

[DISCUSSION DRAFT]

118TH CONGRESS
1ST SESSION

H. R. _____

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

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

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 “[To be added Act of
5 2023]”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

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

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

3 (B) chapter 2 of title I of Public Law 91-
4 508 (12 U.S.C. 1951 et seq.); and

5 (C) subchapter II of chapter 53 of title 31,
6 United States Code.

7 (2) BOARD.—The term “Board” means the
8 Board of Governors of the Federal Reserve System.

9 (3) COMPTROLLER.—The term “Comptroller”
10 means the Comptroller of the Currency.

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

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

17 (6) DISTRIBUTED LEDGER.—The term “distrib-
18 uted ledger” means technology where data is shared
19 across a network that creates a public digital ledger
20 of verified transactions or information among net-
21 work participants and the data is linked using cryp-
22 tography to maintain the integrity of the public ledg-
23 er and execute other functions.

24 (7) FEDERAL QUALIFIED NONBANK
25 STABLECOIN ISSUER.—The term “Federal qualified

1 nonbank stablecoin issuer” means a nonbank entity
2 approved by the primary Federal payment stablecoin
3 regulator, pursuant to section 5, to issue payment
4 stablecoins.

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

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

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

15 (B) an insured credit union, as defined in
16 section 101 of the Federal Credit Union Act
17 (12 U.S.C. 1752).

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

22 (11) NATIONAL CURRENCY.—The term “na-
23 tional currency” means a Federal Reserve note, (as
24 the term is used in the first undesignated paragraph
25 of section 16 of the Federal Reserve Act (12 U.S.C.

1 411)), money issued by a central bank, and money
2 issued by an intergovernmental organization pursu-
3 ant to an agreement by one or more governments.

4 (12) NONBANK ENTITY.—The term “nonbank
5 entity” means a person that is not an insured depos-
6 itory institution or subsidiary of an insured deposi-
7 tory institution.

8 (13) PAYMENT STABLECOIN.—The term “pay-
9 ment stablecoin”—

10 (A) means a digital asset—

11 (i) that is or is designed to be used as
12 a means of payment or settlement; and

13 (ii) the issuer of which—

14 (I) is obligated to convert, re-
15 deem, or repurchase for a fixed
16 amount of monetary value; and

17 (II) represents will maintain or
18 creates the reasonable expectation
19 that it will maintain a stable value rel-
20 ative to the value of a fixed amount of
21 monetary value; and

22 (B) that is not—

23 (i) a national currency; or

24 (ii) a security issued by an investment
25 company registered under section 8(a) of

1 the Investment Company Act of 1940 (15
2 U.S.C. 80a–8(a)).

3 (14) PERMITTED PAYMENT STABLECOIN
4 ISSUER.—The term “permitted payment stablecoin
5 issuer” means—

6 (A) a subsidiary of an insured depository
7 institution that has been approved to issue pay-
8 ment stablecoins under section 5;

9 (B) a Federal qualified nonbank payment
10 stablecoin issuer that has been approved to
11 issue payment stablecoins under section 5; or

12 (C) a State qualified payment stablecoin
13 issuer.

14 (15) PRIMARY FEDERAL PAYMENT STABLECOIN
15 REGULATOR.—

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

18 (i) with respect to an insured deposi-
19 tory institution (other than an insured
20 credit union) or a subsidiary of an insured
21 depository institution (other than an in-
22 sured credit union), the appropriate Fed-
23 eral banking agency of such insured deposi-
24 tory institution (as defined under section

1 3 of the Federal Deposit Insurance Act
2 (12 U.S.C. 1813));

3 (ii) with respect to an insured credit
4 union or a subsidiary of an insured credit
5 union, the National Credit Union Adminis-
6 tration;

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

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

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

18 (16) REGISTERED PUBLIC ACCOUNTING
19 FIRM.—The term “registered public accounting
20 firm” has the meaning given that term under section
21 2 of the Sarbanes-Oxley Act of 2002 (15 U.S.C.
22 7201).

23 (17) STATE.—The term “State” means each of
24 the several States, the District of Columbia, and
25 each territory of the United States.

1 (18) STATE QUALIFIED PAYMENT STABLECOIN
2 ISSUER.—The term “State qualified payment
3 stablecoin issuer” means an entity that—

4 (A) is legally established and approved to
5 issue payment stablecoins by a State payment
6 stablecoin regulator; and

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

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

14 (20) SUBSIDIARY OF AN INSURED CREDIT
15 UNION.—With respect to an insured credit union,
16 the term “subsidiary of an insured credit union”
17 means—

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

24 (B) a credit union service organization, as
25 such term is used under part 712 of title 12,

1 Code of Federal Regulations, with respect to
2 which the insured credit union has an owner-
3 ship interest or to which the insured credit
4 union has extended a loan.

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

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

10 **SEC. 4. REQUIREMENTS FOR ISSUING PAYMENT**
11 **STABLECOINS.**

12 (a) STANDARDS FOR THE ISSUANCE OF PAYMENT
13 STABLECOINS.—

14 (1) IN GENERAL.—Permitted payment
15 stablecoin issuers shall—

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

19 (i) United States coins and currency
20 (including Federal reserve notes);

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

1 spectively, to address safety and soundness
2 risks of such insured depository institu-
3 tions;

4 (iii) Treasury bills with a maturity of
5 90 days or less;

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

10 (v) central bank reserve deposits; or

11 (vi) such other assets as the primary
12 Federal payment stablecoin regulator de-
13 termines appropriate.

14 (B) publicly disclose the issuer's redemp-
15 tion policy;

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

18 (D) publish the monthly composition of the
19 issuer's reserves on the website of the issuer,
20 containing—

21 (i) the total number of outstanding
22 payment stablecoins issued by the issuer;

23 and

1 (ii) the amount and composition of
2 the reserves described under subparagraph
3 (A).

4 (2) PROHIBITION ON REHYPOTHECATION.—Re-
5 serves described under paragraph (1)(A) may not be
6 pledged, rehypothecated, or reused, except for the
7 purpose of creating liquidity to meet reasonable ex-
8 pectations of requests to redeem payment
9 stablecoins, such that reserves in the form of Treas-
10 ury bills may be pledged as collateral for repurchase
11 agreements with a maturity of 90 days or less, pro-
12 vided that either—

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

17 (B) the permitted payment stablecoin
18 issuer receives the prior approval of the primary
19 Federal payment stablecoin regulator.

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

23 (A) IN GENERAL.—A permitted payment
24 stablecoin issuer shall—

1 (i) each month, have the information
2 disclosed in the previous monthly report
3 required under paragraph (1)(D) reviewed
4 by a registered public accounting firm; and

5 (ii) have the issuer's month-end report
6 examined by a registered public accounting
7 firm not less often than annually.

8 (B) CERTIFICATION.—Each month, the
9 Chief Executive Officer and Chief Financial Of-
10 ficer of a permitted payment stablecoin issuer
11 shall submit an certification as to the accuracy
12 of the monthly report to—

13 (i) the primary Federal payment
14 stablecoin regulator; or

15 (ii) in the case of a State qualified
16 payment stablecoin issuer, to the State
17 payment stablecoin regulator.

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

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

4 (A) capital requirements applicable to per-
5 mitted payment stablecoin issuers, which may
6 not exceed what is sufficient to ensure the per-
7 mitted payment stablecoin issuer’s ongoing op-
8 erations;

9 (B) liquidity requirements applicable to
10 permitted payment stablecoin issuers, which
11 may not exceed what is sufficient to ensure the
12 financial integrity of the permitted payment
13 stablecoin issuer and the ability of the issuer to
14 meet the financial obligations of the issuer, in-
15 cluding redemptions; and

16 (C) risk management requirements appli-
17 cable to permitted payment stablecoin issuers,
18 tailored to the business model and risk profile
19 of the permitted payment stablecoin issuer.

20 (5) TREATMENT UNDER THE BANK SECRECY
21 ACT.—A permitted payment stablecoin issuer shall
22 be treated as a financial institution for purposes of
23 the Bank Secrecy Act.

24 (6) LIMITATION ON ACTIVITIES.—A permitted
25 payment stablecoin issuer may only issue payment

1 stablecoins, redeem payment stablecoins, manage re-
2 lated reserves (including purchasing and holding re-
3 serve assets), provide custodial or safekeeping serv-
4 ices for payment stablecoins or private keys of pay-
5 ment stablecoins, and undertake other functions that
6 directly support the work of issuing and redeeming
7 payment stablecoins.

8 (b) RULEMAKING.—

9 (1) IN GENERAL.—The primary Federal pay-
10 ment stablecoin regulators may issue such orders
11 and regulations as may be necessary to administer
12 and carry out the requirements of this section, in-
13 cluding to establish conditions, and to prevent eva-
14 sions thereof.

15 (2) JOINT ISSUANCE OF REGULATION.—All reg-
16 ulations issued to carry out this section shall be
17 issued jointly by the primary Federal payment
18 stablecoin regulators.

19 (3) RULEMAKING DEADLINE.—Not later than
20 the end of the 180-day period beginning on the date
21 of enactment of this Act, the Federal payment
22 stablecoin regulators shall issue regulations to carry
23 out this section.

1 **SEC. 5. APPROVAL OF SUBSIDIARIES OF INSURED DEPOSI-**
2 **TORY INSTITUTIONS AND FEDERAL QUALI-**
3 **FIED NONBANK PAYMENT STABLECOIN**
4 **ISSUERS.**

5 (a) IN GENERAL.—

6 (1) APPLICATION.—

7 (A) IN GENERAL.—Any insured depository
8 institution that seeks to issue payment
9 stablecoins through a subsidiary and any
10 nonbank entity (other than a State qualified
11 payment stablecoin issuer) that seeks to issue
12 payment stablecoins shall file an application
13 with the primary Federal payment stablecoin
14 regulator.

15 (B) TIMING.—With respect to an applica-
16 tion filed under this paragraph, the primary
17 Federal payment stablecoin regulator shall in-
18 form the applicant whether the applicant has
19 submitted a complete application within 45
20 days of receiving the application.

21 (C) COMPLETION OF APPLICATION.—With
22 respect to an application filed under this para-
23 graph, once the primary Federal payment
24 stablecoin regulator has informed the applicant
25 that the application is complete, such applica-
26 tion shall be deemed to be complete unless the

1 primary Federal payment stablecoin regulator
2 determines that a significant change in cir-
3 cumstances requires otherwise.

4 (2) EVALUATION OF APPLICATIONS.—A com-
5 plete application received under paragraph (1) shall
6 be evaluated by the primary Federal payment
7 stablecoin regulator using the factors described in
8 paragraph (3).

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

11 (A) The ability of the applicant (or, in the
12 case of an applicant that is an insured deposi-
13 tory institution, the subsidiary of the appli-
14 cant), based on the financial condition and re-
15 sources, to meet the requirements set forth in
16 section 4.

17 (B) The general character and fitness of
18 the management of the applicant.

19 (C) The risks presented by the applicant
20 and benefits provided to consumers.

21 (4) TIMING FOR DECISION; GROUNDS FOR DE-
22 NIAL.—

23 (A) TIMING.—The primary Federal pay-
24 ment stablecoin regulator shall render a deci-
25 sion on an application no later than 120 days

1 after informing the applicant that the applica-
2 tion is complete.

3 (B) DENIAL OF APPLICATION.—

4 (i) GROUNDS FOR DENIAL.—The pri-
5 mary Federal payment stablecoin regulator
6 may only deny a complete application re-
7 ceived under paragraph (1) if the regulator
8 determines that the activities of the appli-
9 cant would be unsafe or unsound based on
10 the factors described in paragraph (3).

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

22 (iii) OPPORTUNITY FOR HEARING;
23 FINAL DETERMINATION.—

24 (I) IN GENERAL.—Not later than
25 30 days after the date of receipt of

1 any notice of the denial of an applica-
2 tion under this subsection, the appli-
3 cant may request, in writing, an op-
4 portunity for a written or oral hearing
5 before the primary Federal payment
6 stablecoin regulator to appeal the de-
7 nial.

8 (II) TIMING.—Upon receipt of a
9 timely request, the primary Federal
10 payment stablecoin regulator shall no-
11 tice a time (not later than 30 days
12 after the date of receipt of the re-
13 quest) and place at which the appli-
14 cant may appear, personally or
15 through counsel, to submit written
16 materials or provide oral testimony
17 and oral argument).

18 (III) FINAL DETERMINATION.—
19 Not later than 60 days after the date
20 of a hearing under this clause, the
21 primary Federal payment stablecoin
22 regulator shall notify the applicant of
23 the final determination of the primary
24 Federal payment stablecoin regulator,
25 which shall contain a statement of the

1 basis for that determination, with spe-
2 cific findings.

3 (IV) NOTICE IF NO HEARING.—If
4 an applicant does not make a timely
5 request for a hearing under this
6 clause, the primary Federal payment
7 stablecoin regulator shall notify the
8 applicant, not later than 10 days after
9 the date by which the applicant may
10 request a hearing under this clause, in
11 writing, that the denial of the applica-
12 tion is a final determination of the
13 regulator.

14 (C) FAILURE TO RENDER A DECISION.—If
15 the primary Federal payment stablecoin regu-
16 lator fails to render a decision on a complete
17 application within the time period specified in
18 subparagraph (A), the application shall be
19 deemed approved.

20 (5) REPORT ON PENDING APPLICATIONS.—
21 Each primary Federal payment stablecoin regulator
22 shall annually report to Congress on the applications
23 that have been pending for 6 months or longer since
24 the date of the initial application filed under para-
25 graph (1) where the applicant has been informed

1 that the application remains incomplete, including
2 providing documentation on the status of the appli-
3 cation and why the application has not yet been ap-
4 proved.

5 (6) RULEMAKING.—The primary Federal regu-
6 latory agencies shall, jointly, issue rules necessary
7 for the regulation of the issuance of payment
8 stablecoins, but may not impose requirements incon-
9 sistent with the requirements specified under section
10 4.

11 (b) EFFECTIVE DATE.—

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

14 (A) 18 months after the date of enactment
15 of this Act; or

16 (B) the date that is 120 days after the
17 date on which the primary Federal payment
18 stablecoin regulators issue final regulations im-
19 plementing this section.

20 (2) AUTHORITY TO ISSUE REGULATIONS AND
21 PROCESS APPLICATIONS.—The primary Federal pay-
22 ment stablecoin regulators may issue regulations to
23 carry out this section and accept and process appli-
24 cations described under this section before the effec-
25 tive date described under paragraph (1).

1 (3) NOTICE TO CONGRESS.—Each of the pri-
2 mary Federal payment stablecoin regulators shall
3 notify Congress once beginning to process applica-
4 tions described 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
10 under 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
15 on the effective date described under paragraph
16 (1); 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
2 INSTITUTION.—

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

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

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

17 (A) SUBMISSION OF REPORTS.—Each Fed-
18 eral qualified nonbank payment stablecoin
19 issuer shall, upon request, submit reports to the
20 primary Federal payment stablecoin regulator
21 as 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 Fed-
5 eral payment stablecoin regulator may make ex-
6 aminations of a Federal qualified nonbank pay-
7 ment stablecoin issuer and each subsidiary of a
8 Federal qualified nonbank stablecoin issuer in
9 order 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
18 the Federal qualified nonbank
19 stablecoin 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,
6 use existing reports and other supervisory infor-
7 mation.

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

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

20 (b) ENFORCEMENT.—

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

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

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

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

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

1 tion or other request, the primary Federal payment
2 stablecoin regulator may, by provisions that are
3 mandatory or otherwise, order the permitted pay-
4 ment stablecoin issuer or institution-affiliated party
5 of the permitted payment stablecoin issuer to—

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

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

11 (C) take such other action as the primary
12 Federal payment stablecoin regulator deter-
13 mines to be appropriate.

14 (3) REMOVAL AND PROHIBITION AUTHORITY.—

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

23 (A) the institution-affiliated party has, di-
24 rectly or indirectly, committed a violation or at-

1 tempted violation of this Act or any regulation
2 or order issued under this Act; or

3 (B) the institution-affiliated party has
4 committed a violation of any provision of sub-
5 chapter II of chapter 53 of title 31, United
6 States Code.

7 (4) PROCEDURES.—

8 (A) IN GENERAL.—If the primary Federal
9 payment stablecoin regulator identifies a viola-
10 tion or attempted violation of this Act or makes
11 a determination under paragraph (1), (2), or
12 (3), the primary Federal payment stablecoin
13 regulator shall comply with the procedures set
14 forth in subsections (b) and (e) of sections 8 of
15 the Federal Deposit Insurance Act (12 U.S.C.
16 1818).

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

22 (C) INJUNCTION.—The primary Federal
23 payment stablecoin regulator may, in the dis-
24 cretion of the regulator, follow the procedures
25 provided in section 8(i)(1) of the Federal De-

1 posit Insurance Act (12 U.S.C. 1818(i)(1)) for
2 judicial enforcement of any effective and out-
3 standing notice or order issued under this sub-
4 section.

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

24 (5) CIVIL MONEY PENALTIES.—

1 (A) FAILURE TO BE APPROVED.—Any per-
2 son who issues a United States dollar-denomi-
3 nated payment stablecoin and who is not a per-
4 mitted payment stablecoin issuer, and any insti-
5 tution-affiliated party of such a person who
6 knowingly participates in issuing such a pay-
7 ment stablecoin, shall be liable for a civil pen-
8 alty of not more than \$100,000 for each day
9 during which such payment stablecoins are
10 issued.

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

1 (C) SECOND TIER.—Except as provided in
2 subparagraph (A), and in addition to the pen-
3 alties described under subparagraph (B), a per-
4 mitted payment stablecoin issuer or institution-
5 affiliated party of such permitted payment
6 stablecoin issuer who knowingly participates in
7 a violation of any provision of this Act, or any
8 regulation or order issued thereunder, is liable
9 for a civil penalty of up to an additional
10 \$100,000 for each day during which the viola-
11 tion continues.

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

18 (E) NOTICE AND ORDERS AFTER SEPARA-
19 TION FROM SERVICE.—The resignation, termi-
20 nation of employment or participation, or sepa-
21 ration of an institution-affiliated party (includ-
22 ing a separation caused by the closing of a per-
23 mitted payment stablecoin issuer) shall not af-
24 fect the jurisdiction and authority of the pri-
25 mary Federal payment stablecoin regulator to

1 issue any notice or order and proceed under
2 this subsection against any such party, if such
3 notice or order is served before the end of the
4 six-year period beginning on the date such
5 party ceased to be an institution-affiliated party
6 with respect to such permitted payment
7 stablecoin issuer.

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

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

13 (a) IN GENERAL.—A State payment stablecoin regu-
14 lator shall have supervisory, examination, and enforcement
15 authority over a State qualified payment stablecoin issuer
16 of such State.

17 (b) AUTHORITY TO ENTER INTO AGREEMENTS WITH
18 THE BOARD.—A State payment stablecoin regulator may
19 enter into a memorandum of understanding with the
20 Board, by mutual agreement, under which the Board car-
21 ries out the supervision, examination, and enforcement au-
22 thority with respect to the State qualified payment
23 stablecoin issuers of such State.

1 (c) RULEMAKING.—The Board shall issue orders and
2 rules under section 4 applicable to State qualified payment
3 stablecoin issuers.

4 (d) BOARD ENFORCEMENT AUTHORITY IN EXIGENT
5 CIRCUMSTANCES.—

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

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

17 (e) EFFECT ON STATE LAW.—The provisions of this
18 section do not preempt any law of a State and do not su-
19 percede any State licensing requirement.

20 **[SEC. 8. CUSTOMER PROTECTION.**

21 **[(a) IN GENERAL.—**Any person, any permitted pay-
22 ment stablecoin issuer, and any State-licensed money serv-
23 ices business, who engages in the business of providing
24 custodial or safekeeping services for payment stablecoins
25 or private keys of payment stablecoins shall be subject to

1 regulation and supervision, as provided in subsection (b)
2 through (e).】

3 【(b) SEGREGATION.—A person described in sub-
4 section (a) shall—】

5 【(1) treat and deal with the payment
6 stablecoins, private keys, cash, and other property of
7 a person for whom or on whose behalf the person re-
8 ceives, acquires, or holds payment stablecoins, pri-
9 vate keys, cash, and other property (hereinafter in
10 this section referred to as the “customer”) as be-
11 longing to such customer; and】

12 【(2) take such steps as are appropriate to pro-
13 tect the payment stablecoins, private keys, cash, and
14 other property of a customer from the claims of
15 creditors of the person.】

16 【(c) COMMINGLING PROHIBITED.—Payment
17 stablecoins, cash, and other property of a customer shall
18 be separately accounted for by a person described in sub-
19 section (a) and shall not be commingled with the funds
20 of the person.】

21 【(d) EXCEPTIONS.—Notwithstanding subsection
22 (c)—】

23 【(1) the payment stablecoins, cash, and other
24 property of a customer may, for convenience, be
25 commingled and deposited in an omnibus account

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

4 【(2) such share of the payment stablecoins,
5 cash, and other property of the customer that shall
6 be necessary to transfer, adjust, or settle a trans-
7 action or transfer of assets may be withdrawn and
8 applied to such purposes, including the payment of
9 commissions, taxes, storage, and other charges law-
10 fully accruing in connection with the provision of
11 services by a person described in subsection (a);
12 and】

13 【(3) in accordance with such terms and condi-
14 tions as the Board may prescribe by rule, regulation,
15 or order, any customer payment stablecoin, cash,
16 and other property described in subsection (c) may
17 be commingled and deposited in customer accounts
18 with payment stablecoins, cash, and other property
19 received by the person and required by the Board to
20 be separately accounted for, treated, and dealt with
21 as belonging to customers.】

22 【(e) SUPERVISION.—With respect to a person de-
23 scribed under paragraph (3), the Board may conduct ex-
24 aminations of and require reports from the person for pur-

1 poses of ensuring compliance with the requirements set
2 forth in subsections (b) through (d).】

3 【(f) ENFORCEMENT.—The Board shall enforce the
4 requirements set forth in subsections (b) through (d) for
5 a person described under subsection (a) as if such person
6 were a Federal qualified nonbank payment stablecoin
7 issuer.】

8 【(g) LIMITATION.—】

9 【(1) IN GENERAL.—A person described under
10 subsection (a) shall not be subject to the require-
11 ments of this section if the person is—】

12 【(A) subject to supervision or regulation
13 by a primary financial regulatory agency de-
14 scribed under subparagraph (A), (B), or (C) of
15 section 2(12) of the Dodd-Frank Wall Street
16 Reform and Consumer Protection Act (12
17 U.S.C. 5301(12)); or】

18 【(B) supervised by a State bank super-
19 visor, as defined under section 3 of the Federal
20 Deposit Insurance Act (12 U.S.C. 1813), with
21 a comparable and equivalent regulatory frame-
22 work described in this section, as determined by
23 the Board.】

24 【(2) DETERMINATION BY THE BOARD.—For
25 purposes of paragraph (1)(B), the Board shall deter-

1 mine a State bank supervisor to have a comparable
2 and equivalent regulatory framework if the State
3 bank supervisor has established licensing, examina-
4 tion, and supervisory processes that require a person
5 described in subsection (a) to, at a minimum—】

6 【(A) receive a review and evaluation of
7 ownership, character and fitness, conflicts of in-
8 terest, business model, financial statements,
9 funding resources, and policies and proce-
10 dures;】

11 【(B) hold capital sufficient for such per-
12 son’s financial integrity;】

13 【(C) protect customer assets;】

14 【(D) establish and maintain books and
15 records regarding such person’s business;】

16 【(E) submit financial statements and au-
17 dited financial statements to the State bank su-
18 pervisor;】

19 【(F) provide disclosures to the State bank
20 supervisor regarding actions, proceedings, and
21 other items as determined by the State bank
22 supervisor;】

23 【(G) maintain and enforce policies and
24 procedures for compliance with applicable State

1 and Federal laws, including those related to
2 anti-money laundering and cybersecurity;】

3 【(H) establish a business continuity plan
4 to ensure functionality in cases of disruption;
5 and】

6 【(I) establish policies and procedures to
7 resolve complaints.】

8 【(h) CLARIFICATION.—The requirements of this sec-
9 tion shall not apply to any person that engages in the busi-
10 ness of providing hardware or software to facilitate a cus-
11 tomer’s own custody or safekeeping of the customer’s pay-
12 ment stablecoins or private keys.】

13 **SEC. 9. INTEROPERABILITY STANDARDS.**

14 The primary Federal payment stablecoin regulators,
15 in consultation with the National Institute of Standards
16 and Technology, other relevant standard setting organiza-
17 tions, and State governments, shall assess and, if nec-
18 essary, may, pursuant to section 553 of title 5 and in a
19 manner consistent with the National Technology Transfer
20 and Advancement Act of 1995 (Public Law 104–113),
21 prescribe standards for payment stablecoin issuers to pro-
22 mote compatibility and interoperability.

1 **SEC. 10. MORATORIUM ON ENDOGENOUSLY**
2 **COLLATERALIZED STABLECOINS.**

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

8 (b) STUDY BY TREASURY.—

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

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

22 (A) the categories of non-payment
23 stablecoins, including the benefits and risks of
24 technological design features;

25 (B) the participants in non-payment
26 stablecoin arrangements;

- 1 (C) utilization and potential utilization of
2 non-payment stablecoins;
- 3 (D) nature of reserve compositions;
- 4 (E) types of algorithms being employed;
- 5 (F) governance structure, including aspects
6 of decentralization;
- 7 (G) nature of public promotion and adver-
8 tising; and
- 9 (H) clarity and availability of consumer
10 notices disclosures.

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

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

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

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

21 Not later than 6 months after the date of enactment
22 of this Act, the primary Federal payment stablecoin regu-
23 lators shall provide a status update on the development
24 of the rulemaking under this Act to the Committee on Fi-
25 nancial Services of the House of Representatives and the

1 Committee on Banking, Housing, and Urban Affairs of
2 the Senate.

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

4 (a) **RULE OF CONSTRUCTION.**—Nothing in this Act
5 may be construed to limit the authority of an insured de-
6 pository institution to engage in activities permissible pur-
7 suant to applicable State and Federal law, including—

8 (1) accepting or receiving deposits and issuing
9 digital assets that represent deposits;

10 (2) utilizing a distributed ledger for the books
11 and records of the insured depository institution and
12 to affect intrabank transfers; and

13 (3) providing custodial services for payment
14 stablecoins, private keys of payment stablecoins, or
15 reserves backing payment stablecoins.

16 (b) **TREATMENT OF CUSTODY ACTIVITIES.**—The ap-
17 propriate Federal banking agency (as defined under sec-
18 tion 3 of the Federal Deposit Insurance Act (12 U.S.C.
19 1813)), the National Credit Union Administration (in the
20 case of a credit union), and the Securities and Exchange

21 Commission may not require an insured depository institu-
22 tion, or any affiliate of an insured depository institution—

23 (1) to include a non-cash asset, including a dig-
24 ital asset, held in custody by such insured depository
25 institution as a liability to reflect the obligation of

1 the insured depository institution to safeguard the
2 asset at the same time that the insured depository
3 institution or affiliate recognizes the safeguarding li-
4 ability on any of the financial statements or balance
5 sheets of the insured depository institution or affil-
6 iate, in such cases where the insured depository in-
7 stitution is serving as custodian and—

8 (A) does not contractually own such asset;

9 (B) does not otherwise have the benefits or
10 burdens of ownership of such asset; and

11 (C) such asset is not otherwise consoli-
12 dated onto the balance sheets of the insured de-
13 pository institution or affiliate by virtue of op-
14 eration of generally accepted accounting prin-
15 ciples;

16 (2) with respect to cash and any digital asset
17 that an insured depository institution custodies and
18 contractually owns or otherwise has the benefits or
19 burdens of ownership, to include such cash or digital
20 asset on the financial statements or balance sheets
21 of the insured depository institution or affiliate in a
22 manner substantially different than the analogous
23 non-digital asset or cash; or

24 (3) to incur additional prudential regulatory re-
25 quirements against a non-cash asset held in custody

1 described under paragraph (1) or a digital asset de-
2 scribed under paragraph (2), except as necessary to
3 mitigate against operational risk inherent with the
4 custody services, as determined by—

5 (A) the appropriate Federal banking agen-
6 cy; or

7 (B) with respect to an insured credit
8 union, the National Credit Union Administra-
9 tion.

10 **SEC. 13. CLARIFYING THAT PAYMENT STABLECOINS ARE**
11 **NOT SECURITIES.**

12 (a) INVESTMENT ADVISERS ACT OF 1940.—Section
13 202(a)(18) of the Investment Advisers Act of 1940 (15
14 U.S.C. 80b–2(a)(18)) is amended by adding at the end
15 the following: “The term ‘security’ does not include a pay-
16 ment stablecoin issued by a permitted payment stablecoin
17 issuer, as such terms are defined, respectively, in section
18 2 of the **【To be added Act of 2023】**.”.

19 (b) INVESTMENT COMPANY ACT OF 1940.—Section
20 2(a)(36) of the Investment Company Act of 1940 (15
21 U.S.C. 80a–2(a)(36)) is amended by adding at the end
22 the following: “The term ‘security’ does not include a pay-
23 ment stablecoin issued by a permitted payment stablecoin
24 issuer, as such terms are defined, respectively, in section
25 2 of the **【To be added Act of 2023】**.”.

1 (c) SECURITIES ACT OF 1933.—Section 2(a)(1) of
2 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is
3 amended by adding at the end the following: “The term
4 ‘security’ does not include a payment stablecoin issued by
5 a permitted payment stablecoin issuer, as such terms are
6 defined, respectively, in section 2 of the **【To be added Act**
7 **of 2023】**.”.

8 (d) SECURITIES EXCHANGE ACT OF 1934.—Section
9 3(a)(10) of the Securities Exchange Act of 1934 (15
10 U.S.C. 78c(a)(10)) is amended by adding at the end the
11 following: “The term ‘security’ does not include a payment
12 stablecoin issued by a permitted payment stablecoin
13 issuer, as such terms are defined, respectively, in section
14 2 of the **【To be added Act of 2023】**.”.

15 (e) SECURITIES INVESTOR PROTECTION ACT OF
16 1970.—Section 16(14) of the Securities Investor Protec-
17 tion Act of 1970 (15 U.S.C. 78lll(14)) is amended by add-
18 ing at the end the following: “The term ‘security’ does
19 not include a payment stablecoin issued by a permitted
20 payment stablecoin issuer, as such terms are defined, re-
21 spectively, in section 2 of the **【To be added Act of**
22 **2023】**.”.