

Union Calendar No. 408

118TH CONGRESS
2^D SESSION

H. R. 4766

[Report No. 118-492]

To provide for the regulation of payment stablecoins, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 2023

Mr. MCHENRY introduced the following bill; which was referred to the
Committee on Financial Services

MAY 7, 2024

Additional sponsor: Mr. TORRES of New York

MAY 7, 2024

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

[For text of introduced bill, see copy of bill as introduced on July 20, 2023]

A BILL

To provide for the regulation of payment 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 “Clarity for Payment*
5 *Stablecoins Act of 2023”.*

6 **SEC. 2. DEFINITIONS.**

7 *In this Act:*

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

10 (A) *section 21 of the Federal Deposit Insur-*
11 *ance Act (12 U.S.C. 1829b);*

12 (B) *chapter 2 of title I of Public Law 91–*
13 *508 (12 U.S.C. 1951 et seq.); and*

14 (C) *subchapter II of chapter 53 of title 31,*
15 *United States Code.*

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

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

20 (4) *CORPORATION.*—*The term “Corporation”*
21 *means the Federal Deposit Insurance Corporation.*

22 (5) *DIGITAL ASSET.*—*The term “digital asset”*
23 *means any digital representation of value which is re-*
24 *corded on a cryptographically-secured distributed*
25 *ledger.*

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

8 (7) *FEDERAL QUALIFIED NONBANK STABLECOIN*
9 *ISSUER.*—The term “Federal qualified nonbank
10 stablecoin issuer” means a nonbank entity approved
11 by the primary Federal payment stablecoin regulator,
12 pursuant to section 5, to issue payment stablecoins.

13 (8) *INSTITUTION-AFFILIATED PARTY.*—With re-
14 spect to a permitted payment stablecoin issuer, the
15 term “institution-affiliated party” means any direc-
16 tor, officer, employee, or person in control of, or agent
17 for, the permitted payment stablecoin issuer.

18 (9) *INSURED DEPOSITORY INSTITUTION.*—The
19 term “insured depository institution” means—

20 (A) an insured depository institution, as
21 defined in section 3 of the Federal Deposit Insur-
22 ance Act (12 U.S.C. 1813); and

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

1 (10) *MONETARY VALUE.*—*The term “monetary*
2 *value” means a national currency or deposit (as de-*
3 *defined under Section 3 of the Federal Deposit Insur-*
4 *ance Act) denominated in a national currency.*

5 (11) *NATIONAL CURRENCY.*—*The term “national*
6 *currency” means a Federal Reserve note, (as the term*
7 *is used in the first undesignated paragraph of section*
8 *16 of the Federal Reserve Act (12 U.S.C. 411)),*
9 *money issued by a central bank, and money issued by*
10 *an intergovernmental organization pursuant to an*
11 *agreement by one or more governments.*

12 (12) *NONBANK ENTITY.*—*The term “nonbank en-*
13 *tity” means a person that is not an insured deposi-*
14 *tory institution or subsidiary of an insured deposi-*
15 *tory institution.*

16 (13) *PAYMENT STABLECOIN.*—*The term “pay-*
17 *ment stablecoin” means a digital asset—*

18 (A) *that is or is designed to be used as a*
19 *means of payment or settlement;*

20 (B) *the issuer of which—*

21 (i) *is obligated to convert, redeem, or*
22 *repurchase for a fixed amount of monetary*
23 *value; and*

24 (ii) *represents will maintain or creates*
25 *the reasonable expectation that it will*

1 *maintain a stable value relative to the value*
2 *of a fixed amount of monetary value; and*
3 *(C) that is not—*

4 *(i) a national currency; or*

5 *(ii) a security issued by an investment*
6 *company registered under section 8(a) of the*
7 *Investment Company Act of 1940 (15*
8 *U.S.C. 80a–8(a)).*

9 (14) *PERMITTED PAYMENT STABLECOIN*
10 *ISSUER.—The term “permitted payment stablecoin*
11 *issuer” means—*

12 *(A) a subsidiary of an insured depository*
13 *institution that has been approved to issue pay-*
14 *ment stablecoins under section 5;*

15 *(B) a Federal qualified nonbank payment*
16 *stablecoin issuer that has been approved to issue*
17 *payment stablecoins under section 5; or*

18 *(C) a State qualified payment stablecoin*
19 *issuer.*

20 (15) *PERSON.—The term “person” means an in-*
21 *dividual, partnership, company, corporation, associa-*
22 *tion (incorporated or unincorporated), trust, estate,*
23 *cooperative organization, or other entity.*

24 (16) *PRIMARY FEDERAL PAYMENT STABLECOIN*
25 *REGULATOR.—*

1 (A) *IN GENERAL.*—The term “primary Fed-
2 eral payment stablecoin regulator” means—

3 (i) with respect to an insured deposi-
4 tory institution (other than an insured
5 credit union) or a subsidiary of an insured
6 depository institution (other than an in-
7 sured credit union), the appropriate Federal
8 banking agency of such insured depository
9 institution (as defined under section 3 of
10 the Federal Deposit Insurance Act (12
11 U.S.C. 1813));

12 (ii) with respect to an insured credit
13 union or a subsidiary of an insured credit
14 union, the National Credit Union Adminis-
15 tration;

16 (iii) with respect to a Federal qualified
17 nonbank payment stablecoin issuer that is
18 not a national bank, the Board; and

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

21 (B) *PRIMARY FEDERAL PAYMENT*
22 *STABLECOIN REGULATORS.*—The term “primary
23 Federal payment stablecoin regulators” means
24 the Comptroller, the Board, the Corporation, and
25 the National Credit Union Administration.

1 (17) *REGISTERED PUBLIC ACCOUNTING FIRM.*—
2 The term “registered public accounting firm” has the
3 meaning given that term under section 2 of the Sar-
4 banes-Oxley Act of 2002 (15 U.S.C. 7201).

5 (18) *STATE.*—The term “State” means each of
6 the several States, the District of Columbia, and each
7 territory of the United States.

8 (19) *STATE QUALIFIED PAYMENT STABLECOIN*
9 *ISSUER.*—The term “State qualified payment
10 stablecoin issuer” means an entity that—

11 (A) is legally established and approved to
12 issue payment stablecoins by a State payment
13 stablecoin regulator; and

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

16 (20) *STATE PAYMENT STABLECOIN REGU-*
17 *LATOR.*—The term “State payment stablecoin regu-
18 lator” means a State agency that has primary regu-
19 latory and supervisory authority in such State over
20 entities that issue payment stablecoins.

21 (21) *SUBSIDIARY OF AN INSURED CREDIT*
22 *UNION.*—With respect to an insured credit union, the
23 term “subsidiary of an insured credit union”
24 means—

1 (A) an organization providing services to
 2 the insured credit union that are associated with
 3 the routine operations of credit unions, as de-
 4 scribed under section 107(7)(I) of the Federal
 5 Credit Union Act (12 U.S.C. 1757(7)(I)); and

6 (B) a credit union service organization, as
 7 such term is used under part 712 of title 12,
 8 Code of Federal Regulations, with respect to
 9 which the insured credit union has an ownership
 10 interest or to which the insured credit union has
 11 extended a loan.

12 **SEC. 3. LIMITATION ON WHO MAY ISSUE A PAYMENT**

13 **STABLECOIN.**

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

17 **SEC. 4. REQUIREMENTS FOR ISSUING PAYMENT**

18 **STABLECOINS.**

19 (a) **STANDARDS FOR THE ISSUANCE OF PAYMENT**
 20 **STABLECOINS.**—

21 (1) **IN GENERAL.**—Permitted payment stablecoin
 22 issuers shall—

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

1 (i) *United States coins and currency*
2 *(including Federal reserve notes);*

3 (ii) *funds held as insured demand de-*
4 *posits or insured shares at insured depository*
5 *institutions, subject to limitations es-*
6 *tablished by the Corporation and the Na-*
7 *tional Credit Union Administration, respec-*
8 *tively, to address safety and soundness risks*
9 *of such insured depository institutions;*

10 (iii) *Treasury bills with a maturity of*
11 *90 days or less;*

12 (iv) *repurchase agreements with a ma-*
13 *turity of 7 days or less that are backed by*
14 *Treasury bills with a maturity of 90 days*
15 *or less; or*

16 (v) *central bank reserve deposits;*

17 (B) *publicly disclose the issuer's redemption*
18 *policy;*

19 (C) *establish procedures for timely redemp-*
20 *tion of outstanding payment stablecoins; and*

21 (D) *publish the monthly composition of the*
22 *issuer's reserves on the website of the issuer, con-*
23 *taining—*

1 (i) *the total number of outstanding*
2 *payment stablecoins issued by the issuer;*
3 *and*

4 (ii) *the amount and composition of the*
5 *reserves described under subparagraph (A).*

6 (2) *PROHIBITION ON REHYPOTHECATION.—Re-*
7 *serves described under paragraph (1)(A) may not be*
8 *pledged, rehypothecated, or reused, except for the pur-*
9 *pose of creating liquidity to meet reasonable expecta-*
10 *tions of requests to redeem payment stablecoins, such*
11 *that reserves in the form of Treasury bills may be*
12 *pledged as collateral for repurchase agreements with*
13 *a maturity of 90 days or less, provided that either—*

14 (A) *the repurchase agreements are cleared*
15 *by a central clearing counterparty that is ap-*
16 *proved by the primary Federal payment*
17 *stablecoin regulator; or*

18 (B) *the permitted payment stablecoin issuer*
19 *receives the prior approval of the primary Fed-*
20 *eral payment stablecoin regulator.*

21 (3) *MONTHLY CERTIFICATION; EXAMINATION OF*
22 *REPORTS BY REGISTERED PUBLIC ACCOUNTING*
23 *FIRM.—*

24 (A) *IN GENERAL.—A permitted payment*
25 *stablecoin issuer shall, each month, have the in-*

1 *formation disclosed in the previous month-end*
2 *report required under paragraph (1)(D) exam-*
3 *ined by a registered public accounting firm.*

4 *(B) CERTIFICATION.—Each month, the*
5 *Chief Executive Officer and Chief Financial Of-*
6 *ficer of a permitted payment stablecoin issuer*
7 *shall submit an certification as to the accuracy*
8 *of the monthly report to—*

9 *(i) the primary Federal payment*
10 *stablecoin regulator; or*

11 *(ii) in the case of a State qualified*
12 *payment stablecoin issuer, to the State pay-*
13 *ment stablecoin regulator.*

14 *(C) CRIMINAL PENALTY.—Any person who*
15 *submits a certification required under subpara-*
16 *graph (B) knowing that such certification is*
17 *false shall be subject to the criminal penalties set*
18 *forth under section 1350(c) of title 18, United*
19 *States Code.*

20 *(4) CAPITAL, LIQUIDITY, AND RISK MANAGEMENT*
21 *REQUIREMENTS.—The primary Federal payment*
22 *stablecoin regulators shall, jointly, issue—*

23 *(A) capital requirements applicable to per-*
24 *mitted payment stablecoin issuers, which may*
25 *not exceed what is sufficient to ensure the per-*

1 *mitted payment stablecoin issuer’s ongoing oper-*
2 *ations;*

3 *(B) liquidity requirements applicable to*
4 *permitted payment stablecoin issuers, which may*
5 *not exceed what is sufficient to ensure the finan-*
6 *cial integrity of the permitted payment*
7 *stablecoin issuer and the ability of the issuer to*
8 *meet the financial obligations of the issuer, in-*
9 *cluding redemptions; and*

10 *(C) risk management requirements applica-*
11 *ble to permitted payment stablecoin issuers, tai-*
12 *lored to the business model and risk profile of the*
13 *permitted payment stablecoin issuer.*

14 *(5) TREATMENT UNDER THE BANK SECRECY*
15 *ACT.—A permitted payment stablecoin issuer shall be*
16 *treated as a financial institution for purposes of the*
17 *Bank Secrecy Act.*

18 *(6) LIMITATION ON ACTIVITIES.—A permitted*
19 *payment stablecoin issuer may only issue payment*
20 *stablecoins, redeem payment stablecoins, manage re-*
21 *lated reserves (including purchasing and holding re-*
22 *serve assets), provide custodial or safekeeping services*
23 *for payment stablecoins or private keys of payment*
24 *stablecoins, and undertake other functions that di-*

1 *rectly support the work of issuing and redeeming*
2 *payment stablecoins.*

3 *(b) RULEMAKING.—*

4 *(1) IN GENERAL.—The primary Federal pay-*
5 *ment stablecoin regulators may issue such orders and*
6 *regulations as may be necessary to administer and*
7 *carry out the requirements of this section, including*
8 *to establish conditions, and to prevent evasions there-*
9 *of.*

10 *(2) JOINT ISSUANCE OF REGULATION.—All regu-*
11 *lations issued to carry out this section shall be issued*
12 *jointly by the primary Federal payment stablecoin*
13 *regulators.*

14 *(3) RULEMAKING DEADLINE.—Not later than the*
15 *end of the 180-day period beginning on the date of*
16 *enactment of this Act, the Federal payment stablecoin*
17 *regulators shall issue regulations to carry out this sec-*
18 *tion.*

19 **SEC. 5. APPROVAL OF SUBSIDIARIES OF INSURED DEPOSI-**
20 **TORY INSTITUTIONS AND FEDERAL QUALI-**
21 **FIED NONBANK PAYMENT STABLECOIN**
22 **ISSUERS.**

23 *(a) IN GENERAL.—*

24 *(1) APPLICATION.—*

1 (A) *IN GENERAL.*—Any insured depository
2 institution that seeks to issue payment
3 stablecoins through a subsidiary and any
4 nonbank entity (other than a State qualified
5 payment stablecoin issuer) that seeks to issue
6 payment stablecoins shall file an application
7 with the primary Federal payment stablecoin
8 regulator.

9 (B) *TIMING.*—With respect to an applica-
10 tion filed under this paragraph, the primary
11 Federal payment stablecoin regulator shall in-
12 form the applicant whether the applicant has
13 submitted a complete application within 45 days
14 of receiving the application.

15 (C) *COMPLETION OF APPLICATION.*—With
16 respect to an application filed under this para-
17 graph, once the primary Federal payment
18 stablecoin regulator has informed the applicant
19 that the application is complete, such applica-
20 tion shall be deemed to be complete unless the
21 primary Federal payment stablecoin regulator
22 determines that a significant change in cir-
23 cumstances requires otherwise.

24 (2) *EVALUATION OF APPLICATIONS.*—A complete
25 application received under paragraph (1) shall be

1 *evaluated by the primary Federal payment stablecoin*
2 *regulator using the factors described in paragraph*
3 *(3).*

4 *(3) FACTORS TO BE CONSIDERED.—The factors*
5 *described in this paragraph are the following:*

6 *(A) The ability of the applicant (or, in the*
7 *case of an applicant that is an insured deposi-*
8 *tory institution, the subsidiary of the applicant),*
9 *based on the financial condition and resources,*
10 *to meet the requirements set forth in section 4.*

11 *(B) The general character and fitness of the*
12 *management of the applicant.*

13 *(C) The risks presented by the applicant*
14 *and benefits provided to consumers.*

15 *(4) TIMING FOR DECISION; GROUNDS FOR DE-*
16 *NIAL.—*

17 *(A) TIMING.—The primary Federal pay-*
18 *ment stablecoin regulator shall render a decision*
19 *on an application no later than 120 days after*
20 *informing the applicant that the application is*
21 *complete.*

22 *(B) DENIAL OF APPLICATION.—*

23 *(i) GROUNDS FOR DENIAL.—The pri-*
24 *mary Federal payment stablecoin regulator*
25 *may only deny a complete application re-*

1 *ceived under paragraph (1) if the regulator*
2 *determines that the activities of the appli-*
3 *cant would be unsafe or unsound based on*
4 *the factors described in paragraph (3).*

5 *(ii) EXPLANATION REQUIRED.—If the*
6 *primary Federal payment stablecoin regu-*
7 *lator denies a complete application received*
8 *under paragraph (1), the regulator shall*
9 *provide the applicant with written notice*
10 *explaining such denial, including all find-*
11 *ings made by the regulator with respect to*
12 *all identified material shortcomings regard-*
13 *ing the application, including recommenda-*
14 *tions on how the applicant could address*
15 *the identified material shortcomings.*

16 *(iii) OPPORTUNITY FOR HEARING;*
17 *FINAL DETERMINATION.—*

18 *(I) IN GENERAL.—Not later than*
19 *30 days after the date of receipt of any*
20 *notice of the denial of an application*
21 *under this subsection, the applicant*
22 *may request, in writing, an oppor-*
23 *tunity for a written or oral hearing be-*
24 *fore the primary Federal payment*

1 *stablecoin regulator to appeal the de-*
2 *nial.*

3 (II) *TIMING.*—*Upon receipt of a*
4 *timely request, the primary Federal*
5 *payment stablecoin regulator shall no-*
6 *tice a time (not later than 30 days*
7 *after the date of receipt of the request)*
8 *and place at which the applicant may*
9 *appear, personally or through counsel,*
10 *to submit written materials or provide*
11 *oral testimony and oral argument).*

12 (III) *FINAL DETERMINATION.*—
13 *Not later than 60 days after the date*
14 *of a hearing under this clause, the pri-*
15 *mary Federal payment stablecoin regu-*
16 *lator shall notify the applicant of the*
17 *final determination of the primary*
18 *Federal payment stablecoin regulator,*
19 *which shall contain a statement of the*
20 *basis for that determination, with spe-*
21 *cific findings.*

22 (IV) *NOTICE IF NO HEARING.*—*If*
23 *an applicant does not make a timely*
24 *request for a hearing under this clause,*
25 *the primary Federal payment*

1 *stablecoin regulator shall notify the ap-*
2 *plicant, not later than 10 days after*
3 *the date by which the applicant may*
4 *request a hearing under this clause, in*
5 *writing, that the denial of the applica-*
6 *tion is a final determination of the*
7 *regulator.*

8 (C) *FAILURE TO RENDER A DECISION.—If*
9 *the primary Federal payment stablecoin regu-*
10 *lator fails to render a decision on a complete ap-*
11 *plication within the time period specified in sub-*
12 *paragraph (A), the application shall be deemed*
13 *approved.*

14 (D) *RIGHT TO REAPPLY.—The denial of an*
15 *application under this subsection shall not pro-*
16 *hibit the applicant from filing a subsequent ap-*
17 *plication.*

18 (5) *REPORT ON PENDING APPLICATIONS.—Each*
19 *primary Federal payment stablecoin regulator shall*
20 *annually report to Congress on the applications that*
21 *have been pending for 6 months or longer since the*
22 *date of the initial application filed under paragraph*
23 *(1) where the applicant has been informed that the*
24 *application remains incomplete, including providing*

1 *documentation on the status of the application and*
2 *why the application has not yet been approved.*

3 (6) *RULEMAKING.—The primary Federal regu-*
4 *latory agencies shall, jointly, issue rules necessary for*
5 *the regulation of the issuance of payment stablecoins,*
6 *but may not impose requirements inconsistent with*
7 *the requirements specified under section 4.*

8 (b) *EFFECTIVE DATE.—*

9 (1) *IN GENERAL.—This section shall take effect*
10 *on the earlier of—*

11 (A) *18 months after the date of enactment*
12 *of this Act; or*

13 (B) *the date that is 120 days after the date*
14 *on which the primary Federal payment*
15 *stablecoin regulators issue final regulations im-*
16 *plementing this section.*

17 (2) *AUTHORITY TO ISSUE REGULATIONS AND*
18 *PROCESS APPLICATIONS.—The primary Federal pay-*
19 *ment stablecoin regulators may, before the effective*
20 *date described under paragraph (1)—*

21 (A) *issue regulations to carry out this sec-*
22 *tion; and*

23 (B) *pursuant to regulations described under*
24 *subparagraph (A), accept and process applica-*
25 *tions described under this section.*

1 (3) *NOTICE TO CONGRESS.*—*Each of the primary*
2 *Federal payment stablecoin regulators shall notify*
3 *Congress once beginning to process applications de-*
4 *scribed under this section.*

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

11 (A) *a subsidiary of an insured depository*
12 *institution, if the insured depository institution*
13 *has an application pending for the subsidiary to*
14 *become a permitted payment stablecoin issuer on*
15 *the effective date described under paragraph (1);*

16 *or*

17 (B) *a nonbank entity with an application*
18 *pending to become a Federal qualified nonbank*
19 *stablecoin issuer on the effective date described*
20 *under paragraph (1).*

21 **SEC. 6. SUPERVISION AND ENFORCEMENT WITH RESPECT**
22 **TO SUBSIDIARIES OF INSURED DEPOSITORY**
23 **INSTITUTIONS AND FEDERAL QUALIFIED**
24 **NONBANK STABLECOIN ISSUERS.**

25 (a) *SUPERVISION.*—

1 (1) *SUBSIDIARY OF AN INSURED DEPOSITORY IN-*
2 *STITUTION.—*

3 (A) *IN GENERAL.—Each permitted payment*
4 *stablecoin issuer that is a subsidiary of an in-*
5 *sured depository institution shall be subject to*
6 *supervision by the primary Federal payment*
7 *stablecoin regulator in the same manner as such*
8 *insured depository institution.*

9 (B) *GRAMM-LEACH-BLILEY ACT.—For pur-*
10 *poses of title V of the Gramm-Leach-Bliley Act*
11 *(15 U.S.C. 6801 et seq.) each permitted payment*
12 *stablecoin issuer that is a subsidiary of an in-*
13 *sured depository institution shall be deemed a fi-*
14 *nancial institution.*

15 (2) *FEDERAL QUALIFIED NONBANK PAYMENT*
16 *STABLECOIN ISSUER.—*

17 (A) *SUBMISSION OF REPORTS.—Each Fed-*
18 *eral qualified nonbank payment stablecoin issuer*
19 *shall, upon request, submit reports to the pri-*
20 *mary Federal payment stablecoin regulator as*
21 *to—*

22 (i) *the Federal qualified nonbank pay-*
23 *ment stablecoin issuer's financial condition,*
24 *systems for monitoring and controlling fi-*
25 *nancial and operating risks; and*

1 (ii) compliance by the Federal quali-
2 fied nonbank payment stablecoin issuer
3 (and any subsidiary thereof) with this Act.

4 (B) EXAMINATIONS.—The primary Federal
5 payment stablecoin regulator may make exami-
6 nations of a Federal qualified nonbank payment
7 stablecoin issuer and each subsidiary of a Fed-
8 eral qualified nonbank stablecoin issuer in order
9 to inform the regulator of—

10 (i) the nature of the operations and fi-
11 nancial condition of the Federal qualified
12 nonbank stablecoin issuer;

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

17 (I) the safety and soundness of the
18 Federal qualified nonbank stablecoin
19 issuer; or

20 (II) the stability of the financial
21 system of the United States; and

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

1 (C) *REQUIREMENT TO USE EXISTING RE-*
2 *PORTS.*—*In supervising and examining a Fed-*
3 *eral qualified nonbank payment stablecoin*
4 *issuer, the primary Federal payment stablecoin*
5 *regulator shall, to the fullest extent possible, use*
6 *existing reports and other supervisory informa-*
7 *tion.*

8 (D) *AVOIDANCE OF DUPLICATION.*—*The pri-*
9 *mary Federal payment stablecoin regulator shall,*
10 *to the fullest extent possible, avoid duplication of*
11 *examination activities, reporting requirements,*
12 *and requests for information in carrying out this*
13 *Act with respect to a Federal qualified nonbank*
14 *payment stablecoin issuer.*

15 (E) *GRAMM-LEACH-BLILEY ACT.*—*For pur-*
16 *poses of title V of the Gramm-Leach-Bliley Act*
17 *(15 U.S.C. 6801 et seq.) each Federal qualified*
18 *nonbank stablecoin issuer shall be deemed a fi-*
19 *nancial institution.*

20 (b) *ENFORCEMENT.*—

21 (1) *SUSPENSION OR REVOCATION OF REGISTRA-*
22 *TION.*—*The primary Federal payment stablecoin reg-*
23 *ulator may prohibit a permitted payment stablecoin*
24 *issuer from issuing payment stablecoins, if the pri-*
25 *mary Federal payment stablecoin regulator deter-*

1 *mines that such permitted payment stablecoin issuer,*
2 *or an institution-affiliated party of the permitted*
3 *payment stablecoin issuer, is—*

4 *(A) violating or has violated this Act or any*
5 *regulation or order issued under this Act; or*

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

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

1 *stablecoin regulator may, by provisions that are man-*
2 *datory or otherwise, order the permitted payment*
3 *stablecoin issuer or institution-affiliated party of the*
4 *permitted payment stablecoin issuer to—*

5 *(A) cease and desist from such violation or*
6 *practice;*

7 *(B) take affirmative action to correct the*
8 *conditions resulting from any such violation or*
9 *practice; or*

10 *(C) take such other action as the primary*
11 *Federal payment stablecoin regulator determines*
12 *to be appropriate.*

13 *(3) REMOVAL AND PROHIBITION AUTHORITY.—*

14 *The primary Federal payment stablecoin regulator*
15 *may remove an institution-affiliated party of a per-*
16 *mitted payment stablecoin issuer from their position*
17 *or office or prohibit further participation in the af-*
18 *airs of the permitted payment stablecoin issuer or all*
19 *permitted payment stablecoin issuers by such institu-*
20 *tion-affiliated party, if the primary Federal payment*
21 *stablecoin regulator determines that—*

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

1 (B) *the institution-affiliated party has com-*
2 *mitted a violation of any provision of subchapter*
3 *II of chapter 53 of title 31, United States Code.*

4 (4) *PROCEDURES.—*

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

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

18 (C) *INJUNCTION.—The primary Federal*
19 *payment stablecoin regulator may, in the discre-*
20 *tion of the regulator, follow the procedures pro-*
21 *vided in section 8(i)(1) of the Federal Deposit*
22 *Insurance Act (12 U.S.C. 1818(i)(1)) for judicial*
23 *enforcement of any effective and outstanding no-*
24 *tice or order issued under this subsection.*

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 continu-*
7 *ation thereof, is likely to cause insolvency or sig-*
8 *nificant 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 the*
12 *interests of the customers of the permitted pay-*
13 *ment stablecoin issuer prior to the completion*
14 *the proceedings conducted under this paragraph,*
15 *the primary Federal payment stablecoin regu-*
16 *lator may follow the procedures provided in sec-*
17 *tion 8(c) of the Federal Deposit Insurance Act*
18 *(12 U.S.C. 1818(c)) to issue a temporary cease-*
19 *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 of*
8 *such permitted payment stablecoin issuer that*
9 *violates this Act or any regulation or order*
10 *issued under this Act, or that violates any condi-*
11 *tion imposed in writing by the primary Federal*
12 *payment stablecoin regulator in connection with*
13 *a written agreement entered into between the*
14 *permitted payment stablecoin issuer and the pri-*
15 *mary Federal payment stablecoin regulator or a*
16 *condition imposed in connection with any appli-*
17 *cation or other request, shall be liable for a civil*
18 *penalty of up to \$100,000 for each day during*
19 *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 Deposit*
11 *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 affect*
18 *the jurisdiction and authority of the primary*
19 *Federal payment stablecoin regulator to issue*
20 *any notice or order and proceed under this sub-*
21 *section against any such party, if such notice or*
22 *order is served before the end of the six-year pe-*
23 *riod beginning on the date such party ceased to*
24 *be an institution-affiliated party with respect to*
25 *such permitted payment stablecoin issuer.*

1 (6) *NON-APPLICABILITY TO A STATE QUALIFIED*
2 *PAYMENT STABLECOIN ISSUER.*—*This subsection shall*
3 *not apply to a State qualified payment stablecoin*
4 *issuer.*

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

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

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

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

22 (d) *RULEMAKING.*—*The Board shall issue orders and*
23 *rules under section 4 applicable to State qualified payment*
24 *stablecoin issuers to the same extent as the primary Federal*
25 *payment stablecoin regulators issue orders and rules under*

1 *section 4 applicable to permitted payment stablecoin issuers*
2 *that are not a State qualified payment stablecoin issuers.*

3 *(e) BOARD ENFORCEMENT AUTHORITY IN EXIGENT*
4 *CIRCUMSTANCES.—*

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

12 *(2) RULEMAKING.—Not later than the end of the*
13 *180-day period beginning on the date of enactment of*
14 *this Act, the Board shall issue rules to set forth those*
15 *exigent circumstances in which the Board may act*
16 *under this subsection.*

17 *(f) GRAMM-LEACH-BLILEY ACT.—For purposes of title*
18 *V of the Gramm-Leach-Bliley Act (15 U.S.C. 6801 et seq.)*
19 *a State qualified payment stablecoin issuer is deemed a fi-*
20 *nancial institution.*

21 *(g) EFFECT ON STATE LAW.—The provisions of this*
22 *section do not preempt any law of a State and do not super-*
23 *sede any State licensing requirement.*

1 **SEC. 8. CUSTOMER PROTECTION.**

2 (a) *IN GENERAL.*—A person may only engage in the
3 business of providing custodial or safekeeping services for
4 permitted payment stablecoins or private keys of permitted
5 payment stablecoins, if the person—

6 (1) is subject to—

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

13 (B) supervision by a State bank supervisor,
14 as defined under section 3 of the Federal Deposit
15 Insurance Act (12 U.S.C. 1813) or a State credit
16 union supervisor, as defined under section 6003
17 of the Anti-Money Laundering Act of 2020, and
18 such state bank supervisor or state credit union
19 supervisor makes available to the Board such in-
20 formation as the Board determines necessary and
21 relevant to the categories of information under
22 subsection (d); and

23 (2) complies with the segregation requirements
24 under subsection (b), unless such person complies with
25 similar requirements as required by a primary Fed-
26 eral payment stablecoin regulator, the Securities and

1 *Exchange Commission, or the Commodity Futures*
2 *Trading Commission.*

3 **(b) SEGREGATION REQUIREMENT.**—*A person described*
4 *in subsection (a) shall—*

5 (1) *treat and deal with the payment stablecoins,*
6 *private keys, cash, and other property of a person for*
7 *whom or on whose behalf the person receives, acquires,*
8 *or holds payment stablecoins, private keys, cash, and*
9 *other property (hereinafter in this section referred to*
10 *as the “customer”) as belonging to such customer; and*

11 (2) *take such steps as are appropriate to protect*
12 *the payment stablecoins, private keys, cash, and other*
13 *property of a customer from the claims of creditors of*
14 *the person.*

15 **(c) COMMINGLING PROHIBITED.**—

16 (1) **IN GENERAL.**—*Payment stablecoins, cash,*
17 *and other property of a customer shall be separately*
18 *accounted for by a person described in subsection (a)*
19 *and shall not be commingled with the funds of the*
20 *person.*

21 (2) **EXCEPTION.**—*Notwithstanding paragraph*
22 (1)—

23 (A) *the payment stablecoins, cash, and other*
24 *property of a customer may, for convenience, be*
25 *commingled and deposited in an omnibus ac-*

1 *count holding the payment stablecoins, cash, and*
2 *other property of more than one customer at an*
3 *insured depository institution or trust company;*

4 *(B) such share of the payment stablecoins,*
5 *cash, and other property of the customer that*
6 *shall be necessary to transfer, adjust, or settle a*
7 *transaction or transfer of assets may be with-*
8 *drawn and applied to such purposes, including*
9 *the payment of commissions, taxes, storage, and*
10 *other charges lawfully accruing in connection*
11 *with the provision of services by a person de-*
12 *scribed in subsection (a); and*

13 *(C) in accordance with such terms and con-*
14 *ditions as the Board may prescribe by rule, regu-*
15 *lation, or order, any customer payment*
16 *stablecoin, cash, and other property described in*
17 *this subsection may be commingled and depos-*
18 *ited in customer accounts with payment*
19 *stablecoins, cash, and other property received by*
20 *the person and required by the Board to be sepa-*
21 *rately accounted for, treated, and dealt with as*
22 *belonging to customers.*

23 *(d) REGULATORY INFORMATION.—A person described*
24 *under subsection (a) shall submit to the Board information*
25 *concerning the person’s business operations and processes*

1 *to protect customer assets, in such form and manner as the*
2 *Board shall determine.*

3 *(e) EXCLUSION.—The requirements of this section shall*
4 *not apply to any person solely on the basis that such person*
5 *engages in the business of providing hardware or software*
6 *to facilitate a customer’s own custody or safekeeping of the*
7 *customer’s payment stablecoins or private keys.*

8 **SEC. 9. INTEROPERABILITY STANDARDS.**

9 *The primary Federal payment stablecoin regulators,*
10 *in consultation with the National Institute of Standards*
11 *and Technology, other relevant standard setting organiza-*
12 *tions, and State governments, shall assess and, if necessary,*
13 *may, pursuant to section 553 of title 5 and in a manner*
14 *consistent with the National Technology Transfer and Ad-*
15 *vancement Act of 1995 (Public Law 104–113), prescribe*
16 *standards for payment stablecoin issuers to promote com-*
17 *patibility and interoperability.*

18 **SEC. 10. MORATORIUM ON ENDOGENOUSLY**
19 **COLLATERALIZED STABLECOINS.**

20 *(a) MORATORIUM.—During the 2-year period begin-*
21 *ning on the date of enactment of this Act, it shall be unlaw-*
22 *ful to issue, create, or originate an endogenously*
23 *collateralized stablecoin not in existence on the date of en-*
24 *actment of this Act.*

25 *(b) STUDY BY TREASURY.—*

1 (1) *STUDY.*—*The Secretary of the Treasury, in*
2 *consultation with the Board, the Comptroller, the Cor-*
3 *poration, and the Securities and Exchange Commis-*
4 *sion, shall carry out a study of endogenously*
5 *collateralized stablecoins.*

6 (2) *REPORT.*—*Not later than 365 days after the*
7 *date of the enactment of this Act, the Secretary shall*
8 *provide to the Committee on Financial Services of the*
9 *House of Representatives and the Committee on*
10 *Banking, Housing, and Urban Affairs of the Senate*
11 *a report that contains all findings made in carrying*
12 *out the study under subsection (a), including an*
13 *analysis of—*

14 (A) *the categories of non-payment*
15 *stablecoins, including the benefits and risks of*
16 *technological design features;*

17 (B) *the participants in non-payment*
18 *stablecoin arrangements;*

19 (C) *utilization and potential utilization of*
20 *non-payment stablecoins;*

21 (D) *nature of reserve compositions;*

22 (E) *types of algorithms being employed;*

23 (F) *governance structure, including aspects*
24 *of decentralization;*

1 (G) nature of public promotion and adver-
2 tising; and

3 (H) clarity and availability of consumer
4 notices disclosures.

5 (c) *ENDOGENOUSLY COLLATERALIZED STABLECOIN*
6 *DEFINED.*—*In this section, the term “endogenously*
7 *collateralized stablecoin” means any digital asset—*

8 (1) *in which its originator has represented will*
9 *be converted, redeemed, or repurchased for a fixed*
10 *amount of monetary value; and*

11 (2) *that relies solely on the value of another dig-*
12 *ital asset created or maintained by the same origi-*
13 *nator to maintain the fixed price.*

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

15 *Not later than 6 months after the date of enactment*
16 *of this Act, the primary Federal payment stablecoin regu-*
17 *lators shall provide a status update on the development of*
18 *the rulemaking under this Act to the Committee on Finan-*
19 *cial Services of the House of Representatives and the Com-*
20 *mittee on Banking, Housing, and Urban Affairs of the Sen-*
21 *ate.*

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

23 (a) *RULE OF CONSTRUCTION.*—*Nothing in this Act*
24 *may be construed to limit the authority of a depository in-*
25 *stitution, Federal credit union, State credit union, or trust*

1 *company to engage in activities permissible pursuant to ap-*
2 *plicable State and Federal law, including—*

3 *(1) accepting or receiving deposits and issuing*
4 *digital assets that represent deposits;*

5 *(2) utilizing a distributed ledger for the books*
6 *and records of the entity and to affect intrabank*
7 *transfers; and*

8 *(3) providing custodial services for payment*
9 *stablecoins, private keys of payment stablecoins, or re-*
10 *serves backing payment stablecoins.*

11 *(b) TREATMENT OF CUSTODY ACTIVITIES.—The ap-*
12 *propriate Federal banking agency (as defined under section*
13 *3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)),*
14 *the National Credit Union Administration (in the case of*
15 *a credit union), and the Securities and Exchange Commis-*
16 *sion may not require a depository institution, national*
17 *bank, Federal credit union, State credit union, or trust*
18 *company, or any affiliate thereof—*

19 *(1) to include assets held in custody as a liabil-*
20 *ity on any financial statement or balance sheet, in-*
21 *cluding payment stablecoin custody or safekeeping ac-*
22 *tivities;*

23 *(2) to hold additional regulatory capital against*
24 *assets in custody or safekeeping, except as necessary*
25 *to mitigate against operational risks inherent with*

1 *the custody or safekeeping services, as determined*
2 *by—*

3 *(A) the appropriate Federal banking agen-*
4 *cy;*

5 *(B) the National Credit Union Administra-*
6 *tion (in the case of a credit union);*

7 *(C) a State bank supervisor (as defined*
8 *under section 3 of the Federal Deposit Insurance*
9 *Act (12 U.S.C. 1813)); or*

10 *(D) a State credit union supervisor (as de-*
11 *finied under section 6003 of the Anti-Money*
12 *Laundrying Act of 2020);*

13 *(3) to recognize a liability for any obligations re-*
14 *lated to activities or services performed for digital as-*
15 *sets that the entity does not own if that liability*
16 *would exceed the expense recognized in the income*
17 *statement as a result of the corresponding obligation.*

18 *(c) DEFINITIONS.—In this section:*

19 *(1) DEPOSITORY INSTITUTION.—The terms “de-*
20 *pository institution” has the meaning given that term*
21 *under section 3 of the Federal Deposit Insurance Act.*

22 *(2) CREDIT UNION TERMS.—The terms “Federal*
23 *credit union” and “State credit union” have the*
24 *meaning given those terms, respectively, under section*
25 *101 of the Federal Credit Union Act.*

1 **SEC. 13. CLARIFYING THAT PAYMENT STABLECOINS ARE**
2 **NOT SECURITIES OR COMMODITIES.**

3 (a) *INVESTMENT ADVISERS ACT OF 1940.*—Section
4 202(a)(18) of the *Investment Advisers Act of 1940* (15
5 U.S.C. 80b–2(a)(18)) is amended by adding at the end the
6 following: “The term ‘security’ does not include a payment
7 stablecoin issued by a permitted payment stablecoin issuer,
8 as such terms are defined, respectively, in section 2 of the
9 *Clarity for Payment Stablecoins Act of 2023*.”.

10 (b) *INVESTMENT COMPANY ACT OF 1940.*—Section
11 2(a)(36) of the *Investment Company Act of 1940* (15 U.S.C.
12 80a–2(a)(36)) is amended by adding at the end the fol-
13 lowing: “The term ‘security’ does not include a payment
14 stablecoin issued by a permitted payment stablecoin issuer,
15 as such terms are defined, respectively, in section 2 of the
16 *Clarity for Payment Stablecoins Act of 2023*.”.

17 (c) *SECURITIES ACT OF 1933.*—Section 2(a)(1) of the
18 *Securities Act of 1933* (15 U.S.C. 77b(a)(1)) is amended
19 by adding at the end the following: “The term ‘security’
20 does not include a payment stablecoin issued by a permitted
21 payment stablecoin issuer, as such terms are defined, re-
22 spectively, in section 2 of the *Clarity for Payment*
23 *Stablecoins Act of 2023*.”.

24 (d) *SECURITIES EXCHANGE ACT OF 1934.*—Section
25 3(a)(10) of the *Securities Exchange Act of 1934* (15 U.S.C.
26 78c(a)(10)) is amended by adding at the end the following:

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

5 *(e) SECURITIES INVESTOR PROTECTION ACT OF*
6 *1970.—Section 16(14) of the Securities Investor Protection*
7 *Act of 1970 (15 U.S.C. 78ll(14)) is amended by adding*
8 *at the end the following: “The term ‘security’ does not in-*
9 *clude a payment stablecoin issued by a permitted payment*
10 *stablecoin issuer, as such terms are defined, respectively, in*
11 *section 2 of the Clarity for Payment Stablecoins Act of*
12 *2023.”.*

Union Calendar No. 408

118TH CONGRESS
2^D SESSION

H. R. 4766

[Report No. 118-492]

A BILL

To provide for the regulation of payment
stablecoins, and for other purposes.

MAY 7, 2024

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed