October 15, 2025

The Honorable Tim Scott
Chairman
Committee on Banking, Housing,
& Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing,
& Urban Affairs
United States Senate
Washington, D.C. 20510

Re: Protect Vital Role of Community Banks in Digital Market Structure Legislation

Dear Chairman Scott and Ranking Member Warren:

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to urge you to ensure the Senate's proposed Responsible Financial Innovation Act, which creates a regulatory framework for digital assets markets, provides regulatory clarity without disrupting the vital role of community-bank credit creation in our nation's local communities.

Extend Prohibition on Payment of Yield or Interest to all Digital Market Participants

We support language in the GENIUS Act, which creates rules for stablecoin issuance, that prohibits payment stablecoin issuers from paying yield, interest or other considerations to stablecoin holders. However, this prohibition can be evaded and undermined through payment of interest or "rewards" by affiliates, exchanges, third parties and other intermediaries instead of directly by the stablecoin issuer. The Responsible Financial Innovation Act will focus on crafting a framework for broader digital assets markets. We urge Congress to use this opportunity to prohibit all market participants, including exchanges and affiliates, from paying interest, yield or rewards on payment stablecoins.

The ability to earn interest or yield on stablecoins would change the intended purpose of payment stablecoins (payments) to a store of value like a bank deposit, diverting funds away from community bank deposits as consumers "chase yield" from deposits into uninsured payment stablecoins, especially during times of economic stress.

What's at stake?

Community bank deposits currently total $2.35 trillion.[1] The U.S. Treasury Borrowing Advisory Committee (TBAC)[2] found that yield-bearing stablecoins could ultimately divert $6.6 trillion of deposits from traditional financial institutions to stablecoins. The Kansas City Federal Reserve[3]

[1] https://www.fdic.gov/quarterly-banking-profile/q1-2025-full-qbp-report.pdf
[2] https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf
[3] https://www.kansascityfed.org/research/economic-bulletin/stablecoins-could-increase-treasury-demand-but-only-

found that stablecoin market growth from $250 billion to $900 billion could lead to a substantial redistribution of funds within the financial system by shifting bank deposits to stablecoins, resulting in a $325 billion reduction in bank loans to the economy.

Deposits are the foundation of community bank "inventory," the raw material they transform into loans that fuel and sustain their local economies. Community banks remain a critical source of funding for small businesses particularly during crises when a rapid response is required. Farmers and rural populations, which rely primarily on community banks for loans and other banking services, would be particularly hard hit. As Treasury's TBAC and Kansas City Fed findings note, payment of yield or interest on stablecoins by stablecoin issuers or other intermediaries such as exchanges, could promote this dislocation. This would be a radical disruption to a financial system that has served our economy well for generations.

"Responsible Innovation"

Community banks support financial innovation, but it must be undertaken in a balanced manner and with a clear recognition of the risks to time-tested channels of credit creation – our nation's community banks.

As the Senate turns its attention to the Responsible Financial Innovation Act, we urge you to explicitly prohibit digital assets market participants from payment of interest or yield to holders of stablecoins. The stakes are too high for the borrowers and communities served by America's community banks.

Thank you for your consideration.

Sincerely,

Independent Community Bankers of America
Arizona Bankers Association
California Community Banking Network
Connecticut Bankers Association
Community Bankers Association of Georgia
Community Bankers Association of Illinois
Community Bankers of Iowa
Bluegrass Community Bankers Association
Maine Bankers Association
Massachusetts Bankers Association, Inc.
BankIn Minnesota
Missouri Independent Bankers Association
Nebraska Independent Community Bankers

Alabama Bankers Association
Arkansas Community Bankers
Independent Community Bankers of Colorado
Florida Bankers Association
Idaho Bankers Association
Indiana Bankers Association
Community Bankers Association of Kansas
Louisiana Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
Mississippi Bankers Association
Montana Independent Bankers
Community Bankers Association of New Hampshire

by-reducing-demand-for-other-assets/

New Jersey Bankers Association
Independent Community Bankers Association of New Mexico
Independent Bankers Association of New York State
North Carolina Bankers Association
Independent Community Banks of North Dakota
Community Bankers Association of Ohio
Community Bankers Association of Oklahoma
Oregon Bankers Association
Pennsylvania Association of Community Bankers
Independent Banks of South Carolina
Independent Community Bankers of South Dakota
Tennessee Bankers Association
Independent Bankers Association of Texas
Vermont Bankers Association, Inc.
Virginia Association of Community Banks
Community Bankers of Washington
Community Bankers of West Virginia
Wisconsin Bankers Association
Wyoming Bankers Association

CC: Members of the United States Senate Committee on Banking