

October 20, 2026

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

RE: Regulation Crypto Assets, File Number S7-2026-27

Dear Secretary Countryman:

The Independent Community Bankers of America (“ICBA”)¹ and its members appreciate the opportunity to comment on the Securities and Exchange Commission’s (“SEC” or “Commission”) proposed rule on Regulation Crypto Assets (“Reg Crypto Assets” or the “Proposal”)². Community banks support responsible innovation, sound capital formation, and clear rules of the road. They also depend on stable, locally sourced deposits to provide relationship-based credit to small businesses, farmers, ranchers, homeowners, and rural communities—borrowers that are essential to the nation’s economy and often have fewer financing alternatives.

Reg Crypto Assets would create a tailored offering regime for certain investment contracts involving crypto assets, including exemptions for offerings of up to \$5 million over four years and up to \$75 million in each 12-month period, as well as a conditional safe harbor under which a crypto asset could cease to be treated as subject to an investment contract.³ By reducing the cost and legal uncertainty of issuance, these accommodations are intended to increase distribution, trading, liquidity, and network participation.

Those intended benefits make the Proposal’s broader effects central to the Commission’s analysis. Reg Crypto Assets would operate alongside existing and proposed SEC initiatives concerning trading platforms, custody, broker-dealer treatment, tokenization, and other measures affecting crypto issuance and secondary-market activity. The question is not whether this Proposal alone would cause a measurable community-bank deposit loss, but whether the cumulative framework will increase activity

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 icba.org.

² *Regulation Crypto Assets*, 91 Fed. Reg. 54510 (proposed Aug. 21, 2026) (to be codified at 17 C.F.R. pts 200, 201, 228, 230, 232, & 239).

³ *Id.*

in markets that rely on payment stablecoins and bank-funded purchases—and thereby migrate, redistribute, or transform community-bank deposits.

Crypto growth may migrate transactional balances from community banks to stablecoin issuers, custodians, exchanges, or a limited number of stablecoin reserve or custodial banks, replacing diversified local deposits with more concentrated and potentially less stable funding. Community banks can lose both the funding and the customer payment relationship, while replacement funding may be more expensive. Those effects can constrain relationship lending and reduce credit for small businesses, agriculture, homeownership, and local development. A rule intended to facilitate crypto capital formation should not be adopted without examining whether it impairs capital formation in the real economy.

ICBA recommends that the Commission:

- Demonstrate that each crypto-specific exemption or accommodation is justified by identifiable differences in function or risk, rather than by the use of blockchain technology alone.
- Publish a supplemental economic analysis—developed in consultation with the federal banking agencies—of the Proposal’s reasonably foreseeable effects on deposit distribution, bank funding costs, competition, market concentration, and local credit availability.
- Adopt reporting, monitoring, reviewing, and other safeguards sufficient to identify and address those effects before finalizing the Proposal.

These effects fall squarely within the Commission’s duties concerning efficiency, competition, capital formation, and investor protection. Its analysis should examine substitutions among deposits, stablecoins, crypto investments, and other products; distinguish aggregate deposit retention from the loss of stable community-bank funding; and evaluate concentration among digital-asset intermediaries and their banking partners.

ICBA supports responsible innovation, but innovation is a means to better financial outcomes—not an independent basis for preferential treatment. The Commission should not finalize Reg Crypto Assets unless it demonstrates that the proposed accommodations are risk-based and evaluates whether the Proposal, together with related federal initiatives, could redirect stable funding from community banks, concentrate financial activity, and reduce relationship-based credit.

I. Risk-Based Treatment

ICBA and community banks approach digital-asset regulation from a straightforward principle: the same rules should apply to the same functions and risks. In the payments system, community banks, fintech companies, and other entities performing comparable activities should be subject to equivalent consumer-protection, anti-money-laundering, and related obligations. The same principle should govern the capital markets. If an arrangement constitutes an investment contract, it should generally receive the same legal and regulatory treatment as other investment contracts, and intermediaries should be regulated according to the functions they perform and the risks they create.

Measured against that principle, Reg Crypto Assets presumes that investment contracts involving crypto assets warrant materially different treatment. The use of blockchain technology may affect how an instrument is created, distributed, or transferred, but technology alone does not necessarily alter its

underlying economic function or the risks it presents to investors and markets. The Commission should therefore require a clear, risk-based justification for any crypto-specific exemption or accommodation and should not place traditional broker-dealers, exchanges, or regulated financial institutions at a competitive disadvantage merely because a new entrant uses blockchain technology.

That risk-based inquiry must extend beyond this Proposal. Viewed cumulatively, existing and proposed SEC initiatives concerning offering relief, trading platforms, custody, broker-dealer treatment, tokenization, and related measures affecting crypto issuance and secondary-market activity may make digital-asset products and intermediaries comparatively more attractive than regulated banks and banking products. Neither this Proposal nor the broader SEC agenda appears supported by a comprehensive analysis—conducted independently or with the federal banking agencies—of effects on competition, deposit migration, bank funding costs, concentration, or local credit. The principal unexamined consequence is that policies designed to expand crypto issuance and trading may also increase reliance on payment stablecoins and accelerate payment networks that compete with bank deposits.

II. Effects on Deposits and Credit

A. Crypto-Market Expansion, Deposit Migration, and Reduced Local Credit

Reg Crypto Assets may affect community-bank funding through two related channels. First, lower issuance costs and legal risk are intended to increase issuance, trading, participation, and liquidity. Stablecoins facilitate crypto-exchange trades, underlie many crypto loans, and serve as a primary medium of exchange within the digital-asset ecosystem.⁴ Because payment stablecoins commonly function as trading pairs, settlement assets, liquidity, collateral, and bridges between bank money and on-chain markets, increased crypto trading may materially increase demand for payment-stablecoin balances funded from community bank accounts. Second, the network effects that the Commission seeks may support crypto-based payment systems that compete directly with community bank deposits and payment services. Either pathway may migrate persistent transactional balances from community banks to crypto intermediaries or concentrate them at institutions holding stablecoin reserves.

The Proposal expressly seeks to “allow for faster diffusion of the subject crypto assets across potential users and network participants, thereby bolstering an issuer’s ability to achieve network effects.”⁵ Those effects may remain focused on investment and trading, but blockchain networks can also transfer value without traditional financial intermediaries. Bitcoin’s foundational paper, for example, described its core function as facilitating “online payments [sent] directly from one party to another without going through a financial institution.”⁶ The Commission need not assume that every crypto asset will become a means of payment; it should assess whether the issuance, liquidity, and network participation it seeks to

⁴ Franklin Noll, *What Are Stablecoins Used for Today? Estimating the Distribution of Stablecoins*, Payments Sys. Rsch. Briefing, Fed. Rsrv. Bank of Kan. City (Apr. 10, 2026), <https://www.kansascityfed.org/research/payments-system-research-briefings/what-are-stablecoins-used-for-today-estimating-the-distribution-of-stablecoins/>.

⁵ *Regulation Crypto Assets*, 91 Fed. Reg. at 54574.

⁶ Satoshi Nakamoto, *Bitcoin: A Peer-to-Peer Electronic Cash System* 1 (Last visited Oct. 13, 2026), <https://bitcoin.org/bitcoin.pdf>.

promote could increase the use of stablecoins or platforms that perform payment or deposit-like functions outside community banks.

The concern is durable displacement, not merely a one-time transfer from a buyer's bank to a seller's bank. Stablecoin wallets and crypto payment accounts can hold working balances outside a customer's community bank. Even if corresponding reserves return to the banking system, they may become concentrated at larger institutions and be more rate-sensitive or prone to rapid movement than local operating deposits. Community banks then lose both stable funding and the customer payment relationship, increasing funding costs and reducing lending capacity.

ICBA's analysis of payment-stablecoin growth illustrates the potential scale and sensitivity of this funding channel. In recent comment letters to the OCC and FDIC regarding GENIUS Act implementation, ICBA estimated, based on a modeled scenario, that continued stablecoin yield, interest, or rewards could result in as much as \$1.3 trillion migrating from community banks and reduce their lending capacity by approximately \$850 billion.⁷ Those figures do not estimate Reg Crypto Assets' effect, but they demonstrate how incentives that increase stablecoin adoption can affect community-bank funding. This Proposal presents a different mechanism—expanded issuance, trading, liquidity, and network participation—but may operate through the same stablecoin and deposit-migration channels. Economic research on other investment markets confirms that such shifts can have consequences for bank lending.

Empirical research also supports the underlying deposit-to-credit transmission mechanism. Using nationwide bank call-report data, University of Pittsburgh professor Leming Lin finds that “stock market booms are associated with slower bank deposit growth due to households' reduced demand for deposits” and that the resulting funding pressure reduces credit availability, particularly for small private firms that depend on bank financing.⁸ Although Lin examines traditional equities rather than crypto assets, the relevant mechanism is analogous: shifts in household demand toward competing investments can slow deposit growth and constrain lending to bank-dependent borrowers. The study therefore reinforces the need for the Commission to evaluate whether policies that increase crypto issuance, trading, and payment stablecoin use could produce similar downstream effects on credit creation and real economic activity.

Lin's findings do not establish the magnitude of any effect attributable to Reg Crypto Assets, but the absence of a proposal-specific estimate does not eliminate the need for analysis. It calls for scenarios, consultation with the federal banking agencies, relevant data, and evaluation of cumulative regulatory

⁷ Indep. Cmty. Bankers of Am., *Comment Letter on 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* (May 1, 2026), <https://www.icba.org/documents/45248/2352699/ICBA+Comment+Letter+-+OCC+GENIUS+Implementation+NPR.pdf/c22cd7d9-0135-237b-8752-16c96906a4fc?t=1778016273262>; see also Indep. Cmty. Bankers of Am., *Comment Letter on GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions* (June 9, 2026), <https://www.icba.org/documents/45248/2352699/ICBA+Letter+-+FDIC+GENIUS+Act+NPR.pdf/be121b8b-914d-46ef-0f81-db65655e10a8?t=1781108762399>.

⁸ Leming Lin, *Bank Deposits and the Stock Market*, 33 Rev. Fin. Stud. 2622, 2652–53 (2020).

effects. Smaller institutions have fewer replacement-funding options and less capacity to absorb sustained outflows, making market concentration and reduced local lending reasonably foreseeable concerns. Deposit migration can matter even when aggregate banking-system deposits appear unchanged: funds moving from community banks to a small number of stablecoin reserve or custodial banks, exchanges, or other digital-asset intermediaries may replace broadly distributed, relationship-based deposits with larger, more concentrated balances that are more rate-sensitive and responsive to stress. The Commission should examine where deposits originate, where they ultimately reside, how their stability changes, and whether the resulting concentration increases liquidity, operational, or systemic risk.

B. The Proposal's Marginal and Cumulative Effects

ICBA does not contend that Reg Crypto Assets alone will determine market growth or produce a specific level of community-bank deposit migration. The question is whether it will contribute at the margin—alongside related SEC and federal initiatives—to greater issuance, trading, stablecoin use, or competing payment networks, and thereby alter the distribution, cost, and stability of deposits. The Proposal's intended benefits depend on greater issuance, trading, and network participation. The Commission must therefore examine whether that growth will draw deposits from community banks and weaken their capacity to lend.

III. The Commission's Economic Analysis

Section 2(b) of the Securities Act requires the Commission, when engaged in rulemaking and determining whether an action is necessary or appropriate in the public interest, to consider, "in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation."⁹ Encouraging innovation or crypto-market growth is not a substitute for that inquiry.

Because the Proposal seeks to make network effects easier to achieve, the Commission must assess net efficiency across the financial system, including deposit migration, concentration, and diversion of funding from Main Street activity. Reducing issuer costs is not sufficient if the rule displaces material costs onto banks, investors, consumers, or financial stability.

Likewise, capital formation should not be measured only by funds raised through exempt crypto offerings. The Commission must consider whether those offerings displace deposits that community banks use to finance small businesses, farms, housing, and local development.

The Commission's revised economic analysis should assess:

- 1) Whether technology-based accommodations create unequal obligations or competitive barriers for banks and smaller firms;
- 2) Whether network effects concentrate platforms, custody, reserves, exchange, and settlement activity among dominant firms;
- 3) Whether increased crypto activity and payment stablecoin use shift deposits from community banks, raise funding costs, and reduce local credit; and

⁹ 15 U.S.C. § 77b(b) (2024).

- 4) Whether additional crypto issuance supports productive capital formation and produces benefits exceeding its displaced costs.

IV. Recommended Safeguards

If the Commission proceeds, it should publish a supplemental cumulative economic analysis developed with the federal banking agencies and adopt safeguards in the final rule calibrated to uncertainty. These should include narrower thresholds or eligibility periods, enhanced reporting on stablecoin settlement and banking relationships, periodic assessment of deposit concentration and funding effects, authority to suspend accommodations when material risks emerge, and an automatic sunset unless the Commission affirmatively renews them.

Conclusion

ICBA appreciates the opportunity to comment on Reg Crypto Assets. The Proposal is part of a consequential restructuring of the framework governing digital-asset issuance, distribution, and trading, with effects extending beyond crypto-market participants. The Commission must consider how its actions, individually and collectively, may alter competitive conditions, redistribute deposits, concentrate financial activity, and affect the community-bank lending that supports small businesses, agriculture, homeownership, and local development.

ICBA urges the Commission to proceed cautiously, coordinate with the federal banking agencies, and conduct a comprehensive analysis of the potential effects on competitive neutrality, deposit migration, bank funding costs, market concentration, and local credit availability before finalizing this Proposal or advancing additional crypto-specific accommodations. ICBA and its members welcome continued engagement with the Commission to ensure that its digital-asset agenda does not overlook the essential role community banks—and the credit they provide—play in supporting a dynamic and resilient American economy.

If you have any questions about these comments, please contact Brian Laverdure at brian.laverdure@icba.org.

Sincerely,

/s/

Brian Laverdure
SVP, Digital Assets & Innovation Policy