

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4766
OFFERED BY MR. MCHENRY OF NORTH
CAROLINA**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Clarity for Payment
3 Stablecoins Act of 2023”.

4 SEC. 2. DEFINITIONS.

5 In this Act:

6 (1) **BANK SECRECY ACT.**—The term “Bank Se-
7 crecy Act” means—

8 (A) section 21 of the Federal Deposit In-
9 surance Act (12 U.S.C. 1829b);

10 (B) chapter 2 of title I of Public Law 91–
11 508 (12 U.S.C. 1951 et seq.); and

12 (C) subchapter II of chapter 53 of title 31,
13 United States Code.

14 (2) **BOARD.**—The term “Board” means the
15 Board of Governors of the Federal Reserve System.

16 (3) **COMPTROLLER.**—The term “Comptroller”
17 means the Comptroller of the Currency.

1 (4) CORPORATION.—The term “Corporation”
2 means the Federal Deposit Insurance Corporation.

3 (5) DIGITAL ASSET.—The term “digital asset”
4 means any digital representation of value which is
5 recorded on a cryptographically-secured distributed
6 ledger.

7 (6) DISTRIBUTED LEDGER.—The term “distrib-
8 uted ledger” means technology where data is shared
9 across a network that creates a public digital ledger
10 of verified transactions or information among net-
11 work participants and the data is linked using cryp-
12 tography to maintain the integrity of the public ledg-
13 er and execute other functions.

14 (7) FEDERAL QUALIFIED NONBANK
15 STABLECOIN ISSUER.—The term “Federal qualified
16 nonbank stablecoin issuer” means a nonbank entity
17 approved by the primary Federal payment stablecoin
18 regulator, pursuant to section 5, to issue payment
19 stablecoins.

20 (8) INSTITUTION-AFFILIATED PARTY.—With re-
21 spect to a permitted payment stablecoin issuer, the
22 term “institution-affiliated party” means any direc-
23 tor, officer, employee, or person in control of, or
24 agent for, the permitted payment stablecoin issuer.

1 (9) INSURED DEPOSITORY INSTITUTION.—The
2 term “insured depository institution” means—

3 (A) an insured depository institution, as
4 defined in section 3 of the Federal Deposit In-
5 surance Act (12 U.S.C. 1813); and

6 (B) an insured credit union, as defined in
7 section 101 of the Federal Credit Union Act
8 (12 U.S.C. 1752).

9 (10) MONETARY VALUE.—The term “monetary
10 value” means a national currency or deposit (as de-
11 fined under Section 3 of the Federal Deposit Insur-
12 ance Act) denominated in a national currency.

13 (11) NATIONAL CURRENCY.—The term “na-
14 tional currency” means a Federal Reserve note, (as
15 the term is used in the first undesignated paragraph
16 of section 16 of the Federal Reserve Act (12 U.S.C.
17 411)), money issued by a central bank, and money
18 issued by an intergovernmental organization pursu-
19 ant to an agreement by one or more governments.

20 (12) NONBANK ENTITY.—The term “nonbank
21 entity” means a person that is not an insured depos-
22 itory institution or subsidiary of an insured deposi-
23 tory institution.

24 (13) PAYMENT STABLECOIN.—The term “pay-
25 ment stablecoin”—

1 (A) means a digital asset—
2 (i) that is or is designed to be used as
3 a means of payment or settlement; and
4 (ii) the issuer of which—
5 (I) is obligated to convert, re-
6 deem, or repurchase for a fixed
7 amount of monetary value; and
8 (II) represents will maintain or
9 creates the reasonable expectation
10 that it will maintain a stable value rel-
11 ative to the value of a fixed amount of
12 monetary value; and
13 (B) that is not—
14 (i) a national currency; or
15 (ii) a security issued by an investment
16 company registered under section 8(a) of
17 the Investment Company Act of 1940 (15
18 U.S.C. 80a-8(a)).
19 (14) PERMITTED PAYMENT STABLECOIN
20 ISSUER.—The term “permitted payment stablecoin
21 issuer” means—
22 (A) a subsidiary of an insured depository
23 institution that has been approved to issue pay-
24 ment stablecoins under section 5;

1 (B) a Federal qualified nonbank payment
2 stablecoin issuer that has been approved to
3 issue payment stablecoins under section 5; or

4 (C) a State qualified payment stablecoin
5 issuer.

6 (15) PERSON.—The term “person” means an
7 individual, partnership, company, corporation, asso-
8 ciation (incorporated or unincorporated), trust, es-
9 tate, cooperative organization, or other entity.

10 (16) PRIMARY FEDERAL PAYMENT STABLECOIN
11 REGULATOR.—

12 (A) IN GENERAL.—The term “primary
13 Federal payment stablecoin regulator” means—

14 (i) with respect to an insured deposi-
15 tory institution (other than an insured
16 credit union) or a subsidiary of an insured
17 depository institution (other than an in-
18 sured credit union), the appropriate Fed-
19 eral banking agency of such insured deposi-
20 tory institution (as defined under section
21 3 of the Federal Deposit Insurance Act
22 (12 U.S.C. 1813));

23 (ii) with respect to an insured credit
24 union or a subsidiary of an insured credit

1 union, the National Credit Union Adminis-
2 tration;

3 (iii) with respect to a Federal quali-
4 fied nonbank payment stablecoin issuer
5 that is not a national bank, the Board; and

6 (iv) with respect to any entity char-
7 tered by the Comptroller, the Comptroller.

8 (B) PRIMARY FEDERAL PAYMENT
9 STABLECOIN REGULATORS.—The term “pri-
10 mary Federal payment stablecoin regulators”
11 means the Comptroller, the Board, the Corpora-
12 tion, and the National Credit Union Adminis-
13 tration.

14 (17) REGISTERED PUBLIC ACCOUNTING
15 FIRM.—The term “registered public accounting
16 firm” has the meaning given that term under section
17 2 of the Sarbanes-Oxley Act of 2002 (15 U.S.C.
18 7201).

19 (18) STATE.—The term “State” means each of
20 the several States, the District of Columbia, and
21 each territory of the United States.

22 (19) STATE QUALIFIED PAYMENT STABLECOIN
23 ISSUER.—The term “State qualified payment
24 stablecoin issuer” means an entity that—

1 (A) is legally established and approved to
2 issue payment stablecoins by a State payment
3 stablecoin regulator; and

4 (B) issues a payment stablecoin in compli-
5 ance with the requirements under section 4.

6 (20) STATE PAYMENT STABLECOIN REGU-
7 LATOR.—The term “State payment stablecoin regu-
8 lator” means a State agency that has primary regu-
9 latory and supervisory authority in such State over
10 entities that issue payment stablecoins.

11 (21) SUBSIDIARY OF AN INSURED CREDIT
12 UNION.—With respect to an insured credit union,
13 the term “subsidiary of an insured credit union”
14 means—

15 (A) an organization providing services to
16 the insured credit union that are associated
17 with the routine operations of credit unions, as
18 described under section 107(7)(I) of the Fed-
19 eral Credit Union Act (12 U.S.C. 1757(7)(I));
20 and

21 (B) a credit union service organization, as
22 such term is used under part 712 of title 12,
23 Code of Federal Regulations, with respect to
24 which the insured credit union has an owner-

1 ship interest or to which the insured credit
2 union has extended a loan.

3 **SEC. 3. LIMITATION ON WHO MAY ISSUE A PAYMENT**
4 **STABLECOIN.**

5 It shall be unlawful for any person other than a per-
6 mitted payment stablecoin issuer to issue a payment
7 stablecoin for use by any person in the United States.

8 **SEC. 4. REQUIREMENTS FOR ISSUING PAYMENT**
9 **STABLECOINS.**

10 (a) STANDARDS FOR THE ISSUANCE OF PAYMENT
11 STABLECOINS.—

12 (1) IN GENERAL.—Permitted payment
13 stablecoin issuers shall—

14 (A) maintain reserves backing the issuer's
15 payment stablecoins outstanding on an at least
16 one to one basis, with reserves comprising—

17 (i) United States coins and currency
18 (including Federal reserve notes);

19 (ii) funds held as insured demand de-
20 posits or insured shares at insured deposi-
21 tory institutions, subject to limitations es-
22 tablished by the Corporation and the Na-
23 tional Credit Union Administration, re-
24 spectively, to address safety and soundness

1 risks of such insured depository institu-
2 tions;

3 (iii) Treasury bills with a maturity of
4 90 days or less;

5 (iv) repurchase agreements with a ma-
6 turity of 7 days or less that are backed by
7 Treasury bills with a maturity of 90 days
8 or less; or

9 (v) central bank reserve deposits;

10 (B) publicly disclose the issuer's redemp-
11 tion policy;

12 (C) establish procedures for timely redemp-
13 tion of outstanding payment stablecoins; and

14 (D) publish the monthly composition of the
15 issuer's reserves on the website of the issuer,
16 containing—

17 (i) the total number of outstanding
18 payment stablecoins issued by the issuer;
19 and

20 (ii) the amount and composition of
21 the reserves described under subparagraph
22 (A).

23 (2) PROHIBITION ON REHYPOTHECATION.—Re-
24 serves described under paragraph (1)(A) may not be
25 pledged, rehypothecated, or reused, except for the

1 purpose of creating liquidity to meet reasonable ex-
2 pectations of requests to redeem payment
3 stablecoins, such that reserves in the form of Treas-
4 ury bills may be pledged as collateral for repurchase
5 agreements with a maturity of 90 days or less, pro-
6 vided that either—

7 (A) the repurchase agreements are cleared
8 by a central clearing counterparty that is ap-
9 proved by the primary Federal payment
10 stablecoin regulator; or

11 (B) the permitted payment stablecoin
12 issuer receives the prior approval of the primary
13 Federal payment stablecoin regulator.

14 (3) MONTHLY CERTIFICATION; EXAMINATION
15 OF REPORTS BY REGISTERED PUBLIC ACCOUNTING
16 FIRM.—

17 (A) IN GENERAL.—A permitted payment
18 stablecoin issuer shall, each month, have the in-
19 formation disclosed in the previous month-end
20 report required under paragraph (1)(D) exam-
21 ined by a registered public accounting firm.

22 (B) CERTIFICATION.—Each month, the
23 Chief Executive Officer and Chief Financial Of-
24 ficer of a permitted payment stablecoin issuer

1 shall submit an certification as to the accuracy
2 of the monthly report to—

3 (i) the primary Federal payment
4 stablecoin regulator; or

5 (ii) in the case of a State qualified
6 payment stablecoin issuer, to the State
7 payment stablecoin regulator.

8 (C) CRIMINAL PENALTY.—Any person who
9 submits a certification required under subpara-
10 graph (B) knowing that such certification is
11 false shall be subject to the criminal penalties
12 set forth under section 1350(c) of title 18,
13 United States Code.

14 (4) CAPITAL, LIQUIDITY, AND RISK MANAGE-
15 MENT REQUIREMENTS.—The primary Federal pay-
16 ment stablecoin regulators shall, jointly, issue—

17 (A) capital requirements applicable to per-
18 mitted payment stablecoin issuers, which may
19 not exceed what is sufficient to ensure the per-
20 mitted payment stablecoin issuer’s ongoing op-
21 erations;

22 (B) liquidity requirements applicable to
23 permitted payment stablecoin issuers, which
24 may not exceed what is sufficient to ensure the
25 financial integrity of the permitted payment

1 stablecoin issuer and the ability of the issuer to
2 meet the financial obligations of the issuer, in-
3 cluding redemptions; and

4 (C) risk management requirements appli-
5 cable to permitted payment stablecoin issuers,
6 tailored to the business model and risk profile
7 of the permitted payment stablecoin issuer.

8 (5) TREATMENT UNDER THE BANK SECRECY
9 ACT.—A permitted payment stablecoin issuer shall
10 be treated as a financial institution for purposes of
11 the Bank Secrecy Act.

12 (6) LIMITATION ON ACTIVITIES.—A permitted
13 payment stablecoin issuer may only issue payment
14 stablecoins, redeem payment stablecoins, manage re-
15 lated reserves (including purchasing and holding re-
16 serve assets), provide custodial or safekeeping serv-
17 ices for payment stablecoins or private keys of pay-
18 ment stablecoins, and undertake other functions that
19 directly support the work of issuing and redeeming
20 payment stablecoins.

21 (b) RULEMAKING.—

22 (1) IN GENERAL.—The primary Federal pay-
23 ment stablecoin regulators may issue such orders
24 and regulations as may be necessary to administer
25 and carry out the requirements of this section, in-

1 including to establish conditions, and to prevent eva-
2 sions thereof.

3 (2) JOINT ISSUANCE OF REGULATION.—All reg-
4 ulations issued to carry out this section shall be
5 issued jointly by the primary Federal payment
6 stablecoin regulators.

7 (3) RULEMAKING DEADLINE.—Not later than
8 the end of the 180-day period beginning on the date
9 of enactment of this Act, the Federal payment
10 stablecoin regulators shall issue regulations to carry
11 out this section.

12 **SEC. 5. APPROVAL OF SUBSIDIARIES OF INSURED DEPOSI-**
13 **TORY INSTITUTIONS AND FEDERAL QUALI-**
14 **FIED NONBANK PAYMENT STABLECOIN**
15 **ISSUERS.**

16 (a) IN GENERAL.—

17 (1) APPLICATION.—

18 (A) IN GENERAL.—Any insured depository
19 institution that seeks to issue payment
20 stablecoins through a subsidiary and any
21 nonbank entity (other than a State qualified
22 payment stablecoin issuer) that seeks to issue
23 payment stablecoins shall file an application
24 with the primary Federal payment stablecoin
25 regulator.

1 (B) TIMING.—With respect to an applica-
2 tion filed under this paragraph, the primary
3 Federal payment stablecoin regulator shall in-
4 form the applicant whether the applicant has
5 submitted a complete application within 45
6 days of receiving the application.

7 (C) COMPLETION OF APPLICATION.—With
8 respect to an application filed under this para-
9 graph, once the primary Federal payment
10 stablecoin regulator has informed the applicant
11 that the application is complete, such applica-
12 tion shall be deemed to be complete unless the
13 primary Federal payment stablecoin regulator
14 determines that a significant change in cir-
15 cumstances requires otherwise.

16 (2) EVALUATION OF APPLICATIONS.—A com-
17 plete application received under paragraph (1) shall
18 be evaluated by the primary Federal payment
19 stablecoin regulator using the factors described in
20 paragraph (3).

21 (3) FACTORS TO BE CONSIDERED.—The factors
22 described in this paragraph are the following:

23 (A) The ability of the applicant (or, in the
24 case of an applicant that is an insured deposi-
25 tory institution, the subsidiary of the appli-

1 cant), based on the financial condition and re-
2 sources, to meet the requirements set forth in
3 section 4.

4 (B) The general character and fitness of
5 the management of the applicant.

6 (C) The risks presented by the applicant
7 and benefits provided to consumers.

8 (4) TIMING FOR DECISION; GROUNDS FOR DE-
9 NIAL.—

10 (A) TIMING.—The primary Federal pay-
11 ment stablecoin regulator shall render a deci-
12 sion on an application no later than 120 days
13 after informing the applicant that the applica-
14 tion is complete.

15 (B) DENIAL OF APPLICATION.—

16 (i) GROUNDS FOR DENIAL.—The pri-
17 mary Federal payment stablecoin regulator
18 may only deny a complete application re-
19 ceived under paragraph (1) if the regulator
20 determines that the activities of the appli-
21 cant would be unsafe or unsound based on
22 the factors described in paragraph (3).

23 (ii) EXPLANATION REQUIRED.—If the
24 primary Federal payment stablecoin regu-
25 lator denies a complete application received

1 under paragraph (1), the regulator shall
2 provide the applicant with written notice
3 explaining such denial, including all find-
4 ings made by the regulator with respect to
5 all identified material shortcomings regard-
6 ing the application, including recommenda-
7 tions on how the applicant could address
8 the identified material shortcomings.

9 (iii) OPPORTUNITY FOR HEARING;
10 FINAL DETERMINATION.—

11 (I) IN GENERAL.—Not later than
12 30 days after the date of receipt of
13 any notice of the denial of an applica-
14 tion under this subsection, the appli-
15 cant may request, in writing, an op-
16 portunity for a written or oral hearing
17 before the primary Federal payment
18 stablecoin regulator to appeal the de-
19 nial.

20 (II) TIMING.—Upon receipt of a
21 timely request, the primary Federal
22 payment stablecoin regulator shall no-
23 tice a time (not later than 30 days
24 after the date of receipt of the re-
25 quest) and place at which the appli-

1 cant may appear, personally or
2 through counsel, to submit written
3 materials or provide oral testimony
4 and oral argument).

5 (III) FINAL DETERMINATION.—
6 Not later than 60 days after the date
7 of a hearing under this clause, the
8 primary Federal payment stablecoin
9 regulator shall notify the applicant of
10 the final determination of the primary
11 Federal payment stablecoin regulator,
12 which shall contain a statement of the
13 basis for that determination, with spe-
14 cific findings.

15 (IV) NOTICE IF NO HEARING.—If
16 an applicant does not make a timely
17 request for a hearing under this
18 clause, the primary Federal payment
19 stablecoin regulator shall notify the
20 applicant, not later than 10 days after
21 the date by which the applicant may
22 request a hearing under this clause, in
23 writing, that the denial of the applica-
24 tion is a final determination of the
25 regulator.

1 (C) FAILURE TO RENDER A DECISION.—If
2 the primary Federal payment stablecoin regu-
3 lator fails to render a decision on a complete
4 application within the time period specified in
5 subparagraph (A), the application shall be
6 deemed approved.

7 (D) RIGHT TO REAPPLY.—The denial of
8 an application under this subsection shall not
9 prohibit the applicant from filing a subsequent
10 application.

11 (5) REPORT ON PENDING APPLICATIONS.—
12 Each primary Federal payment stablecoin regulator
13 shall annually report to Congress on the applications
14 that have been pending for 6 months or longer since
15 the date of the initial application filed under para-
16 graph (1) where the applicant has been informed
17 that the application remains incomplete, including
18 providing documentation on the status of the appli-
19 cation and why the application has not yet been ap-
20 proved.

21 (6) RULEMAKING.—The primary Federal regu-
22 latory agencies shall, jointly, issue rules necessary
23 for the regulation of the issuance of payment
24 stablecoins, but may not impose requirements incon-

1 sistent with the requirements specified under section
2 4.

3 (b) EFFECTIVE DATE.—

4 (1) IN GENERAL.—This section shall take effect
5 on the earlier of—

6 (A) 18 months after the date of enactment
7 of this Act; or

8 (B) the date that is 120 days after the
9 date on which the primary Federal payment
10 stablecoin regulators issue final regulations im-
11 plementing this section.

12 (2) AUTHORITY TO ISSUE REGULATIONS AND
13 PROCESS APPLICATIONS.—The primary Federal pay-
14 ment stablecoin regulators may, before the effective
15 date described under paragraph (1)—

16 (A) issue regulations to carry out this sec-
17 tion; and

18 (B) pursuant to regulations described
19 under subparagraph (A), accept and process ap-
20 plications described under this section.

21 (3) NOTICE TO CONGRESS.—Each of the pri-
22 mary Federal payment stablecoin regulators shall
23 notify Congress once beginning to process applica-
24 tions described under this section.

1 (4) SAFE HARBOR FOR PENDING APPLICA-
2 TIONS.—The primary Federal payment stablecoin
3 regulator may waive the application of the require-
4 ments of this section for a period not to exceed 12
5 months beginning on the effective date described
6 under paragraph (1), with respect to—

7 (A) a subsidiary of an insured depository
8 institution, if the insured depository institution
9 has an application pending for the subsidiary to
10 become a permitted payment stablecoin issuer
11 on the effective date described under paragraph
12 (1); or

13 (B) a nonbank entity with an application
14 pending to become a Federal qualified nonbank
15 stablecoin issuer on the effective date described
16 under paragraph (1).

17 **SEC. 6. SUPERVISION AND ENFORCEMENT WITH RESPECT**
18 **TO SUBSIDIARIES OF INSURED DEPOSITORY**
19 **INSTITUTIONS AND FEDERAL QUALIFIED**
20 **NONBANK STABLECOIN ISSUERS.**

21 (a) SUPERVISION.—

22 (1) SUBSIDIARY OF AN INSURED DEPOSITORY
23 INSTITUTION.—

24 (A) IN GENERAL.—Each permitted pay-
25 ment stablecoin issuer that is a subsidiary of an

1 insured depository institution shall be subject to
2 supervision by the primary Federal payment
3 stablecoin regulator in the same manner as
4 such insured depository institution.

5 (B) GRAMM-LEACH-BLILEY ACT.—For
6 purposes of title V of the Gramm-Leach-Bliley
7 Act (15 U.S.C. 6801 et seq.) each permitted
8 payment stablecoin issuer that is a subsidiary
9 of an insured depository institution shall be
10 deemed a financial institution.

11 (2) FEDERAL QUALIFIED NONBANK PAYMENT
12 STABLECOIN ISSUER.—

13 (A) SUBMISSION OF REPORTS.—Each Fed-
14 eral qualified nonbank payment stablecoin
15 issuer shall, upon request, submit reports to the
16 primary Federal payment stablecoin regulator
17 as to—

18 (i) the Federal qualified nonbank pay-
19 ment stablecoin issuer's financial condition,
20 systems for monitoring and controlling fi-
21 nancial and operating risks; and

22 (ii) compliance by the Federal quali-
23 fied nonbank payment stablecoin issuer
24 (and any subsidiary thereof) with this Act.

1 (B) EXAMINATIONS.—The primary Fed-
2 eral payment stablecoin regulator may make ex-
3 aminations of a Federal qualified nonbank pay-
4 ment stablecoin issuer and each subsidiary of a
5 Federal qualified nonbank stablecoin issuer in
6 order to inform the regulator of—

7 (i) the nature of the operations and fi-
8 nancial condition of the Federal qualified
9 nonbank stablecoin issuer;

10 (ii) the financial, operational, and
11 other risks within the Federal qualified
12 nonbank stablecoin issuer that may pose a
13 threat to—

14 (I) the safety and soundness of
15 the Federal qualified nonbank
16 stablecoin issuer; or

17 (II) the stability of the financial
18 system of the United States; and

19 (iii) the systems of the Federal quali-
20 fied nonbank payment stablecoin issuer for
21 monitoring and controlling the risks de-
22 scribed in clause (ii).

23 (C) REQUIREMENT TO USE EXISTING RE-
24 PORTS.—In supervising and examining a Fed-
25 eral qualified nonbank payment stablecoin

1 issuer, the primary Federal payment stablecoin
2 regulator shall, to the fullest extent possible,
3 use existing reports and other supervisory infor-
4 mation.

5 (D) AVOIDANCE OF DUPLICATION.—The
6 primary Federal payment stablecoin regulator
7 shall, to the fullest extent possible, avoid dupli-
8 cation of examination activities, reporting re-
9 quirements, and requests for information in
10 carrying out this Act with respect to a Federal
11 qualified nonbank payment stablecoin issuer.

12 (E) GRAMM-LEACH-BLILEY ACT.—For
13 purposes of title V of the Gramm-Leach-Bliley
14 Act (15 U.S.C. 6801 et seq.) each Federal
15 qualified nonbank stablecoin issuer shall be
16 deemed a financial institution.

17 (b) ENFORCEMENT.—

18 (1) SUSPENSION OR REVOCATION OF REGISTRA-
19 TION.—The primary Federal payment stablecoin
20 regulator may prohibit a permitted payment
21 stablecoin issuer from issuing payment stablecoins, if
22 the primary Federal payment stablecoin regulator
23 determines that such permitted payment stablecoin
24 issuer, or an institution-affiliated party of the per-
25 mitted payment stablecoin issuer, is—

1 (A) violating or has violated this Act or
2 any regulation or order issued under this Act;
3 or

4 (B) violating or has violated any condition
5 imposed in writing by the primary Federal pay-
6 ment stablecoin regulator in connection with a
7 written agreement entered into between the per-
8 mitted payment stablecoin issuer and the pri-
9 mary Federal payment stablecoin regulator or a
10 condition imposed in connection with any appli-
11 cation or other request.

12 (2) CEASE-AND-DESIST PROCEEDINGS.—If the
13 primary Federal payment stablecoin regulator has
14 reasonable cause to believe that a permitted payment
15 stablecoin issuer or any institution-affiliated party of
16 a permitted payment stablecoin issuer is violating,
17 has violated, or is attempting to violate this Act, any
18 regulation or order issued under this Act, or any
19 written agreement entered into with the primary
20 Federal payment stablecoin regulator or condition
21 imposed in writing by the primary Federal payment
22 stablecoin regulator in connection with any applica-
23 tion or other request, the primary Federal payment
24 stablecoin regulator may, by provisions that are
25 mandatory or otherwise, order the permitted pay-

1 ment stablecoin issuer or institution-affiliated party
2 of the permitted payment stablecoin issuer to—

3 (A) cease and desist from such violation or
4 practice;

5 (B) take affirmative action to correct the
6 conditions resulting from any such violation or
7 practice; or

8 (C) take such other action as the primary
9 Federal payment stablecoin regulator deter-
10 mines to be appropriate.

11 (3) REMOVAL AND PROHIBITION AUTHORITY.—

12 The primary Federal payment stablecoin regulator
13 may remove an institution-affiliated party of a per-
14 mitted payment stablecoin issuer from their position
15 or office or prohibit further participation in the af-
16 fairs of the permitted payment stablecoin issuer or
17 all permitted payment stablecoin issuers by such in-
18 stitution-affiliated party, if the primary Federal pay-
19 ment stablecoin regulator determines that—

20 (A) the institution-affiliated party has, di-
21 rectly or indirectly, committed a violation or at-
22 tempted violation of this Act or any regulation
23 or order issued under this Act; or

24 (B) the institution-affiliated party has
25 committed a violation of any provision of sub-

1 chapter II of chapter 53 of title 31, United
2 States Code.

3 (4) PROCEDURES.—

4 (A) IN GENERAL.—If the primary Federal
5 payment stablecoin regulator identifies a viola-
6 tion or attempted violation of this Act or makes
7 a determination under paragraph (1), (2), or
8 (3), the primary Federal payment stablecoin
9 regulator shall comply with the procedures set
10 forth in subsections (b) and (e) of sections 8 of
11 the Federal Deposit Insurance Act (12 U.S.C.
12 1818).

13 (B) JUDICIAL REVIEW.—A person ag-
14 grieved by a final action under this subsection
15 may obtain judicial review of such action exclu-
16 sively as provided in section 8(h) of the Federal
17 Deposit Insurance Act (12 U.S.C. 1818(h)).

18 (C) INJUNCTION.—The primary Federal
19 payment stablecoin regulator may, in the dis-
20 cretion of the regulator, follow the procedures
21 provided in section 8(i)(1) of the Federal De-
22 posit Insurance Act (12 U.S.C. 1818(i)(1)) for
23 judicial enforcement of any effective and out-
24 standing notice or order issued under this sub-
25 section.

1 (D) TEMPORARY CEASE-AND-DESIST PRO-
2 CEEDINGS.—If the primary Federal payment
3 stablecoin regulator determines that a violation
4 or attempted violation of this Act or an action
5 with respect to which a determination was made
6 under paragraph (1), (2), or (3), or the con-
7 tinuation thereof, is likely to cause insolvency or
8 significant dissipation of assets or earnings of a
9 permitted payment stablecoin issuer, or is likely
10 to weaken the condition of the permitted pay-
11 ment stablecoin issuer or otherwise prejudice
12 the interests of the customers of the permitted
13 payment stablecoin issuer prior to the comple-
14 tion the proceedings conducted under this para-
15 graph, the primary Federal payment stablecoin
16 regulator may follow the procedures provided in
17 section 8(c) of the Federal Deposit Insurance
18 Act (12 U.S.C. 1818(c)) to issue a temporary
19 cease-and-desist order.

20 (5) CIVIL MONEY PENALTIES.—

21 (A) FAILURE TO BE APPROVED.—Any per-
22 son who issues a payment stablecoin and who is
23 not a permitted payment stablecoin issuer, and
24 any institution-affiliated party of such a person
25 who knowingly participates in issuing such a

1 payment stablecoin, shall be liable for a civil
2 penalty of not more than \$100,000 for each day
3 during which such payment stablecoins are
4 issued.

5 (B) FIRST TIER.—Except as provided in
6 subparagraph (A), a permitted payment
7 stablecoin issuer or institution-affiliated party
8 of such permitted payment stablecoin issuer
9 that violates this Act or any regulation or order
10 issued under this Act, or that violates any con-
11 dition imposed in writing by the primary Fed-
12 eral payment stablecoin regulator in connection
13 with a written agreement entered into between
14 the permitted payment stablecoin issuer and the
15 primary Federal payment stablecoin regulator
16 or a condition imposed in connection with any
17 application or other request, shall be liable for
18 a civil penalty of up to \$100,000 for each day
19 during which the violation continues.

20 (C) SECOND TIER.—Except as provided in
21 subparagraph (A), and in addition to the pen-
22 alties described under subparagraph (B), a per-
23 mitted payment stablecoin issuer or institution-
24 affiliated party of such permitted payment
25 stablecoin issuer who knowingly participates in

1 a violation of any provision of this Act, or any
2 regulation or order issued thereunder, is liable
3 for a civil penalty of up to an additional
4 \$100,000 for each day during which the viola-
5 tion continues.

6 (D) PROCEDURE.—Any penalty imposed
7 under this paragraph may be assessed and col-
8 lected by the primary Federal payment
9 stablecoin regulator pursuant to the procedures
10 set forth in section 8(i)(2) of the Federal De-
11 posit Insurance Act (12 U.S.C. 1818(i)(2)).

12 (E) NOTICE AND ORDERS AFTER SEPARA-
13 TION FROM SERVICE.—The resignation, termi-
14 nation of employment or participation, or sepa-
15 ration of an institution-affiliated party (includ-
16 ing a separation caused by the closing of a per-
17 mitted payment stablecoin issuer) shall not af-
18 fect the jurisdiction and authority of the pri-
19 mary Federal payment stablecoin regulator to
20 issue any notice or order and proceed under
21 this subsection against any such party, if such
22 notice or order is served before the end of the
23 six-year period beginning on the date such
24 party ceased to be an institution-affiliated party

1 with respect to such permitted payment
2 stablecoin issuer.

3 (6) NON-APPLICABILITY TO A STATE QUALI-
4 FIED PAYMENT STABLECOIN ISSUER.—This sub-
5 section shall not apply to a State qualified payment
6 stablecoin issuer.

7 **SEC. 7. STATE QUALIFIED PAYMENT STABLECOIN ISSUERS.**

8 (a) IN GENERAL.—A State payment stablecoin regu-
9 lator shall have supervisory, examination, and enforcement
10 authority over a State qualified payment stablecoin issuer
11 of such State.

12 (b) AUTHORITY TO ENTER INTO AGREEMENTS
13 WITH THE BOARD.—A State payment stablecoin regu-
14 lator may enter into a memorandum of understanding
15 with the Board, by mutual agreement, under which the
16 Board may carry out the supervision, examination, and
17 enforcement authority with respect to the State qualified
18 payment stablecoin issuers of such State.

19 (c) SHARING OF INFORMATION.—A State payment
20 stablecoin regulator and the Board shall share information
21 on an ongoing basis with respect to a State qualified pay-
22 ment stablecoin issuer of such State, including a copy of
23 the initial application and any accompanying documents.

24 (d) RULEMAKING.—The Board shall issue orders and
25 rules under section 4 applicable to State qualified payment

1 stablecoin issuers to the same extent as the primary Fed-
2 eral payment stablecoin regulators issue orders and rules
3 under section 4 applicable to permitted payment stablecoin
4 issuers that are not a State qualified payment stablecoin
5 issuers.

6 (e) BOARD ENFORCEMENT AUTHORITY IN EXIGENT
7 CIRCUMSTANCES.—

8 (1) IN GENERAL.—In exigent circumstances,
9 the Board may, after no less than 48 hours prior
10 written notice to the applicable State payment
11 stablecoin regulator, take an enforcement action
12 against a State qualified payment stablecoin issuer
13 or an institution-affiliated party of such issuer for
14 violations of this Act.

15 (2) RULEMAKING.—Not later than the end of
16 the 180-day period beginning on the date of enact-
17 ment of this Act, the Board shall issue rules to set
18 forth those exigent circumstances in which the
19 Board may act under this subsection.

20 (f) GRAMM-LEACH-BLILEY ACT.—For purposes of
21 title V of the Gramm-Leach-Bliley Act (15 U.S.C. 6801
22 et seq.) a State qualified payment stablecoin issuer is
23 deemed a financial institution.

1 (g) EFFECT ON STATE LAW.—The provisions of this
2 section do not preempt any law of a State and do not su-
3 percede any State licensing requirement.

4 **SEC. 8. CUSTOMER PROTECTION.**

5 (a) IN GENERAL.—A person may only engage in the
6 business of providing custodial or safekeeping services for
7 permitted payment stablecoins or private keys of per-
8 mitted payment stablecoins, if the person—

9 (1) is subject to—

10 (A) supervision or regulation by a primary
11 Federal payment stablecoin regulator or a pri-
12 mary financial regulatory agency described
13 under subparagraph (B) or (C) of section 2(12)
14 of the Dodd-Frank Wall Street Reform and
15 Consumer Protection Act (12 U.S.C.
16 5301(12)); or

17 (B) supervision by a State bank super-
18 visor, as defined under section 3 of the Federal
19 Deposit Insurance Act (12 U.S.C. 1813) or a
20 State credit union supervisor, as defined under
21 section 6003 of the Anti-Money Laundering Act
22 of 2020, and such state bank supervisor or
23 state credit union supervisor makes available to
24 the Board such information as the Board deter-

1 mines necessary and relevant to the categories
2 of information under subsection (d); and

3 (2) complies with the segregation requirements
4 under subsection (b), unless such person complies
5 with similar requirements as required by a primary
6 Federal payment stablecoin regulator, the Securities
7 and Exchange Commission, or the Commodity Fu-
8 tures Trading Commission.

9 (b) SEGREGATION REQUIREMENT.—A person de-
10 scribed in subsection (a) shall—

11 (1) treat and deal with the payment stablecoins,
12 private keys, cash, and other property of a person
13 for whom or on whose behalf the person receives, ac-
14 quires, or holds payment stablecoins, private keys,
15 cash, and other property (hereinafter in this section
16 referred to as the “customer”) as belonging to such
17 customer; and

18 (2) take such steps as are appropriate to pro-
19 tect the payment stablecoins, private keys, cash, and
20 other property of a customer from the claims of
21 creditors of the person.

22 (c) COMMINGLING PROHIBITED.—

23 (1) IN GENERAL.—Payment stablecoins, cash,
24 and other property of a customer shall be separately
25 accounted for by a person described in subsection

1 (a) and shall not be commingled with the funds of
2 the person.

3 (2) EXCEPTION.—Notwithstanding paragraph
4 (1)—

5 (A) the payment stablecoins, cash, and
6 other property of a customer may, for conven-
7 ence, be commingled and deposited in an omni-
8 bus account holding the payment stablecoins,
9 cash, and other property of more than one cus-
10 tomer at an insured depository institution or
11 trust company;

12 (B) such share of the payment stablecoins,
13 cash, and other property of the customer that
14 shall be necessary to transfer, adjust, or settle
15 a transaction or transfer of assets may be with-
16 drawn and applied to such purposes, including
17 the payment of commissions, taxes, storage,
18 and other charges lawfully accruing in connec-
19 tion with the provision of services by a person
20 described in subsection (a); and

21 (C) in accordance with such terms and
22 conditions as the Board may prescribe by rule,
23 regulation, or order, any customer payment
24 stablecoin, cash, and other property described
25 in this subsection may be commingled and de-

1 posited in customer accounts with payment
2 stablecoins, cash, and other property received
3 by the person and required by the Board to be
4 separately accounted for, treated, and dealt
5 with as belonging to customers.

6 (d) **REGULATORY INFORMATION.**—A person de-
7 scribed under subsection (a) shall submit to the Board in-
8 formation concerning the person’s business operations and
9 processes to protect customer assets, in such form and
10 manner as the Board shall determine.

11 (e) **EXCLUSION.**—The requirements of this section
12 shall not apply to any person solely on the basis that such
13 person engages in the business of providing hardware or
14 software to facilitate a customer’s own custody or safe-
15 keeping of the customer’s payment stablecoins or private
16 keys.

17 **SEC. 9. INTEROPERABILITY STANDARDS.**

18 The primary Federal payment stablecoin regulators,
19 in consultation with the National Institute of Standards
20 and Technology, other relevant standard setting organiza-
21 tions, and State governments, shall assess and, if nec-
22 essary, may, pursuant to section 553 of title 5 and in a
23 manner consistent with the National Technology Transfer
24 and Advancement Act of 1995 (Public Law 104–113),

1 prescribe standards for payment stablecoin issuers to pro-
2 mote compatibility and interoperability.

3 **SEC. 10. MORATORIUM ON ENDOGENOUSLY**
4 **COLLATERALIZED STABLECOINS.**

5 (a) MORATORIUM.—During the 2-year period begin-
6 ning on the date of enactment of this Act, it shall be un-
7 lawful to issue, create, or originate an endogenously
8 collateralized stablecoin not in existence on the date of en-
9 actment of this Act.

10 (b) STUDY BY TREASURY.—

11 (1) STUDY.—The Secretary of the Treasury, in
12 consultation with the Board, the Comptroller, the
13 Corporation, and the Securities and Exchange Com-
14 mission, shall carry out a study of endogenously
15 collateralized stablecoins.

16 (2) REPORT.—Not later than 365 days after
17 the date of the enactment of this Act, the Secretary
18 shall provide to the Committee on Financial Services
19 of the House of Representatives and the Committee
20 on Banking, Housing, and Urban Affairs of the Sen-
21 ate a report that contains all findings made in car-
22 rying out the study under subsection (a), including
23 an analysis of—

1 (A) the categories of non-payment
2 stablecoins, including the benefits and risks of
3 technological design features;

4 (B) the participants in non-payment
5 stablecoin arrangements;

6 (C) utilization and potential utilization of
7 non-payment stablecoins;

8 (D) nature of reserve compositions;

9 (E) types of algorithms being employed;

10 (F) governance structure, including aspects
11 of decentralization;

12 (G) nature of public promotion and adver-
13 tising; and

14 (H) clarity and availability of consumer
15 notices disclosures.

16 (c) ENDOGENOUSLY COLLATERALIZED STABLECOIN
17 DEFINED.—In this section, the term “endogenously
18 collateralized stablecoin” means any digital asset—

19 (1) in which its originator has represented will
20 be converted, redeemed, or repurchased for a fixed
21 amount of monetary value; and

22 (2) that relies solely on the value of another
23 digital asset created or maintained by the same
24 originator to maintain the fixed price.

1 **SEC. 11. REPORT ON RULEMAKING STATUS.**

2 Not later than 6 months after the date of enactment
3 of this Act, the primary Federal payment stablecoin regu-
4 lators shall provide a status update on the development
5 of the rulemaking under this Act to the Committee on Fi-
6 nancial Services of the House of Representatives and the
7 Committee on Banking, Housing, and Urban Affairs of
8 the Senate.

9 **SEC. 12. AUTHORITY OF BANKING INSTITUTIONS.**

10 (a) **RULE OF CONSTRUCTION.**—Nothing in this Act
11 may be construed to limit the authority of a depository
12 institution, Federal credit union, State credit union, or
13 trust company to engage in activities permissible pursuant
14 to applicable State and Federal law, including—

15 (1) accepting or receiving deposits and issuing
16 digital assets that represent deposits;

17 (2) utilizing a distributed ledger for the books
18 and records of the entity and to affect intrabank
19 transfers; and

20 (3) providing custodial services for payment
21 stablecoins, private keys of payment stablecoins, or
22 reserves backing payment stablecoins.

23 (b) **TREATMENT OF CUSTODY ACTIVITIES.**—The ap-
24 propriate Federal banking agency (as defined under sec-
25 tion 3 of the Federal Deposit Insurance Act (12 U.S.C.
26 1813)), the National Credit Union Administration (in the

1 case of a credit union), and the Securities and Exchange
2 Commission may not require a depository institution, na-
3 tional bank, Federal credit union, State credit union, or
4 trust company, or any affiliate thereof—

5 (1) to include assets held in custody as a liabil-
6 ity on any financial statement or balance sheet, in-
7 cluding payment stablecoin custody or safekeeping
8 activities;

9 (2) to hold additional regulatory capital against
10 assets in custody or safekeeping, except as necessary
11 to mitigate against operational risks inherent with
12 the custody or safekeeping services, as determined
13 by—

14 (A) the appropriate Federal banking agen-
15 cy;

16 (B) the National Credit Union Administra-
17 tion (in the case of a credit union);

18 (C) a State bank supervisor (as defined
19 under section 3 of the Federal Deposit Insur-
20 ance Act (12 U.S.C. 1813)); or

21 (D) a State credit union supervisor (as de-
22 fined under section 6003 of the Anti-Money
23 Laundering Act of 2020);

24 (3) to recognize a liability for any obligations
25 related to activities or services performed for digital

1 assets that the entity does not own if that liability
2 would exceed the expense recognized in the income
3 statement as a result of the corresponding obliga-
4 tion.

5 (c) DEFINITIONS.—In this section:

6 (1) DEPOSITORY INSTITUTION.—The terms
7 “depository institution” has the meaning given that
8 term under section 3 of the Federal Deposit Insur-
9 ance Act.

10 (2) CREDIT UNION TERMS.—The terms “Fed-
11 eral credit union” and “State credit union” have the
12 meaning given those terms, respectively, under sec-
13 tion 101 of the Federal Credit Union Act.

14 **SEC. 13. CLARIFYING THAT PAYMENT STABLECOINS ARE**
15 **NOT SECURITIES OR COMMODITIES.**

16 (a) INVESTMENT ADVISERS ACT OF 1940.—Section
17 202(a)(18) of the Investment Advisers Act of 1940 (15
18 U.S.C. 80b–2(a)(18)) is amended by adding at the end
19 the following: “The term ‘security’ does not include a pay-
20 ment stablecoin issued by a permitted payment stablecoin
21 issuer, as such terms are defined, respectively, in section
22 2 of the Clarity for Payment Stablecoins Act of 2023.”.

23 (b) INVESTMENT COMPANY ACT OF 1940.—Section
24 2(a)(36) of the Investment Company Act of 1940 (15
25 U.S.C. 80a–2(a)(36)) is amended by adding at the end

1 the following: “The term ‘security’ does not include a pay-
2 ment stablecoin issued by a permitted payment stablecoin
3 issuer, as such terms are defined, respectively, in section
4 2 of the Clarity for Payment Stablecoins Act of 2023.”.

5 (c) SECURITIES ACT OF 1933.—Section 2(a)(1) of
6 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is
7 amended by adding at the end the following: “The term
8 ‘security’ does not include a payment stablecoin issued by
9 a permitted payment stablecoin issuer, as such terms are
10 defined, respectively, in section 2 of the Clarity for Pay-
11 ment Stablecoins Act of 2023.”.

12 (d) SECURITIES EXCHANGE ACT OF 1934.—Section
13 3(a)(10) of the Securities Exchange Act of 1934 (15
14 U.S.C. 78c(a)(10)) is amended by adding at the end the
15 following: “The term ‘security’ does not include a payment
16 stablecoin issued by a permitted payment stablecoin
17 issuer, as such terms are defined, respectively, in section
18 2 of the Clarity for Payment Stablecoins Act of 2023.”.

19 (e) SECURITIES INVESTOR PROTECTION ACT OF
20 1970.—Section 16(14) of the Securities Investor Protec-
21 tion Act of 1970 (15 U.S.C. 78lll(14)) is amended by add-
22 ing at the end the following: “The term ‘security’ does
23 not include a payment stablecoin issued by a permitted
24 payment stablecoin issuer, as such terms are defined, re-

1 spectively, in section 2 of the Clarity for Payment
2 Stablecoins Act of 2023.”.

