Stablecoins, Tokenized Deposits, and Bank Strategy with Yevgeny Shrago of CSBS

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In this episode of State of the System, host Kyle Thomas sits down with Yevgeny Shrago of the Conference of State Bank Supervisors (CSBS) to unpack how stablecoins actually work and why they are drawing so much attention.

Drawing on his experience across federal agencies, Shrago explains the difference between stablecoins and tokenized deposits, who is using these products today, and what community banks should realistically understand about the current market.

The conversation also covered the new regulatory framework for payment stablecoins established by the GENIUS Act. Shrago offers a clear-eyed look at where banks may face risks, where opportunities may emerge, and how regulators are working to keep innovation focused, responsible, and grounded in existing safeguards.

In this episode, you'll learn:

1. Where stablecoins are being used today and why most activity is business-focused
2. How the Genius Act changes expectations for oversight, reserves, and consumer protection
3. What practical paths community banks have to engage with stablecoins while managing risk

Timestamps:

(00:00) Introduction

(01:10) Why stablecoins are driving regulatory attention

(03:15) The promise and reality of stablecoin payments

(04:46) Stablecoin market size and major issuers

(06:29) Reserve backing and transparency concerns

(07:27) What stablecoins mean for community banks

(08:14) Why stablecoins remain limited for retail use

(10:06) Fraud, consumer risk, and irreversible payments

(12:00) Overview of the Genius Act

(13:57) The role of state regulators under Genius

(16:12) Payments unbundling and nonbank issuers

(19:42) Consumer protections built into the GENIUS Act

(22:02) How banks can participate in stablecoins

(24:06) Deposit risk and interest restrictions

(27:54) Consortium models and tokenized deposits

(31:49) What comes next for stablecoin regulation

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