July 14, 2025

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

RE: House consideration of digital assets legislation

Dear Speaker Johnson and Minority Leader Jeffries:

On behalf of the nation's community bankers, I write to set forth our views on digital assets legislation before the Rules Committee today: The CLARITY Act (H.R. 3633) and the GENIUS Act (S. 394). Both of these bills, taken separately or together, carry the potential to significantly impact America's community banks and the businesses, families, and communities they serve.

ICBA supports the goals of each of these bills to create a regulatory framework for today's largely unregulated digital assets industry. If properly crafted, the combined effect of these bills could provide much needed regulation to the growing digital assets market without jeopardizing investors, financial system stability. or disintermediating community banks.

However, stablecoin and market structure legislation must not create a shadow banking system that offers fewer protections to consumers and imperils the ability of community banks to provide capital and credit to local communities. New stablecoin and market structure laws should first do no harm nor undermine the existing supply of credit. Lawmakers must work to fully mitigate the risks to the economy that would result from an outflow of community bank deposits 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. Community bankers offer service, care, and expertise that cannot be replicated by a smart contract on a decentralized network.

We urge the House to consider these key principles for digital asset legislation to protect against disintermediation:

- **Federal Reserve Master Accounts:** Nonbank issuers must be clearly prohibited from having access to Federal Reserve Master Accounts, which would permit high-risk institutions to have direct access 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 undermine payment system resilience and drastically increase deposit drain from community banks. The price of Master Account access is and must remain bank-equivalent regulation, supervision, and examination to preserve the integrity of our payments system. We appreciate

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the GENIUS Act's attempt to maintain existing policy on master accounts but urge Congress to prohibit nonbank access.

- **Yield-bearing stablecoins:** Prohibiting yield-bearing payment stablecoins is critical to preserving credit availability in our financial system. Notably, the U.S. Treasury Borrowing Advisory Committee (TBAC) recently stated that yield-bearing stablecoins could divert $6.6 trillion of demand deposits from traditional financial institutions to the digital assets industry. 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. We support language in the GENIUS Act that prohibits stablecoin issuers from offering yield, interest or other considerations. To fully protect against disintermediation, lawmakers must ensure issuers do not evade the prohibition on paying any form of yield through affiliate relationships with exchanges and other intermediaries. Importantly, we urge lawmakers to extend this prohibition to crypto exchanges themselves to ensure they cannot offer banking-like services that would lead to "shadow banks."

- **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. Granting a state or federal regulator the power to allow any non-payment stablecoin activities deemed appropriate or any activity deemed "incidental" could permit 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.

In your consideration of the CLARITY Act, we urge you to address these key issues. Our concerns are outlined below.

- **Predominately engaged in financial activities threshold:** We support efforts in the CLARITY Act to amend the GENIUS Act (if enacted) to prevent Big Tech and retailers from owning a payment stablecoin issuer or issuing payment stablecoins by making it unlawful for a company that derives a majority of its revenue from activities that are not "financial activities" to retain or acquire control of a nonbank federal or state qualified payment stablecoin issuer. However, we implore lawmakers to retain the traditional 85 percent threshold for determining whether an entity is predominately

engaged in financial activities, as seen in the Bank Holding Company Act (BHCA), rather than lowering it to a simple majority. Lowering this threshold could open the door to entities with a significant commercial presence owning payment stablecoin issuers or issuing payment stablecoins.

- **Amending the Bank Holding Company Act:** Concerningly, the CLARITY Act also amends the BHCA in a way that would open the door for crypto firms to amass market and economic power by owning banks through a bank holding company, potentially ushering in a new generation of Too-Big to-Fail institutions. This is not a policy shift that should be considered lightly. To protect against a financial system dominated by the largest banks and mega crypto entities, ICBA urges Congress to preserve the integrity of the BHCA and to not amend the definition of "financial in nature" in section 4(k) of the BHCA to include digital commodity and digital assets activities. ICBA also urges Congress to include language specifying that crypto firms may not directly or indirectly acquire or exercise control over banks, closing another potential loophole that may be exploited.

We appreciate the consideration Congress has had for the community banking sector throughout the debate on stablecoins and market structure legislation. As the House weighs the GENIUS Act and CLARITY Act, we urge Members to fully consider the principles outlined above.

Thank you for your consideration.

Sincerely,
/s/
Rebeca Romero Rainey
President & CEO

CC: Members of the House of Representatives