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Backers see stablecoins locking in US role in global commerce

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Lawmakers are leaning heavily on a case for the U.S. to maintain the dollar's global importance as they try to maintain congressional momentum for stablecoin legislation.

Arguing that the ability to make payments with stablecoins is already an inexorable advance in financial services, they say the U.S. has to be part of the transition to maintain the dollar as the coin of the worldwide realm. Stablecoins are a form of cryptocurrency but usually without the volatility.

"A properly regulated stablecoin market can strengthen the U.S. dollar's dominance, modernize our payment infrastructure and promote financial access without government overreach," House Financial Services Chair **French Hill**, R-Ark., said at a March 11 **hearing.** "It's essential that we deliberate and get this job done and done right."

Many U.S. consumers are familiar with digital payment systems such as Venmo or PayPal. With a few clicks on a smartphone keypad, they make instant payments, sidestep contact with a bank, and maintain their privacy. McKinsey and Co. said more than 90 percent of U.S. consumers used digital payments in 2024.

Stablecoin advocates, at least those in Congress, say that a good regulatory framework can put the dollar at the center of digital payments technology as it sweeps the globe. Businesses and consumers will turn to stablecoins to avoid volatility in their domestic currencies, skip the paperwork involved with the traditional banking system, lower transaction costs and maintain their privacy.

"It's great for all Americans because all Americans benefit from the U.S. being the global leader in finance," said Beth Haddock, global policy lead and a member of the advisory board at The Stablecoin Standard, an industry group that promotes best practices.

Stablecoin advocates are pushing bills in the Senate (**S 919**) and **House** that would give such tokens a stronger foundation. The coins are typically pegged to some underlying asset, such as the dollar.

The House and Senate bills seek to provide what stablecoin enthusiasts say is critical for the further development and wider acceptance of the token: regulatory clarity. The Senate Banking Committee **approved** its bill on March 13.

By ensuring the reserves behind the peg — including coins and currency, insured funds held at banks and credit unions and short-term Treasury bills — are maintained and that the sponsors of stablecoins are supervised, the regulatory structure creates confidence in the token.

Rep. **Bryan Steil**, R-Wis., who chairs the House Financial Services subcommittee that deals with digital assets, is the sponsor of the draft House stablecoins bill. Hill is the co-sponsor.

"I believe that stablecoins in particular give us a real opportunity to maintain dollar dominance across the globe," Steil said at a full committee hearing March 11.

He illustrated the point in an exchange with one of the witnesses, Patrick Collison, the CEO of Stripe Inc., a global payments platform. Steil highlighted a digital-only bank Stripe has established in Mexico to distribute payments to workers across Latin America. He asked Collison to elaborate on why that operation was good for global dollar supremacy.

"It increases dollar demand, increases the demand for U.S. Treasurys and it in turn lowers U.S. borrowing costs," Collison said.

Steil, like other Republicans, is also trying to keep a central bank digital currency on the sideline by co-sponsoring a bill (**HR 1919**) introduced by Rep. **Tom Emmer**, R-Minn., that would prohibit the Federal Reserve from sponsoring one.

Skeptics say that, like any cryptocurrency, stablecoins can collapse and do considerable harm to the people who hold them. They also say the anonymity of transactions makes them appealing for illicit activity, including money laundering.

Patrick Gruhn, founder and CEO of Perpetuals.com, a platform for regulated derivatives and cryptocurrencies in Europe, said a cross-border payment with stablecoins could be done at much lower cost than could a traditional wire transfer.

Unlike an international wire transfer through a bank, customers don't have to explain why they're sending or receiving the money — and the transaction occurs with a click.

"It's like cash," Gruhn said. "You have it in your phone. You are independent with your payments. You can send it to Europe or Australia or your neighbor. You can do it instantly."

'Make money move smarter and faster'

The Bank of New York Mellon is the world's largest custodian, with more than $52 trillion in assets under its purview, and processes about $2.4 trillion in payments daily, Caroline Butler, BNY's global head of digital assets, said at the hearing. She added that the bank supports stablecoin issuers with banking services, such as payments, deposits and custody.

"This technology has the potential to make money move smarter and faster," Butler said.

"Stablecoins use these benefits to serve as a complement to the existing payment services and rails we offer our clients today. Our commitment to advancing the future of finance includes the integration of blockchain," she said.

Butler said BNY serves clients in more than 100 markets and needs to be able to use the latest technology.

"The U.S. dollar is our largest currency for trade, and the stablecoin is just a representation of that dollar on a blockchain, but the blockchain enables the dollar to be used more because of the benefits that blockchain can yield," she said.

Establishing rules for dollar-denominated stablecoins would position the country to lead on the technology and currency fronts, said Salah Ghazzal, policy and legislative analysis manager at the Blockchain Association.

"Ensuring that stablecoin issuers operate under a clear regulatory framework aligns innovation with U.S. policy priorities, providing safeguards against illicit finance while expanding the dollar's influence in a rapidly digitizing financial system," Ghazzal said in a statement.

Stronger regulatory foundation

Stablecoins have been in circulation for years and are seen as the digital token with the best reputation despite many examples of failing.

Haddock said a stablecoin is the "polar opposite" of a meme coin. The latter is a collectible and subject to much speculation, while the former is "the infrastructure and base layer" for global payments.

"I think there's a fair amount of consensus around [stablecoins] because they are pretty boring," Haddock said.

Mike Canning, founder of LXR Group, a consulting firm focused on capital markets policy, contrasted stablecoins with other digital tokens by calling them “adjacent” to traditional banks.

“Stablecoins [serve as] the vector where digital assets — everything crypto- and blockchain-related — can get into the banking system,” Canning said. That’s what increases “the seriousness and urgency” around the debate over legislation.

The underpinnings for stablecoins provided by the bills could inspire consumer confidence similar to the oversight of traditional deposits, Gruhn said.

False sense of security

The current lack of regulation leaves an air of uncertainty around stablecoins.

“Either you hope for the best or you have to do it yourself,” Gruhn said in describing oversight of the tokens. “You have to analyze the balance sheet of the issuer and monitor it over the time you hold the stablecoin.”

Mark Hays, associate director for cryptocurrency at Americans for Financial Reform, said the proposed regulatory framework in the bills doesn’t do enough to protect consumers.

He warned about the general instability of stablecoins, their use for illicit finance and the dangers of nonbanks, such as the social media platform X, creating their own stablecoins and blurring the lines between the consumer economy and the banking system.

The legislation wouldn’t provide stablecoin holders the same safeguards as the Federal Deposit Insurance Corporation’s guarantee of bank deposits. But it could give stablecoin users a false sense of security.

"That likely will lead to greater instability and greater contagion when these assets de-peg," Hays said. "More people will be exposed to these assets and use them thinking they're safe."

Rep. **Stephen F. Lynch**, D-Mass., ranking member of the digital assets subcommittee, said at the hearing that 20 stablecoins have collapsed over the last several years.

Senate Banking Committee ranking member **Elizabeth Warren**, D-Mass., offered several amendments to that panel's bill, all of which were rejected by party-line votes. She voted against the underlying measure.

Despite Democratic misgivings, the Senate bill drew support from five Democrats on the Banking Committee and appears headed toward **a filibuster-proof majority** on the Senate floor.

"You have a significant number of Democrats in both chambers who want to be part of the solution," Canning said.

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