



## LIVE BLOG: The House Talks Stablecoins

Join CoinDesk reporters as they cover today's hearing live.

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The House of Representatives Committee on Financial Services is discussing stablecoin regulations with Treasury Under Secretary for Domestic Finance Nellie Liang. The hearing, coming in the wake of a report from the President's Working Group on Financial Markets, will seek to better understand the possible risks regulators see in stablecoin proliferation, as well as what sort of regulatory framework can best address them.

CoinDesk reporters Nikhilesh De and Helene Braun will cover the hearing live as it happens.

**1:27 p.m. (HB)** Rep. Sean Casten (D-Ill.) raised the question of why we need private stablecoins if there is a central bank digital currency. Undersecretary Liang said that the point is that right now, there is no CBDC, but there are many private stablecoins that rise in popularity. However, she said that they could go away once a CBDC is to be introduced.

**1:21 p.m. (HB)** Kevin Greene, CEO of Tassat Group, said in a statement that blockchain payments are already possible within currently-regulated entities.

"While it is important to address the risks associated with unregulated and underregulated non-bank issued stablecoins, which were clearly outlined by Under Secretary Liang in her testimony today, we encourage policymakers to also support cutting edge payment options that operate within the existing regulatory framework that has served the American banking system well for over one hundred years," he said in a statement emailed to CoinDesk.

**1:15 p.m. (HB)** Rep. Stephen Lynch (D-Fla.) asked if a central bank digital currency (CBDC) would diminish the value of the stablecoins that are already out there and Undersecretary Jiang agreed that there would be a lot of issues in terms of designing a CBDC and how they could co-exist with stablecoins.

**1:06 p.m. (HB)** Rep. David Kustoff (R-Tenn.) brought up China and the country's introduction of the digital yuan. Undersecretary Liang said that China introduced the digital yuan in some part as a way to take back control that they had lost to private firms. She added that China doesn't value privacy as much as the United States does which is why the lessons learned from their introduction of a digital currency versus how the US will approach it is "less direct."

**12:52 p.m. (HB)** Rep. Warren Davidson called for a more detailed discussion on stablecoins and to distinguish between the various issuers out there. He called tether a "timebomb" but says USDC, the second largest stablecoin by market cap, is a "highly regulated asset." He also criticized the President Working Group's report, calling it a "big bank protection concept."

**12:34 p.m. (HB)** Rep. Alexander Mooney asked about a timeline for congressional action, while at the same time echoing Undersecretary Liang in recognizing the complexity of the issue and the need to get things right instead of quickly.

**12:16 p.m. (HB)** Rep. Joyce Beatty admitted her view of cryptocurrencies has changed: "At one time, I probably thought this was more like the wild, wild west of what we're doing, and now I realize that it is the future frontier, and wow, I don't want to over-regulate to the point that it chokes off innovation."

**12:09 p.m. (HB)** Rep. Tom Emmer pointed out that while stablecoins represent just 5% of the digital asset industry's total value, they account for more than 75% of crypto trading, which is why they can't be ignored. He also criticized the President's Working Group report, noting that while it doesn't even provide a definition of stablecoins, it didn't hesitate to assert that their risks are broad and cross numerous jurisdictional lines. A bank-like regulatory framework, said Emmer, would be improper for stablecoins and inadvertently engulf potential future financial products that are vastly different than what is now considered a stablecoin.

Emmer: "Banks should not be the only institutions in the ecosystem with dibs to issue the potential array of financial products that the President's Working Group report simply lumps together and ties as a stablecoin."

**12:01 p.m. (HB)** Rep. French Hill asked about the possibility of a federal money transmitter license. "That is a possibility definitely worth exploring," Undersecretary Liang said.

**11:42 a.m. (HB)** Rep Jim A. Himes said the question isn't if we should allow stablecoins or not, but instead about how we regulate them in a way that doesn't kill innovation. "There's a radical difference between a stablecoin which is fully backed dollar for dollar with reserves ... and [dogecoin]," he said. This means stablecoins need to be regulated in a different manner than other riskier cryptos.

"[Stablecoins] should be held accountable to actually be able to provide that stability when demanded," responded Undersecretary Liang.

**11:38 a.m. (HB)** Rep Andy Barr said that he worries "it's inconsistent to take the position that only banks should be allowed to issue stablecoins."

**11:26 a.m. (HB)** Rep. Bill Posey brought up concerns regarding Tether's backing. Tether is the largest stablecoin by market capitalization.

"They are not fully collateralized under all conditions. ... I do have concerns about the opacity of the reserve assets of stablecoin issuers," Liang said.

**11:17 a.m. (ND)** Rep. Frank Lucas (R-Okla.), noting the Commodity Futures Trading Commission's settlement with Tether, asking if the PWG felt that the CFTC had the authority to audit stablecoins as a result of the Commodity Futures Act. Liang said she would have to defer to the agency.

**11:13 a.m. (HB)** Rep. Al Green (D-Texas) brought up DOGE: "If you invest in nothing, there is a good likelihood that at some point you'll get what you pay for and that causes me a good deal of concern."

**11:08 a.m. (HB)** Undersecretary Liang: "[Stablecoins] are bank-like products ... as well as an investment-like product which is why we believe there was a regulatory gap."

**11:07 a.m. (ND)** Rep. Bill Huizenga (R-Mich.) asked why the PWG report did not conduct any analysis on whether stablecoins might fall under securities law or policy issues under securities laws.

Liang said the group focused on the idea of stablecoins as a payments tool and tried to "identify gaps in regulation" with that specific use case.

Huizenga seems dissatisfied with this response, saying it's unclear how stablecoins might fall under securities laws: "Why would you not do that analysis if we don't have a clear picture?"

Liang says she would have to defer to the Securities and Exchange Commission.

**10:55 a.m. (HB)** Rep. Blaine Luetkemeyer (R-Mo.) asked if there's a way to incentivize stablecoin issuers to use the U.S. dollar as backing to ensure stability.

"They have a natural incentive to use the US dollar because it is the global currency. I believe the incentives we need to put in place is to ensure it remains," Undersecretary Liang said.

**10:51 a.m. (HB)** Rep. Sherman also said Facebook's Libra (later Diem) had so much money and power behind it that it could've emerged as an everyday currency.

**10:49 a.m. (ND)** Rep. Brad Sherman (D-Calif.) said the risks from stablecoins could affect both investors and the monetary system.

"We're talking about the risks to investors and they are substantial," he said.

He asked Liang if she could offer "specific statutes" that Congress could implement as part of her work with the President's Working Group.

**10:47 a.m. (HB)** Rep. Ann Wagner (R-Mo.) said we must ensure that "any federal regulatory framework provides clarity and also ensures that the regulation fits the activity rather than simply overlaying traditional banking regulation over stablecoins."

**10:45 a.m. (ND)** Third parties are weighing in on what stablecoin regulation could mean for the digital asset industry in the U.S. Nick Anthony, manager at the Cato Institute's Center for Monetary & Financial Alternatives, told CoinDesk that limiting stablecoin issuance to banks may be an issue.

"Chairwoman Waters has stressed both in her opening and questions that she is concerned about stablecoins and their so-called concentration of power. If she really is concerned about market concentration, she should reject the PWG's recommendation to limit issuance to banks. Cryptocurrencies offer an unprecedented source of competition for the banking industry and that is something that should be welcomed. Limiting issuance will only serve to exacerbate market concentration issues," he said.

The Bank Policy Institute, a bank lobbyist group, sent the committee written testimony ahead of the hearing. In a statement, senior vice president and associate general counsel Paige Pidano Paridon said Congress "should take swift measures in coordination with U.S. regulators to establish clear rules."

"Digital asset innovation is well past proof-of-concept stages, gaining steam and has thus far been happening outside of the regulated banking sector while banks await guidance. Absent such guidance, the highly regulated banking sector will be left on the sidelines as digital asset innovations continue to advance unchecked in the unregulated sectors, with little to no government oversight to ensure the safety and soundness of our financial system and the protection of ordinary American consumers," she said.

**10:35 a.m. (HB)** "If stablecoins are backed by high quality assets, their risk is quite low and they can form a building block and a cornerstone of a payment system," Under Secretary Nellie Liang said.

**10:32 a.m. (HB)** Rep. Patrick McHenry pointed out that there's no mention of any state regulatory framework in the PWG's report. "The principal reason is that the state regulatory system is fragmented. ... There's no plenary oversight of the entire arrangement," said Under Secretary Nellie Liang.

**10:30 a.m. (HB)** "The PWG report believes that a more consistent, less fragmented framework is preferred," Liang said.

**10:21 a.m. (HB)** Under Secretary Nellie Liang said that technology companies should not be allowed to issue cryptocurrencies as a payment instrument. Rep. Maxine Waters asked about Facebook's Libra (later Diem) project and raised concerns about the amount of sensitive data that those companies have access to.

**10:17 a.m. (HB)** Under Secretary Jean Nellie Liang welcomes the members of the Committee and reiterates the profound impact that stablecoins could have on the financial system and economy, while also stressing its threat to it. "But stablecoins also raise policy concerns, including those related to illicit finance, user protection, and systemic risk. To mitigate these risks while supporting the potential benefits from innovation, Treasury believes that regulation of stablecoins should be clear and consistent."

**10:13 a.m. (HB)** Rep. Patrick McHenry (R-N.C.) stresses that it's not right to only focus on the risks of stablecoins, but that it's important recognize its potential to the digital ecosystem. "We cannot regulate out of fear for the future. ... Requiring stablecoins to only be issued by banks would be a major obstacle for us to continue to foster innovation within this nascent industry."

**10:06 a.m. (HB)** Chairwoman Rep. Maxine Waters (D-Calif.) started of the hearing, discussing the potential risks of stablecoins for the economy and communities, while also stressing the opportunities it brings to the financial system. "Investigations have shown that many of these so-called stablecoins are not in fact backed by full reserve assets. Moreover, due to the speculative trading, and the lack of investor protection, stablecoins could even threaten our financial stability."

**10:00 a.m. (ND)** Hey folks, and welcome to our coverage of today's hearing on stablecoin regulations. To set the stage: This is the first of at least two hearings we'll see on this topic. The Senate Banking Committee has its own hearing planned for next week.

The focus today will be on how best Congress can implement the report's recommendations, as well as how to approach these issues. It's a full committee hearing, meaning more than 50 members of the House of Representatives will have the opportunity to ask our sole witness questions over the next few hours.