

May 16, 2025

United States Senate
Washington, D.C. 20510

RE: S. 1582, the GENIUS Act

Dear Senator:

On behalf of the nation's community bankers, ICBA urges the Senate to ensure S. 1582, the GENIUS Act, provides regulatory clarity around payment stablecoins while including necessary guardrails to protect against the negative economic consequences that would result from community bank disintermediation. Community bank disintermediation caused by deposit migration to payment stablecoins would create a cascade of issues that impact safety and soundness, small business and consumer lending, and general access to banking services in many smaller communities across America. We appreciate the ongoing dialogue on this legislation and want to reiterate our concerns to be addressed as the current legislative language is still being crafted. Community bankers nationwide remain concerned.

As outlined for the Congress since the beginning of this debate, we are alarmed by the potential economic impact on the availability of local capital and credit under a stablecoin regime. Recently, the U.S. Treasury Borrowing Advisory Committee (TBAC) [stated](#) \$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. With community banks using deposits to make 60% of the nation's small-business loans and 80% of banking industry agricultural lending, mitigating the risk of retail deposits migrating out of community banks — which have proven commitments to their communities and local credit creation — is critical. **With a vote on advancing the GENIUS Act scheduled, we strongly urge the Senate to ensure these concerns are addressed.**

ICBA understands the importance of having a clear regulatory framework for payment stablecoins given the significant risks that this sector currently presents to consumers, national security, and our payments system. The following key principles must be addressed in the GENIUS Act:

- The legislative language must be clarified to ensure that nonbank stablecoin issuers are not permitted to obtain Federal Reserve Master Accounts. This would effectively create a pass-through central bank digital currency — increasing disintermediation risk, jeopardizing the integrity of the U.S. payments system, and restricting access to credit in local communities. As drafted, the legislation could open the door to master account access.

- The prohibition on yield-bearing payment stablecoins is an important provision of the Act. This language should be further strengthened to ensure the intent of the legislation cannot be evaded through affiliate relationships or by offering other incentives. As noted in the TBAC report, yield-bearing stablecoins in particular pose a significant threat to bank deposits and would impair credit availability in communities across the country.
- Currently, Section (7)(B) of the Act inadvertently permits payment stablecoin issuers to engage in a broader set of activities than Congress contemplates, such as market making, investment, and traditional banking activities including making loans without the commensurate regulations and consumer protections. Section (7)(B) must be revised to more effectively align with the intent to limit permissible payment stablecoin activities.
- Legislation must be clear to prevent big tech or other non-financial firms from leveraging stablecoins to exploit the payments system and pose a risk to the safety of the financial system. The separation of commerce and payment stablecoin issuance is critical to avoid conflicts of interest and the concentration of economic and financial power. As drafted, commercial firms and tech companies would still be able to become stablecoin issuers so long as they do not go public until after securing their charter. Further, as drafted, regulators would be able to approve non-financial public companies to enter this space. Accordingly, we recommend striking the use of “public” as the defining limitation and ensuring that all commercial companies – privately or publicly held – are prohibited from issuing payment stablecoins.

We appreciate the strong support the Senate has shown for community banking and the engagement we have had with the Senate throughout this debate to address these and other key issues. We are happy to discuss any of these ongoing concerns in greater detail. We look forward to continuing to work with lawmakers as this debate continues to ensure community banks can continue meeting the financial services needs of local communities nationwide.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO