



July 25, 2023

The Honorable Patrick McHenry  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman McHenry and Ranking Member Waters:

The U.S. Chamber of Commerce supports your work to enact legislation that would provide a comprehensive regulatory framework for payment stablecoin issuers. Consumers and industry alike would benefit from a clearer regulatory framework. By enacting legislation, Congress can provide affirmative direction to regulators regarding parameters for issuing payment stablecoins to further consumer protection and financial stability.

The Chamber's 2021 report, *"Digital Assets: A Framework for Regulation to Maintain the United States' Status as an Innovation Leader,"*<sup>1</sup> is intended to provide a roadmap to U.S. policymakers. The report includes considerations for a digital asset framework with a particular focus on financial services regulatory regimes, because of their significant impact on digital assets and related blockchain innovation. A competitive and workable regulatory framework for digital assets is critical to the ability of the U.S. to attract the capital to fund this growing industry and for the promise of the technology to be realized. Payment stablecoins are an integral part of that industry.

We value the bipartisan efforts of the House Financial Services Committee, the Administration, and other policymakers to devise a thoughtful regulatory framework for payment stablecoins. This work is more important than ever as the European Union, United Kingdom, Singapore, and other major markets have begun implementing regulatory frameworks that will permit payment stablecoins to flourish, and consequently put the U.S. at a comparative disadvantage. Any legislation under consideration by your Committee represents a deliberative approach, consulting all interested parties, to regulate payment stablecoin issuers consistent with the principle of "same activity, same risk, same regulation," without undermining or

---

<sup>1</sup> Digital Assets: A Framework for Regulation to Maintain the United States' Status as an Innovation Leader. (January 2021). U.S. Chamber of Commerce, Center for Capital Markets Competitiveness. <https://www.uschamber.com/finance/promoting-innovation-the-promise-of-digital-assets>

interfering with the distributed ledger technology that enables the benefits of using payment stablecoins.

There is a general risk to U.S. businesses, consumers, and the competitiveness of our economy of not moving expeditiously to update our regulations to reflect the unique qualities of digital assets and to provide them room to grow responsibly. Businesses are in search of legal and regulatory clarity and may choose to relocate, or invest, in jurisdictions that offer such legal certainty. And consumers need to know that reasonable regulatory protections are in place. Policymakers should, of course, be careful to not institute overly prescriptive or burdensome regulations, or regulations that do not account for the novel qualities of digital assets.

The U.S. Chamber of Commerce believes Congress should enact legislation that provides for clear authorization and principled standards for the regulation of payment stablecoins that is appropriately tailored for their risk and novel advantages. We support the following principles be enacted in any legislation advanced by the House Financial Services Committee:<sup>2</sup>

**Clear Definition of “Payment Stablecoin.”** Any legislation should provide for a clear and workable definition of “payment stablecoin” and “digital asset.” This is critical given the term “payment stablecoin” has not been previously used in statute and would be the basis for the regulatory framework contemplated by any legislation. Under any legislation, the term “digital asset” should mean any digital representation of value which is recorded on a cryptographically-secured distributed ledger. And the term “payment stablecoin” should mean a “digital asset” that is designed to be used as a means of payment or settlement, and the issuer of which is obligated to convert, redeem, or repurchase for a fixed amount of monetary value; and represents will maintain or creates the reasonable expectation that it will maintain a stable value relative to the value of a fixed amount of monetary value. Finally, any legislation should make clear that payment stablecoins are not securities.

**Consumer Protection.** Any legislation should make clear that consumer protection must be at the heart of any regulatory structure that gives consumers the confidence to use payment stablecoins. We believe the below regulatory principles can be enacted in a balanced manner to both protect consumers and enable market innovation.

---

<sup>2</sup> H.R. \_\_, a bill to provide for the regulation of payment stablecoins, and for other purposes, as noticed for the hearing (June 13, 2023): “The Future of Digital Assets: Providing Clarity for the Digital Asset Ecosystem), available at <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408851>

**Fully Reserved.** Payment stablecoins should be at least 100% fully reserved so consumers, and the market, can be extremely confident that they will maintain the stable value that they claim. In contrast to bank or credit union deposits, payment stablecoins are not FDIC/NCUA-insured, therefore requiring that payment stablecoins to be at least 100% fully reserved is appropriate to instill confidence in users of payment stablecoins and the overall market.

Currency is typically defined as a medium of exchange that is predicated being a store of value. It is critical for payment stablecoins to be viewed to have a consistent and stable value if they are to proliferate as a widely accepted means of exchange for consumers and businesses. If the value of a payment stablecoin is frequently knocked off its peg, consumers will not be able to trust that what they believe the payment stablecoin was worth when initiating a transaction will be true at a future date. For example, if a consumer wants to purchase a \$3.00 cup of coffee today using a payment stablecoin pegged at \$1 (thus using 3 payment stablecoins), he or she wants to be confident that that the payment stablecoin will not be worth \$0.50 when initiating the transaction, given this would effectively increase the cost of that cup of coffee in real dollars to \$4.50 and now require six payment stablecoins (6 payment stablecoins x \$0.50 = \$3.00). If the payment stablecoin were to “depeg” (i.e., deviate from its claimed value) it could cause a run on the payment stablecoin as consumers, and other holders of the assets, rush to convert it into an asset they consider to be more stable.

**Redeemable 1-for-1 upon request.** Payment stablecoins should be available for redemption upon request by the user. Issuers should not unreasonably inhibit a user from redeeming their payment stablecoin on demand on a 1-to-1 basis. For example, if a payment stablecoin claims a value of \$1.00 then a user should be able to redeem his or her coins at any time for \$1.00.

**High Quality and Liquid Reserve Assets.** High quality and liquid reserve assets will ensure that payment stablecoin issuers can meet their redemption obligations to users. High quality assets are those with minimal credit risk. Liquid assets are those that can be converted into cash in a relatively short amount of time. Payment stablecoins should be designed to maintain their purported value, and should not be used as a vehicle to make riskier investments that could prevent an issuer from meeting redemption obligations if the reserve assets lose value in a stress environment. A payment stablecoin claiming to be pegged to the U.S. dollar should be backed by U.S. dollars or dollar-denominated assets.

A payment stablecoin should have flexibility in the makeup of its reserves assuming they are limited to permissible assets. Disclosure of this information is

critical to overcoming any information asymmetries between the issuer of a payment stablecoin and other market participants.

**Clear Disclosures.** Payment stablecoins should disclose the makeup of their reserves and total number of coins outstanding to the market on a regular basis.

The issuer of a payment stablecoin should disclose what percentage of its reserves are in certain eligible assets. For example, a payment stablecoin may choose to have a relatively high percentage of its reserve in legal tender as compared to Treasury securities or repurchase agreements.

The issuer should disclose how many payment stablecoins have been issued. The supply of payment stablecoins outstanding is useful information for numerous reasons. For example, if more payment stablecoins have been issued this may indicate it is being circulated and used more broadly.

**Independent Review of Reserves by a Third Party.** There should be no question about the validity of the disclosures that describe the reserves backing the payment stablecoin. Any review of management's assertions of the reserves should be conducted by an independent third-party, such as a public accounting firm that is registered with the Public Company Accounting Oversight Board (PCAOB) pursuant to the provisions of Section 102 of the Sarbanes-Oxley Act and meets the "independence" requirements of Section 10A of the Securities Exchange Act of 1934. Reviews should be conducted on a recurring basis. This work should be subject to the appropriate federal oversight.

**Prohibition on Comingling and Re-hypothecation of Customer Funds.** There should be no confusion about how a payment stablecoin issuer may use customer funds.

The reserves backing a payment stablecoin should not be comingled with the assets of the payment stablecoin issuer. Customer funds and the funds of the payment stablecoin issuer should be in clearly segregated accounts.

In addition, there should be a clear requirement that reserve assets not be rehypothecated. The issuer of a payment stablecoin should not be permitted to use reserve funds as collateral to finance other impermissible activities.

**Bank Secrecy Act/Anti-Money Laundering.** Any legislation should include strong measures with respect to the Bank Secrecy Act/Anti-Money Laundering Act (BSA/AML), with a particular focus on robust compliance for anti-money laundering and know-your-customer requirements across all centralized intermediaries. This is

crucial to prevent the misuse of payment stablecoins for illicit activity. The integrity of our financial system depends on the ability of market participants to partner with law enforcement authorities to prevent illicit activity.

**Optional State Charter.** There should be a clear path for a State to authorize the issuance of a payment stablecoin. There should be no requirement for a payment stablecoin issuer to obtain a charter from a federal banking regulator.

**Federal Standards.** There should be an appropriate federal standard that applies to all payment stablecoin issuers to avoid the possibility of a “race to the bottom” between the states. Users of payment stablecoins deserve commensurate protection no matter the state they are in, and there should be a national understanding of these protections to avoid market fragmentation and to promote interstate commerce.

**Optional Federal Charter.** There should be a clear path for a federal banking regulator to authorize the issuance of a payment stablecoin akin to the authorizing of a bank charter. Financial institutions should not be required to obtain FDIC/NCUA deposit insurance to issue a payment stablecoin.

We commend the Committee’s work towards providing a clear regulatory structure for payment stablecoin issuers. We do not support every provision of the bills under the Committee’s consideration, and additional measures to protect consumers and preserve financial stability may be warranted, but we believe the Committee’s overall work is a critical step towards establishing a regulatory framework that will affirmatively protect consumers and provide certainty to businesses.

Sincerely,



Bill Hulse  
Senior Vice President  
Center for Capital Markets Competitiveness  
U.S. Chamber of Commerce

cc: Members of the House Committee on Financial Services  
Members of the Senate Committee on Banking, Housing, and Urban Affairs  
Secretary Yellen, U.S. Department of the Treasury