RISK MANAGEMENT MAGAZINE

Vol. 21, Issue 1

January – April 2026

EXCERPT

State-Issued Stablecoins and Financial Stability: Regulatory Fragmentation and Risks for the U.S. Banking System

Andrea Caresana

https://www.aifirm.it/rivista/progetto-editoriale/

State-Issued Stablecoins and Financial Stability: Regulatory Fragmentation and Risks for the U.S. Banking System

Andrea Caresana

Abstract

Recent US stablecoin legislation has introduced a significant shift in American monetary federalism by permitting state-issued stablecoins under a federal exemption regime. This article examines whether state-level experimentation in digital currencies enhances financial innovation or risks reintroducing the monetary fragmentation that characterized the pre–Civil War banking system. Focusing on Wyoming's state stablecoin initiative and North Dakota's institutionally oriented Roughrider coin, the analysis highlights how divergent technological architectures, governance models, and regulatory frameworks reflect competing policy objectives within the same federal system. Drawing historical parallels with the Free Banking Era and the National Banking Acts of the nineteenth century, the paper argues that the absence of mandatory interoperability standards and uniform federal oversight may undermine the efficiency gains promised by digital payment technologies. From a law-and-economics perspective, the article evaluates the trade-offs between regulatory competition, market discipline, and systemic risk, emphasizing the potential for regulatory arbitrage and liquidity fragmentation. While state experimentation may function as a laboratory for innovation, the paper concludes that sustained coexistence of heterogeneous state stablecoins without coordination mechanisms is likely to generate inefficiencies and financial stability concerns, ultimately reviving pressures for federal harmonization of the US digital monetary system.

Keywords: Monetary Federalism, Stablecoins, State Banking Regulation, Financial Innovation

1 State Stablecoins and the Re-emergence of Monetary Federalism

The rapid growth of digital assets has reopened foundational questions about the allocation of monetary authority within federal systems. In the United States, this debate has recently intensified with the emergence of state-issued stablecoins operating under statutory exemptions from federal oversight. While stablecoins have largely been analyzed as privately issued instruments situated at the periphery of financial regulation, the entry of US states as issuers of dollar-denominated digital tokens represents a qualitatively different development. This development is closely linked to recent federal legislative initiatives, most notably the GENIUS Act, which preserves a regulatory space for state-level experimentation with digital payment instruments.

Proponents argue that such decentralization promotes innovation, regulatory competition, and financial inclusion. Critics, however, warn that allowing states to issue or sponsor stablecoins risks fragmenting the monetary system, undermining uniformity in payments, and generating new channels of systemic risk. These concerns raise a central research question: does state-level stablecoin issuance revive historical coordination failures associated with decentralized monetary regimes, or can digital technology reconcile state experimentation with national monetary stability?

This article addresses that question through a law and economics analysis of contemporary state stablecoin initiatives, focusing in particular on Wyoming's FRNT token and North Dakota's proposed Roughrider coin. These two projects exemplify sharply divergent institutional designs. Wyoming has embraced a retail-oriented stablecoin operating on public blockchains, emphasizing openness, transparency, and global accessibility. North Dakota, by contrast, has opted for a wholesale, institutionally focused token issued on a proprietary platform and designed primarily for interbank settlement. These contrasting models illustrate how states are not merely experimenting with technology, but are making fundamentally different choices about governance, risk allocation, and the role of public authority in digital money.

To assess the broader implications of these initiatives, the article situates contemporary state stablecoin experimentation within the historical context of US monetary federalism. Drawing parallels with the Free Banking Era of the nineteenth century, it highlights how decentralized issuance of money, despite fostering innovation, historically produced fragmentation, transaction costs, and recurrent financial instability. The National Banking Acts of the Civil War era ultimately imposed federal uniformity to resolve these coordination failures. This historical experience provides a useful analytical lens for evaluating whether today's digital stablecoins mitigate or amplify similar dynamics.

The analysis further emphasizes the critical, albeit indirect, role of federal institutions. Even where Congress has formally exempted state-issued stablecoins from certain federal requirements, agencies such as the Federal Reserve, the FDIC, and the Office of the Comptroller of the Currency retain substantial influence through their control over banking access, payment infrastructure, and systemic risk oversight. As a result, state stablecoins operate within a constrained institutional environment in which federal authorities function as de facto coordinators of last resort.

The emergence of state-issued stablecoins in the US therefore represents a qualitatively different development in the allocation of monetary authority. This shift is not just a domestic American concern, but it also has significant spillover effects that challenge the strategic autonomy of other supranational systems, such as the Eurozone. European policymakers regard the growth of US dollar-denominated stablecoins as a possible strengthening of the dollar's dominance in digital payments. Consequently, the digital euro project has transitioned, with acceleration in recent months, from theoretical exploration to a primary necessary monetary countermeasure intended to preserve the euro's role as a monetary anchor in the global landscape. This article situates contemporary state-level experimentation within this broader global competition, arguing that the US "laboratory of the states" and the EU's "monetary sovereignty" approach represent two ends of a spectrum in the quest for digital financial stability.

2 The Legal Architecture of State-Issued Stablecoins in the United States

The trajectory of US digital currency policy from 2021 to 2024 has been uneven and marked by sharp shifts. The confluence of rapid growth in digital asset markets (Then & Hill & Anderson, 2025), partisan disputes (Schonberger, 2023), and substantial fraud-related losses (ICBA, 2024) has given rise to heightened concerns regarding financial stability in traditional markets (Wells, 2024) and illicit activity within the crypto sector[1] (Wilmarth, 2025). In 2022, the US expressed support for both cryptocurrencies and the development of CBDCs (FED, 2022) concurrently (Tran & Matthews, 2025). However, by 2023, policy emphasis had shifted towards a regulation-by-enforcement strategy[2] (Cornerstone Research, 2023), led largely by the Securities and Exchange Commission (hereinafter, "SEC") (Lom & Oropeza, 2024). This approach was met with controversy and was repeatedly invalidated by the courts[3] (Kemnitz et Al., 2025). In recent years, the Fed has increased its focus on stablecoins, reflecting their growing importance in US financial markets. Prior to the introduction of the GENIUS Act, Chair Jerome Powell indicated his support for the introduction of congressional action, thereby underscoring stablecoins as both a potential innovation and a risk to financial stability. In 2024, Congress assumed a more active role. Several bills were introduced that addressed digital assets and stablecoins (Cieplak et Al., 2024). Stablecoins are digital assets designed to maintain a stable value relative to a reference asset, typically a sovereign currency, such as the US dollar (FED, 2024). While the House of Representatives successfully passed legislation covering stablecoins, the measure encountered a standstill in the Senate, reflecting ongoing political gridlock over how best to regulate the sector.

The United States Generating Essential National Infrastructure Using Stablecoins Act of 2025 (hereinafter, "GENIUS Act") signifies a pivotal moment in the evolution of US digital finance policy[4]. For the first time, a regulatory framework has been established that permits federally regulated banks[5] to issue fiat-backed stablecoins[6] under prudential supervision. Moreover, stablecoin issuers are required to maintain reserves at a minimum 1:1 ratio against all issued tokens and to comply with the Bank Secrecy Act[7] which mandates robust AML and CFT measures while strengthening consumer protection. Proponents of the Act posit that it will accelerate institutional adoption (Anus et Al., 2025), strengthen the international role of the US dollar[8], and firmly bring stablecoin activity within the perimeter of bank oversight.

Fed Governor Christopher Waller has been particularly vocal in his assertions, characterising payments as undergoing a technology-driven revolution. In speeches delivered throughout 2025, he emphasised stablecoins as a private-sector innovation that has now expanded beyond its original use in crypto trading. The attributes of these currencies, namely their 24/7 transferability, stability, and accessibility, have rendered them appealing as alternatives to the US dollar, particularly in countries with restricted banking access or high inflation[9] (Makridis, 2025; Goko, 2026). Waller's position on the matter is that stablecoins have the potential to enhance the international role of the dollar, facilitate cross-border payments, and reduce remittance costs. While acknowledging the concerns that stablecoins might undermine trust in money, he contends that regulatory frameworks such as the GENIUS Act, which mandate one-to-one backing with safe and liquid assets, mitigate these risks. In his words, stablecoins represent a mere

[1] Empirical evidence demonstrates that stablecoins are not inherently stable. Over 20 stablecoins collapsed between 2016 and 2022, and even major ones repeatedly lost their peg to the USD or other reference values between 2019 and 2023.
[2] The SEC brought a record-high 46 cryptocurrency-related enforcement actions in 2023.
[3] A July 2023 ruling held that programmatic XRP sales on exchanges were not investment contract securities, curbing the SEC's Howey theory for secondary markets, though institutional sales were securities; the impact was underscored in March 2025 when the SEC dismissed its Ripple case entirely.
[4] A bill introduced in the Senate on 4 February 2025 passed with bipartisan support, clearing the Senate on 17 June (68–30) and the House on 17 July (308–122).
[5] Stablecoin issuance is limited to insured depository institutions, including banks, credit unions, bank subsidiaries, and approved nonbank financial institutions able to comply with applicable law.
[6] Fiat-backed stablecoins such as USDT and USDC comprise the largest segment of the stablecoin market and are backed by reserves of short-term fiat assets, including Treasury bills, commercial paper, repos, and bank deposits.
[7] The Currency and Foreign Transactions Reporting Act of 1970 and related amendments, collectively known as the Bank Secrecy Act, authorize the US Treasury to impose reporting and recordkeeping requirements on financial institutions to combat money laundering and related crimes, including cash transaction reporting over $10,000 and suspicious activity filings.
[8] Projections suggest the GENIUS framework could achieve 50% stablecoin adoption in six years.
[9] Africa's biggest economies Nigeria and South Africa have seen the strongest growth in demand for stablecoins.

alternative for consumers and businesses, provided they remain secure and inexpensive (Waller, 2025). Critics have countered this by suggesting that S. 1582 (the Genius Act) may potentially compromise financial stability (Venkatesh, 2025) even though it restricts the issuance of stablecoins to regulated entities. As noted by several commentators (Warren, 2025), the bill would allow nonbank institutions[10] to offer uninsured stablecoins to the public without the protections of federal deposit insurance[11] or equivalent prudential safeguards (Wilmarth, 2025). This framework could undermine the traditional deposit base[12], heighten liquidity risks (Wilmarth, 2025), and increase the likelihood of digital bank runs (Basil, 2025), while also enabling big tech firms and commercial enterprises to enter the banking domain, thus eroding the long-standing US[13].

In his July 2025 semi-annual testimony before Congress, Powell observed a notable shift in attitude among banking institutions and financial entities, characterising this transformation as a significant development in the integration of cryptocurrency within the domain of mainstream finance. In July, Federal Open Market Committee participants underscored that the GENIUS Act could accelerate stablecoin adoption, enhance payment efficiency, and increase demand for Treasury securities, while cautioning that it may also pose risks to the banking system and the transmission of monetary policy. The Trump administration has reinforced this legislative shift with an executive order that charts a pro-blockchain, anti-CBDC path and delineates stablecoins as instruments that contribute to the dollar's preeminence[14] (Azzimonti & Quadrini, 2025). The formation of policy in relation to digital assets has been elevated to the level of the White House through the President's Working Group on Digital Asset Markets, while Congress and regulators have launched parallel initiatives[15]. The Senate Banking Committee has identified the enactment of legislation pertaining to stablecoin. Meanwhile, the House Financial Services Committee has committed to the establishment of a framework that aims to balance the promotion of innovation with the safeguarding of investor interests. At the regulatory level, the Commodity Futures Trading Commission (hereinafter, "CFTC") has expanded reliance on DLT for collateral management, while the SEC has established a crypto task force. The Federal Reserve's regional banks have also provided their perspective on the matter. Although the current issuance of stablecoins remains negligible, projections indicate the potential for rapid growth, which could result in a shift of funds from bank deposits to stablecoins. Such a redistribution would raise Treasury demand, as issuers are legally required to hold Treasuries and other safe assets, but could also constrain banks' lending capacity. Unlike deposits, partly backed by loans that support the real economy, stablecoin reserves are unavailable for direct lending. A significant shift in this balance could therefore pose broader questions for credit supply and financial intermediation in the US (Jacewitz, 2025).

The GENIUS Act signifies the inaugural significant US legislation concerning stablecoins, whereas Europe's MiCA establishes a more extensive regulatory framework for crypto assets. Despite the common objective of balancing innovation and stability, these two legislative approaches exhibit notable distinctions in their design. The GENIUS Act is a narrowly tailored legislation focused on payment stablecoins issued by federally approved entities and backed one-to-one by safe assets[16], treating them almost like bank deposits. In the context of the GENIUS Act other forms of stablecoins are not subject to the same regulatory framework as payment stablecoins, a digital asset issued on a public blockchain[17] with the purpose of facilitating payment and settlement. However, in the final part of the legislative text, the GENIUS Act expressly mandates a study on non payment stablecoins (including endogenously collateralized payment stablecoins) to be conducted within 365 days from its entry into force. Consequently, the legislation does not automatically extend to other categories of stablecoins, despite the legislator's acknowledgement of their existence. At present, such stablecoins are not prohibited, but they operate within a regulatory environment that has not yet been defined at the federal level under the GENIUS Act. MiCA, by contrast, provides a comprehensive regulatory framework for digital assets not previously addressed by financial legislation.

These differences are of strategic significance. The US model provides legal certainty for dollar-backed stablecoins, thereby reinforcing US monetary influence whilst concentrating benefits among large, well-capitalised institutions (Borg

[10] A nonbank financial institution lacks a full banking licence and cannot accept public deposits but provides financial services such as investment management, brokerage, money transmission, and credit.

[11] A federally insured lender is a financial institution covered by federal deposit insurance, under which the US government protects customer deposits up to the insured limit in the event of failure.

[12] Banking associations have warned that, despite the GENIUS Act's ban on stablecoin issuers and banks paying interest, crypto exchanges may be able to indirectly offer yield on third-party stablecoins, creating a regulatory loophole. They argue this asymmetry could distort competition and accelerate deposit flight from banks; a US Treasury report (April 2025) estimated yield-bearing stablecoins could drain up to $6.6 trillion in bank deposits.

[13] Prominent policymakers and scholars have criticised the GENIUS and STABLE Acts, warning that they could enable Big Tech firms to issue stablecoins and expand their control over the payments system.

[14] Empirical evidence indicates that, over the long run, the reserve demand effect dominates the substitution effect, lowering US interest rates while increasing foreign borrowing.

[15] Congress has launched investigations and hearings into "Choke Point 2.0," alleged regulatory measures restricting crypto firms' access to banking and liquidity.

[16] The GENIUS Act requires US payment stablecoins to be fully backed by reserves held in safe assets, such as US dollars and Treasuries, to prevent risk-taking, reuse, or leverage.

[17] A public (permissionless) blockchain is a decentralized, open-access ledger not controlled by any single entity, where transactions are validated by consensus and recorded immutably, enabling transparency, P2P interaction, and censorship resistance.

& Scerri & Camilleri, 2025). While both frameworks enhance regulatory maturity in the sector[18], they embody distinct philosophies: the GENIUS Act favours a narrow, dollar-centric approach, while MiCA builds a wide transnational framework[19]. Ultimately, this divergence reflects deeper institutional differences between the two monetary systems. The US has a regulatory framework that allows for significant competition between federal and state authorities. In contrast, the euro area operates under a supranational monetary authority, which limits the scope for experimentation at the subnational level. Consequently, digital currencies are being integrated into these systems via governance logics that are fundamentally different.

3 The IPO Surge of Stablecoin-Related Firms Following Regulatory Reform

The recent regulatory shift in the US has created a new environment for stablecoin issuers to access public equity markets through initial public offerings (hereinafter, "IPOs"). This pro stablecoin development in Washington has resulted in a significant increase in listings, acquisitions, and new product launches. On 5 June 2025, Circle, the world's second-largest stablecoin issuer, made an official public debut on the New York Stock Exchange[20]. Later that month, the company formally submitted a bank charter application to the Office of the Comptroller of the Currency to establish the First National Digital Currency Bank, seeking to capitalize on the resurgence of interest in digital currencies that has been precipitated by the administration's pro-blockchain shift and the enactment of landmark stablecoin legislation.

Furthermore, Ripple has sought to consolidate its position by announcing a $200 million acquisition of Rail, a stablecoin infrastructure provider. In parallel, Ripple has raised approximately $500 million from investors valuing the company at around $40 billion. This fundraising round highlights the increasing interest of traditional financial institutions in stablecoin-focused enterprises, which are now widely perceived as an emerging pillar of the global payments ecosystem. Bullish, a global digital asset platform that offers institutional trading infrastructure and information services, has announced that it has secured $1.15 billion in stablecoin proceeds from its recent IPO. This development signifies a landmark occasion in the realm of stablecoin utilisation for funding purposes in a US IPO, thereby underscoring the growing integration of digital assets within mainstream capital markets. The stablecoin issuer, Figure Technologies, has also attracted the attention of investors, resulting in an increase in the size and price range of its impending IPO. This development follows a surge in demand from retail investors, which has led to a notable rise in crypto-related equities.

Further evidence of this trend can be found in the public market debut of Gemini Space Station, a global cryptocurrency platform, which was listed on the Nasdaq Global Select Market on 12 September. Gemini concluded its inaugural trading session with a 14% increase in share price, reaching $32 per share following its IPO price of $28 per share, above the proposed initial range of $22-26. The offering, conducted entirely through a capital increase, involved approximately 15.2 million ordinary shares, raising a total of $425 million and implying an initial market capitalisation of $3.3 billion, which increased to approximately $3.5 billion by the close of trading. A noteworthy development occurred in August of the year preceding the initial public offering. In this period, Gemini formally announced that it had successfully acquired authorisation from the Malta Financial Services Authority (MFSA), as stipulated under the MiCA Regulation of the European Union. This regulatory approval was pivotal in granting Gemini the authority to operate its activities within the jurisdiction of all 27 EU Member States. Within this evolving regulatory landscape, Tether, the operator of the world's most traded cryptocurrency, announced plans to launch a fully regulated US dollar-backed stablecoin for the domestic market by the end of 2025. The company, which has already achieved significant profitability on an international level, is seeking to leverage the recently introduced US regulatory framework to facilitate its expansion into the world's largest capital market.

The trend of public listings has persisted into 2026. On 13 January 2026, BitGo Holdings, a preeminent entity in the domain of cryptocurrency custody, formally initiated its IPO through a submission to the US SEC. As stated in the Form S-1, the offering consists of 11 million Class A ordinary shares issued by the company, in addition to 821.595 shares offered by existing shareholders. It is anticipated that the price per share will fall within the range of $15 to $17. This would result in an approximate total capital raise of $201 million, with the number of shares offered estimated at 11.8 million. In the initial phase of the company's incorporation, BitGo filed confidentially in September 2025, thereby indicating its intention to list on the New York Stock Exchange under the ticker symbol "BTGO". The company, which has accumulated over $90 billion in assets under custody since its launch in 2013, is reportedly targeting a valuation of up to $1.96 billion through the offering.

In recent months, major financial institutions, including leading banks in both the US and Europe, have begun exploring the potential applications of stablecoins. A consortium of European banks has announced plans to introduce a euro-denominated stablecoin in the second half of 2026 (Leask, 2025). This suggests that the development of stablecoin

[18] Both laws reflect a maturing approach to crypto regulation, balancing innovation and investor protection: the GENIUS Act offers legal certainty for dollar-backed stablecoins and may reinforce the USD's digital role but favors well-capitalized firms, while MiCA adopts a broader, conduct-based framework for all crypto-assets.

[19] The GENIUS Act bars unauthorized payment stablecoin issuance in the US, requiring foreign issuers to obtain a US license or partner with an approved entity, while MiCA similarly requires non-EU issuers to establish an EU presence and comply with EU rules.

[20] The US group raised $1.1 bn in a NYSE IPO priced at $31 after upsizing on strong demand; Circle became one of the year's largest US listings, signaling an IPO market rebound after Trump's April tariff shock, with shares jumping 168%.

innovations is no longer confined to the US and is increasingly influencing the strategic responses of European financial institutions. The emergence of privately issued euro-denominated stablecoins may also intensify policy discussions within the euro area regarding the role of public digital money, potentially accelerating institutional momentum behind the digital euro project.

4 Divergent State Models: Wyoming's FRNT and North Dakota's Roughrider Coin

On 29 August 2025, Wyoming made history as the first US state to issue its own stablecoin, the Frontier token (hereinafter, "FRNT"), thus marking a groundbreaking moment in the realm of state-level cryptocurrency adoption. This development stems from the Wyoming Stable Token Act, enacted on 17 March 2023, which authorised the creation of a commission to issue and manage a US dollar-redeemable virtual currency fully collateralised by US Treasury bills held in a dedicated trust account. The objective of the FRNT initiative is to establish a pioneering role for the state of Wyoming within the domain of public sector innovation in digital finance, thereby consolidating its established position as a leader in the field of blockchain regulation[21] (Apollo, 2024). FRNT exhibits the core economic attributes of a permissionless digital asset, namely that it may be transferred to any lawful person with an internet connection worldwide at negligible transaction costs on a continuous 24/7/365 basis, with near-instant settlement. Transactions are conducted on a peer-to-peer basis, eschewing the involvement of intermediaries. These transactions are meticulously recorded on an immutable ledger, a system that ensures immediate auditability and verifiability.

FRNT has been developed with the intention of differentiating itself from private stablecoins through the implementation of transparency and oversight mechanisms. The commission mandates quarterly audits by independent accounting firms and enforces a 102% reserve requirement[22] (Krause, 2025). The token is also intended to streamline payments in commodity markets and will be accepted for tax payments and licence fees within the state. The multi-chain architecture will initially support several blockchains, with the objective of achieving broad interoperability (Wright, 2025).

The GENIUS Act of 2025 establishes a regulatory framework that has the potential to implicitly support the rollout of FRNT (Krause, 2025). Specifically, the Act introduces a dual-track framework that allows smaller issuers (those with less than $10 billion in consolidated outstanding issuance) to operate under a certified state-level regulatory regime, provided that it is deemed substantially similar to the federal framework. This certification, overseen by the new Stablecoin Certification Review Committee effectively legitimizes state initiatives such as Wyoming's by enabling coordination with federal oversight rather than outright preemption (Daniel et Al., 2025).

Other states, such as Nebraska, which established LB64987 (the Financial Innovation Act) in 2021 to authorize Digital Asset Depository Institutions[23], are already positioning themselves to leverage this alignment to issue their own stablecoins (Schutz, 2025). However, it is important to note that the demographic and economic profile of certain states, such as Wyoming, does present certain limitations[24] (Krause, 2025). Absent any significant advantages in terms of cost, speed, or utility, there is a risk that FRNT may be perceived as a regulatory pilot project rather than a financial instrument that has gained widespread adoption. Of greater concern is the potential for the initiative to accelerate regulatory fragmentation. Should other states pursue analogous projects under differing regulations, businesses may encounter heightened compliance obligations, the possibility of federal preemption disputes, and a patchwork of non-uniform digital asset standards.

In October 2025, the Bank of North Dakota, announced a partnership with Fiserv to launch the "Roughrider Coin", North Dakota's first US dollar-backed stablecoin, scheduled for release in 2026[25]. The Roughrider Coin has been designed primarily as a wholesale instrument for bank-to-bank settlement. It will be available to community banks[26] and credit unions[27] within the state. The intention is that it will enhance payment efficiency, accelerate settlement times, and support broader merchant adoption of stablecoin-based transactions. In contradistinction to permissionless cryptoassets, the Roughrider Coin is to be operated on Fiserv's proprietary digital asset platform as opposed to on a

[21] Several US states have pursued stablecoin initiatives: Wyoming has led in digital asset regulation; Texas has promoted a gold-backed model; New York issued guidance on dollar-backed stablecoins (July 2022); and California enacted the Digital Financial Assets Law, effective July 2025.

[22] Wyoming's initiative requires reserves of cash and short-term US Treasuries held at FDIC-insured institutions, exceeding typical private stablecoin standards, with reserve interest directed to the state's School Foundation Fund and projected to generate $10–20 million annually for education.

[23] The Nebraska Financial Innovation Act creates two paths for a Digital Asset Depository: a new Nebraska Digital Asset Depository Institution charter or authorization for an existing state-chartered institution to operate a Digital Asset Depository Department.

[24] Because of Wyoming's small population, even universal in-state adoption would represent only a marginal share of the stablecoin market, a constraint reinforced by the fact that only 17% of local businesses accept crypto payments.

[25] The Bank of North Dakota has announced its plan to launch the state's first stablecoin next September.

[26] Community banks are institutions with assets under $10 billion that follow a relationship-banking model, serving local businesses and consumers with loans funded by local deposits and income driven mainly by net interest. Typically locally owned and managed, they support small businesses, agriculture, and local development, and have historically provided relatively stable credit during economic stress.

[27] A federal credit union is a member-owned, not-for-profit cooperative chartered under the Federal Credit Union Act to provide affordable financial services to members linked by a common bond. Funded by member share deposits and governed on a one-member, one-vote basis with an elected volunteer board.

public blockchain. This positioning of North Dakota as a testing ground for tokenized deposits within a regulated, closed financial ecosystem is, once again, indicative of a significant move towards the integration of blockchain technology into the financial sector.

5 Historical Analogies: From the Free Banking Era to Digital State Currencies

The state exemption embedded in the GENIUS Act gives rise to fundamental questions regarding the future of American monetary federalism. It is a well-documented fact that legal and economic scholarships have long emphasised the historically significant efficiency costs imposed by monetary fragmentation. These costs have frequently necessitated federal intervention in order to restore uniformity.

Contemporary state-level experimentation with stablecoins evokes notable parallels with earlier periods of monetary issuance, particularly the Free Banking Era (1837–1864)[28], which followed the expiration of the Second Bank of the United States' federal charter. The War of 1812[29] exposed significant structural weaknesses in the US financial system. The disruption of trade engendered by British blockades resulted in a significant diminution of tariff revenues, consequently engendering considerable indebtedness on the part of the federal government[30] and the absence of a national bank consequent to the expiration of the charter of the First Bank in 1811[31]. In the absence of a central institution, state-chartered banks suspended specie payments and issued heterogeneous banknotes, contributing to monetary instability. In response to this crisis, Congress established the Second Bank of the United States in 1816 with the aim of restoring fiscal and monetary order. The Second Bank functioned in a dual capacity as both a fiscal agent for the federal government and a commercial bank. In this capacity, the Second Bank played a coordinating role by disciplining state bank note issuance through specie redemption and by facilitating nationwide payments through an extensive branch network. Despite its absence of contemporary monetary policy instruments, its magnitude enabled it to exert influence over credit conditions and to promote a more uniform currency. Nevertheless, the Bank's role in stabilising the financial system has been accompanied by significant political controversy. The concentration of financial power, coupled with the perception of insulation from democratic control, served as a catalyst for opposition, which was grounded in states' rights and anti-elite sentiment. This culminated in President Andrew Jackson's veto of its recharter and the subsequent removal of federal deposits. The closure of the Bank in 1836 signalled a return to monetary decentralisation, which was subsequently followed by recurrent financial crises that ultimately led to renewed federal intervention, as evidenced by the establishment of the Federal Reserve in 1913.

This episode demonstrates a recurring dynamic in American monetary federalism: decentralised financial arrangements persist until the economic costs of fragmentation outweigh resistance to centralisation. Furthermore, during the period known as the Free Banking Era, a significant number of states adopted regulatory frameworks that permitted the establishment of banks without the necessity of obtaining discretionary legislative approval, provided that the institutions in question met the stipulated capital and collateral requirements[32] (Sanches, 2016). State-chartered banks issued their own banknotes, which were backed by government bonds or mortgages deposited with state authorities. This resulted in thousands of distinct banknotes circulating simultaneously. Although redemption at par in specie was legally mandated, practical constraints including geographic distance, information asymmetries, and varying perceptions of issuer solvency, led banknotes to trade at discounts that differed by issuer and location. Market participants relied on newspapers and "note detectors" to assess relative values and identify counterfeits, while interstate commerce faced significant transaction costs. The absence of a standardised national currency gave rise to inefficiencies, which ultimately motivated the enactment of the National Banking Acts of 1863 and 1864[33]. These acts imposed federal uniformity through nationally chartered banks and a single currency framework.

The observed divergence between contemporary state-issued stablecoin initiatives reflects analogous dynamics in digital form. A comparison of the two cryptocurrencies reveals a marked contrast between the North Dakota Roughrider

[28] The spread of free-banking statutes was closely linked to the Jacksonian Democratic movement's effort to diffuse financial power and limit the influence of large, centralized banks.

[29] Escalating Anglo-French trade restrictions between 1806 and 1807 sharply curtailed US commerce, prompting Congress to enact the costly and largely ineffective Embargo Act of 1807 and related Non-Intercourse Acts. Despite limited trade reopening in 1810, continued British blockades and impressment of American sailors combined with broader geopolitical ambitions to lead Congress to declare war in June 1812; the conflict ended with the 1814 Treaty of Ghent, restoring prewar boundaries while leaving underlying disputes unresolved.

[30] The War of 1812 was financed largely through public borrowing, expanding federal debt from $45.2 million in January 1812 to $119.2 million by September 1815.

[31] After independence, the United States faced severe fiscal and monetary instability, prompting Treasury Secretary Alexander Hamilton to propose a national bank to stabilize public finance and commerce. Chartered in 1791, the First Bank of the United States served as the government's fiscal agent, issued widely accepted notes, and exerted limited monetary control through lending and specie redemption, but constitutional and political opposition led Congress to let its charter expire in 1811.

[32] During the 1830s, states including Michigan, Georgia, and New York adopted free-banking regimes allowing banks to operate without special charters; by 1860, fifteen more states had followed, making free banking the dominant state-level system on the eve of the Civil War.

[33] The National Banking Acts of 1863 and 1864 marked a turning point in US banking, creating a system of federally chartered banks to finance Civil War expenditures and establish a uniform national currency. The Acts imposed federal supervision, capital and reserve requirements, authorized Treasury-backed banknotes, and effectively eliminated state banknotes through taxation, but failed to prevent recurring banking panics, contributing to the creation of the Federal Reserve in 1913.

coin and the Wyoming FRNT. The former is designed as a wholesale, institution-facing token operating on a proprietary platform, whereas the latter is structured as a retail-facing asset deployed on public blockchain networks. This divergence mirrors the heterogeneity of nineteenth-century state banknotes, albeit within a technologically advanced environment in which digital assets circulate instantaneously across jurisdictional boundaries. Absent federal interoperability mandates, state stablecoin programs risk recreating fragmentation through incompatible technical architectures and regulatory frameworks. A business seeking to transact across state lines may encounter frictions if stablecoins issued under different state regimes are unable to interoperate seamlessly. To illustrate this point, consider a Wyoming-based entity that is utilising FRNT on a public blockchain. Such an entity may encounter conversion or settlement barriers when engaging with a North Dakota counterparty that is operating within a closed, proprietary system.

Such frictions have the potential to compromise the efficiency gains that distributed ledger technology is otherwise capable of delivering. The issue is further complicated by regulatory divergence. Despite the adoption of dollar backing requirements in early state initiatives, the absence of uniform federal standards creates the possibility that future entrants may experiment with weaker reserve compositions, governance structures, or redemption mechanisms. The GENIUS Act's state exemption implicitly relies on market discipline and reputational constraints to deter excessive risk-taking. However, from a law and economics perspective, interjurisdictional competition may instead incentivise a regulatory "race to the bottom" as states seek to attract digital-asset firms and investment by offering more permissive regimes. These concerns are exacerbated by the fungibility and mobility of digital assets. In contrast to nineteenth-century banknotes, which were constrained by physical circulation and geographic limitations, digital stablecoins can move instantaneously across state lines and into federally regulated financial institutions. Consequently, risks originating within a single state's stablecoin ecosystem, such as a de-pegging event or reserve shortfall, may propagate rapidly through interconnected payment systems, potentially amplifying systemic effects rather than containing them. At the same time, state-level experimentation may generate valuable informational benefits. Regulatory competition can function as a laboratory for innovation, enabling states to test alternative approaches to stablecoin design, governance, and use cases. Wyoming's emphasis on transparency and full reserve backing, for example, may establish de facto standards that influence both federal policymakers and other states. Federal regulators retain indirect leverage through their authority over banks and payment systems that interact with state-issued stablecoins, as well as through systemic risk designation powers.

Ultimately, the success of the GENIUS Act's state exemption will depend on whether coordination mechanisms, whether market-driven, voluntary, or federally imposed, emerge to harmonize these parallel experiments. American monetary history suggests that periods of decentralization often persist only until the costs of fragmentation become sufficiently salient to justify uniform federal intervention. The central challenge, therefore, lies in capturing the innovative potential of state experimentation while avoiding the inefficiencies and systemic vulnerabilities that historically necessitated national monetary unification.

In his remarks from October 2025, former Vice Chair for Supervision Michael S. Barr further warned that, despite their potential benefits in areas such as remittances trade finance, and corporate liquidity management[34], stablecoins pose financial stability risks reminiscent of the 19th-century Free Banking Era[35] (Rockhoff, 1974; Hasan & Dwyer, 1994). He cautioned that unregulated issuers could face sudden redemption runs if reserves are not sufficiently safe and liquid, as stablecoins lack the protections provided to traditional banks, such as deposit insurance[36]. Barr also criticised the GENIUS Act for leaving gaps in oversight, notably allowing reserve assets that are not immune to stress, such as uninsured deposits or foreign assets authorised as means of payment. Moreover, he highlighted the danger of regulatory fragmentation, as four federal agencies and multiple state authorities can exert overlapping supervisory powers. In Barr's view, the US framework should introduce clearer capital requirements for issuing banks and stronger consumer protection tools[37]. As an alternative, he pointed to tokenised deposits, already integrated into existing prudential frameworks, as a safer model within the regulated banking perimeter. Wyoming's stablecoin therefore embodies a duality of innovation and uncertainty. Its emphasis on transparency and public benefit has the potential to provide a credible alternative to private issuers. Nevertheless, the question of whether a state-backed token can achieve meaningful scale in competition with established market leaders remains unresolved.

[34] Stablecoins can reduce remittance costs, especially where payment infrastructure is weak, while emerging acceptance networks improve speed and affordability. They may also enhance trade and trade finance through smart contracts and enable near real-time cross-border payments and liquidity management for firms, lowering costs and improving efficiency.

[35] During the Free Banking Era, privately issued banknotes circulated at varying values based on issuer creditworthiness and location, often trading below par and triggering frequent runs and panics despite asset backing. Although later reforms requiring full backing by US government securities improved stability, systemic fragility persisted, culminating in the Panic of 1907 and the subsequent creation of the Federal Reserve.

[36] Stablecoins' long-term stability depends on the quality, liquidity, and transparency of their reserves, as they lack deposit insurance and central bank liquidity access. Issuers' incentives to seek higher yields by increasing portfolio risk can boost profits in calm periods but heighten vulnerability to confidence shocks, making reliable par redemption critical even during market stress or issuer-specific distress.

[37] Stablecoin issuers are subject only to the Act's capital requirements, which may be insufficient as activities expand, making coordinated federal–state capital standards essential. The GENIUS Act supports this by allowing state requirements to be deemed substantially similar to federal ones.

In contrast to the US, the Euro area does not face the same internal fragmentation risks because monetary authority is centralized within the Eurosystem. However, the emergence of private global stablecoins introduces a different coordination challenge: preserving monetary sovereignty in a digital payments environment increasingly influenced by non-European issuers. Indeed, the fragmentation of the US free banking era, characterised by thousands of heterogeneous banknotes, provides a critical analytical lens for the ECB's current stance. The inefficiencies and "note detectors" of the nineteenth century are analogous to the technical and regulatory frictions that the ECB seeks to avoid by introducing a unified digital euro platform.

6 The European Response to US Stablecoin Regulation: The Digital Euro as a Monetary countermeasure

While recent US legislation has accelerated the integration of dollar-denominated stablecoins into domestic and global payment systems, it has also generated significant spillover effects beyond US borders. In particular, European policymakers have expressed growing concern that the expansion of regulated US stablecoins could reinforce the international dominance of the dollar in digital payments, prompting renewed institutional momentum behind the digital euro project. This development has led to a notable acceleration in the pace of discourse surrounding the concept of a digital euro which should therefore be understood not merely as a technological innovation, but as an institutional response to the changing structure of monetary authority in the digital age. The digital euro, actually, is perceived by many as a necessary measure to ensure the continued dominance of the euro within the single market (Gramegna, 2025). However, while the present political momentum has intensified only recently, the digital euro project has a more long-standing history and has followed a staged approach. In October 2020, the ECB published a report examining the potential issuance of a retail CBDC[38] (Brühl, 2025) in the form of a digital euro. One year later, in October 2021, the Eurosystem launched an investigation phase into its possible introduction. On 28 June 2023, the European Commission published three legislative proposals (COM/2023/369 final, COM/2023/368 final and COM/2023/364 final) that establish the legal framework for the digital euro. These proposals regulate its essential elements and grant the ECB the option, but not the obligation, to issue it[39]. On 18 October 2023, the ECB decided to advance to the preparation phase[40]. Subsequent to the culmination of the two-year preparatory phase, the ECB's Governing Council has decided to move to the next phase of the digital euro project in October 2025[41]. The final issuance decision will be made only upon the conclusion of the EU legislative process, which is expected by officials to occur by mid-2026, with mid-2029 cited as a realistic target for potential implementation.

The legal basis for the digital euro is derived from the EU's exclusive competence in the field of monetary policy for Member States whose currency is the euro, as outlined in Art. 3 of the Document 12012E/TXT (the Treaty on the Functioning of the European Union, hereinafter, "TFEU"). The definition and implementation of monetary policy are the responsibility of the European System of Central Banks. Based on Art. 133 TFEU, digital euro could be introduced as a new form of central bank money alongside cash, with its legal tender status representing a key consideration (Capdevila Penalva, 2024). The Court of Justice of the EU has defined legal tender as implying mandatory acceptance, acceptance at full face value, and the power to discharge payment obligations (Dietrich and Häring v Hessischer Rundfunk, 2021). The primary objectives of the digital euro can be distilled into four points. Firstly, it seeks to ensure that the euro remains a monetary anchor and to protect financial stability. Confidence in private money is founded on the capacity to convert it at par value into central bank money (Panetta, 2022). The decline in the utilisation of central bank money has the potential to erode public trust and compromise the efficacy of monetary policy transmission. The digital euro is therefore intended to offset the declining use of cash and to preserve the euro's role as a monetary anchor in the future monetary system. Secondly, the digital euro is intended to promote innovation and competition in the field of payments. The introduction of universal access[42], price caps, and the capacity for users to switch providers is expected to generate competitive pressures on existing services. Digital euro will be a common platform compatible with private services, and it is intended to support the development of new services and allow smaller firms to offer advanced solutions at competitive prices[43].

Thirdly, the digital euro is presented as a tool to promote financial inclusion. Access to fundamental digital payment functionality will be universally available and free of charge. Users will have the capability to establish accounts with any payment service provider (hereinafter, "PSP"), and public entities may distribute the digital euro to those who are averse

[38] A CBDC can be retail, serving as a digital alternative to cash for households and firms, or wholesale, representing central bank reserves used by financial institutions to settle payments and securities in real time.

[39] The proposed Digital Euro Regulation establishes an enabling framework that defines the digital euro's core features without mandating issuance, leaving the decision to the ECB. It sets rules on legal tender status, privacy, AML safeguards, distribution, holding limits, cross-border use, and key technical functions, including online, offline, and conditional payments.

[40] Following its investigation phase, the ECB designed a digital euro distributed by supervised intermediaries, free for basic use, usable online and offline, and offering high privacy with instant settlement in central bank money, supporting P2P, retail, e-commerce, and government payments.

[41] The next phase will ensure the Eurosystem's technical readiness for a potential digital euro issuance; if the Regulation is adopted in 2026, a pilot and initial transactions could begin by mid-2027, enabling readiness for a first issuance by 2029.

[42] The digital euro would be available to all euro-area citizens and businesses.

[43] The proposed structure would ease cross-border deployment for PSPs, allowing more efficient service provision and greater operational scale across Europe.

to onboarding with a PSP. The design is focused on meeting the needs of individuals with disabilities, older individuals, and those with limited digital skills. It is noteworthy that users will not be required to hold a non-digital euro payment account[44] (Lambert et Al., 2024), a factor that may appeal to those who wish to maintain unbanked status. Fourthly, the digital euro is intended to bolster the EU's strategic autonomy and monetary sovereignty. It could provide a payment infrastructure that is resilient to external disruptions and reduce dependence on foreign providers[45]. The digital euro could also serve as a backup during network outages, as its offline functionality would allow payment transactions to continue even when connectivity is disrupted. Issuing digital euro could also strengthen monetary sovereignty by enhancing the euro's international standing in competition with foreign CBDCs and privately issued stablecoins from non-EU actors.

A critical design feature relates to the holding limit. The concept of holding limits involves the establishment of maximum balances that users are permitted to maintain within digital euro wallets. It is vital to note that these factors serve to limit the capacity for deposits to be transferred from commercial banks to the central bank balance sheet. Despite the ECB's lack of a proposed limit, a minimum of eighteen months will be necessary to ascertain one following the issuance announcement[46]. The implementation of lower limits has the potential to mitigate financial stability risks; however, it may also result in the suppression of adoption, consequently weakening the monetary anchor function. The imposition of higher limits has been demonstrated to engender an escalation in competitive pressures, whilst concomitantly giving rise to the phenomenon of deposit flight and the necessity of reliance on wholesale funding. The actual rate of uptake remains uncertain and is contingent upon factors such as remuneration, convenience, prevailing financial conditions, and user preferences[47] (Demertzis & Mejino-Lopez, 2024).

However, the introduction of a digital euro is expected to cause an outflow of deposits from commercial banks, as households rebalance their assets. To mitigate these challenges, financial institutions may implement a range of strategies, including the utilisation of reserves, the reduction of assets, or the augmentation of wholesale funding. The utilisation of reserves has the potential to contravene regulatory stipulations pertaining to liquidity requirements. The reduction of assets will result in a tightening of credit availability and a weakening of banks' capacity to absorb shocks. An increase in wholesale funding may necessitate an elevated level of long-term debt issuance, which in turn could result in an augmentation of encumbrance ratios. In periods of financial stress, the liquidity needs of financial institutions may exceed the reserves available to them, particularly for smaller banks in countries with a high reliance on household deposits[48].

7 Innovation without Fragmentation?

The exploration of stablecoin development is not limited to the domains of stablecoin issuers and state governments; small businesses and consumers are also drawn to the potential of stablecoins. A notable example of this is Open Issuance, a new platform that enables any business to launch and manage its own stablecoin[49] (Mamujee, 2025). For small and medium-sized enterprises in the US, technology is especially attractive as a means to reduce one of their most significant expenses: payment processing fees[50] (Nunley, 2025). The impact of stablecoins is also being felt in the travel and tourism industry, where payment methods are evolving rapidly alongside the growth of the digital economy[51] (Manahov & Li, 2024). Beyond tourism, other sectors are adopting stablecoins to mitigate currency risk. In real estate, firms already use them for property transactions, easing international dealings[52], while in retail, clothing brands employ stablecoins to purchase gift cards and reduce revenue volatility from exchange rate fluctuations[53]. Collectively, these examples show how stablecoins have evolved beyond crypto-native institutions and are progressively integrating into the broader economy.

Meanwhile, the US Congress is advancing the Digital Asset Market Clarity Act, intended to establish a coordinated framework for digital and crypto assets. Although stablecoins fall outside their immediate scope, the legislation could still provide the legal certainty necessary to foster responsible innovation. The EU, through MiCA, has

[44] Some functions require linking a non-digital account to the digital euro wallet, notably "waterfall" mechanisms that route excess amounts to or from the linked account when payments exceed holding limits, allowing digital euro payments even without a prior wallet balance.

[45] To strengthen European payment sovereignty and reduce reliance on non-European providers, the EU has backed cross-border interoperability initiatives, including Wero, a pan-European account-to-account wallet developed by EPI using SEPA Instant rails.

[46] On 19 September 2025, EU finance ministers agreed on a governance process to set and adjust caps on individual digital euro holdings, involving ECB analysis, consultation with national central banks, a Eurogroup recommendation, and national implementation.

[47] The ECB has proposed digital euro holding limits of €3,000–€4,000, though some studies suggest €1,000 as a lower feasible level. Research indicates that holdings below €3,000 per household would not threaten financial stability, but limits between €1,000 and €3,000 could still affect banks' profitability and funding stability.

[48] A digital euro could pose financial stability risks, with estimated bank deposit outflows of up to €739 billion, particularly affecting banks in countries such as Slovenia, Latvia, and Greece where household deposits are a key funding source.

[49] Issuing proprietary tokens allows businesses to control the customer experience, mint and burn tokens without excessive fees or limits, and capture returns on reserves.

[50] With US merchant processing fees reaching $187.2 billion in 2024, small businesses such as Prevail Coffee are using stablecoin payment apps to cut costs and support local innovation.

[51] Firms including Travala.com and Destinia accept cryptocurrencies.

[52] Burnert Title, Lodgis, and Cypress Title accept stablecoins for transactions.

[53] Adidas, H&M and Allbirds use stablecoins.

already taken a lead in this field, offering valuable lessons on the importance of coherent implementation and proportional requirements[54]. Compared to the Fed's approach, characterised by openness to private-sector innovation under prudential guardrails, the ECB maintains a more sovereignty-oriented perspective. The ECB's primary concern lies in the potential erosion of monetary control and the risk that non-euro denominated stablecoins could weaken the transmission of monetary policy. While both central banks identify similar vulnerabilities, such as liquidity mismatches and redemption risks, their underlying priorities diverge: the Fed emphasises market functioning and financial stability, whereas the ECB focuses on protecting monetary autonomy and the integrity of the euro.

Finally, the comparison between the US and the Euro area shows that there are two possible ways to integrate digital currencies into advanced monetary systems. In the US, innovation is primarily driven by decentralised experimentation by states and private actors, with federal authorities playing a coordinating role when necessary. In contrast, the eurozone has seen a more centralised approach designed to preserve the role of central bank money in an increasingly digital payments landscape.

8 Conclusion

In conclusion, the Fed's approach has undergone a notable shift, progressing from a stance of circumspect observation to a more proactive engagement. Following the enactment of the GENIUS Act, the central bank is confronted with the dual challenge of monitoring risks while integrating stablecoins into the broader financial system. This represents a delicate balancing act with the potential to significantly impact both domestic credit markets and the dollar's global role. State-issued stablecoins represent one of the most consequential monetary innovations to emerge from the digital asset ecosystem.

By entering the stablecoin market, US states have moved beyond regulating private issuers and have assumed an active role in shaping the future of digital money. This article has argued that such experimentation, while innovative, revives enduring tensions at the heart of American monetary federalism. The comparative analysis of Wyoming's FRNT token and North Dakota's Roughrider coin demonstrates that state stablecoins are not a uniform phenomenon. Instead, they reflect distinct institutional objectives and governance models, ranging from open, retail-facing instruments on public blockchains to closed, wholesale settlement assets operating on proprietary platforms. These design choices carry significant economic and legal consequences, particularly with respect to interoperability, risk management, and market adoption. Historical experience offers a cautionary perspective. During the Free Banking Era, decentralized issuance of money fostered experimentation but also produced fragmentation, uneven acceptance, and recurrent instability. Federal intervention through the National Banking Acts ultimately restored uniformity, albeit at the cost of state autonomy. While digital technologies reduce some frictions associated with nineteenth-century banknotes, they do not eliminate the fundamental coordination problems inherent in a decentralized monetary system. On the contrary, the speed and fungibility of digital assets may amplify the transmission of localized failures across jurisdictions. The analysis further underscores that state-level autonomy is constrained by the institutional reality of federal oversight. Even in the presence of statutory exemptions, the Federal Reserve and other federal agencies retain decisive influence over payment rails, banking relationships, and systemic risk designation. As a result, state-issued stablecoins exist within an implicit federal backstop that both enables experimentation and limits its scope. This hybrid arrangement reflects a deliberate policy choice to balance innovation against stability, but it also creates uncertainty about the long-term viability of fragmented digital monetary regimes. From a law and economics perspective, the state exemption embodied in the GENIUS Act can be understood as a regulatory experiment rather than a settled equilibrium. Market discipline, reputational constraints, and voluntary coordination may mitigate some risks, but they are unlikely to fully resolve interoperability challenges or prevent regulatory arbitrage. Absent minimum federal standards or coordination mechanisms, competitive pressures among states could erode reserve quality or oversight rigor, undermining confidence in state-backed digital money.

Ultimately, the future of state-issued stablecoins will depend on whether decentralized innovation can be reconciled with the functional requirements of a national payments system. The United States has repeatedly oscillated between decentralization and uniformity in its monetary history, often in response to crises that exposed the costs of fragmentation. Digital stablecoins may follow a similar trajectory. Whether they evolve into a durable component of the monetary system or prompt renewed federal consolidation will shape the next chapter of American monetary federalism.

References

Anus, Muhammad, Mansoor Ali Khan, Bin Ngadi, Asri, and Suresh Ramakrishnan. "The GENIUS Act and Stablecoin Adoption in 2025: Legal, Computational, and Financial Stability Perspectives." SSRN. 15 September 2025.
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5418014
Apollo, Anthony J. "State of Wyoming Stable Token Commission." Wyoming Legislature. 12 January 2024.
https://wyoleg.gov/InterimCommittee/2024/02-20240116091-STC-183-AgencyLetter.pdf

[54] Given the EU's early lead in digital asset regulation, its experience offers valuable lessons for the US as it pursues a similar regulatory path.

Asgari, Nikou. “Citadel Securities and Fortress take stakes in Ripple at $40bn valuation.” Financial Times. 5 November 2025. https://www.ft.com/content/2b27ff66-aae1-4779-a7e7-16c856840139
Asgari, Nikou. “Cryptocurrency group Ripple buys stablecoin platform in $200mn deal.” Financial Times. 7 August 2025. https://www.ft.com/content/37e17790-87c8-474d-93a5-6ede64dcbc5d
Asgari, Nikou. “EU speeds up plans for digital euro after US stablecoin law.” Financial Times. 22 August 2025. https://www.ft.com/content/8ad60169-d1e5-4d2c-b928-d53d668f0ec6.
Auriol, Emmanuelle, Erling Hjelmeng, and Tina Søreide. “Corporate criminals in a market context: enforcement and optimal sanctions.” European Journal of Law and Economics, 2023: 225–287.
Azar, Pablo, et al. “The Financial Stability Implications of Digital Assets.” Economic Policy Review (Federal Reserve Bank of New York) 30, no. 2 (2024): 1-48.
Azzimonti, Marina, and Vincenzo Quadrini. “Digital Economy, Stablecoins, and the Global Financial System.” Nber Working Paper, no. 34066 (July 2025): 1-48.
Barr, Michael. “Exploring the Possibilities and Risks of New Payment Technologies.” Federal Reserve Bank of San Francisco. 16 October 2025. https://www.frbsf.org/news-and-media/speeches/eern-speeches/2025/10/exploring-the-possibilities-and-risks-of-new-payment-technologies/.
Basil, Phillip. “The Crypto Stablecoin GENIUS Act Hurts All Americans by Undermining the Economy, Financial System, and Monetary Policy.” Better Markets. 21 August 2025. https://bettermarkets.org/analysis/the-crypto-stablecoin-genius-act-hurts-all-americans-by-undermining-the-economy-financial-system-and-monetary-policy/ (accessed September 2025).
Becker, Gary S. “Crime and Punishment: An Economic Approach.” Journal of Political Economy (The University of Chicago Press) 76, no. 2 (Mar-Apr 1968): 169-217.
Board of Governors of the Federal Reserve System. “Federal Open Market Committee.” Federal Reserve. n.d. https://www.federalreserve.gov/monetarypolicy/fomc.htm.
Borg, Joseph F., Nicholas Scerri, and Isaac James Camilleri. “Comparing the U.S. GENIUS Act to EU’s MiCA: A transatlantic clash in crypto regulation.” WH Partners. 2025. https://whpartners.eu/news/comparing-the-u-s-genius-act-to-eus-mica-a-transatlantic-clash-in-crypto-regulation/.
Brühl, Volker. “How will the digital euro work? A preliminary analysis of design, structures, and challenges.” Edited by Springer. Electronic Markets (University of St. Gallen) 35, no. 1 (December 2025): 1-12.
Caresana, Andrea. “Stablecoins: A law and economics analysis.” SSRN. 26 November 2025.
Carr, Martin, and Warren Thomas. “Stablecoins top choice for crypto scams: report.” Independent Community Bankers of America. 19 January 2024. https://www.icba.org/w/stablecoins-top-choice-for-crypto-scams-report.
Choi, Stephen, Sara E. Gilley, Heather B. Lazur, Giovanni Patti, and Lindsay V. Schick. “SEC Cryptocurrency Enforcement Activity: Public Companies and subsidiaries. Fiscal year 2023 Update,.” Cornerstone Research. 2023. https://www.cornerstone.com/wp-content/uploads/2023/11/SEC-Enforcement-Public-Companies-Subsidiaries-FY2023.pdf
Chow, Andrew R. “How Crypto Legislation Could Hand Big Tech the Keys to Banking.” Time. 4 April 2025. https://time.com/7274507/stablecoin-legislation-genius-act-musk/.
Cieplak, Jenny, Arthur Long, Yvette D. Valdez, Stephen P. Wink, Adam Fovent, and Deric Behar. “US Senators Introduce Comprehensive Stablecoin Bill.” Latham & Watkins. 16 May 2024. https://www.fintechanddigitalassets.com/2024/05/us-senators-introduce-comprehensive-stablecoin-bill/
Circle Internet Group. “Circle Applies for National Trust Charter.” Circle Internet Group. 30 June 2025. https://www.circle.com/pressroom/circle-applies-for-national-trust-charter
Court of Justice of the European Union. “Dietrich and Häring v Hessischer Rundfunk.” European Union. 26 January 2021. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:62019CJ0422.
Daniel, Chris, et al. “Support for Stablecoin Legislation and Leadership Confirmations.” Paul Hastings. 25 April 2025. https://www.paulhastings.com/insights/crypto-policy-tracker/support-for-stablecoin-legislation-and-leadership-confirmations
De Nederlansche Bank. “Merchants see potential in an offline digital euro.” De Nederlansche Bank. 2025. https://www.dnb.nl/en/general-news/news-2025/merchants-see-potential-in-an-offline-digital-euro/.
De Nederlansche Bank. “What is a payment service provider?” De Nederlansche Bank. 8 August 2016. https://www.dnb.nl/en/sector-information/open-book-supervision/open-book-supervision-sectors/payment-institutions/licensing-requirement-for-payment-service-providers-overview/what-is-a-payment-service-provider/
Demertzis, Maria, and Juan Mejino-López. “On the digital euro holding limits.” Bruegel. 16 July 2024. https://www.bruegel.org/analysis/digital-euro-holding-limits
Dunn, Jason, and David C. Wheelock. “National Banking Acts of 1863 and 1864.” Federal Reserve History. 31 July 2022. https://www.federalreservehistory.org/essays/national-banking-acts
European Central Bank. “Central bank digital currencies: defining the problems, designing the solutions.” European Central Bank. 18 February 2022. https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220218_1~938e881b13.en.html
European Central Bank. ECB, ESCB and the Eurosystem. European Central Bank. 2025. https://www.ecb.europa.eu/ecb/orga/escb/html/index.en.html
European Central Bank. “Eurosystem launches digital euro project.” European Central Bank. 14 July 2021. https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210714~d99198ea23.en.html
European Central Bank. “Eurosystem moving to next phase of digital euro project.” European Central Bank. 30 October 2025. https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.pr251030~8c5b5beef0.en.html
European Central Bank. Financial stability. 2025. https://www.ecb.europa.eu/paym/financial-stability/html/index.en.html.
European Central Bank. Governing Council. 2025. https://www.ecb.europa.eu/ecb/decisions/govc/html/index.en.html.
European Commission. “COM/2023/369 final Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of the digital euro.” EUR-Lex European Union. 28 June 2023. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52023PC0369
European Parliament. “Initial Appraisal of a European.” European Parliament. 2024. https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757787/EPRS_BRI(2024)757787_EN.pdf
Federal Deposit Insurance Corporation. “Anti-Money Laundering and Countering The Financing Of Terrorism.” Federal Deposit Insurance Corporation. 2025. https://www.fdic.gov/banker-resource-center/anti-money-laundering-countering-financing-terrorism-amlcft

Federal Deposit Insurance Corporation. “Deposit Insurance.” Federal Deposit Insurance Corporation. 2025. https://www.fdic.gov/resources/deposit-insurance
Federal Reserve Bank of Kansas City. “Stablecoins Could Increase Treasury Demand, but Only by Reducing Demand for Other Assets.” Federal Reserve Bank of Kansas City. 8 August 2025. https://www.kansascityfed.org/research/economic-bulletin/stablecoins-could-increase-treasury-demand-but-only-by-reducing-demand-for-other-assets/
Financial Crime Enforcement Network. “The Bank Secrecy Act.” Financial Crime Enforcement Network. 2025. https://www.fincen.gov/resources/statutes-and-regulations/bank-secrecy-act
Financial Industry Regulatory Authority. “Crypto Assets.” FINRA. 2025. https://www.finra.org/rules-guidance/key-topics/crypto-assets.
Fiserv. About Fiser. 2026. https://www.fiserv.com/en/about-fiserv.html
Goko, Collen. “Biggest African economies lead stablecoin demand growth, study shows.” Reuters. 18 February 2026. https://www.reuters.com/world/africa/biggest-african-economies-lead-stablecoin-demand-growth-study-shows-2026-02-18/
Gorton, Gary B., and Andrew Metrick. “Regulating the Shadow Banking System.” SSRN, 10 2010: 1-41.
Gramegna, Pierre. “The euro’s moment.” European Stability Mechanism. 7 October 2025. https://www.esm.europa.eu/blog/euros-moment
Hasan, Iftekhar, and Gerald P. Jr. Dwyer. “Bank Runs in the Free Banking Period.” Journal of Money, Credit and Banking (Ohio State University Press) 26, no. 2 (May 1994): 271-288.
Hill, Andrew T. “The First Bank of the United States.” Federal Reserve History. 4 December 2015. https://www.federalreservehistory.org/essays/first-bank-of-the-us
Howcroft, Elizabeth, and Tommy Reggiori Wilkes. “Major banks explore issuing stablecoin pegged to G7 currencies.” Reuters. 10 October 2025. https://www.reuters.com/business/finance/major-banks-explore-issuing-stablecoins-pegged-g7-currencies-2025-10-10/
Jacewitz, Stefan A. “Stablecoins Could Increase Treasury Demand, but Only by Reducing Demand for Other Assets.” Federal Reserve Bank of Kansas City. 8 August 2025. https://www.kansascityfed.org/pdf/article/articlepage/15995/
Kaplan, Talia, and Jordan Smith. “Wyoming launches the first state-issued stablecoin: CNBC Crypto World.” CNBC Crypto World. 19 August 2025. https://www.cnbc.com/video/2025/08/19/wyoming-launches-the-first-state-issued-stablecoin-cnbc-crypto-world.html
Kemnitz, Christian T., et al. “Crypto in the Courts: Five Cases Reshaping Digital Asset Regulation in 2025.” Katten. 21 January 2025. https://katten.com/files/1948814_2025_01_21_frm_fmf_fmle_crypto_in_the_courts_five_cases_reshaping_digital_asset_regulation_in_20.pdf
Krause, David. “Wyoming's WYST Stablecoin: A Solution in Search of a Problem?” SSRN. 1 April 2025. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5196335
Lambert, Claudia, Chloe Larkou, Cosimo Pancaro, Antonella Pellicani, and Meri Sintonen. “Digital euro demand: design, individuals’ payment preferences and socioeconomic factors.” ECB Working Paper Series (European Central Bank), no. 2980 (2024): 1-68.
Leask, Hugh. “European banks seize on region’s nascent stablecoin market with new launch.” CNBC. 25 September 2025. https://www.cnbc.com/2025/09/25/european-banks-seize-on-regions-nascent-stablecoin-market-with-new-launch.html
Lom, Andrew, and Oropeza Magdalena. “2023 Crypto round up.” Norton Rose Fulbright. January 2024. https://www.nortonrosefulbright.com/en/knowledge/publications/4c9650ae/2023-crypto-round-up
Makridis, Christos. “Stablecoins Strengthen the Dollar and Empower the Developing World.” The Heritage Foundation. 3 December 2025. https://www.heritage.org/international-economies/commentary/stablecoins-strengthen-the-dollar-and-empower-the-developing#:~:text=in%20developing%20countries.-,These%20%E2%80%9Cdigital%20dollars%E2%80%9D%20have%20numerous%20benefits.,that%20struggle%20with
Mamujee, Adil. “Introducing Open Issuance from Bridge: A new platform to launch your own stablecoin.” Stripe. 30 September 2025. https://stripe.com/blog/introducing-open-issuance-from-bridge
Manahov, Viktor, and Mingnan Li. “Stablecoins: New perspectives for travel and tourism.” Annals of Tourism Research 107 (2024): 1-4.
Næss-Schmidt, Helge Sigurd, Charlotta Zienau, Rodrigo Cipriano, and Jens Brink. “Effects of a digital euro on financial stability and consumer welfare.” Copenaghen Economics. December 2023. https://www.ebf.eu/wp-content/uploads/2023/12/Effects-of-a-Digital-Euro-on-Financial-Stability-and-Consumer-Welfare_CE-Report_December2023.pdf
Nunley, Christian. “How stablecoins could change the way Americans shop in stores.” CNBC. 1 10 2025. https://www.cnbc.com/2025/10/01/how-stablecoins-could-change-the-way-americans-shop-in-stores.html
Orledge, Jacob. “Next steps for Bank of North Dakota stablecoin to be reviewed this month.” North Dakota Monitor. 9 March 2026. https://northdakotamonitor.com/2026/03/09/next-steps-for-bank-of-north-dakota-stablecoin-to-be-reviewed-this-month/
Panetta, Fabio. “Central bank digital currencies: defining the problems, designing the solutions.” European Central Bank. 18 February 2022. https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220218_1~938e881b13.en.html
Rockoff, Hugh. “The Free Banking Era: A Reexamination.” Journal of Money, Credit and Banking (Ohio State University Press) 6, no. 2 (May 1974): 141-167.
Samuel, Ashwanth, Dan Aronoff, Anders Brownworth, and Neha Narula. “The GENIUS Act is Now Law. What’s Missing?” Digital Currency Initiative. 28 August 2025. https://www.dci.mit.edu/posts/stablecoins-genius-act
Sanches, Daniel. “The Free-Banking Era: A Lesson for Today?” Federal Reserve Bank of Philadelphia Research Department Third Quarter 2016 (2016): 9-14.
Schonberger, Jennifer. “House Republicans and Democrats can't agree on how to regulate stablecoins.” Yahoo. 18 May 2023.
Schutz, Ani. “What the new stablecoin law means for Nebraska banks and consumers.” Silicon Prairie News. 23 August 2025. https://siliconprairienews.com/2025/08/what-the-new-stablecoin-law-means-for-nebraska-banks-and-consumers/
Securities and Exchange Commission. “SEC Crypto 2.0: Acting Chairman Uyeda Announces Formation of New Crypto Task Force.”
Securities and Exchange Commission. 21 January 2025. https://www.sec.gov/newsroom/press-releases/2025-30
Settlement, Bank for International. “Non-bank financial institution.” Bank for International Settlement. 2016.
Stafford, Philip, and George Steer. “Circle Internet shares soar 168% on NYSE debut.” Financial Times. 5 June 2025. https://www.ft.com/content/0c58937b-2cda-4028-a921-64653ece7a34
State of Wyoming. “SF0127 - Wyoming Stable Token Act.” Wyoming Legislation. 2023. https://wyoleg.gov/Legislation/2023/SF0127.
Steer, George, Jill R Shah, and Nikou Asgari. “Crypto group Tether to launch new stablecoin with eye on US markets.” Financial Times. 12 September 2025. https://www.ft.com/content/f2329769-6bbc-489b-9a98-d9bbf7addf6f
The White House. “Strengthening American Leadership in Digital Financial Technology.” The White House. 23 January 2025. https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology/

The White House. “The President Signed into Law S. 1582.” The White House. 18 July 2025. https://www.whitehouse.gov/briefings-statements/2025/07/the-president-signed-into-law-s-1582/
Then, Corey, Caroline Hill, and David Anderson. “Unlocking Stablecoins: Exploring Opportunities and Risks.” The Bretton Woods Committee. February 2025. https://brettonwoods.org/unlocking-stablecoins-exploring-opportunities-and-risks/
Tran, Hung, and Barbara C. Matthews. “The 2025 crypto policy landscape: Looming EU and US divergences?” Atlantic Council. 28 January 2025. https://www.atlanticcouncil.org/blogs/econographics/the-2025-crypto-policy-landscape-looming-eu-and-us-divergences/
Treasury Direct. The History of the Debt. 2025. https://treasurydirect.gov/government/historical-debt-outstanding/
United States Congress. “H.R.3633 - Digital Asset Market Clarity Act of 2025.” Congress.gov. 2025. https://www.congress.gov/bill/119th-congress/house-bill/3633
United States Congress. “H.R.4766 - Clarity for Payment Stablecoins Act of 2023.” Congress.Gov. 20 July 2023. https://www.congress.gov/bill/118th-congress/house-bill/4766/text
United States Congress. “Public Law 119 - 27 - Guiding and Establishing National Innovation for U.S. Stablecoins Act" or the "GENIUS Act.” GovInfo. 18 July 2025. https://www.govinfo.gov/app/details/PLAW-119publ27
United States Senate Committee on Banking, Housing, and Urban Affairs. “On Senate Floor, Warren Urges Colleagues to Use Their Leverage and Vote No on GENIUS Act Until Critical Issues Addressed.” United States Committee on Banking, Housing, and Urban Affairs. 11 June 2025. https://www.banking.senate.gov/newsroom/minority/on-senate-floor-warren-urges-colleagues-to-use-their-leverage-and-vote-no-on-genius-act-until-critical-issues-addressed
United States Senate Committee on Banking, Housing, and Urban Affairs. “Scott Announces Banking Committee Priorities for the 119th Congress.” United States Senate Committee on Banking, Housing, and Urban Affairs. 15 January 2025. https://www.banking.senate.gov/newsroom/majority/scott-announces-banking-committee-priorities-for-the-119th-congress
Valero, Jorge, Sotiris Nikas, Mark Schroers, and Kamil Kowalcze. “Euro-Zone Finance Chiefs Agree Key Step for Digital Currency.” Bloomberg. 19 September 2025. https://www.bloomberg.com/news/articles/2025-09-19/spain-s-cuerpo-hopes-for-agreement-on-digital-euro-this-year
Venkatesh, Latha. “Genius Act could disrupt financial stability, warns economist Barry Eichengreen.” CNBC TV 18. 1 August 2025. https://www.cnbctv18.com/market/genius-act-could-disrupt-financial-stability-warns-economist-barry-eichengreen-19647499.htm
Waliczek, Sandra, and Harry Yeung. “The GENIUS Act is designed to regulate stablecoins in the US, but how will it work?” World Economic Forum. 29 July 2025. https://www.weforum.org/stories/2025/07/stablecoin-regulation-genius-act/
Waller, Christopher J. “Embracing New Technologies and Players in Payments.” Federal Reserve. 21 October 2025. https://www.federalreserve.gov/newsevents/speech/waller20251021a.htm
Waller, Christopher J. “The Next Frontier of Payments Innovation.” Federal Reserve. 29 August 2025. https://www.federalreserve.gov/newsevents/speech/waller20250929a.htm
Wang, Echo. “Exclusive: Stablecoin issuer Figure Technologies upsizes IPO as crypto interest soars.” Reuters. 9 August 2025. https://www.reuters.com/business/stablecoin-issuer-figure-technologies-upsizes-ipo-crypto-interest-soars-2025-09-09/
Weber, Alexander. “Digital Euro May Be Rolled Out in Mid-2029, ECB’s Cipollone Says.” Bloomberg. 23 August 2025. https://www.bloomberg.com/news/articles/2025-09-23/digital-euro-may-be-rolled-out-in-mid-2029-ecb-s-cipollone-says
Wells, Matthew. “The United States has introduced a new stablecoin regulatory framework, but concerns over the cryptocurrency’s place in the global economy remain.” ECON FOCUS (Federal Reserve Bank of Richmond), no. Fourth Quarter (2025): 14-17.
Wilmarth, Arthur E. Jr. “Policy Brief: The Hagerty-Scott-Lummis-Gillibrand Stablecoin Bill Would Cause Great Harm to Consumers, Investors, Our Financial System, and Our Economy.” Edited by George Washington University Law School. GWU Law School Public Law Research Paper 14, no. 1779 (2025): 1-34.
Wright, Turner. “Wyoming stablecoin to launch on Hedera, still not available to purchase.” Cointelegraph. 5 September 2025. https://cointelegraph.com/news/wyoming-stablecoin-hedera-blockchain