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Subcommittee on Innovation, Entrepreneurship, and Workforce Development

“Main Street Meets Crypto: What Digital Assets Mean for Small Businesses”

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What Digital Assets Can and Cannot Do for Small Businesses

Chairman Jack, Ranking Member Scholten, and Members of the Subcommittee, thank you for inviting me to testify. I am an Associate Professor of Technology and Operations at the University of Michigan’s Stephen M. Ross School of Business and Faculty Director of its MBA AI Concentration. I have served as Faculty Co-Director of the Michigan Ross Fintech Initiative, and I hold a Ph.D. in Finance from the Wharton School of the University of Pennsylvania.¹ My research examines the intersection of new technology and financial markets, and I teach courses on fintech, blockchain, and cryptocurrency at the undergraduate, graduate, and doctoral levels. I am testifying in my individual capacity, and the views I express are my own.

Small businesses depend on being able to make and receive payments efficiently and at low cost. Their margins are often narrow, and a delay in receiving funds can leave them short of cash for payroll or supplies. Digital assets, and the payment services built on them, potentially offer such businesses new ways to pay and get paid, and their owners need to know whether those services would save them money or time and what risks they would bring.

In my assessment, the useful test of any such service is whether it improves the business’s transactions after all costs, risks, and responsibilities are accounted for. Section I provides background on how the technology behind digital assets has evolved over time. Sections II through IV then make three points:

1. The networks that carry digital assets have become faster and cheaper to use, and established payment companies now offer services on them.
2. However, technology alone cannot perform the all functions of the intermediaries that safeguard a payment. The traditional intermediaries that make a payment safe, reversible, insured, and easy to account for do not operate on these networks, and dedicated institutions to perform those functions are only beginning to be built. Currently, digital assets are used far more for trading and investment than for payments.

¹ Andrew (Di) Wu, curriculum vitae, University of Michigan,
<https://www.bus.umich.edu/FacultyBios/CV/andydiwu.pdf>.

3. Before using digital assets for transactions, a small-business owner should ask which kind of digital asset the business would be using, who else has to use it, what it really costs, whether it is cheaper and better than the alternatives, and what happens when something goes wrong. Section IV develops those questions and provides evidence on the conditions a small business should assess before adopting.

I. Background: how the technology developed

Before I turn to the evidence, I will first provide some background on how the technology behind digital assets has evolved over time.

The technology originated with bitcoin, which was proposed in 2008 as a form of electronic cash that two people could send to each other over the internet without going through a bank or any other intermediary.² The design relies on a shared record of every transaction, called a blockchain, which is kept and updated by many computers around the world rather than by a single company, an arrangement usually described as *decentralized processing*. On bitcoin's network, those computers compete for the right to add each new batch of transactions to the record, a process known as *mining*. Anyone can create an *address* on the record, which serves the function of an account number, and hold a balance of bitcoin at that address. Funds can be sent from an address only by whoever holds its *private key*, a secret string of characters that is usually stored in a program called a *wallet*. Once a transfer is recorded on the blockchain, it is settled and final. A payment on a centralized system such as a card network, by contrast, is first authorized and only later settled between the banks involved, and the network's rules allow a disputed payment to be reversed. A blockchain network provides no equivalent means of reversal.

Bitcoin has not, however, become the everyday means of payment that it was envisioned to be. It became instead mostly an investment asset, one that people buy, hold, and trade. Since it has no issuer and no reserve behind it, its price, which is set by trading alone, can fluctuate widely. Many similar assets have since been created, and bitcoin and the assets like it are commonly called *cryptocurrencies*.

The technology has since evolved in three respects. First, a second generation of blockchain networks, led by Ethereum, expanded what a blockchain can do. Bitcoin's network records transfers of a single digital asset, bitcoin itself. Ethereum's network can also execute computer programs, called *smart contracts*, and those programs can create additional digital assets, known as *tokens*, and transfer them on the same network. Later networks such as Solana are built on the same principle.

²Satoshi Nakamoto (2008), "Bitcoin: A Peer-to-Peer Electronic Cash System," <https://bitcoin.org/bitcoin.pdf>, section 11; Bitcoin Wiki, "Confirmation," <https://en.bitcoin.it/wiki/Confirmation>; Blockstream, "Difficulty adjustment," <https://glossary.blockstream.com/difficulty-adjustment/>. Bitcoin records transactions in batches called blocks and is designed to add a block about every ten minutes. The computers that add blocks compete in the mining process, and the network adjusts the difficulty of that contest to hold the ten-minute average. Each later block adds one confirmation to a payment, and waiting for six confirmations, about an hour, is a convention for managing payment risk rather than a rule in the code. The interval gives the computers time to agree on the transaction history; it does not stabilize bitcoin's price.

Second, the networks themselves have been improved, in capacity and in efficiency. A *base network* such as bitcoin's or Ethereum's can process only a limited number of transactions, and its fees rise when it is busy. Additional networks, known as *layer-2 networks*, have therefore been built on top of the base networks to add capacity. A layer-2 network, such as the rollups built on Ethereum or the Lightning Network on bitcoin, processes transactions off the base network and only records a summary of them on the base network. It can therefore handle many more transactions at lower fees while relying on the base network for security. In 2022, Ethereum also replaced mining with a method of maintaining its record that uses far less electricity, as Section II describes.³

Third, the expanded token capability of newer blockchains has produced the digital asset most relevant to payments, the dollar *stablecoin*, a token designed to hold a value of one dollar. In a reserve-backed stablecoin, the issuer, typically a private company, holds reserves such as cash and Treasury bills against the tokens it has issued and promises to redeem each token for one dollar.⁴ Inside crypto markets, stablecoins give traders a dollar-denominated asset that can be held and transferred on a blockchain, and that remains a large part of their use today. The two largest dollar stablecoins are Tether's USDT and Circle's USDC. Because a stablecoin is designed not to fluctuate in price, it is potentially more suitable than other digital assets for consumer and business payments, and consequently it will be the main digital asset I discuss for most of this statement.

II. The networks have become faster and cheaper to use

The networks that carry digital assets have changed substantially since bitcoin's early years. A transfer that takes about an hour to settle on bitcoin's network settles in seconds or minutes on the newer ones, network fees have fallen from dollars to a cent or less, and the networks used for stablecoins no longer depend on energy-intensive processing mechanisms such as mining. The improvements fall into three areas, speed, cost, and the new use cases they make possible for a small business.

Speed: the newer networks settle digital asset transactions much faster

Earlier blockchain networks such as bitcoin's are slow by design, and the newer networks were designed in part to overcome that limit. Bitcoin's network adds a batch of transactions to its record about every ten minutes,⁵ its original design allowed at most about seven transactions per second,⁶ and by common practice a payment on it is not treated as final until several later batches

³ [ethereum.org, "The Merge,"](https://ethereum.org/roadmap/merge/) <https://ethereum.org/roadmap/merge/>; [ethereum.org, "Ethereum energy consumption,"](https://ethereum.org/energy-consumption/) <https://ethereum.org/energy-consumption/>.

⁴ Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), Pub. L. No. 119-27, § 2(22) (July 18, 2025), <https://www.govinfo.gov/content/pkg/PLAW-119publ27/html/PLAW-119publ27.htm>.

⁵ See note 2.

⁶ Kyle Croman et al. (2016), "On Scaling Decentralized Blockchains (A Position Paper)," *Financial Cryptography and Data Security: FC 2016 International Workshops*, Lecture Notes in Computer Science 9604, Springer, <https://www.comp.nus.edu.sg/~prateeks/papers/Bitcoin-scaling.pdf>, section 1; Joseph Poon and Thaddeus Dryja (2016), "The Bitcoin Lightning Network: Scalable Off-Chain Instant Payments," draft version 0.5.9.2, January 14, 2016, <https://lightning.network/lightning-network-paper.pdf>. Both figures were computed under the one-megabyte block limit then in force.

have been added, which takes about an hour. A stablecoin transfer on Ethereum, on Solana, or on the layer-2 networks built on Ethereum is generally final within minutes and often within seconds. Newer networks and the layer-2 networks have also raised the processing throughput: in a Rutgers study of the Ethereum ecosystem, the layer-2 networks together handled about 227 transactions per second in early 2026, nearly three times their rate two years earlier, and Solana handled about 1,300 per second.^{7,8} Bitcoin has a layer-2 network of its own, Lightning, which Square uses to process in-person bitcoin payments for its merchants.⁹

Cost: transfer fees and electricity use have fallen sharply

On the same networks, the fee the network itself charges for a transfer has fallen significantly. The Rutgers study reports that the median fee on Ethereum’s base network fell from \$3.79 in early 2024 to about a cent in early 2026, that the median transaction on the leading layer-2 networks cost about \$0.0015, and that the median on Solana cost about \$0.0005.¹⁰ These figures are the network’s own charges only. What a business pays for a complete transaction, including conversion into dollars and the provider’s fee, could be considerably higher, as I discuss in Section IV.

Many of the blockchain networks have also become more energy efficient. On September 15, 2022, Ethereum replaced proof of work, the mining process that bitcoin still uses, with proof of stake, a method of maintaining the record that needs no mining, and the change cut Ethereum’s electricity use by more than 99.9 percent to roughly 0.0026 terawatt-hours a year.¹¹ The Ethereum, layer-2, and Solana networks thus do not depend on mining. Bitcoin mining, by contrast, remains energy-intensive: Cambridge University’s 2025 industry survey estimated worldwide consumption at about 138 terawatt-hours a year as of mid-2024, and the U.S. Energy Information Administration put U.S. cryptocurrency mining at 0.6 to 2.3 percent of national electricity consumption.¹²

⁷Meghan Ambrosia and Bruce Mizrach (2026), “Transaction Costs and Speed in the Ethereum Ecosystem: Scalability of the Mainnet and Layer 2s,” Rutgers University, arXiv:2606.22206, June 2026, <https://arxiv.org/abs/2606.22206>, Tables 1–2.

⁸Philip Krause (2026), “Building on Ethereum in 2026,” ethereum.org, May 7, 2026, <https://ethereum.org/latest/building-on-ethereum-in-2026/> (“rollups now carry about 95 percent of Ethereum’s transactions”).

⁹Square (2025), “Square Brings Bitcoin to Main Street with First Integrated Payments and Wallet Solution for Local Businesses,” press release, October 8, 2025, <https://squareup.com/us/en/press/square-bitcoin>; Square Support Center, “Accept and manage bitcoin payments,” <https://squareup.com/help/us/en/article/8622-accept-and-manage-bitcoin-payments>.

¹⁰See note 7.

¹¹See note 3.

¹²Cambridge Centre for Alternative Finance (2025), *Cambridge Digital Mining Industry Report*, April 2025, <https://www.jbs.cam.ac.uk/wp-content/uploads/2025/04/2025-04-cambridge-digital-mining-industry-report.pdf>, pp. 8, 63; U.S. Energy Information Administration (2024), “Tracking electricity consumption from U.S. cryptocurrency mining operations,” *Today in Energy*, February 1, 2024, <https://www.eia.gov/todayinenergy/detail.php?id=61364>.

Use cases: where the improvements can help small businesses

In the past few years, established payment processors have begun to offer services on the blockchain networks described above. Square, Stripe, and Shopify now accept digital-asset payments on a merchant's behalf and pay the merchant in dollars,^{13,14,15} so the business does not necessarily need to handle the digital assets itself. I return in Section IV to whether a given service is worth using.

These improvements have made possible new uses that could benefit a small business. One is paying suppliers and contractors abroad. A payment sent abroad through the banking system passes through a chain of correspondent banks, each adding time and fees. A Federal Reserve Board staff note has described how a payment stablecoin could instead be transferred directly to the recipient, eliminating the intermediaries' fees, shortening the time the payment takes to arrive, and making it easier to track, while noting that the costs of exchanging stablecoins for currency at each end remain.¹⁶ This type of use remains a very small share of cross-border payments.¹⁷ A second new use is payments initiated autonomously by software. Artificial intelligence systems can now carry out multi-step tasks on a business's behalf, such as finding a supplier and placing an order. The industry calls such a program an *agent*, and an agent will often need to make payments in the course of a task, sometimes many times and in very small amounts. Very small payments are hard to price on existing systems such as cards, because the fixed charge on a card payment¹⁸ would by itself exceed the value of a purchase costing a few cents. A stablecoin transfer on a low-cost network could therefore make such a payment economical. Standards for this use are now being written. In July 2026 the Linux Foundation launched a foundation, with 40 member companies, to standardize x402, an open technical standard for payments by agents and applications,¹⁹ and Google, Mastercard, and Stripe have announced agent-payment protocols that support stablecoins alongside cards.²⁰ In my assessment, small

¹³See note 9.

¹⁴Stripe, "Pricing," <https://stripe.com/pricing> (Services include conversion to fiat, wallet and AML screening, fraud prevention, gas sponsorship").

¹⁵Shopify (2025), "Introducing USDC on Shopify: Simple, borderless payments for merchants," June 12, 2025, <https://www.shopify.com/news/stablecoins-on-shopify>; Remote (2024), "Remote teams with Stripe to introduce easy, compliant stablecoin payouts for contractors worldwide," December 17, 2024, <https://remote.com/news/product/remote-teams-with-stripe-to-introduce-easy-compliant-stablecoin-payouts-for>.

¹⁶Kyungmin Kim, Romina Ruprecht, and Mary-Frances Styczynski (2026), "Payment Stablecoins and Cross Border Payments: Benefits and Implications for Monetary Policy Implementation," *FEDS Notes*, Board of Governors of the Federal Reserve System, March 30, 2026, <https://www.federalreserve.gov/econres/notes/feds-notes/payment-stablecoins-and-cross-border-payments-benefits-and-implications-for-monetary-policy-20260330.html>.

¹⁷Martin Moloney, Deputy Secretary General, Financial Stability Board (2026), "Cross-border payments: towards the next chapter," opening remarks, July 8, 2026, <https://www.fsb.org/2026/07/cross-border-payments-towards-the-next-chapter/>.

¹⁸See note 14.

¹⁹The Linux Foundation (2026), "Linux Foundation Announces Operational Launch of x402 Foundation to Standardize Internet-Native Payments for AI Agents and Applications," press release, July 14, 2026, <https://www.linuxfoundation.org/press/linux-foundation-announces-operational-launch-of-x402-foundation-to-standardize-internet-native-payments-for-ai-agents-and-applications>.

²⁰Google Cloud (2025), "Powering AI commerce with the new Agent Payments Protocol (AP2)," September 16, 2025, <https://cloud.google.com/blog/products/ai-machine-learning/announcing-agents-to-payments-ap2-protocol>; Mastercard (2026), "Mastercard launches Agent Pay for Machines to unlock super-fast, always-on payments,"

payments made by software are a promising use for stablecoins, but their advantage over the alternatives remains to be established, and the volumes involved are still small.

III. Technology alone cannot perform the functions of the intermediaries that safeguard a payment

A faster and cheaper network is a necessary part of what a small business needs in order to pay and get paid, but it is not the whole of it. This is because a network transfer is only one step of the whole payment process. For a payment to be reliable and safe, the value transferred must also be converted into something the recipient can spend, the parties must be identified and screened, the funds must be made available where the recipient can use them, and someone must be responsible for resolving errors and disputes. In the payment systems businesses use today, intermediaries perform those critical functions. A card network, for example, authorizes a payment, settles it later, and can reverse it. A bank holds insured deposits, screens its customers under the anti-money-laundering law, and resolves errors, and both banks and card networks operate under the supervision of regulators.

Blockchain networks, by contrast, were designed to operate without those intermediaries, and much of the case made for them rests on removing intermediaries and the fees they charge. As Section I described, the original idea was that a shared record and its rules would take the place of the bank in the middle. The intermediaries that safeguard a payment are correspondingly far less developed for digital assets.

For stablecoins in particular, the issuer is a new type of intermediary, one that holds the reserves and redeems the tokens. However, the federal framework that will govern it is not yet in force. Congress enacted the GENIUS Act, the federal law for dollar stablecoins, in July 2025. The Act takes effect 120 days after the regulators issue their final rules, and in January 2027 at the latest.²¹ As of September 10, those rules were still proposals. The stablecoins in circulation today were issued by private companies before the Act's licensing regime took effect, and as I understand it no issuer has yet been approved under that regime.²² The Act itself provides that

June 10, 2026, <https://www.mastercard.com/us/en/news-and-trends/press/2026/june/mastercard-launches-agent-pay-for-machines.html>; Visa (2025), "Find and Buy with AI: Visa Unveils New Era of Commerce," April 30, 2025, <https://usa.visa.com/about-visa/newsroom/press-releases.releaseId.21361.html>; Stripe (2026), "Introducing the Machine Payments Protocol," March 18, 2026, <https://stripe.com/blog/machine-payments-protocol>.

²¹ GENIUS Act, §§ 3(b)(1), 13(a), 20. The Act was approved July 18, 2025. Separately, from July 18, 2028, a digital-asset service provider may not offer a payment stablecoin in the United States unless it was issued by a permitted issuer (§ 3(b)(1)).

²² Proposed rules published in the Federal Register: Office of the Comptroller of the Currency, 91 Fed. Reg. 10202 (March 2, 2026); FDIC, 90 Fed. Reg. 59409 (December 19, 2025) and 91 Fed. Reg. 18534 (April 10, 2026); FinCEN and OFAC, 91 Fed. Reg. 18582 (April 10, 2026); joint customer identification proposal of FinCEN, the OCC, the Federal Reserve Board, the FDIC, and the NCUA, 91 Fed. Reg. 37234 (June 22, 2026); Department of the Treasury, 91 Fed. Reg. 53368 (August 18, 2026), <https://www.govinfo.gov/content/pkg/FR-2026-08-18/html/2026-16796.htm>; Office of the Comptroller of the Currency (2026), "News Release 2026-69," August 19, 2026, <https://occ.gov/news-issuances/news-releases/2026/nr-occ-2026-69.html>; ABA Banking Journal (2026), "Hill: FDIC on track to issue stablecoin rulemaking by year's end," September 9, 2026, <http://bankingjournal.aba.com/2026/09/hill-fdic-on-track-to-issue-stablecoin-rulemaking-by-years-end/>.

stablecoins carry no deposit insurance.²³ The networks provide no procedure for disputing a payment, and there is no tax rule that treats a small stablecoin payment like a cash payment. The payment processors described in Section II supply some of the missing functions, converting stablecoins into dollars and screening the wallets they accept, but not others. Stripe’s stablecoin service, for example, does not support disputes.²⁴

Technology alone cannot perform the functions of those intermediaries, and the most basic of them is preserving the value of the payment instrument itself, which has to be worth the same amount when it is spent as when it was received. Bitcoin and the assets like it have no issuer and no reserve behind them, and their prices are highly volatile. Stablecoins address that problem through an institution, an issuer that holds reserves and promises to redeem each token for a dollar, and a stablecoin’s stability is therefore a property of that institution rather than of the technology. The issuer’s promise, however, is only as good as the reserves and the banks behind it, and even a reserve-backed stablecoin has fallen below a dollar. For example, on March 10, 2023, Circle disclosed that \$3.3 billion of its reserves, about 8 percent, were held at the failed Silicon Valley Bank, and USDC traded at about 87 cents the next day. It returned to a dollar after regulators guaranteed the bank’s deposits and Circle resumed redemptions on March 13.²⁵ Notably, the peg was restored by the traditional safety net, applied to the bank where the reserves were held, and stablecoins without reserves have failed outright.²⁶ The practical point for a small business is that, in accepting a stablecoin, it relies on the issuer, and on the banks that hold the issuer’s reserves, to keep the payment worth what it was when it arrived, and if they fail, the business might have to bear the loss itself.

The absence of intermediaries also matters for financial crime, which concerns a small business both because it may be a victim and because, without a bank in the middle, it has to satisfy itself about whom it is paying. On a blockchain network, a payment that bypasses a bank also bypasses the checks the bank would have performed. At the same time, the public record lets investigators trace transfers and lets issuers freeze funds, which is one reason the figures on illicit use are as

²³GENIUS Act, § 4(e).

²⁴Stripe Docs, “Stablecoin payments,” <https://docs.stripe.com/crypto/stablecoin-payments>.

²⁵Circle (2023), “An Update on USDC and Silicon Valley Bank,” archived copy, March 11, 2023, <https://web.archive.org/web/20230311202753/https://www.circle.com/blog/an-update-on-usdc-and-silicon-valley-bank>; Chuan Du, Ria Sonawane, and Cy Watsky (2025), “In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins,” *FEDS Notes*, Federal Reserve Board, December 17, 2025, <https://www.federalreserve.gov/econres/notes/feds-notes/in-the-shadow-of-bank-run-lessons-from-the-silicon-valley-bank-failure-and-its-impact-on-stablecoins-20251217.html>; Board of Governors, Department of the Treasury, and FDIC (2023), “Joint Statement,” March 12, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm>.

²⁶Stablecoins without reserves have failed outright. TerraUSD, which relied on trading incentives rather than reserves, began a run on May 7, 2022; within a week its price was below 20 cents, and it then fell close to zero, erasing at least \$40 billion by the Securities and Exchange Commission’s estimate and about \$50 billion by the estimate of Liu, Makarov, and Schoar. Jiageng Liu, Igor Makarov, and Antoinette Schoar (2026), “Anatomy of a run: The Terra Luna crash,” *Journal of Financial Economics* 184, article 104359, <https://doi.org/10.1016/j.jfineco.2026.104359>; working-paper version, Jiageng Liu, Igor Makarov, and Antoinette Schoar (2023), *Anatomy of a run: The Terra Luna crash*, NBER Working Paper 31160, April 2023, <https://www.nber.org/papers/w31160>, pp. 3–4, 28; Securities and Exchange Commission (2023), “Complaint, *SEC v. Terraform Labs Pte. Ltd. and Do Hyeong Kwon* (S.D.N.Y., February 16, 2023),” <https://www.sec.gov/files/litigation/complaints/2023/comp-pr2023-32.pdf>, ¶¶ 1, 9; SEC (2023), “Press Release 2023-32,” February 16, 2023, <https://www.sec.gov/news/press-release/2023-32>.

well documented as they are. The blockchain-analytics firm Chainalysis estimates that addresses it identified as illicit received at least \$154 billion in 2025, a lower bound it revises upward as more addresses are identified. Stablecoins accounted for 84 percent of the illicit volume, and \$104 billion of the total flowed to sanctioned entities.²⁷ TRM Labs, another such firm, independently estimates \$158 billion, or about 1.2 percent of total volume.²⁸ Reports from victims give a different measure of the same problem: the FBI's Internet Crime Complaint Center received 181,565 complaints involving cryptocurrency in 2025, with about \$11.4 billion in reported losses, and cryptocurrency investment fraud, at \$7.2 billion, was the largest loss category the FBI reported.²⁹ Analyzing the public record, and supervising the exchanges and issuers through which these networks connect to the banking system, are the principal tools available for policing them.

In practice, digital assets, stablecoins included, are used far more for trading and investment than for payments. A Federal Reserve Bank of Kansas City study, estimating how the outstanding stock of stablecoins is used, assigns less than 1 percent to payments and nearly half to trading within crypto markets.³⁰ The Federal Reserve's survey of households, which I discuss in Section IV, finds that 9 percent of adults held cryptocurrency as an investment in 2025 and 2 percent used it to make a payment of any kind.³¹ Before digital assets could do for a small business what existing payment channels do for it today, the functions that intermediaries perform, such as making a payment safe, reversible, insured, and easy to account for, would have to be supplied by new institutions. In my assessment, those institutions are either absent or not yet in force. A business that holds a stablecoin today would therefore be relying on institutions that are still being built. The practical questions that follow from this are the subject of the next section.

²⁷Chainalysis (2026), "2026 Crypto Crime Report Introduction," January 8, 2026, <https://www.chainalysis.com/blog/2026-crypto-crime-report-introduction/>; Chainalysis (2026), "Crypto Crime in 2025 Was Primarily Driven by 694% Surge in State-Driven Sanctions Evasion Volume," March 5, 2026, <https://www.chainalysis.com/blog/crypto-sanctions-2026/>.

²⁸TRM Labs (2026), *2026 Crypto Crime Report*, January 28, 2026, <https://www.trmlabs.com/reports-and-whitepapers/2026-crypto-crime-report> (\$158 billion of illicit volume in 2025, about 1.2 percent of total volume, down from 1.3 percent). TRM Labs is a blockchain-analytics firm.

²⁹Federal Bureau of Investigation, Internet Crime Complaint Center (2026), *2025 Internet Crime Report*, https://www.ic3.gov/AnnualReport/Reports/2025_IC3Report.pdf, pp. 6, 9–11, 52–53 (181,565 complaints involving cryptocurrency; \$11.366 billion in reported losses; "Cryptocurrency investment fraud was the highest source of financial losses to Americans in 2025 with \$7.2 billion reported in losses"). Losses are as reported by complainants.

³⁰Franklin Noll (2026), "What Are Stablecoins Used for Today? Estimating the Distribution of Stablecoins," *Payments System Research Briefing*, Federal Reserve Bank of Kansas City, April 10, 2026, <https://www.kansascityfed.org/research/payments-system-research-briefings/what-are-stablecoins-used-for-today-estimating-the-distribution-of-stablecoins/>.

³¹Board of Governors of the Federal Reserve System (2026), *Economic Well-Being of U.S. Households in 2025*, May 2026, <https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-banking.htm>, "Banking and Credit," Table 33.

IV. Five questions a small-business owner should ask before adopting digital assets

As with any new way of paying or getting paid, a small-business owner considering digital assets should evaluate the specific service on offer against the services the business already uses, for the transactions the business actually makes. In my assessment, five questions should guide that evaluation, and I discuss each of them below with the related evidence.

Question 1. Which kind of digital asset?

The first question a business owner should consider is which digital asset the business would be using. As Section I described, the digital assets on offer are of two kinds, differing in what stands behind them. The first kind is bitcoin and similar assets, which have no issuer and no reserve behind them and whose value is set by trading alone. The second kind is assets backed by reserves that an issuer holds and promises to redeem, which the dollar stablecoin described in Section I belongs to.

For the first kind, the evidence is that the price depends largely on investor sentiment and momentum, and can thus fluctuate widely. Research by Liu and Tsyvinski links cryptocurrency returns to network factors, momentum, and investor attention,³² and Makarov and Schoar find a strong relationship between buying pressure across exchanges and bitcoin returns in their sample.³³ Demand to use bitcoin for payments also plays a part in its price. Bitcoin's realized volatility, a standard measure of price fluctuation, was 52.2 percent on an annualized basis at the end of the first quarter of 2025, compared with 15.5 percent for gold.³⁴ A business holding bitcoin to pay wages or suppliers could therefore lose a large part of that money before the payment is due. A processor can protect the business from that risk by accepting bitcoin from a customer and paying the business in dollars, as Square's service does unless the seller chooses to keep the bitcoin,³⁵ but no service can make bitcoin a stable asset for a business to hold.

For the second kind, the price is intended to stay at one dollar, and whether it does depends on the issuer. About \$300 billion of dollar stablecoins are outstanding, and Tether's USDT and Circle's USDC together account for more than 80 percent of the total.³⁶ A stablecoin is a claim on a private company and not a bank deposit, and it holds its value only for as long as the issuer's reserves and its ability to redeem remain sound. As Section III described, even a reserve-backed

³²Yukun Liu and Aleh Tsyvinski (2021), "Risks and Returns of Cryptocurrency," *Review of Financial Studies* 34(6), pp. 2689–2727, <https://doi.org/10.1093/rfs/hhaa113>.

³³Igor Makarov and Antoinette Schoar (2020), "Trading and arbitrage in cryptocurrency markets," *Journal of Financial Economics* 135(2), pp. 293–319, <https://doi.org/10.1016/j.jfineco.2019.07.001>.

³⁴NYDIG Research (2025), "Comparing Bitcoin and Gold," April 18, 2025, <https://www.nydig.com/research/comparing-bitcoin-and-gold>; Fidelity Digital Assets (2024), "A Closer Look at Bitcoin's Volatility," May 1, 2024, <https://www.fidelitydigitalassets.com/research-and-insights/closer-look-bitcoins-volatility>. Both authors are digital-asset firms.

³⁵See note 9.

³⁶DefiLlama, "Stablecoin circulating supply," <https://stablecoins.llama.fi/stablecoins?includePrices=true>; Circle (2026), "Circle Reports Second Quarter 2026 Results," August 5, 2026, <https://www.circle.com/pressroom/circle-reports-second-quarter-2026-results> (USDC in circulation \$73.3 billion at June 30, 2026).

stablecoin has traded below a dollar when its issuer's reserves came under stress.

A small business should therefore evaluate carefully which digital asset it would be using before adopting either the asset itself or a payment service built on it. A business that holds an asset of the first kind is exposed to its price for as long as it holds it, while a business that holds a stablecoin depends instead on the soundness of the issuer behind it.

Question 2. Who else has to use it?

The second question a business owner should consider is who else would have to use the service. A payment, by definition, has at least two parties involved, and the service is useful only to the extent that those parties actually use it. For a small business, much of the adoption decision therefore rests with the adoption decisions of others. For example, its customers decide what they can pay with, and its suppliers decide what they can receive. If the business uses a payment processor, the processor decides what it offers, and in every case its bank decides what it will accept and its accountant has to be able to record the result. Today few of those parties are fully ready, and the evidence reviewed below suggests that adoption will still take significant time.

First, consumers are the most important counterparty for a business that sells to the public, and their use of digital assets for payment has stayed very low. In the Federal Reserve's latest survey of household finances, 10 percent of adults used or held cryptocurrency in 2025, and 9 percent held it as an investment. Only 2 percent used it to buy something, make a payment, or send money to family or friends, and that share has been 1 to 2 percent in every year since the survey began asking in 2021.³⁷ The Federal Reserve's separate diary study of how consumers pay does not report cryptocurrency as a payment instrument at all.³⁸ A business that sells to the public would therefore gain little from a payment option that only a few customers in a hundred can use, and that share has not grown in four years.

Second, merchant acceptance is somewhat higher, but remains low and comes mostly through processors. J.D. Power's annual survey of small businesses that use payment processors found 19 percent accepting cryptocurrency in its 2026 study, up from 15 percent a year earlier but below the 20 percent it recorded in 2024.³⁹ Three years within the same range do not indicate a trend toward adoption, and acceptance is not the same as use, since a merchant can enable a payment option even though almost no customer uses it. The same survey suggests that processors, more than merchants, determine how quickly acceptance spreads, since one-third of the merchants that do not accept cryptocurrency said they would likely accept it if their processor enabled the

³⁷See note 31.

³⁸Federal Reserve Financial Services (2026), "Findings from the 2026 Diary of Consumer Payment Choice," press release, May 11, 2026, <https://www.frbfinancialservices.org/news/press-releases/051126-findings-2026-diary-consumer-payment-choice>.

³⁹J.D. Power (2026), "2026 U.S. Merchant Services Satisfaction Study," press release, January 13, 2026, <https://www.jdpower.com/business/press-releases/2026-us-merchant-services-satisfaction-study> (4,407 small-business customers of merchant services providers, fielded August–October 2025); J.D. Power (2025), "2025 U.S. Merchant Services Satisfaction Study," press release, January 14, 2025, <https://www.jdpower.com/business/press-releases/2025-us-merchant-services-satisfaction-study> ("15% of merchants accept cryptocurrency, which is a significant drop from 20% in 2024").

option.⁴⁰ Most small businesses are therefore likely to gain this capability when their existing processor offers it.

Third, between businesses, including cross-border payments, usage is growing but remains very small. McKinsey estimates that business-to-business stablecoin payments were about \$226 billion in 2025, up 733 percent from the year before, and that this amounted to about 0.01 percent of worldwide business-to-business payment volume.⁴¹ In a Mastercard-funded survey of 310 U.S. small businesses that buy inputs abroad, 11 percent said they used a stablecoin or crypto platform for those payments in 2025.⁴² For a business that pays an overseas supplier, for example, the question is what the supplier can do with the payment. Either the supplier accepts stablecoins and arranges its own conversion, or a provider delivers ordinary currency to the supplier's bank account, and without one of those the transaction cannot happen at all.

Fourth, on the regulatory front, the rules that will govern stablecoin issuers are not final either. As Section III described, the stablecoin law is not yet in force, its implementing rules are still proposals, and no issuer has been approved under it. As I understand it, from July 2028 a service provider may offer only stablecoins issued by a permitted issuer,⁴³ so a business cannot yet know which stablecoins the services it uses will be able to handle, and providers and their customers have reason to wait for final rules before they invest in new services or change the ones they use.

In sum, for a small business, adoption of a new payment service is a complex coordination problem, and the evidence indicates that the other parties are moving slowly. In my assessment, adoption by small businesses is most likely to grow where providers can show a lower total cost, faster access to funds, or a counterparty that existing services do not serve. An owner should therefore confirm that the customers, suppliers, and processors the business depends on are adopting a service before committing the business to it.

Question 3. What does it really cost?

The third question a business owner should consider is the total cost of the service. The fee a provider quotes is only part of the cost of using digital assets. The network's own charge for a transfer, described in Section II, is the smallest component, a few cents or a fraction of a cent. The larger part of the cost lies in several further items, most of them specific to digital assets and some of them difficult to quantify, which I discuss below.

⁴⁰J.D. Power (2026), cited above.

⁴¹McKinsey & Company (2026), "Stablecoins in payments: What the raw transaction numbers miss," by Matt Higginson with Alec Zorrilla, Julia Madden, and Michael Kirchner, February 18, 2026, <https://www.mckinsey.com/industries/financial-services/our-insights/stablecoins-in-payments-what-the-raw-transaction-numbers-miss> (analysis with Artemis Analytics; actual stablecoin payments "about \$390 billion," "roughly 0.02 percent of global payments volumes"; business-to-business payments "about \$226 billion a year, or about 0.01 percent of global B2B payment volumes of roughly \$1.6 quadrillion"; "B2B payments have increased 733 percent year over year").

⁴²PYMNTS Intelligence and Mastercard (2026), *The Cross-Border Opportunity: What Global Sourcing by US SMBs Means for Payment Providers*, May 2026, <https://www.pymnts.com/wp-content/uploads/2026/05/PYMNTS-Intelligence-The-Cross-Border-Opportunity-May-2026.pdf>, pp. 24, 35 (survey of 535 U.S. small businesses with revenue up to \$10 million, February 12–24, 2026, of which 310 sourced inputs internationally in 2025).

⁴³See note 21.

First, a business that accepts stablecoins through a processor that settles in dollars should examine the costs and terms behind the quoted fee. Stripe's 1.5 percent fee includes conversion into dollars, screening of the customer's wallet, and the network cost,⁴⁴ and its terms include a \$10,000 limit per transaction and no dispute process.⁴⁵ The business never holds the asset, so most of the costs described next are borne by the processor and included in its fee. The quoted fees themselves are new and may change. Square, for example, charges nothing to process a bitcoin payment through 2026 and 1 percent from 2027.⁴⁶

Second, a business that holds stablecoins itself bears many further costs, some of them hard to quantify. It pays to convert dollars into stablecoins and back, on its own side and often on the recipient's, and on a small transfer those conversion costs can outweigh the saving on the network fee. Most importantly, it has to safeguard the keys that control the funds (or pay a custodian to hold them), since losing the keys means losing access to the money. Moreover, because a transfer is generally irreversible, it has to screen the parties it transacts with, which its bank does for it today. It also has to keep a second set of records alongside its bank statements, set the service up, and train staff to use it.

Third, tax treatment is potentially a large cost, and one whose future size is unknown. As I understand it, the Internal Revenue Service treats digital assets as property rather than currency. A business that receives a stablecoin in payment records its dollar value on that day, and when it later spends or converts the stablecoin it has a disposition to report, with a gain or loss, even if the stablecoin was worth a dollar throughout.⁴⁷ The gain is usually trivial, but the bookkeeping is not trivial. Brokers now report their customers' digital-asset sales to the IRS on Form 1099-DA.⁴⁸ Congress has considered removing this treatment for small payments or for regulated stablecoins, and three pending bills would do so, but none has been enacted.⁴⁹ A business that adopts today therefore takes on a compliance cost whose potential size it cannot reliably measure, since Congress may change the treatment. In my assessment, regulatory uncertainty is itself a deterrent to adoption, because an owner cannot price a system whose rules may change, and most owners will reasonably wait until they can.

⁴⁴Stripe, "Pricing," <https://stripe.com/pricing>.

⁴⁵Stripe Docs, "Stablecoin payments," <https://docs.stripe.com/crypto/stablecoin-payments>.

⁴⁶See note 9.

⁴⁷Internal Revenue Service, "Notice 2014-21," <https://www.irs.gov/pub/irs-drop/n-14-21.pdf>, Q&A-1 and Q&A-3 (property treatment and the dollar value of virtual currency received as payment); IRS, "Digital assets," <https://www.irs.gov/filing/digital-assets>.

⁴⁸IRS, *2026 Instructions for Form 1099-DA*, <https://www.irs.gov/instructions/i1099da> ("De minimis rule for qualifying stablecoin sales"); 26 C.F.R. § 1.6045-1(d)(10)(i), <https://www.ecfr.gov/current/title-26/section-1.6045-1>. Under an optional method in those instructions and 26 C.F.R. § 1.6045-1(d)(10), a broker need not report a customer's qualifying-stablecoin sales unless aggregate proceeds exceed \$10,000 for the year.

⁴⁹S. 2207, 119th Congress, introduced June 30, 2025, and referred to the Committee on Finance, <https://www.govtrack.us/congress/bills/119/s2207>; H.R. 8899, the Digital Asset PARITY Act, introduced May 19, 2026, <https://www.govtrack.us/congress/bills/119/hr8899>; H.R. 9178, the Less Tax Paperwork for Digital Asset Owners Act, introduced June 8, 2026, <https://www.govtrack.us/congress/bills/119/hr9178>; House Committee on Ways and Means (2026), "New Legislation Modernizes Tax Rules for Digital Assets, Improving Access to a Growing Market and Maintaining America's Competitive Advantage," June 9, 2026, <https://waysandmeans.house.gov/2026/06/09/new-legislation-modernizes-tax-rules-for-digital-assets-improving-access-to-a-growing-market-and-maintaining-americas-competitive-advantage/>.

An owner should therefore evaluate the complete cost of a payment service built on stablecoins or other digital assets, and not the fee the provider quotes or the network fee alone, before adopting it.

Question 4. Is it cheaper and better than the alternatives?

The fourth question a business owner should consider is how a stablecoin service compares with the alternatives, both with the services the business already uses and with those that may become available. For many of the transactions a small business makes inside the United States, the existing services are, in my assessment, reasonably fast and inexpensive. The comparison is more favorable to a stablecoin service for card payments and for cross-border payments, but even there the figure to compare is the complete cost of the payment and not the network fee alone.

First, a stablecoin service potentially has a cost advantage over two of the services a business uses now, card acceptance and international wires. For example, Stripe charges 1.5 percent to accept a stablecoin from a customer's wallet, including conversion into dollars, compared with 2.9 percent plus 30 cents for a domestic online card payment, and Square's standard in-person card fee is 2.6 percent plus 15 cents.⁵⁰ Bank of America charges \$45 to send an international wire in dollars and tells customers to expect one to five business days,⁵¹ whereas a transfer on a fast stablecoin network can be completed in minutes at a network cost of cents. The advantage is likely to be smaller than these figures suggest, however, because of the additional costs described above and the services the existing channels include (such as dispute resolution).⁵²

Second, for payments between U.S. businesses with bank accounts, the closest alternative is the instant-payment service that many banks already offer. FedNow, operated by the Federal Reserve, and RTP, operated by the Clearing House, allow instant transfers between bank accounts around the clock wherever the business's bank offers them. FedNow listed 1,897 participating banks and credit unions as of September 8, 2026, allows transactions up to \$10 million, and settled about 5 million customer transfers worth \$275 billion in the second quarter of 2026, and RTP handled 142 million transactions worth \$576 billion in the same quarter.^{53,54} For non-urgent payments, ordinary ACH transfers settle the next business day or the one after, and Same Day ACH settles within hours.⁵⁵ All of these services transfer insured bank deposits, and the

⁵⁰Stripe, "Pricing," <https://stripe.com/pricing>. Square, "Square Processing Fees, Plans, and Software Pricing," <https://squareup.com/us/en/payments/our-fees>.

⁵¹Bank of America, "Wire transfers," <https://info.bankofamerica.com/en/digital-banking/wire-transfers> (domestic \$30; international in U.S. dollars \$45; international wires "typically arrive in 1 to 5 business days").

⁵²See note 45.

⁵³Federal Reserve Financial Services, "FedNow Service Participating Financial Institutions (as of Sep 8, 2026)," <https://www.frbservices.org/financial-services/fednow/organizations> (1,897 institutions listed); Federal Reserve Financial Services (2025), "FedNow Service will raise transaction limit to \$10 million," press release, September 9, 2025, <https://www.frbservices.org/news/press-releases/090525-fednow-transaction-limit-increase> (effective November 2025); Federal Reserve Financial Services, "FedNow Service volume and value statistics," <https://www.frbservices.org/resources/financial-services/fednow/volume-value-stats>.

⁵⁴The Clearing House, "RTP network," <https://www.theclearinghouse.org/payment-systems/rtp>.

⁵⁵Nacha, "The ABCs of ACH," <https://www.nacha.org/content/abcs-ach>; Federal Reserve Financial Services, "Same Day ACH Frequently Asked Questions," <https://www.frbservices.org/resources/financial-services/ach/faq/same-day-ach.html>. Note that same day ACH

operators' charges are small. The Federal Reserve charges the sending bank 4.5 cents for a FedNow transfer in 2026.⁵⁶ A stablecoin transfer between two U.S. businesses is no faster than an instant bank payment, adds a conversion at each end, and takes the money outside the insured banking system in between. For domestic business-to-business transfers, therefore, there is, in my assessment, little case for a stablecoin transfer where the business's bank offers instant payments.

Third, a central bank digital currency, or CBDC, is sometimes proposed as a further alternative, and it should be kept separate from the private stablecoins discussed here. A CBDC would be a liability of the central bank, a claim on the Federal Reserve in the way that paper currency is, whereas balances in commercial bank accounts and payment apps are liabilities of private firms.⁵⁷ None is currently available in the United States. My understanding is that a January 2025 executive order prohibits federal agencies from establishing, issuing, or promoting one,⁵⁸ and that a statute enacted in July 2026 bars the Federal Reserve from issuing or creating one through December 31, 2030.⁵⁹ Its effects, if one were ever built, would depend on its design, including whether it were restricted to transfers between banks or open to the public, whether balances were held directly at the central bank or through intermediaries, and how much privacy it gave to small payments as against large ones. Privacy in particular is a design choice. The Federal Reserve's 2022 discussion paper suggested that a U.S. CBDC, if one were created, would best be privacy-protected and identity-verified at the same time, with private intermediaries rather than the central bank holding the accounts and verifying identities, and it noted that any design would have to balance privacy against the transparency needed to deter crime.⁶⁰ The European Central Bank's proposed digital euro would let people pay offline with what the bank describes as a cash-like level of privacy, with the central bank unable to identify who is paying whom and identity checks left to the banks and other providers that hold the accounts,⁶¹ and a 2023 experiment by the Bank for International Settlements' innovation hub with the Swiss

payments are capped at \$1 million each.

⁵⁶Federal Reserve Financial Services, "FedNow Service 2026 Fee Schedule," effective January 1, 2026, <https://www.frb.services.org/resources/fees/fednow-2026> (\$0.045 per customer credit transfer, charged to the sending institution; \$0.01 per request for payment). The fees are charged to participating institutions, which set their own prices for their customers. The Clearing House states that the RTP network "has a single price for all participants regardless of size, with no volume discounts, no volume commitments, no monthly fees, and no monthly minimums," <https://www.theclearinghouse.org/payment-systems/rtp/institution>.

⁵⁷Board of Governors of the Federal Reserve System (2022), "Money and Payments: The U.S. Dollar in the Age of Digital Transformation," January 2022, <https://www.federalreserve.gov/publications/money-and-payments-discussion-paper.htm>, page updated June 10, 2022.

⁵⁸Executive Order 14178, "Strengthening American Leadership in Digital Financial Technology," 90 Fed. Reg. 8647 (January 31, 2025), §§ 2(c), 5, <https://www.govinfo.gov/content/pkg/FR-2025-01-31/html/2025-02123.htm>.

⁵⁹21st Century ROAD to Housing Act, Pub. L. No. 119-101, § 1101 (July 11, 2026), adding § 16A to the Federal Reserve Act, especially § 16A(b), (c), and (d), <https://www.govinfo.gov/content/pkg/PLAW-119publ101/html/PLAW-119publ101.htm>.

⁶⁰See note 57.

⁶¹European Central Bank, "FAQs on the digital euro," https://www.ecb.europa.eu/euro/digital_euro/faqs/html/ecb.faq_digital_euro.en.html. Note that the digital euro remains a proposal and the ECB's project description states that it "would be stored in an account set up with your bank or with a public intermediary," https://www.ecb.europa.eu/euro/digital_euro/html/index.en.html.

National Bank tested a design in which the payer is anonymous but the recipient is not.⁶² For a small business, a CBDC is therefore not yet an alternative it can evaluate today.

A small business should therefore compare a stablecoin service with the alternatives described above for the transactions it actually makes before treating digital assets as the first option. For most domestic transactions, the services the business already uses might serve it as well at a lower total cost, and where a stablecoin service does have an advantage, it has to be demonstrated for the specific transaction.

Question 5. What happens when something goes wrong?

The fifth question a business owner should consider is what happens when a payment goes wrong, whether due to a mistake, a dispute, a theft, or a failure of the asset itself. A business that takes cards and pays from a bank account is protected in each of those situations by intermediaries, and it rarely has to arrange that protection itself. A business that uses stablecoins through a processor has less of that protection, and a business that holds stablecoins itself has considerably less, because the networks were designed to operate without the intermediaries that provide it and the institutions that would replace them are only beginning to be built. In my assessment, a small-business owner comparing the two should treat that difference as a cost.

In the traditional system, the intermediaries resolve problems on the business's behalf. A card network, for example, reverses a disputed payment through a chargeback, and Visa's rules give a cardholder up to 120 days to dispute a charge.⁶³ As I understand it, a consumer paying from a bank account or with a debit card has error-resolution rights under Regulation E, the federal rule governing electronic fund transfers,⁶⁴ and a consumer paying with a credit card has billing-error rights under Regulation Z, the rule governing consumer credit.⁶⁵ In addition, on the receiving end, the money, once deposited in the business's bank account, is insured, and when a payment goes wrong, there is a bank or a processor whose job includes resolving it.

By contrast, a blockchain transfer removes those intermediaries by design, and once it is recorded, the transaction is final. The network does not reverse a payment because someone entered the wrong address or because the goods never arrived, and a payment sent to the wrong address cannot be recovered through the network. Stripe's stablecoin service, for example, does not support disputes.⁶⁶ The same finality applies to stolen or fraudulently obtained funds, and the losses have been large. The exchange Bybit lost about \$1.5 billion in cryptocurrency in a single incident in February 2025, which Chainalysis described as the largest digital-asset theft on record,⁶⁷ and Chainalysis further estimates that about \$17 billion was lost to crypto scams and

⁶²Bank for International Settlements Innovation Hub, "Project Tourbillon," <https://www.bis.org/about/bisih/topics/cbdc/tourbillon.htm>.

⁶³Visa (2026), *Visa Core Rules and Visa Product and Service Rules*, April 18, 2026, <https://usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf>, Chapter 11, Tables 11-29 and 11-92.

⁶⁴12 C.F.R. § 1005.11 (Regulation E), <https://www.consumerfinance.gov/rules-policy/regulations/1005/11/>.

⁶⁵12 C.F.R. § 1026.13 (Regulation Z), <https://www.consumerfinance.gov/rules-policy/regulations/1026/13/>.

⁶⁶See note 24.

⁶⁷Bybit (2025), "Incident Update: Unauthorized Activity Involving ETH Cold Wallet," February 21, 2025, <https://announcements.bybit.com/en/article/incident-update---eth-cold-wallet-incident-bl292c0454d26e9140/>;

fraud in 2025.⁶⁸ Some scams, such as address poisoning and impersonation schemes, are designed to exploit this finality.⁶⁹ The public record shows that a transfer happened, but it does not show who controls the receiving address or whether anything was delivered, so the checks a bank typically performs on a counterparty would fall to the businesses themselves.

In addition, the stablecoin itself carries risks of its own that follow from its design. As I understand it, the GENIUS Act provides that payment stablecoins are not insured by the Federal Deposit Insurance Corporation and may not be marketed as government-backed.⁷⁰ Whether a stablecoin holds its dollar value depends on the issuer's reserves and its ability to redeem, and even a reserve-backed stablecoin has fallen below a dollar, as the March 2023 episode described in Section III showed. Reserve-backed stablecoins have since held their value under stress. During a \$16 billion contraction in stablecoin supply in mid-2026, daily prices for USDT and USDC stayed within about a quarter of a cent of a dollar.⁷¹ A business that has to sell during a price drop, however, bears the loss, and no insurer currently compensates it.

Moreover, although some of the missing intermediation is being built, it is still at an early stage, and what exists so far consists mainly of the issuers' ability to block addresses and the reserve and redemption requirements of the new law. For example, Tether reports freezing funds at the request of law-enforcement agencies,⁷² and Circle publishes a policy for blocking addresses in response to legal orders.⁷³ As I understand it, the GENIUS Act requires permitted issuers to have that capability and to comply with lawful orders concerning the stablecoins they issue.⁷⁴ It also requires issuers to hold reserves and to publish redemption procedures,^{75,76} which addresses a

Chainalysis (2026), "2026 Crypto Crime Report Introduction," January 8, 2026, <https://www.chainalysis.com/blog/2026-crypto-crime-report-introduction/>.

⁶⁸Chainalysis (2026), "Crypto Scams 2026," January 13, 2026, <https://www.chainalysis.com/blog/crypto-scams-2026/>.

⁶⁹In address poisoning, a criminal sends a small transfer from an address whose first and last characters resemble an address the business has used before, hoping the business later copies the wrong address from its transaction history. Chainalysis (2024), "Anatomy of an Address Poisoning Scam," October 23, 2024, <https://www.chainalysis.com/blog/address-poisoning-scam/>; Blockaid (2026), "Address Poisoning: The Growing Threat Draining Millions from Crypto Users," March 9, 2026, <https://blockaid.io/blog/address-poisoning-the-growing-threat-draining-millions-from-crypto-users>. Blockaid, a wallet-security vendor counting attempts flagged by its own systems, reports more than 65 million such attempts since January 2025, about one in 200 successful, including a \$50 million loss in December 2025. Impersonation scams grew about fourteenfold in 2025 by Chainalysis's count of the scam operations it identified (Chainalysis, "Crypto Scams 2026," cited above).

⁷⁰See note 23.

⁷¹DefiLlama, "Total U.S.-dollar-pegged stablecoin supply by day," <https://stablecoins.llama.fi/stablecoincharts/all> (peak of \$320.9 billion on May 17, 2026; \$305.2 billion on August 11, 2026); CoinGecko, "Daily USDT and USDC prices, May 17 to September 10, 2026," https://www.coingecko.com/en/coins/tether/historical_data, and https://www.coingecko.com/en/coins/usd-coin/historical_data.

⁷²Tether (2026), "Tether Supports Freeze of More Than \$344 Million in USDT in Coordination with OFAC and U.S. Law Enforcement," April 23, 2026, <https://tether.io/news/tether-supports-freeze-of-more-than-344-million-in-usdt-in-coordination-with-ofac-and-u-s-law-enforcement/> (Tether states that its cooperation with more than 340 law-enforcement agencies in 65 countries has led to the freezing of more than \$4.4 billion).

⁷³Circle (2026), "Circle Stablecoin Access Denial Policy," https://6778953.fs1.hubspotusercontent-na1.net/hubfs/6778953/Blog%20Posts/Circle%20Stablecoin%20Access%20Denial%20Policy_pdf.pdf.

⁷⁴GENIUS Act, §§ 2(16), 4(a)(5)(A)(iv), 4(a)(6)(B).

⁷⁵GENIUS Act, §§ 4(a)(1)(A), 4(a)(1)(C), 4(a)(2), 4(a)(3).

⁷⁶GENIUS Act, §§ 4(a)(1)(B), 4(a)(11).

holder's ability to get dollars back from the issuer. The Act does not, however, create a dispute process, insure the stablecoin, or change the tax treatment of small payments. Nellie Liang and William Dudley (Brookings, 2026) noted that a requirement for timely redemption does not by itself discourage runs and that stablecoins lacked governance mechanisms to protect users from fraud.⁷⁷ Recovery of a mistaken or fraudulent stablecoin payment therefore depends on the provider, the issuer, or law enforcement, and it is not guaranteed.

In these respects, a business that holds stablecoins takes on functions that a bank, a card network, and a deposit insurer perform for it today, and it should thus include the cost of those functions in its comparison. A business that uses a processor that settles in dollars has the protections the processor offers, but those are narrower than the ones a card or bank payment carries. Before switching, a business should establish whom the provider will contact after a mistaken or fraudulent transfer, what assistance it promises, and who bears any unrecovered loss.

V. Conclusion

The technology behind digital assets has improved substantially since bitcoin's early years, and the networks have become faster and cheaper to use. However, the intermediaries and institutions that safeguard a payment, making it safe, reversible, insured, and easy to account for, have not yet caught up with the technology. A small business that holds these assets today therefore takes on additional functions, and with them costs and risks that it does not bear in the systems it uses now. In my assessment, whether that changes will depend on broader adoption by the customers, counterparties, and processors a business deals with, on a settled regulatory framework for stablecoin issuers and a settled tax treatment for small payments, on providers demonstrating lower total costs on a business's own transactions, and on the building of institutions to perform the functions the networks left out. Until then, the useful test for an owner remains whether a service improves the business's transactions after all costs, risks, and responsibilities are accounted for.

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

⁷⁷Nellie Liang and William C. Dudley (2026), "Next steps for GENIUS payment stablecoins," Brookings Institution, March 3, 2026, <https://www.brookings.edu/articles/next-steps-for-genius-payment-stablecoins/>.