DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.dcuc.org

Jason Stverak
Chief Advocacy Officer

July 8, 2025

The Honorable Tim Scott
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Scott and Ranking Member Warren:

On behalf of the Defense Credit Union Council (DCUC), representing credit unions serving our nation's military and veteran communities (over 40 million members with $525 billion in assets under management), we appreciate the opportunity to provide input for the July 9, 2025 hearing, **"From Wall Street to Web3: Building Tomorrow's Digital Asset Markets."** We commend your leadership in examining how to integrate traditional finance ("Wall Street") with cutting-edge financial technologies ("Web3") in a safe, innovative, and inclusive manner. DCUC's priority is ensuring that America's credit unions – especially those serving servicemembers and their families – have a **level playing field** in the digital asset marketplace, coupled with **robust consumer protections**. As you convene this timely hearing, we offer our perspective and recommendations, grounded in the credit union movement's research and experience, to help build tomorrow's digital asset markets in a way that **fosters innovation without sacrificing safety**. We stand ready to work with you to craft a bipartisan regulatory framework that gives credit unions equal footing in digital asset services while upholding our mission to serve members securely and effectively.

Regulatory Parity and NCUA Oversight for Credit Unions

A cornerstone of any digital asset framework must be **regulatory parity**: credit unions should have the same opportunities as banks and fintechs to innovate in digital assets under the supervision of their primary regulator. The credit union industry seeks neither special advantage nor undue restriction – only **equal footing** to ensure a competitive marketplace for digital asset users and issuers. We strongly support legislative frameworks that assign the **National Credit Union Administration (NCUA)** primary responsibility for regulating the digital asset activities of credit unions, much as the Office of the Comptroller of the Currency (OCC) oversees bank involvement. Such an approach would affirm the necessary authorities for credit unions to meaningfully engage with stablecoins and virtual currencies. New laws should explicitly empower the NCUA to authorize and supervise credit union digital asset services – including custody of digital assets and facilitation of member investments – so that millions of credit union members can access crypto markets through trusted, member-owned institutions. We applaud recent bipartisan efforts for recognizing the importance of including all types of institutions in regulation, and we urge the committee to ensure **credit union parity** remains a guiding principle in any legislation. Credit unions should not face higher hurdles than others in offering custodial services, partnering with digital asset firms, or issuing payment instruments, so long as we meet the same safety and soundness standards.

Crucially, regulatory **clarity and consistency** are needed across federal and state jurisdictions so that credit unions know what is permissible and can navigate compliance with confidence. We agree with policymakers and experts that clear definitions of digital assets and jurisdictional lines between the SEC and CFTC are essential for a workable framework. As one hearing witness noted, lawmakers must carefully delineate "when is a digital asset a security, a commodity, both or neither?" to avoid undermining longstanding investor protections. DCUC supports efforts to properly classify digital assets (e.g., distinguishing securities from commodities) and to harmonize rules across regulators. This consistency will ensure fintech partnerships and custodial services can be pursued without one charter type being left behind due to regulatory ambiguity. In short, parity and clarity will enable credit unions to compete and innovate alongside other financial institutions.

Stablecoins and CUSOs: Integrating Credit Unions into Digital Currency Innovation

The emergence of **payment stablecoins** has been a focal point in the discussion of bridging traditional finance with Web3, and appropriately so. Stablecoins represent a promising tool for faster, lower-cost payments and could greatly benefit military families and defense communities worldwide. Many defense credit unions operate globally and see firsthand the potential of well-regulated stablecoins to facilitate secure, real-time payments – for example, enabling low-cost **cross-border remittances** for deployed servicemembers sending money home. We are pleased that Congress is making stablecoin legislation an urgent priority. In fact, Chairwoman Lummis highlighted in a previous hearing that we are *"on the precipice of finally creating a bipartisan legislative framework for both stablecoins and market structure"* – an assessment we strongly share and applaud. The Senate recently demonstrated progress by passing the **Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act** with strong bipartisan support. This represents a major step toward a safe and sound stablecoin framework, and DCUC was proud to support it. We urge the House to act swiftly so this legislation can be enacted and not allow momentum to lapse.

As the House and Senate refine stablecoin bills, **credit union inclusion** is paramount. We were encouraged that the House Financial Services Committee advanced H.R. 2392, the **Stablecoin Transparency and Accountability for a Better Ledger Economy (STABLE) Act**, with provisions explicitly including credit unions. Notably, this bill defines "insured depository institution" to **include credit unions** and designates the NCUA as a primary federal regulator for payment stablecoin issuers in the credit union system. It would also allow credit union subsidiaries – including **Credit Union Service Organizations (CUSOs)** – to issue stablecoins as appropriately regulated entities. We **strongly support** these measures. Incorporating credit unions and CUSOs into the regulated stablecoin framework will ensure a more competitive and inclusive market, rather than limiting innovation to only the largest banks or fintech companies. By permitting credit unions (and their CUSOs) to participate, Congress would enable community-based institutions to leverage stablecoin technology to improve financial services for their members – **all under the umbrella of NCUA oversight and federal deposit insurance for the fiat reserves backing the stablecoins**. This oversight is vital to maintain safety and soundness as new technologies are adopted.

To fully integrate credit unions into digital currency innovation, **final legislation should include a few key clarifications and authorizations** (many of which DCUC has previously recommended):

- **Stablecoins not classified as deposits:** It should be clear in law that a properly issued payment stablecoin is **not** treated as a bank or credit union deposit under existing deposit insurance laws. This prevents confusion and ensures that stablecoin funds (the reserves or "float" backing them) don't unintentionally trigger deposit insurance or reserve requirements beyond what is intended.

- **Custodial assets off balance sheet:** Credit unions that offer **custody or safekeeping services** for digital assets (including stablecoins or digital commodities) should not be required to carry those custodial assets as liabilities on their balance sheets. We support explicit language to this effect (as was included in House discussion drafts). This accounting clarification enables credit unions to act as custodians of members' digital assets without impairing their balance sheet ratios, so long as prudent operational risk safeguards are met.
- **Clear authority and pathway for digital asset services:** Legislation should clearly establish that credit unions can safely **offer digital asset services** – such as custody of digital commodities or facilitation of member cryptocurrency purchases – provided they meet all prudential oversight and compliance requirements. We are encouraged that draft bills have begun to create a regulatory pathway for credit unions to offer digital asset services (e.g. **digital commodity custody**) under NCUA supervision. Some ambiguity remains in the draft language, and we urge the Senate to refine it to avoid any gaps or uncertainties. The intent, however, is sound. Credit unions are ready and willing to meet stringent requirements to serve as secure custodians for our members' digital assets, and Congress should **affirm this authority** in statute.

By addressing these points, Congress will remove unnecessary barriers and allow credit unions to responsibly innovate with stablecoins and other digital assets. In doing so, you will also harness the existing strengths of our industry – prudent underwriting, a member-centric ethos, and deep experience in financial education – to bolster the integrity of the broader crypto market. Even Federal Reserve Chairman Jerome Powell has emphasized the need for a stablecoin regulatory framework as usage grows, and we believe that including credit unions in that framework will enhance its effectiveness. Finally, we echo the need for appropriate federal oversight of **non-bank stablecoin issuers** as well, to ensure consistent supervision, **anti-money-laundering (AML)** compliance, and uniform consumer protections regardless of whether a stablecoin is issued by a bank, a credit union, or a fintech firm. In our view, stablecoins should operate under equivalent rules and high standards for safety whether the issuer is Wall Street or Web3. The common goal must be a stablecoin ecosystem that is **safe, transparent, and open** to responsible innovators in every segment of financial services.

Consumer Protection and Financial Inclusion – A Defense Credit Union Perspective

Credit unions' highest priority has always been **protecting our members**, especially the servicemembers, veterans, and military families who entrust us with their financial well-being. As digital assets gain traction, we are determined to uphold that commitment by shielding consumers from fraud, scams, and undue risk. DCUC has previously raised alarms about the proliferation of fraud in the crypto markets and its impact on military consumers. Without clear rules and the ability for regulated institutions to participate, "**credit unions risk being excluded from this emerging sector, leaving their members vulnerable to unregulated third-party providers with weaker consumer protections**". In other words, if credit unions cannot offer safe digital asset services, our members (including young servicemembers just starting to invest, as well as older veterans) may be driven to sketchy platforms or predatory actors. We are heartened that this committee is focusing on consumer protection in the context of digital assets, and we thank you for recognizing that certain communities – particularly military families and seniors – are **uniquely vulnerable** to crypto-related scams. Chairwoman Lummis herself has emphasized that the success of any stablecoin or digital asset regime will depend on **clear rules that protect consumers, ensure transparency, and set sound reserve and trading standards**, and we agree wholeheartedly. Robust consumer safeguards must be a pillar of any legislative framework that comes out of these discussions. This includes requirements for strict cybersecurity and wallet safety standards, strong disclosure of risks and fees to investors, Know-Your-Customer (KYC) and AML protocols to deter illicit use, and oversight to prevent predatory practices.

Credit unions are well-prepared to implement such measures. We have **zero tolerance for bad actors** and decades of experience complying with Bank Secrecy Act, KYC, and anti-fraud requirements – we stand ready to apply these rigorous standards in the digital asset realm. In fact, our history of member education and counseling is an asset in combating digital asset scams. DCUC and our member credit unions are actively engaged in financial education efforts to warn servicemembers and veterans about crypto fraud and to promote **digital financial literacy**. We believe Congress can further empower us by formally incorporating credit unions into the solution: by allowing credit unions to offer regulated digital asset services, you give consumers a safer avenue than the shadowy unregulated platforms that operate today. When trusted not-for-profit institutions can compete in this space, it will **drive scammers and bad actors out**.

Moreover, consumer protection goes hand-in-hand with **financial inclusion**, another core tenet of the credit union mission. We bring a "people helping people" ethos and a not-for-profit model that inherently puts consumer benefit over profit. Done right, digital assets and blockchain technology could lower costs and expand access to financial services – from faster remittances for the unbanked to new tools for personal savings and credit. We urge that any legislation keep this promise of **equitable innovation** in sight. For example, regulated stablecoins could enable affordable remittance services for military personnel and immigrant communities, and **smart contracts** might streamline lending or reduce fees in the future. Tokenization of assets could even unlock new avenues for community-based capital raising. These innovations, however, **must be accompanied by education and protections**. Here, credit unions excel: we devote substantial resources to educating our members. (By way of illustration, DCUC recently proposed partnering with the CFPB on financial education initiatives at military bases) With the right statutory framework, credit unions can do the same to ensure members approach digital assets prudently and avoid pitfalls.

In summary, **consumer protection and inclusion are two sides of the same coin**. A regulatory framework that empowers trustworthy institutions like credit unions to offer digital asset services will inherently bring more consumers under the umbrella of safe, regulated financial innovation, while squeezing out fraud and abuse. We appreciate that you, Chairwoman Lummis and Ranking Member Gallego, have underscored the importance of protecting those who serve our country and their families. Credit unions stand ready to be partners in that effort. By formally including credit unions in digital asset markets, Congress will leverage our "member-first" approach to ensure **no community – including rural, modest-income, or military communities – is left behind** as finance moves from Wall Street to Web3.

Equitable Innovation: Leveling the Playing Field

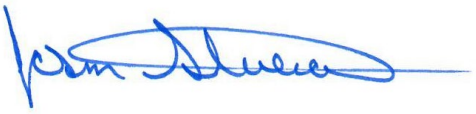
As Congress crafts the future of digital asset market structure, it must foster **equitable innovation** – meaning all types of institutions, large and small, can participate under fair rules. We greatly appreciate the bipartisan consensus emerging on this point. During House consideration of crypto legislation earlier this year, DCUC stressed that parity is essential to keep credit unions competitive, and that sentiment is now echoed in current Senate proposals. Measures that ensure well-intentioned regulations do not unintentionally sideline credit unions are critical. We encourage the Senate to maintain provisions that give credit unions a **seat at the table**. For example, if new payment networks or real-time settlement systems are developed for digital assets, credit unions should be able to connect and contribute just as banks can. We should not face higher hurdles than other providers in offering custodial services, facilitating crypto investments for our members, or partnering with fintech firms, as long as we meet the same prudential standards.

In prior correspondence, we outlined core principles that we believe should guide any digital asset framework, and we respectfully reiterate them as they encapsulate the notion of equitable innovation: (1) **Regulatory Clarity and Consistency** – clear, uniform rules so credit unions know what's allowed and can comply confidently, minimizing overlapping or contradictory regulations; (2) **Parity in Access and Participation** – equal access for credit unions to new networks, technologies, and partnerships (e.g., if a blockchain-based payments system is established, credit unions must be able to participate); (3) **Consumer Protection and Security** – keeping members safe is paramount, but allowing credit unions to actively participate so we can apply our high standards to the digital asset space; (4) **Inclusion of Credit Unions in Innovation Efforts** – policymakers should include credit union voices in discussions, pilot programs, and regulatory sandboxes, as our experience serving underserved communities can help shape more inclusive outcomes; and (5) **Proportional, Tailored Regulation** – rules should be right-sized to account for credit unions' cooperative structure and generally smaller size relative to large banks. One-size-fits-all regulations can inadvertently stifle innovation at community institutions; instead, calibration and, where appropriate, exemptions or tiered requirements can ensure compliance costs do not overwhelm credit unions without undermining safety and soundness. We urge the committee to incorporate these concepts into forthcoming legislation. By doing so, Congress will facilitate a safe, **fair**, and innovative digital asset ecosystem that allows credit unions to continue serving their members "without unnecessary regulatory barriers". This will ultimately benefit consumers (through greater choice and protection), enhance competition, and support the stability of the financial system.

DCUC strongly supports the committee's bipartisan approach to digital asset markets. We believe credit unions can be **powerful allies** in achieving the goals of sensible regulation, consumer protection, and inclusive innovation. As not-for-profit cooperatives, we are uniquely positioned to balance innovation with member protection – a balance that is critical in the nascent digital asset market. Our "people over profit" philosophy, prudent management, and focus on financial education can greatly complement Congress's efforts to build a safer Web3 future. We are committed to working with you as you develop legislation in this area, and we greatly appreciate your consideration of the credit union perspective in these efforts. In that spirit, we look forward to collaborating to ensure that any new digital asset framework works for **all Americans** – including the servicemembers and veterans who rely on defense credit unions for their financial security. Thank you for the opportunity to provide our views on these important issues.

If you have any questions, please do not hesitate to email me at jstverak@dcuc.org or contact me via the phone at 202.557.8528.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the Senate Committee on Banking, Housing, and Urban Affairs; National Credit Union Administration (NCUA) Board