



Stablecoins and Credit Unions

Understanding the Opportunities, Risks, and Strategic Implications

Session Learning Objectives

Key outcomes and takeaways for stablecoin integration



Stablecoin Fundamentals

Understand how stablecoins operate and how they differ from other digital asset classes.



Use Cases

Identify practical applications of stablecoin technology tailored for credit unions.



Risk Assessment

Evaluate financial, operational, regulatory, and cybersecurity risks of integration.



Strategic Framework

Develop a structured approach for strategy, oversight, and governance.

Why Stablecoins Matter to Credit Unions

Strategic value drivers for modernizing credit union financial services



Bridging Finance

Connecting traditional banking infrastructure with blockchain-based digital asset markets.



Meeting Member Expectations

Addressing the growing demand for instant, 24/7 financial services and real-time settlement.



Competitive Advantage

Countering fintech firms by offering faster, more cost-effective payment and remittance products.



Strategic Balance

Harmonizing rapid technological innovation with rigorous member protection and regulatory compliance standards.

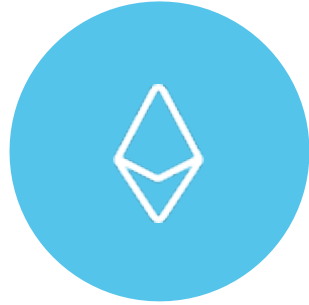
What Is a Stablecoin?

Understanding the mechanics and stability of digital assets



Definition

A digital token engineered to maintain a stable value, typically pegged 1:1 to the U.S. dollar or other fiat currencies.



Core Mechanism

Operated via blockchain technology to facilitate fast, transparent, and global value transfer.



Reserve Quality

The transparency and security of the underlying assets backing the token.



Redeemability

The ability for holders to reliably exchange their tokens for the actual fiat currency or asset equivalent.

Major Categories of Stablecoins

Understanding the core types and their differentiating factors



Fiat-backed

Backed by cash, cash equivalents, or liquid short-term debt instruments.



Tokenized Deposits

Digital representations of funds held at regulated financial institutions.



Commodity-backed

Value pegged to physical assets such as gold or other precious metals.



Crypto-collateralized & Algorithmic

Leverages on-chain assets for collateral or automated smart-contract algorithms to stabilize price.

Key Differentiators: Risk Profiles, Transparency (audit frequency/disclosure), and Redemption frameworks.

Stablecoins vs. Traditional Cryptocurrency

Comparing stability, volatility, and utility in the digital asset landscape

Stablecoins



Pegged to external assets like fiat currency to provide price stability. Primarily used for daily payments, fast settlements, and liquidity in decentralized finance.

Traditional Cryptocurrency



Highly volatile assets driven by market speculation and supply/demand. Often utilized as long-term digital investments or speculative vehicles.

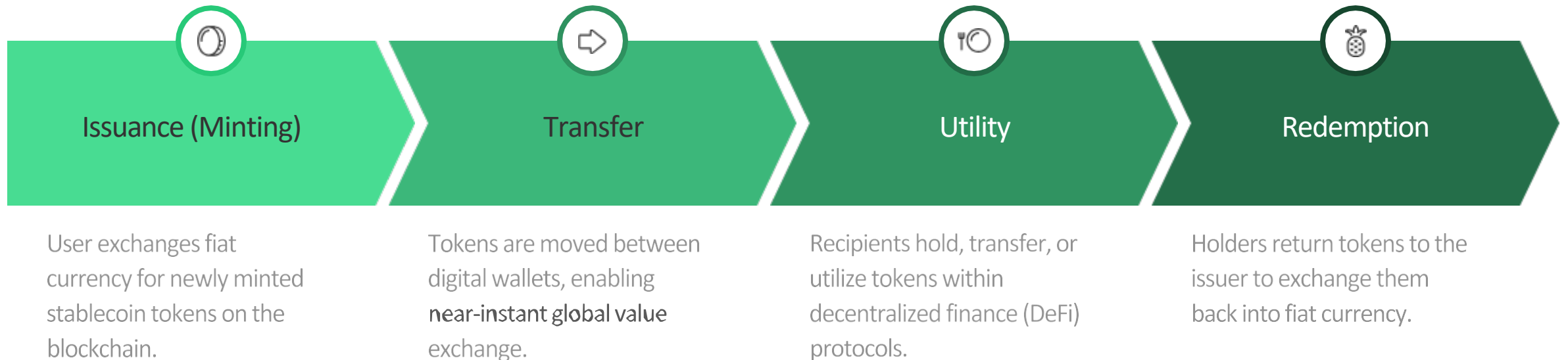
Shared Infrastructure



Both asset classes rely on blockchain technology for transparent transactions and are stored within secure digital wallets.

How a Stablecoin Transaction Works

A step-by-step lifecycle of digital asset exchange



Finality is achieved through a combination of the specific blockchain's consensus mechanics and the issuer's established redemption protocols.

The Stablecoin Ecosystem

Key stakeholders and their roles in the stablecoin landscape

- **Issuers**

Manage minting, burning, and overall token supply dynamics.

- **Reserve Custodians**

Secure and manage the underlying collateral assets.

- **Financial Institutions & Fintechs**

Facilitate fiat on-ramps and off-ramps for users.

- **Blockchain Validators**

Maintain network security and integrity of the ledger.

- **Digital-Asset Exchanges**

Provide liquidity and essential trading infrastructure.

- **Payment Processors & Merchants**

Enable real-world utility and transaction settlement.

- **Regulators & Auditors**

Ensure compliance, transparency, and oversight.

- **Wallet Providers**

Facilitate secure user storage and blockchain interaction.

Leading Stablecoin Business Models

Core revenue streams and value propositions in the stablecoin ecosystem



Interest on Reserve Assets

Generating yield through the management of high-quality, liquid reserve portfolios.



Transaction & Conversion Fees

Capturing revenue from minting, redeeming, and fiat-to-stablecoin conversion services.



Institutional Settlement Services

Facilitating rapid, low-cost cross-border payments and B2B settlement rails.



Wallet & Custody Services

Offering secure digital asset management infrastructure for corporate and retail clients.



Embedded Payments & Programmable Finance

Enabling developers to integrate stablecoin transfers and smart-contract-based financial logic directly into applications.

The Current Stablecoin Market

Key Trends and Dynamics in the Stablecoin Ecosystem



- **USD-Denominated Dominance**
Market concentration remains focused on dollar-backed assets serving as the primary liquidity bridge for the global crypto economy.
- **DeFi and Trading Utility**
Serving as the essential collateral and trading pair foundation for decentralized finance and centralized exchange volume.
- **Payments & Remittances**
Increasing adoption for real-world use cases, facilitating faster, lower-cost cross-border transfers and merchant settlements.
- **Market Concentration Risks**
Reliance on a small number of issuers creates systemic risk and potential single points of failure.
- **Institutional Participation**
Growing interest from traditional finance driven by regulatory clarity and demand for programmable, high-speed assets.

Why Members Use Stablecoins

Efficiency and accessibility in modern digital payments



- Faster Payments

Enables near-instant domestic and international settlement by bypassing traditional banking delays.

- Simplified Market Access

Provides an efficient gateway to crypto-assets and decentralized finance (DeFi) ecosystems.

- Lower Transaction Costs

Reduces fees by minimizing the role of costly intermediaries involved in legacy payment rails.

- High-Fee Alternatives

Offers a cost-effective solution for cross-border remittances compared to traditional wire services.

- 24/7 Accessibility

Operates continuously without the constraints of traditional banking hours or holiday closures.

Stablecoins and the Credit Union Mission

Leveraging digital assets to empower members and enhance service delivery



- **Expanding Financial Access**

Leveraging digital assets to reach and serve the underbanked population with lower barriers to entry.

- **Enhancing Cross-Border Options**

Utilizing blockchain technology to offer faster, more affordable international payment solutions for members.

- **Supporting Small Businesses**

Providing efficient liquidity and transaction capabilities to help local entrepreneurs thrive.

- **Trusted Member Education**

Acting as a reliable guide to ensure members navigate the digital asset space with confidence and security.

Opportunity One: Faster Payments

Enhancing financial velocity through modernized transaction processing



- **Near-real-time transfers**

Enable instant movement of funds between accounts regardless of time or day.

- **Availability outside banking hours**

Transactions process 24/7/365, removing the bottleneck of traditional bank operating hours.

- **Reduced intermediary reliance**

Streamlined architecture lowers the number of touchpoints, decreasing potential failure points and overhead costs.

- **Accelerated merchant settlement**

Improved cash flow cycles through immediate access to funds upon transaction completion.

Opportunity Two: Cross-Border Remittances

Optimizing global fund transfers through improved infrastructure

- **Streamlined Infrastructure**
Reduces the number of correspondent institutions required to complete transactions.
- **Increased Velocity**
Enables significantly faster international fund transfers for global users.
- **Cost Efficiency**
Lowers transaction fees for end-users by removing unnecessary intermediaries.
- **Enhanced Clarity**
Improves transaction transparency with real-time tracking capabilities.
- **Market Volatility**
Requires robust strategies for managing inherent foreign exchange (FX) risks.
- **Compliance**
Necessary navigation of complex international sanctions and regulatory frameworks.
- **Technical Barriers**
Ensures the availability of reliable liquidity and local currency off-ramps.

Opportunity Three: Small-Business Services

Empowering growth through streamlined financial solutions

- **Accelerated Revenue**

Faster receipt of payments to bridge the working capital gap and increase liquidity.

- **Enhanced Financial Control**

Improved cash-flow visibility with real-time dashboards and predictive analytics.

- **Programmable Payments**

Automate supplier and contractor disbursements through smart triggers and workflows.

- **Operational Efficiency**

Seamless invoice integration and localized support to simplify multi-country operations.

Opportunity Four: Member Acquisition

Strategic initiatives to drive growth and engagement



Targeting Younger Demographics

Tailoring outreach to attract digitally active members through personalized, mobile-first channels.



Fintech Integration

Leveraging modern platforms to enhance member experience, streamline onboarding, and improve long-term retention.



Education as Differentiation

Positioning the organization as a trusted advisor by utilizing financial literacy content to build deeper member relationships.

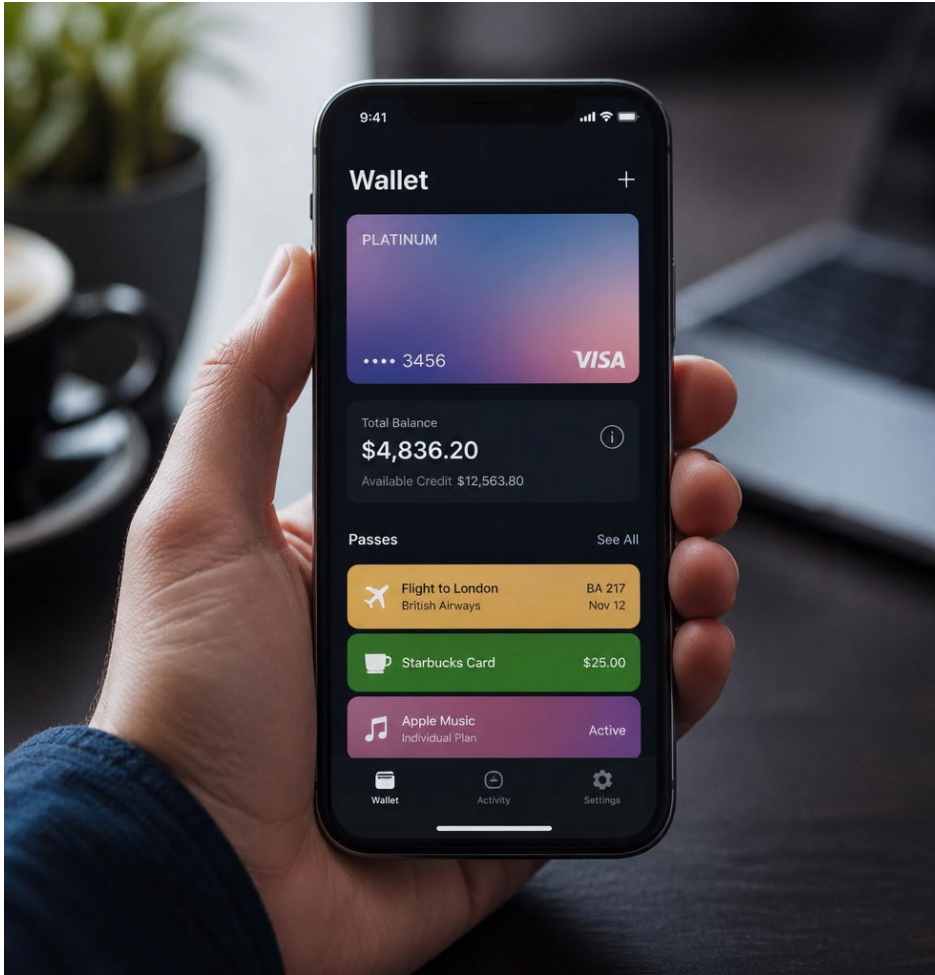


User-Centric Innovation

Aligning institutional technological investments directly with evolving member needs and feedback.

Opportunity Five: Financial Indusion

Expanding Reach and Empowerment through Digital Innovation



- **Branchless Mobile Access**
Leveraging smartphone adoption to provide banking services without physical infrastructure.
- **Low-Cost Remittance**
Reducing friction for cross-border and domestic transfers with digital-first, low-fee platforms.
- **Gig-Economy Support**
Creating tailored financial products for independent contractors and freelancers.
- **Bridging Digital Access**
Addressing the infrastructure gap to ensure connectivity in underserved regions.
- **Streamlined Identification**
Implementing accessible digital ID verification processes.
- **Financial Literacy**
Developing educational initiatives to build trust and competence in digital financial tools.

Opportunity Six: Programmable Payments

Leveraging smart contracts for automated and efficient financial transactions

- **Automated Logic**

Facilitating payments triggered by pre-defined conditions and smart contracts.

- **Escrow & Milestones**

Streamlining trustless disbursements upon the completion of specific project deliverables.

- **B2B Optimization**

Enhancing liquidity and payment efficiency in complex business-to-business transactions.

- **Financial Applications**

Expanding utility in automated lending protocols and parametric insurance products.

Risk Considerations: Critical focus required on mitigating smart-contract errors and security vulnerabilities.

Stablecoins and Credit Union Liquidity

Operational Impacts and Risk Management Strategies



- **Operational Efficiency**

Leveraging faster settlement cycles to support 24/7 transaction patterns and improve overall cash-management efficiency.

- **Fund Migration Monitoring**

Closely tracking the shift of member deposits from traditional insured shares to digital stablecoin holdings.

- **Redemption Management**

Developing robust, clear procedures to handle potential peak redemption demands and liquidity requests.

- **Stress Testing**

Integrating stablecoin volatility and specific liquidity profiles into formal institutional stress testing frameworks.

Stablecoins as a Competitive Threat

Assessing the shift in financial ecosystem dynamics



- **Direct Member Relationships**

Fintech wallets are capturing primary account relationships, effectively bypassing traditional credit union interfaces.

- **Competition for Transaction Accounts**

Stablecoins offer a high-speed alternative for fund management, challenging the dominance of traditional demand deposit accounts.

- **Impact of Issuer Rewards**

Digital asset ecosystems utilize competitive reward structures that place significant pressure on credit union deposit retention strategies.

- **Systemic Risk**

The migration of payment activity outside credit union systems results in reduced visibility, lost data insights, and weakened member engagement.

The Participation Spectrum

A strategic framework for institutional digital asset engagement



Education-First Strategy

Empowering clients through transparency, proactive security, and professional expertise.



- **Impartial Guidance**

Providing unbiased, objective information to empower clients in their decision-making process.

- **Defining Asset Characteristics**

Clearly articulating the critical differences between insured shares and uninsured assets to manage expectations.

- **Risk Mitigation & Awareness**

Proactive education on identifying scams, managing digital wallets, and understanding liquidity constraints.

- **Operational Excellence**

Implementing comprehensive staff training programs to ensure consistent, accurate communication.

- **Building Institutional Trust**

Leveraging transparency and expertise to foster long-term client confidence and credibility.

Partnership Strategy

Driving growth through strategic alliances and integrated solutions

- **Regulated Issuers & Payment Providers**

Establishing secure, compliant bridges with industry-standard financial partners to expand service capabilities.

- **Digital Banking Integration**

Seamlessly embedding third-party services into the existing digital ecosystem to enhance user experience.

- **Leveraging CUSOs**

Utilizing Credit Union Service Organizations to pool resources, mitigate risks, and accelerate technology adoption.

- **Contractual Clarity**

Ensuring rigorous definitions of compliance, operational ownership, and liability in all partner agreements.

- **Member Relationship Control**

Maintaining the primary member interface and brand touchpoints to preserve institutional loyalty and service quality.

Direct Issuance Strategy

Operational framework for secure and scalable asset issuance



Charter Authority Assessment

Comprehensive review of legal frameworks and regulatory alignment with jurisdictional requirements.



Infrastructure & Custody

Development of secure reserve management systems and robust protocols for asset integrity.



Capital & Liquidity Management

Maintaining adequate reserves with proactive liquidity monitoring and risk mitigation.



Scale & Compliance

Implementation of automated, high-scale compliance frameworks and transparent real-time reporting.

Consortium and CUSO Models

Strategic advantages of collaborative organizational structures



Cost-Sharing & Efficiency

Centralizing development and compliance costs to achieve economies of scale.



Interoperability

Ensuring seamless data exchange and system integration across member organizations.



Standardized Operations

Aligning technology stacks and risk management frameworks across participants.



Governance & Accountability

Establishing clear structures for decision-making, liability management, and shared oversight.



Collective Bargaining Power

Leveraging unified scale to negotiate better terms with vendors and service providers.

The GENIUS Act Framework

July 2025 Legislative Overview for Payment Stablecoin Issuers

- **Reserve Requirements**

Stringent mandates for 1:1 asset backing to ensure liquidity and consumer protection.

- **Transparency & Disclosures**

Requirements for regular, standardized public reporting on reserve quality and issuer health.

- **Regulatory Supervision**

Implementation of continuous oversight to ensure compliance with federal stability standards.

- **Financial-Crime Compliance**

Alignment with robust AML and CFT protocols to mitigate systemic risk and illicit activity.

- **NCUA Integration**

Specific rulemaking authority granted to the NCUA for credit-union-related stablecoin issuance.

The NCUA's Role

Core responsibilities of the National Credit Union Administration



Supervision of Federally Insured Credit Unions

Oversight and examination of credit unions to ensure compliance with federal laws and regulations.



Protecting the Share Insurance Fund

Manages the National Credit Union Share Insurance Fund (NCUSIF), backing the deposits of millions of credit union members.



Safety-and-Soundness Oversight

Continuous monitoring of financial stability, capital adequacy, and asset quality to mitigate institutional risk.



Managing Third-Party Relationships

Ensuring that credit unions maintain robust due diligence and oversight of external vendors, technology partners, and service providers.

Stablecoins Are Not Insured Shares

Understanding the fundamental differences between digital assets and traditional banking

- **Absence of Insurance Coverage**

Stablecoins do not qualify for traditional government-backed deposit insurance programs.

- **Token vs. Deposit Distinction**

Ownership of a stablecoin represents a digital asset, which is fundamentally different from a legal bank account deposit.

- **Reserve Assets vs. Insurance**

Reserve assets held by issuers act as backing collateral, not as a guarantee or insurance policy against capital loss.

- **Regulatory Mandates**

Issuers must provide clear marketing and explicit disclosures confirming the lack of investor protection for holders.

Bank Secrecy Act and AML Compliance

Core pillars of regulatory oversight and financial security

- Customer Identification

Establishing identity and verifying credentials at onboarding.

- Transaction Monitoring

Continuous oversight of account activity to identify irregular patterns.

- SAR Obligations

Mandatory reporting of suspicious financial activities to regulatory authorities.

- Sanctions Screening

Filtering transactions against global watchlists and OFAC lists.

- Travel Rule & Recordkeeping

Maintaining accurate, auditable data for cross-institutional transfers.

- Escalation Protocols

Rigorous review processes for high-risk accounts and suspicious entities.

Consumer Protection Requirements

Key regulatory and ethical standards for member-focused services



Redemption Rights & Fee Transparency

Clear articulation of refund policies and full disclosure of all associated fees and service charges.



Risk Disclosures

Comprehensive communication of potential financial or operational risks to members.



Error & Fraud Resolution

Defined, accessible procedures for reporting and remediating unauthorized activity or system errors.



Fair Marketing Practices

Commitment to honest advertising and transparent promotional communication.



Accessibility & Inclusion

Ensuring services are accessible to and supportive of vulnerable member groups.

Accounting and Financial Reporting

Key Considerations for Digital Assets



Characterizing Assets & Obligations

Assess contractual rights and obligations to classify items accurately on the balance sheet and determine control over economic benefits.



Controls Over Blockchain Records

Implement internal controls for private key management and ensure reconciliation between off-chain records and on-chain ledger activity.



Principal vs. Agent vs. Custodian Roles

Clearly define the reporting entity's role to determine whether to recognize gross asset amounts or only fee-based income.



Regulatory & Standard Compliance

Monitor FASB guidance such as ASU 2023-08 for fair value measurement and ensure disclosures align with evolving GAAP requirements.

Tax and Information Reporting

Key Operational Areas

- **Asset Lifecycle Documentation**

Comprehensive tracking of purchases, transfers, and redemptions to maintain a clear audit trail.

- **Capital Gains & Losses**

Automated assessment of tax liabilities based on accurate cost-basis accounting for all digital asset movements.

- **Custodial Compliance**

Managing reporting obligations and regulatory filings for service providers holding digital assets on behalf of clients.

- **System Reconciliation**

Bridging the gap between distributed ledger data and internal enterprise accounting systems to ensure data integrity.

Reserve and Redemption Risk

Key factors impacting asset liquidity and redemption stability



Reserve Quality & Liquidity

Evaluation of the creditworthiness and cash-convertibility of underlying holdings.



Maturity Mismatches

Risks arising from discrepancies between asset duration and redemption timelines.



Redemption Delays

Potential for restricted access to capital during periods of market volatility.



Verification Standards

Critical need for independent auditing and transparent reporting.



Stress Testing

Implementation of scenarios to assess resilience against rapid, large-scale redemption events.

Operational and Technology Risk

Key considerations for managing decentralized infrastructure



- **Core-system Integration**

Managing the complexities of bridging legacy infrastructure with emerging decentralized technologies.

- **Blockchain Outages**

Addressing the impact of network downtime on business continuity and service delivery.

- **Transaction Irreversibility**

Handling the risks associated with immutable ledgers where errors cannot be easily reversed.

- **Private-key Security**

Implementing stringent custodial practices and multi-signature protocols to prevent asset loss or theft.

- **Change Management**

Maintaining stability during software updates, patches, and smart contract deployments.

- **Vendor Dependency**

Mitigating risks associated with reliance on third-party infrastructure providers and node operators.

Cybersecurity and Fraud Risk

Threat Landscape and Mitigation Strategies



Wallet Theft & Account Takeover (ATO)

Unauthorized access to user funds and sensitive accounts.



Phishing & Social Engineering

Manipulative tactics designed to harvest user credentials.



Smart-Contract Exploits

Technical vulnerabilities compromising decentralized protocols.



Insider Threats

Risks from individuals with authorized system access.



Multifactor Authentication (MFA)

Implementing multi-layered identity verification.



Continuous Monitoring

Real-time surveillance to detect and neutralize anomalies.

Third-Party and Concentration Risk

Assessing dependencies and operational resilience



Issuer & Custodian Dependencies

Risks associated with reliance on centralized issuers, custodians, and blockchain service providers.



Vendor Replacement Challenges

Limitations in switching providers due to technical debt, proprietary infrastructure, and operational lock-in.



Cloud & Subcontractor Exposure

Indirect risks stemming from the reliance on third-party cloud infrastructure and tiered subcontractor networks.



Contractual Safeguards

Necessity for robust rights regarding regular audits, data recovery protocols, and defined exit/transition strategies.

Legal, Reputational, and Governance Risk

Key areas of institutional vulnerability



Legal Liabilities

Risk exposure from failed transactions and navigating complex regulatory compliance requirements.



Reputational Challenges

Managing discrepancies between marketing claims and operational reality, and addressing brand trust issues.



Governance & Accountability

Ensuring rigorous board oversight, fiduciary responsibility, and operational transparency.

Stablecoin Due-Diligence Scorecard

Key assessment criteria for evaluating stablecoin stability and risk



- **Regulatory Status**

Evaluation of compliance with jurisdictional requirements and licensing.

- **Reserve Quality & Transparency**

Assessment of backing asset composition, liquidity, and public disclosure frequency.

- **Redemption Performance**

Analysis of historical redemption reliability and speed during market volatility.

- **AML&CyberControls**

Review of robust anti-money laundering frameworks and cybersecurity defense protocols.

- **Financial Condition**

Examination of the issuer's capital adequacy and overall balance sheet health.

- **Audit & Legal Attestations**

Verification of independent third-party audits and legal opinions regarding reserve maintenance.

A Phased Credit Union Roadmap

Strategic steps for successful initiative implementation



Key Takeaways and Strategic Questions

Responsible Innovation Framework



- **Value Assessment**

Evaluate if the problem justifies the cost and effort of innovation.

- **Strategic Alignment**

Optimize the balance between building proprietary solutions and purchasing existing market options.

- **Performance Metrics**

Establish clear definitions, tracking methods, and success measurements for the project lifecycle.