Minutes of the October 17, 2025, Financial Advisory Roundtable (FAR) Meeting

Present:

FAR Members: Viral Acharya, Ricardo Caballero, William English, Takis Georgakopoulos, Atif Mian, Andrew Morton, Maureen O' Hara, Thomas Philippon

Others: Itay Goldstein

FRBNY: Chair: John Williams, Or Shachar, Stephan Luck, Eric Lewin, Jaison Abel, Kartik Athreya, Beth Caviness, Nicola Cetorelli, Marco Cipriani, Jun Davinci, Jeff Dawson, Marco Del Negro, Henry Dyer, Dianne Dobbeck, Thomas Eisenbach, Fulvia Fringuellotti, Andrew Haughwout, Todd Keister, Gabriele La Spada, Michael Lee, Jonathan McCarthy, Mihaela Nistor, Julie Remache, Argia Sbordone.

Summary: The Financial Advisory Roundtable ("FAR") meeting discussed the drivers and implications of fintech innovation. Specifically, FAR members provided their views on the following questions:

1. Do stablecoins and tokenized securities solve a problem or address a need in the economy? What are the costs/benefits of issuing a digital currency?
2. What are the implications for banks? The intermediation sector more broadly?
3. How do stablecoins and tokenized forms of money differ in practice from MMFs or bank reserves? Do they pose risk to financial stability and, if so, what are they?

The meeting consisted of two presentations given by Itay Goldstein and Takis Georgakopoulos. Both presentations reviewed the rise of fintech and discussed the benefits, limitations, and financial stability risks posed by stablecoins and tokenized deposits. They also covered the implications of stablecoins for banks and the traditional financial system. These presentations were followed by an open discussion of the topics listed on the meeting agenda.

Benefits of stablecoins and other tokenized forms of money

FAR members began with a discussion on the benefits of using fiat-backed stablecoins as a replacement for traditional money. Some members noted that stablecoins have the potential to make payments faster, more efficient, and less costly. Other members, however, were unsure about the ability of stablecoins to add much to payment system efficiency at much-reduced cost. Members observed that while stablecoins could enable near-instant transfers with minimal costs, traditional payment systems through the banking sector present common frictions such as delays and fees, which are particularly prevalent in cross-border transactions. FAR members highlighted that the benefits of stablecoin-based payments are significantly reduced in jurisdictions that have implemented a full digital payment ecosystem, such as India. Some FAR members noted that, from a macro perspective, the adoption of stablecoins in payments does not push GDP up but rather

implies a reallocation of income away from banks. They stated that this is because stablecoins do not represent a real innovation in the payment system, as banks have possessed the technology to develop near-instant low-cost money transfers for a long time but chose not to. In relation to this point, other FAR members suggested that an advantage of stablecoins is to put pressure on legacy systems to modernize and make payments more efficient.

FAR members mentioned smart contract integration as an additional benefit of stablecoins-based payments. This includes the ability to create customized money transfers that are automatically enacted whenever a given condition is met.

Further considerations addressed country-wide benefits of stablecoins' growth in terms of international capital flows. FAR members emphasized that, by encouraging the use of USD-pegged stablecoins or by creating a central bank digital currency, the USA can capitalize on the demand for international cryptocurrencies to secure a continued dominance of the dollar in global financial markets. Some FAR members noted that this implies real efficiency gains and expanded fiscal space. Other FAR members questioned the extent of added fiscal space and noted that the international demand for USD-denominated cryptocurrencies stems from hedging needs in emerging markets which are already largely dollarized. FAR members also noted that some countries, like Singapore and the United Arab Emirates, fostered the adoption of stablecoins to become important financial hubs in cross-border money movements.

Risks of stablecoins and other tokenized forms of money

On the downside, FAR members listed three main risks related to the use of stablecoins as a replacement for traditional money. First, the coexistence of multiple stablecoins and frictions in interchangeability could lead to a fragmented monetary landscape, thereby violating the singleness of money. Some FAR members mentioned that interoperability across fintech platforms and the banking sector was a key driver behind the implementation of the digital RMB in China.

FAR members indicated challenges in reversibility, consumer protection and law enforcement in money transfers through stablecoins as an additional risk. They explained that although stablecoin transactions are fully reversible from a technical standpoint, the lack of a regulatory framework protecting customers from fraud and unintentional error makes it difficult to ensure reversibility in practice. FAR members also noted that "know your customer" and "anti-money laundering" practices are limited in stablecoin transactions. In light of these issues, some FAR members suggested the need for more transparency and more comprehensive regulation of money movements and storage through stablecoins.

FAR members emphasized runs as another relevant dimension of risk in the stablecoin landscape. They noted that this risk became tangible around the SVB collapse, when Circle's USD Coin temporarily lost its dollar peg. There was a general consensus that, even when backed by safe liquid assets, stablecoins are prone to runs, a risk that can be amplified by concerns on the singleness of money. Some FAR members noted that, despite the provisions of the GENIUS Act,

absent a reserve requirement or a safety net, stablecoins backed by safe assets resemble government money market funds and, as such, are not fully insulated from run risk.

Some FAR members noted that tokenized deposits, as an application of the blockchain technology in the traditional banking system, can overcome the challenges posed by stablecoins in terms of singleness of money and law enforcement. However, they observed that tokenized deposits cannot overcome run risk and, if anything, are more exposed to runs than traditional deposits given their potential for instant and automated withdrawals.

Implications for financial intermediation and outlook

FAR members reflected that policymakers' decisions play an important role in shaping the outlook for stablecoins and the implications for financial intermediation. A broad discussion focused on a possible scenario where regulation allows stablecoin issuers to offer interest or rewards to stablecoin holders. Some FAR members recognized that this scenario is already partially in place since, unlike stablecoin issuers, exchanges are not banned from offering rewards to stablecoin holders under the GENIUS Act. FAR members highlighted that any form of remuneration could fundamentally reorient the primary role of stablecoins from a medium of on/off-ramp transactions to an alternative to traditional bank deposits. FAR members noted that this could lead to bank disintermediation, with stablecoin issuers entering the lending market to preserve profit margins once the cost of funding is no longer zero. Some FAR members warned that bank disintermediation towards less regulated entities may amplify financial stability vulnerabilities. Other FAR members noted, on the other hand, that banks could start issuing their own stablecoins alongside deposits and capitalize on an integrated payment system within their banking network.

FAR members further discussed whether payment-related use cases for stablecoins would cease if the faster-payment systems, such as RTP (Real-Time Payments) and FedNow, were expanded to match features of universal digital payment systems implemented in India or Brazil. Members generally agreed that a digital identity paired with a fully-interoperable payment system that allowed individuals to transfer safe store-of-value would negate the attractiveness of stablecoins as a payment method. Some FAR members offered other factors, including user-friendly digital interfaces and flexible payment functionality, that could push traditional payments infrastructure in this direction.

The discussion ended with remarks on the future outlook. FAR members suggested that large non-financial corporations with a capacity to offer rewards and payment acceptance through a large-scale network, such as Amazon, may enter the stablecoin market. Some FAR members noted that increasing stablecoin adoption may crowd out inefficient means of payment such as cash, debit cards, and non-reward credit cards. Other FAR members pointed out that stablecoin growth will depend on the evolution in the price of cryptocurrencies.