

116TH CONGRESS  
2D SESSION

# H. R. 8827

To amend the Federal Deposit Insurance Act to provide for the classification and regulation of stablecoins, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 30, 2020

Ms. TLAIB (for herself, Mr. LYNCH, and Mr. GARCÍA of Illinois) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To amend the Federal Deposit Insurance Act to provide for the classification and regulation of stablecoins, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stablecoin Classifica-  
5 tion and Regulation Act of 2020”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Article I, Section 8, Clause 5 of the United  
9 States Constitution provides that Congress shall  
10 have the power “to coin money, regulate the value

1       thereof, and of foreign coin, and fix the standard of  
2       weights and measures”.

3               (2) Section 2A of the Federal Reserve Act (12  
4       U.S.C. 225a) provides that the mandate of the  
5       Board of Governors of the Federal Reserve System  
6       is to “promote effectively the goals of maximum em-  
7       ployment, stable prices, and moderate long-term in-  
8       terest rates”.

9               (3) Section 21(a) of the Banking Act of 1933  
10       (12 U.S.C. 378(a)) provides in part that:

11       “(a) After the expiration of one year after [June 16,  
12       1933] it shall be unlawful . . .

13               “(2) For any person, firm, corporation, associa-  
14       tion, business trust, or other similar organization to  
15       engage, to any extent whatever with others than his  
16       or its officers, agents or employees, in the business  
17       of receiving deposits subject to check or to repay-  
18       ment upon presentation of a pass book, certificate of  
19       deposit, or other evidence of debt, or upon request  
20       of the depositor, unless such person, firm, corpora-  
21       tion, association, business trust, or other similar or-  
22       ganization (A) shall be incorporated under, and au-  
23       thorized to engage in such business by, the laws of  
24       the United States or of any State, Territory, or Dis-  
25       trict, and subjected, by the laws of the United

1 States, or of the State, Territory, or District where-  
2 in located, to examination and regulation, or (B)  
3 shall be permitted by the United States, any State,  
4 territory, or district to engage in such business and  
5 shall be subjected by the laws of the United States,  
6 or such State, territory, or district to examination  
7 and regulations or, (C) shall submit to periodic ex-  
8 amination by the banking authority of the State  
9 Territory, or District where such business is carried  
10 on and shall make and publish periodic reports of its  
11 condition, exhibiting in detail its resources and li-  
12 abilities, such examination and reports to be made  
13 and published at the same times and in the same  
14 manner and under the same conditions as required  
15 by the law of such State, Territory, District in the  
16 case of incorporated banking institutions engaged in  
17 such business in the same locality.”.

18 (4) Section 3(l) of the Federal Deposit Insur-  
19 ance Act (12 U.S.C. 1813(l)) provides that under  
20 the Federal Deposit Insurance Act, the term “de-  
21 posit” means:

22 “(1) the unpaid balance of money or its equiva-  
23 lent received or held by a bank or savings associa-  
24 tion in the usual course of business and for which  
25 it has given or is obligated to give credit, either con-

1       ditionally or unconditionally, to a commercial, check-  
2       ing, savings, time, or thrift account, or which is evi-  
3       denced by its certificate of deposit, thrift certificate,  
4       investment certificate, certificate of indebtedness, or  
5       other similar name, or a check or draft drawn  
6       against a deposit account and certified by the bank  
7       or savings association, or a letter of credit or a trav-  
8       eler’s check on which the bank or savings association  
9       is primarily liable: Provided, That, without limiting  
10      the generality of the term money or its equivalent,  
11      any such account or instrument must be regarded as  
12      evidencing the receipt of the equivalent of money  
13      when credited or issued in exchange for checks or  
14      drafts or for a promissory note upon which the per-  
15      son obtaining any such credit or instrument is pri-  
16      marily or secondarily liable, or for a charge against  
17      a deposit account, or in settlement of checks, drafts,  
18      or other instruments forwarded to such bank or sav-  
19      ings association for collection,

20           “(2) trust funds as defined in this Act received  
21      or held by such bank or savings association, whether  
22      held in the trust department or held or deposited in  
23      any other department of such bank or savings asso-  
24      ciation,

1           “(3) money received or held by a bank or sav-  
2           ings association, or the credit given for money or its  
3           equivalent received or held by a bank or savings as-  
4           sociation, in the usual course of business for a spe-  
5           cial or specific purpose, regardless of the legal rela-  
6           tionship thereby established, including without being  
7           limited to, escrow funds, funds held as security for  
8           an obligation due to the bank or savings association  
9           or others (including funds held as dealers reserves)  
10          or for securities loaned by the bank or savings asso-  
11          ciation, funds deposited by a debtor to meet matur-  
12          ing obligations, funds deposited as advance payment  
13          on subscriptions to United States Government secu-  
14          rities, funds held for distribution or purchase of se-  
15          curities, funds held to meet its acceptances or letters  
16          of credit, and withheld taxes: Provided, That there  
17          shall not be included funds which are received by the  
18          bank or savings association for immediate applica-  
19          tion to the reduction of an indebtedness to the re-  
20          ceiving bank or savings association, or under condi-  
21          tion that the receipt thereof immediately reduces or  
22          extinguishes such an indebtedness,  
23          “(4) outstanding draft (including advice or au-  
24          thorization to charge a bank’s or a savings associa-  
25          tion’s balance in another bank or savings associa-

1       tion), cashier's check, money order, or other officer's  
2       check issued in the usual course of business for any  
3       purpose, including without being limited to those  
4       issued in payment for services, dividends, or pur-  
5       chases, and

6               “(5) such other obligations of a bank or savings  
7       association as the Board of Directors, after consulta-  
8       tion with the Comptroller of the Currency, and the  
9       Board of Governors of the Federal Reserve System,  
10      shall find and prescribe by regulation to be deposit  
11      liabilities by general usage, except that the following  
12      shall not be a deposit for any of the purposes of this  
13      Act or be included as part of the total deposits or  
14      of an insured deposit:

15               “(A) any obligation of a depository institu-  
16      tion which is carried on the books and records  
17      of an office of such bank or savings association  
18      located outside of any State, unless—

19                       “(i) such obligation would be a deposit  
20                       if it were carried on the books and records  
21                       of the depository institution, and would be  
22                       payable at, an office located in any State;  
23                       and

24                       “(ii) the contract evidencing the obli-  
25                       gation provides by express terms, and not

1 by implication, for payment at an office of  
2 the depository institution located in any  
3 State;

4 “(B) any international banking facility de-  
5 posit, including an international banking facility  
6 time deposit, as such term is from time to time  
7 defined by the Board of Governors of the Fed-  
8 eral Reserve System in regulation D or any suc-  
9 cessor regulation issued by the Board of Gov-  
10 ernors of the Federal Reserve System; and

11 “(C) any liability of an insured depository  
12 institution that arises under an annuity con-  
13 tract, the income of which is tax deferred under  
14 section 72 of the Internal Revenue Code of  
15 1986.”.

16 (5) Section 1(a) of the Federal Deposit Insur-  
17 ance Act (12 U.S.C. 1811(a)) provides that the Fed-  
18 eral Deposit Insurance Corporation was established  
19 for the purpose of “insur[ing] . . . the deposits of  
20 all banks . . . which are entitled to the benefits of  
21 insurance” under the Federal Deposit Insurance  
22 Act.

23 **SEC. 3. REGULATION OF STABLECOINS.**

24 (a) DEFINITIONS.—Section 3 of the Federal Deposit  
25 Insurance Act (12 U.S.C. 1813) is amended—

1 (1) in subsection (l)—

2 (A) in paragraph (4), by striking “and” at  
3 the end;

4 (B) by redesignating paragraph (5) as  
5 paragraph (6); and

6 (C) by inserting after paragraph (4) the  
7 following:

8 “(5) stablecoins issued by such bank or savings  
9 association; and”;

10 (2) by adding at the end the following:

11 “(aa) DEFINITIONS RELATED TO STABLECOINS.—

12 “(1) STABLECOIN.—The term ‘stablecoin’  
13 means any cryptocurrency or other privately-issued  
14 digital financial instrument that—

15 “(A) is directly or indirectly distributed to  
16 investors, financial institutions, or the general  
17 public;

18 “(B) is—

19 “(i) denominated in United States  
20 dollars or pegged to the United States dol-  
21 lar; or

22 “(ii) denominated in or pegged to an-  
23 other national or state currency; and

24 “(C) is issued—



1 “(i) with a fixed nominal redemption  
2 value;

3 “(ii) with the intent of establishing a  
4 reasonable expectation or belief among the  
5 general public that the instrument will re-  
6 tain a nominal redemption value that is so  
7 stable as to render the nominal redemption  
8 value effectively fixed; or

9 “(iii) in such a manner that, regard-  
10 less of intent, has the effect of creating a  
11 reasonable expectation or belief among the  
12 general public that the instrument will re-  
13 tain a nominal redemption value that is so  
14 stable as to render the nominal redemption  
15 value effectively fixed.

16 “(2) NOMINAL REDEMPTION VALUE.—

17 “(A) IN GENERAL.—With respect to a  
18 stablecoin, the term ‘nominal redemption value’  
19 means the value at which the stablecoin can  
20 readily be converted into United States dollars,  
21 or any other national or state currency, or a  
22 functional monetary equivalent, on demand, at  
23 the time of issuance, or otherwise accepted in  
24 payment or to satisfy debts denominated in

1 United States dollars or any other national or  
2 state currency.

3 “(B) TREATMENT OF INSTRUMENTS  
4 PEGGED TO THE UNITED STATES DOLLAR.—  
5 For purposes of subparagraph (A), the value at  
6 which a stablecoin that is pegged to the United  
7 States dollar or a functional monetary equiva-  
8 lent can readily be converted into United States  
9 dollars, on demand, at the time of issuance  
10 shall be calculated using the express or implied  
11 pegged rate for such conversion at the time of  
12 issuance.

13 “(C) TREATMENT OF INSTRUMENTS DE-  
14 NOMINATED IN OR PEGGED TO ANOTHER NA-  
15 TIONAL OR STATE CURRENCY.—For purposes of  
16 subparagraph (A), the value at which a  
17 stablecoin that is denominated in or pegged to  
18 another national or state currency or a func-  
19 tional monetary equivalent can readily be con-  
20 verted into United States dollars, on demand,  
21 at the time of issuance shall be calculated using  
22 the express or implied exchange rate for such  
23 conversion at the time of issuance.

24 “(D) FUNCTIONAL MONETARY EQUIVA-  
25 LENT DEFINED.—For purposes of this Act and

1 any Act enacted after the date of enactment of  
2 this subsection, the term ‘functional monetary  
3 equivalent’ means—

4 “(i) deposits, as defined under section  
5 3 of the Federal Deposit Insurance Act;

6 “(ii) e-money and money transmitter  
7 balances;

8 “(iii) other stablecoins; and

9 “(iv) any other financial instrument  
10 issued for the purpose of circulating as  
11 money, making payments, or satisfying  
12 debts denominated in United States dollars  
13 or any other national or state currency.”.

14 (b) REGULATIONS.—The Federal Deposit Insurance  
15 Act (12 U.S.C. 1811 et seq.) is amended by adding at  
16 the end the following:

17 **“SEC. 52. STABLECOINS.**

18 “(a) ISSUING STABLECOINS.—

19 “(1) LIMITATION ON WHO MAY ISSUE  
20 STABLECOINS.—It shall be unlawful for any person  
21 to issue a stablecoin other than an insured deposi-  
22 tory institution that is a member of the Federal Re-  
23 serve System.

24 “(2) LIMITATION ON STABLECOIN-RELATED  
25 COMMERCIAL ACTIVITIES.—It shall be unlawful for

1 any person to issue a stablecoin or stablecoin-related  
2 product, to provide any stablecoin-related service, or  
3 otherwise engage in any stablecoin-related commer-  
4 cial activity, including activity involving stablecoins  
5 issued by other persons, without obtaining written  
6 approval in advance, and on an ongoing basis, from  
7 the appropriate Federal banking agency, the Cor-  
8 poration, and the Board of Governors of the Federal  
9 Reserve System.

10 “(3) NOTICE AND APPROVAL REQUIREMENTS.—

11 Any person issuing a stablecoin shall—

12 “(A) notify the appropriate Federal bank-  
13 ing agency, the Corporation, and the Board of  
14 Governors of the Federal Reserve System of the  
15 person’s intent to issue the stablecoin at least  
16 6 months prior to the date of issuance;

17 “(B) obtain written approval from the ap-  
18 propriate Federal banking agency, the Corpora-  
19 tion, and the Board of Governors of the Federal  
20 Reserve System prior to issuing any stablecoin  
21 or stablecoin-related product, providing any  
22 stablecoin-related services, or otherwise engag-  
23 ing in any stablecoin-related commercial activ-  
24 ity, including activity involving stablecoins  
25 issued by other persons; and

1           “(C) provide ongoing analysis to the Board  
2 of Governors of the Federal Reserve System,  
3 the Financial Stability Oversight Council, and  
4 the Office of Finance Research on any potential  
5 systemic impacts or monetary policy implica-  
6 tions of the stablecoin.

7           “(4) MASTER ACCOUNT ACCESS.—With respect  
8 to an insured depository institution that is a mem-  
9 ber of the Federal Reserve System and that has ob-  
10 tained written approval described under paragraph  
11 (3)(B)—

12           “(A) the Board of Governors of the Fed-  
13 eral Reserve System shall provide the institu-  
14 tion with a master account at the Federal Re-  
15 serve System; and

16           “(B) the institution shall be eligible to re-  
17 ceive all benefits and access to services associ-  
18 ated with such account.

19           “(b) REQUIREMENT TO MAINTAIN FIXED VALUE.—  
20 Any issuer of a stablecoin shall take all possible actions  
21 to ensure that, at no point over the life of the stablecoin,  
22 the redemption value of the stablecoin does not drop below  
23 the nominal redemption value of the stablecoin.

24           “(c) ABILITY TO REDEEM STABLECOINS.—

1           “(1) IN GENERAL.—Any issuer of stablecoins  
2 shall maintain the ability to immediately redeem all  
3 outstanding stablecoins at their nominal redemption  
4 value, upon demand, in United States dollars.

5           “(2) REQUIREMENT TO MAINTAIN COLLATERAL  
6 FOR UNINSURED STABLECOIN AMOUNTS.—

7           “(A) IN GENERAL.—Any issuer of  
8 stablecoins shall deposit reserves with the appli-  
9 cable Federal reserve bank in a segregated ac-  
10 count in an amount equal to the nominal re-  
11 demption value of all outstanding stablecoins  
12 issued by the issuer, and such reserves shall  
13 serve as collateral for such stablecoins.

14           “(B) EXCEPTION FOR INSURED DEPOS-  
15 ITS.—Subparagraph (A) shall not apply with  
16 respect to the value of any outstanding  
17 stablecoins that the issuer of the stablecoins  
18 knows are insured deposits.

19           “(3) PENALTIES.—If the issuer of a stablecoin  
20 fails to immediately redeem an outstanding  
21 stablecoin, upon demand, in United States dollars  
22 (or if the appropriate Federal banking agency deter-  
23 mines that the issuer does not have the ability to im-  
24 mediately redeem all outstanding stablecoins, upon  
25 demand, in United States dollars) the appropriate

1 Federal banking agency shall penalize the issuer,  
2 which may include—

3 “(A) the revocation of deposit insurance  
4 provided under this Act;

5 “(B) the revocation of the issuer’s mem-  
6 bership in the Federal Reserve System;

7 “(C) the revocation of the issuer’s Federal  
8 charter; and

9 “(D) such lesser penalty as the agency de-  
10 termines appropriate.

11 “(d) PRODUCTS AND SERVICES RELATED TO  
12 STABLECOINS.—

13 “(1) DISCLOSURES.—Any person offering or  
14 providing a product or service with respect to a  
15 stablecoin, regardless of whether such person is the  
16 issuer of the stablecoin, shall clearly disclosure—

17 “(A) whether the person is the original  
18 issuer of the stablecoin; and

19 “(B) if the person is the original issuer of  
20 the stablecoin, whether—

21 “(i) the stablecoin is being held as an  
22 insured deposit; or

23 “(ii) the stablecoin is fully  
24 collateralized by reserves maintained at a  
25 Federal reserve bank.

1           “(2) USE OF THE TERM ‘DOLLAR’.—A person  
2 offering or providing a product or service with re-  
3 spect to a stablecoin may not use the term ‘dollar’  
4 or ‘dollars’ to refer to stablecoin balances unless  
5 such reference is pre-approved by either the Comp-  
6 troller of the Currency or the Board of Governors of  
7 the Federal Reserve System.

8           “(e) PRIORITIZATION UNDER DEPOSIT INSUR-  
9 ANCE.—With respect to a depositor, for purposes of deter-  
10 mining whether a deposit is an insured deposit, the Cor-  
11 poration shall first include deposits that are not  
12 stablecoins.

13           “(f) OVERSIGHT BY FEDERAL BANKING AGEN-  
14 CIES.—

15           “(1) IN GENERAL.—The appropriate Federal  
16 banking agency shall have general regulatory author-  
17 ity over an insured depository institution’s business  
18 activities related to stablecoins, including all existing  
19 regulatory powers that the agency has with respect  
20 to the institution’s business activities related to  
21 other deposits

22           “(2) CAPITAL ADEQUACY RULES.—The Federal  
23 banking agencies shall promulgate rules and stand-  
24 ards regarding the capital adequacy, leverage, liquid-  
25 ity, and permitted activities of stablecoin issuers and



1 other persons engaged in stablecoin-related activi-  
2 ties.

3 “(3) EFFECT ON OTHER RULES.—To the extent  
4 a person is subject to capital adequacy, liquidity,  
5 and other rules issued under this section, the appro-  
6 priate Federal banking agency may provide excep-  
7 tions or exemptions from similar rules issued pursu-  
8 ant to other provisions of law, if the agency deter-  
9 mines such exceptions or exemptions are appro-  
10 priate, taking into account the activities of such per-  
11 son.

12 “(g) RULE OF CONSTRUCTION.—Nothing in this sec-  
13 tion may be construed as removing any jurisdictional or  
14 regulatory authority of any Federal agency.”.

15 (c) BANKING ACT OF 1933.—Section 21 of the Bank-  
16 ing Act of 1933 (12 U.S.C. 378) is amended—

17 (1) in subsection (a)—

18 (A) in paragraph (1), by inserting after  
19 “to any extent whatever in the business of” the  
20 following: “issuing stablecoins or”; and

21 (B) in paragraph (2), by inserting after  
22 “officers, agents or employees, in the business  
23 of” the following: “issuing stablecoins or”;

24 (2) by redesignating subsection (b) as sub-  
25 section (c); and

1           (3) by inserting after subsection (a) the fol-  
2       lowing:

3       “(b) For the purposes of subsection (a), the term  
4 ‘stablecoin’ has the meaning given that term under section  
5 3 of the Federal Deposit Insurance Act (12 U.S.C.  
6 1813).”.

7       (d) RULEMAKING.—Not later than the end of the 3-  
8 month period beginning on the date of enactment of this  
9 Act, the Board of Governors of the Federal Reserve Sys-  
10 tem, the Comptroller of the Currency, and the Federal De-  
11 posit Insurance Corporation shall issue rules to carry out  
12 this Act and the amendments made by this Act.

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