<u>Minutes of the Financial Stability Oversight Council</u>

May 6, 2026

PRESENT:

Scott K. H. Bessent, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System (Federal Reserve)
Travis Hill, Chairman, Federal Deposit Insurance Corporation (FDIC)
Paul S. Atkins, Chairman, Securities and Exchange Commission (SEC)
Michael S. Selig, Chairman, Commodity Futures Trading Commission (CFTC)
Geoffrey Gradler, Deputy Director, Consumer Financial Protection Bureau (CFPB) (acting pursuant to delegated authority)
William J. Pulte, Director, Federal Housing Finance Agency (FHFA)
Jonathan V. Gould, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
Kyle S. Hauptman, Chairman, National Credit Union Administration (NCUA)
Steven Seitz, Director, Federal Insurance Office (FIO), Department of the Treasury (non-voting member)
Lise Kruse, Commissioner, North Dakota Department of Financial Institutions (non-voting member)
Elizabeth K. Dwyer, Director, Rhode Island Department of Business Regulation (non-voting member)
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member) (via videoconference)

GUESTS:

<u>Department of the Treasury (Treasury)</u>
Jonathan McKernan, Under Secretary for Domestic Finance
Christina Skinner, Deputy Assistant Secretary for the Council
Brian Morrissey, General Counsel
Eric Froman, Assistant General Counsel (Banking & Finance)
Silab Mohanty, Director of Policy, Office of the Financial Stability Oversight Council
Benjamin Kay, Acting Director of Analysis, Office of the Financial Stability Oversight Council

<u>Board of Governors of the Federal Reserve System</u>
Michelle Bowman, Vice Chair for Supervision
Andreas Lehnert, Director, Division of Financial Stability

<u>Federal Deposit Insurance Corporation</u>
Alex LePore, Deputy to the Chairman for Policy

<u>Securities and Exchange Commission</u>
Kelsey Pristach, Senior Advisor

Commodity Futures Trading Commission
Mel Gunewardena, Director, Office of International Affairs, and Senior Markets Advisor to the Chairman

Federal Housing Finance Agency
Aaron Kofsky, Acting Deputy Director, Division of Housing Mission and Goals

Office of the Comptroller of the Currency
Jay Gallagher, Senior Deputy Comptroller and Chief National Bank Examiner

National Credit Union Administration
Timothy Flynn, Economist, Office of the Chief Economist

Federal Reserve Bank of New York
Nicola Cetorelli, Head of Financial Intermediation

Office of Financial Research (OFR)
Lincoln Foran, performing the duties of the Director
Mark Paddrik, Acting Deputy Director, Research and Analysis

North Dakota Department of Financial Institutions
Karen Lawson, Executive Vice President for Policy and Supervision, Conference of State Bank Supervisors

Maryland Office of the Attorney General, Securities Division
Vince Martinez, General Counsel, North American Securities Administrators Association (via videoconference)

PRESENTERS:

Market Resilience Working Group

- *Christina Skinner, Deputy Assistant Secretary for the Council, Treasury*
- *Jeff Mooney, Associate Director, Office of Clearance and Settlement, Division of Trading and Markets, SEC*
- *Karen Shultz, Senior Policy Advisor, Office of the Financial Stability Oversight Council, Treasury (available for questions)*
- *Melanie Friedrichs, Researcher, OFR (available for questions)*
- *Ethan Schwartz, Senior Policy Advisor, Office of the Financial Stability Oversight Council, Treasury (available for questions)*

Financial Market Utilities Committee

- *Christina Skinner, Deputy Assistant Secretary for the Council, Treasury*
- *Silab Mohanty, Director of Policy, Office of the Financial Stability Oversight Council, Treasury*
- *Victoria Baklanova, Senior Financial Analyst, Office of Clearance and Settlement, Division of Trading and Markets, SEC*

- *Mel Gunewardena, Director, Office of International Affairs, and Senior Markets Advisor to the Chairman, CFTC*
- *Mark Magro, Assistant Director, Division of Reserve Bank Operations and Payment Systems, Federal Reserve*

Stablecoins
- *Tyler Williams, Counselor to the Secretary for Digital Assets, Treasury*
- *Hein Bogaard, Economic Expert, Technical Advisory Group, OCC*
- *Brendan Costello, Attorney Advisor, Treasury (available for questions)*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 1:06 p.m. He thanked Jerome Powell for his service as Chair of the Federal Reserve and Council member. The Chairperson then outlined the meeting agenda, which had previously been distributed to the members together with other materials. The agenda for the executive session included (1) a presentation on the Council's Market Resilience Working Group, (2) a presentation on the Council's Financial Market Utilities Committee, and (3) a discussion of stablecoins.

1. Market Resilience Working Group

The Chairperson introduced the first agenda item, a presentation on the Council's Market Resilience Working Group (MRWG). The Chairperson turned to Christina Skinner, Deputy Assistant Secretary for the Council at Treasury, and Jeff Mooney, Associate Director in the Office of Clearance and Settlement in the Division of Trading and Markets at the SEC, for the presentation.

Ms. Skinner stated that the MRWG was announced at the Council's September 2025 meeting. She noted that the MRWG studies and supports the resilience of critical financial markets. She said that the presentation would discuss the MRWG's first area of focus, short-term funding markets.

Mr. Mooney provided an overview of the SEC's central clearing rulemaking, which he said would significantly change U.S. Treasury market structure. He said that the rule was intended to enhance risk-management practices for central counterparties (CCPs) in the U.S. market and expand the central clearing of U.S. Treasury securities and repurchase agreement (repo) transactions. He said that the rule requires covered clearing agencies in the U.S. Treasury market to adopt policies and procedures requiring members to clear certain secondary market transactions. He stated that the compliance dates for clearing under those rules, as modified in February 2025, are December 31, 2026, for cash Treasuries, and June 30, 2027, for Treasury repo and reverse repo. He said that the SEC was considering two requests for relief with respect to the scope of the rule, regarding cross-border transactions and certain inter-affiliate transactions. He noted that the SEC had solicited public comment on both requests, and that the comment period would end on May 29, 2026.

Mr. Mooney stated that the expansion of central clearing of U.S. Treasury securities should encourage more standardized risk-management practices across market segments and was intended to improve the resilience of the U.S. Treasury market in several ways, including by fostering a decrease in counterparty credit risk, better management of defaults, and enhanced regulatory visibility. He stated that in December 2025 and January 2026, the SEC had approved the applications of two new clearing agencies to operate as CCPs for U.S. Treasury securities transactions. He noted that following these approvals, there were now three clearing agencies approved to serve the Treasury market. He concluded by describing the SEC's process for approving new CCPs.

Ms. Skinner then discussed estimates of the magnitude of transactions expected to move to central clearing, based on OFR data. She said that OFR researchers analyzed Treasury repo activity during the first eight months of 2025 to assess how much of that activity would have been centrally cleared had the SEC's central clearing rule been in place. She said that the analysis found that 45 percent of the average amount of daily repo outstanding was already being centrally cleared. She said that had the rule been in place, that figure would have increased to an estimated 77 percent of such activity. She said that a significant increase in central clearing of Treasury repos had occurred over the last few years, because many entities had chosen to begin voluntarily clearing before the new requirements come into effect.

Ms. Skinner then described forthcoming MRWG areas of focus as the deadlines for full implementation of the rule approach, including monitoring the activities of CCPs and market participants before and after the central clearing implementation deadlines.

Ms. Skinner next addressed cross-border repo transactions and foreign interlinkages in the approximately $13 trillion U.S. repo market, with the work of the MRWG being intended to support the continued resilience of financial markets, including cross-border repo, an important source of short-term funding. Ms. Skinner said that newly available data suggested that cross-border transactions play a significantly larger role in U.S. repo markets than was previously measurable. She said that the scale of such transactions suggested the need to understand the market with more granularity regarding risks emanating from outside the United States. She noted that new reporting requirements regarding non-centrally cleared bilateral repo had gone into effect last year. She said that the OFR had examined this reporting and found that cross-border repo activity was three times higher than previously measured, accounting for approximately $4.1 trillion of the $13 trillion U.S. repo market. She said that the new data indicated that cross-border transactions account for nearly one-third of all U.S. repo volume.

Ms. Skinner stated that a preliminary analysis of these cross-border transactions suggested that they generally fall into three categories. She said that each of these categories highlighted potential economic security considerations that could be further examined. First, she said that approximately $1 trillion, or one-fourth of cross-border transactions, represent inter-bank or inter-dealer transactions, conducted often between affiliates. She said that cross-border inter-affiliate repo could be a channel through which foreign banking stress could spill into the U.S. market. She said that transactions across jurisdictions may also raise financial, regulatory and legal uncertainties that could manifest during or after a crisis. Second, she said that another $2.1 trillion, or roughly half of these transactions, involve hedge funds. She said that a portion of that activity involves foreign sovereign debt or is denominated in foreign currencies. She stated that overseas market stress could potentially lead funds to rapidly unwind or shift their U.S. repo positioning, in turn affecting U.S. markets. Finally, she said preliminary estimates indicate that approximately $500 billion of the remaining transactions involve other domestic entities, including U.S. money market mutual funds, lending to foreign banking organizations. She stated that money market mutual fund repo lending to foreign banking organizations highlights another important linkage between foreign banking organizations and U.S. money market conditions.

Ms. Skinner stated that foreign-linked banks are major borrowers in all U.S. short-term funding markets, including repo. She said that data also highlighted that dollar illiquidity experienced by non-U.S. affiliates could affect their U.S. lending and borrowing activities. She noted that the MRWG had discussed approaches for mitigating spillovers from dollar funding stress abroad. She concluded by discussing potential next steps for the MRWG.

The Chairperson stated that Treasury was focused on the central role of the Treasury market in the global financial system. He expressed support for the SEC's efforts to implement a central clearing mandate for Treasuries and its engagement with market participants to facilitate effective implementation. He said that the new data on international interlinkages in the Treasury repo market highlighted the importance of the Council's approach to assessing financial stability through an economic security lens.

The Chairperson noted that private credit was discussed at the previous Council meeting. He said that although this topic was not addressed in the presentation, Treasury officials had held constructive discussions with market participants. He noted that he would be meeting the next day with state insurance regulators on private credit and other topics. He said that while Treasury would continue to monitor the private credit sector, Treasury had not identified any contagion or transmission of stress into other parts of the financial system.

Council members then had a discussion regarding SEC actions with respect to central clearing, collaboration among regulators, and stakeholder views on central clearing requirements.

2. Financial Market Utilities Committee

The Chairperson then turned to the second agenda item, a presentation on the Council's Financial Market Utilities Committee. He turned to Christina Skinner, Deputy Assistant Secretary for the Council at Treasury; Silab Mohanty, Director of Policy in the Office of the Financial Stability Oversight Council at Treasury; Victoria Baklanova, Senior Financial Analyst in the Office of Clearance and Settlement in the Division of Trading and Markets at the SEC; Mel Gunewardena, Director of the Office of International Affairs and Senior Markets Advisor to the Chairman at the CFTC; and Mark Magro, Assistant Director in the Division of Reserve Bank Operations and Payment Systems at the Federal Reserve, for the presentation.

Mr. Mohanty stated that the Council's Financial Market Utilities (FMU) Committee had been focused on two workstreams in recent months. He said that the first was the periodic review of FMUs designated by the Council as systemically important. He said that the second focused on crisis preparedness related to critical market infrastructure, which he noted the committee was undertaking in response to a discussion at the Council meeting in September 2025.

Addressing the first workstream, Mr. Mohanty noted that Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) authorizes the Council to designate FMUs and payment, clearing, or settlement (PCS) activities that the Council determines are, or are likely to become, systemically important. He noted that designation authorizes regulators to impose risk-management standards and to take certain other actions. He noted that the Council's statutory authority under Title VIII of the Dodd-Frank Act to designate FMUs and PCS activities is distinct from the Council's authority under Title I of the Dodd-Frank Act to designate nonbank financial companies for Federal Reserve supervision and prudential standards. He noted that the Council designated eight FMUs in 2012. He then described certain duties of the Council's FMU Committee under its publicly available charter. He said that the FMU Committee, which was created in 2012, reviewed the eight designated FMUs in 2013, 2014, 2015, 2016, and 2024.

Mr. Mohanty said that at the end of 2025, staff of the Office of the Financial Stability Oversight Council at Treasury (the Council Secretariat) and the supervisory agencies for the eight designated FMUs began gathering updated data on those FMUs. He said that agency staff participating in the FMU Committee had reviewed applicable metrics and developments to determine if designation of the FMUs remained appropriate. He noted a number of key trends impacting the designated FMUs, including increases in the monetary value of transactions processed, high market concentration, and relatively stable total membership.

Mr. Mohanty said that when conducting reviews of designated FMUs to evaluate whether the designation remained appropriate, staff had reviewed the considerations for designation under the Dodd-Frank Act: the aggregate monetary value of transactions processed by the FMU; aggregate exposure of the FMU to its counterparties; relationships, interdependencies, or other interactions of the FMU with other FMUs; and the effect that the failure of or a disruption to the FMU would have on critical markets, financial institutions, or the broader financial system.

Ms. Baklanova, Mr. Gunewardena, and Mr. Magro then presented on the FMUs regulated by their respective agencies, including the business activities and developments related to those FMUs since their designation.

Turning to the second committee workstream, Ms. Skinner discussed activities undertaken at Treasury and through the FMU Committee focused on crisis preparedness related to critical market infrastructure. She said that, as discussed in the Council's 2025 annual report, crisis preparedness is a focus of the Council's work this year. She said that Council Secretariat staff had worked to incorporate themes such as operational stability and cross-border linkages across the Council's committees and working groups to support this focus.

Ms. Skinner noted that the March 2025 Council meeting included a presentation on cyber-related financial stability risks, and she noted that several Council members suggested additional work and tabletop exercises. She noted that in June 2025, an interagency tabletop exercise jointly hosted by the Council and Treasury's Office of Cybersecurity and Critical Infrastructure Protection (OCCIP) focused on disruptions at critical market infrastructure. She said that at the September 2025 Council meeting, she had outlined next steps for crisis preparedness related to critical market infrastructure, based on takeaways from the June tabletop exercise.

Ms. Skinner then described progress on information sharing and interagency tabletop exercises. She noted that OCCIP coordinates among agencies at the Financial and Banking Information Infrastructure Committee (FBIIC) on operational events. She said that staff from the Council Secretariat and OCCIP had worked to review FBIIC incident response plans for cyber incidents, and had implemented new information sharing practices for incident response. She said that the FMU Committee had reviewed existing tools and communication protocols for cyber incidents. In addition, she said that the Council Secretariat and OCCIP had worked to enhance coordination regarding incident evaluation and response. She said that these efforts would promote effective and coordinated incident responses.

On the second committee focus, Ms. Skinner stated that the Council had undertaken additional interagency tabletop exercises. She noted that representatives on the Council's Deputies Committee participated in an interagency tabletop exercise the preceding week focused on geopolitical risk. She said that the exercise sought to advance the Council's economic security framework by developing skills necessary to react to concurrent shocks to the financial system that could originate from multiple adversaries. She said that Council Secretariat staff would share more details regarding the exercise at the July Council meeting.

Ms. Skinner then addressed the FMU Committee's recent efforts to improve procedures among Council member agencies related to crisis preparedness. First, she said that the FMU Committee had assessed Council member agency authorities that could be relevant in addressing a large incident impacting multiple FMUs. Second, she said that staff on the FMU Committee had reviewed relevant agencies' incident response and communication plans. She noted that while the FBIIC is focused on situations where recovery is possible, relevant agencies also conduct resolution planning, including in connection with the use of the orderly liquidation authority under Title II of the Dodd-Frank Act. She said that the FMU Committee had discussed ways to manage communications and interagency coordination in response to an incident impacting multiple FMUs.

The Chairperson stated that although the same set of eight FMUs had been designated for almost 14 years, it was important for the FMU Committee to perform periodic reviews to monitor for changes in the firms and their markets over time. He also expressed support for the interagency efforts to enhance crisis preparedness with respect to critical market infrastructure.

Council members then had a discussion regarding potential risks related to artificial intelligence and efforts underway to address those risks.

3. Stablecoins

The Chairperson then introduced the next agenda item, a discussion of stablecoins. He noted that the previous summer, the President signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, which is intended to facilitate the responsible growth and use of payment stablecoins. He said that Treasury and other Council member agencies were working to implement the GENIUS Act by developing a new regulatory framework for this market.

The Chairperson stated that certain aspects of the GENIUS Act are particularly relevant for the Council. He noted that the statute requires regulators to consider financial stability risks in connection with a number of their rulemakings and other actions. He said that the GENIUS Act also requires the Council to incorporate the findings of federal payment stablecoin regulators into the Council's annual report each year. He said that in light of these statutory requirements, alongside the widespread expectation that the stablecoin market will grow rapidly after the GENIUS Act rules come into effect, the meeting was an opportune time to discuss stablecoins.

The Chairperson then turned to Tyler Williams, Counselor to the Secretary for Digital Assets at Treasury.

Mr. Williams stated that Treasury began its rulemakings in the fall of 2025 by publishing an advance notice of proposed rulemaking (ANPR), which asked questions designed to help augment Treasury's rulemaking efforts. He said that Treasury received approximately 400 comments in response to that ANPR. He said that Treasury had now issued two notices of proposed rulemaking building on the public comments in response to the ANPR.

Mr. Williams stated that the GENIUS Act permits issuers with up to $10 billion in issuance to choose whether to obtain a state or federal license. He noted, however, that any state regulatory regime must be substantially similar to the federal regulatory framework. He said that Treasury's first proposed rule provided broad-based principles for evaluating substantial similarity. He stated that Treasury's second proposed rule was issued jointly by the Financial Crimes Enforcement Network and the Office of Foreign Assets Control, and proposed Bank Secrecy Act and sanctions compliance requirements for permitted payment stablecoin issuers. He said that the proposed rule treats permitted payment stablecoin issuers relatively similarly to banks under the Bank Secrecy Act, but with tailored requirements to account for stablecoin issuers' business models and certain additional requirements for stablecoin issuers set forth in the GENIUS Act. He said that Treasury expected to release additional proposals in other areas contemplated by the ANPR, such as the offer and sale of payment stablecoins in the United States.

Mr. Williams stated that in August 2025, Treasury issued a public request for comment, as required under the GENIUS Act, relating to innovative methods to interdict illicit finance. He said that Treasury received approximately 200 comments, which he said informed a report submitted by Treasury to Congress in March 2026. He said that the report emphasized the potential for new technology to mitigate illicit finance risks, including risks involving digital assets. He said that the report also described areas where Treasury would continue to work with industry to develop guidance.

Mr. Williams stated that the GENIUS Act requires regulators of payment stablecoins to coordinate with Treasury on the development of regulations. He said that Treasury had been working closely with the Federal Reserve, the OCC, the FDIC, and the NCUA with the goal of treating potential stablecoin issuers consistently across federal regulators. He then invited other Council members involved in GENIUS Act implementation to comment.

Jonathan Gould, Comptroller of the Currency, stated that the passage of the GENIUS Act provided a statutory foundation for regulating payment stablecoins. He said that this clarity is important for both market participants and regulators. He said that the OCC issued a proposed rule related to the GENIUS Act in February 2026 and would make changes as appropriate based on public comments. He said that the OCC was also enhancing its supervisory framework for payment stablecoin issuers, building on the OCC's current supervisory program for stablecoin activities within the federal banking system. He said that by creating tailored examination procedures and using blockchain analytics for real-time oversight, the OCC would seek to ensure that stablecoin issuers operate in a safe and sound manner. He said that in addition to the OCC's GENIUS Act responsibilities, it regularly responded to requests from national banks, federal savings associations, and de novo institutions seeking clarity on how they may engage in permissible digital asset activities. He said that the OCC would continue to make public the interpretive guidance it provides in response to these requests.

Comptroller Gould stated that as the OCC implements the GENIUS Act, it is focused on certain core principles. First, he said that the OCC should focus on material risks. He said that while payment stablecoins may present novel features, many of the core risks they pose are well-known and well-understood to the OCC and other regulators. Second, he said that the OCC should strive for substantial similarity across state and federal regulations. He welcomed Treasury's proposed rulemaking to establish broad-based principles for determining when a state-level regulatory regime is substantially similar to the relevant federal regulatory framework. Finally, he said that it was imperative to tailor regulatory approaches to the underlying activity. He said that by focusing on risk and tailoring a framework for stablecoins, regulators can support innovation without compromising safety and soundness.

Travis Hill, Chairman of the FDIC, stated that the FDIC is committed to fostering innovation and technology adoption across the banking system, and continues to refine its regulatory framework in a manner that enables banks to offer new products, including payment stablecoins and tokenized deposits, and to engage in digital asset-related activities. He said that the FDIC has been engaged in implementing several aspects of the GENIUS Act. He said that in April 2026, the FDIC issued a proposed rule that would establish prudential requirements for payment stablecoin issuers that are subsidiaries of FDIC-supervised banks, including requirements related to reserve assets, redemptions of outstanding stablecoins, permissible activities, and capital. He said that the FDIC's proposed rule aligned with the proposed rule issued by the OCC in many respects. He noted that the FDIC's proposed rule sought comment on two notable provisions with implications for all banks, not only those that are FDIC-supervised. First, he said that it proposed that payment stablecoin reserve assets held as bank deposits are not eligible for pass-through deposit insurance. He said that providing pass-through insurance appeared to be inconsistent with the GENIUS Act's prohibition on payment stablecoins being subject to federal deposit insurance. Second, he said that the proposed rule would clarify that a financial product that satisfies the statutory definition of "deposit" remains a deposit regardless of the technology or recordkeeping utilized, so that a deposit in tokenized form would remain a deposit and would be entitled to the same legal treatment as a deposit held in non-tokenized form. He said that as the FDIC worked to finalize its rules related to payment stablecoins and tokenized deposits, the FDIC would remain focused on establishing a clear framework that allows banks to adapt and remain competitive, while maintaining its expectation that their activities are conducted in a safe and sound manner.

Michelle Bowman, Vice Chair for Supervision at the Federal Reserve, stated that the Federal Reserve was working to develop its first proposed rule under the GENIUS Act. She said that the Federal Reserve would coordinate with the FDIC and OCC on its regulations under the GENIUS Act to promote alignment.

Kyle Hauptman, Chairman of the NCUA, stated that the NCUA issued a proposed rule in February 2026 on application procedures for stablecoin issuers. He said that the NCUA proposal was more complex than the FDIC proposal, given that credit unions do not have subsidiaries in the same manner that banks do. He said that the NCUA was currently reviewing public comments in response to the proposal. Second, he said that the NCUA would soon be issuing a proposed rule on stablecoin issuer standards. Chairman Hauptman stated that the use cases for stablecoins can be seen in credit union members' everyday financial activity and that stablecoins were an important technological advance to America's payment rails. Chairman Hauptman stated that stablecoins are also relevant to efforts to maintain the U.S. dollar's global status. He said that the GENIUS Act should stimulate demand for Treasury securities. He said that a large portion of the money expected to flow into stablecoins would likely come from outside the United States. He discussed the features of a dollar stablecoin, including its advantages as a settlement token.

Lise Kruse, Commissioner of the North Dakota Department of Financial Institutions, noted that the GENIUS Act established regulatory pathways at both the federal and state levels for payment stablecoin issuers. She noted that six states had established frameworks for stablecoin regulation prior to enactment of the GENIUS Act, and that in 2026 six more states had created such frameworks. Commissioner Kruse stated that the GENIUS Act provides for state regulators to submit certification applications to the Stablecoin Certification Review Committee (SCRC) within one year after the effective date of the GENIUS Act. She stated that this timing could prevent states from making use of the state regulatory pathway. She noted that some state legislatures meet only every other year. She also noted that Treasury's proposal that would establish principles to determine if state-level stablecoin regimes are substantially similar to the federal regulatory framework was not yet final, and she further discussed the implications of Treasury's proposal for states.

Hein Bogaard, Economic Expert in the Technical Advisory Group at the OCC, then gave a presentation. Mr. Bogaard began with an overview of how stablecoins are linked to Treasury and short-term funding markets. He said that the Council's 2025 annual report highlighted potential impacts of stablecoin issuance on Treasury markets, anticipating higher demand for Treasuries and the need to monitor how stablecoins might affect the functioning of Treasury markets. He said that additional related issues include the potential impact of stablecoins on bank deposits, foreign exchange markets, and payment systems, as well as cybersecurity risks and the use of stablecoins in illicit finance.

Mr. Bogaard said that current issuers of U.S. dollar-denominated stablecoins tend to allocate cash that they receive when they issue stablecoins to short-term Treasuries, lending in repo markets, and bank deposits. He said that U.S. Treasuries make up the largest component, with participation as lenders in reverse repo the next largest. He noted certain limits with respect to available data. He said that the data was based on company disclosures, which he noted are not fully consistent across issuers and have not always been subject to scrutiny by auditors. He said that the data captured the majority of the current market capitalization of U.S. dollar-denominated stablecoins. He said that these stablecoins are generally backed by safe assets, but that some issuers also invest a portion of their reserves in assets, such as gold or Bitcoin, that would not be acceptable for issuers of payment stablecoins under the GENIUS Act. He noted that changes in the prices of these reserve assets could affect issuers' ability to maintain reserve backing for their stablecoins.

Mr. Bogaard stated that the market capitalization of stablecoins had grown, meaning that issuers have supplied a growing amount of cash to Treasury and repo markets, and that stablecoin market capitalization was expected to grow further. He said that despite the long-term growth trend, there was fluctuation in stablecoin market capitalization in higher-frequency data. He said that these fluctuations are passed through to banks, short-term funding markets, and Treasury markets as stablecoin issuers supply or withdraw cash. He said that while it was unclear precisely how demand for stablecoins would evolve, or how volatile demand would be following implementation of the GENIUS Act, the market for existing stablecoins provides some insight into the drivers of demand. He said that demand for stablecoins depends in part on their appeal for specific use cases. He noted, for example, that stablecoins can allow individuals in emerging markets to gain access to U.S. dollar-denominated assets. He said that another important use case was trading in other cryptocurrencies. He said that in the past, stablecoin market capitalization had been sensitive to Bitcoin prices, but that recently demand for stablecoins had remained strong despite a sharp decline in the price of Bitcoin. He said that this suggested that other use cases help sustain the demand for stablecoins. He said that there is likely to be a trade-off for U.S. users between the benefits of holding stablecoin and earning a return on cash, and that demand for stablecoin is likely to be sensitive to interest rates. Finally, he said that a lack of transparency about the quality and value of reserves backing a stablecoin could translate into run risk. He noted that the GENIUS Act is designed in part to address this risk by requiring reserves to be invested in high-quality liquid assets and by improving transparency about the value of reserves.

Mr. Bogaard then discussed how fluctuations in demand for stablecoin might affect banks or short-term funding and Treasury markets where stablecoin reserves are held. He said that this was one of the most direct financial stability linkages between stablecoins and other financial markets. He noted challenges for counterparties, including banks holding deposits and repo borrowers, to manage their liquidity in light of uncertainties about the amount of cash a stablecoin issuer will supply each day.

Mr. Bogaard stated that if stablecoin flows generate volatility in the supply of cash to short-term funding markets, it would be important to consider the significance of this volatility. He said that there was some evidence that stablecoin flows affect short-term funding markets. He said that recent research estimated that a $3.5 billion flow of stablecoins into or out of the market moves Treasury bill rates by two to eight basis points over a 10-day period. He said that the size of the effect depended on the direction of flows and on conditions in short-term funding markets, and he noted that the effect was statistically significant only when conditions in the Treasury bill market were somewhat tight. He said that although stablecoins collectively matched the size of the largest individual money market mutual funds, they remained modest in size compared to the size of U.S. money markets overall. He said in conclusion that the growth of stablecoins would affect short-term funding and Treasury markets, including by increasing the supply of funding to certain segments of these markets. He said that the size and nature of the impacts would likely depend on specific stablecoin use cases, the magnitude and volatility of day-to-day flows, the composition of reserves backing the stablecoins, and potentially the pace of growth in stablecoin market capitalization. He said that the current stablecoin market capitalization indicated that any spillovers were likely to be contained in the near term.

4. Resolution Approving the Minutes of the Meeting Held on March 25, 2026

BE IT RESOLVED, by the Financial Stability Oversight Council (Council), that the minutes of the meeting held on March 25, 2026 of the Council are hereby approved.

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote, with the exception of William Pulte, Director of the FHFA, who was unavailable at the time of the vote.

The Chairperson adjourned the meeting at approximately 2:20 p.m.