TESTIMONY OF HEATH P. TARBERT

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BEFORE THE COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

"Strengthening the American Economy: Promoting Growth, Opportunity, and Prosperity"
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DOLLAR STATECRAFT IN THE INTERNET FINANCIAL SYSTEM

Introduction

Chairman Hill, Ranking Member Waters, and distinguished Members of the Committee: thank you for the opportunity to appear today.

My name is Heath Tarbert. I am a business leader and a former U.S. government official and financial regulator. I serve as President of Circle Internet Group. We are a publicly listed American technology firm, headquartered at One World Trade Center in New York City, with employees working in 44 States and the District of Columbia.

I have worked on both sides of financial regulation: as a public official responsible for maintaining trust in financial markets, and as an executive helping to build new financial infrastructure. What I have learned in both seats has been the same. Financial innovation that outruns trust does not last. Compliance is the foundation of a serious financial business.

I come to this work from a Baltimore family where public service and playing by the rules were expected as a matter of course. Both of my grandfathers served in World War II; others in my family served as police officers and firefighters. My father went to night school to become an accountant and later served as comptroller of one of America's busiest ports; my mother worked in child support enforcement for the county. That tradition has shaped every role I have held. Since leaving government, I have made my home in northern Illinois, where my wife and I are raising our two sons. Raising a family in America's heartland has made the stakes of America's economic future all the more tangible to me. That is the lens through which I approach today's hearing.

It is good to be back before the Committee. The last time I appeared here was in 2018, as policy chair of the Committee on Foreign Investment in the United States. CFIUS reviews foreign acquisitions of American businesses for national security risk, and its authorities had not been updated in three decades. Strategic competitors were meanwhile targeting the emerging technologies on which military capability depends. American law had to adapt before strategic risk outran our institutions. We decided the law would keep pace. Later that year, Congress enacted the most significant reform of America's foreign investment review laws in 30 years.[1]

Today's subject is different, but the strategic choice is the same. American technological leadership remains critical to our national defense and our economic prosperity, and the law must keep pace with it. I make that argument here because you have done this before. When it truly matters, the Members of this Committee find a way to work together.

I am not here to defend every token, every protocol, or every business model. I am here to argue that financial innovation serving Americans should operate under American law. Within that frame, I am an advocate for blockchain technology.

One principle has guided my thinking throughout. "How we regulate," I once wrote as CFTC Chairman, "is just as important as what we regulate."[2] The same is true of the dollar. Its standing in the world rests less on proclamation than on the quality of the law and institutions behind it.

I call that work ***dollar statecraft***:[3] the deliberate use of American law, markets, and institutional credibility to keep the dollar at the center of the systems through which value moves. It is not monetary policy. That belongs to the Federal Reserve. Nor is it sanctions policy, which is the coercive edge of the same asset. It is quieter work, and more durable. The aim? Keep the U.S. dollar the obvious choice, never a compelled one.

This hearing is titled "Strengthening the American Economy: Promoting Growth, Opportunity, and Prosperity." I want to connect my subject to that title directly.

Dollar statecraft is economic policy. The dollar's role in international markets lowers what Americans pay to borrow and what the Treasury pays to service the debt. The infrastructure through which value moves determines the cost of capital for every business that uses it. Get these choices right and you strengthen the American economy in the near term, through lower frictions, faster settlement, and more efficient capital formation. Get them right and you also strengthen it for generations, by keeping the world's financial architecture anchored here.

Get them wrong and the loss will not announce itself. It will show up slowly, as a gradual migration of activity, standards, and jurisdiction to systems built elsewhere.

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[1] Foreign Investment Risk Review Modernization Act of 2018, enacted as Title XVII of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. No. 115-232 (Aug. 13, 2018). Prior to this legislation, CFIUS's jurisdictional grant had not been substantially revised since the Exon-Florio Amendment of 1988. On strategic competitors' targeting of emerging technologies with military applications, *see* Statement of Heath P. Tarbert, Assistant Secretary of the Treasury for International Markets, before the Subcomm. on Monetary Policy and Trade, H. Comm. on Financial Services, on H.R. 4311, 115th Cong. (Mar. 15, 2018); Heath P. Tarbert, *Modernizing CFIUS*, 88 Geo. Wash. L. Rev. 1477 (2020).

[2] Heath P. Tarbert, *Rules for Principles and Principles for Rules: Tools for Crafting Sound Financial Regulation*, 10 Harv. Bus. L. Rev. 1 (2020) ("The fundamental objective for any government agency overseeing financial markets and institutions should be sound regulation. And how we regulate is just as important as what we regulate.").

[3] The phrase is my own. The tradition it draws on is not. *See infra* note 11.

My testimony makes three points.

- **First, the dollar's global role is an economic asset, not a birthright.** It lowers the cost of capital for American families and businesses. It expands our capacity to respond to a crisis. It helps underwrite the national defense. It rests on trust, and trust must be maintained.
- **Second, the infrastructure through which money and financial assets move is being rebuilt in software.** What emerges is what we at Circle call the ***internet financial system***.[4]
- **Third, Congress has built the dollar layer of the internet and should now finish the market layer.** The GENIUS Act established the prudential framework for payment stablecoins. The House passed a market-structure framework in the CLARITY Act. Three tasks remain: implement the first faithfully, close the routes for evasion, and complete a durable framework for the markets built above the dollar layer.

Those three points add up to one strategic question: ***Will American financial markets—the deepest and most trusted in the world—migrate onto rails governed by American law, or someone else's?***

I said something else as CFTC Chairman that I would say again today: "I want the United States to lead because whoever leads in this technology is going to end up writing the rules of the game."[5]

I want to be clear about what game I mean. This is not a contest over one sector of finance. The infrastructure through which value moves is critical economic infrastructure. It bears on the cost of capital for American businesses. It allows the United States to set the standards for anti-money-laundering rules and make our sanctions regime more effective. Ultimately it bears on our economic strength and our national security. I therefore want to spend more time on each of the three points I mentioned above.

I. The Dollar's Global Role Is an Asset, Not a Birthright

I begin with the dollar. It is the asset most at stake in everything that follows. Its global role is usually discussed as a matter of national standing. It is better understood as a matter of national income. And it is something our country earned rather than inherited. It took generations to build. We can strengthen it. Or we can squander it.

A. What that role buys American families

The dollar's position is easy to mistake for prestige. It is household economics.

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[4] Circle Internet Group, Inc., *Beyond Stablecoins: The Rise of the Internet Financial System* (Jan. 13, 2026).

[5] Remarks of Heath P. Tarbert, Chairman, Commodity Futures Trading Commission, Yahoo Finance All Markets Summit: Generational Opportunities (Oct. 10, 2019), *reported in* CFTC Release No. 8051-19 (Oct. 10, 2019).

It contributes to lower borrowing costs for American households, American businesses, and the federal government. It makes imports cheaper, which restrains prices at the register. It gives our government crisis-response capacity available to few other sovereigns. And it helps underwrite the sustained defense spending that maintains the finest military the world has known.[6]

Consider what that means in practice. The world holds dollars and buys Treasury securities. In doing so, it lends this country money on terms available to few others. That advantage reaches the 30-year mortgage, the small business line of credit, and the car loan.

Commodities are priced in dollars. An American importer is therefore spared a currency risk that a foreign competitor must hedge and pay for.

When a crisis arrives, the Federal Reserve can extend liquidity at a scale that would strain the credibility of most other central banks.[7]

That is the ledger. It is among the least visible and most consequential economic advantages Americans possess.

B. The position was built, and it can be spent down

Approximately 57% of global foreign-exchange reserves reported through the International Monetary Fund's COFER dataset are held in U.S. dollars.[8] Yet the American share of world output, measured at market exchange rates, is roughly a quarter.[9]

Those two numbers speak volumes.

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[6] On the components of this ledger, *see* Daleep Singh, *The Right Way to Wield America's Economic Power*, Foreign Affairs (July 15, 2025) (the dollar-based financial architecture "confers immense advantages for the United States: lower borrowing costs for households and businesses, unmatched fiscal capacity to absorb economic shocks, greater resilience in times of global stress, and the power to project force through economic statecraft"); Heath P. Tarbert, *The Dollar's Digital Future*, Wharton Future of Finance & Penn Carey Law, pt. 4 (2025), *available at* https://finance-pillar.wharton.upenn.edu/wp-content/uploads/2025/03/The_Dollars_Digital_Future.pdf (last visited Aug. 28, 2026). These are contributing advantages rather than mechanical consequences of reserve-currency status.

[7] The reference is to the central bank's traditional lender-of-last-resort function: the provision of liquidity against sound collateral, ordinarily on an overcollateralized basis, so that the central bank is not expected to bear credit losses. It addresses illiquidity, not insolvency. Federal law reflects that distinction. *See* 12 U.S.C. § 343(3) (requiring that emergency lending be secured to the satisfaction of the lending Federal Reserve Bank and prohibiting assistance to an insolvent borrower). Nothing in this testimony should be read to advocate the bailout of a failing firm.

[8] International Monetary Fund, Currency Composition of Official Foreign Exchange Reserves (COFER), first-quarter 2026 release (U.S. dollar share of 57.13%). The IMF now allocates the full reported total across currencies rather than reporting an allocated and unallocated split, so the figure represents reported foreign-exchange reserves.

[9] International Monetary Fund, World Economic Outlook database. The comparison in the text above uses nominal gross domestic product at market exchange rates; measured at purchasing-power parity the American share is smaller, which strengthens rather than weakens the point.

When the postwar system was designed, the United States accounted for an extraordinary share of global output and industrial capacity. The dollar's role broadly tracked American economic weight. Today the dollar's role exceeds the size of the economy behind it.

So what carries the difference? Economic size alone does not. Market depth, the supply of safe dollar assets, powerful network effects, and trust in American law and institutions do.

No payment technology can substitute for sound economic policy. The dollar's role rests on fiscal credibility and independent monetary institutions. It rests on deep and liquid markets, a vast supply of safe assets, and the rule of law. Digital infrastructure cannot preserve that position on its own. It is, however, becoming necessary to it.

Trust of that kind is an asset. It has been accumulated over decades. It can be spent down by inattention. The dollar's primacy is not inevitable, any more than the postwar order was inevitable.[10] In fact, in the late 1990s, the dollar held over 70% of reserves. Today, it holds roughly 57%. That's a real, and concerning, drop over just one generation. Experts debate the causes but not the direction. We must act before the slide becomes irreversible. Arrangements built by power and credibility require maintenance. In a democracy, maintenance is often a legislative act.

This is the work I described at the outset as dollar statecraft. The term sits within a longer tradition. Scholars have written for decades about economic statecraft, and more narrowly about financial and currency statecraft.[11] What I am naming is a particular subset of that work: the maintenance of the dollar's position in the systems through which value actually moves.

Two features distinguish the form of dollar statecraft at issue here. Its principal instruments are law and institutional design rather than coercion. And its objective is attraction rather than compulsion.

Because the dollar system is a network, American leadership should not mean American exclusivity. The most durable rails will be open, interoperable, and governed through reciprocal high standards with trusted partners. The objective is not to exclude others. It is to make infrastructure governed by American law and allied standards the infrastructure the world chooses to use.[12]

Dollar statecraft has always been practiced through institutions. What is new is that those institutions now run on software, and someone must decide who writes it.

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[10] Graham Allison, *The Myth of the Liberal Order: From Historical Accident to Conventional Wisdom*, Foreign Affairs, July/Aug. 2018, at 125 (arguing that the order we inherited was less a designed architecture than the byproduct of a particular distribution of power).

[11] David A. Baldwin, *Economic Statecraft* (Princeton Univ. Press 1985); Benn Steil & Robert E. Litan, *Financial Statecraft: The Role of Financial Markets in American Foreign Policy* (Council on Foreign Relations/Yale Univ. Press 2006); Benjamin J. Cohen, *Currency Statecraft: Monetary Rivalry and Geopolitical Ambition* (Univ. of Chicago Press 2018).

[12] On reciprocal deference as applied in practice, *see infra* note 41.

Two further observations. Power in the twenty-first century increasingly runs through the systems on which others depend. The scholarship on how such systems work also explains how they are lost. A nation that leans too heavily on its position gives everyone else a reason to build around it.[13]

Our strategic competitors are often also our closest counterparties. American leadership must therefore be exercised in a way that preserves the network's attractiveness.

C. The stablecoin layer is currently choosing the dollar

Here is the fact that should most interest this Committee: the overwhelming majority of stablecoin value in the world is now denominated in dollars.[14]

Consider how that happened. Private firms built a new payment layer across many countries. And it adopted the dollar as its default unit of account, not due to an American mandate but because the dollar has been trusted, liquid, and available.

That was not guaranteed, and there is no promise it will be permanent. No law of nature requires that the currency of the internet be the dollar.[15]

It is worth being precise about the mechanism, because this is the bridge between reserve-currency status and tokenized infrastructure. The dollar's reserve-currency power does not rest only on what foreign central banks hold. It also rests on the currency used to invoice trade, settle transactions, post collateral, and price financial assets globally. As those functions migrate to software-based networks, the currencies and legal structure embedded in the new rails can acquire powerful network effects. If dollar money and dollar-priced assets become native to regulated infrastructure governed under American law, dollar demand and American rule-setting reinforce one another. If they do not, dollar denomination alone will not preserve American jurisdiction.

The demand is real. In many markets, households and businesses have limited access to dollar-denominated bank accounts even where they have broad access to mobile technology.[16]

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[13] Henry Farrell & Abraham L. Newman, *Weaponized Interdependence: How Global Economic Networks Shape State Coercion*, 44 Int'l Security 42, 49, 55–56, 76, 79 (Summer 2019) (observing that economic networks tend toward asymmetric structures centralized on a few intermediaries, giving states with jurisdiction over those intermediaries both informational and coercive advantages, and warning that the more a privileged state exploits that position, the greater the incentive for others to weaken or displace the network).

[14] Bank for International Settlements, *The Impact of Stablecoins on the International Monetary and Financial System*, BIS Papers No. 170 (2026) at 1 (noting that "approximately 98% of stablecoin value is denominated in US dollars"); Board of Governors of the Federal Reserve System, *Stablecoins in 2025: Developments and Financial Stability Implications*, FEDS Notes (Apr. 8, 2026).

[15] Nor should the dollar be the only currency on these rails. As other jurisdictions establish stablecoin regimes, well-regulated stablecoins denominated in other sovereign currencies should be able to operate alongside digital dollars, issued by supervised firms meeting comparable standards. A multi-currency system with high-quality local-currency issuance is a healthier outcome than a monoculture, and it is consistent with the principle of reciprocal deference described below.

[16] Instituto Nacional de Estadística y Geografía & Comisión Nacional Bancaria y de Valores, *Encuesta Nacional de Inclusión Financiera 2024* (explaining that a substantial minority of Mexican adults lack a

That demand will be met. The United States should ensure it is met by supervised American issuers operating under the GENIUS Act rather than by offshore issuers outside comparable U.S. prudential oversight or foreign sovereign infrastructure built around different policy objectives.

Public blockchains are transparent at the transaction level but generally pseudonymous at the identity level. Analytical tools can trace flows in ways impossible with cash and often difficult in correspondent banking. But traceability is not a substitute for customer identification, sanctions screening, reserve supervision, or accountable management.

That distinction matters for what we lose when issuance moves offshore. Public transaction data may remain visible. What American supervisors lose is direct access to the issuer's governance, its reserves, its books and records, and its responsible officers.

All of this is why Congress was right to act when it did. The GENIUS Act was not a concession to industry. It was a decision to put American standards underneath the digital dollar, before someone else's standards got there first.[17]

II. The Internet Financial System

The dollar's position rests on infrastructure. That infrastructure is now being rebuilt. I want to cover what is being built and explain why it reaches well beyond money. I also want to convey why the question of who builds it should belong to this Committee, not to software engineers alone.

A. What the internet financial system is and why it is different

For three decades, the internet moved information while the financial system moved value. A marketplace could transmit an order instantly, but the money still traveled through card networks, correspondent banks, clearinghouses, and batch settlement. The internet carried the order. The financial system carried the money, but much more slowly and with costs and friction compared to internet data.

That separation is beginning to erode. Money, securities, collateral, and contractual instructions can increasingly be represented and administered through software on shared networks. The financial system and internet infrastructure are beginning to converge. That convergence is what we mean by the *internet financial system*.

Convergence gives these instruments new properties. They can be programmed, so instructions travel with the payment rather than in a separate message. They are continuously available, so settlement need not stop for nights, weekends, or holidays.

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formal deposit account, while mobile-phone access is considerably more widespread). Many forcibly displaced people likewise face limited or no access to formal banking. UNHCR, *Global Trends* (June 2026) (approximately 117.8 million forcibly displaced persons at the end of 2025).

[17] One development deserves note for the record. Before the GENIUS Act, dollar-denominated stablecoins issued by American firms were subject to a comprehensive regime in the European Union under the Markets in Crypto-Assets Regulation, which applied to such tokens beginning in 2024. For a period, the most detailed prudential rules applied to digital dollars were European rather than American. That gap was among the considerations that made a domestic framework urgent.

They can achieve network-level settlement in seconds rather than days. And they are composable. A payment, a currency conversion, and a delivery of collateral can occur as one conditional transaction rather than three sequential ones.

An example makes this concrete. Many domestic transactions already achieve final or delivery-versus-payment settlement, and our large-value systems provide real-time gross settlement with immediate finality.[18] The persistent friction lies elsewhere. Cash, securities, collateral, and contractual instructions often sit on separate systems, run on different schedules, and answer to different rules. Intermediaries, credit lines, reconciliation, and prefunding bridge those gaps, but inefficiencies still remain.

When both legs can move conditionally on compatible infrastructure, principal and timing risk can be sharply reduced. Other risks do not vanish. They shift toward technology, governance, liquidity, custody, and law.

A related distinction deserves emphasis, because it is easy to blur. Technical finality is not the same as legal finality. Deterministic settlement can support legal finality.[19] But commercial law, network rules, contracts, and insolvency law still determine when a transfer is final and who bears a loss.[20]

Much of the remaining friction reflects fragmented systems built over decades, together with the costs of compliance, foreign exchange, liquidity, and local distribution. A worker sending wages abroad still loses a meaningful share to fees and spread. The global average cost of a remittance remains above six percent.[21] A small manufacturer waits days for an international invoice to clear and finances the gap. Better infrastructure will not eliminate every cost. It can eliminate the costs that arise merely because systems cannot communicate or settle together.

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[18] Board of Governors of the Federal Reserve System, Fedwire Funds Service (real-time gross settlement with immediate finality). Securities infrastructures likewise employ delivery-versus-payment mechanisms.

[19] On most existing blockchains, transactions often pass through a "probabilistic" state and are subject to chain reorganizations, which can reverse recently confirmed transactions. Other blockchains—including Circle's Arc—offer "deterministic" settlement finality that is 100% final and irreversible. *See Arc: An Open Layer-1 Blockchain Purpose-Built for Stablecoin Finance* (Aug. 2025), *available at* https://www.arc.io/litepaper (last visited Aug. 28, 2026).

[20] Bank for International Settlements, *Project Agorá: A Shared Programmable Platform for Wholesale Cross-Border Payments*, at 42, 62, 65 (May 2026) (Ledger settlement "ensures technical irreversibility of workflow state, not legal settlement finality of the underlying funds"; the atomic settlement trigger is specified as having an agreed-upon legal significance that determines the timing of settlement finality; and the platform's rulebooks must establish the point of settlement finality, allocations of liability, and procedures for participant default or insolvency, consistent with national law in each participating jurisdiction.); Coinbase Institute, *Settlement Finality Onchain: A Practical Framework for Policymakers* (Feb. 25, 2026) (stating that "finality is always a legal determination layered atop technical conditions," and noting that even Fedwire transfers may be clawed back by a bankruptcy trustee as preferential transfers under national insolvency law), *available at* https://www.coinbase.com/public-policy/advocacy/documents/settlement-finality-onchain (last visited Aug. 22, 2026).

[21] World Bank, Remittance Prices Worldwide, second-quarter 2026 release (global average cost of approximately 6.4% of the amount sent). The drivers include compliance, foreign exchange, cash handling, local distribution, competition, and corridor economics, not only legacy technology.

This belongs at a congressional hearing on growth for a concrete reason. Faster settlement is not only a convenience. It can release capital. Every day money sits in transit is a day a business finances a gap it did not create. Settlement cycles also carry collateral posted against the chance that something fails before completion. Compressing those cycles can free working capital, and the firms helped most are often those with the least access to credit.

Even in cases where maximum speed is not the objective, settlement design that lowers total risk and capital friction should be. The internet financial system makes that possible.

B. What is migrating is not only the dollar—it is the American financial system

This is the point I would most like Members to take from my testimony. Most serious policy conversations about digital assets stop at the dollar. The dollar is only the first layer.

America's capital markets are the envy of the world. I told the Senate Agriculture Committee as much in 2022, noting that our derivatives markets set the "global standard" for integrity, resilience, and vibrancy.[22]

We have the deepest and most liquid markets on earth. Companies from around the world list here, raise capital here, hedge here, and clear here because our markets are the best place in the world to do those things.

That is an enormous and underappreciated source of American power. And it rests on infrastructure: exchanges, clearinghouses, custodians, transfer agents, and the settlement plumbing beneath them.

That infrastructure is now migrating. Payment stablecoins came first, because money is the simplest instrument to render as software and the most useful to move. But the infrastructure can be much more expansive.

Industry data shows tokenized Treasury and money market products above $16 billion in circulation as of August 2026, offered by traditional asset managers including BlackRock and Franklin Templeton, alongside newer entrants, Circle among them.[23] Tokenized credit is growing from a smaller base. And institutions are moving beyond pilots into controlled production; the Depository Trust and Clearing Corporation has begun work toward tokenized custodied assets.[24]

What draws institutions is utility. Collateral that can move and be redeployed promptly is more operationally useful than collateral that cannot. Some workflows can then

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[22] Statement of Heath P. Tarbert on the Digital Commodities Consumer Protection Act of 2022 S. 4760, before the S. Comm. on Agriculture, Nutrition, and Forestry (Sept. 15, 2022).

[23] Aggregate figures for tokenized U.S. Treasury and money market products are drawn from RWA.xyz, a commercial industry tracker, as of August 2026, and include instruments sponsored by BlackRock and Franklin Templeton. Sponsor disclosures are the controlling source for any individual fund.

[24] Depository Trust & Clearing Corporation, *DTCC Authorized to Offer New Tokenization Service, Paving the Way to Tokenized DTC-Custodied Assets* (Dec. 11, 2025).

require less prefunding to support the same activity, which lowers cost for the businesses transacting there.

A word about pace. Consider television. Streaming did not arrive and replace cable overnight. The two ran side by side for years and still do. But the direction of travel is clear. The firms that saw the shift early built the platforms the world now uses. Most of them were American.

Expect the same pattern here. The traditional financial system and the internet financial system will grow in tandem. The question is not whether the migration happens. It is where the infrastructure gets built, and whose rules set the destination.

So the strategic question is larger than which currency the new system uses. *A system can be denominated in dollars and governed by someone else entirely.* That is the strategic risk.

American leadership here is paramount. It means the venues where tokenized assets trade answer to our disclosure and market-integrity rules. It means the custodians holding those assets answer to American examiners, and that our standards for sanctions, illicit finance, and financial integrity apply. It means American law decides what counts as final settlement. What an investor is entitled to know. Who bears the loss in an insolvency. And because financial infrastructure is critical economic infrastructure, it means our national security is protected as well. When this Committee wants to know what is happening in a market, it can find out.

But the dollar's status as the default unit of account does not, by itself, ensure appropriate oversight and accountability. Ensuring that oversight and accountability requires that the infrastructure be built and governed under American law, with deep participation by American firms and trusted partners. Otherwise, we will reach our own markets through someone else's rails.

C. The rails are being built now, and artificial intelligence is an accelerant

Many widely used public blockchains were designed as general-purpose platforms rather than as regulated financial infrastructure. Consumer-scale applications work well enough on them. Institutional finance is a harder fit, and the mismatch shows.

Finality models vary, and some remain probabilistic. Fees may be denominated in volatile tokens, making dollar transaction costs variable. And many systems default either to public-by-default records or to closed, permissioned visibility. None of that suits a bank treasurer, a corporate CFO, or an examiner.

So a cohort of purpose-built settlement networks has emerged over the past two years, sponsored by payment companies, technology firms, and stablecoin issuers.[25] Circle has

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[25] Purpose-built settlement networks launched or announced in 2025 and 2026 include Tempo, sponsored by Stripe and Paradigm, and the Google Cloud Universal Ledger, together with networks sponsored by other stablecoin issuers. Sponsors, launch status, and design characteristics differ.

built one of them, called Arc.[26] Other firms are building competing systems. The policy principles I describe should apply regardless of which networks succeed.

Those recurring design choices are, in substance, decisions that can have broader economic implications. Denominate transaction fees in dollars, and users can price settlement in the same unit as the transaction itself. Denominate fees only in a floating token, and users absorb a separate source of volatility. Make settlement deterministic, and you strengthen the foundation on which legal finality rests. Payment finality matters to every regulated market this Committee oversees. Build confidentiality together with governed lawful access, and a system can accommodate regulated institutional activity. Make every record public, or make confidentiality absolute, and important use cases become difficult. This last choice deserves particular attention, because it is often presented to this Committee as an unavoidable tradeoff. It is not.

Modern regulated finance resolves the tension through conditional confidentiality. Records are shielded from the general public, but visible to auditors, regulators, and law enforcement when law and due process entitle them to look. A public company cannot broadcast its payroll and vendor pricing to competitors on an open ledger. Nor can it hide those flows from its auditors or its supervisors.

Cryptography can make lawful access faster, more precise, and more auditable. It cannot replace lawful authority or lawful process, and it should not try. The objective should be privacy for ordinary commerce, accountability for regulated institutions, and access for public authorities under defined legal rules.

The design questions cut the other way too. A retail central bank digital currency could create unacceptable government visibility into the lives of its citizens as well as potentially disintermediate commercial banks. At the other extreme, absolute privacy designed without compliance in mind invites actors trying to evade sanctions, launder ill-gotten funds, and support state sponsors of terrorism. Both outcomes depend on design, which is the point: design is policy.

None of this means the technology is risk-free. As with any financial infrastructure, a sound regulatory framework must address operational resilience, custody, cybersecurity, liquidity, legal certainty, governance, and illicit finance. It must also account for the potential effects of rapid growth on bank funding and the functioning of short-term funding markets.[27] The policy question is not whether these issues should be addressed. It is whether they will be governed under enforceable American standards or migrate beyond the reach of American supervision.

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[26] *See Arc Litepaper*, *supra* note 19 (describing the network's design, including stablecoin-denominated transaction fees, deterministic sub-second finality, configurable privacy, and an initial proof-of-authority consensus model with a Circle-curated validator set); and *ARC: The Native Asset of the Economic OS* (May 2026), *available at* https://www.arc.io/arc-token-whitepaper (last visited Aug. 28, 2026) (describing a potential native coordination asset supporting staking, economic governance, and fee mechanics, and contemplating an eventual transition from proof-of-authority to proof-of-stake).

[27] Basel Committee on Banking Supervision, *Cryptoasset Exposures*, SCO60, Basel Framework (effective Jan. 1, 2026); Treasury Borrowing Advisory Committee, *Trends in Demand for U.S. Treasury Securities* (Feb. 2026) (identifying bank-funding implications among matters to monitor).

This is where dollar statecraft and engineering meet. I said earlier that the dollar's position rests on trust in American institutions. In this new system, important institutional rules will increasingly be implemented through code and network governance. The rules on finality. On disclosure. On who may see what, and under whose authority. Trust remains the asset. It will simply be earned or squandered in a different medium.

Firms subject to American law must design pursuant to the Bank Secrecy Act, sanctions obligations, privacy law, and due process. Firms operating elsewhere design around different requirements. And American institutions will transact on whichever systems hold the liquidity.

Which brings me to artificial intelligence, an accelerant of the trends I have outlined today.[28] Payment systems are already being designed for it. Software agents can initiate transactions within human-defined mandates, spending limits, and compliance controls. The major card networks have announced work of exactly this kind.[29] Traditional accounts and payment systems were designed around human workflows. Agentic commerce increases demand for programmable authorization and settlement. It does not eliminate legal identity, human accountability, or supervision—and it should not.

We should want that economy built on American-made rails, denominated in American dollars, and subject to American law.

III. Congress Has Built the Dollar Layer and Should Finish the Market Layer

The dollar's role must be maintained rather than assumed. The infrastructure beneath it is being built right now. So the question becomes what maintenance looks like.

In a democracy, it looks like legislation. The GENIUS Act and the CLARITY Act are dollar statecraft in its most practical form. They are also why I am optimistic.

A. Why the GENIUS Act was the right answer

Three principal models have been advanced in the past as potential vehicles for digital dollars on the internet: central bank digital currencies, tokenized deposits, and payment stablecoins.

A *central bank digital currency*, depending on its architecture, could place the Federal Reserve in a direct relationship with members of the public. It could create unacceptable government visibility into individual financial activity. And it could

[28] The most fully developed statement of this convergence is Jeremy Allaire, *The Agentic Economy: The Convergence of Intelligence and the Economy* (July 2026), which argues that the agentic economy and the onchain economy are not adjacent developments but a single economy viewed from two sides. That work is authored in his personal capacity and is expressly not a statement of Circle Internet Group, Inc. The argument I make here is narrower. I treat artificial intelligence as an accelerant of a migration already underway rather than as its cause, and nothing in my testimony depends on the stronger claim—although I tend to agree with Mr. Allaire.

[29] Mastercard, *Agent Pay* (Apr. 2025) (providing examples of agentic payment technology operating within human-defined mandates and controls); Visa, *Intelligent Commerce* (2025). Circle has also built infrastructure for agent-initiated payments.

disintermediate the community and regional banks this Committee has long recognized. For these and other reasons, Congress has prohibited the issuance of a CBDC.[30]

Tokenized deposits are the second model, and some banks are developing them. They should coexist with payment stablecoins. But they are legally and economically distinct. Tokenized deposits are an individual's claim on a specific bank's assets, *i.e.*, its loan book, reserves, and other assets. In contrast, payment stablecoins under GENIUS are designed around identifiable one-to-one reserves that are bankruptcy remote. Implementation should preserve that distinction while monitoring the effects of both instruments on bank funding, liquidity, and the federal safety net.[31]

That leaves *payment stablecoins*. This is where the GENIUS Act did its work.

The mechanics are simple. A customer sends a dollar to an issuer. The issuer maintains separately identifiable reserves in statutorily permitted assets. One token is issued, redeemable at par. Those reserves are restricted from reuse, and their composition is publicly reported. That is the core model Circle uses for USDC today.

The Act is not light touch. It requires identifiable one-to-one reserves in specified high-quality liquid assets, par redemption, public reserve disclosures, supervision, and Bank Secrecy Act and sanctions compliance.

Precision matters on timing, and it makes the point stronger rather than weaker. Those requirements are law, but most are not yet operative. The Act takes effect on the earlier of January 18, 2027, or 120 days after the primary federal regulators issue final implementing regulations. It is unlawful for digital asset service providers to offer or sell the stablecoins of foreign-issued stablecoins in the United States as of the effective date unless strict conditions are met, and in all cases it is illegal to sell stablecoins from unlicensed issuers in July 2028.[32]

Implementation is moving, but it takes time. The Treasury Department issued an advance notice of proposed rulemaking in September 2025 and since then there have been thousands of pages of proposed rules spanning everything from prudential rules and disclosures to anti-money laundering and market conduct. Just this past month, the Department issued guidance on the controls that digital asset service providers must have in place to ensure that Americans are not offered non-compliant foreign stablecoins.[33]

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[30] *See* 21st Century ROAD to Housing Act, Pub. L. No. 119-101, tit. XI, § 1101, 140 Stat. 846, 983–84 (2026) (generally prohibiting Federal Reserve issuance of a retail CBDC, directly or through an intermediary, until December 31, 2030).

[31] On the statutory and balance-sheet distinction between bank deposits and payment stablecoins, *see* Heath P. Tarbert, *The Dollar's Digital Future*, *supra* note 6, pt. 1.

[32] Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27 (July 18, 2025) (general effective date of the earlier of January 18, 2027, or 120 days after the primary federal payment stablecoin regulators issue final implementing regulations; separate three-year transition for the digital asset service provider offer-and-sale restriction).

[33] GENIUS Act Regulations on Payment Stablecoin Issuance, Offer, and Sale, Notice of Proposed Rulemaking, 91 Fed. Reg. 53,368 (proposed Aug. 18, 2026) (to be codified at 12 C.F.R. ch. XV) (proposing to implement section 3 of the Act, with comments due 60 days after publication).

It is important to finish the implementing rules and get them right. Market participants are already reorganizing around a standard that is not yet fully binding. That is an unusual thing for a Committee to be able to say about its own legislation. I do not think it happened by accident. This framework was in many ways the product of this Committee's work over several years. It reflected a sustained bipartisan effort in which both the Chairman and the Ranking Member were central.

Industry-wide figures give some sense of the scale involved. Federal Reserve staff estimated the stablecoin market at approximately $317 billion as of April 2026, more than 50% above its level in early 2025. The same analysis reported that stablecoin transaction volumes on Ethereum rose roughly 50% in the period following enactment of the GENIUS Act.[34] These numbers demonstrate the scale and momentum of the market Congress has chosen to regulate.

On Treasury market impact, the trend is notable but not game-changing. In a February 2026 presentation using major-issuer data through September 2025, the Treasury Borrowing Advisory Committee estimated that stablecoin issuers held less than one percent of Treasuries outstanding, and treated the sector as an emerging source of demand worth monitoring.[35] Indeed, the case for this framework does not rest on stablecoins solving the federal debt.

Regulatory infrastructure and regulated use cases are emerging. In December 2025, the Comptroller of the Currency conditionally approved five national trust bank charters in this sector.[36] Further applications have followed from payments companies, brokerages, and banks—a remarkable development, given that just two years ago no federal statutory category for a permitted payment stablecoin issuer existed. Moreover, the Circle Payments Network had 175 financial institutions enrolled as of mid-2026.[37] Furthermore, in July 2026, under a CFTC staff no-action position, a customer posted USDC to its futures commission merchant to meet an initial margin obligation.[38] Finally, the Financial Accounting Standards Board recently moved to bring certain payment stablecoins within the cash-equivalent framework when they are backed by appropriate reserves and redeemable on demand directly with the issuer, a step that would pull regulated stablecoins deeper into mainstream treasury, payments, and financial reporting.[39]

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[34] Board of Governors of the Federal Reserve System, *Stablecoins in 2025*, *supra* note 14. Notes reflect the analysis of Board staff rather than an institutional position of the Board of Governors.

[35] Treasury Borrowing Advisory Committee, *Trends in Demand for U.S. Treasury Securities*, *supra* note 27, using major-issuer financial data through September 30, 2025.

[36] Office of the Comptroller of the Currency, News Release No. 2025-125 (Dec. 12, 2025) (conditional approval of five national trust bank charter applications). Conditional approval is distinct from final approval, and the entity currently issuing USDC is separate from the national trust bank for which Circle received final approval in July 2026.

[37] Circle Internet Group, Inc., second quarter 2026 results (financial institutions enrolled in the Circle Payments Network as of June 30, 2026). Enrollment is not a measure of transaction activity.

[38] Commodity Futures Trading Commission, staff no-action position regarding the use of certain digital assets in connection with margin, Letter No. 25-40 (Dec. 8, 2025), reissued as Letter No. 26-05 (Feb. 2026); July 2026 transaction in which a customer posted USDC to its futures commission merchant.

[39] Financial Accounting Standards Board, Cash Equivalents—Disclosure Enhancement and Classification of Certain Digital Assets, Project Summary (last updated July 8, 2026), *available at*

For the American taxpayer, the design deserves emphasis. The GENIUS framework does not provide deposit insurance or an express taxpayer guarantee to payment stablecoin holders. That is the right design. Its purpose is to reduce the likelihood that public intervention would ever be needed, by imposing reserve, liquidity, disclosure, and supervisory requirements in advance.

To be sure, a compliant payment stablecoin is not risk-free. It is designed to avoid the credit intermediation and material maturity transformation that characterize fractional-reserve lending. But operational, custodial, liquidity, market, cyber, and legal risks remain, and they must be supervised.[40]

Two actions remain. First, the rules should be finalized on a coordinated timetable. Issuers are building compliance programs against proposed requirements that remain subject to change, and the final requirements are not yet settled. Regulatory certainty is the Act's central promise. The agencies are doing serious work under real-time pressure, and congressional attention to the pace of implementation would be well spent. Second, the final rules should not leave loopholes. The Act's protections bind through its restrictions on who may issue, offer, or sell a digital dollar to Americans. Those restrictions should reach the intermediaries that actually serve American customers. And foreign comparability determinations should turn on genuinely equivalent outcomes. As Chairman, I led the CFTC's cross-border swaps rule on a basis of reciprocal deference. We should extend comity to regulators with genuinely comparable rules and supervisory standards, and expect the same in return.[41]

Finally, this is not a story about one issuer. Digital dollars are issued today by state-supervised trust companies, while federally chartered institutions and applicants prepare to participate under the new framework.[42] Congress did not legislate a national champion, and this Committee should not want one. A central measure of the Act's success will be whether multiple supervised issuers can compete safely under common rules, while maintaining reliable redemption, transparent reserves, and meaningful consumer protection.

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https://fasb.org/projects/current-projects/classification-of-certain-digital-assets-as-cash-equivalents-423255 (last visited Aug. 28, 2026); Financial Accounting Standards Board, PMAC Meeting Recap - May 14, 2026 (noting discussion of stablecoins), *available at* https://fasb.org/about-us/Advisory-Groups/pmac/pmac-meeting-materials/pmac-meeting-recap-may-14-2026 (last visited Aug. 28, 2026).

[40] Circle Internet Group, Inc., periodic reports filed with the Securities and Exchange Commission (describing reserve-bank, custodian, asset-manager, liquidity, operational, and market risks).

[41] Statement of Heath P. Tarbert, Chairman, Commodity Futures Trading Commission, in Support of Final Cross-Border Swap Rule (July 23, 2020) ("[W]e should afford comity to other regulators who have adopted comparable regulations, just as we expect them to do for us."); Remarks of Heath P. Tarbert, Chairman, CFTC, 35th Annual FIA Expo (Oct. 30, 2019) ("[D]eference is a two-way street. So we will grant deference if deference is granted in return.").

[42] No firm is yet a permitted payment stablecoin issuer under the GENIUS Act, because the licensing regime is not yet effective. Several sponsors have publicly announced an intention to seek qualification.

B. The CLARITY Act remains

Congress has set rules for the digital dollar. It has not set rules for the markets that use it. That is everything in Part II beyond the dollar itself.

This work matters for the rest of the ecosystem the way GENIUS mattered for the dollar. The House-passed CLARITY Act, and the various Senate texts now building on it, pursue several common objectives. They allocate regulatory jurisdiction between the securities and commodities regulators along a line that tracks how these instruments actually function. They create a viable, onshore regulatory framework for covered intermediaries—with customer protection, custody, and conflict-of-interest requirements attached. And they extend established illicit-finance authorities to covered intermediaries and activities, so those authorities apply here as clearly as they do elsewhere.[43]

None of that is a subsidy, or a blessing of any asset. Each applies principles this Committee has applied to every other market in its jurisdiction.

What this legislation does *not* do matters as much. It does not declare any digital asset sound or suitable for any investor. It does not eliminate the application of antifraud or antimanipulation protections. It does not repeal the Bank Secrecy Act—it extends it. And it does not resolve every classification question for all time. No statute could. The Commissions will have interpretive work for years.

But a framework that answers most questions, and creates a process for the rest, beats a status quo that answers too few predictably.

What legislation provides above all is durability. Agency guidance and enforcement priorities change with administrations. A bipartisan statute is substantially more durable. Firms making 10-year infrastructure investments need law, not posture.

The dollar layer now rests on a bipartisan statute. The layer above it rests largely on the disposition of two agencies. That asymmetry will not resolve itself.

The final legislation should address the legitimate concerns Members have raised. Customer-asset protection. Conflicts of interest. Illicit finance. Market integrity. The treatment of decentralized protocols. Those are arguments for legislating carefully. You set the path last year. This Committee should now defend the bipartisan principles it enacted while Congress completes the work. Clear jurisdiction. Meaningful protection of customer assets. Enforceable rules for intermediaries. Robust illicit-finance authorities. Honest treatment of conflicts of interest. And a durable path for responsible activity to operate onshore. My hope is that all of these will remain in CLARITY, and that Congress will pass a final version into law this year.

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[43] Digital Asset Market Clarity Act of 2025, H.R. 3633, 119th Cong.; Roll Call Vote No. 199 (July 17, 2025) (passed 294–134, with 216 Republicans and 78 Democrats voting in the affirmative). The Senate Committee on Agriculture, Nutrition, and Forestry acted in January 2026; the Senate Committee on Banking, Housing, and Urban Affairs approved its portion on May 14, 2026, by a vote of 15–9; the updated merged text was released in July 2026. Provisions differ among these texts, and the description in text addresses objectives common to them.

Conclusion

I am an American who has spent much of my career on financial infrastructure. At the Treasury Department. At the CFTC. Now in the private sector. I have seen how much of this country's strength rests on systems most citizens never think about. I have also seen how quickly those systems migrate when the technology beneath them changes.

That migration is underway. It will produce a financial system that settles faster, runs longer, and reaches people today's system does not serve.

Congress cannot determine which technologies will succeed. It can determine whether American law, American institutions, and the dollar will remain embedded in the systems that do. The open question is whether the rails are American. Whether the unit of account remains the dollar. And whose law governs when something goes wrong.

This hearing asks how to strengthen the American economy and promote growth, opportunity, and prosperity. Few steps this Committee can take would be more consequential for America's long-term prosperity than helping to ensure that the next generation of financial infrastructure is built and governed under American law, in partnership with trusted allies, and anchored in the dollar. That is worth more than any single quarter of growth, because it compounds.

That is dollar statecraft in the internet financial system. Not a currency defended by proclamation, but a financial system governed by American law, built with American firms and trusted partners, and sufficiently trusted, liquid, and useful that the world continues to choose it.

The dollar's position was built. It can be built upon. It can also be spent down. Which path prevails will depend on more than this Committee. But far more depends on this Committee than is commonly understood.

Thank you for the opportunity to testify. I look forward to your questions.