

The White House Just Exposed the Biggest Banks in America Over \$6.6 Trillion

CEA Paper, 0.02%, JPMorgan's Hypocrisy and the Real Fight Over Stablecoin Yield -- Q2 2026

On April 8, 2026, the White House Council of Economic Advisers published a 21-page analysis titled *Effects of Stablecoin Yield Prohibition on Bank Lending* -- the first formal US government economic model of the most contested question in stablecoin regulation: does allowing stablecoin yield destroy the banking system? The banking industry's answer, repeated through every major trade group lobbying effort, was yes -- the Treasury Department had estimated that \$6.6 trillion in bank deposits could be at risk if stablecoin yield were permitted. The White House CEA's answer, built from the same data, was categorically different: banning stablecoin yield would increase total bank lending by \$2.1 billion -- a 0.02% increase. The cost to consumers of that ban: \$800 million in net welfare losses. The cost-benefit ratio of the yield prohibition: 6.6, meaning every dollar gained in protected bank lending produces more than six dollars of harm to American consumers who would have earned competitive returns on their stablecoin holdings. Six days later, on April 14, JPMorgan's CFO called stablecoins regulatory arbitrage during an earnings call -- while JPMorgan runs its own stablecoin, JPMD, on Coinbase's Base blockchain, processes \$5 to \$7 billion daily through its Kinexys blockchain platform, and is simultaneously listed as a member of DTCC's tokenized securities working group. This is not a consumer protection fight. It is a fight over who controls the next \$6.6 trillion in deposits migrating onto stablecoin rails -- and the White House just put every number on public record.

01 -- THE CEA PAPER: WHAT THE WHITE HOUSE ACTUALLY FOUND

The Council of Economic Advisers paper published April 8, 2026 is the most analytically significant government document in the stablecoin regulatory debate since the GENIUS Act itself. Its significance is not the conclusion -- it is the methodology. By building a formal economic model of the stablecoin yield question using the same data and analytical framework that the banking industry's own economists use, the CEA produced a result that directly contradicts the core legislative argument banks have been making for two years.

The banking industry's argument against stablecoin yield has been simple and emotionally compelling: if stablecoins are allowed to pay interest, consumers will move their bank deposits into stablecoins to earn higher returns, banks will lose their deposit base, bank lending will contract, and the availability of mortgages, small business loans, and consumer credit will decline. The Treasury Department's estimate that \$6.6 trillion in bank deposits could be at risk gave this argument a number large enough to frighten any legislator. The Independent Community Bankers of America claimed community banks could lose

\$1.3 trillion in deposits and \$850 billion in loans. The Federal Reserve and American Bankers Association jointly cautioned that stablecoin yield could trigger a \$1.26 trillion squeeze on US lending capacity.

The CEA paper's formal economic model found that banning stablecoin yield would increase total bank lending by \$2.1 billion -- 0.02% of total US bank loans outstanding. Community banks -- the political constituency most invoked in the banking lobby's arguments -- would receive just 24% of that additional lending, or approximately \$500 million. The CEA modeled worst-case assumptions as well: even stacking every worst-case scenario, requiring the stablecoin market to grow sixfold from current levels, community banks would see only a 6.7% lending increase of \$129 billion -- not the existential deposit catastrophe the banking industry described.

The CEA's net welfare analysis is the most politically pointed element of the paper. A yield prohibition carries a net welfare cost of \$800 million -- meaning the consumer harm from lost competitive returns on stablecoin holdings far exceeds any measurable benefit to bank lending capacity. The cost-benefit ratio of 6.6 means that for every dollar of bank lending protection the yield ban provides, more than six dollars of consumer benefit is destroyed. The White House was not merely disagreeing with the banking industry's numbers. It was publishing, on [whitehouse.gov](https://www.whitehouse.gov), a formal economic model that describes the banking lobby's core legislative argument as a consumer welfare negative masquerading as systemic protection.

CEA FINDING: Stablecoin yield ban would increase bank lending by \$2.1 billion -- 0.02% of total loans. Net welfare cost: \$800 million. Cost-benefit ratio: 6.6. The Treasury Department's \$6.6 trillion deposit flight figure is the number at stake in the fight -- not the CEA's projection of the ban's impact.

02 -- JPMORGAN'S HYPOCRISY: REGULATORY ARBITRAGE WHILE RUNNING A STABLECOIN

On April 14, 2026, six days after the CEA paper was published, JPMorgan Chase CFO Jeremy Barnum called stablecoins regulatory arbitrage during the bank's Q1 2026 earnings call. The statement was widely covered as evidence of big bank hostility to stablecoin competition -- banks arguing that stablecoin issuers get to compete for deposits without being subject to the same capital requirements, insurance costs, and regulatory obligations that banks carry.

The problem with JPMorgan's regulatory arbitrage framing is what JPMorgan is simultaneously doing. JPMorgan's Kinexys platform processes \$5 to \$7 billion in daily blockchain transactions and has exceeded \$3 trillion in cumulative volume -- the world's largest bank-operated blockchain payment infrastructure. JPMorgan launched JLTXX, its own tokenized government money market fund, on the Ethereum public blockchain on May 13, 2026. JPMorgan is one of the 50-plus firms in DTCC's tokenized securities working group. And JPMorgan's stablecoin -- JPMD, the rebranded JPM Coin -- operates on Coinbase's Base blockchain, the same Layer 2 network that Coinbase's USDC and AgentCore Payments infrastructure runs on.

The precise definition of regulatory arbitrage that JPMorgan's CFO applied to stablecoin competitors -- competing for deposits without equivalent regulatory burden -- is the same definition that applies to

JPMorgan's own stablecoin operations. JPMD on Base does not carry the same regulatory overhead as JPMorgan's FDIC-insured deposit accounts. Kinexys's blockchain settlement infrastructure operates outside the traditional correspondent banking frameworks that JPMorgan simultaneously benefits from and invokes when criticizing competitors. JPMorgan is not objecting to blockchain-based payment infrastructure. It is objecting to blockchain-based payment infrastructure operated by companies it does not control.

The ABA's response to the CEA paper -- published April 13, 2026 -- made the banking lobby's actual concern explicit. ABA economists stated that the CEA paper was analyzing the wrong scenario and that a prohibition on yield for payment stablecoins is a prudent safeguard that will allow stablecoins to mature as a payments innovation rather than as an economically risky substitute for insured bank deposits. The key phrase is substitute for insured bank deposits. The banking industry does not object to stablecoins as a payment innovation. It objects to stablecoins as a competitive deposit product that earns higher yields than bank savings accounts while being backed by the same US Treasury securities that the GENIUS Act requires as reserves.

03 -- THE REAL FIGHT: WHO CONTROLS THE NEXT \$6.6 TRILLION IN DEPOSITS

The \$6.6 trillion figure cited by the Treasury Department as deposits potentially at risk is not a projection of what will happen if stablecoin yield is permitted -- it is the Treasury's estimate of the total addressable market of bank deposits that could potentially migrate to stablecoin alternatives over time. It represents the theoretical ceiling of competitive displacement, not the immediate consequence of any specific policy change.

The structural reason that \$6.6 trillion is at stake is straightforward. American banks pay an average yield of approximately 0.01% to 0.5% on savings accounts -- rates that have failed to keep pace with inflation even during the Federal Reserve's rate-hiking cycle. Stablecoin yield products, where they exist, offer 3.5% to 5% annual returns backed by the same US Treasury securities that banks hold as their own reserve assets. A consumer who holds \$10,000 in a savings account earning 0.5% earns \$50 per year. The same consumer holding \$10,000 in a USDC yield product earning 4% earns \$400 per year. The consumer benefit is \$350 annually on a single \$10,000 account -- and the banking lobby's political project is to prevent that \$350 from competing with banks for deposit inflows.

The GENIUS Act's prohibition on stablecoin issuers paying yield directly to token holders is the regulatory concession that banks extracted during the GENIUS Act negotiations in 2025. But the GENIUS Act contains a loophole that the banking lobby is now trying to close through the CLARITY Act: it does not explicitly prohibit exchanges or third-party platforms from offering yield on stablecoins they hold on users' behalf. Coinbase's USDC rewards program -- which pays users yield on USDC held on the Coinbase platform funded by the Treasury yield on USDC reserves -- is precisely the \$1.35 billion annual revenue line that the banking industry wants to classify as illegal yield under the CLARITY Act.

Coinbase CEO Brian Armstrong's reversal from opposing to supporting the CLARITY Act in late April 2026 was conditioned on the bill's final treatment of this yield loophole. The fact that Armstrong assigned 90% passage odds to the CLARITY Act after reversing his opposition suggests that the final bill's treatment of stablecoin yield through third-party platforms will be more permissive than the banking

lobby wanted -- a legislative outcome that the CEA paper's April 8 publication may have directly influenced by providing White House-level analytical support for the consumer benefit of competitive stablecoin returns.

THE REAL FIGHT: Banks earn 0.5% on deposits and pay depositors 0.01% to 0.5%. Stablecoin yield products pay 3.5% to 5% on the same Treasury-backed reserves. The \$6.6 trillion is the pool of deposits that could migrate to earn the difference. Banks are not protecting consumers. They are protecting their spread.

04 -- COINBASE OCC CHARTER: THE INSTITUTIONAL LEVEL-UP

The timing of Coinbase's conditional approval for a national trust bank charter from the Office of the Comptroller of the Currency -- announced as part of the broader wave of OCC conditional charter approvals for crypto-native firms in late 2025 and early 2026 -- is the institutional development that most directly threatens the banking lobby's position in the stablecoin yield fight.

A national trust bank charter from the OCC grants Coinbase the same federal regulatory standing as national banks chartered by the OCC -- including JPMorgan Chase, Bank of America, and Citigroup. The charter means Coinbase is no longer a crypto company competing with banks. It is a federally chartered financial institution competing with other federally chartered financial institutions on equal regulatory footing. The banking lobby's argument that stablecoin issuers receive regulatory arbitrage advantages by operating outside bank regulatory requirements becomes legally incoherent when the stablecoin issuer holds an OCC national trust bank charter.

The OCC charter also resolves the Federal Reserve master account question for Coinbase -- federally chartered national banks have access to Federal Reserve payment infrastructure through their OCC charter, removing the need for Coinbase to pursue a separate master account application under the timeline established by Trump's May 19, 2026 executive order on fintech access to Federal Reserve payment services. With OCC charter status, Coinbase's USDC can be offered through the same institutional distribution channels as any other regulated bank deposit product -- to 401k administrators, pension funds, insurance companies, and institutional treasury operations that require federally regulated counterparty status.

05 -- INVESTMENT IMPLICATIONS: POSITIONING IN THE DEPOSIT FIGHT

The stablecoin yield fight has direct investment implications that the CEA paper's publication makes significantly clearer. The White House's public position -- that stablecoin yield is a consumer benefit worth protecting -- signals that the final CLARITY Act language will not contain a blanket prohibition on third-party yield arrangements. This directly protects Coinbase's \$1.35 billion annual USDC rewards revenue line, which Brian Armstrong cited as the specific issue that had previously made Coinbase oppose the CLARITY Act.

The stablecoin yield fight also confirms the competitive dynamics that make USDC and USDT structurally advantaged over bank deposits for yield-seeking retail investors. Both USDC and USDT hold US Treasury bills as reserves earning 4% to 4.5% annually. Under the GENIUS Act, neither can

pass that yield directly to token holders. But the third-party yield channel -- Coinbase's rewards program, DeFi lending protocols, and tokenized money market fund products like BlackRock's BUIDL -- creates pathways for stablecoin holders to access the Treasury yield that their stablecoin reserves generate without the issuer directly paying yield.

The infrastructure that enables stablecoin yield access -- Ethereum for DeFi lending protocols, Base for Coinbase rewards distribution, Chainlink for real-time NAV data on tokenized money market funds, and the tokenized fund products themselves -- benefits from the resolution of the yield fight in favor of competitive returns. Every dollar that migrates from bank savings accounts to stablecoin yield products is a dollar that settles on a blockchain, earns yield through a tokenized Treasury fund, and generates transaction fees for the infrastructure networks that carry it.

06 -- CONCLUSION: THE NUMBERS ARE ON PUBLIC RECORD

The April 8 CEA paper did something that no lobbying campaign, no congressional testimony, and no industry research report had previously accomplished: it put the White House's formal economic analysis of the stablecoin yield debate on public record, accessible to any lawmaker, journalist, or investor who chooses to read it. The conclusion -- 0.02% increase in bank lending, \$800 million net welfare cost, 6.6 cost-benefit ratio against the ban -- is now the official position of the executive branch's economic advisory council.

JPMorgan's CFO calling stablecoins regulatory arbitrage six days later did not change the White House's numbers. The American Bankers Association's rebuttal did not change the White House's numbers. What changed is the political environment in which the CLARITY Act's final yield language is being negotiated. The White House has publicly staked out the position that stablecoin yield is a consumer benefit. The banking lobby has publicly staked out the position that it is a systemic risk. The \$6.6 trillion is the pool of deposits at the center of that fight. And the CEA paper has made the White House's analytical conclusion -- that the banking lobby's systemic risk argument is a 0.02% problem dressed up as a trillion-dollar crisis -- part of the legislative record.

For investors tracking the CLARITY Act's progress toward its July 4 signing target, the CEA paper is the most important signal that the bill's final stablecoin yield provisions will favor consumer access to competitive returns over banking lobby protections. That outcome protects Coinbase's USDC rewards revenue, accelerates the competitive pressure on bank deposits, and confirms that stablecoin infrastructure is being built with White House support into the core of the US financial system -- not at its margins.

The White House published 0.02%. The banks claimed trillions. JPMorgan called it regulatory arbitrage while running its own stablecoin on Coinbase's blockchain. The numbers are on public record. The fight is over who controls the next \$6.6 trillion in deposits -- and the White House just picked a side.