statutory gaps in the foundational provisions of the statute that do not now exist, including with respect to the statutory provisions establishing the scope of the parties that are subject to the law, consumer or customer protection and disclosure obligations, compliance responsibilities, and risk management accountability.

Limiting the definition of "customer" only to persons with direct interactions with the payment stablecoin issuer would significantly narrow the scope of application of the GENIUS Act by excluding any persons who rely on or interact indirectly with an issuer's payment stablecoins through an intermediary, such as a platform, exchange, or technology application that interfaces directly with the payment stablecoin issuer on behalf of end users.

Limiting the term "customer" to persons with direct interactions with a permitted payment stablecoin issuer would also create ambiguities and anomalies in understanding the GENIUS Act. Reading a statute to render a part of it meaningless is contrary to the long-standing statutory canon that every word Congress included in a law should be accorded effect.[48] As an example, limiting the term "customer" to persons with direct interactions with a permitted payment stablecoin issuer would eviscerate the plain, ordinary meaning of the word "customer" within the GENIUS Act definition of "digital asset service provider," potentially excluding from that definition persons who engage in activities "on behalf of customers" in the U.S.[49]

ICBA believes that the definition of "customer" should include any person that directly uses, holds, or transacts in a payment stablecoin issued by a permitted payment stablecoin issuer as well as any person that relies on the issuer's services either through maintaining an account or relationship with the issuer or through an intermediary that provides services involving that stablecoin. Persons should be considered customers when they transact with the permitted

---

[48] *See Nat'l Labor Relations Bd v. Jones & Laughlin Steel Corp*., 301 U.S. 1, 30 ("The cardinal principle of statutory construction is to save, and not to destroy."); *U.S. v. Menasche*, 348 U.S. 528, 539 (1955) ("It is our duty to give effect, if possible, to every clause and word of a statute" (citing *Montclair v. Ramsdell*, 107 U.S. 147,152 (1883)); *Duncan v. Walker*, 533 U.S. 167, 175 (2001) (It is a "cardinal principle of statutory construction" that a statute be interpreted so that no clause, sentence, or word is rendered superfluous, void, or insignificant).

[49] In relevant part, the term "digital asset service provider" means a person that, for compensation or profit, engages in business in the U.S. "(including on behalf of *customers* or users in the United States)" in certain activities. *See* GENIUS Act, § 2(7)(A) (italics added).

payment stablecoin issuer, such as persons who have redemption or liquidation rights.

The Proposed Rule would define the custodial customers to which the protections of the GENIUS Act apply as ‘‘covered customers.’’[50] This term would mean a person for, or on whose behalf, a covered custodian receives, acquires, or holds covered assets. ICBA believes the definition of “covered customers” is an appropriate clarification of the scope of custodial and safekeeping services to which Subpart C of the proposed rule would apply.

2. Definition of “Digital Assets Service Provider”

The Proposed Rule does not use the term “digital asset service provider” and asks if the scope of the term under the GENIUS Act is sufficiently clear.[51]

The definition of the term “digital asset service provider” is an important part of the GENIUS Act because it determines who is covered by the regulatory perimeter of the statute beyond the issuer of a payment stablecoin. Digital asset service providers are key parts of the infrastructure around payment stablecoins.

Section 2(7) of the GENIUS Act defines the term “digital asset service provider” broadly to cover a “person” – in turn, defined broadly in the GENIUS Act[52] as an individual and as a variety of types of businesses, such as trusts, companies, partnerships, cooperative organizations, and more – that for compensation or profit, engages in an array of business activities in the U.S. all relating to entities that facilitate, intermediate, or provide services involving digital assets. At the same time, the definition of the term “digital asset service provider” establishes a limited and precise set of exclusions from the definition, and therefore, from the limitations and requirements of the GENIUS Act.

Specifically, Section 2(7) of the GENIUS Act states:

> “(7) DIGITAL ASSET SERVICE PROVIDER. —The term ‘digital asset service provider’—
>
> (A) means a person that, for compensation or profit, engages in the business in the United States (including on behalf of customers or users in the United States) of—
>
> (i) exchanging digital assets for monetary value;
> (ii) exchanging digital assets for other digital assets;
> (iii) transferring digital assets to a third party;
> (iv) acting as a digital asset custodian; or
> (v) participating in financial services relating to digital asset issuance; and
>
> (B) does not include—
>
> (i) a distributed ledger protocol;

---

[50] *See* Proposed Rule, § 15.20.
[51] *See* NPR, Section III. Request for Comments, Definitions, Question 7.
[52] *See* GENIUS Act, § 2(24).

> (ii) developing, operating, or engaging in the business of developing distributed ledger protocols or self- custodial software interfaces;
>
> (iii) an immutable and self-custodial software interface;
>
> (iv) developing, operating, or engaging in the business of validating transactions or operating a distributed ledger; or
>
> (v) participating in a liquidity pool or other similar mechanism for the provisioning of liquidity for peer-to-peer transactions."

A law must be interpreted according to the plain meaning of the language Congress chose.[53] Reading Section 2(7) of the GENIUS Act exactly as it is written in accordance with the ordinary meaning of the words produces a clear, logical result. Therefore, ICBA does not believe that the definition of the term "digital asset service provider" requires interpretation by the OCC, or by any federal agency, to clarify the meaning or scope of the parties, activities, and conditions under which the broad definition and limited exclusions apply. To do so would alter or replace what lawmakers actually wrote to apply potentially inconsistent administrative interpretations. There is no need to rely upon or defer to federal agency expertise to understand the statutory definition.

Moreover, in addition to the absence of a statutory gap to be filled, Congress has not delegated definitional authority to the OCC or any federal agency; instead, Congress has said "in a statute what it means and means in [the] statute what it says."[54] In short, if the meaning of a statute is clear, that is the end of the inquiry. Section 2(7) of the GENIUS Act does not confer upon the OCC or any federal agency the authority to limit the broad definition or to expand the exclusions in the definition of "digital asset service provider," and it is improper to read such authority into the law. If Congress had wished to confer this authority, it would have expressly done so.

Although the term "digital asset service provider" is not used in the Proposed Rule, the term is used in several foundational provisions of the GENIUS Act that establish the parameters of regulation of payment stablecoins. Application of these provisions is dependent upon the definition of "digital asset service provider" because any "person" that falls outside of the definition falls outside the prohibition and regulatory requirements in the GENIUS Act.

For example, Section 3(b)(1) of the GENIUS Act states, in relevant part, that "it shall be unlawful for a *digital asset service provider* to offer or sell a payment stablecoin to a person in the United States unless the payment stablecoin is issued by a permitted payment stablecoin issuer."[55]

---

[53] *See BedRoc Ltd., LLC v. United States*, 541 U.S. 176,183 (2004) ("The preeminent canon…is that we presume that a legislature says in a statute what it means and means in a statute what it says."); *Conn. Nat.'l Bank v. Germain*, 503 U.S. 249, 254 (1992) ("When the words of a statute are unambiguous…'judicial inquiry is complete"); *Caminetti v. United States*, 242 U.S. 470 (1917) ("The meaning of a statute must, in the first instance, be sought in the language…and if that is plain…the sole function of the courts is to enforce it."); *Perrin v. United States*, 444 U.S. 37 (1979) (Words are given their "ordinary, contemporary, common meaning."*); Food Marketing Institute v. Argus Leader Media*, 588 U.S. ____ (2019) (Words are given their ordinary meaning at the time of enactment.); *Bostock v. Clayton County*, 590 U.S. ____ (2020) (Applying ordinary meaning of the words).

[54] *See Ibid*. *See also Hughes Aircraft Co. v. Jacobson*, 525 U.S. 432 (1999) (The Court's analysis "begins with the statute's language" (citing *Estate of Cowart v. Nicklos Drilling Co*., 505 U.S. 469). "Where that language provides a clear answer, it ends there as well." (citing *Connecticut Nat. Bank v. Germain*, *infra* at 254).

[55] Italics added.

Section 3(b)(2) of the GENIUS Act makes it "unlawful for any *digital asset service provider* to offer, sell, or otherwise make available in the United States a payment stablecoin issued by a foreign payment stablecoin issuer" that is unable or unwilling to comply with any lawful order or reciprocal agreement.[56]

Additionally, Section 8(a)(1) of the GENIUS Act precludes a payment stablecoin that is issued by a foreign payment stablecoin issuer from being publicly offered, sold or otherwise available for trading in the U.S. by a "digital asset service provider" unless the foreign payment stablecoin issuer has the technological capability to comply and does comply with the terms of any lawful order. Further, Section 8(b)(4) subjects digital asset service providers to civil money penalties of not more than $100,000 per violation per day for knowingly violating a determination by the Secretary of the Treasury that a foreign payment stablecoin issuer is noncompliant with the requirements of GENIUS Act regarding anti-money laundering capability and execution.

The Proposal asks if the OCC should clarify the meaning of "engaging in the business" of providing digital asset service provider activities.[57] This exact phrase does not appear in the statutory definition of "digital asset service provider" so there is no basis for interpretation by the OCC. The actual phrase in the statutory definition refers to a "person that, for compensation or profit engages in the business in the United States (including on behalf of customers or users in the United States)" and this phrase does not require regulatory clarification.

Finally, the Proposed Rule asks if the OCC should clarify that only the provision of financial services that directly relate to digital asset issuance would result in an entity becoming a digital asset service provider. There is no statutory authority for the OCC to narrow the definition of "digital asset service provider" to apply to "only the provision of financial services that directly relate to digital asset issuance". Narrowing the definition of "digital asset service provider" to apply only to the issuance of payment stablecoins, and not to other covered business within the U.S., such as the subsequent sale, exchange, transfer, or acting as a digital asset custodian of payment would be contrary to the plain language of the statutory definition as well as to the intent of Congress to provide a comprehensive regulatory framework for payment stablecoins.[58]

3. Definition of "Stablecoin Holder"

The Proposed Rule asks if the OCC should define the term "stablecoin holder."[59] ICBA does not believe the OCC should define the term "stablecoin holder" by regulation. Section 2 of the GENIUS Act defines thirty-three terms that clarify and facilitate implementation of the GENIUS Act; however, the entirety of the statute neither defines nor even uses the term "stablecoin holder."[60] This calls into question the need for creating a definition for this term inasmuch as

---

[56] Italics added.
[57] *See* NPR, Section III. Request for Comments, Definitions, Question 7.
[58] *See West Virginia v. EPA*, 597 U.S 697, 723 (2022).
[59] *See* NPR, Section III. Request for Comments, Definitions, Question 22.
[60] Section 4(a)(11) of the GENIUS Act prohibits the payment of any form of interest or yield to the "holder of any payment stablecoin".

Congress chose not to define the term in law.

The GENIUS Act does not confer upon the OCC or any federal agency the authority to create a new definition of "stablecoin holder." Expanding the scope of the statute by creating a definition of the term "stablecoin holder" without a clear delegation of authority from Congress effectively legislates rather than regulates. This is particularly the case here, where the statute Congress wrote does not define or use the new term and does not authorize an agency-created definition because no provisions of the GENIUS Act require regulation of any type of "stablecoin holder."

Adding a regulatory definition of the term "stablecoin holder" for purposes of implementing the GENIUS Act raises concerns emanating from the non-delegation of congressional authority to do so and the absence of statutory instruction to define the term. Federal agencies must act within the boundaries of authority Congress has actually delegated. This authority cannot reside in absent, ambiguous, or similar statutory language.[61] Even assuming the GENIUS Act is considered to be vague and the OCC seeks to fill a policy gap regarding who is a "stablecoin holder," because the statute does not define or use the term "stablecoin holder," there is a risk of vacillating regulatory interpretations over time whenever the leadership of the OCC changes.[62]

The GENIUS Act establishes a regulatory framework for issuance of payment stablecoins by permitted payment stablecoin issuers. [63] The GENIUS Act creates a federal framework for payment stablecoins that establishes the terms under which payment stablecoins are allowed to be issued, the requirements for safe reserves backing payment stablecoins, and the licensing, supervision, anti-money laundering compliance, and risk management standards and controls that apply. The requirements of the statute apply to payment stablecoin issuers, digital asset service providers, financial institution subsidiaries that issue payment stablecoins, and federally licensed nonbank stablecoin issuers, among others.

No provisions of the GENIUS Act mandate regulation of any type of "stablecoin holder." Instead, the statute is payment stablecoin issuer-focused with only collateral consequences for a payment "stablecoin holder" that inure from requirements that apply directly to permitted payment stablecoin issuers, such as a prohibition on payment of interest or yield by a payment stablecoin issuer and a requirement for a payment stablecoin issuer to maintain safe reserves for redemption at 1:1 par value. There is a priority claim for stablecoin holders ahead of other creditors in the event of failure of a payment stablecoin issuer.

Moreover, as the Proposal acknowledges, the statute "focuses on a subset of stablecoins:

---

[61] *See Loper Bright Enters. v Raimondo*, 603 U.S. 369, 412-13 (2024) (The court "must exercise [its own] independent judgment in deciding whether an agency has acted within its statutory authority"…and "may not defer to an agency interpretation of the law simply because a statute is ambiguous."); *See also Ohio Telecom Ass'n v. FCC*, 124 F.4th 993 (6th Cir. 2025) (Where an agency repeatedly changed interpretations of a statute, the court held that the single best reading of the statute prevailed, as determined by the court, not the agency.)

[62] *See Ohio Telecom Ass'n* in which the US Court of Appeals for the Sixth Circuit definitively struck down the Federal Communications Commission's net neutrality rules after the FCC repeatedly changed interpretative positions, stating "Applying *Loper Bright* means we can end the FCC's vacillations."

[63] *See* GENIUS Act, § 2(22) (defining "payment stablecoin") and § 2(23) (defining "permitted payment stablecoin issuer").

payment stablecoins" and therefore is not a blanket framework for every crypto asset labeled "stablecoin" and does not apply to non-payment stablecoins outside the core framework, such as algorithmic stablecoins. The regulatory framework in the GENIUS Act is not universal for all stablecoin holders; stablecoins outside the "payment stablecoin" definition in Section 2 of the GENIUS Act are outside its scope.

B. Establish Strong Consumer Protection Guardrails for Payment Stablecoins

1. Mandatory Disclosures Regarding Legal Tender and Deposit Insurance Status

The Proposed Rule asks if permitted payment stablecoin issuers should be required to provide disclosures stating that stablecoins are not legal tender, issued by the United States, or guaranteed or approved by the United States, and asks if the OCC should impose requirements on the manner in which such disclosures should be made.[64]

ICBA recommends that the OCC require permitted payment stablecoin issuers to provide mandatory, prominent, and standardized disclosures stating that stablecoins are not legal tender, are not issued by the United States government, and are not insured by the FDIC or any federal or state government agency. These disclosures should not be optional, and they should not be relegated to fine print on a website that few consumers will read.

OCC should require issuers to affirmatively disclose in any marketing communication that their stablecoins are not subject to deposit insurance. The current prohibition on representing stablecoins as insured is an important first step, but a passive prohibition is insufficient. OCC should require an affirmative, standardized disclosure statement in all marketing materials.

At the point of issuance or sale, issuers should be required to provide to all customers a clear, conspicuous, plain-language disclosure that stablecoins are not FDIC-insured, are not legal tender, and are not guaranteed by the United States government. This disclosure should be provided in a standalone format before the transaction is completed. In addition, these disclosures should be patent and obvious on the issuer's website, application interface, and any promotional materials.

However, ICBA recognizes that even these disclosures may not be sufficient as many payment stablecoin users will acquire these assets through transfers between unhosted wallets and decentralized protocols. Since decentralized applications are not considered "digital asset service providers" under GENIUS, this legal and regulatory gap will only widen—and expose consumers and the financial system to more confusion and harm--unless policymakers take further action to develop effective guardrails for the larger crypto ecosystem. Nonetheless, it is incumbent on our government to protect consumers and the financial system whenever and wherever it can, and it must do so here with regard to mandatory disclosures within its authority.

---

[64] *See* NPR, Section III. Request for Comments, Activities, Question 42.

2. Prohibition on Deceptive Names and the Use of the Word "Bank"

ICBA strongly supports the prohibition on using names or marketing representations that could lead a reasonable person to believe that a stablecoin is legal tender, issued by the United States, or guaranteed by the federal government.[65] However, ICBA does not believe that the current prohibitions go far enough.

Uninsured, nonbank permitted payment stablecoin issuers should be expressly prohibited from using the word "bank," either as a noun or as a verb (e.g., "banking with Acme company]") in their names, marketing materials, websites, application interfaces, and any other communications directed at consumers.[66]

The word "bank" carries a specific legal meaning in the United States.[67] It signals to consumers that an institution is chartered, supervised, and insured under federal or state banking law, including, crucially, that deposits are insured by the FDIC. Consumers who do not understand this distinction may unknowingly expose themselves to the risk of total loss in the event of issuer failure.

An uninsured nonbank stablecoin issuer that uses the word "bank" in any form is engaging in precisely the kind of deceptive practice that Congress intended the GENIUS Act to prevent.

This is not merely a theoretical concern. Multiple large technology companies and cryptocurrency firms have already tested the boundaries of banking terminology in their marketing.[68] OCC should make clear, in the text of the final rule, that nonbank stablecoin issuers may not use the term "bank" or any substantially similar term, including "banking," "neobank," "digital bank," or "crypto bank," in connection with their stablecoin products or services.

3. Permitting more than one brand of payment stablecoin

The OCC should only allow PPSIs and foreign issuers to issue one brand of payment stablecoin to maintain the safety and soundness standards of traditional 1:1 bank deposits. Financial

---

[65] *See* NPR, Section III. Request for Comments, Activities, Question 43 (requesting comment on whether additional clarity is needed regarding the prohibition on deceptive names, marketing, and representations, and specifically asking whether OCC should require issuers to affirmatively state that payment stablecoins are not legal tender or guaranteed by the government, and whether issuers should be required to disclose the absence of deposit insurance).

[66] Multiple states have enacted statutes prohibiting the use of the word "bank" by entities that are not chartered banks. *See, e.g.*, Cal. Fin. Code 880 (prohibiting use of "bank" in the name or advertising of non-chartered entities). OCC should adopt a parallel federal prohibition applicable to nonbank stablecoin issuers under federal charter or approval.

[67] *See* 12 U.S.C. § 1813(a)(1).

[68] The use of terms such as "neobank," "digital bank," and "crypto bank" by non-chartered technology companies has been identified by consumer advocacy groups as a source of consumer confusion. *See*, e.g., National Consumer Law Center, "Fintechs and the Dangers of Fake Banks" (2021) (documenting consumer harm resulting from use of bank-like terminology by non-insured entities).

institutions are built on stability to ensure proper maturity with deposits. A properly matured deposit requires consistency between what a consumer has in their pocket and what they have in their bank account. The OCC should consider what the end results would be if one type of payment stablecoin were backed by the reserve assets, while another were backed by a riskier deposit. Similarly, blockchains have varied system architectures. If a single payment stablecoin issuer creates multiple stablecoins on different blockchains, users may be exposed to a range of risks, including the real possibility that one blockchain may seize up due to software failures while another one continues to function.

The OCC should also consider the de-pegging risks that come with issuers offering multiple payment stablecoin. For example, after the collapse of Silicon Valley Bank, USDC, fell to $0.88 despite its intended 1:1 backing.69 This incident demonstrated that, regardless of a stablecoin's design, de-pegging remains a real risk and can erode trust in both stablecoins and the broader banking system.

ICBA is concerned that inconsistencies among payment stablecoin issuers could lead to deposit disintermediation, undermining the vital trust between financial institutions and consumers. Community banks rely on this trust as a fundamental part of their relationship with customers. Erosion of trust may drive consumers to withdraw deposits from banks and seek alternative assets, weakening the traditional banking sector.

The OCC noted the concerns behind a lack of restrictions on issuing more than one brand of payment stablecoin such as run risk and contagion.[70] ICBA is concerned that even if an issuer's various brands of payment stablecoins are properly allocated by a uniform reserve asset percentage, it would not negate the possibility of one of the brands facing financial issues. Different brands are susceptible to changes in monetary policy if a bank loses a significant amount in deposits to payment stablecoins.[71] Likewise, payment stablecoins are highly susceptible to cybercrimes. Foreign and domestic illicit actors may take advantage of any potential weaknesses in the software of a permitted or foreign issuer, resulting in money laundering.[72] When one payment stablecoin brand is under attack, it could compromise the other payment stablecoin brands and the permitted issuer's deposits.

---

[69] Elizabeth Howcroth & Rishabh Jaiswal, *Circle Assures Market After Stablecoin USDC Breaks Dollar Peg, (Mar. 11, 2023),* https://www.reuters.com/business/crypto-firm-circle-reveals-33-bln-exposure-silicon-valley-bank-2023-03-11/.

[70] 91 Fed. Reg. 10202, 10213.

[71] Nellie Liang, *Essential Features for a Safe and Trusted Payment Stablecoin,* Brookings, (May 8, 2025), https://www.brookings.edu/articles/essential-features-for-a-safe-and-trusted-payment-stablecoin/.

[72] *Id.*

C. The OCC Final Rule Must Foster Safety and Soundness of Payment Stablecoin Issuers

1. The Bank Funded Deposit Insurance Fund Must Not be Used to Bail Out Cryptocurrency and Stablecoin Related Failures

The United States' deposit insurance system has served the nation well since its creation in 1933. Federal deposit insurance is a critical tool for reassuring depositors in times of uncertainty and preempting bank runs and contagion. For nearly one hundred years, community banks have funded the FDIC's Deposit Insurance Fund ("DIF") through assessments paid to the FDIC. Deposit insurance is not a free benefit for community banks. Deposit insurance is a valuable feature of our nation's financial system that works only because thousands of community banks have paid considerable amounts, frequently, over many decades, to build and rebuild a healthy fund. The bank-funded DIF should not now, or ever, be treated as an available source of funds for non-banks, novel banks, or banks that choose to bear excessive risks related to stablecoin activities to pillage if and when these entities collapse. Further, regulators, including the OCC as an agency, and the Comptroller of the Currency as a Director of the FDIC, should take all necessary measures to ensure that community banks do not have to pay separate "special assessments" to bail out failed non-banks, novel banks, or banks who choose to bear excessive risks related to stablecoin activities.

ICBA firmly opposes any proposal to require or encourage permitted payment stablecoin issuers to hold reserve assets in the form of insured deposits or insured shares for three reasons. First, payment stablecoins gather many customer deposits to assemble one, or perhaps a few, large wholesale deposits controlled by the issuer. These large deposits frequently exceed the FDIC insured deposit limit of $250,000. Even if the deposit insurance limits changed, it is unlikely that the DIF could support the full amounts of stablecoin volume. And even if deposit insurance limits changed, the question would remain "who pays for the increased coverage?" Community banks should not be required to pay higher deposit insurance assessments to provide increased coverage to PPSIs, especially those community banks that do not choose to issue or hold any stablecoins as reserves.

Second, under the GENIUS Act, a payment stablecoin is not a digital asset that is a deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813(l)). This exclusion is no accident. Congress understood the difference between stablecoins and deposits, and PPSIs must know the difference between stablecoins and deposits. Like any other entity required to avoid unfair and deceptive acts or practices, PPSIs must be wholly responsible for communicating to their customers that stablecoins are not deposits, and do not carry the same features, like FDIC insurance, as bank deposits. PPSIs and individuals who purchase stablecoins should bear the risks and losses of this product, not community banks.

Third, reserve diversification requirements that encourage diffusion of deposits will cause risks to the banking system. The OCC need not look further than the 1980's savings and loan crisis to understand the run-risks diversification requirements would pose to banks within a stablecoin-placing-network. Like brokered deposits in the 1980s, stablecoin deposits are volatile, are not sticky, and during stress are likely to drive up costs that accelerate bank failures.

2. Prohibition on Pledging, Rehypothecating, or Reusing Reserve Assets

The Proposed Rule provides that the prohibition on rehypothecation would prohibit rehypothecation except to create liquidity to meet reasonable expectations of redemption requests, but that OCC "will not scrutinize the exact uses to which repurchase borrowing proceeds are put."[73]

OCC's proposed prohibition on pledging, rehypothecating, or reusing reserve assets is one of the most important consumer protection provisions in the Proposed Rule. ICBA strongly supports a robust, unambiguous rehypothecation prohibition and urges OCC to strengthen the Proposed Rule in several key respects.

The Proposed Rule acknowledges that custodians holding reserves on behalf of issuers are covered by the prohibition while noting that "OCC will not scrutinize the exact uses to which repurchase borrowing proceeds are put." [74] If OCC does not scrutinize how borrowed funds are used, issuers could effectively monetize reserve assets through the repo market while still technically complying with the rehypothecation prohibition.

For this reason, ICBA recommends OCC close this loophole by imposing clear restrictions on the purposes for which repurchase proceeds may be used and by requiring payment stablecoin issuers to maintain contemporaneous records demonstrating that any repurchase borrowing was used exclusively to meet the issuer's redemption obligations.

3. Risk Management

Effective stablecoin risk management should not be framed as a means of facilitating or accelerating stablecoin issuance. Rather, the risk management framework must be designed to contain systemic risk, protect the insured banking system, and avoid destabilizing incentives that could undermine the deposit-funded lending community banks provide to small businesses, farmers, and families across the country. For ICBA and community bankers, it is imperative that the stablecoin regulatory framework is implemented in a manner that preserves financial stability and local lending, prevents regulatory arbitrage, and ensures that risks posed by PPSIs remain with PPSIs rather than being transmitted directly or indirectly to insured depository institutions or the bank-funded Deposit Insurance Fund.

The OCC's risk management framework would best serve the millions of Americans who depend on community banks if it is explicitly grounded in macro-prudential objectives, rather than being limited to firm-level governance, controls, and operational resilience. From a community bank perspective, the most significant risks associated with payment stablecoins arise not from isolated issuer failures, but from system-level dynamics, including disintermediation of community banks due to deposit flight, concentration of transaction and settlement balances

[73] *See* NPR, Section III. Request for Comments, Activities, Question 40.
[74] 12 U.S.C. § 5903(a)(2)(C) (providing that a custodian holding reserves on behalf of an issuer may not pledge, rehypothecate, or reuse any reserve assets, subject to limited exceptions).

outside the insured banking system, and amplification of liquidity risk and payment-system fragility driven by rapid, confidence-sensitive redemption behavior. A risk management regime that focuses predominantly on issuer-specific controls does not adequately address the risks posed to the banking system or to communities that rely on deposit-funded credit. Accordingly, the OCC must more directly integrate financial stability considerations into its risk management expectations, including how stablecoin growth interacts with bank funding models, credit availability, and liquidity conditions across the system.

Risk management provisions should explicitly recognize deposit displacement and liquidity migration as core risks, rather than treating payment stablecoins as simply another payments technology. The framework should be developed in light of the fact that stablecoin redemption behavior is likely to be highly procyclical. The risk management framework must account for the ways in which payment stablecoin issuance and redemption interact with bank funding stability, stress-period behavior, and interconnectedness between nonbank issuers and insured institutions. The OCC must place significant supervisory emphasis on responsible growth management and crisis planning. Additionally, the OCC must monitor and supervise for aggregate market effects rather than looking solely at issuer-level compliance.

In sum, the OCC's risk management framework must make clear that the objective of stablecoin oversight is to contain systemic risk, protect the insured banking system, and prevent shadow-bank runs from placing pressure on the bank-funded DIF. By explicitly addressing deposit displacement, procyclicality, and systemic liquidity risks, the OCC can better ensure that stablecoins do not inject additional uncontrolled risk into the financial system.

4. Revocation or Rescission of Authority

Community banks generally support strong and credible regulatory authority to terminate activities that pose undue risk to safety and soundness or financial stability. Clear revocation and rescission authority is particularly important in the payment stablecoin context, where issuer behavior, scale incentives, and confidence-sensitive redemption dynamics could otherwise encourage growth strategies that are reliant on implicit regulatory forbearance. In this respect, the OCC Proposal appropriately recognizes revocation and rescission as essential supervisory tools and as a necessary deterrent to reckless activities. However, traditional bank supervision relies on a well-understood and predictable escalation continuum that is not present in the OCC Proposal.

Given the binary nature of the supervisory approach laid out in the Proposal, the OCC must require that permitted payment stablecoin issuers maintain credible, tested wind-down plans. These plans must address, at a minimum, reserve disposition, custody and settlement unwind, and communications with bank partners and customers. These plans must be designed to protect stablecoin holders and to avoid negatively impacting their partner banks. Without these requirements, community banks that provide services to PPSIs may face abrupt consequences due to activities they do not control. Community banks engaged as reserve holders, custodians, or service providers should be able to rely on orderly issuer wind-down plans to manage liquidity exposure and avoid being drawn into crisis responses driven by issuer failure. A wind down plan that emphasizes consumer protection and market

stability, consistent with prudential norms, would help prevent run-first dynamics that could accelerate deposit outflows from insured depository institutions.

Additionally, the OCC must make clear that a community bank that has partnered with or provided services to a PPSI that has complied with applicable laws and supervisory expectations is not presumed to have safety and soundness concerns solely because a partner PPSI's authority is revoked. Such an insured depository institution should not be subject to heightened supervisory response based only on issuer-level actions. This approach is analogous to how community banks respond in similar contexts such as termination of partnerships with financial technology companies.

Finally, section 15.33(a)(1) of the Proposed Rule unduly limits the OCC's authority to revoke or rescind approval of a PPSI. The provision reads:

> The OCC may revoke approval of a permitted payment stablecoin issuer's application under § 15.30 [Approval of Permitted Payment Stablecoin Issuers] if the permitted payment stablecoin issuer does not submit the certification required by § 15.14(k) [ongoing compliance reporting related to meeting BSA/AML/CFT obligations].

Failure to satisfy the reporting requirements of section 15.14(k) of the Proposed Rule must not be the exclusive justification for revocation. Without change, the Proposal would bind the OCC, leaving the agency without the authority to address a critical safety and soundness issue at a PPSI.

ICBA also urges the OCC to consider additional factors, such as enforcement actions by the Financial Crimes Enforcement Network or the Office of Foreign Assets Control, as actions that should prompt revocation or rescission of a permitted payment stablecoin issuer's approval. According to the Financial Action Task Force, most on-chain illicit activities now involve stablecoins, so those federal agencies may find cause to take action against issuers that violate US laws and fail to address bad actors that use their payment stablecoin.[75]

5. Capital and Operational Backstop Requirements

a. PPSIs

The Proposal does not set a floor or require PPSIs to hold minimum amounts of capital elements beyond the initial $5 million floor for *de novo* PPSIs. Beyond that time, a PPSI "would be required to assess its capital adequacy and maintain an amount of capital that is commensurate with its business model and risk profile, subject to review by the OCC."[76]

---

[75] FATF, Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers (June 26, 2025), https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/2025-Targeted-UpateVA-VASPs.pdf.coredownload.pdf

[76] 91 Fed. Reg. 10240.

ICBA strongly recommends that the OCC establish a more robust capital framework with objective standards in the final rule. PPSI capital and operational backstop requirements are essential to protecting the financial system from spillover risk associated with stablecoin volatility. Therefore, the OCC must not establish a weak capital framework that facilitates growth of the payment stablecoin sector but rather must ensure that risks associated with payment stablecoins are fully internalized by issuers and not externalized to insured depository institutions, the bank-funded Deposit Insurance Fund, or the American taxpayer.

Capital and operational backstops should be treated as loss-absorbing buffers that protect against operational failures, governance weaknesses, redemption stress, and confidence shocks. They are especially critical given the potential for rapid scaling and run-like dynamics inherent in stablecoin markets. The capital and operational backstop requirements must be robust and clearly framed as protective measures, not structured in a minimalist way to make PPSI structures more economically attractive, as in the Proposal.

In particular, strong capital requirements and operational backstops are necessary to prevent the externalization of risk to community bank counterparties or partners. Community banks and the banking system as a whole must not be placed in a position where they are expected to absorb losses, provide liquidity support, or serve as stabilizers. Robust capital and operational requirements at the issuer level reduce the likelihood that stress spreads from a PPSI to IDIs, which is critical to the stability of the banking system.

ICBA strongly recommends that the OCC adopt the following minimum requirements:

- a robust, objective minimum capital requirement for PPSIs,
- a capital instrument framework for PPSIs that controls for the risk of PPSIs investing material amounts of capital in generally illiquid and potentially volatile or difficult to value intangible assets,
- a variable capital component based on a percentage of outstanding issuance value,
- a variable capital component based on the fair value of assets held in custody for PPSIs that provide customers with custodial services,
- a variable capital component tied to the credit risk of certain stablecoin reserve assets, and
- a capital requirement equivalent to the market price volatility haircut applied to collateral for repo-style transactions for national banks.

Additionally, there must be consequences for a PPSI that allows their capital or operational backstop to fall below prescribed levels beyond a mere restriction on issuing any new stablecoins. While the Proposal would allow the OCC to establish an additional capital or backstop requirement with an individual PPSI after consultation with the PPSI's board of directors and management, this is much less stringent than the Prompt Corrective Action framework that applies to community banks, and similar heightened supervision and enforcement actions would be appropriate in this context.

b. Uninsured National Trust Banks

Section 15.41 of the Proposal would permit an uninsured national trust bank, whether a PPSI or not, to opt into the minimum capital requirement and backstop in place of the traditional capital and leverage requirements in 12 CFR Part 3. This would offer uninsured national trust banks the opportunity to elect a less robust capital framework than would otherwise apply under existing OCC practice. By allowing uninsured national trust banks to opt into a capital and backstop regime calibrated primarily to stablecoin reserve assets—rather than to the heightened liquidity and run risks associated with uninsured bank liabilities—the Proposal would create a weaker prudential alternative to the traditional uninsured trust charter.

ICBA is concerned that the Proposal permits regulatory arbitrage and is likely to result in the migration of deposit-like funds into uninsured national trust banks that are not subject to the full capital requirements and expectations ordinarily associated with uninsured banking activities.

These concerns are magnified by the fact that the OCC has recently awarded national trust charters to several stablecoin companies. The amalgam of national trust banks and payment stablecoins (potentially with access to Federal Reserve master accounts) represents a real threat to the vitality of the banking system, especially if payment stablecoins scale to the amounts predicted by the Secretary of the Treasury. This growth in payment stablecoins, combined with a weak capital framework, would significantly amplify systemic risk. ICBA strongly objects to allowing uninsured national trust banks to engage in regulatory arbitrage and choose a weaker capital framework that would undermine the safety and soundness of the banking system.

6. Composition of reserves

ICBA recommends that the OCC (and the other banking agencies) adopt reserve regulations that reflect fulsome consideration of the risk of runs and contagion in the U.S. financial system.

Section 4 of the GENIUS Act establishes the types of assets that may be used as reserves to back payment stablecoins. These include U.S. coins and currency or money standing to the credit of an account at a Federal Reserve Bank; demand deposits or insured shares at an insured depository institution; Treasury bills, notes or bonds issued with or with a remaining maturity of 93 days or less; money received under repurchase agreements subject to certain conditions; reverse repurchase agreements subject to certain conditions; certain securities or money market funds invested in the assets listed above, or certain reserve assets held in tokenized form.

While Section 4 of the GENIUS Act is designed to ensure that the reserves backing payment stablecoins are comprised of high-quality liquid assets, the permissible types of reserve assets are not of equal value. Some permissible types of reserve assets, such as foreign currency repos, digital asset repos, or various tokenized assets, could expose PPSIs and payment stablecoin customers to greater risk of loss.

In light of the differing safety and liquidity profiles of each permissible type of reserve asset, the OCC regulatory requirements for PPSIs must implement measures to account for the distinct

character of each reserve asset type. ICBA recommends that the OCC adopt and apply a risk weighting system to calibrate and account for the variable risks and characteristics of each category of reserve assets. Such a system is a sound way to control risks, ensure stability and limit contagion. For example, a risk weighting system would accord currency and deposits the lowest risk-weight when compared to repurchase agreements, given the potential for default and other risks.

The OCC final regulation must recognize that the concentration of Treasuries activity among PPSIs presents risk. As researchers at the Bank for International Settlement have noted:

> [T]here are clear financial stability implications that arise from stablecoins becoming large investors in Treasury markets. As discussed in the literature on stablecoins, they remain runnable, with their balance sheets subject to both liquidity and interest rate risk, as well as some credit risk exposures. As such, concentrated positions in T-bills, particularly those which are not set to immediately mature, may subject the market to fire sales if a major stablecoin were to face severe redemption stress, not least given the absence of discount window or lender-of-last-resort access… The financial stability impact of such fire sales may not be significant while the stablecoin sector is small, but this may change as the stablecoin sector grows, contributing to growing concerns about the stability of the Treasury market.[77]

If PPSI customers lose confidence and initiate a run on a payment stablecoin, the impacts would be felt in "other asset classes, as stablecoin reserves are sold off or unloaded to meet the redemption demand."[78] This is because a run could force an issuer to sell off sizeable portfolios of reserve assets such as commercial paper or Treasuries, "which could cause distress in the short-term funding market."[79] The OCC (and the other regulators implementing the GENIUS Act) must ensure that contagion from the crypto sector does not disrupt community banks and the rest of banking system.

Finally, ICBA and community bankers strongly believe that participation by community banks in stablecoin-related activities, including providing deposit services for reserve assets, must remain voluntary and prudentially neutral.

7. Supervisory Framework Must Ensure PPSI Transparency and Accountability

ICBA recommends strengthening the Proposal by ensuring that PPSIs and their parent companies are transparent and accountable for reporting, recordkeeping, and other activities. In general, the Proposal leaves the details and cadence of reporting to the discretion of the PPSI and fails to set out repercussions and penalties for late filing, misrepresentations, and

---

[77] Rashad Ahmed & Iñaki Aldasoro, Stablecoins and safe asset prices, BIS Working Papers No. 1270 (May 2025), at 21, https://www.bis.org/publ/work1270.pdf.

[78] Gordon Y. Liao & John Caramichael, Stablecoins: Growth Potential and Impact on Banking, FRB International Finance Discussion Papers No. 1334 (2022), at 8, https://doi.org/10.17016/IFDP.2022.1334.

[79] *Id.*

falsifications. The final rule adopted by OCC must remedy these issues throughout, including in the following sections of the Proposed Rule:

- Section 15.11 of the Proposed Rule sets out monthly certification and reporting requirements, but the Proposal does not clearly delineate any consequences for late filings, misrepresentation, or falsification of this reporting. The OCC final rule must delineate clear consequences for infractions comparable to those applicable for reporting by insured depository institutions or public companies.
- Section 15.13(a)(6) of the Proposed Rule sets forth the OCC expectations for insider and affiliate transactions. The proposed approach is extremely permissive. We recommend instead that the final rule must align with restrictions and requirements applicable to banks pursuant to Sections 23A and 23B of the Federal Reserve Act and the implementing regulations and interpretations. At a minimum, the final rule must include:
    - Individual and aggregate ceilings on the dollar amount of insider and affiliate transactions,
    - A prohibition on risky transactions, including a prohibition on acquiring low-quality assets from insiders or affiliates, and
    - Collateralization requirements for affiliate credit transactions.
- Section 15.41(b) of the Proposed Rule addresses access to PPSI books and records. If a PPSI has a parent company, the OCC must ensure that it has appropriate visibility into and cooperation from the parent company, including access to relevant records and financial information.
- Section 15.41(g) of the Proposed Rule addresses PPSI record retention By allowing PPSIs to develop their own record retention policy. We recommend revision of this provision to establish minimum standards for records retention.
- Section 15.11(g)(3) of the Proposed Rule provides that a PPSI that fails to meet minimum reserve asset requirements for 15 consecutive days must begin liquidation of reserve assets and redemption of outstanding payment stablecoins, and must not charge customers a redemption fee during the liquidation. The OCC final rule must set a shorter time period for a PPSI to remedy falling below the minimum reserve asset requirements. Beginning 24 hours after a PPSI falls below the minimum reserve asset requirement, the OCC must impose consequences that escalate in severity until the PPSI has remedied the violation. Critically, this timeframe must align with the redemption timeline, and shortening the redemption period to less than the current two days would necessitate shortening this timeframe as well. The OCC final rule must also include significant enforcement actions, up to and including revocation or rescission, for repeated violations of this provision to disincentivize recurring issues and violations.

8. Establish Firm Limits on Holdings of Non-Payment Stablecoin Crypto-Assets

The Proposed Rule requests comments on whether the final rule should include specific

provisions addressing an issuer's holding of non-payment stablecoin crypto-assets to pay transaction fees.[80] The Proposed Rule prohibits issuers from holding non-payment stablecoins as reserve assets. However, the OCC final rule must provide more prescriptive and stringent limitations on the holding of non-payment stablecoins.

In particular, ICBA is concerned that the Proposal allows issuers to hold volatile, speculative assets to pay transaction fees without any meaningful quantitative limit. Permitting payment stablecoin issuers to hold unlimited amounts of non-reserve crypto-assets on the theory that they are necessary for "transaction fee" purposes creates a regulatory loophole that could be exploited to circumvent the reserve asset requirements, expose issuers to speculative risk, and ultimately jeopardize the ability of stablecoin holders to obtain redemption at par.

ICBA recommends that OCC impose strict limits on the holding of non-payment stablecoins or digital assets. The limits must be expressed as both an absolute dollar cap and a percentage of total reserve assets and should be subject to regular reporting and examination.

9. Strengthen "Directly Supports" Standard for Permissible Activities

The Proposed Rule requests comment on whether section 15.10(a)(8) of the Proposal, which authorizes activities that "directly support" the core enumerated activities, should be clarified. ICBA recommends that the OCC adopt a narrow and clearly bounded definition of permissible ancillary activities.

ICBA is deeply concerned that the open-ended "directly supports" standard in the Proposed Rule could be interpreted broadly and significantly expanded over time through informal guidance, or through non-transparent means, like applications. Without clear limiting definitions set forth in the OCC final rule, there is a high potential that companies will seek OCC endorsement of an ever-expanding array of activities. The history of bank regulatory interpretation demonstrates that broadly worded ancillary activity standards tend to expand over time, often in ways that exceed the original legislative mandate and intent.

ICBA is also concerned about OCC's Proposal to treat the holding of non-payment stablecoin crypto-assets for testing purposes as a permissible activity under section 15.10(a)(8) because this position treats a potentially risky speculative activity as a routine operational matter. ICBA recommends that the OCC final rule require prior written approval from OCC supervisors before any issuer begins holding non-reserve crypto-assets for testing or any other ancillary purpose.

10. Control Risks Posed by Foreign Issuer Reserves

The OCC must ensure that the home country regulatory regime of any foreign stablecoin issuers meets or exceeds the same principles that are applied to the states, thus holding foreign

[80] *See* NPRM at 10532 (Question 29) (noting that non-payment stablecoin crypto-assets held to pay transaction fees "are not permitted reserve assets).

stablecoin regulatory regimes to a standard no less rigorous than that at both the federal and state levels. Allowing foreign stablecoins that face less rigorous home county regulatory regimes to circulate in the U.S. puts U.S. citizens at greater risk of fraud and loss while putting U.S. PPSIs, both state and federal, at a disadvantage to their foreign stablecoin issuer competitors.

ICBA has serious questions about the ability of any foreign payment stablecoin issuer to comply with several provisions of the GENIUS Act. While the GENIUS Act prohibits "any digital asset service provider to offer, sell, or otherwise make available in the United States" any foreign payment stablecoin unless it has the technological capability to comply with all applicable legal requirements, there are many ways in which users can interact with noncompliant stablecoins. Since the definition of "digital asset service provider" excludes distributed ledger protocols, such as decentralized exchanges, there will be countless avenues for US citizens to obtain and use non-compliant stablecoins throughout the crypto ecosystem. While many consumers elect to use centralized exchanges that should have the capacity to block non-compliant stablecoins, any U.S. citizen can easily download an unhosted wallet to send and receive any compatible token, including non-compliant stablecoins.

Moreover, how will foreign payment stablecoin issuers be able to identify where their tokens circulate? Stablecoin transactions conducted outside of centralized exchanges do not capture critical information like name and address, so how will issuers know where the holder of any stablecoin is located or what their nationality is? While this gap obviously presents numerous challenges with anti-money laundering, combating the financing of terrorism and know-your-customer requirements, it also creates a quandary with a foreign payment stablecoin issuer's ability to maintain "reserves in a United States financial institution sufficient to meet liquidity demands of United States customers."[81] How can a foreign payment stablecoin issuer ever know how many of its stablecoins are held within unhosted wallets by US citizens?

Without that knowledge, ICBA fails to see how the OCC could accurately assess any issuer's ability to adhere to this legal requirement. A straightforward solution is to reintroduce the unhosted wallet rule to require verification of users. Without this action, we caution that foreign stablecoin issuers will likely hold insufficient reserves to meet US redemption demands, raising the prospect that users will be left empty-handed, and the wider financial system may be exposed to bank-run shocks.

11. Appropriately Scope Audits, Supervision, and Examinations for Community Banks

Community banks and nonbank payment stablecoin issuers differ materially in size, business models, operational capacity, and risk profiles. Consistent with the OCC's stated intent to apply a risk-based supervisory framework, reporting and examination requirements must be appropriately tailored based on issuer type (bank or nonbank), institutional size, risk exposure, recent examination or supervisory assessments, and the volume and complexity of outstanding

[81] 91 Fed. Reg. 10236.

stablecoin issuance.

Smaller institutions generally do not maintain excess staffing or resources to support frequent or highly granular reporting, such as weekly submissions. The OCC must account for these operational realities and coordinate with major core processors and service providers to ensure reporting requirements can be supported through existing systems.

For bank-affiliated issuers, the OCC must rely to the greatest extent practicable on existing supervisory information, reports, and examination frameworks, and require additional reporting only when specific circumstances warrant. Requirements that compel new technology investments, additional staffing, or duplicative third-party attestations would add unnecessary burden and contribute to an already intensive supervisory environment for community banks, without a commensurate supervisory benefit.

In particular, much of the reporting in the Proposal appears duplicative of information already reviewed through established bank examination cycles. If the OCC determines that more frequent data submissions are necessary, it should provide standardized tools and secure reporting portals to minimize duplication and operational burden.

ICBA supports an explicit exemption, graduated framework, or additional tier for community bank-affiliated issuers. The Proposed Rule currently establishes only two thresholds—issuers below or above $10 billion in outstanding stablecoins—which does not adequately capture the diversity of smaller, lower-risk institutions. Incorporating an additional tier for small issuers would better align supervision and reporting expectations with operational capacity and risk, while preserving a level competitive playing field.

12. Change-in-Control Requirements for Permitted Payment Stablecoin Issuers Must Reflect Greater Risk Posed by Nonbanks

ICBA believes regulatory requirements must appropriately differentiate between bank-affiliated and nonbank permitted payment stablecoin issuers. Bank-affiliated issuers are already subject to comprehensive prudential supervision, including oversight of ownership, control, governance, and safety and soundness, and the final rule must avoid duplicative or inconsistent requirements for these institutions.

By contrast, nonbank issuers do not operate within the federal banking supervisory framework and therefore warrant more prescriptive change-in-control, reporting, and review requirements. Applying more robust and standalone obligations to nonbank issuers would reflect their higher supervisory risk profile, promote regulatory parity, and protect safety and soundness without imposing unnecessary burden on community banks subject to ongoing OCC supervision.

D. The OCC Final Rule Must Place Appropriate Operational Limits on Permitted Payment Stablecoin Issuers

1. Prohibition on Paying Interest or Yield to Stablecoin Holders

ICBA strongly supports the GENIUS Act's prohibition on the payment of yield or interest to stablecoin holders[82] and urges OCC to implement this prohibition as broadly and unambiguously as possible. Because any *de minimis* threshold will immediately become a target for exploitation, ICBA does not support a *de minimis* exception to the interest and yield prohibition.

Stablecoin issuers, particularly sophisticated nonbank technology companies with ample legal resources, will engineer arrangements designed to keep payments just below the threshold. The result will be *de facto* circumvention of the prohibition that Congress enacted deliberately. OCC should decline to create any safe harbor or *de minimis* exception.

Section 4 of the GENIUS Act creates a set of statutory requirements and standards for the issuance of payment stablecoins. Under the heading, "Requirements for Issuing Payment Stablecoins," the GENIUS Act prohibits the payment of any form of yield or interest as follows,

> "No permitted payment stablecoin issuer or foreign payment stablecoin issuer shall pay the holder of any payment stablecoin any form of yield or interest (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin."[83]

ICBA believes that the plain meaning of the GENIUS Act prohibition against paying interest or yield solely in connection with the holding or use of a permitted payment stablecoin is clear and straightforward as written by Congress and does not require clarification through regulation.

Congress established the GENIUS Act prohibition on the payment of yield or interest without providing any exceptions or limitations. Congress could have added to the prohibition a *de minimis* exception or any other exception, limitation, or clarification, but it did not do so. Congress could have provided the OCC or other federal regulators charged with implementing the GENIUS Act with the authority to add exceptions and limitations to this prohibition, including a *de minimis* exception or an exception for arrangements that are "not designed to violate the prohibition and do not have a meaningful economic impact" but Congress did not do so.

Adding exceptions, limitations, clarifications and other changes to the unambiguous statutory language prohibiting the payment of any form of yield or interest in the GENIUS Act would be inconsistent with the law's structure and would override the clear statutory terms of the prohibition. The words Congress chose to use in Section 4(a)(11) of the GENIUS Act are unambiguous in their meaning and application. In the absence of ambiguity, interpreting statutory language is guided by the plain meaning of the words Congress chose as understood in accordance with their ordinary meaning.[84]

---

[82] 12 U.S.C. 5903(a)(11) (prohibiting permitted payment stablecoin issuers from paying any form of interest or yield to stablecoin holders solely in connection with the holding, use, or retention of a payment stablecoin).
[83] Section 4(a)(11) of the GENIUS Act.
[84] *See King v. Burwell,* 576 U.S. 473 (2015) ("If the statutory language is plain, we must enforce it according to its terms. *Hardt* v. *Reliance Standard Life Ins. Co.*, 560 U.S. 242, 251 (2010). But oftentimes the 'meaning—or

An agency cannot create a functional exception to a statute and must follow the statute as written;[85] even if the OCC were to conclude that Section 4(a)(11) of the GENIUS Act should be tailored to add a *de minimis* or other exception or "clarification," despite the statute's plain meaning, it would be impermissible to adopt a *de minimis* exception or clarification. Similarly, an agency cannot tailor or rewrite statutory law in order to make a statute workable. The Supreme Court has made clear that the courts, and not federal agencies, determine statutory meaning.[86] An agency cannot rewrite clear statutory terms to suit its own sense of how the statute should or assert authority inconsistent with the statute's structure and history. [87] Moreover, even if there exists some statutory problem with Section 4(a)(11) of the GENIUS Act, courts cannot "rewrite Congress's work" to correct statutory problems.[88] Rather, statutory design choices belong to Congress, not to courts or to agencies.

The GENIUS Act establishes a broad prohibition against an issuer of a payment stablecoin paying "any form of interest or yield" to a holder of a payment stablecoin.[89] ICBA believes the proposed rule is consistent with the broad prohibition on payment of yield or interest established by the plain language of the statute.[90] This broad prohibition covers all payments to the holders of payment stablecoins whether direct and indirect in any form of consideration. ICBA supports clarifying in the proposed rule that the prohibition applies to direct and indirect payments while, at the same time, ICBA believes that a clarification is unnecessary in light of the plain meaning of the language of the statute.

---

ambiguity—of certain words or phrases may only become evident when placed in context.' *Brown & Williamson*, 529 U.S., at 132. So when deciding whether the language is plain, we must read the words 'in their context and with a view to their place in the overall statutory scheme.' *Id.,* at 133 (internal quotation marks omitted). Our duty, after all, is 'to construe statutes, not isolated provisions.' *Graham County Soil and Water Conservation Dist.* v. *United States ex rel. Wilson*, 559 U.S. 280, 290 (2010) (internal quotation marks omitted).").

[85] *See Utility Air Regulatory Group v. EPA* 573 U.S. 302, 325-28) (An agency has "no power to 'tailor' legislation to bureaucratic policy goals by rewriting unambiguous statutory terms."); *Michigan v. EPA,* 576 U.S. 743, 752-53 (Agencies must operate "within the bounds of reasonable interpretation" and follow the language Congress enacted…We expect Congress to speak clearly if it wishes to assign an agency decisions of vast 'economic and political significance.'"), *Iselin v. U.S., 270 U.S. 245, 250-51* (What the government asks is not a construction of a statute, but, in effect, an enlargement of it…To supply omissions transcends the judicial function…Courts may not 'add to or take from' a statute—design choices are legislative."); and *Brown & Williamson Corp. v. EPA*, 529 U.S. 120 (Agencies may not create carve-outs not found in the statute.).

[86] *See Loper Bright Enters. v. Raimondo*, 603 U.S. __ (2024) (Holding that "[t]he Administrative Procedure Act requires courts to exercise their independent judgment in deciding whether an agency has acted within its statutory authority, and courts may not defer to an agency interpretation of the law simply because a statute is ambiguous.").

[87] *See Whitman v. American Trucking Associations*, 531 U.S. 457, 472-76 (2001) (Congress must supply the policy judgment; agencies execute but do not redesign statutory schemes.); *FDA v. Brown & Williamson Tobacco Corp*. 529 U.S. 120, 123 (2000) (Agencies must respect the overall statutory framework Congress created and may not assert inconsistent authority; "Courts must take care not to extend a statute's scope beyond the point where Congress indicated it would stop. *e. g., United States* v. *Article of Drug ... Bacto-Unidisk,* 394 U.S. 784, 800 P. 161. 153 F.3rd 155 affirmed.").

[88] *See Utility Air*, *Michigan, and Iselin, infra; see also Lamie v. United States Trustee,* 540 U.S. 526,542 (year) ("It is beyond our province to rescue Congress from its drafting errors, and to provide for what we might think…is the preferred result.")

[89] *See* Section 4(a)(11) of the GENIUS Act.

[90] Proposed §15.10(c)(4).

The terms of Section 4(a)(11) of the GENIUS Act prohibit any payment from a payment stablecoin issuer to a third party, whether the third party is affiliated with the payment stablecoin issuer or not, where the third party is paying the holder of a payment stablecoin any interest or yield. To make such a payment is a violation of the statute. There is no need to create a presumption of a violation where one already plainly exists within the law. In addition, rebutting the presumption does not cure the violation of the prohibition established in the statute.

The Proposal includes a rebuttable presumption that certain arrangements with affiliates and related third parties constitute prohibited payments of interest or yield.[91] If the OCC decides to include the proposed presumption in the final rule, ICBA remains concerned that the proposed presumption is too narrow and too easily rebutted to function as an effective deterrent.

The presumption as proposed is limited to arrangements with "affiliates" and "related third parties." These defined terms could exclude a wide variety of commercial relationships that a sophisticated issuer could exploit to funnel yield to stablecoin holders without triggering the presumption at all.

ICBA recommends that OCC define "related third party" broadly to capture any commercial relationship in which the issuer has a financial interest, contractual relationship, or business arrangement, regardless of formal affiliation. The presumption should apply to any arrangement in which a stablecoin holder receives value that is, in whole or in part, a function of the holder's stablecoin holdings.

ICBA also urges OCC to make the presumption irrebuttable with respect to certain categories of arrangements, particularly arrangements between an issuer and any affiliate. OCC must not create a pathway that allows large, well-resourced issuers to "innovate" their way out of a strict statutory prohibition.

ICBA strongly believes that the interest and yield prohibition must be affirmatively expanded to prohibit issuers from directly or indirectly paying interest or yield to stablecoin holders, rather than simply creating a rebuttable presumption.[92] The OCC final rule should lead with a broad, direct prohibition and back it up with the presumption as a secondary anti-evasion mechanism.

Examples of potentially evasive behavior that OCC should expressly prohibit include:

- Arrangements under which the issuer pays fees to an affiliated digital asset exchange that, in turn, offers rebates or rewards to customers who hold the issuer's stablecoin,
- Arrangements under which the issuer directs reserve income to a trust or special purpose vehicle that makes distributions to stablecoin holders, and
- Loyalty programs, token reward schemes, or "staking" arrangements in which stablecoin holdings are a material factor in determining the value of rewards received.

---

[91]See NPRM at 10635 (setting out the proposed presumption that arrangements between issuers and affiliates or related third parties to pay interest or yield to stablecoin holders are prohibited).
[92]See NPRM at 10658 (Question 37) (asking whether the interest and yield prohibition should be broader, covering direct and indirect payments, and requesting examples of potentially evasive behavior).

2. Clarify 'Pay,'' 'Interest,' and 'Yield'

ICBA recommends the following interpretive principles:

- "Pay" should be defined to include any transfer of value, regardless of the form in which it is delivered.
- "Interest" and "yield" should be defined to include any return, compensation, or benefit accruing to a stablecoin holder by reason of holding, retaining, or using a payment stablecoin.

Rewards programs should be subject to the prohibition to the extent that the value of rewards is a function of stablecoin holdings. OCC should not permit issuers to circumvent the prohibition by characterizing prohibited interest payments as "rewards" or "loyalty points."

ICBA is deeply concerned about the potential impact of a narrow interest and yield prohibition on bank deposits and the competitive position of insured depository institutions.[93] A narrow prohibition would allow nonbank stablecoin issuers to effectively replicate interest-bearing deposit accounts while evading the regulatory requirements applicable to insured depository institutions.[94]

Consider the following scenario: a large technology company obtains an OCC license as a nonbank PPSI. It launches a stablecoin and simultaneously enters into an arrangement with an affiliated lending platform under which consumers who hold the stablecoin receive "loyalty rewards" calibrated to replicate the yield on the issuer's reserve assets. Under a narrow prohibition, this arrangement might not constitute a prohibited payment of yield. Yet from the consumer's perspective, holding the stablecoin is economically equivalent to holding an interest-bearing deposit, but without FDIC insurance.[95]

ICBA recommends that OCC acknowledge forthrightly that a narrow interest and yield prohibition will materially harm bank deposit levels, particularly among community banks, and adopt ta broadprohibition as the policy most aligned and consistent with the GENIUS Act prohibition, financial stability, and consumer protection.

3. Risk-Based Approach for Reporting Requirements

ICBA supports a risk-based approach to the quarterly financial condition reporting requirement in proposed section 15.14(i). Reporting expectations should reflect the significant differences in

---

[93] *See* NPR, Section III, Request for Comments, Activities, Question 39 (requesting comment on the economic impact of a narrow versus broader prohibition on paying yield or interest, and specifically asking what impact either prohibition would have on bank deposits).

[94] The Federal Reserve has estimated that stablecoin adoption could, under certain scenarios, result in significant disintermediation of bank deposits. *See* Board of Governors of the Federal Reserve System, Financial Stability Report (May 2022), at 52–53.

[95] Community banks, which typically have loan-to-deposit ratios reflecting close community ties, would be disproportionately harmed by deposit disintermediation. Unlike large banks, community banks cannot readily replace lost deposits by accessing wholesale funding markets on favorable terms.

size, complexity, and risk profile among PPSIs, particularly community banks.

Community banks engaging in small-scale, lower-risk stablecoin activities do not present the same supervisory risks as large issuers with substantial issuance volumes or complex market activity. Applying uniform quarterly reporting requirements across all issuers would impose disproportionate burden on smaller institutions and could discourage community bank participation in the stablecoin market.

ICBA recommends that the OCC establish a lower issuance threshold—such as issuers with less than $1 billion in outstanding stablecoins—to qualify for streamlined reporting. Issuers below this threshold would be permitted to report on a semiannual basis unless elevated risk or supervisory concerns warrant more frequent reporting.

The OCC must also avoid duplicative reporting. Where a permitted payment stablecoin issuer, or its insured depository institution parent, already files Call Reports, or the parallel bank holding company report, the OCC must rely on those reports to the greatest extent practicable. Any additional stablecoin-specific disclosures should be limited and permitted as a supplemental schedule rather than a separate filing.

Finally, ICBA encourages the OCC to coordinate stablecoin reporting requirements under the Proposed Rule with other federal payment stablecoin regulators. Interagency coordination is essential to promote consistency, reduce duplication, and ensure an efficient supervisory framework for institutions subject to multiple federal regulators.

4. Auditing, Reporting, and Examination Must Reflect Heightened Nonbank Risks

ICBA urges the OCC to structure audit, reporting, and examination requirements for permitted payment stablecoin issuers in a manner that reflects the fundamental differences between bank and nonbank issuers. Insured depository institutions are already subject to comprehensive prudential supervision, including capital, liquidity, governance, and ongoing examination requirements. As a result, stablecoin-related audit and reporting obligations for bank-affiliated issuers should be appropriately integrated into existing supervisory frameworks rather than imposed through separate or duplicative regimes.

Nonbank stablecoin issuers present materially different supervisory considerations. ICBA believes the OCC must apply more stringent, standalone audit, reporting, and transparency requirements to nonbank issuers to account for the absence of consolidated supervision, ongoing examination, and access to the federal banking safety net. Applying uniform requirements across bank and nonbank issuers would fail to recognize these differences and could place community banks at a competitive disadvantage despite their significantly higher level of existing regulatory oversight.

For bank-affiliated issuers, the OCC must rely to the greatest extent practicable on existing examination processes, regulatory reports, and supervisory information to assess stablecoin activities. Creating separate audit or reporting mandates that replicate information already

reviewed through safety and soundness examinations or Call Reports would impose unnecessary burden without providing a commensurate supervisory benefit. Stablecoin-related risks can be effectively evaluated by incorporating them into established examination modules, consistent with the OCC's longstanding risk-based supervisory approach.

Further, ICBA encourages the OCC to develop centralized and standardized reporting mechanisms—such as a secure reporting portal—that are aligned with existing bank reporting systems and service provider capabilities. Any new reporting requirements applicable to community banks should be limited, targeted, and designed to leverage data already maintained in the ordinary course of business.

With respect to proposed section 15.14(l), ICBA urges the OCC to clarify in the regulatory text the meaning of "applicable auditing standards" as referenced in section 4(a)(10)(A)(iii) of the GENIUS Act. Specifically, the OCC final rule should state that "applicable auditing standards" are those that would apply to an issuer subject to the reporting requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934. Clear articulation of this standard is particularly important given the differing regulatory auditing baselines applicable to bank and nonbank issuers.

ICBA also recommends that the OCC make clear that enforcement of audit standards for bank-affiliated issuers will be conducted within the OCC's existing supervisory authority and examination processes. Any authority to obtain information from registered public accounting firms should be narrowly tailored and exercised only where necessary, with careful attention to avoiding duplicative requests where the OCC already has access to the same information through routine supervision.

Finally, ICBA urges the OCC to maintain appropriate regulatory differentiation between bank and nonbank stablecoin issuers as it finalizes audit and reporting requirements. Bank-affiliated issuers should be permitted to satisfy stablecoin-specific reporting obligations through streamlined, integrated disclosures—such as supplemental schedules to Call Reports—while nonbank issuers should be subject to more robust, standalone reporting and audit requirements commensurate with their risk profile and lack of prudential supervision. This approach would preserve safety and soundness, promote regulatory consistency, and support community bank participation in stablecoin activities without disadvantaging institutions that already operate under a rigorous supervisory framework.

5. Applicability of Section 6(a)(2)(D) of the GENIUS Act to All Permitted Payment Stablecoin Issuers

ICBA supports the OCC's authority under section 6(a)(2)(D) of the GENIUS Act to require PPSIs to submit reports upon request provided that insured depository institution issuers are permitted to rely on existing reports, supervisory materials, and compliance processes already produced in the ordinary course of OCC supervision, rather than being required to develop new, standalone reports.

Community banks are already subject to comprehensive examination and reporting regimes

covering financial condition, risk management, BSA/AML compliance, and sanctions compliance. Allowing bank issuers to satisfy any reporting requests under section 6(a)(2)(D) through existing documentation would promote supervisory efficiency, avoid duplicative burden, and remain fully consistent with the OCC's risk-based supervisory framework.

In contrast, nonbank permitted payment stablecoin issuers warrant more prescriptive reporting obligations, given the absence of an ongoing prudential supervisory relationship comparable to that applicable to insured depository institutions.

6. OCC Treatment of Private Key Valuation in Stablecoin Custody Reporting and Implications for Risk, Transparency, and Double-Counting

The OCC's proposed approach of assigning a nominal $1.00 value to private keys used to issue payment stablecoins for purposes of reporting total assets under custody is reasonable.

From a supervisory and operational perspective, a nominal valuation offers important advantages. Private keys do not have an established or observable market price and are not typically recognized as balance sheet assets in the same manner as reserve assets. Assigning a static nominal value avoids imposing complex and costly valuation methodologies on issuers, reduces audit and tracking complexity, and prevents artificial volatility in reported asset values that could arise from broader crypto-market fluctuations unrelated to the issuer's safety and soundness. This approach is particularly appropriate for community bank issuers, for whom developing systems to continually reassess fair market value would impose disproportionate operational burden without a corresponding supervisory benefit.

However, ICBA recognizes that a nominal valuation may not fully capture the operational and control significance of private key custody, particularly where custody of the issuance keys and custody of reserve assets are held by different entities. In such cases, nominal reporting alone could obscure important governance, operational, or third-party risk considerations if not supplemented by appropriate contextual information.

To address this potential gap while avoiding duplicative or burdensome reporting, the OCC should retain the nominal valuation framework and consider requiring limited, high-level qualitative disclosures regarding private key custody arrangements. Such disclosures could include whether custody of the private keys is internal or third-party, whether it is segregated from reserve asset custody, and whether appropriate internal controls, access limitations, and incident response processes are in place. This information is generally already tracked by issuers for risk management and supervisory purposes and would enhance supervisory visibility without forcing new valuation models or systems builds.

ICBA does not support alternative valuation approaches that would assign private keys a value based on par issuance amounts or net reserve values. Such methodologies could reintroduce the very double-counting and volatility the OCC seeks to avoid, blur the distinction between operational control assets and financial assets, and create confusion in reported custody metrics

without meaningfully improving risk assessment.

Overall, ICBA believes the OCC's proposed nominal valuation approach strikes an appropriate balance between accuracy, consistency, and operational feasibility, particularly when paired with targeted qualitative information sufficient to identify custody-related risks. This framework would preserve supervisory insight while remaining aligned with the OCC's risk-based approach and the practical realities facing community bank issuers.

E. Deficient administrative procedures leave the public without adequate information and time to provide fully informed and holistic comments on GENIUS Act implementation

ICBA is concerned about the process the OCC and its fellow banking regulators have followed in implementing the GENIUS Act.

Despite the scope and precedent of the NPR, the OCC provided only a short 60-day public comment period. On March 10, 2026, ICBA requested that the OCC extend the public comment period for the NPR to provide sufficient time for meaningful comment, but ICBA has not received a response.[96] The NPR proposed complex regulatory text divided into five subparts and asked 211 topical questions each with numerous subtopic questions. The inadequate timeframe for comments on such a significant and complicated novel rule, combined with the lack of fulsome empirical data, make it impossible to comment on every aspect of the NPR and raise substantial due process questions. These procedural deficiencies prevented the ICBA from having sufficient time to fully analyze the agency's cost-benefit analysis and the regulatory impact analysis.

ICBA urges the OCC to make a concerted effort to coordinate its rulemaking with the other prudential regulators and the Treasury Department. Such an effort would afford community banks and the general public a better opportunity to understand how all the proposed regulations may interact or conflict with one another instead of struggling to discern impacts in a piecemeal approach as individual proposals are released. Financial stability cannot come from a patchwork of regulations—it requires a close coordination to align the critical standards on redemption policies, reserve asset composition, and concentration risks to ensure that payment stablecoins live up to their name.

CONCLUSION

ICBA appreciates the opportunity to provide detailed feedback to the OCC on its proposal to implement the GENIUS Act. ICBA and its members implore the OCC to carefully consider the research we presented on deposit flight and credit disintermediation as it moves forward with the rulemaking process. We also urge the OCC to make a concerted effort to coordinate its rulemaking with the other prudential regulators and the Treasury Department. Such an effort would afford community banks and the general public a better opportunity to understand how all

[96] Joint Letter Requesting Extension of Comment Period for GENIUS Act Proposed Rule (March 10, 2026) available at: https://www.icba.org/w/joint-letter-requesting-extension-of-comment-period-for-genius-act-proposed-rule

the proposed regulations may interact or conflict with one another and to identify possible gaps in regulation that the OCC and other agencies should address.

The American economy is the world's largest and most dynamic thanks to the dedicated efforts of community banks to deploy local funds to meet the credit needs of small businesses, farmers, ranchers, and consumers. Payment stablecoins, if properly regulated, potentially hold the promise of providing community banks and their customers a new payment mechanism to use in an increasingly digital world. However, if the regulatory regime establishes an unlevel playing field that concentrates reserve assets among the largest institutions and non-bank entities, the resulting impacts on community banks could quickly decelerate the engines of American growth.

If you have any questions about the comments provided in this letter, please reach out to Brian Laverdure (brian.laverdure@icba.org) or Amy Ledig (amy.ledig@icba.org).

/S/
Brian Laverdure
SVP, Digital Assets & Innovation Policy

/S/
Amy Ledig
VP, Safety & Soundness Regulatory Counsel