Rep. Tom Emmer on House Committee Hearing

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**REP. TOM EMMER:

** Thank you, Chairwoman Waters, and thank you, Mrs. Lange, for your testimony and your time today. I'm going to try to be efficient with my time, so I'd appreciate as concise responses as you could provide to my questions. Currently, stablecoins represent just 5% of the digital asset industry's total value. It's a relatively small fraction. But they, stablecoins, are facilitating more than 75% of trading in the entire digital asset ecosystem. Quite significant. Clearly, stablecoins offer economic benefits that cannot be ignored. Stablecoin transfers have nearly instant settlement, and settlement can be confirmed by both parties on a public blockchain. These characteristics lead many to view stablecoins as less risky than the heavily regulated payment rails of our current banking system. Yet, the President's Working Group report on stablecoins focused almost solely on their perceived risks. The report doesn't even provide a definition for stablecoin. But it doesn't hesitate to assert that the risks of stablecoins are so broad and across jurisdictional lines that only insured depository institutions or banks should be allowed to issue them. As you mentioned to my colleague, Mr. Huizenga, previously in this hearing, you believe stablecoins could be both a bank-like product as well as an investment-like product, which is why you believe they should only be issued by banks. I firmly contend that a stablecoin is a payment instrument and is a fundamentally different asset than an investment product. If we base the evaluation of this report in this hearing today on a narrowly tailored definition of stablecoin, I think we might come to see that a bank-like regulatory framework would improperly regulate the asset class and inadvertently capture potential future financial products that are vastly different than what you and I think of as a stablecoin. For instance, under this report, a tokenized money market fund, which clearly would be a security, could fall under the same stablecoin umbrella as a fiat-backed payment token that is fully redeemable for cash. How is it that such vastly different financial products could be both defined as stablecoins and the only institutional players that would be able to offer these vastly different products are banks? The reason I elevate this concern is because legislating and regulating in this space should not be done under such broad definitional scope, and doing so would severely limit future market growth. It's not unlikely that tokenized money market funds backed by government debt or commercial paper might seek to come to market in the future. These potential future financial products could ostensibly lower the costs of participation in the asset class while offering conservative returns to investors. Ms. Liang, do you think the same run risks and prudential risks would attach to stablecoins backed purely by U.S. government debt or highly rated commercial paper?

**MS. LIANG:

** I believe you're raising some important issues about how quickly the technology is evolving and what the future of digital assets will be.

**REP. TOM EMMER:

** That was a very specific question. How about this? Do you think U.S. government debt that underpins U.S. government money market funds is risky?

**MS. LIANG:

** There is no credit risk. There can be convertibility risks if...

REP. TOM EMMER:

** They are risky or they aren't?

MS. LIANG:

** There's no credit risk, but there can be liquidity risk, just in the being able to execute the transactions.

REP. TOM EMMER:

** With the time I have left, Mrs. Liang, I want to thank you. Tokenized money market funds backed by government debt or highly rated commercial paper clearly would not impose prudential risks significant enough to reserve the issuance of all tokenized money market funds to banks. This is important to highlight because there is a void in the market between stablecoins and security tokens, and a tokenized money market fund could provide an attractive, low-cost financial product with conservative returns. For this reason, I'm working on a nonpartisan legislation that would allow tokenized money market funds to come to market. Here's the bottom line. Banks should not be the only institutions in the ecosystem with dibs to issue the potential array of financial products that the President's Working Group report simply lumps together and ties as a stablecoin. Thank you. I yield back the remainder of my time.

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