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Stablecoins ...

and the Upcoming Battle for Depositors

Viral Acharya, Peter Koudijs, and Bruce Tuckman

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Largest Stablecoins and Recent Uses

| Coin | Issuer | Size | Backing | Comment |
|-------|-------------------------------------|------------|--|--|
| USDT | Tether (offshore trust) | \$185-190b | T-bills + Tsy repo; gold; bitcoin; secured loans | Add GENIUS-compliant USAT via Anchorage Digital Bank (OCC national trust bank) |
| USDC | Circle; NYDFS trust and offshore | \$75-\$80b | cash, short-term US Tsy. held at BNY Mellon | To be GENIUS compliant via First National Digital Currency Bank (national trust bank) |
| USDS | Sky Protocol (decentralized) | \$11b | crypto and real-world assets | |
| PYUSD | Paxos Trust; NYDFS for PayPal/Venmo | \$4b | deposits, T-bills, cash equivalents | likely reg oversight via national trust bank |

- 1) Crypto market infrastructure (settlement currency)
- 2) DeFi (cash-leg of transactions)
 - tokenized asset trades; borrowing or lending vs. crypto assets; liquidity pools; derivatives margin or settlement)
- 3) Cross-border payments
- 4) Deposit substitutes / yield harvesting
- 5) Merchant payments and payouts / fintech rails (emerging)

Stablecoins and the GENIUS Act of 2025

- The GENIUS Act of 2025
 - Aspires to be a regulatory framework in which PS can flourish for traditional payments.

“GENIUS creates a path for nonbank financial firms to compete with banks for payment services by allowing them to obtain a limited federal bank charter to offer payment stablecoins. In addition, the Federal Reserve recently proposed offering limited Fed payment accounts to payment service providers to support innovation and to ensure a safe and efficient payment system. These developments are likely to increase competition for commercial banks that have dominated the provision of payments services because of their exclusive access to the Fed’s payment rails and settlement services.”

- Liang and Dudley, March 3 2026, Brookings: [Next Steps for GENIUS Payment Stablecoins](#)

Selective Summary of the GENIUS Act

| | |
|-------------------------|---|
| Definition (Stablecoin) | <ul style="list-style-type: none">• Designed to be used for payment/settlement; legal obligation for timely redemption• Expectation that value will remain stable in dollars |
| Issuers | <ul style="list-style-type: none">• Subsidiary of an insured depository or federally qualified or state qualified• Foreign issuers if home regulation deemed comparable to U.S. regime• Public, nonfinancial companies may issue only if it is determined that they will not pose risks to U.S. financial stability, the banking system, or the deposit insurance system |
| Scope | <ul style="list-style-type: none">• Issuers limited to issuance and redemption of PS, custody and management of reserves |
| Reserves | <ul style="list-style-type: none">• 100% backed by cash, short-term Treasuries, or similarly liquid, low-risk assets• Additional capital requirements, diversification requirements, and liquidity constraints• Segregated and held at regulated financial institutions.• In case of bankruptcy, not part of issuer's estate; priority of claims over expenses and taxes; exempt from bankruptcy stay to speed redemptions |
| Interest | <ul style="list-style-type: none">• Issuers cannot pay interest |
| Fed Access | <ul style="list-style-type: none">• Act does not change eligibility for Federal Reserve Master Accounts |

Prohibition of Interest on Stablecoins

- GENIUS Act prohibits PS issuers from paying *“interest or yield... solely in connection with holding or using such stablecoin,”* **but**
 - USDC (Circle) + Coinbase
 - ❑ Circle is the issuer; Coinbase is the distributor and custodian.
 - ❑ Circle shares interest on USDC reserves with Coinbase as “distribution fees.”
 - ❑ Coinbase pays rewards (3-5%) for holding USDC on its platform.
 - PYUSD
 - ❑ Paxos Trust is the issuer.
 - ❑ PayPal/Venmo offer rewards for keeping balances in PYUSD.
 - Kraken pays rewards on USDC (Circle) and USDG (Paxos) held on its platform.
 - Anchorage Digital Neo pays rewards on USDtb (Ethena) held on its platform.
- The legal status of these rewards is unclear.
- The bank-crypto industry controversy on rewards is holding up the Clarity Act (i.e., the regulatory framework for digital assets).

Bank Charters and Activities/Characteristics

| Charter | Deposits | Loans | Trust/Fiduciary & Custody | Fed Master Accounts | Federal Preemption |
|-------------------------|--------------------|-----------------|---------------------------|---------------------|--------------------|
| OCC National Bank | ✓ | ✓ | ✓ | ✓ | ✓ |
| State Bank | ✓ | ✓ | Generally | ✓ | X |
| Industrial Loan Company | No demand deposits | ✓ | Depends | Generally | X |
| Wyoming SPDI | Fully Reserved | Not w/ Deposits | ✓ | May Apply | X |
| OCC National Trust Bank | X | X | ✓ | May Apply | ✓ |

A surge in OCC National Trust Bank charter applications by Crypto asset and Stablecoin issuers!

National Trust Bank Charter Applications

| Name | Description | Status |
|---|---------------------------|----------------------|
| Anchorage Digital Bank National Association | Digital Assets / Crypto | Approved |
| BitGo | | Approved |
| Circle / First National Digital Currency Bank | | Conditional Approval |
| Coinbase National Trust Company | | Conditional Approval |
| Crypto.com / Foris DAX National Trust Bank | | Conditional Approval |
| Fidelity Digital Assets | | Approved |
| Paxos | | Approved |
| Ripple National Trust Bank | | Conditional Approval |
| Sony Bank (Japan) / Connectia Trust N.A. | Digital Assets / Payments | Pending |
| Wise (U.K.) | Fintech / Payments | Pending |

Limited Purpose and Skinny Master Accounts

- Kraken, an SPDI, was granted a limited-purpose Federal Reserve master account in March, 2026.
 - Exact terms are not public.
- Fed proposal for Reserve Bank Payment Account or “Skinny” Master Account
 - Access to Fed payment rails (i.e., clear/settle on Fed’s balance sheet)
 - No interest on balances
 - No overdraft protection
 - No access to the discount window

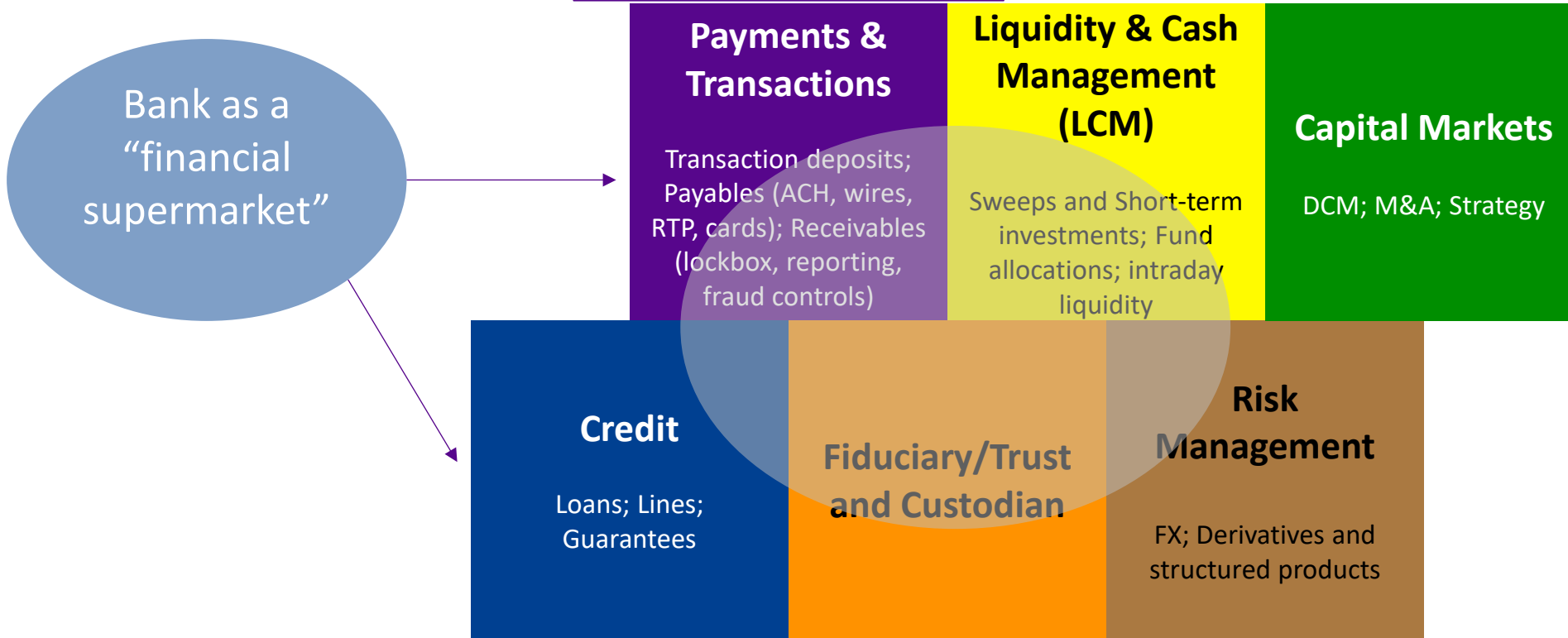
Banks and the GENIUS Act of 2025

- Banks and Other Incumbents Respond...
 - Tokenized deposits, e.g., JPM Coin (JPMD)
 - Qivalis
 - 12 large European banks plan to launch a Euro stablecoin in H2 2026
 - Applied for Electronic Money Institution license from Dutch central bank.
 - “Hope” is to “counter U.S. dominance in digital payments.”
 - Digital government-only MMFs
 - BlackRock, Franklin Templeton, JPMorgan, Wisdom Tree

... as Banks did to the advent of Money Market Funds

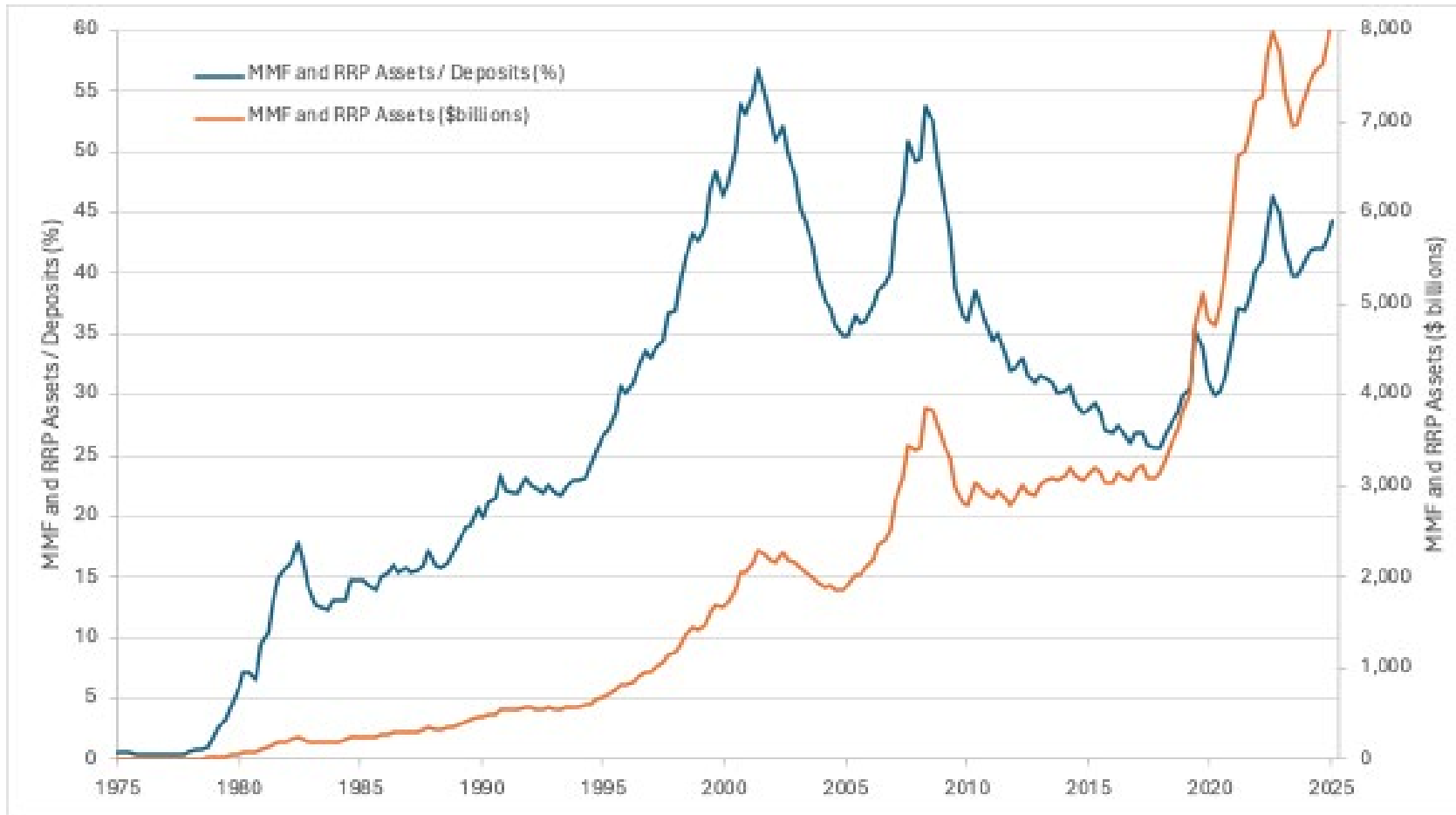
Liquidity, Operation, and Information Synergies

PS can pick off some payments & transactions business



National Trust Banks and SPDIs can pick off some Fiduciary/Trust & Custodian Business

MMFs + RRP vs. Deposits



MMFs vs. Deposits

- MMFs were created in the 1970s
 - Deposit-like assets that could pay more than regulatory-constrained deposit rates;
 - Innovation giving money market investors diversification, divisibility, and liquidity
- Literature focus on substitutability of MMF for deposits, depending on
 - Relative yield advantage of MMFs (endogenous bank decision)
 - Overall market liquidity (more liquidity => balances less determined by substitution)
 - e.g., QE rounds after GFC to about 2016 and again in 2020
 - Risk perceptions
 - e.g., out of prime funds in 2008; into gov-only funds in 2020; out of banks in 2023
- Banks have responded to MMF competition to preserve their access to LCM depositors with
 - Political action
 - New products (NOW accounts, MMDAs, bank-sponsored MMFs, sweep structures)
 - Pricing and service adaptation

Hot-Button Policy Issues

- Should stablecoins be allowed to earn “rewards”?
- Should fintech companies be allowed Fed master accounts or “skinny” Fed master accounts?
- Should fintech companies be allowed national trust bank charters? If yes, what should be the scope of permitted activities?

Some (Informed) Conjectures

- Banks lobby against alternatives to deposits, access, charters, but compete in other ways:
 - Liquidity and cash management (LCM) services;
 - Other payment-related services;
 - (Information synergies, e.g., transaction activity and term loans).
 - *Money Market Funds (MMFs) and Reverse Repo (RRP) at the Federal Reserve have not poached all deposits!*
- Banks set rates/invest in tech to keep depositors who most value banking services.
- Welfare Implications of upcoming battle for depositors from PS: Positive externalities...
 - from liquidity synergies *fall* as bank deposits decline;
 - from bank investment in tech *rise* with competition from PS.
 - from credit creation by banks *fall* as more of the financial sector becomes “narrow” privileging US govt bonds/T-bills
- Serious competitive threat to banks and financial repression may ensue if stablecoins are granted unfettered Fed access (not on the table, but could be ... fiscal dominance, crypto administration)

Thank you! 😊

Questions?
