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Stablecoins: A Practical Guide for Community Financial Institutions, *Part 2*

Tuesday, May 12th, 2026

Presented by: Sam Thomas, Corporate Strategy Analyst

What will we learn today?

Foundational concepts for today's discussion

The core building blocks, uses cases, policy and regulation, and practical implications that you need to know

Current developments to watch

What has happened in the past two to three months that could shape the future of stablecoins?

Bonus round: Hashing* it Out

Answers to the most pressing questions from AMC attendees AND the questions you should be asking yourself and your institutions

**Blockchain "hashing" is the process of transforming data into a fixed-length string of code, ensuring security and irreversibility*

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What is a stablecoin?

Definition: A digital token designed to maintain a stable value, typically pegged 1:1 to a fiat currency (usually the U.S. dollar).

Key Characteristics:

Blockchain-based: Operates on distributed ledger technology (DLT)

Price stability: Designed to minimize volatility

Redeemability: Can be exchanged for an underlying fiat currency

Programmability: Can be integrated into smart contracts and automated systems

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What are the different types of stablecoin?

Fiat-Collateralized

Mechanism: Backed 1:1 by fiat currency reserves (USD, EUR, etc.)

Examples: USDT (Tether), USDC (Circle), RLUSD (Ripple)

Reserve Quality: Cash, T-Bills, Commercial Paper

Commodity-Collateralized

Mechanism: Backed 1:1 by physical assets (gold, oil, etc.)

Examples: Tether Gold (XAUt), Paxos Gold (PAXG)

Reserve Quality: Physical, real-world assets – gold, oil, etc.

Crypto-Collateralized

Mechanism: Backed by crypto assets, typically over-collateralized

Examples: DAI (MakerDAO)

Reserve Quality: Bitcoin, Ethereum, and other cryptos (higher risk/complexity)

Algorithmic

Mechanism: Uses algorithms to adjust supply based on demand

Examples: UST (Terra – Collapsed)

Reserve Quality: Variable/none – relies on mechanism design

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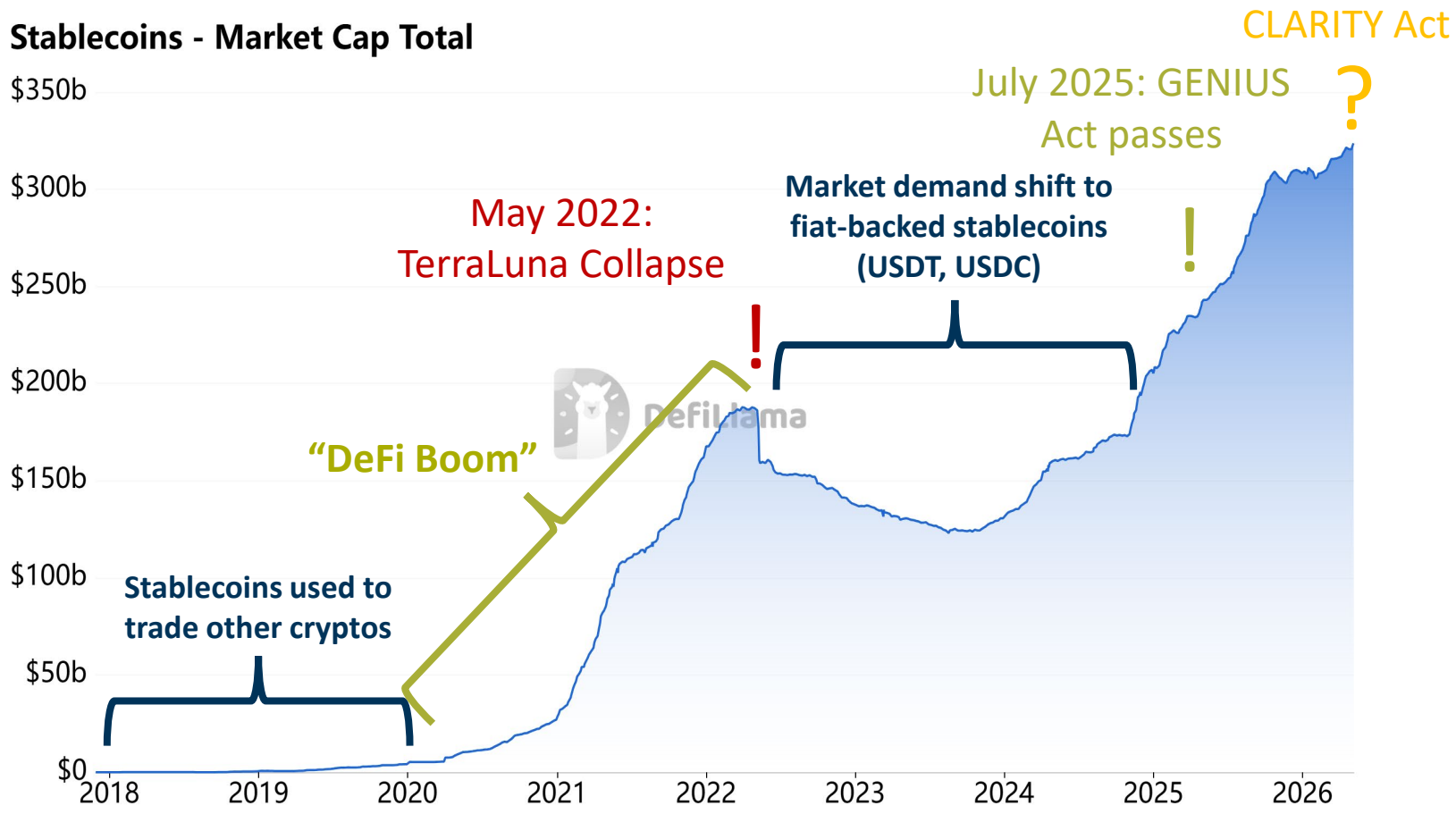
Why are we discussing stablecoins *now*?



Source: defillama.com

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Why are we discussing stablecoins *now*?

Regulatory Momentum

- GENIUS Act + CLARITY Act = Federal framework for issuance and participation in stablecoin activity

Market Scale

- $320b+ market cap = 2x growth over the past two years
- In aggregate, stablecoins are the second largest cryptocurrency behind Bitcoin

Institutional + Consumer Adoption

- Payment processors, fintechs, global banks
- New generation of crypto-native users
- Small or digital-only businesses

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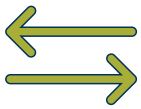
How are we seeing stablecoins primarily used today?



Crypto Trading

- Primary use case: trading pairs on crypto exchanges
- Enables instant settlement without leaving crypto ecosystem

DeFi Participation

- Collateral for lending, liquidity provision, yield farming
- Programmable money integrated into automated protocols

Cross-Border Payments & Remittances

- 24/7 settlement, near-instant transfer, lower fees
- Increasingly adopted by remittance companies like Western Union

Dollar Access in Unstable Economies

- Dollar-denominated store of value
- Protects against hyperinflation

Cash Flow Management

- Corporate treasury, B2B and C2B payments
- Companies holding stablecoins as cash management tool
- Suppliers accepting stablecoin payments for instant settlement
- Stablecoin-as-a-Service (SCaaS)

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What's the current regulatory landscape?

GENIUS Act: Passed July of 2025

Guiding and Establishing National Innovation for U.S. Stablecoins

Who can issue stablecoins:

- Insured depository institutions, state-charted trust companies, and federally licensed stablecoin issuers (non-banks)

Federal regulatory pathway for stablecoin issuance:

- 100% reserve backing with U.S. dollars or other HQLA's

Operational standards for issuers:

- Mandatory regular audits, custodial requirements, risk management practices

Consumer protections for stablecoin holders:

- Redemption rights, public disclosure of reserve composition, liability standards

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What's the current regulatory landscape?

CLARITY Act: Under Congressional Review
Digital Asset Market CLARITY Act

How are "digital assets" broadly defined and what differentiates one from another?

Which regulator has jurisdiction depending on the criteria above?
- Is it the SEC, CFTC, or the banking regulators?

What are the rules for those involved in digital asset circulation?

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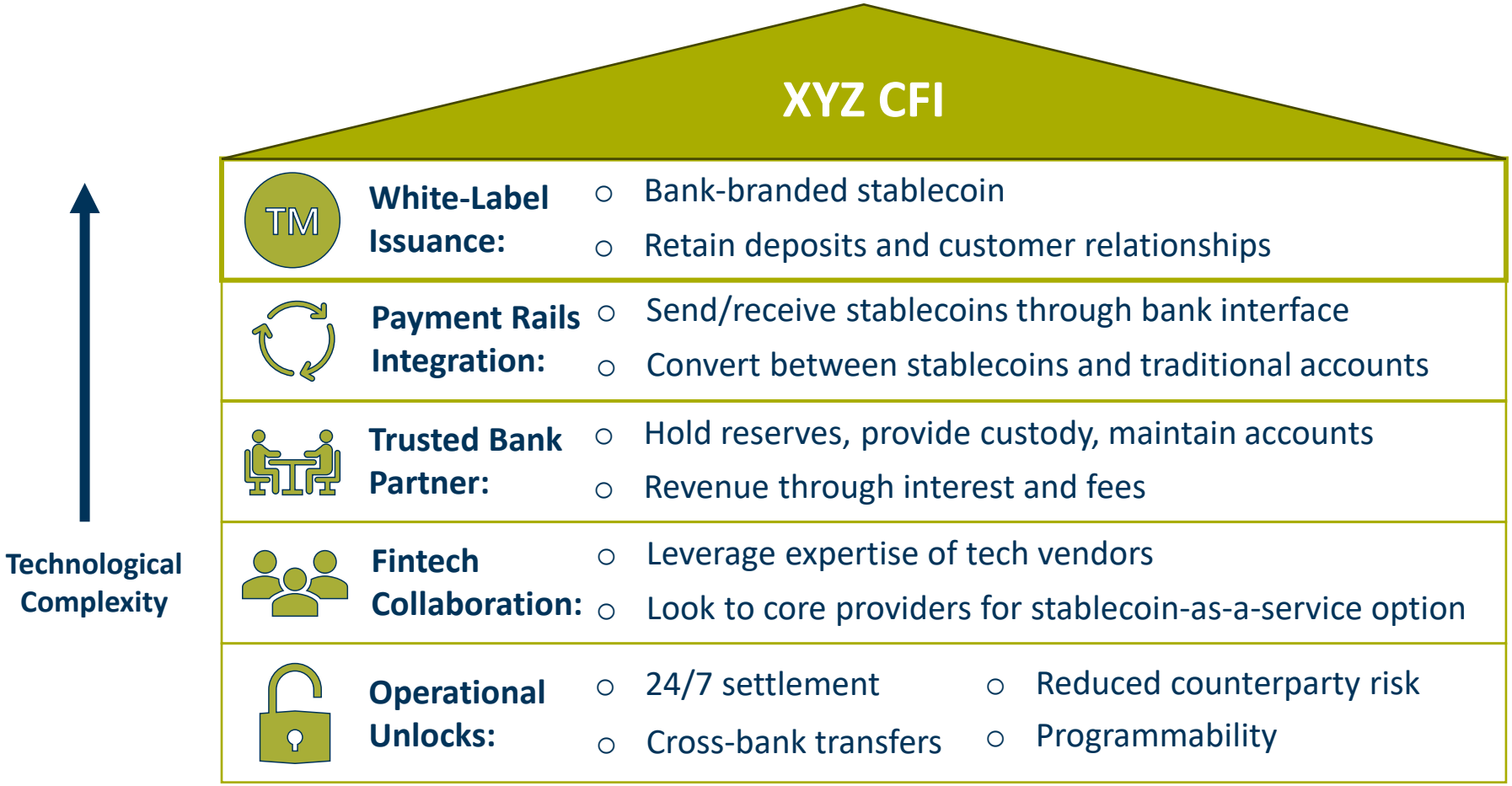
How might community financial institutions start to participate?



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What risks should community financial institutions be aware of?

XYZ CFI

Operational Risks

Custody risk
- Stablecoins require new security infrastructure
- No FDIC insurance

Smart contract vulnerability
- Coding bugs and errors, both intentional and unintentional

Settlement risk
- Unanticipated delays and gas fees

Counterparty exposure

Compliance Considerations

BSA/AML requirements
- Anonymous transactions complicate transaction monitoring
- Analytics tools are costly and require specialized expertise

Know Your Customer **(KYC)** requirements

Sanctions screening
- Real-time screening with OFAC list

Vendor oversight

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Where do we stand with the CLARITY Act today?

July 2025: CLARITY Act passes House of Representatives, focused on oversight of digital asset activities

January 2026: Senate Banking Committee releases 278-page amendment explicitly preventing stablecoin yield

March 2026: Agreement in principle that permits activity-based stablecoin "rewards" tied to actual usage

April 2026: President's Economic Council of Advisers publishes research in favor of permitting stablecoin yield

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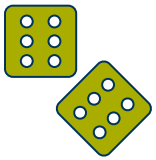
Where do we stand with the CLARITY Act today?



Steps to getting CLARITY passed in 2026:

- Compromise on stablecoin yield
- Compromise on software developer and infrastructure provider language
- Reconcile with Senate Ag Committee version (Digital Commodity Intermediaries Act) passed in January
- Reconcile combined bill with House version
- Signed by President Trump into law

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Where do we stand on other related policy?

March 23rd: SEC and CFTC publish joint interpretive guidance establishing formal token taxonomy

April 3rd: Treasury Department releases proposed rule establishing "substantially similar" test

April 10th: FDIC issues proposed rule establishing regulatory framework

April 10th: FinCEN and OFAC release joint proposed rule reinforcing BSA/AML requirements for stablecoins

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FAQ #1: Fascinating Asked Questions

Q: How realistic is the threat that stablecoins pose? Is the level of concern overblown?

A: Depends on:

1. How does CLARITY get resolved?
2. How sophisticated is your customer base?

Q: What is the difference between a stablecoin and a tokenized deposit? Why does the distinction matter?

A: Tokenized deposits benefit from FDIC insurance at the cost of being a "walled garden"

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FAQ #1: Fascinating Asked Questions

Q: How do stablecoins differ from a Central Bank Digital Currency (or CBDC) and why haven't I heard about them in the news recently?

A: CBDC = Digital currency issued by the government

~130 countries or unions exploring CBDC's but the U.S. is *very intentionally* not one of them

Q: What stablecoins exist on the market today and where should I be focusing my attention?

A: Two main stablecoins:

1. Tether and USDT
2. **Circle and USDC**

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FAQ #1: Fascinating Asked Questions

Q: What concrete steps should our institution be taking right now, even if we're not ready to actively participate in stablecoins?

A: The answer in four parts:

1. Assign an internal point person
2. Have a conversation with your core banking vendor
3. Review your existing policies
4. Educate your boards

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FAQ #2: Frightening Asked Questions

Q1: How will AI and agentic finance impact stablecoin growth and what does that mean for us and our members?

Q2: What happens to community banking if stablecoin-based lending becomes viable at scale?

Q3: When the next financial crisis hits, will stablecoin infrastructure hold?

Q4: What would you like to see from FHLB in terms of on-chain optionality?

Q5: Will the term "stablecoin" become obsolete in the not-too-distant future?

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Q&A

Thank you for joining today's session!

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