HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES

"Navigating the Digital Payments Ecosystem: Examining a Federal Framework for Payment Stablecoins and Consequences of a U.S. Central Bank Digital Currency"

Testimony of Charles Cascarilla, Co-Founder and CEO of Paxos

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Chairman Hill, Ranking Member Waters and distinguished members of the Committee, thank you for the opportunity to testify today. My name is Charles Cascarilla and I am the Co-Founder and CEO of Paxos. Over the past 25 years, I have worked in financial services as an analyst, investor and entrepreneur, gaining a front-row seat to the inefficiencies, vulnerabilities and systemic risks embedded in our legacy financial infrastructure. These experiences drove me to establish Paxos in 2012 as a regulated financial institution committed to replatforming the financial system using blockchain technology.

In 2015, Paxos became the first digital asset company to receive a limited-purpose trust charter from the New York State Department of Financial Services. Over the past seven years, we have worked closely with global regulators to advance the safe and widespread adoption of regulated stablecoins. Today, we provide stablecoin and tokenization infrastructure to some of the world's leading enterprises, including PayPal, Mastercard, Mercado Libre, Robinhood, Stripe and Interactive Brokers, among others.

I come before you today with three key points I hope you will take away from my testimony:

1. Stablecoins are a national imperative for the United States to modernize our financial system and preserve the dollar's global dominance.
2. To achieve this, the U.S. must set global standards that enable broad financial adoption and interoperability.
3. The STABLE Act is a commendable legislative achievement, but there are specific enhancements that can ensure its enduring success.

When I last testified before this Committee on December 8, 2021, blockchain technology was still viewed by many as a niche experiment. In the three years since, it has evolved dramatically, moving from the periphery to the mainstream and transforming the landscape of digital finance. Today, the United States stands at a critical juncture. The question is no longer whether financial markets will evolve—they already are—but whether America will lead this transformation or be left behind. The stakes could not be higher: our economic competitiveness, national security and the dollar's role as the world's reserve currency hang in the balance.

Maintaining the Dollar's Dominance and the Need for Evolution

One constant remains unchanged since my last appearance: everyone in the world wants the U.S. dollar. This is not merely an economic fact—when we export dollars, we export American values: free markets, rule of law and financial transparency. History teaches us that dominance is not eternal. The British pound, French Franc and Dutch Guilder once held the mantle of global reserve currency, only to lose it as economic and technological realities shifted.

For the U.S. dollar to avoid a similar fate, it must adapt to an always-on, internet-based, software-driven and AI-enabled global economy. We can either enable the dollar to remain the backbone of global finance or we risk being overtaken by foreign currencies, tokenized assets like Bitcoin or gold or even central bank digital currencies (CBDCs) that may not align with American values.

Stablecoins represent the next evolution of money movement. Consider the analogy of communication: just as the transition from physical mail to email revolutionized how we connect across borders, the global economy today demands secure, programmable money that moves instantly, 24/7, at near-zero cost. This is not science fiction, it exists today thanks to blockchain technology.

A stablecoin is, at its core, a dollar that operates on a blockchain—an open, decentralized ledger accessible via the internet. Our financial system already accommodates various forms of dollars: central bank issued physical cash in your wallet, bank liabilities in an electronic account, money market funds traded on exchanges or balances held in PayPal or Venmo. Each represents a dollar and operates on different rails with distinct characteristics. Stablecoins add a new dimension that offers a more efficient, inclusive way to distribute existing U.S. dollars to consumers here in America and across the entire world.

At Paxos, we issue stablecoins like PayPal's PYUSD under a regulated trust structure. Unlike some other issuers, we hold reserves in cash and cash equivalents in a bankruptcy-remote trust, ensuring a 1:1 backing without lending or rehypothecation. This method represents the safest commercially available dollar on any rail, blending the stability of traditional finance with the efficiency of blockchain rails.

The Transformative Power of Stablecoins

The benefits of stablecoins are profound, both domestically and globally. Within the United States, nearly 20% of Americans remain unbanked or underbanked, according to FDIC data—a figure that rises 50% among those without a high school diploma.[1] In developing countries, almost 40% of people lack adequate access to banking services.[2] Bank accounts have existed for hundreds of years, while smartphones have existed for only 15 years, yet more than 90% of Americans and nearly 70% of the global population have smartphones -- meaning more people have smartphones than bank accounts.[3] A blockchain-based dollar can be transferred instantaneously, at virtually no cost, and held by anyone with simply an internet connection and smart phone.

The current system imposes a regressive tax on these populations through high fees: ATM charges, overdraft penalties and wire transfer costs that disproportionately burden working families. Stablecoins promise to eliminate or drastically reduce these costs by providing a low-friction alternative and improving access for all Americans.

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[1] https://www.fdic.gov/household-survey#:~:text=In%20contrast%2C%2081.6%20percent%20of,less%20common%20among%20underbanked%20households https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-banking-credit.htm

[2] https://blog.cfte.education/the-worlds-top-5-unbanked-countries-have-more-than-60-of-their-population-without-bank-accounts/

[3] https://www.pewresearch.org/internet/fact-sheet/mobile/ and https://www.statista.com/statistics/203734/global-smartphone-penetration-per-capita-since-2005/#:~:text=Smartphone%20penetration%20worldwide%20as%20share%20of%20global%20population%202016%2D2023&text=The%20global%20smartphone%20penetration%20rate,population%20of%20around%207.4%20billion.

Beyond our borders, U.S. dollar stablecoins are a strategic asset. They counter declining central bank demand for U.S. Treasuries and reinforce dollar dominance in an era where alternative reserve assets—gold, Bitcoin or foreign CBDCs—are gaining traction. In countries with unstable currencies, rampant inflation or untrusted banking systems, regulated stablecoins deliver access to U.S. dollars where traditional banking cannot. This increases demand for U.S. Treasuries and bolsters domestic liquidity, reduces borrowing costs and enhances economic security—a virtuous cycle that strengthens our financial system.

For American businesses, stablecoins offer practical advantages. Instant settlement eliminates the capital constraints and default risks inherent in multi-day transaction cycles, freeing up billions of dollars currently trapped in limbo. Small merchants, who often bear the brunt of high payment processing fees, benefit from reduced costs, which ultimately translate to lower prices for consumers. Stablecoins are not speculative instruments; rather they are a more efficient, inclusive way to distribute existing U.S. dollars to the world.

The Global Context and the Risk of Inaction

The urgency of this moment cannot be overstated. While the United States has hesitated, other jurisdictions have acted decisively. Japan,[4] Singapore,[5] the European Union (EU)[6] and the United Arab Emirates (UAE)[7] have established clear, productive regulatory frameworks for digital assets, attracting capital, talent and innovation. Paxos itself operates under licenses not only in New York but also in Singapore, the UAE and the EU, reflecting the global nature of our business. In the absence of U.S. leadership, these regions are poised to capture the economic benefits of digital finance, potentially at our expense.

Many of the largest financial firms already recognize the potential of stablecoins. In 2023, Paypal, the world's largest peer-to-peer payment platform, launched its own stablecoin, PYUSD, using Paxos infrastructure.[8] In 2024, Stripe, one of the globe's top payment processors, started to enable stablecoin payments using Paxos infrastructure.[9] And just last week, Bank of America expressed interest in launching its own stablecoin.[10] Citi estimates that up to $5 trillion in global assets could move into stablecoins and other digital money formats by 2030 -- a massive increase from the roughly $200 billion in dollar-backed stablecoins currently in circulation.[11]

I firmly believe that the private sector will continue to drive progress in financial technology solutions and I see no need for a U.S. CBDC. The most important financial innovations were driven by the private

[4] https://www.fsa.go.jp/inter/etc/20220914-2/02.pdf

[5] https://www.msiglobal.org/resource/singapore-finalises-its-new-regulatory-framework-for-stablecoin.html#:~:text=According%20to%20the%20MAS%20and,tokens%20(%E2%80%9CDPT%E2%80%9D).

[6] https://legalnodes.com/article/mica-regulation-explained

[7] https://www.thenationalnews.com/future/technology/2024/07/19/what-you-need-to-know-about-the-uae-central-banks-new-regulation-on-stablecoins/

[8] https://www.paypal.com/us/digital-wallet/manage-money/crypto/pyusd

[9] https://www.paxos.com/newsroom/paxos-launches-new-stablecoin-payments-platform

[10] https://coingeek.com/stablecoins-are-killer-app-boa-considers-joining-the-party/

[11] https://www.citigroup.com/global/insights/citigps/money-tokens-and-games and https://coinmarketcap.com/view/fiat-stablecoin/

sector. ATMs expanded access to deposits, debit and credit networks reduced reliance on physical cash and electronic payments eliminated settlement delays. The private sector, guided by clear and responsible rules set by the United States, will foster experimentation and deliver more effective and efficient financial products, while also promoting financial inclusion and accessibility. By encouraging continued private sector innovation, we allow for a more competitive, responsive and diverse digital payments ecosystem.

If we fail to act, the United States is in danger of becoming the rust belt of the financial industry. Capital, jobs and expertise will migrate offshore, beyond the reach of U.S. regulators and our banking system. Digital dollars will proliferate outside our purview, weakening our ability to shape global standards and threatening our economic competitiveness. Worse, alternative systems—whether foreign CBDCs or unregulated stablecoins could fill the void, dictating the future of digital money on terms that may not align with American interests. The STABLE Act offers a chance to reverse this trajectory, but it must be crafted with a global perspective to succeed.

The STABLE Act: A Strong Foundation with Room for Enhancement

I want to thank Chair Hill and Representative Steil personally for their work to develop the STABLE Act. The STABLE Act represents a historic opportunity to cement America's leadership in digital finance.

We strongly support its core framework, particularly its clear distinction between stablecoin issuance and traditional banking. Stablecoin issuers like Paxos do not take deposits or make loans; we facilitate payments and asset transfers. Designating the Office of the Comptroller of the Currency (OCC) as the federal regulator for non-bank issuers is the right choice, aligning oversight with the unique nature of our operations.

We appreciate that the STABLE Act requires stablecoin issuers to adhere to the same anti-money laundering (AML), Know Your Customer and Bank Secrecy Act standards as banks—no carve-outs, no exceptions. These are the gold standard for financial integrity, ensuring stablecoins combat illicit finance without compromising their utility. At the same time, the bill rightly avoids imposing undue compliance burdens on stablecoin issuers that go beyond those imposed on similarly situated financial institutions, which would limit the ability of issuers to operate effectively and undermine the innovation that drives the stablecoin market forward.

We also endorse the bill's robust reserve requirements: mandating 1:1 backing with cash and cash equivalents, prohibiting rehypothecation and enforcing transparent redemptions and audited disclosures. These standards mirror the high bar Paxos already meets as a globally regulated issuer with licenses in New York, Singapore, the EU and the Abu Dhabi Global Market, and ensures consumer protection and financial stability without stifling innovation. However, as a globally regulated issuer with firsthand experience navigating international markets, I urge the Committee to consider two key enhancements to make the STABLE Act truly enduring.

1. Cross-Jurisdictional Reciprocity

We recommend strengthening the current international reciprocity language by including clearly defined, accelerated timelines within which the Treasury Department must designate overseas jurisdictions as substantially similar and to update the list of vetted jurisdictions on a rolling basis. This timeframe would force swift action and prevent bureaucratic delays while guaranteeing thorough scrutiny of foreign regulatory regimes.

Without this mandated timeline, we fear that products like Paxos' Global Dollar (USDG) stablecoin, issued by a regulated affiliate in Singapore, will languish while departments and agencies make their determinations. Such delays would prevent stablecoins like USDG from being distributed and used in the United States and from operating seamlessly across borders, as intended.

Reciprocity is not about lowering standards—it's about raising them globally. By establishing a framework to recognize jurisdictions with comparable regulatory regimes—covering reserve requirements, AML measures and cybersecurity protocols—the United States can prevent regulatory arbitrage, where issuers exploit lax oversight abroad. This approach fosters a race to the top, encouraging international partners to align with U.S. standards. It also enhances interoperability, ensuring stablecoins facilitate seamless cross-border transactions—a core promise of blockchain technology.

2. Equivalence in State and Federal Oversight
The United States has a long tradition of dual banking, where state and federal regulators coexist and supervise financial institutions. This has fostered innovation and protecting this historical role is important. The STABLE Act should extend this principle to stablecoin issuers. Issuers should be able to make business decisions about whether to be primarily regulated at the state or federal level, as long as state regulators meet or exceed the federal standards.

State-regulated entities, like Paxos under its New York trust charter, must meet standards equivalent to those imposed by the OCC. If they do, these prudentially licensed issuers should be permitted to serve customers nationwide, provided they register in customer states and report on operations. Primary oversight should remain with their home-state regulator, avoiding redundant regulatory burdens.

Conclusion

Congress has the opportunity to act decisively. Passing clear, balanced legislation now is not just an option—it is an imperative. The STABLE Act, with these enhancements, will secure the dollar's global reserve status, reduce consumer costs, strengthen domestic financial innovation and reinforce our economic leadership. If we fail to act, other nations will fill the void -- dictating the future of digital money on their terms, not ours. I urge this Committee to seize this moment, refine the STABLE Act and ensure America remains the preeminent home for financial innovation.

Thank you for your time. I look forward to your questions.