MAXINE WATERS, CA
CHAIRWOMAN

United States House of Representatives
Committee on Financial Services
Washington, DC 20515

PATRICK McHENRY, NC
RANKING MEMBER

October 12, 2021

The Honorable Janet Yellen
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

There continues to be a great deal of interest and debate, both domestically and globally, regarding digital assets and in particular the use of stablecoins. Last week, the International Organization of Securities Commissions (IOSCO), which includes the Securities and Exchange Commission (SEC) as a member, and the Bank of International Settlements (BIS), issued a joint report articulating their view of stablecoins and their place within the financial system. We understand that the Department of Treasury (Treasury), in consultation with other regulators, will also issue a report in the coming weeks making recommendations regarding the future treatment of stablecoins. To that end, we are interested in understanding Treasury's view of stablecoins.

The IOSCO/BIS report identified four characteristics that inform whether a stablecoin presents systemic risks to the financial system, including: (1) size, (2) nature and risk profile, (3) interconnectedness, and (4) substitutability. It is our observation that stablecoins are currently used primarily as a medium of exchange on cryptocurrency networks. Yet, we also recognize their possible application as a means of payment, including the range of potential future applications within the payment system more broadly.

We are interested in understanding how the IOSCO/BIS report will impact Treasury's work. As you know, SEC Chair Gary Gensler has recently made several public remarks about the nature of stablecoins, including opining that stablecoins "may have attributes of investment contracts, [and] have some attributes like banking products[.]"[1] He has further suggested that Congress needs to act in order for most or all stablecoins to fall under the SEC's regulatory authority.

We are interested in understanding how Treasury categorizes stablecoins and the regulatory implications that flow from its classification. First, does Treasury believe stablecoins are an alternative method of exchange within the broader payment system? If so, what criteria has the Treasury Department established to determine whether a particular stablecoin is systemically important, and what aspects of the payment system currently meet these criteria?

1 "The Path Forward: Cryptocurrency with Gary Gensler" Washington Post (Sep. 21, 2021), *available at* https://www.washingtonpost.com/washington-post-live/2021/09/21/path-forward-cryptocurrency-with-gary-gensler-us-securities-exchange-commission-chair/

If stablecoins are not an alternative method of exchange, what are the primary uses of stablecoins going forward? What criteria would Treasury establish to analyze the systemic importance of a particular stablecoin under an alternate classification (rather than primarily as a method of exchange within the payment system)?

Finally, does Treasury share the view of Chair Gensler that additional authorities need to be provided by Congress for the SEC, banking regulators, or another governmental body to create a federal regulatory regime for stablecoins?

We trust the deliberations on the treatment of digital assets within the Presidential Working Group on Financial Markets report on stablecoins will be transparent. This will ensure Congress has the opportunity to engage in a constructive dialogue with Treasury and other regulators on these matters. We appreciate your attention to these issues and look forward to your timely response to help inform our policy discussions.

Sincerely,

Patrick McHenry
Ranking Member
on Financial Services

Tom Emmer
Ranking Member
Subcommittee on Oversight
and Investigations

Warren Davidson
Ranking Member
Task Force on
Financial Technology