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# US banks lobby to block stablecoin interest over fears of deposit flight

Industry groups say new crypto law has a 'loophole' that could cost banks trillions of dollars in outflows

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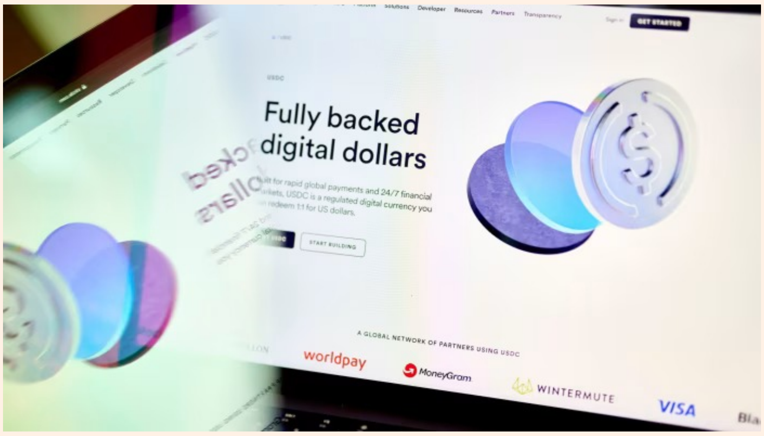


Crypto exchanges will be able to offer interest on stablecoins that are issued by third parties such as Circle © Bloomberg

**Akila Quinio** in New York

Published AUG 25 2025

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Banks are pushing to change new US stablecoin rules over fears they will spark trillions of dollars' worth of outflows, underlining growing competition between Wall Street and the cryptocurrency industry.

Banking lobbies including the American Bankers Association, the Bank Policy Institute and the Consumer Bankers Association last week warned lawmakers of a "loophole" in regulation that will let some crypto exchanges indirectly pay interest to stablecoin holders.

Stablecoins are digital tokens pegged to real world assets such as the US dollar.

The Genius Act, a law Congress passed in July to regulate the $288bn global stablecoin market, prohibits issuers from paying "yield" or interest to customers.

This means that under the new rules, banks will be allowed to issue their own stablecoins, but barred from paying any interest.

However, crypto exchanges will be able to indirectly offer interest and rewards to holders of stablecoins that are issued by third parties such as Circle or Tether.

Banks fear this would create an uneven playing field and spark mass deposit outflows away from them, if customers choose to earn yield by holding stablecoins at crypto exchanges rather than coins or cash dollars at banks.

A US Treasury report in April estimated stablecoins could drain about $6.6tn of deposits away from banks, depending on whether stablecoins can offer yield, the banking industry representatives said.

They warned of "greater deposit flight risk, especially in times of stress, that will undermine credit creation throughout the economy".

This could in turn result in "higher interest rates, fewer loans and increased costs for Main Street businesses and households", they added.

Ronit Ghose, head of Citi's Future of Finance think-tank, compared the potential upcoming deposit outflows to the rise of money market funds in the 1980s, which had more attractive interest rates than current accounts, most of which do not reward customers with interest.

The banks' campaign underlines tensions between traditional Wall Street players and the booming crypto industry, which has been championed by the White House.

Sean Viergutz, banking and capital markets advisory leader at consultancy PwC, said a consumer shift to higher-yielding stablecoins could mean "banks may face higher funding costs by relying more on wholesale markets or raising deposit rates, which could make credit more expensive for households and businesses".

Crypto companies are fighting back, branding the banks' push to bar exchanges from rewarding stablecoin holders with interest as anti-competitive.

In a letter to senators on Tuesday, the Crypto Council for Innovation and the Blockchain Association wrote banks were seeking to create an "uncompetitive payment stablecoin environment, protecting banks at the expense of broader industry growth, competition and consumer choice".

Implementing the banks' demands would "tilt the playing field in favour of legacy institutions, particularly larger banks, that routinely fail to deliver competitive returns and deprive consumers of meaningful choice", the associations added.

"This was no loophole and you know it," Coinbase chief legal officer Paul Grewal wrote on X in response to the banks' statement.

He said a majority of lawmakers had "rejected your unrestrained effort to avoid competition . . . So did one president. It's time to move on."

Donald Trump's administration has been pushing to embed crypto into the traditional financial system. Treasury secretary Scott Bessent had signalled to Wall Street that he expected stablecoins to become an important source of demand for US government bonds, the Financial Times previously reported.

*Additional reporting by Nikou Asgari in London*

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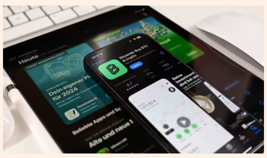

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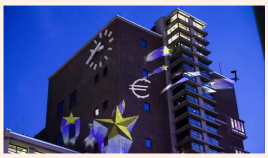

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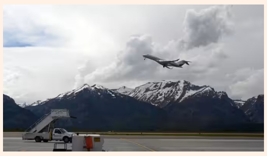

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Newest

**Nullius** 5 HOURS AGO (Edited)

People who buy USD stablecoins will effectively be buying US Treasuries (so long as the issuer is honest and competent). Why not give the holder some of the interest on those T Bills? Those who keep their USD in a regular bank savings account may get less interest, but they do get the benefit of federal insurance - not a trivial thing.

Moreover, I dare say we'll see the big banks accepting each other's stablecoins, but not Tether or Circle. Court cases to follow...

At some point the government will force all USD stablecoin issuers to accept each other's coins for redemption, which will mean that all issuers will have to abide by the same strict regulation. At which point the question would be: why the duplication, and why not federally insure these accounts too?

A government-issued "Bitcoin Bond" can't be far away. Funds go to buy USD Stablecoin (bagging the Treasury buy), and thence into BTC - a pattern that will be copied by numerous other institutions and central banks. It's like Strategy's so-called flywheel, but on super steroids.

Just a thought, but if everyone in the rich world wanted to own a bit of Bitcoin, there would be very little to go around - we'd each get 0.02 BTC, at most, if it was spread evenly.

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Super Hank Petram 7 HOURS AGO

Just regulate the stablecoin entities like extra banks (which is what they are) and their profits will disappear. This is just another in a very long line of regulatory arbitrage issues.

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Charnock 8 HOURS AGO

"Stablecoins are digital tokens pegged to real world assets such as the US dollar."
If anyone thinks the dollar is a real word 'asset' then they're in for a rude awakening.

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Job lot 8 HOURS AGO

TradFI getting usurped by Defi. Those fat TradFI profits are set to rapidly disappear

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Rob Pearson 10 HOURS AGO

either the bankers being quoted are being disingenuous or they genuinely don't understand their own business model

If a bank's customer uses a deposit to buy a Treasury security, or buys a share or unit in a MM fund that buys a Treasury security, or buys a stable coin from an issuer that buys a Treasury security, as far as the bank is concerned the same thing is happening - it is losing a liability (the customer deposit) and also losing an asset (central bank reserves).

The bank and the wider banking sector is being dis-intermediated. It's been happening for years and years, every time the Treasury sells a security. It's never been a problem for the banks before. It's never pushed up interest rates and it's never constrained the banks in their lending. Banks actively dis-intermediate themselves every time they package up assets such as mortgages and other loans and sell them to their customers as a security. Doing so hasn't brought the economy to a grinding halt.

If outflows to stable coin issuers that buy Treasury securities drains the banking system's reserves below a level the Fed believes is a required minimum, then guess what?...the Fed will add reserves by buying up assets from the commercial banks. It really isn't going to be a problem.

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**Nullius** 5 HOURS AGO

In reply to **Rob Pearson**

Superb comment.

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**Berkshire** 10 HOURS AGO

Let's say on day 1,000 Tether holds 100bn in Treasuries to back up the 100bn in Tether coins issued.

Then rates change and Treasuries fall 3%.

Where does Tether get the 3bn from to buy another 3bn in Treasuries it needs to bring it's peg back into line?

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**Rob Pearson** 10 HOURS AGO

In reply to **Berkshire**

It would hold $100bn of very short dated bills, or if regulations change, it would hold $100bn of reserve balances directly at the Fed, or a mixture of the two.

It earns interest on its assets and pays a lower rate of interest (or nothing at all) to coin holders. The profit it makes can be retained as equity, allowing it to possibly hold a few less liquid and riskier assets if it wished to and regulations allowed.

That's basically what a bank does.

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**Berkshire** 9 HOURS AGO

In reply to **Rob Pearson**

Haven't there been banks that tried before to solely deposit people's money at the central Bank and pay low rates of interest in return?None of this feels like an innovation so why the demand?

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Rob Pearson 9 HOURS AGO

In reply to **Berkshire**

yes, there was an application for a Fed master account made by an outfit calling itself the "The Narrow Bank" which was rejected not so long ago.

Reading between the lines, it was rejected because there would have been demand and it would have been successful....and the incumbent banks didn't want that!

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Paul Thind 12 HOURS AGO (Edited)

Stablecoins that pay the Treasury yield of their holdings would be a great investment for retail investors provided the transaction charges are extremely low. This is where big banks rob depositors. They pay them little or no interest. Platforms such as WISE also pay no interest on cash balances. This explains their high valuations. Given that companies such as Circle do nothing except hold treasures and pay zero interest and only try to return $ for $ is a poor investment. It could be good for transfers - again if transaction costs end up being 1/100th of PayPal.
Most retail gets robbed by banks and these platforms. In fact, higher the interest income component in earnings, bigger is the scale of robbery. That has always been so. These days it's the Robin Hoodss of this world who ger rich robbing the poor in one disguise or another. Be it excessive trading in volatile instruments such as bitcoin or leverage the average Joe is agreeing to part with his/her savings when they open an account.

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this 14 HOURS AGO

How has this article failed to mention that the Trump family runs World Liberty Financial, which issues the stablecoin USD1. They are going to kill the banking system to grift a few dollars. Bankers, y'all need to join us in the No Kings rally.

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Ponche gringo 14 HOURS AGO

Should have called it the Muppet Act.

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Lord Womply 15 HOURS AGO

The reports in this article are mostly exaggerated. It's a delay tactic for banks to catch up and launch their own stable coin equivalent. The bogeyman by the industry lobbyists will be what about small banks. What about them? If you cannot compete, you shouldn't exist, like any other business in a capitalist society.

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**Johari Ali** 15 HOURS AGO

I can't sleep at night due to my concern for the banks over this issue - especially the huge banks who have over the decades been so GOOD to us unworthy depositors. I was delighted when taxpayers' money was used to bail out the likes of Citibank in 2008 and would happily have paid double the amount to save this fine, moral, upstanding icon of American good governance. Perhaps the banking industry could appeal to the UN Court of Human Rights about the outrageous proposal to allow competition from stablecoin. Those nice judges in The Hague will soon sort the problem

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**Musings** 16 HOURS AGO (Edited)

The reports cited in this article seem to ignore why banks get away with paying such low interest on deposits in the first place — customer inertia. It has been proven over time that very few customers shop around for yield, and move balances to capture that.

If a customer doesn't bother going through the friction of opening a high yield account at another traditional bank, are we supposed to believe that they are going to onboard to a crypto exchange?

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> **Berkshire** 9 HOURS AGO
>
> In reply to **Musings**
>
> Power post
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**Dantesque Procession** 16 HOURS AGO

OBBB TREASURIES:
Enjoy the coupon,
but
Don't count on the maturity.

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**Legal Tender** 17 HOURS AGO

Stable coins should be regulated like money market funds. Obligated to disclose their investments and pay all interest earned to coin holders, net of fees charged by the manager (plus transactions fees to exchange coins), with transactions occurring at NAV.

That way everything is transparent with a level playing field.

Without that, these coins are just a scam allowing issuers to skim all the float and invest in questionable assets (or self-dealing) while being subject to high transaction fees and uncertain NAV premiums/discounts.

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**Paul Thind** 12 HOURS AGO

In reply to **Legal Tender**

Transparency is part of no game played in the financial markets. It is only appearance of Transparency when forced to do so.

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**Bounty** 18 HOURS AGO

Scammers fighting over the right to fleece the sheep.

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**DRW** 18 HOURS AGO

Ha ha ha. Banks have just woken up. Crypto is complete nonsense and many will loose a lot of money but now its challenging the mainstream. They should have read the small print many years ago.

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**Exhausted observator** 19 HOURS AGO

Not sure I understood how these cryptos can deliver some yield.

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**Legal Tender** 17 HOURS AGO

In reply to **Exhausted observator**

They take your money and use it to lend to their drug dealers

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**OccFT** 16 HOURS AGO

In reply to **Exhausted observator**

Stable coins are basically MMF invested in US bills, so they can pay that rate

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**Lalle** 19 HOURS AGO

It is anyway a mystery why people hold cash deposits. Why not just buy a bond with a mouse click and earn proper interest? If you are not able to do that today, are you then really a saver who will move your funds to a crypto exchange to earn interest given the chance?

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**GBCH** 19 HOURS AGO

From "it's all a scam" to "we're worried people might prefer it". Which is it?

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Bounty 18 HOURS AGO

In reply to **GBCH**

When you legalize scams, legal businesses engage in scam behavior to stay competitive. What's to understand?

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Shibakoen 21 HOURS AGO

I sold some this weekend. Of course it counted as two trades so I got hit with double fees. Forget digital coins. I'm never buying more. Can't wait to sell the last of what I have.

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Black Camel 22 HOURS AGO

Hunt for yield always scares me.

A major reason the Terra-Luna ecosystem collapse was so damaging was that many companies in the crypto space were relying on that ecosystem to generate yield.

If exchanges start to make similar mistakes then a financial collapse or blowup could quickly become a strategic problem for those offering rewards on stablecoins.

We've seen this in the crypto space - BlockFI, Gemini, Celsius*, FTX* etc...

We've seen it in the first storage too - e.g. people being attracted to yields on offer at Icesave, Kaupthing Edge etc.. When the Icelandic banking system ran into trouble then many people were caught offguard.

*These were frauds so they may have collapsed even if the Terra-Luna ecosystem hadn't imploded.

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GBCH 19 HOURS AGO

In reply to **Black Camel**

Comparing Terra with USDC is apples and oranges. Terra's 'yield' came from assuming permanent growth of Luna, which was of course a terrible idea. USDC earns yield from holding treasuries and other short term govt debt. If you're going to be concerned, a better comparison would be sub prime derivatives, although USDC is waaaay less risky that that.

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— Legal Tender 17 HOURS AGO (Edited)

In reply to GBCH

We have no idea what USDC holds.

Share Report

— SimonJB 22 HOURS AGO

There seems a huge amount of **vested interest** involved in the StableCoin debate.

**Banks** worry (rightly). about not being able to charge us punters for holding our money or using it to pay for something. Banks present StableCoins as 'Crypto' i.e. **Dodgy** while as a I understand it the only bit of Crypto that StableCoins use is Blockchain, and that is to ensure buyers and sellers are both real and want to do the transaction. Banks do this by 'knowing their customers' - a concept that seems to be an anachronism, when you never meet your Bank manager in person or even on the phone.

**StableCoin** promoters say that the Banks are ripping us off and the technology is safe. The first is true but the second needs testing (& regulation).

Ultimately the Banks remind me of those people who got men to walk in front of cars with a red flag. They are fighting a losing battle, the only question is how strong their lobby is (quite strong - look how much time Jamie Dimon spends smoozing in Washington). Politics might win the day for StableCoins as issuers will have to hold Treasuries, increasing demand for Treasuries and the Dollar. Whether letting politicians borrow yet more cheap money is another debate at this point!

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— Who... 22 HOURS AGO (Edited)

In reply to SimonJB

There are vested interests indeed - including by the promoters of stable coins who issue low-yielding liabilities while earning the yield on reserve assets. It's a fantastic business model, no wonder they can afford to pay their own lobbyists to promote their own narratives.

And if the stablecoin providers eventually do pay interest, a money market fund offers the same. Again, beyond being tokenised (which you can also do with money market funds), what is the innovation here?

Banks may have their own agenda, but let's not kid ourselves about the motives of stable coin issuers either.

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Make the boat go faster 23 HOURS AGO

If the stablecoins are backed by Treasury bonds, where do the coupons get paid, surely the stablecoin owner?

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RustyRyan24 22 HOURS AGO

In reply to **Make the boat go faster**

yes the entire business model is capturing risk free yield

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Black Camel 22 HOURS AGO

In reply to **Make the boat go faster**

Stablecoins aren't really backed by anything. The issuer of the stablecoin might submit to audits to 'prove their reserves' (i.e. show what they are doing with the fiat that they receive).

But if a stablecoin issuer takes fiat money and buys Treasuries then I think the stablecoin issuer is the owner of those Treasuries and will be the recipient of interest paid on those Treasuries.

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Francois Perrin 22 HOURS AGO

In reply to **Make the boat go faster**

Tether is already the biggest buyer of T bonds.

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Rob Pearson 21 HOURS AGO

In reply to **Make the boat go faster**

no, to the stable coin issuer

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AMS3917 23 HOURS AGO

Preposterous! Banks paying interest on their funding? No, banks are entitled to high profits.

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Vincent Ayre 23 HOURS AGO

I thought crypto was pointless, why are the banks worried ?

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Tim 24 HOURS AGO

Bitcoin. Stablecoin. Tulipcoin.

Share Report

— RupertS2 1 DAY AGO

The same banks that pay such good interest rates on deposits?

Share Report

— A Yankee in London 1 DAY AGO

This whole thing is a nothing burger. I'll wager those funding stablecoins will not be doing so from their savings accounts earning 0.01%, I suspect it will come from traditional money market funds. No one in their right mind holds anything beyond transaction balances in "savings accounts".

Share Report

— MMM 1 DAY AGO

Do it, have a bankrun, then blame Obama, Biden, and Hillary for it.

Share Report

— Yankee76 1 DAY AGO (Edited)

Legacy banks are basically saying that savers should get 0 return on their deposits, so borrowers that can't afford what they trying to buy can get a lower rate. Think about that logic. 70% of bank revenue comes from deposits through funds transfer pricing, this is why banks are freaking out

Share Report

— Yankee76 1 DAY AGO (Edited)

Legacy banks pay 0.01% interest for saving accounts and no interest on checking accounts, and then they cry foul when another institution wants to give legacy bank customers 4.0%. How about you compete and pay people more to keep their deposits. Banks are acting like cartels

Share Report

— Well yes, but also no 1 DAY AGO

Stablecoins offer a politically attractive way to break banking into its constituent components: deposit management (sometimes called "narrow banking") and longer-term lending (private credit).

The current banking system combines the two, relying on regulators to balance the risk of banks taking in short-term deposits and making long-term loans. This model periodically fails, as it did with SVB, Lehman, Bear Stearns, etc.

The Genius Act will regulate US stablecoins to a higher degrees than money market funds. For example, stablecoins cannot hold commercial paper, which led to Reserve Primary Fund breaking the buck (ironically because it held a bank's commercial paper in the

Global Financial Crisis).

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yosemite_falls 1 DAY AGO

Stablecoins can fail, and they do fail. No FDIC, and they're not even allowed to call it interest, but a reward, due to regulation.

Share Report

Yankee76 1 DAY AGO

In reply to **yosemite_falls**

My reward pays me 4.5% annual yield. What's your reward at a traditional bank?

Share Report

C6 1 DAY AGO

poor babies. you hate to see banks lose money...

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#DIV/O!! 1 DAY AGO

Crypto basically just wants to be a bank(s) without all the pesky regulation.

Share Report

Yankee76 1 DAY AGO

In reply to **#DIV/O!!**

Because crypto caused the 2008 financial crisis and inflation over the last 5 years

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ex The Invisible Hand 1 DAY AGO

Stablecoins issuers can only offer higher yields to Stablecoins depositors than bank $ deposits if they can lend or invest Stablecoins for higher yield at similar risk. Why would a debtor pay higher yields to a Stablecoin creditor than he would for a dollar loan from a bank? Or are we looking at laundering or other grey areas?

Share Report

Yankee76 1 DAY AGO (Edited)

In reply to **ex The Invisible Hand**

You've never worked in banking obviously. Big banks run your deposits through the FED and get an overnight rate of 4.33%. Crypto companies do the same but they are giving their customers 4% of the yield.

Share Report

ex The Invisible Hand 23 HOURS AGO

In reply to Yankee76

Why can't a lean disruptor do the same thing with dollar accounts and keep a more modest share of the FED overnight rate than the banks? Why do we have to convert our dollars to Stablecoins first?

Share Report

Macpak 1 DAY AGO

In reply to ex The Invisible Hand

Note quite, the stablecoin issuer is holding corresponding assets, such as short-dated US Treasury notes, which effectively pay interest at redemption.
The stablecoin issuer could pass some this on to the stablecoin holder.

Share Report

Yankee76 1 DAY AGO (Edited)

In reply to Macpak

They pass 4%+ to the stablecoin holder. What do banks pass for US dollars.

Banks shouldn't even have checking and savings accounts they are the same thing, the only difference is a bank limits the number of monthly withdraws from a savings account

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GroEL 1 DAY AGO

In reply to Yankee76

It's the law not banks

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Yankee76 1 DAY AGO (Edited)

In reply to GroEL

No it's not, banks chose to not pay interest after the financial crisis. The biggest threat to banks is people waking up and trying to maximize the return on their savings

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GroEL 1 DAY AGO

In reply to Yankee76

I was referring to the number of withdrawals per month from saving accounts. Used to be 6 but it seems Reg D has not been mandated since 2020, so it is now down to the banks

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Frank Ramsey 1 DAY AGO

Can anyone explain what crypto is for? What do cryptocurrencies do other than facilitate money laundering, the drug trade, human trafficking etc ?

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Yankee76 1 DAY AGO (Edited)

In reply to Frank Ramsey

Have you used crypto? I can send money anywhere in the world for less than a penny and the recipient gets their funds in less than 10 seconds. Solana and Base Pay take business processing fees down to less than 0.01%. And crypto is banking the 4B people who don't have access to financial services, through Aave and Compound. You sound like the people who thought the internet was going to be a fad.

There's a reason why banks wanted to destroy the crypto industry, and the majority of money laundering goes through US Dollars not crypto

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Panhandler 1 DAY AGO

I had wondered if interest-paying stablecoins were a good idea. Now that all the banks have come out against the idea, I know the answer.

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Yankee76 1 DAY AGO (Edited)

In reply to Panhandler

I get 4.5% for holding my stablecoins in Coinbase, and there's no lock up period like banks do with certificate of deposits (which also pay lower interest).

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jk 1 DAY AGO

When you buy stable coins total deposits in the banking system remain the same. They just move from the buyer to the issuers account. Only way to have a run on the entire system is if people take out cash. Also, banks offer "yield" on bank deposit, what would be the problem if stable coin issuers did the same? dont make sense.

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Lonely Muks 1 DAY AGO (Edited)

This is exactly why BTC was launched. Reducing reliance from banks

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Reluctant European 1 DAY AGO

In reply to **Lonely Muks**

Does your mortgage come from Bitcoin? Or credit to corporates?

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Blackbird redux 1 DAY AGO

We'll if I use my own behavior as an example, I would have to say the legacy institutions are right about money leaving for stablecoin backed crypto.

It was just a matter of comparative returns. Certificates of deposit are getting 3.5%, but my stablecoin based crypto are doing much better. So it goes.

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TheSadTruth 1 DAY AGO

Why shouldn't Circle and others be allowed to offer interest on stanlecoins? I am not crypto's biggest fan, but on this one they seem to have a point.

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Wax Jacket 1 DAY AGO

Stablecoins being forced into the public domain as an engineered backdoor demand for Treasuries .... They know this debt is unsustainable so need a way to keep the party rolling. Forget the dollar

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KSW 1 DAY AGO

Very anti-consumer to ban interest in the first place. Explicitly allow stablecoin interest as Coinbase wanted, and the banks could compete on a level playing field, but obviously that's not what they actually want - they instead want to protect their own interests at the expense of consumers. (Same dynamic in the EU with MiCA banning stablecoin interest to protect vested interests at the expense of consumers.)

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comment_on_ft 1 DAY AGO

If stable coins are backed 1:1 by US dollars or any other reserve currency, how will the crypto companies create that backing?

They cannot use your or my deposit to purchase treasury bonds to back your and my deposit? And per the article, trillions worth of of deposits heading their way.

Put in another way: How will Crypto companies grow their balance sheet?

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Smelly Trumps 1 DAY AGO

In reply to **comment_on_ft**

They can and do use customer deposits to purchase short term government debt (T-bills). The growth of their balance sheet comes from scaling (more deposits) and from yield on their holdings. Essentially, they act like simple banks without lending risk or leverage and profit from margin between the yield and interest paid. This is why the Trump admin is in favour of stable coins, it is another sinkhole for US debt.

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Greg.gerG 1 DAY AGO

In reply to **Smelly Trumps**

I'm not sure I'm getting this. If I deposit $1 in say Citi to buy Citi's stablecoin, or in Tether to buy their stablecoin, both of them cannot pay me interest because they are issuers. But if I deposit it in Binance to buy Tether, Binance can pay me interest or "rewards" (not sure what that means). But since for Binance my $1 is customer funds and they must execute my transaction and hold the asset that I told them to buy, then the interest or "rewards" they can pay me is out of their fee/commission. So if I kept my Tether for 10 years and they had committed to paying me interest for 10 years, they would lose money on my transaction. This can only mean that the interest/"rewards" thing is just a marketing trick to lure retail traders' funds into crypto exchanges. Everyone knows that all retail traders think they are Gordon Gekko and they have to transact 350 times a day. And the only winner is the exchange. Everyone also knows that retail trading is quite an expensive hobby. I don't know, this whole thing awfully resembles gambling.

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Village Italian man 1 DAY AGO

In reply to **Smelly Trumps**

Following the thread...

Still don't get how the backstop is created if I put $100 into USDT through Coinbase, who's funding the $100 T-bill or vanilla USD to back my stake?

Please don't tell me it's the next person, etc

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erikawonka2 17 HOURS AGO

In reply to **Village Italian man**

> who's funding the $100 T-bill or vanilla USD to back my stake?

Your stake is funding it.

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0xrafal 1 DAY AGO

In reply to **comment_on_ft**

The high yield on stablecoins comes from borrowing and lending, not from treasuries. I currently have some stables earning around 12% on Binance, and rates can be even higher in DeFi (which is where Binance ultimately lends out those deposits). These are floating rates that change daily, but they were fairly consistent over the course of this year.

The mechanics are simple: stablecoins are lent to traders who want to take on leverage. If there's a bull market, the yields are high. The loans are fully collateralized with other cryptos, and the collateral can be liquidated at any time to cover the debt. Still, there's a risk of bad debt, for instance, if the collateral's value crashes to zero.

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Gold Rabbit 1 DAY AGO

When the new world collides with the old. Realisation hits home the old banking world really is still a cartel

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Sociable Weaver II 1 DAY AGO

In reply to **Gold Rabbit**

And of course the combined lobby of super rich crypto bros isn't ...

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Gold Rabbit 14 HOURS AGO

In reply to **Sociable Weaver II**

Of course it is. It's how our world is built.

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Grump1111 1 DAY AGO

Banking cartel is afraid of competition.

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Gesha 1 DAY AGO

In reply to **Grump1111**

Between that and the Crypto cartel wanting the benefits of banking without being regulated as such, I'm not sure which is worse. No good guys in this one.

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— **Francois Perrin** 22 HOURS AGO

In reply to **Gesha**

Then let them compete.

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— **Gesha** 21 HOURS AGO

In reply to **Francois Perrin**

Sure, they can compete... **if** they are willing to be subject to the same level of regulation. They are not. Sorry, can't have the cake and eat it too.

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— **fionathecelt** 1 DAY AGO

Help please from those that know more than I.

Surely both tax officials, crime busters and government regulators have a keen interest in stablecoins and similar, both in anti crime and general run of the mill tax evasion.

Does stablecoin succumb to both or is it "free" of both?

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— **Progressive Patriot** 1 DAY AGO (Edited)

In reply to **fionathecelt**

Can stablecoin be used to pay tax liabilities ?

Is any “interest” earned (if possible due to Genius Act) taxable as income ?

The Guido’s and Luigi’s of the bank mafia will be more than happy to break kneecaps at the loss of money from their racket. All those fees. All that effort to end WFH for a RTO paradise that costs monthly.

Hmmm

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— **pipporvo** 1 DAY AGO

😱

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— Metrogn0me 1 DAY AGO

Surely if anything, times of uncertainty and stress would encourage flows ***towards*** legacy banks and their FDIC safety net.
As we've seen in the past with BTC, when things go wild, digital coin liquidations accelerate.

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— marusemi 1 DAY AGO (Edited)

Well, if the stablecoin issuers offered loans, they would be on a level playing field with the banks. Strangely, they don't seem minded to do that.

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— MES 1 DAY AGO

In reply to **marusemi**

Tether is the largest bitcoin-backed loan issuer in the centralized crypto lending space.

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— Valerii V 1 DAY AGO

> Banking lobbies including the American Bankers Association, the Bank Policy Institute and the Consumer Bankers Association last week warned lawmakers of a "loophole" in regulation that will let some crypto exchanges indirectly pay interest to stablecoin holders.

They are already doing that
For example [https://www.blockchain.com/earn](https://www.blockchain.com/earn)
10% on USDT/USDC

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— mentat 1 DAY AGO

Love to see it.

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— The Traveller 1 DAY AGO

By the time all of the vested interests (banks, crypto industry, Visa, Mastercard, et al) have poured even more lobbying money into the broken US political system, the result will be a Buggers Muddle, instead of a wonderful new world. The US is already many years behind most other major countries in terms of its digital payment environment. If the US is not careful, the rest of the world will have happily moved ahead with CBDC's (based on blockchain or otherwise) long before the US gets its act together with respect to digital currencies

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Nate 1 DAY AGO

Professional and measured adult response from Coinbase's CLO.

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plw 1 DAY AGO

Absolute clown shown. The systemic risks are compunding by the day for this insanity based on artificial scarcity. We now have what should be the bedrock of financial stability underwritten by the government at potential systemic risk due to mass movement of money, which ironically is meant to be matched by dollars. The potential negative feedback cycle is what well thought out and tested legislation should be there to stop.

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Fredrio 1 DAY AGO

In reply to **plw**

So, instead if enabling people to hold their electronic money in a safe way, where every stablecoin is backed by government bonds or similar assets, we should force them to store their deposits at a bank where there is little to no backing of the funds but instead an insurance system that may not even cover 100%. Great idea!

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Andy 1 DAY AGO

In reply to **Fredrio**

wow.

i didnt think we were even close to the point where nonsense like the above could be said with a straight face.

we do not need to preemptively provide taxpayer funds for pump and dump nonsense.

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Aiview 1 DAY AGO

In reply to **Andy**

There was already a bail out in 2008 in case you missed it. Fully funded by the tax payer. The whole banking system needs reform.

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MarbleArc 18 HOURS AGO

In reply to **Aiview**

It was reformed since

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Dr. O 14 HOURS AGO

In reply to **Aiview**

The bailout was the least bad option among awful options. Should there have been better macroprudential regulation? Of course. Was the belief in self-regulation of the banking system misplaced? Yes. However, you know there were some pretty significant reforms in the aftermath of 2008 and the US government made money on the bailout right?

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Once There 1 DAY AGO

In reply to **Fredrio**

the banks have the right to earn overnight interest with your deposits and not pay you any %, thats how its always been. after all, when you have $ in a checking account you are legally giving them a loan. any attempt to decentralize the monetary system will be fought at every step

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Sociable Weaver II 1 DAY AGO

In reply to **Fredrio**

You win the prize for the dumbest comment I have ever read on here, well done.

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plw 1 DAY AGO (Edited)

In reply to **Sociable Weaver II**

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The Merovingian 1 DAY AGO (Edited)

In reply to **Fredrio**

Taxpayer backing as last insurance... remember 2008.

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Maru Kun 1 DAY AGO

In reply to **plw**

If you were a hostile foreign power seeking to undermine the credibility of the dollar and destroy the US economy I doubt you could do much better than Trump has done so far, which may not be a coincidence.

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plw 1 DAY AGO

In reply to **Maru Kun**

Given Bessent is allegedly urging stablecoin providers to purchase Treasury bonds (as reported here), and is seeing this as a way to reduce borrowing costs, id say all bets are off, but the potential for harm is increasing by the day.

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Havelloc 1 DAY AGO

In reply to **plw**

Bessent asking stablecoin holders to buy treasuries is the same as PE companies asking access to pension funds - cash strapped entities sliding towards bankruptcy are desperate for new buyers to fleece.

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Francois Perrin 22 HOURS AGO

In reply to **Maru Kun**

It's the Biden war against Russia that triggered mass dedollarization of international business.
Thank the stable coins (and Trump), they will offer the dollar supremacy an other decade.

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urgh... 19 HOURS AGO

In reply to **Francois Perrin**

It's funny as none of the ft regulars will get this, meanwhile tether holds more us debt than Germany

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Climate Action 19 HOURS AGO

In reply to **urgh...**

Doesn't it matter who holds tether, too. Say Germans are holding it? Why am I asking: Status Quo: Buy US debt xyz of corresponding duration, hold it in a bank depot. Alternative: Hold a digital certificate - Call it what you want - that obliges an intermediary to hold it in a bank depot? What's the difference between banking intermediary and crypto intermediary when holding and earning a retail spread?

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urgh... 18 HOURS AGO

In reply to **Climate Action**

the use case is not for those who wish to hold treasuries, the use case is for those who wish to hold cash and earn a yield on it without the burden of managing the underlying treasuries. It's effectively the same as you pointed out but stables outsource the management of the underlying to someone else - making it appealing to quite a lot of people. Of course youre right its not so appealing to, say, the german government.

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LongRealThings 1 DAY AGO

In reply to **plw**

it's Karl Marx revenge: greed is good capital plants the seeds its own distruction, it takes time, but history always repeats.

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Focus on Fundamentals 21 HOURS AGO

In reply to **plw**

The modern fiat currency system is built on artificial scarcity. I trust mathematics more than I trust any government to restrain supply of a fiat currency.

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Focus on Fundamentals 21 HOURS AGO

In reply to **Focus on Fundamentals**

Let me add, just for clarity that I am not on the crypto bandwagon. The transaction costs are too high to function as anything other than fiat gold (store of value, not as a currency). But the idea that artificial scarcity is a reason not to use crypto is just specious.

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Kizzi 20 HOURS AGO

In reply to **Focus on Fundamentals**

Can you think of a better term to describe Satoshi's limit of 21M BTC than "artificial scarcity"?

Isn't "artificial scarcity" the hallmark of all credible crypto coins?

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Focus on Fundamentals 17 HOURS AGO

In reply to **Kizzi**

It's the hallmark of fiat currency. My point is that your options without artificial scarcity are real estate and gold. Have fun.

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Matt 1 DAY AGO

If it pays interest, it's a deposit; which therefore should be covered by deposit insurance— but stablecoins aren't, I assume. Hard pass.

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Pr10001 1 DAY AGO

In reply to **Matt**

You don't need deposit insurance for full reserve banks like stablecoin issuers such as Tether

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kualalumpur 1 DAY AGO

In reply to **Pr10001**

Hahahah ever heard of a liquidity crisis. Incoming Northern Rock 2.0 on steroids.

I suppose in such a world nobody is going to need any credit? Do you expect all credit to be funded 1:1 on an equity basis moving forward?

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sven. 1 DAY AGO

In reply to **kualalumpur**

neo-classical economics reigns supreme

Share Report

Super SWF 23 HOURS AGO (Edited)

In reply to **kualalumpur**

That will be fun! Crypto stable coins causing deposit flight and money supply shrinking in the traditional banking system, which will then be bailed out by govt / taxpayers funded by .... errrr .... crypto stable coins.

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Footloose 1 DAY AGO

In reply to **Pr10001**

Where's the audit?

Share Report

BusinessStorm 11 HOURS AGO

In reply to **Pr10001**

Do you really think these Ponzi schemes are issuing billions of dollars in tokens that are backed by cash in the bank? Where would they be getting all this money from?

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Fredrio 1 DAY AGO (Edited)

In reply to **Matt**

Stablecoins are backed 100% by mostly government bonds and other assets. Thats exactly the reason why any sane person would rather hold a large amount of stablecoins than have a large deposit at a bank where there is little to no backing of the deposits. Hence the need for deposit insurance.

If it also payed interest, nobody would use banks anymore. Thats what banks see and what they fear.

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Bal 1 DAY AGO

In reply to **Fredrio**

Mark to market losses on sale of said assets, inevitably during market instability, could lead to inability to cover par value for stablecoin holders

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Fredrio 1 DAY AGO

In reply to **Bal**

That may be a possibility. And that is what regulations and audits are for. But its still a lot better than a system where nobody expects the bank to even be able return all deposits and instead we rely on an insurance system that covers only a specific amount.

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hmmm 1 DAY AGO

In reply to **Fredrio**

Ah the joys of Dunning-Kruger where someone has a little knowledge and then thinks they're an expert.

Go look at why SVB failed and come back and explain why anyone would want to keep large sums in an interest-free "stable-coin"

Share Report

Lui 1 DAY AGO

In reply to **hmmm**

It's quite straight forward to earn yield on stablecoins whether or not the stablecoin directly passes back the yield.

SVB went bust because they bet too heavily on long dated U.S. treasuries during a low rate era and 95% of their customer base was startups which made them particularly vulnerable to a run. Credit suisse also failed around the same time btw.

People who throw stones shouldn't live in glass houses

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Tolerate everything except intolerance 1 DAY AGO

In reply to **hmmm**

Heads up. Dunning Kruger is a statistical error described as science.
A classic case of confirmation bias messing up science.
Google it.
Otherwise I agree.

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Maru Kun 1 DAY AGO

In reply to **Fredrio**

Why do you think Tether had never agreed to a proper audit of the holdings backing Tether?

Surely it would give them a competitive advantage to prove that they really had the liquid funds to back the stable coins issued?

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Fredrio 1 DAY AGO

In reply to **Maru Kun**

tether is not allowed to operate in the US because it has not been audited. Other stablecoin issuers that have been audited also exist and operate in the US.

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**Islander** 1 DAY AGO

In reply to **Fredrio**

If a stablecoin is 100% invested in US treasuries then why not just hold the US treasuries or ETF directly, instead of letting Circle/Coinbase take a cut of the yield?

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**urgh...** 19 HOURS AGO

In reply to **Islander**

Because you can:

custody your own wealth (pros and cons for many)

Earn yield on chain (funding arb/basis trade paying double digits delta neutral since years) much higher than risk free rates

Avoid regulatory scrutiny (capital controls in china for example)

Move in and out of volatile assets seamlessly

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**LTK** 19 HOURS AGO

In reply to **urgh...**

> Earn yield on chain (funding arb/basis trade paying double digits delta neutral since years) much higher than risk free rates

More yield than risk-free because... there's much higher risk.

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**urgh...** 18 HOURS AGO

In reply to **LTK**

well its priced accordingly, nothing surprising there

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**Tempus Fugit** 23 HOURS AGO

In reply to **Fredrio**

Or you could just buy Treasuries.

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Ponche gringo 14 HOURS AGO

In reply to **Fredrio**

Please read some financial history, particularly the but about liquidity transformation. Everything you think is an innovation has been a problem for over a century.

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MES 1 DAY AGO

In reply to **Matt**

Is a bond a deposit?

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Aiview 1 DAY AGO

In reply to **MES**

No it's a 007

Share Report

yosemite_falls 1 DAY AGO (Edited)

In reply to **Matt**

It's not interest, it's "yield" or "reward"... at least, that's how they're skirting all the rules

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Lalle 19 HOURS AGO

In reply to **Matt**

Is a bond a deposit? (Spoiler alert: No)

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Ai Hong 1 DAY AGO

Banks warn of trillions in deposit flight if stablecoins can offer yield, yet the bigger risk is hidden in plain sight: grid fragility. Stablecoins only exist if electricity and internet rails hold. In a systemic blackout they are not "stable" at all, merely frozen code. At that point, people rush back to cash, and banks with vaults regain the upper hand.

The irony is that Wall Street is lobbying against crypto competition while the real counterparty risk is the U.S. power grid. A financial system that embeds stability into digital tokens assumes permanent energy resilience. That may be the most dangerous loophole of all.

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Flipdazed 1 DAY AGO

In reply to **Ai Hong**

Geez... How do you think your bank transfers work when there's an outage ?

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saintls 1 DAY AGO

In reply to **Flipdazed**

or cash machines for that matter lol

Share Report

sven. 1 DAY AGO

In reply to **Flipdazed**

I'll hazard a guess that some stable coin providers will not invest the same amount in covering tail risk scenarios

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Havelloc 1 DAY AGO

In reply to **Flipdazed**

There are 2.4 trillion physical USD coins and notes in circulation (7.9% of US's annual GDP). Even if power and the internet goes down, the economy can still function. Plus, you can always use emergency power to print more physical notes to keep the economy rolling.

Pretty sure crypto doesn't offer the same level of security.

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Visible Hands 1 DAY AGO

In reply to **Ai Hong**

Jeez. All banks are already digital. Banks do not hold physical cash. Globally, only about 8-10% of the total money supply is physical cash, with the vast majority (over 90%) existing as virtual or electronic money. This virtual money includes balances in bank accounts, transactions in digital payment systems, and other forms of electronic currency that are not physically printed or minted. Cash will never come back. Are you going to watch DVDs vs Netflix or Youtube, other streaming platforms?

Are you reading this article on paper? Or is it digital.

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Ai Hong 1 DAY AGO

In reply to **Visible Hands**

Bank money does not need energy-intensive blockchain calculations, and unlike stablecoin platforms, banks are tied into national infrastructure with backup systems and multiple state grids.

If the power goes out, you can still queue at a branch and withdraw notes, and banks can reroute transactions through redundant networks. But if the grid fails for stablecoin servers, they simply freeze — code on powerless machines. Banks bend, blockchains break.

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**Ricardo's rent** 1 DAY AGO

In reply to **Ai Hong**

That is not accurate. One miner, and one node powered by solar, wind or whatever, anywhere in the world would keep the bitcoin blockchain moving along.

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**Ai Hong** 1 DAY AGO

In reply to **Ricardo's rent**

Decentralization is not the same as stability. Bitcoin can keep ticking so long as a miner and node survive, but if everyone tried to withdraw at once the system would seize up. Liquidity is thin, block space is limited, and the price would collapse under a mass redemption.

Stablecoins are even more fragile: they rely on centralized servers and issuers. Without power they are frozen, without liquidity they are worthless. Bitcoin may limp on in the dark, but stablecoins die the moment the switch flips.

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**MES** 1 DAY AGO

In reply to **Ai Hong**

The entire point of decentralized blockchains is massive redundancy and decentralization. If a blockchain like ether is failing, you can be assured that whatever networks your traditional bank is using failed a while ago.

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**Ai Hong** 1 DAY AGO

In reply to **MES**

Yes, Bitcoin or Ethereum are decentralized — one miner and one node somewhere in the world can keep the chain alive. But stablecoins are not Bitcoin. USDC, USDT and the rest depend on centralized issuers, regulated servers, and API gateways. If their infrastructure loses power or connectivity, your "dollars on chain" are just numbers on a dead screen.

So the real point is this: decentralization may keep Bitcoin crawling forward, but a stablecoin without power is worthless because it cannot transact or redeem.

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**MES** 1 DAY AGO

In reply to **Ai Hong**

USDC has a centralized issuer, but it runs on ethereum, a decentralized blockchain.

A stable coin without power is the same as an atm without power or having your bank website down. You still own the stable coin, you just need to wait until a redemption service is back online if you want to redeem it. How is that different than waiting for your bank website to come back online?

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**Tolerate everything except intolerance** 1 DAY AGO

In reply to **Ai Hong**

interesting. The risk + the risk. If the grid is down the whole economy would be in meltdown at the same time.

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**Gottgruss** 23 HOURS AGO

In reply to **Ai Hong**

Banks must have have very large safes to store all those bills.

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**19092** 1 DAY AGO

crypto can't crash soon enough

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**Spike** 1 DAY AGO

In reply to **19092**

What's your favoured predicted mechanism for that? I can't decide

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— **Havelloc** 1 DAY AGO (Edited)

In reply to **Spike**

Any significant economic crisis will fundamentally undermine all crypto assets because they are less useful than hard cash for living expenses. When crypto investors need to dip into their crypto holdings to finance existing obligations, that's when you'll see a proper run.

As a reminder, no crypto currency has lived through a catastrophic economic crisis such as the the dot com bust or the GFC. COVID was a shock but QE prevented the worst of it from affecting the economy in the short term. The real test is yet to come.

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— **Nullius** 5 HOURS AGO

In reply to **19092**

There have been a few crashes. There may be more to come. But after 15 years or more of ridicule and hostility from the financial glitterati, crypto is not just still around, it is thriving. In many ways it is now just another part of the financial system.

The old saying "what doesn't kill us makes us stronger" applies to crypto, and Bitcoin in particular.

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