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National Association of Federally-Insured Credit Unions

May 17, 2023

The Honorable French Hill
Chairman
Committee on Financial Services
Subcommittee on Digital Assets,
Financial Technology, and Inclusion
United States House of Representatives
Washington, DC 20515

The Honorable Stephen Lynch
Ranking Member
Committee on Financial Services
Subcommittee on Digital Assets,
Financial Technology, and Inclusion
United States House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing: "Putting the 'Stable' in 'Stablecoins:' How Legislation Will Help Stablecoins Achieve Their Promise"

Dear Chairman Hill and Ranking Member Lynch:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on issues of importance to credit unions ahead of tomorrow's hearing on stablecoins. NAFCU advocates for all federally-insured not-for profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial service products.

NAFCU appreciates the continued work of the Subcommittee in examining the integration of digital assets into traditional financial products, including the creation of stablecoins. As we have previously shared, we appreciate that both drafts of legislation noticed for this hearing use definitions of an insured depository institution (IDI) that include credit unions and definitions of federal banking regulators that include the National Credit Union Administration (NCUA). However, the Subcommittee must be careful not to unintentionally create an uneven playing field among credit unions, banks, and non-depository institutions by establishing chartering and enforcement provisions based solely on the Federal Deposit Insurance Act, with which the NCUA cannot strictly comply. The Subcommittee should also be cautious of granting bank-like chartering privileges to entities not offering insured deposits or engaged solely in stablecoin activities if doing so compromises safety and soundness. Along those lines, we have concern with the language found on the May 11th discussion draft noticed for this hearing that would seem to open the door for a special purpose "fintech" charter on page 24. We have concerns about this section and would urge better clarity before this draft moves forward.

To operate most efficiently, regulatory frameworks for stablecoins should acknowledge the NCUA's role as the primary financial regulator for credit unions. Establishing barriers to credit union engagement with digital assets would undercut many of the financial inclusion benefits that may be realized through related technologies. The credit union industry has a long history of prioritizing the needs of underserved and low-income communities and desires to continue this important work. While the bills generally recognize this, we have particular concern with language found in the May 11th discussion draft under subclause VIII on page 34 that clarifies supervisory and consumer protection requirements for functionally regulated custodians. This language appears to exclude credit unions because it cross-

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references a “primary financial regulatory agency” as described “under subparagraph (A), (B), or (C) of section 2(12) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5301(12))” and this section of the Dodd-Frank Act does not explicitly reference the NCUA. We would urge you to amend this language before advancing this draft.

NAFCU also supports enforcement and examination being left up to existing regulators—in the case of credit unions, the NCUA—as well as establishing a basic framework for oversight of non-depository stablecoin issuers.

Finally, we would like to take this opportunity to reiterate our strong opposition to creating a Central Bank Digital Currency (CBDC). NAFCU believes that any advantages of a CBDC are outweighed by a multitude of risks, including those related to consumer privacy, financial stability, misallocation of Federal Reserve resources, and government intrusion into banking services traditionally provided by the private sector. Whatever benefits CBDC might hypothetically provide can be achieved more reliably and with less risk using existing financial sector infrastructure, including the Federal Reserve’s soon-to-launch FedNow service. Furthermore, studies that consider the role of a CBDC in relation to other countries’ use of digital currency—particularly China—tend to overlook critical issues around privacy and have not fully considered whether adoption of digital currency in foreign jurisdictions serves primarily a surveillance purpose. Given the strong position of the U.S. dollar today and public wariness of CBDC as a surveillance tool, near-term attention should be devoted instead to policy actions that can strengthen institutions like credit unions that stand ready to offer affordable and safe financial products and services to millions of Americans without fear of financial institutions acting as a government monitor.

Notwithstanding our concerns over a CBDC and our additional comments above, we are generally supportive of both legislative approaches for stablecoins that were noticed for this hearing. We believe that any study of CBDCs will confirm our concerns and further prove the need for stablecoins as a trusted means of real time settlements.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on including emerging technologies into financial services. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU’s Senior Associate Director of Legislative Affairs, at (703) 258-4981 or lplush@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Digital Assets, Financial Technology, and Inclusion