June 23, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

RE: House consideration of stablecoin legislation

Dear Chairman Hill:

On behalf of the nation's community bankers, ICBA sincerely appreciates your consideration of the potential impact of stablecoin legislation on the community banking sector and the businesses and customers they serve. ICBA urges the inclusion of guardrails to protect against the negative economic consequences that would result from community bank disintermediation in stablecoin legislation that may be brought to the House floor.

ICBA understands the goal of providing regulatory clarity for today's largely unregulated stablecoin market. However, as outlined since the beginning of this debate, we want to ensure the community banking sector is protected from the potential negative economic impact stablecoins pose to the availability of local capital and credit. Notably, the U.S. Treasury Borrowing Advisory Committee (TBAC) recently stated[1] that $6.6 trillion of demand deposits could be diverted from traditional financial institutions to stablecoin issuance, depending on the parameters established by the regulatory framework. Therefore, it is critical that lawmakers mitigate the risks to the economy that would result from community bank deposits shifting to payment stablecoins. Community banks have a proven commitment to using their deposits to fuel small business and agricultural lending across the country that must be preserved.

We urge the House to ensure stablecoin legislation considered fully addresses key issues to protect against the unintended consequences that would result from community bank deposit flight:

- **Federal Reserve Master Accounts:** Nonbank issuers must be clearly prohibited from having access to Federal Reserve Master Accounts, which would create direct access for high-risk institutions to payment systems of the Federal Reserve to settle transactions in central bank money. Granting Federal Reserve Master Account access to nonbank stablecoin issuers would essentially create a pass-through central bank digital currency that would undermine payment

[1] https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf

866-843-4222
icba.org
1615 L Street NW
Suite 900
Washington, DC 20036
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

system resilience and drastically increase deposit drain from community banks. Master Account access is currently a privilege reserved for highly regulated, insured depository institutions, which are subject to rigorous and comprehensive federal supervision and examination. The price of Master Account access is and must remain bank-equivalent regulation, supervision, and examination to preserve the integrity of our payments system.

- **Yield-bearing stablecoins:** Prohibiting yield-bearing payment stablecoins is critical to preserving credit availability in our financial system. As noted in the TBAC report, yield-bearing stablecoins pose a significant threat to bank deposits. Any migration from community bank deposits to stablecoins will shrink a funding source for local lending. The result will be reduced access to credit and less favorable borrowing terms, especially in smaller communities. Specifically, lawmakers must ensure the prohibition on paying any form of yield is not evaded through issuers' affiliate relationships with exchanges and other intermediaries.

- **Activities limitations:** Stablecoin issuers activities must be limited to issuing and redeeming payment stablecoins, managing related reserves, providing custodial or safekeeping stablecoins, and other activities that directly support those activities. Allowing one state or federal regulator to allow any non-payment stablecoin activities deemed appropriate or any activity deemed "incidental" could allow issuers to engage in a range of activities, including trading digital assets, operating a digital assets exchange, lending digital assets, or any other activities deemed incidental. Additionally, activities limitations should apply to affiliates of the stablecoin issuer to prevent issuers from setting up a legal entity to engage in a limitless range of activities.

- **Mixing commerce and banking:** Legislation must prohibit private and public Big Tech or other non-financial firms from leveraging stablecoins to exploit the payments system and gain more economic power over consumers' everyday lives. The separation of commerce and payment stablecoin issuance is critical to avoid risks to consumer privacy, conflicts of interest, and concentration of economic and financial power. Rapid growth of concentrated stablecoins would draw funds away from the community banks that sustain Main Street and into the pockets of large tech companies with global interests. Frameworks must maintain the separation of banking and commerce by preventing stablecoin issuance by these entities directly or through a subsidiary or affiliate.

We appreciate the open dialogue on these issues and the strong support the House has shown for community banking during this Congress. We look forward to working with lawmakers as the debate on stablecoin and market structure legislation continues to ensure community banks can continue meeting the financial services needs of local communities nationwide.

Sincerely,
/s/
Rebeca Romero Rainey
President & CEO