One Mission. Community Banks.

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Digital Assets and Community Banks

What's at Stake. Community bankers are increasingly alarmed by the risks presented by digital assets, including scams and misrepresentations to consumers, and their growing potential to jeopardize the financial stability of the traditional banking sector. Community banks are at risk of disintermediation if non-bank issued stablecoins become widely adopted for payments, undermining their ability to provide funding to support local economic activity, growth, and development.

Stablecoins. Stablecoins are a type of digital asset designed to maintain a stable value by being pegged to a national currency or backed by assets, such as Treasuries or bank deposits. ICBA urges policymakers to ensure any regulatory framework for issuing stablecoins comprehensively addresses risks to financial stability, national security, and consumer protection. Stablecoin regulation must not create opportunities for regulatory arbitrage and must ensure community banks are not disadvantaged compared to less regulated non-bank entities. ICBA is also concerned about any frameworks that leave the door open for "big tech" firms like Facebook or Twitter to issue their own stablecoins. The House Financial Services Committee marked up H.R. 4766, the Clarity for Payment Stablecoins Act, last summer. Senators Lummis and Gillibrand have introduced the Payment Stablecoin Act (S. 4155). ICBA has concerns about both bills and will continue to advocate for improvements.

U.S. Central Bank Digital Currency (CBDC). A central bank digital currency (CBDC), under consideration by the Federal Reserve and the Biden Administration, could fundamentally change the structure of the U.S. financial system. As a liability of the Fed, a CBDC positions the Fed as a direct competitor for bank deposits that fund lending. The CBDC Anti-Surveillance State Act (H.R. 5403/S. 3801) — introduced in the House by Majority Whip Tom Emmer (R-Minn.) and Senate by Sen. Ted Cruz (R-Texas)— would prohibit the Federal Reserve Banks from offering products or services directly to individuals, maintaining individual accounts, or issuing a CBDC to individuals. It also would bar the Fed and the Treasury Department from issuing a CBDC without congressional authorization.

Key Talking Points:

Stablecoins

- To maintain the health of the US financial system, policymakers must ensure that non-bank stablecoin issuers and other crypto-related entities do not have access to Federal Reserve master accounts or the payment system.
- Special purpose charters or similar alternatives should not be granted to non-bank stablecoin issuers that do not fully meet the requirements of federally insured and supervised chartered banks. Also, any state chartered, non-bank payment stablecoin issuer must be regulated comparably to a state-chartered bank to adequately mitigate risks and prevent regulatory arbitrage.

CBDC

- Congress must examine the fundamental question of what problem a CBDC is trying to solve. A CBDC would be an experiment in which the risks and costs far outweigh any potential benefits for American consumers and businesses and the broad economy.
- A CBDC could create an outflow of deposits from community banks with a direct and adverse impact on credit availability. Depositors may prefer CBDC over bank deposits in a crisis.
- FedNow provides many of the benefits of alternative payments rails without the risk and will accomplish many of the stated goals of a CBDC. FedNow must be given a chance to work and be evaluated in the market before a CBDC is considered.
- **Support the CBDC Anti-Surveillance State Act (H.R. 5403/S. 3801), which would prevent the Federal Reserve from directly issuing a U.S. CBDC to an individual.**