



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

750 First Street, NE, Suite 990

Washington, DC 20002

202-737-0900

www.nasaa.org

March 10, 2025

The Honorable Tim Scott (R-SC)
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable French Hill (R-AR)
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Elizabeth Warren (D-MA)
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Maxine Waters (D-CA)
Ranking Member
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

RE: NASAA Calls on Congress to Exclude All Interest-Bearing Securities from the Definition of Payment Stablecoin

Dear Chairmen Scott and Hill and Ranking Members Warren and Waters:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),¹ I write to thank you for your implementation of NASAA’s earlier feedback that federal payment stablecoin legislation at minimum should retain a registration pathway for money market funds. In addition, I write to request that you amend the definition of “payment stablecoin” in any related federal legislation so that it includes a prohibition on the payment of interest entirely. As explained below, we believe Congress should effectuate this prohibition by carving interest-bearing securities out entirely from the definition of payment stablecoin. Relatedly, we encourage Congress to include a provision in any related federal legislation that makes clear that (i) the references to “securities” and “investment companies” in the legislation include both on-chain and off-chain securities and funds and (ii) the inclusion of off-chain securities and funds is *solely* for the limited purpose of interpreting the definition of payment stablecoin. Last, we recommend that Congress allow the work currently underway by the U.S. Securities and Exchange Commission’s (“SEC”) Crypto Task Force, including anticipated engagement with state securities regulators, to mature and generate technical and other comments to promote a consistent approach to the definition of “payment stablecoin.”

¹ Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA’s membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, México, Puerto Rico, the U.S. Virgin Islands, and Guam. NASAA is the voice of securities agencies responsible for grassroots investor protection and efficient capital formation.

I. Present Treatment of Securities in the Pending Legislative Proposals

As noted, pending payment stablecoin bills, including the Guiding and Establishing National Innovation for U.S. Stablecoins (“GENIUS”) Act of 2025 and the Stablecoin Transparency and Accountability for a Better Ledger Economy (“STABLE”) Act of 2025, continue to be written in a way that arguably can be read to include certain securities that should be carved out of the definition of payment stablecoin. This letter focuses on the GENIUS Act and the STABLE Act.

Section 2 of the GENIUS Act would define payment stablecoins as any digital asset designed to be used as a means of payment or settlement. The issuer of such assets must be an entity that is obligated to convert, redeem, or repurchase for a fixed amount of monetary value and represents, will maintain, or creates the reasonable expectation that it will maintain a stable value relative to a fixed amount of monetary value. Payment stablecoins would not include national currency or a security issued by an investment company.²

Section 14 of the GENIUS Act would amend federal securities laws to carve payment stablecoins out of the securities law. Specifically, in Section 14, the legislation would amend the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Securities Investor Protection Act of 1970 to state the following: “The term ‘security’ does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined, respectively, in section 2 of [the legislation].”³

The STABLE Act would take the same approach. Section 2 of the STABLE Act would define payment stablecoins and similarly exclude a security issued by an investment company registered under section 8(a) of the Investment Company Act of 1940.⁴ Section 13 of the bill would amend federal securities laws to carve payment stablecoins out of the securities law.⁵

As background, the above approaches differ from an earlier approach offered by then-Senator Patrick Toomey (R-PA) through his Stablecoin Transparency of Reserves and Uniform Safe Transactions (“TRUST”) Act of 2022. Section 2 of the Stablecoin TRUST Act would define payment stablecoin as any digital asset that is designed to maintain a stable value relative to a fiat currency or currencies, is convertible directly to fiat currency by the issuer, is designed to be widely used as a medium of exchange, is issued by a centralized entity, does not inherently pay interest to the holder, and is recorded on a public distributed ledger. Section 7 of the

² See [S. 394](#), the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, 119th Congress, 1st Session (Feb. 4, 2025).

³ See *id.*

⁴ See [H.R. ____](#), the Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025, Discussion Draft, 119th Congress, 1st Session (Mar. 6, 2025). The STABLE Act of 2025 also contains a carveout for deposits (as defined under section 3 of the Federal Deposit Insurance Act) for being considered a payment stablecoin.

⁵ See [H.R. ____](#), the Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025, Discussion Draft, 119th Congress, 1st Session (Mar. 6, 2025).

Stablecoin TRUST Act would amend federal securities laws to exclude payment stablecoins from the definition of a security.⁶ Indeed, Senator Toomey stated that one of the “key components” of his legislation was that it would provide “much-needed clarity that, at a minimum, stablecoins that do not offer interest are not securities.”⁷

As further background, to the best of our knowledge, Congress has yet to consider any legislation specific to payment stablecoins that acknowledges the fact that, at present, our securities markets have both (i) securities and funds that are issued and traded off-chain (so-called traditional financial products) and (ii) securities and funds that are issued and traded on-chain. As explained below, we encourage Congress to include a provision in any related federal legislation that makes clear that (i) the references to “securities” and “investment companies” in the legislation include both on-chain and off-chain securities and funds and (ii) the inclusion of off-chain securities and funds in the legislation is *solely* for the limited purpose of interpreting the definition of payment stablecoin.

II. Present Illustrative Interest-Bearing Securities

As you know, the state and federal securities laws use the same or a very similar definition of a security. The definition of a “security” in the Securities Act of 1933 is illustrative of present securities law. The definition includes the following:

any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a ‘security’, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.⁸

Historically, the above products have been traded without distributed ledger technologies. Today, while adoption is limited, there is a growing menu of tokenized securities and funds,

⁶ See [S. 5340](#), the Stablecoin Transparency of Reserves and Uniform Safe Transactions Act of 2022, 117th Congress, 2nd Session (Dec. 21, 2022).

⁷ See U.S. Senate Committee on Banking, Housing, and Urban Affairs, [Toomey Introduces Legislation to Guide Future Stablecoin Regulation](#), U.S. Senate Committee on Banking, Housing, and Urban Affairs (Dec. 21, 2022).

⁸ See [Securities Act of 1933](#).

including for fixed-income products such as government bonds, corporate bonds, treasury bills, certificates of deposit, debentures, and mortgage-backed securities.⁹ The following are examples:

- As of March 2025, there are tokenized notes issued as an ERC-20 token on the Ethereum blockchain and secured by U.S. Treasuries and bank demand deposits. The holders receive yield generated from the underlying asset in the form of increasing redemption value. The issuer describes applicable regulation as follows: “Continuous Reg S Compliant Offering.”¹⁰
- In February 2025, Figure Certificate Company (“FCC”), a face-amount certificate company, registered securities called YLDs. FCC is the first company to register with the SEC as a face-amount certificate company under the Investment Company Act of 1940 in over a quarter century and only the second currently operating face-amount certificate company in the United States.¹¹ YLDs are debt securities that FCC will issue and redeem using blockchain technology and which will be transferrable on the blockchain in peer-to-peer and registered alternative trading system (“ATS”) transactions. YLDs are the first U.S. registered debt security stablecoin that offers interest on invested principal and is transferable in both peer-to-peer transactions and in transactions on a registered ATS.¹²
- The tokenization of U.S. Treasuries is a relatively new trend. Today, there exist tokenized U.S. Treasury funds that provide investors access to tokenized forms of U.S. Treasuries on blockchains that behave in many ways like Treasury exchange-traded funds or government money market funds. In addition, there are tokenized U.S. Treasury repurchase agreement projects. Here, tokenized U.S. Treasuries allow for instantaneous, 24/7 settlement and trading. Further, there are ongoing pilot projects that would use tokenized U.S. Treasuries in different applications ranging from posting/return collateral for a margin trade and hypothecating a tokenized U.S. Treasury in case of a default.¹³

As additional context, over several years, state and federal securities regulators have held companies accountable for selling unregistered securities to retail investors through interest accounts. In short, the companies promoted interest accounts with promises of high returns for investors. The company took control of and pooled the investors’ loaned digital assets and

⁹ See RWA.xyz, [Tokenized Treasuries](#) and [Tokenized Global Bonds](#) (Last accessed Mar. 7, 2025) (listing types of tokenized U.S. treasuries, bonds, and cash-equivalents trading in global markets and in some cases in the United States).

¹⁰ See Readi, [Ondo US Dollar Yield Token](#), Readi (Last accessed Mar. 7, 2025).

¹¹ See A&O Shearman, [A&O Shearman advises on registered security/stablecoin offering for Figure Certificate Company](#) (Feb. 24, 2025).

¹² [Access Figure Certificate Co. regulatory filings on EDGAR](#).

¹³ See U.S. Department of the Treasury, Office of Debt Management, Fiscal Year 2024 Q4 Report, [Presentation to the Treasury Borrowing Advisory Committee](#) (Oct. 2024), at p. 107 of 132. See also SIFMA, [Business Applicability Report, Regulated Settlement Network \(RSN\) Proof of Concept](#) (Dec. 5, 2024), at p. 24; U.S. Department of the Treasury, [About Treasury Marketable Securities](#) (Last accessed Mar. 9, 2025).

exercised sole discretion over the pooled digital assets, including how to use those assets to generate a return and pay investors the promised interest. The regulators held companies accountable for violations employing the investment contract and note analyses, as well as Investment Company Act violations.¹⁴

III. The Exclusion of All Interest-Bearing Securities from the Definition of Payment Stablecoin

NASAA respectfully requests that federal legislators exclude all interest-bearing securities from the definition of payment stablecoin. In our opinion, such an exclusion would be the easiest way, as a matter of law and policy, to make clear that securities that historically have been used as cash equivalents are not payment stablecoins. As illustrated above (see Section II), the exclusion would ensure that Congress is not inadvertently recharacterizing certain tokenized securities, such as tokenized U.S. Treasuries, as “payment stablecoins.” The exclusion would ensure that Congress does not deny securities market participants the choice of exploring the use of distributed ledger technologies to issue and trade additional types of interest-bearing securities.

IV. The Recognition of On-Chain and Off-Chain Securities and Funds in Federal Legislation *Solely* for the Limited Purpose of Interpreting the Definition of Payment Stablecoin

Congress has been debating and discussing legislation related to payment stablecoins for several years now. During this period, securities market participants have begun to use distributed ledger technologies to issue and trade so-called traditional securities and funds. Further, Congress has not updated the federal securities and other financial laws to distinguish between securities and funds that use distributed ledger technologies and securities and funds that do not use distributed ledger technologies.

In turn, we encourage Congress to include a provision in any related federal legislation that makes clear that (i) the references to “securities” and “investment companies” in the legislation include both on-chain and off-chain securities and funds and (ii) the inclusion of off-chain securities and funds in the legislation is *solely* for the limited purpose of interpreting the definition of payment stablecoin. Stated differently, the new law for payment stablecoins would have no legal effect on the principles and requirements set forth in the federal securities laws pertaining to off-chain securities and funds. Being clear and precise in this respect would help avoid a situation where Congress inadvertently creates confusion within the traditional (or off-chain) securities regulatory markets.

V. Benefit from the SEC’s and NASAA’s Ongoing Work

Last, NASAA respectfully requests that Congress avoid the inevitable confusion among market participants and investors that will result from not allowing the work underway at the

¹⁴ See NASAA, [NASAA and SEC Announce \\$100 Million Settlement with BlockFi Lending, LLC](#) (Feb. 14, 2022).

SEC and at many other agencies¹⁵ to advance before finalization of any federal legislation regarding payment stablecoins or market structure. We believe the new SEC Crypto Task Force and its engagement with stakeholders will yield new information that could affect your decisions regarding the definition of payment stablecoin. In addition, NASAA recently launched an internal crypto working group, which builds on the work of prior similar efforts, that will yield insightful information. While we, too, fully recognize the urgency of providing additional support to our market participants, we would oppose the passage of any legislation on any topic that would fuel confusion or introduce more problems than it solves.

Thank you for your time and consideration. Should you have questions or wish to engage on any legislative proposals, please do not hesitate to contact me or Kristen Hutchens, NASAA's Director of Policy and Government Affairs, and Policy Counsel, at khutchens@nasaa.org.

Sincerely,



Leslie M. Van Buskirk
NASAA President and
Administrator, Division of Securities
Wisconsin Department of Financial
Institutions

¹⁵ See White House, [Strengthening American Leadership in Digital Financial Technology](#) (Jan. 23, 2025) (establishing the President's Working Group on Digital Asset Markets with representation from across the federal government, including the Commodity Futures Trading Commission, SEC, and U.S. Department of the Treasury).