November 15, 2022

The Honorable Maxine Waters
Chair, United States House Committee on Financial Services
Washington, D.C.

The Honorable Patrick McHenry
Ranking Member, United States House Committee on Financial Services
Washington, D.C.

The Honorable Sherrod Brown
Chair, United States Senate Committee on Banking, Housing, and Urban Affairs
Washington, D.C.

The Honorable Pat Toomey
Ranking Member, United States Senate Committee on Banking, Housing, and Urban Affairs
Washington, D.C.

**Re: Securing America's leadership position in the future of money and payments**

Dear Chairwoman Waters, Ranking Member McHenry, Chairman Brown, and Ranking Member Toomey:

I applaud the bipartisan progress that has been made on offering a framework for regulating payment stablecoins. It was just over a year ago that the President's Working Group on Financial Markets issued an urgent call for Congress to establish a national regulatory framework for payment stablecoins to protect consumers and support financial stability.[1] The events of recent days are a painful reminder that a lack of regulatory clarity drives activity offshore in a way that can harm U.S. consumers, investors, companies, and the country as a whole. Congress should act now to pass comprehensive payment stablecoin legislation.

Payment stablecoins are an important innovation that makes payments faster, cheaper, programmable, and more inclusive. Circle's payment stablecoin, USD Coin (USDC), is transmitted over public blockchains, which are secure and open to all.

Federal legislation is necessary to protect consumers, promote responsible innovation, support U.S. economic competitiveness, and maintain the U.S. dollar as the pre-eminent currency on the internet. The Biden Administration's Executive Order on responsibly developing the digital assets market makes clear that this is a matter of national economic competitiveness and security.[2] The benefits of public blockchains are available to innovators like Circle and traditional merchants and financial institutions alike. In fact, many traditional financial services companies are utilizing blockchains to upgrade legacy infrastructure and have found that the technology can help small and medium-sized enterprises level the playing field against much larger competitors. Most merchants (87%), for example, say organizations that accept digital currencies for payments will have a competitive advantage. And most merchants expect digital currency payments to become ubiquitous in the next five years.[3] Larger institutional actors also leverage blockchain to support key business goals.

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[1] United States Department of the Treasury, November 1, 2022. *President's Working Group on Financial Markets Releases Report and Recommendations on Stablecoins*, accessed at: https://home.treasury.gov/news/press-releases/jy0454

[2] The White House, March 9, 2022. *Executive Order on Ensuring Responsible Development of Digital Assets,* accessed at: https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/

[3] Deloitte, June 8, 2022. *Merchants getting ready for crypto: Merchant Adoption of Digital Currency Payments Survey*, accessed at: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology/us-cons-merchant-getting-ready-for-crypto.pdf

To see how traditional institutions are leveraging public blockchains and payment stablecoins to benefit consumers, look no further than the global challenge of remittances. In a world where information flows effortlessly, most transactions remain time-intensive and costly, often at the expense of growth and inclusion. This is felt particularly in the context of cross-border payments, among which remittance flows alone are expected to total $630 billion this year.[4] This movement of money, which suffers from long settlement times and fees averaging more than 6% of transaction value, can be accomplished with greater speed and efficiency using blockchain-based payment rails.[5] Combining public blockchains, dollar-denominated payment stablecoins, and traditional payment methods dramatically increases the speed of moving money while meaningfully reducing transaction costs.[6]

The programmability and interoperability of public blockchains also enable new forms of economic activity. As an example, individuals and businesses can receive compensation in the form of micropayments, which create new alternatives to revenue models such as online advertising.[7] These types of micropayments have not been possible on existing payment rails because the expense of moving money often outweighs the actual payment.

The industry is moving from its "dial-up" phase, where payment stablecoins and blockchains have helped to facilitate the buying and selling of digital assets, to the utility phase, where traditional commerce, from buying a cup of coffee to funding a new company, will converge with traditional financial services. Reasonable, workable, and clear legislation can unleash new economic activity, offering businesses and consumers the necessary assurances that the value embedded in payment stablecoins is protected under U.S. law, while shielding consumers and markets from deleterious and irresponsible financial alchemy.[8] It could also normalize the use of these tools for advancing humanitarian objectives of sending real-time, auditable, and corruption-resistant payments to vulnerable, poor, and marginalized communities.[9]

The consequences of inaction in the United States are significant, imperiling consumers, enabling continued regulatory arbitrage abroad, and stunting America's voice in harmonizing the use of exponential technologies in financial services and beyond. Other jurisdictions are moving ahead with comprehensive regulatory frameworks for digital assets, and the United States is at risk of missing an opportunity to set the rules that will govern the future of payments, money, and other sectors of the global economy.[10] What is more, some countries, notably China, are introducing top-down, highly

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[4] The World Bank, May 11, 2022. *Remittances to Reach $630 billion in 2022…*, accessed at: https://www.worldbank.org/en/news/press-release/2022/05/11/remittances-to-reach-630-billion-in-2022-with-record-flows-into-ukraine

[5] The World Bank, June 2022, *Remittances Prices Worldwide Quarterly (June 2022)*, accessed at: https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q222.pdf

[6] MoneyGram, June 10, 2022. *MoneyGram Launches Pioneering Global Crypto-to-Cash Service on the Stellar Network,* accessed at: https://ir.moneygram.com/news-releases/news-release-details/moneygram-launches-pioneering-global-crypto-cash-service-stellar

[7] CNBC, April 22, 2022. *Fintech giant Stripe jumps into crypto with a feature that lets Twitter users get paid in stablecoin*, accessed at: https://www.cnbc.com/2022/04/22/stripe-launches-crypto-payments-feature-with-twitter-as-first-client.html

[8] The Wall Street Journal, May 27, 2022. *TerraUSD Crash Led to Vanished Savings, Shattered Dreams: Investors swept up in the mania for the high-yielding stablecoin thought it would be safe,* accessed at: https://www.wsj.com/articles/terrausd-crash-led-to-vanished-savings-shattered-dreams-11653649201

[9] The Financial Times, December 10, 2021. *Digital Scheme Pays Venezuela Health workers from Frozen Funds*, accessed at: https://www.ft.com/content/2a271032-35b4-4969-a4bf-488d4e9e3d18

[10] Council of the European Union, June 20, 2022. *Digital finance: agreement reached on European crypto-assets regulation (MiCA)*, accessed at: https://www.consilium.europa.eu/en/press/press-releases/2022/06/30/digital-finance-agreement-reached-on-european-crypto-assets-regulation-mica/

centralized digital versions of their currency with the goal of outpacing the United States and replacing the dollar as the world's reserve currency.

End-users — whether they are consumers, businesses, or financial institutions — should know that payment stablecoins adhere to a bona fide regulatory regime with clear protections. Not all so-called stablecoins are created equal, and the absence of federal legislation to provide clear definitions and a disclosure regime for what a stablecoin is and how it functions as a financial product can result in harm to investors, consumers, and the broader U.S. economy.[11]

Any bill worth passing should include essential safeguards to ensure financial stability, protect consumers, encourage responsible innovation, and recognize the important role state regulators play in ensuring the safety of the financial system. A federal framework should hold payment stablecoins to high standards, with strict reserve, redemption, and disclosure requirements. All payment stablecoins must be backed, at par, by high-quality liquid assets held in segregated accounts within the U.S. financial system. Issuers should be required to make regular public attestations on the composition of reserves and comply with the Bank Secrecy Act.

Blockchain technology and payment stablecoins have the capacity to positively reshape the financial system to advance U.S. economic competitiveness, technological leadership, and national security goals. I urge you to introduce and pass a national framework for payment stablecoins and their underlying open-source infrastructure.

Sincerely,

Jeremy Allaire
Co-Founder and CEO
Circle Internet Financial

cc: The Honorable Jerome Powell
Chair of the Board of Governors
United States Federal Reserve System
Washington, D.C.

The Honorable Janet Yellen
Secretary of the Treasury
United States Department of the Treasury
Washington, D.C.

[11] CNBC, May 11, 2022. *Controversial stablecoin UST – which is meant to be pegged to the dollar – plummets below 30 cents,* accessed at: https://www.cnbc.com/2022/05/11/terra-ust-stablecoin-dives-below-1-peg-luna-cryptocurrency-down-80percent.html