



October 28, 2021

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Opposition to bank charter for stablecoin issuers

Dear Secretary Yellen,

Americans for Financial Reform, The Center for Responsible Lending, National Community Reinvestment Coalition, National Consumer Law Center (on behalf of its low-income clients), and the Open Markets Institute write to express our opposition to a bank charter for stablecoin issuers that would give them preemption rights without the full obligations and oversight required for insured depository banks. This letter addresses consumer protection concerns beyond the safety and soundness risks discussed in the recent letter from Americans for Financial Reform.¹

We support greater regulation of stablecoin issuers. But bank charters have been used to escape consumer protection laws, and we strongly oppose giving bank privileges to entities that do not carry the full responsibilities of traditional banks. In particular, we oppose bank charters for companies that do not hold fiat deposits insured by the FDIC or submit to consolidated supervision of the holding company by the Federal Reserve Board under the Bank Holding Company Act. Even with these conditions, bank charters carry strong risks for consumers, and we oppose the preemption rights even for traditional banks. Those rights should not be extended to companies that have fewer obligations and are more lightly regulated.

We also fear that providing a bank charter to stablecoin issuers would mislead the public into believing that stablecoins are safer than they are and that the government is endorsing their use. As explained in Americans for Financial Reform's prior letter, stablecoins are not nearly as "stable" as implied. People should not be risking money they cannot afford to lose by purchasing stablecoins. Yet the word "bank" or a charter bestowed by the federal government will convey the impression that deposits are insured and backed by the federal government. Disclosures

¹ Letter from Americans for Financial Reform to The Hon. Janet Yellen (Oct. 19, 2021), <https://ourfinancialsecurity.org/2021/10/letters-to-regulators-letter-to-the-treasury-presidents-working-group-on-stablecoin-regulation/>.

about lack of deposit insurance will be ineffective and will not change the expectation that these deposits are safe.

Even requiring FDIC insurance would pose concerns. Providing deposit insurance for stablecoins could improperly put taxpayer funds at risk to back a speculative industry. Accordingly, we strongly urge you to find a way to regulate stablecoin issuers that does not involve providing them the preemption rights and other privileges of banks when they will not have the same responsibilities, safety and oversight. If you have questions, please contact Lauren Saunders at lsaunders@nclc.org. Thank you for considering our views.

Yours very truly,

Americans for Financial Reform
Center for Responsible Lending
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
Open Markets Institute