



May 22, 2026

The Honorable Jonathan V. Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

The Honorable Michelle W. Bowman
Vice Chair for Supervision
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Travis Hill
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Kyle S. Hauptman
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Comptroller Gould, Vice Chair Bowman, Chairman Hill, and Chairman Hauptman:

The American Bankers Association, the Bank Policy Institute, the Consumer Bankers Association, and the Independent Community Bankers of America (the “Associations”)¹ write in regard to the report required under Section 15(a) of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act.² This provision requires the primary Federal payment stablecoin regulators to annually submit to the Committee on Banking, Housing, and Urban Affairs of the Senate; the Committee on Financial Services of the House of Representatives; and the Director of the Office of Financial Research a report on the payment stablecoin industry that includes, among other things, “a description of the potential financial stability risks posed to the safety and soundness of the broader financial system by payment stablecoin activities.”³

We are deeply concerned about the potential risks that payment stablecoin issuers and their activities pose to the larger financial system. We include recommendations herein regarding payment stablecoin activities that should be included in the report to Congress. The report should include, at a minimum, an assessment of the following risks:

- The vulnerability of payment stablecoin issuers to runs;
- The contagion risk from the rapid redemption of payment stablecoins both within and outside the stablecoin industry;

¹ Please see [Appendix A](#) for a description of the Associations.

² 12 U.S.C. § 5914(a).

³ *Id.* § 5914(a)(3).

- The effect of yield-like arrangements on stablecoin growth and the reduction in the availability of credit due to such growth;
- The risks from stablecoin lending; and
- The risks from the GENIUS Act’s multi-regulator framework creating opportunities for regulatory arbitrage that, left unaddressed, could concentrate risk in less-supervised corners of the payment stablecoin market and undermine financial system safety and soundness.

We also note that the primary federal payment stablecoin regulators are at various stages of implementing rulemakings pursuant to the GENIUS Act, a wholly new statute that is the first federal legislation governing payment stablecoins. The primary Federal payment stablecoin regulators should use the analysis undertaken to produce the annual report to inform potential amendments to their respective regulations governing payment stablecoin issuers and the overall ecosystem. As risks become apparent, the regulators should update their regulations to help ensure they are appropriately addressed thereunder. In some cases, other policymakers, including Congress and other agencies, such as the Treasury Department, may need to take action to help address the risks posed by stablecoins.

I. PAYMENT STABLECOIN ISSUERS ARE VULNERABLE TO RUNS

Although the GENIUS Act mandates that payment stablecoin issuers maintain one-to-one reserves in high-quality liquid assets, these institutions “remain runnable, with their balance sheets subject to both liquidity and interest rate risk, as well as some credit risk exposures.”⁴ The largest issuers currently hold significant shares of their reserves in uninsured deposits at insured depository institutions (IDIs). Unless an issuer relies on deposit placement networks, any reserves held in accounts at IDIs are limited to FDIC and NCUA insurance of up to \$250,000 per institution, with all deposits above that ceiling uninsured.⁵ The prospect of incurring losses on large volumes of uninsured deposits at even just one IDI experiencing stress can cause payment stablecoin issuers to run. This dynamic was demonstrated most recently with the bank failures of March 2023, in which the stablecoin issuer Circle faced the prospect of losing immediate access to upwards of \$3.3 billion (roughly 8% of its reserves) in deposits at Silicon Valley Bank (SVB) when the bank looked close to failure.⁶ Circle’s stablecoin, USDC, broke the buck (it traded at 86 cents on the dollar at its lowest point) and the issuer faced sustained outflows until the U.S. government announced it was insuring all deposits at SVB and several other institutions and the Federal Reserve established the Bank Term Funding Program liquidity facility.⁷ If payment stablecoin issuers lose access to their deposits for even a short period of time, holders of payment

⁴ 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>.

⁵ 12 U.S.C. §§ 1787(k)(3); 1821(a)(1)(E).

⁶ Leo Schwartz, *Circle reveals it has \$3.3 billion stuck at Silicon Valley Bank as USDC wobbles against its peg*, Fortune (Mar. 10, 2023), <https://fortune.com/crypto/2023/03/10/circle-reveals-3-3-billion-stuck-silicon-valley-bank-usdc-wobbles-against-peg/>.

⁷ Chuan Du, Ria Sonawane, & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes (Dec. 17, 2025), <https://www.federalreserve.gov/econres/notes/feds-notes/in-the-shadow-of-bank-run-lessons-from-the-silicon-valley-bank-failure-and-its-impact-on-stablecoins-20251217.html>.

stablecoins can demand redemptions at a volume that cannot be met, triggering a run. Runs on one payment stablecoin issuer can reduce confidence in the sector generally, leading to more runs.

Similarly, the largest payment stablecoin issuers hold a large portion of their reserves in short-duration Treasury bills, which are uninsured and can lose value if interest rates rise precipitously. SVB’s failure was precipitated by its announcement that it had sold a portion of its government bond portfolio at a \$1.8 billion loss, leading depositors to question the firm’s solvency and to withdraw their funds.⁸ Although the GENIUS Act limits payment stablecoin issuers’ Treasury reserves to instruments with durations of 93 days or less,⁹ tail events could cause these bonds to precipitously lose value, resulting in reserve assets that no longer meet or exceed the par value of their payment stablecoins and causing stablecoin holders to run.

An additional concern is that many retail stablecoin holders do not transact directly with stablecoin issuers themselves, but instead with secondary markets and arbitrageurs. This indirect relationship risks making (for retail holders) the redemption mechanism unreliable under stress.¹⁰ Stablecoin holders generally sell their tokens to arbitrageurs—potentially for a haircut—who redeem them from the issuers. As former Treasury Undersecretary Nellie Liang and former Federal Reserve Bank of New York President William C. Dudley recently noted, “if there were heavy redemptions, arbitrageurs might demand greater concessions to par,” which, “in turn could spur greater redemptions” and cause payment stablecoin issuers to sell reserve assets at fire-sale prices.¹¹

II. RAPID REDEMPTION OF PAYMENT STABLECOINS CAN CAUSE CONTAGION

A run on a single payment stablecoin issuer could cause contagion throughout the rest of the financial system. If customers of a single issuer lose confidence in that institution and initiate a run, it could spark fear in customers of other issuers that their institutions could also be unable to meet their obligations. Stablecoin holders have demonstrated that they do not recognize differences between stablecoin issuers when a single issuer first appears risky; in March 2023, USDP (issued by Paxos) and GUSD (issued by Gemini) broke the buck, even though only USDC faced direct risks from SVB’s imminent failure.¹² Because the GENIUS Act includes reserve composition requirements, it is likely that issuers will maintain similar reserve compositions, reducing differences between payment stablecoin reserves, making it even more likely that stablecoin holders will run on many or all issuers when one experiences stress.

Moreover, the impacts of a run on a large payment stablecoin issuer or runs across the payment stablecoin industry likely would be felt in “other asset classes, as stablecoin reserves are

⁸ Board of Governors of the Federal Reserve System, Review of the Federal Reserve’s Supervision and Regulation of Silicon Valley Bank, (Apr. 2023), at 4, <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf>.

⁹ 12 U.S.C. § 5903(a)(1)(A)(iii).

¹⁰ Nellie Liang & William C. Dudley, *Next steps for GENIUS payment stablecoins*, Brookings (Mar. 3, 2026), <https://www.brookings.edu/articles/next-steps-for-genius-payment-stablecoins/>.

¹¹ *Id.*

¹² Du, Sonawane, & Watsky, *supra* note 7. Relatedly, TUSD (TrueUSD) also broke the buck, though it held reserves with Signature Bank, which went into receivership the same weekend as SVB. *Id.*

sold off or unloaded to meet the redemption demand,”¹³ which is known as two-way contagion. Runs could force issuers to sell off sizeable portfolios of reserve assets, “which could cause distress in the short-term funding market.”¹⁴ As two scholars have noted,

[C]oncentrated 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.¹⁵

This risk is not limited to Treasuries, as the GENIUS Act allows payment stablecoin issuers’ reserves to include IDI demand deposits.¹⁶ Relevant to our members, contagion could spread to the banking industry if payment stablecoin issuers quickly withdraw their deposits; during the month of March 2023, the reserves Circle held at U.S. depository institutions fell from \$11.5 billion to just \$3.7 billion.¹⁷

III. THE GROWTH OF PAYMENT STABLECOINS COULD CAUSE CREDIT TO CONTRACT

Stablecoin growth also could reduce bank deposits, and in turn, the availability of credit. The report should consider this issue, as a reduction in credit availability can have implications for financial stability. It is difficult to predict potential future stablecoin growth. Estimates for potential stablecoin growth range from a low of \$500 billion over three years to a high of \$2 trillion over three years and \$2.9 trillion over five years. The estimates assume that stablecoins do not pay interest. Those estimates obviously depend on projected use cases for stablecoins.

The GENIUS Act prohibits stablecoin issuers from paying interest. However, the prohibition does not apply to exchanges or other third parties, which could make such payments, as some already do, to incentivize users to retain assets with them between crypto trades. Thus, the general prohibition may be easily evaded.¹⁸

¹³ 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>.

¹⁴ *Id.*

¹⁵ 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>.

¹⁶ 12 U.S.C. § 5903(a)(1)(A)(ii).

¹⁷ Circle, USDC Reserve Report, (Apr. 28, 2023), at *2, https://6778953.fs1.hubspotusercontent-na1.net/hubfs/6778953/USDCAttestationReports/2023/2023%20USDC_Circle%20Examination%20Report%20March%202023.pdf.

¹⁸ Multiple agencies, including Treasury, the OCC and other federal payment stablecoin regulators, have authority to issue rules to implement certain aspects of the GENIUS Act. The extent to which payment of interest may be paid on stablecoins indirectly, may depend, in part, on how those agencies implement that prohibition. For example, the OCC has proposed to include presumptions that certain arrangements would be prohibited as constituting the payment of interest or yield by an issuer on a stablecoin. *See* OCC, 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, Notice of Proposed Rulemaking, 91 Fed. Reg. 10,202 (Mar. 2, 2026). There also is an anti-evasion provision in the GENIUS Act that may be used to prohibit certain stablecoin arrangements involving payments or incentives.

The report should therefore consider the effect of the potential growth of stablecoins—including under the assumption that interest is allowed to be paid—on the demand for stablecoins and the effect of such growth on the availability of credit. While it is statistically difficult to estimate the growth of stablecoins, especially because the wider adoption of stablecoins is predicated on new use cases, using reasonable assumptions, the Baumol-Tobin model suggests that the demand for stablecoins would double if stablecoins pay interest.¹⁹ If stablecoins offer transaction services similar to bank deposits as well as yield, the coins will compete with deposits in the provision of those services, but the coins will not be a source of funding for loans to businesses and households. Once the dust is settled and interest rates and balance sheets adjust, deposits will decline and so will bank lending.²⁰

Stablecoin growth also can affect the availability of deposits that support loans in another way. To protect against rapid outflows caused by a payment stablecoin issuer facing high demand for redemptions, banks that accept payment stablecoin issuer reserves will be forced to modify the asset side of their balance sheets, reducing lending into the real economy. The conversion of retail deposits into stablecoin issuer deposits—i.e., the withdrawal of deposits to purchase stablecoins, some of which may hold deposits as reserves, effectively transforms stable retail deposits into volatile wholesale deposits, which “generally serve as a less efficient source of funding than retail deposits for banks to fulfil their economic function of financing the economy and maturity transformation.”²¹ To help ensure those deposits remain available for withdrawal when needed, banks will have to invest stablecoin issuer deposits in low-duration assets rather than using them to finance the longer-term loans that help businesses grow. Research shows that small businesses and farmers will be particularly hard hit, as one study has estimated that the growth of payment stablecoins could cause lending to these institutions to “fall by \$110 billion and \$62 billion, respectively, representing a significant material decrease in credit availability for consumers and communities.”²²

A reduction in bank lending is not simply a risk to credit availability, but also to financial stability. As the General Manager of the Bank for International Settlements recently noted, banks “often provide a liquidity hedge during crises,” a service which “could be lost” with the wider adoption of stablecoins.²³ Moreover, although nonbank lenders may provide loans when banks pull back, they “could also make lending more procyclical, given these institutions’ greater sensitivity to changes in credit spreads and market liquidity.”

¹⁹ See BPI Staff, “The Risks from Allowing Stablecoins to Pay Interest” (Sept. 25, 2025), <https://bpi.com/the-risks-from-allowing-stablecoins-to-pay-interest/>.

²⁰ See Bill Nelson, BPI, “Yield-Bearing Stablecoins Can Destroy Deposits” (May 8, 2026), <https://bpi.com/yield-bearing-stablecoins-can-destroy-deposits/>.

²¹ Charles-Enguerrand Coste, *Toss a stablecoin to your banker*, ECB Occasional Paper Series No. 353, (n.d.), at 3, <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op353~11120d3428.en.pdf>.

²² Andrew Nigrinis, *The Lending Impact of Stablecoin-Induced Deposit Outflows*, SSRN (Oct. 10, 2025), at 7, <https://ssrn.com/abstract=5586850>.

²³ Pablo Hernández de Cos, *Stablecoins: framing the debate*, BIS (Apr. 20, 2026), at 5, <https://www.bis.org/speeches/sp260420.pdf> (citing Anil K. Kashyap, Raghuram Rajan & Jeremy C. Stein, *Banks as liquidity providers: an explanation for the coexistence of lending and deposit-taking*, 57 J. Fin. 33 (2002)).

The report to Congress should explore whether stablecoin growth reduces deposits and, in turn, lending to businesses and households and the implications of any such reduction on financial stability. The report should focus on impacts on small business, agricultural, and consumer lending. This assessment should also consider how yield-like arrangements affect this analysis.²⁴

IV. STABLECOIN LENDING PRESENTS RISKS

Retail investors have the option to lend their stablecoins via DeFi lending platforms in exchange for interest payments. But lenders can incur significant losses or become unable to redeem their stablecoins from DeFi lending platforms, even if the stablecoin itself is fully backed by high-quality assets.²⁵ This risk arises because stablecoin *borrowers* primarily use the borrowed stablecoins to make highly levered purchases of crypto assets.²⁶ DeFi lending platforms operate like highly levered banks. However, unlike traditional banks, DeFi platforms do not have deposit insurance or access to a lender of last resort, nor are they held to capital or liquidity requirements or regular examination.²⁷ Having inadequate capital and liquidity buffers renders DeFi platforms vulnerable to bank run dynamics, which, as described above, can have implications for other financial market players and the financial system more broadly.²⁸ Indeed, this scenario recently unfolded in the KelpDAO hack and the subsequent run on Aave.²⁹ The report should consider these and other risks from stablecoin lending on DeFi platforms and the implications for the broader financial system.

V. REGULATORY ARBITRAGE AND THE NEED FOR COORDINATED SUPERVISION

The current multi-regulator framework creates opportunities for regulatory arbitrage that could concentrate risk in less-supervised corners of the payment stablecoin market and undermine the safety and soundness goals Congress intended. Congress recognized this risk in enacting the GENIUS Act, requiring in Section 13(b) that Federal payment stablecoin regulators, the Secretary of the Treasury, and State payment stablecoin regulators "coordinate, as appropriate, on the issuance of any regulations to implement this Act."³⁰ The Section 15(a) report provides an important opportunity to assess whether that coordination mandate was fulfilled and to identify gaps in regulatory alignment that could be exploited to concentrate risk outside adequate supervisory review.

The GENIUS Act establishes a supervisory structure in which issuers could be regulated and supervised by different primary regulators (federal, foreign, or state) with distinct examination authorities. This structural heterogeneity can create incentives for issuers to organize in the form

²⁴ Hernández de Cos, *supra* note 20 at 5 (citing Iñaki Aldasoro, Sebastian Doerr, & Haonan Zhou, Non-bank lending during crises, 29 Rev. Fin. 1809 (2025)).

²⁵ See Marco Macchiavelli, BPI, "Stablecoin Risks: Some Warning Bells" (Nov. 3, 2025), <https://bpi.com/stablecoin-risks-some-warning-bells/>.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ See Laurence Bristow and Marco Macchiavelli, BPI, "Crypto Hacks and DeFi Runs" (April 23, 2026), <https://bpi.com/crypto-hacks-and-defi-runs/>.

³⁰ 12 U.S.C. § 5912(b).

or jurisdiction that minimizes regulatory burden rather than the form that most appropriately reflects the risk profile of their activities. As the payment stablecoin market grows, these incentive differentials will become more pronounced, and the resulting migration of issuers toward less-regulated structures could concentrate systemic risk precisely where supervisory capacity is weakest.

Fragmented oversight also impairs the ability of individual regulators to assess system-wide risk. Each primary Federal payment stablecoin regulator has visibility into the institutions it supervises, but none has a consolidated view of reserve compositions, redemption activity, and liquidity stress across the full universe of payment stablecoin issuers. Because reserve assets -- particularly T-bill holdings and IDI deposits -- are shared across issuers, a stress event at one issuer will affect asset prices and deposit flows in ways that are not fully observable by any single regulator. The Section 15(a) report presents an opportunity to assess whether current interagency information-sharing approaches are sufficient to support a system-wide view of payment stablecoin risks, and to identify gaps that could be addressed through coordinated rulemaking or supervisory guidance.

We urge the primary Federal payment stablecoin regulators to use the Section 15(a) reporting process as a vehicle for ongoing coordination -- including harmonized examination standards, consistent reserve reporting requirements, and formal protocols for sharing supervisory information across agencies -- to ensure that the regulatory perimeter is enforced uniformly and that no issuer is able to exploit structural differences to accumulate risk outside adequate supervisory review.

We appreciate the opportunity to provide information regarding the forthcoming report pursuant to Section 15(a) of the GENIUS Act.

If you have any questions about the comments provided in this letter, please contact Brian Laverdure at brian.laverdure@icba.org.

Sincerely,

**American Bankers Association
Bank Policy Institute
Consumer Bankers Association
Independent Community Bankers of America**

Appendix A

The **American Bankers Association** is the voice of the nation's \$25.1 trillion banking industry, which is composed of small, regional, and large banks that together employ over than 2 million people, safeguard \$19.7 trillion in deposits, and extend \$13.2 trillion in loans.

The **Bank Policy Institute** is a nonpartisan public policy, research and advocacy group that represents universal banks, regional banks, and the major foreign banks doing business in the United States. The Institute produces academic research and analysis on regulatory and monetary policy topics, analyzes and comments on proposed regulations, and represents the financial services industry with respect to cybersecurity, fraud, and other information security issues.

The **Consumer Bankers Association** is a member-driven trade association, and the only national financial trade group focused exclusively on retail banking — banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members operate in all 50 states. They include the nation's largest bank holding companies as well as regional and super-community banks. Eighty-three percent of CBA's members are financial institutions holding more than \$10 billion in assets.

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 <https://www.icba.org/>.