
MARYLAND DEPARTMENT OF LABOR TESTIMONY ON HB1355

TO: Economic Matters Committee
FROM: Antonio Salazar, Office of Financial Regulation
DATE: March 10, 2026
BILL: HB1355 Financial Institutions - Payment Stablecoin Services -
Establishment and Regulation (Maryland Stablecoin Act)

MDL POSITION: Support

Stablecoins, digital tokens backed by fiat assets such as U.S. dollars, represent a rapidly growing segment of financial markets. As of 2025, dollar-backed stablecoins have a circulation of over \$150 billion and have the ability to serve as the transactional backbone for tokenized settlements, cross-border payments, and emerging retail payment systems.

The recently enacted federal Guaranteeing Essential National Infrastructure in US-Stablecoins Act (the Genius Act) has established a federal framework for stablecoin issuance, use, and regulation. The Genius Act governs the issuance of stablecoin and the services to facilitate the use of stablecoin. The act provides the following pathways to become a stablecoin issuer:

- Insured Depository Institution Subsidiary
 - Federal Chartered Banks and Credit Unions
 - State Chartered Banks and Credit Unions
 - Approved by Federal Regulator
- Federal Qualified Issuer
 - Nonbank or uninsured national bank (i.e., OCC Trust)
- State Qualified Issuer
 - Nonbank, uninsured depository institution, state-chartered trust not a subsidiary of a state or federal bank or credit union

The federal pathway to becoming a stablecoin issuer has more options than the state pathway. For example, Maryland state-chartered banks would have to follow the insured

Depository Institution Subsidiary approval process. However, the act allows the state to approve and charter subsidiaries of Maryland state-chartered financial institutions that do not issue stablecoin but provide services to facilitate the use of stablecoin. An example of these types of stablecoin services would be custody and payment services.

As explained, Maryland's state-chartered banks and credit unions will have to seek a federal charter to issue stablecoin. However, if Maryland has the ability to offer a State Stablecoin Charter, it would be able to allow the following activities in Maryland:

Non-Depository Trust (Not a subsidiary of a state-chartered bank or credit union)

- Issue Stablecoin
- Provide Stablecoin Services

Non-Depository Trust (Subsidiary of a state-chartered bank or credit union)

- Provide Stablecoin Services

Credit Union Service Organization (CUSO)

- Provide Stablecoin Services

While Congress continues to debate how to implement a national framework, several states, **New York, Wyoming, Texas, and Nebraska**, have established specialized charters that authorize stablecoin issuance, custody, or payment operations under state supervision. These models offer a blueprint for Maryland to assert leadership in financial innovation while protecting consumers and ensuring systemic integrity.

Maryland has an opportunity to be at the forefront of changes in payment technology. The Office of Financial Regulation (OFR) advocates for the passage of the MD Stablecoin Act. This proposed legislation is crucial for Maryland to establish a supervised regulatory framework for the issuance and servicing of stablecoins by non-depository financial companies. Additionally,

it will establish necessary notification regulations for state-chartered financial institutions engaging in stablecoin activities.

Why This Bill is Needed:

The Genius Act also provides a pathway for states to establish and supervise certain stablecoin issuers and stablecoin payment services through a state payment stablecoin regulator. Maryland currently lacks a specific mechanism to charter institutions that wish to issue stablecoins or serve as stablecoin payment services. This bill would designate the OFR as Maryland's state payment stablecoin regulator and create the appropriate charter and legal framework for entities seeking to become Maryland-chartered stablecoin issuers or provide stablecoin payment services.

This proactive and responsive approach allows Maryland to adapt to the evolving financial services ecosystem, fostering innovation while simultaneously protecting consumers. The benefits of a Maryland Stablecoin Charter are listed below:

Economic Development and Innovation

A stablecoin charter positions Maryland as a destination for digital finance, payments, and custody innovation. By providing regulatory clarity, the State can attract high-growth firms, technology investment, and skilled jobs in blockchain engineering, compliance, and financial operations. In addition, allowing our state-chartered financial institutions to provide stablecoin services will further strengthen their position in the communities they serve, enabling them to offer modern financial products and services.

A Maryland-chartered entity could pilot tokenized settlement systems that improve payment efficiency for local banks, credit unions, and fintechs, enhancing Maryland's reputation as a forward-looking financial ecosystem.

Payment Financial Ecosystem Enhancements

A stablecoin charter will help Maryland support businesses and financial institutions by providing a payment solution that will do the following:

- The use of smart contracts and instant 24/7 settlement at scale, which is referred to as the atomic settlement.
- Businesses will be able to complete transactions faster with less cost
- International payment rails that businesses use to sell and purchase goods and services will be enhanced through stablecoin due to faster settlements, a universally accepted method of payment between foreign countries and lower costs of the transaction.

Interoperability and Financial Inclusion

A Maryland charter could bridge the gap between digital assets and traditional banking. Stablecoin-based payment rails can reduce transaction costs for small businesses, enable faster B2B settlements, and expand digital payment options in underserved communities.

Access to Banking in our State could be strengthened with a Stablecoin-enabled payment infrastructure that could support low-cost transactional accounts or remittance products offered through community banks and credit unions along with the opportunity of Partnerships between fintechs, stablecoin custodians, and local lenders could enable real-time micro-loans or grant disbursements to small businesses in low- and moderate-income (LMI) areas.

Policy Leadership

Establishing a Maryland framework would demonstrate state-level leadership in a critical national policy area. It would allow OFR to pilot a model emphasizing prudential safeguards, transparency, and interoperability with federal oversight, a pragmatic alternative to purely federal or purely private systems.

By acting early, Maryland can help shape national norms rather than react to them. This is our seat at the table to help shape the new modern payment ecosystem.

Public Confidence and Market Integrity

A state-chartered, prudentially supervised stablecoin issuer would carry regulatory legitimacy, reassuring consumers, investors, and counterparties that redemption and transparency are guaranteed by law.

This enhances confidence not only in digital assets but also in Maryland's broader financial ecosystem, bolstering the credibility of state-chartered institutions that integrate digital asset services into their offerings.

Expected Outcomes

1. **Economic Impact:** Attraction of digital finance firms, technology investment, and high-skilled jobs.
2. **Financial Inclusion:** Expanded access to affordable digital payment services for Maryland households and small businesses.
3. **Regulatory Credibility:** A trusted model for stablecoin supervision, balancing innovation and safety.
4. **National Leadership:** Early adoption positions Maryland among a handful of states shaping the next generation of financial infrastructure.

A Maryland stablecoin charter would represent a natural evolution of the State's financial innovation agenda, combining the prudential standards of traditional regulation with the technological potential of digital assets. By authorizing OFR to charter and supervise such entities, Maryland can ensure that stablecoin innovation aligns with the State's longstanding commitments to consumer protection, community banking, and economic inclusion.

Why Now is the Time:

Enactment in the 2026 legislative session is crucial for OFR to establish the regulatory framework and submit a timely application to the Stablecoin Certification Review Committee (SCRC) by mid-2027.

Milestone	Deadline / Period
Act becomes law	July 18, 2025
Final federal & state regulations issued	By July 18, 2026
GENIUS Act takes effect	Earliest: late 2026; latest: Jan 18, 2027
Report to Congress on regulations (and states submit initial applications)	180 days after effective date (~mid-2027)
SCRC approves certification	+30 days after each state submits
Full compliance required by issuers	By July 18, 2028 (3 years post-enactment)

The US Department of the Treasury Secretary, the Chair of the Board of Governors of the Federal Reserve System, and the Chair of the Federal Deposit Insurance Corporation (FDIC) make up the SCRC.

Operational Impact on the Office of Financial Regulation:

The new charter will necessitate the OFR to develop new policies and procedures for the charter approval process and establish appropriate regulatory protocols for the ongoing supervision and examination of chartered entities. Our existing examiner staff possesses core expertise in banking and money transmission, providing a strong foundation for overseeing these entities. While additional training or specialized resources may be required depending on the complexity of applicants' business models, the OFR anticipates managing this initiative within existing staffing levels at current demand. Should demand for the charter significantly increase, we may need to seek additional staff to support the program effectively.

This initiative will be an extension of the current regulatory supervision already conducted by the OFR, requiring examiner teams to expand their duties to regulate this new type of charter.

Fiscal Impact on the Office of Financial Regulation:

Initially, the OFR does not anticipate a large number of applicants for this new charter and expects to handle the chartering and regulation of these institutions with existing staff and resources. Increased revenues from fees and assessments associated with the new charter would provide support for future staffing needs if demand grows significantly.

Regarding capital or operational costs, training and travel expenses will be involved in regulating these entities. However, these costs are expected to be offset by the fees and assessments associated with the new charter. The funding for this initiative will be special funded, not from general fund allocation.

The revenue source will mirror the fees and assessments currently charged to state-chartered banks. Entities seeking these new charters will pay an application fee and an assessment fee to fund the necessary regulatory work, consistent with the existing structure for Maryland-chartered or licensed financial companies.

We urge your favorable consideration of the MD Stablecoin Act to ensure Maryland remains at the forefront of financial innovation while maintaining robust consumer protection.

For questions, please contact Andrew Fulginiti, at **Andrew.Fulginiti@maryland.gov**