



Zero One Strategies

ANALYSIS

PRESIDENT'S WORKING GROUP
ON DIGITAL ASSET MARKETS

Stablecoins and Payments



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The President’s Working Group on Digital Asset Markets (PWG) was established by Executive Order 14178, [Strengthening American Leadership in Digital Financial Technology](#)¹, and directed to submit a report to the President within 180 days recommending regulatory and legislative proposals to support responsible growth and use of digital assets, blockchain technology, and related technologies across all sectors of the economy. The [PWG report](#)² on Strengthening American Leadership in Digital Financial Technology, released July 30, 2025, proposes recommendations related to market structure, banking, stablecoins and payments, countering illicit finance, and taxation.

The below analysis focuses on the PWG recommendations for digital asset guidance and legislation on stablecoins and payments.

The Trump Administration set a pro-stablecoin, anti-CBDC stance in 2025. Private sector innovation is favored as the best route to maintain U.S. global financial leadership while protecting privacy and limiting government overreach in the digital financial sector. Regulatory recommendations aim to position the U.S. dollar as the core currency for future international payment systems leveraging blockchain and digital asset infrastructure.

Introduction and Context

Stablecoins are digital assets designed to maintain a stable value, typically pegged to a fiat currency such as the U.S. dollar. These digital assets aim to combine the efficiency and accessibility of crypto with the reliability of the traditional dollar-based financial system. Initially, stablecoins operated in a legal gray area, but recent legislation has clarified their regulatory status.

Payment Stablecoins and Bitcoin

Despite the fact that the PWG report acknowledges bitcoin as the first digital currency used for payment, the report contains only discussion and recommendations for strengthening

¹ <https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology/>

² <https://www.whitehouse.gov/crypto>



stablecoins as a method of payment. The report says, “With Bitcoin, Satoshi pioneered peer-to-peer transactions using digital currency. Stablecoins leverage the same technological concept to facilitate instantaneous transactions using digital dollars. GENIUS brings this groundbreaking payment technology into the financial mainstream.”³

Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS), S.1582, 119th Congress was signed into law on July 18, 2025. The GENIUS Act sought to: 1) provide federal regulatory clarity for stablecoins; establish clear licensing, compliance, and consumer protection standards; and incentivize domestic stablecoin innovation and to cement the global dominance of the U.S. dollar.

Key features of the GENIUS Act include:

- Licensing and Oversight
 - Introduces a licensing regime for stablecoin issuers.
 - Enforces Anti-Money Laundering (AML) and Know Your Customer (KYC) rules.
 - Requires stablecoin issuers to hold full, high-quality liquid reserves (e.g., U.S. Treasuries) and to disclose monthly reserve reports.
- Consumer Protection
 - Prioritizes stablecoin holders in insolvency.
 - Prohibits issuers from using reserves for speculative purposes and mandates reserve asset segregation.
- Regulatory Clarity
 - Stablecoins are defined as neither securities nor commodities.
 - Opens the way for stablecoin-based payments at scale in the U.S. and globally.
- Limits on Stablecoin Issuers
 - Issuers cannot pay interest or yields solely for holding stablecoins issued by U.S.-licensed or foreign payment stablecoin issuers.
- Competitive Benefits
 - Encourages competition and innovation among stablecoin issuers and traditional payment providers.
- National Security

³ Strengthening American Leadership in Digital Financial Technology, President’s Working Group on Digital Asset Markets Report, page 88.



- Stablecoin issuers are treated as financial institutions under the Bank Secrecy Act (BSA), subject to AML and sanctions requirements.

Payment Systems Innovation

Legacy payment systems (retail and wholesale) in the U.S. are efficient but still have delays and higher costs, especially for cross-border payments. Retail payments can take days to settle, leading to risks and costs. Recent innovations such as the Clearing House's RTP (Real-Time Payments) and the Federal Reserve's FedNow provide instant payment settlement options but are in the early stages of adoption, with significant integration costs.

Digital Asset Opportunities

Distributed Ledger Technology (DLT), especially stablecoins, presents avenues for lowering costs and settlement times. Tokenized bank deposits and programmable payments via smart contracts could transform settlement processes.

Stablecoin Mechanics and Market Trends

Most stablecoins are backed by pools of liquid reserve assets, with dollar-pegged stablecoins dominating the market. The process of issuing stablecoins involves customer KYC, fiat deposit, reserve management, and on-chain minting after all checks are cleared. Market capitalization of U.S.-dollar stablecoins has rapidly grown (over \$238B by July 2025). Usage is currently centered on crypto trading and smart contract interactions but could broaden to mainstream payments.

Regulatory and Compliance Regimes

The GENIUS Act created an initial regulatory regime on the federal level. On the state level, most states have money transmitter laws in which nonbank stablecoin issuers generally must obtain state-level licenses. Some states have digital asset-specific exemptions.

Internationally, the lack of global regulatory harmonization imposes costs on U.S. issuers, limits their competitiveness, and may affect stablecoins' reliability.



Central Bank Digital Currencies (CBDCs)

The Trump Administration, under Executive Order 14178, prohibits U.S. federal agencies from establishing, issuing, or promoting CBDCs in the U.S. or abroad. Retail CBDCs are viewed as threats to privacy and economic liberty because they consolidate governmental control over individual financial data. Instead, the focus is on promoting private-sector solutions (like stablecoins) that preserve economic freedom.

Other countries (e.g., China, ECB) are advancing with retail CBDC pilots.

Supporting the Competitiveness of the U.S. Dollar

The U.S. dollar is central to global trade, finance, and reserves, with advantages extending to reduced costs and risk for U.S. businesses and global investors. Traditional cross-border payment systems (SWIFT, correspondent banking) are slow, expensive, and opaque, especially for remittances and in emerging markets. Stablecoins, especially with on-/off-ramp providers, can greatly increase the speed, transparency, and cost-efficiency of cross-border payments.

Recommendation Highlights

For stablecoins, the PWG recommends the Treasury Department implement GENIUS swiftly and faithfully.

For CBDCs, the PWG recommends prohibiting any federal effort toward CBDCs, supporting legislation (e.g. the Anti-CBDC Surveillance State Act) to codify the prohibition of CBDCs in the U.S., as well as promoting private sector innovation for digital asset payment systems.

For U.S. dollar primacy and international payments, the PWG recommends promoting U.S. leadership in the development of international standards for digital payment technologies; encouraging payment solutions that protect the two-tier banking system, preserve privacy, and integrate compliance with AML and sanctions; and leading international efforts to upgrade domestic and cross-border payment systems to maintain the dollar's global role.



Complete Recommendations

Faithfully and Expeditiously Implement GENIUS

Executive Order No. 14178 outlines the policy of the Trump Administration to promote and protect the sovereignty of the U.S. dollar, including through actions to promote the development and growth of lawful and legitimate dollar-backed stablecoins worldwide. Additionally, Congress and President Trump have worked together to enact GENIUS, which enshrines a pro-innovation framework for stablecoins in federal law.

The Working Group especially applauds the following aspects of GENIUS, which are essential to enabling growth and stability in the digital asset market.

- **Integrity of Payment Stablecoins.** The composition of reserve assets is essential to promote trust in and use of dollar-backed stablecoins. Payment stablecoins are required to be backed by high-quality and liquid assets so that a claim on a stablecoin issuer representing \$1 is worth \$1 when redeemed. High quality and liquid reserve assets reduce the potential for losses to holders of stablecoins and the risk of a run on the stablecoin.
- **Onshore Innovation.** In order to offer or sell payment stablecoins to a person in the United States, issuers are required to retain a U.S. license (which would entitle them to modest, additional benefits) or meet comparable regulatory standards under a foreign licensing regime. Such regulation mitigates risks to U.S. financial stability, promotes U.S. national security interests, and ensures that U.S.-licensed issuers are competitive globally.
- **Facilitate Cross-Border Flows.** Internationally active stablecoin issuers may face unwarranted impediments to operating across multiple jurisdictions. GENIUS encourages cross-border flows by allowing U.S. authorities to evaluate foreign frameworks and grant reciprocity to jurisdictions with comparable or equivalent regimes. Evaluation considerations include reserve requirements, prudential standards, and supervisory and enforcement capacity.
- **Mitigate Risks to Financial System.** Risks that might undermine confidence in payment stablecoins are addressed to promote use of dollar-backed stablecoins. Specifically, the GENIUS licensing structure mitigates risks of runs (and secondary runs on underlying assets), risks of operational failure, and risks to financial stability.
- **Promote Competition.** Payment stablecoins compete with each other and with the services of other payments providers. GENIUS promotes competition and choice for consumers while recognizing differences in business models. Fostering a competitive



financial ecosystem while also supporting bank (including community bank) digitalization ensures the continued relevance of both traditional financial institutions and of business models relying on new technologies.

- **Protect Consumers.** U.S.-licensed stablecoin issuers are required to address risks to consumers. They must provide adequate, monthly disclosures of reserve assets and ensure that payment stablecoin owners can redeem their stablecoins for cash (\$1) on demand. Issuers are not permitted to misrepresent that payment stablecoins are backed by the full faith and credit of the United States, guaranteed by the United States Government, or subject to federal deposit insurance or federal share insurance. Moreover, stablecoin holders' claims in insolvency are prioritized, and third parties providing custodial services for stablecoin issuers must segregate stablecoin reserves from their own assets.
- **Clarify Regulatory Status of Stablecoins.** Payment stablecoins issued by U.S.-licensed issuers (which, under GENIUS, cannot be yield-bearing) are treated as neither securities nor commodities under relevant securities and commodities laws and regulations. Additionally, U.S.-licensed stablecoin issuers are not treated as investment companies under relevant securities laws.
- **National Security.** Illicit actors, including sanctions evaders, can use stablecoins as a relatively safe and stable way to hold illicit proceeds before exchanging into fiat currency and to access U.S. dollar liquidity. In response to specific requests from U.S. and foreign law enforcement, some stablecoin issuers have, in some cases, taken steps to freeze assets. To promote integrity in stablecoins, protect U.S. national security interests, and build upon existing AML/CFT and sanctions requirements for stablecoin issuers, GENIUS explicitly treats U.S.-licensed stablecoin issuers as “financial institutions” under the BSA and therefore subject to applicable AML/CFT obligations. Foreign payment stablecoin issuers are also required to comply with lawful U.S. orders to freeze and seize assets to counter illicit use.

Central Bank Digital Currencies

- Discourage, oppose, and prohibit the ability of any agency from undertaking any action to establish, issue, or promote any CBDCs in the United States or abroad.
- Support legislation prohibiting the adoption of any CBDCs in the United States, including, for example, the Anti-CBDC Surveillance State Act, which was passed by the House of Representatives on July 10, 2025.



- Support U.S. technological leadership and competitiveness in capital markets and work to upgrade domestic payment systems, FIMs, and cross-border payments; urge other countries to adopt policies that promote the role of the private sector within a technology-neutral regulatory regime.
- Examine the extent to which U.S. federal agencies (including the Banking Agencies) and relevant international financial institutions have engaged in CBDC research or pilot programs contrary to the policies set forth in Executive Order No. 14178.

Promoting the Competitiveness of the U.S. Dollar Through Digital Asset Payments and Capital Markets

- Relevant U.S. agencies, including Treasury, should promote U.S. private sector leadership in the responsible development of innovative cross-border payments and financial markets technologies. Toward this end, Treasury should consider using its convening authority to encourage and provide clarity to U.S. financial institutions in leading these efforts.
- Treasury and other relevant agencies should promote U.S. leadership in establishing international legal, regulatory, and technical standards and best practices for new payments technologies that reflect U.S. interests and values. Standards, including international standards, should be calibrated to accurately reflect the risk of innovative digital products and services.
- Domestically and internationally, U.S. authorities should encourage payment solutions that: (i) protect the two-tier banking system and promote the private sector's role in financial intermediation, payments, and capital formation; (ii) preserve individual rights and limit government control of personal financial information; and (iii) incorporate robust and effective AML/CFT and sanctions controls.
- Treasury, in coordination with other relevant agencies, should engage with international counterparts and institutions by leading initiatives to upgrade domestic payment systems, FIMs, and cross-border payment systems, to help protect the primacy of the dollar-based international monetary system.