

U.S. DEPARTMENT OF THE TREASURY

President's Working Group on Financial Markets Releases Report and Recommendations on Stablecoins

November 1, 2021

Report Outlines Regulatory Framework for Stablecoins and Pathways to Address Risks

WASHINGTON — Today, the President's Working Group on Financial Markets (PWG), joined by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), released a report on stablecoins. Stablecoins are a type of digital asset generally designed to maintain a stable value relative to the U.S. dollar. While today stablecoins are primarily used to facilitate trading of other digital assets, stablecoins could be more widely used in the future as a means of payment by households and businesses.

“Stablecoins that are well-designed and subject to appropriate oversight have the potential to support beneficial payments options. But the absence of appropriate oversight presents risks to users and the broader system,” said Secretary of the Treasury Janet L. Yellen. “Current oversight is inconsistent and fragmented, with some stablecoins effectively falling outside the regulatory perimeter. Treasury and the agencies involved in this report look forward to working with Members of Congress from both parties on this issue. While Congress considers action, regulators will continue to operate within their mandates to address the risks of these assets.”

The potential for the increased use of stablecoins as a means of payments raises a range of concerns, related to the potential for destabilizing runs, disruptions in the payment system, and concentration of economic power. The PWG report highlights gaps in the authority of regulators to reduce these risks.

To address the risks of payment stablecoins, the agencies recommend that Congress act promptly to enact legislation to ensure that payment stablecoins and payment stablecoin arrangements are subject to a federal framework on a consistent and comprehensive basis. Such legislation would complement existing authorities with respect to market integrity, investor protection, and illicit finance, and would address key concerns:


- **To address risks to stablecoin users and guard against stablecoin runs**, legislation should require stablecoin issuers to be insured depository institutions.
- **To address concerns about payment system risk**, in addition to the requirements for stablecoin issuers, legislation should require custodial wallet providers to be subject to appropriate federal oversight. Congress should also provide the federal supervisor of a stablecoin issuer with the authority to require any entity that performs activities that are critical to the functioning of the stablecoin arrangement to meet appropriate risk-management standards.
- **To address additional concerns about systemic risk and concentration of economic power**, legislation should require stablecoin issuers to comply with activities restrictions that limit affiliation with commercial entities. Supervisors should have authority to implement standards to promote interoperability among stablecoins. In addition, Congress may wish to consider other standards for custodial wallet providers, such as limits on affiliation with commercial entities or on use of users' transaction data.

In the immediate term, the agencies are committed to taking action to address risks falling within each agency's jurisdiction, including efforts to ensure that stablecoins and related activities comply with existing legal obligations, as well as to continued coordination and collaboration on issues of common interest. While Congressional action is urgently needed to address the risks inherent in payment stablecoins, in the absence of such action, the agencies recommend that the Financial Stability Oversight Council consider steps available to it to address the risks outlined in this report.

As discussed in the report, in addition to the risks noted above, stablecoins may also raise investor protection, market integrity, and illicit finance concerns. To the extent activity related to digital assets falls under the jurisdiction of the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC), the SEC and CFTC have broad enforcement, rulemaking, and oversight authorities that may address certain of these concerns. To prevent misuse of stablecoins and other digital assets by illicit actors, Treasury will continue leading efforts at the Financial Action Task Force (FATF) to encourage countries to implement international AML/CFT standards and pursue additional resources to support supervision of domestic AML/CFT regulations.

While the scope of this report is limited to stablecoins, work on digital assets and other innovations related to cryptographic and distributed ledger technology is ongoing throughout the Administration. The Administration and the financial regulatory agencies will

continue to collaborate closely on ways to foster responsible financial innovation, promote consistent regulatory approaches, and identify and address potential risks that arise from such innovation.

The PWG's report can be viewed here . A factsheet on the PWG report can be viewed here. A copy of remarks prepared for delivery by Under Secretary Nellie Liang to a Stanford Graduate School of Business webinar on digital assets can be viewed here.