INDUSTRY ANALYSIS

The Quiet Spread: What Transaction Data Reveals About the Stablecoin Impact on Community Bank Deposits and Lending

An analysis of 225,000+ transactions across 92 community banks reveals a trend that should concern community banks and policymakers engaged in the CLARITY Act debate.

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KEY FINDINGS: An analysis of transaction data across 92 community banks shows overlap between community bank and crypto customers, with nine out of ten have customers actively transacting with Coinbase. Among the 53 banks where we could determine transaction direction, for every dollar that came back from Coinbase, $2.77 left. If these patterns hold nationally, over 3,500 of the nation's roughly 3,950 community banks have active deposit pathways to crypto platforms — pathways that yield-bearing stablecoin products would exploit. Those deposits fund the majority of the nation's small business loans and agricultural lending — credit that will be jeopardized once the deposits leave.

A Story the Headlines Are Missing

The fight over the Digital Asset Market Clarity Act (CLARITY Act) has consumed Washington's financial policy circles, with policymakers focused on addressing the implications of yield-bearing stablecoin on bank deposits and lending. Coinbase and other intermediaries are already paying these yields today, exploiting a gap in the GENIUS Act enacted last year that prohibited stablecoin issuers from paying interest but did not extend it to exchanges and other intermediaries. In the CLARITY Act, Congress is determining whether it will address the deposit flight risks by codifying an extension of the prohibition in the GENIUS Act into law.

The crypto industry is attempting to discount these concerns by disputing the impact of stablecoins on community banking deposits and lending and arguing they just want to preserve a level playing field and protect innovation.[1] We decided to look at the data ourselves.

As a technology provider serving over 150 community banks, we sit on a unique dataset: daily transaction-level records across our client base. We pulled every transaction whose description references Coinbase — meaning actual customer-initiated fund transfers between their bank accounts and the Coinbase exchange — spanning December 2024 through December 2025, across the 92 institutions for which we had complete transaction data available. The picture that emerges is more nuanced than either side of the debate acknowledges, and in some ways, more troubling.

The Scale of the Stablecoin Market

The stablecoin market grew 49% in 2025, reaching over $312 billion — roughly 1.8% of total domestic bank deposits.[4,5] That may sound modest, but the trajectory is what matters. In late January 2026, British-based multinational bank Standard Chartered projected the stablecoin market will grow toward $2 trillion by the end of 2028.[6]

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The lending implications are direct. Every dollar that moves from a community bank deposit account to a stablecoin platform is a dollar that is no longer available to fund lending in the community that deposit came from. Tether holds just 0.02% of its reserves in bank deposits, and Circle holds about 14.5%.[6] The rest sits in U.S. Treasuries, funding the federal government, not farm operating loans, small business lines of credit, or the commercial real estate projects that sustain local economies.

Standard Chartered identified U.S. regional banks as the most exposed because they depend more heavily on net interest margin income.[6] If regional banks face this level of exposure, the implications for community banks are stark. Community banks are even more dependent on deposit-funded lending, and they serve the communities with the fewest alternatives. In one quarter of U.S. counties, a community bank is the only physical banking presence.[7] When those institutions lose deposits, the small businesses and agricultural producers they serve lose access to credit, not temporarily, but structurally.

What Our Data Actually Shows

We analyzed 225,577 Coinbase-related transactions totaling $221.3 million across 92 community banks over a 13-month period. Our data captures fund movements between customer bank accounts and the Coinbase exchange. What matters for this analysis is not the size of any individual transaction, but that the pathway between the bank and the crypto platform exists and is being actively used. That pathway is what yield-bearing stablecoin products would exploit.

Month	Transactions	Unique Accounts	Dollar Volume
Dec 2024	21,377	12,551	$16.2M
Jan 2025	21,439	12,070	$26.7M
Feb 2025	20,551	10,611	$19.4M
Mar 2025	20,423	10,620	$18.6M
Apr 2025	17,351	9,268	$30.3M
May 2025	14,079	8,205	$16.6M
Jun 2025	12,810	7,683	$10.7M
Jul 2025	16,246	10,178	$16.5M
Aug 2025	15,932	9,924	$13.4M
Sep 2025	15,937	9,670	$11.6M
Oct 2025	17,302	10,590	$16.7M
Nov 2025	17,011	10,421	$15.4M
Dec 2025	15,119	9,510	$9.2M

Of the 92 community banks in our dataset, 84 — or 91% — showed Coinbase-related activity exceeding 100 transactions over the study period; the remaining 8 only had minimal activity. Transaction counts peaked in early 2025 alongside Bitcoin's post-election rally to an all-time high above $109,000, fell as Bitcoin declined through the spring, rebounded when Bitcoin surged past $120,000 in mid-summer, and declined again as Bitcoin retreated below $90,000 in late 2025. This is speculative trading behavior, and it tracks crypto market cycles — not yield competition.

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Where the Money Is Going

The aggregate data tells us the pathways are widespread. But it does not answer a critical question: is the money flowing in both directions, or is it predominantly leaving?

For 53 of the 92 community banks — those for which we had transaction code mappings — we were able to determine directionality. These 53 banks range from approximately $185 million to $4.5 billion in total deposits, with a median of $884 million — a cross-section of the community banking industry. The results are unambiguous.

Across those 53 banks, for every dollar that came back from Coinbase, $2.77 left. Total outflows were $122.4 million. Total inflows were $44.2 million. The net outflow — money that left community bank deposit accounts and did not return — was $78.3 million. By transaction count, 91% of all Coinbase-related transactions were outflows.

Forty-eight of the 53 banks — 91% — showed net outflows to Coinbase over the study period. Every month except one showed net outflows in aggregate. This is not seasonal or episodic. It is persistent.

Direction	Transactions	Dollar Volume	Avg. Transaction
Outflows (bank → Coinbase)	143,948	$122.4M	$851
Inflows (Coinbase → bank)	14,721	$44.2M	$2,999
Net outflow		**$78.3M**	

The transaction size pattern is notable. The average outflow is $851 — small, frequent transfers consistent with regular crypto purchasing. The average inflow is $2,999 — 3.5 times larger but far less frequent. Regardless of the reasons for the return flows, the net direction is consistently and persistently out.

Banks with smaller deposit bases show greater exposure. At institutions with less than $1 billion in total deposits, 82–84% of all Coinbase-related transactions were outflows — money leaving the bank. At institutions above $1 billion, that figure was 66–67%. Net Coinbase outflows as a percentage of total deposits were roughly four times higher at the smaller-deposit banks. The institutions with the least capacity to absorb deposit pressure are experiencing the most one-sided flows.

Where the net outflow concentrates tells a story about deposit vulnerability. Net outflows are substantial across all deposit categories — $31.2 million from checking and DDA accounts, $36.8 million from money market accounts, $7.5 million from savings, and $1.9 million from CDs. But the character of the activity differs in ways that matter for the yield debate.

Account Type	Net Outflow	Share of Total Net Outflow	Avg. Outflow Transaction	Outflow % of Total Volume
Checking / DDA	$31.2M	40%	$624	65.7%
Money Market	$36.8M	47%	$3,593	96.3%
Savings	$7.5M	10%	$568	66.9%
CDs / Time Deposits	$1.9M	2%	$4,540	77.7%

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Money market accounts represent only 24% of total Coinbase-related dollar volume in our directional dataset, but account for 47% of all net outflows. The average money market outflow is $3,593 — nearly six times the checking account average — and of the $39.8 million in money market Coinbase activity we observed, 96% was money leaving. Checking accounts show the highest raw outflow volume, which is expected for everyday transaction accounts. But money market activity reveals something different: customers with higher-balance, yield-sensitive deposits are engaging with Coinbase at larger transaction sizes, and the flows from those accounts are almost entirely one-directional.

These are the customers most likely to respond to a yield incentive. They have already chosen a deposit product designed to earn a return. They have already demonstrated the behavior of moving money from that product to a crypto platform. If the CLARITY Act permits stablecoin platforms to offer 4–6% with regulatory blessing, the yield-sensitive customers already moving $3,600 at a time from their money market accounts will have a new and persistent reason to do so.

The yield incentive is not hypothetical — it is already working. In its Q3 2025 shareholder letter, Coinbase reported that average USDC balances held across its platform reached $15 billion, up from $13.8 billion the prior quarter, growth the company attributed in part to its rewards program[9,10]. On an earnings call, Coinbase's CFO described these rewards as similar to "marketing programs or loyalty programs,"[10] the same characterization the company uses to avoid the interest-payment restrictions in the GENIUS Act. Regardless of the label, the economic effect is the same: yield attracts and retains balances.

What This Means for the Industry

Stablecoin exchanges are framing of the CLARITY Act dispute as banks trying to crush innovative competitors.[1] But what these entities are actually asking for is the right to perform one of the core functions of banking — taking deposits and paying interest — without Community Reinvestment Act requirements, safety and soundness examinations, capital requirements, or the obligation to fund local lending. That is not a level playing field. It is regulatory arbitrage.

If our 90% penetration rate is broadly indicative of the community banking industry — and we have no reason to believe our clients are unusual in this regard — then approximately 3,555 of the nation's roughly 3,950 community banks currently have customers who have established active financial pathways to the Coinbase exchange. The clients included in our dataset span 30 states, with concentrations in the Midwest, Southeast, and Texas, ranging from approximately $230 million in assets to $8.2 billion (median: $1.2 billion). Roughly 40% of the banks in our dataset fall between $500 million and $1 billion in assets, with meaningful representation both below $500 million and above $2 billion. However, even accounting for potential regional or size-related variation, penetration rates of 70–80% would still imply well over 2,500 community banks in the same position.

Our data shows that the on-ramps for deposit flight are already built, which is why it is so important for policymakers to address the gray-area yield workaround by exchanges.

The $78.3 million in net outflows we observed across 53 banks represents money that left community bank deposit accounts and did not return. Applying Whited et al.'s research estimating that small banks reduce lending by approximately $0.389 for every $1 decline in deposits[11], those outflows correspond to roughly $30.5 million in reduced lending potential — from one exchange, over 13 months, at 53 banks. This is a simplified estimate, but it illustrates a critical point: even modest deposit losses carry a multiplied impact on the credit available to small businesses and agricultural producers in the communities these banks serve.

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What's Really at Stake

The stablecoin yield debate is sometimes framed as an abstract regulatory question. It is not. Every dollar that migrates to a stablecoin platform is a dollar no longer available to fund a farm operating loan, a small business line of credit, or a commercial real estate project in a community that may have no other source of capital. Stablecoin reserves parked in Treasuries fund the federal government. They do not fund Main Street lending.

To put the stakes in concrete terms: community banks hold approximately $4.9 trillion in deposits and use those deposits to fund 60% of the nation's small business loans under $1 million and 80% of the U.S. banking industry's agricultural lending.[3] ICBA projects that allowing stablecoin intermediaries to pay yield could reduce community bank deposits by $1.3 trillion and lending by $850 billion.[2] That projection shows that deposit outflows carry a multiplied impact on lending — each dollar lost reduces credit availability by more than the face amount as banks adjust to maintain liquidity and capital ratios. A December 2025 Federal Reserve analysis reached similar conclusions, modeling scenarios in which moderate stablecoin growth reduced bank lending by $190 to $408 billion.[12]

The historical parallel is also instructive. In 1977, Merrill Lynch introduced the Cash Management Account, which allowed customers to sweep idle cash into money market funds offering higher yields than bank savings accounts. The result was a massive capital outflow from the banking sector. Banks did not respond effectively until 1982, when the Garn-St Germain Act enabled insured money market accounts with competitive rates. Five years of deposit erosion passed before the regulatory framework caught up. The stablecoin yield debate is the CMA moment of this generation — and the window to act before the damage is done is measured in months, not years.

None of this is an argument against innovation. Crypto is here to stay, and community banks will need to adapt. The European Union, under its MiCA framework, has restricted stablecoin yield to keep stablecoins focused on their primary utility as payment instruments.[8] Most jurisdictions that have enacted comprehensive stablecoin regulation have drawn the same line. But "innovation" is not a justification for allowing unregulated platforms to compete for deposits while avoiding the obligations that protect the financial system and the availability of credit in communities.

Our data shows that the pathways for deposit outflows are already in place — at nine out of ten community banks we examined, with money flowing predominantly in one direction. The spread is not just quiet. It is nearly complete. What happens next depends on whether Congress listens to the data, and to the community bankers who understand what deposit loss means for the small businesses, farms, and families in the towns they serve.

What Community Bankers Should Do Now

This analysis is meant to inform, not alarm. But it does call for action now while policymakers are negotiating this critical issue with a goal of voting on it in early March.

Assess your own exposure. Ask your data team or technology partner to pull every ACH and debit transaction where the description field contains "Coinbase," "Kraken," "Gemini," or "Binance" over the past 12 months, broken out by account type and transaction direction. Understand how many of your customers are already moving money to these platforms, how frequently, in what amounts, and from

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which deposit products. You cannot advocate effectively in Washington if you do not know what is happening in your own institution.

Educate your board and your team. The stablecoin debate is not a crypto issue — it is a deposit issue, a lending issue, and ultimately a community issue. Board members and senior leaders need to understand that stablecoins could fundamentally alter the competitive landscape for deposits within the next two to three years.

Make your voice heard. Contact your senators and representatives directly on the stablecoin yield issue and emphasize the importance of addressing it in the CLARITY Act before there is a vote in the Senate Banking Committee. Community bankers who wait to engage will be too late.

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Methodology

This analysis is based on transaction-level data extracted from databases across a client base of over 150 community banks. Complete transaction data was available for 92 of those institutions during the study period; of those 92, 83 showed Coinbase-related activity. Directional analysis (inflows vs. outflows) was possible for 53 of the 92 banks where transaction code mappings were available; those 53 banks range from approximately $185 million to $4.5 billion in total deposits. Transactions were identified by description field matching for "Coinbase." Data covers December 1, 2024, through December 31, 2025. Metrics include daily transaction counts, unique account counts, and aggregate dollar volumes per institution per day. Individual bank names have been anonymized.

This is an observational analysis of available client data, not a randomized or stratified study. However, the diversity of institutions by geography, deposit size, and customer demographics provides a reasonable basis for broader inference. The analysis reflects Coinbase exchange activity only and does not capture direct stablecoin holdings, peer-to-peer transfers, or activity on other crypto platforms. The extrapolation to the broader community banking industry assumes the 92 banks with available data are broadly indicative of FDIC-defined community banks; actual penetration rates may vary. Stablecoin platform yield ranges reflect publicly advertised rates as of Q4 2025 and are subject to change.

About KlariVis

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