

[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” means a digital asset—

10 (A) that is or is designed to be used as a
11 medium of exchange;

12 (B) that is denominated in United States
13 dollars;

14 (C) the issuer of which—

15 (i) is obligated to convert, redeem, or
16 repurchase the digital asset for a fixed
17 amount of monetary value; and

18 (ii) represents that the digital asset
19 will maintain or creates the reasonable ex-
20 pectation that the digital asset will main-
21 tain a stable value relative to a fixed
22 amount of monetary value; and

23 (D) that is not a national currency.

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

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

7 (B) a Federal qualified nonbank payment
8 stablecoin issuer that has been approved to
9 issue payment stablecoins under section 5; and

10 (C) a State qualified payment stablecoin
11 issuer.

12 (15) PRIMARY FEDERAL PAYMENT STABLECOIN
13 REGULATOR.—

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

16 (i) with respect to an insured depository
17 institution (other than an insured
18 credit union) or a subsidiary of an insured
19 depository institution (other than an in-
20 sured credit union), the appropriate Fed-
21 eral banking agency of such insured depository
22 institution (as defined under section
23 3 of the Federal Deposit Insurance Act
24 (12 U.S.C. 1813));

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

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

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

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

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

21 (17) STATE.—The term “State” means each of
22 the several States, the District of Columbia, and
23 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) legal tender, as defined under sec-
20 tion 5103 of title 31, United States Code;

21 (ii) Treasury bills with a maturity of
22 90 days or less;

23 (iii) repurchase agreements with a
24 maturity of 7 days or less that are backed

1 by Treasury bills with a maturity of 90
2 days or less; or

3 (iv) central bank reserve deposits.

4 (B) publicly disclose the issuer's redemp-
5 tion policy;

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

8 (D) publish the monthly composition of the
9 issuer's reserves on the website of the issuer,
10 containing—

11 (i) the total number of outstanding
12 payment stablecoins issued by the issuer;

13 and

14 (ii) the amount and composition of
15 the reserves described under subparagraph

16 (A).

17 (2) MONTHLY ATTESTATION; EXAMINATION OF
18 REPORTS BY REGISTERED PUBLIC ACCOUNTING
19 FIRM.—

20 (A) IN GENERAL.—A permitted payment
21 stablecoin issuer shall—

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

1 (ii) have the issuer's monthly reports
2 audited by a registered public accounting
3 firm not less often than annually.

4 (B) ATTESTATION.—Each month, the
5 Chief Executive Officer and Chief Financial Of-
6 ficer of a permitted payment stablecoin issuer
7 shall submit an attestation 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
13 payment stablecoin regulator.

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

20 (3) CAPITAL, LIQUIDITY, AND RISK MANAGE-
21 MENT REQUIREMENTS.—The primary Federal pay-
22 ment 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 op-
2 erations;

3 (B) liquidity requirements applicable to
4 permitted payment stablecoin issuers, which
5 may not exceed what is sufficient to ensure the
6 financial 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 appli-
11 cable to permitted payment stablecoin issuers,
12 tailored to the business model and risk profile
13 of the permitted payment stablecoin issuer.

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

18 (b) RULEMAKING.—

19 (1) IN GENERAL.—The primary Federal pay-
20 ment stablecoin regulators may issue such orders
21 and regulations as may be necessary to administer
22 and carry out the requirements of this section, in-
23 cluding to establish conditions, and to prevent eva-
24 sions thereof.

1 (2) TAILORING OF STANDARDS.—In issuing
2 regulations to carry out this section, the primary
3 Federal payment stablecoin regulators shall tailor
4 such regulations to take into account the complexity
5 and risk profile of permitted payment stablecoin
6 issuers, including by tailoring capital, liquidity, risk
7 management requirements required under subsection
8 (a)(3).

9 (3) JOINT ISSUANCE OF REGULATION.—All reg-
10 ulations issued to carry out this section shall be
11 issued jointly by the primary Federal payment
12 stablecoin regulators.

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

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

22 (a) IN GENERAL.—

23 (1) APPLICATION.—

24 (A) IN GENERAL.—Any insured depository
25 institution that seeks to issue payment

1 stablecoins through a subsidiary and any
2 nonbank entity (other than a State qualified
3 payment stablecoin issuer) that seeks to issue
4 payment stablecoins shall file an application
5 with the primary Federal payment stablecoin
6 regulator.

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

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

22 (2) EVALUATION OF APPLICATIONS.—

23 (A) IN GENERAL.—A complete application
24 received under paragraph (1) shall be evaluated
25 by the primary Federal payment stablecoin reg-

1 ulator using the factors described in paragraph
2 (3).

3 (B) PUBLIC COMMENTS.—Upon receipt of
4 a complete application, the primary Federal
5 payment stablecoin regulator shall promptly
6 publish notice of the application in the Federal
7 Register and solicit public comments on the ap-
8 plication.

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) APPROVAL; DENIAL.—

22 (A) IN GENERAL.—The primary Federal
23 payment stablecoin regulator shall approve a
24 complete application received under paragraph
25 (1) if the regulator determines that the factors

1 described in paragraph (3) are adequately satis-
2 fied.

3 (B) TIMING.—The primary Federal pay-
4 ment stablecoin regulator shall render a deci-
5 sion on an application no later than 120 days
6 after informing the applicant that the applica-
7 tion is complete.

8 (C) DENIAL OF APPLICATION.—

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

16 (ii) EXPLANATION REQUIRED.—If the
17 primary Federal payment stablecoin regu-
18 lator denies a complete application received
19 under paragraph (1), the regulator shall
20 provide the applicant with written notice
21 explaining such denial, including any find-
22 ings made by the regulator with respect to
23 any identified material shortcomings re-
24 garding the application, including rec-
25 ommendations on how the applicant could

1 address the identified material short-
2 comings.

3 (iii) OPPORTUNITY FOR HEARING;
4 FINAL DETERMINATION.—

5 (I) IN GENERAL.—Not later than
6 30 days after the date of receipt of
7 any notice of the denial of an applica-
8 tion under this subsection, the appli-
9 cant may request, in writing, an op-
10 portunity for a written or oral hearing
11 before the primary Federal payment
12 stablecoin regulator to appeal the de-
13 nial.

14 (II) TIMING.—Upon receipt of a
15 timely request, the primary Federal
16 payment stablecoin regulator shall fix
17 a time (not later than 30 days after
18 the date of receipt of the request) and
19 place at which the applicant may ap-
20 pear, personally or through counsel, to
21 submit written materials (or, at the
22 sole discretion of the primary Federal
23 payment stablecoin regulator, oral tes-
24 timony and oral argument).

1 (III) FINAL DETERMINATION.—
2 Not later than 60 days after the date
3 of a hearing under this clause, the
4 primary Federal payment stablecoin
5 regulator shall notify the applicant of
6 the final determination of the primary
7 Federal payment stablecoin regulator,
8 which shall contain a statement of the
9 basis for that determination.

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

21 (D) FAILURE TO RENDER A DECISION.—If
22 the primary Federal payment stablecoin regu-
23 lator fails to render a decision on a complete
24 application under within the time period speci-

1 fied in subparagraph (B), the application shall
2 be deemed approved.

3 (5) REPORT ON PENDING APPLICATIONS.—

4 Each primary Federal payment stablecoin regulator
5 shall annually report to Congress on the applications
6 that have been pending for 6 months or longer since
7 the date of the initial application filed under para-
8 graph (1) where the applicant has been informed
9 that the application remains incomplete, including
10 providing documentation on the status of the appli-
11 cation and why the application has not yet been ap-
12 proved.

13 (6) RULEMAKING.—The primary Federal regu-
14 latory agencies shall, jointly, issue rules necessary
15 for the regulation of the issuance of payment
16 stablecoins, but may not impose requirements incon-
17 sistent with the requirements specified under section
18 4.

19 (b) EFFECTIVE DATE.—

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

22 (A) 18 months after the date of enactment
23 of this Act; or

24 (B) the date that is 120 days after the
25 date on which the primary Federal payment

1 stablecoin regulators issue final regulations im-
2 plementing this section.

3 (2) AUTHORITY TO ISSUE REGULATIONS AND
4 PROCESS APPLICATIONS.—The primary Federal pay-
5 ment stablecoin regulators may issue regulations to
6 carry out this section and accept and process appli-
7 cations described under this section before the effec-
8 tive date described under paragraph (1).

9 (3) NOTICE TO CONGRESS.—Each of the pri-
10 mary Federal payment stablecoin regulators shall
11 notify Congress once beginning to process applica-
12 tions described under this section.

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

19 (A) a subsidiary of an insured depository
20 institution, if the insured depository institution
21 has an application pending for the subsidiary to
22 become a permitted payment stablecoin issuer
23 on the effective date described under paragraph
24 (1); or

1 (B) a nonbank entity with an application
2 pending to become a Federal qualified nonbank
3 stablecoin issuer on the effective date described
4 under paragraph (1).

5 **SEC. 6. SUPERVISION AND ENFORCEMENT WITH RESPECT**
6 **TO SUBSIDIARIES OF INSURED DEPOSITORY**
7 **INSTITUTIONS AND FEDERAL QUALIFIED**
8 **NONBANK STABLECOIN ISSUERS.**

9 (a) SUPERVISION.—

10 (1) SUBSIDIARY OF AN INSURED DEPOSITORY
11 INSTITUTION.—

12 (A) IN GENERAL.—Each permitted pay-
13 ment stablecoin issuer that is a subsidiary of an
14 insured depository institution shall be subject to
15 supervision by the primary Federal payment
16 stablecoin regulator in the same manner as
17 such insured depository institution.

18 (B) GRAMM-LEACH-BLILEY ACT.—For
19 purposes of title V of the Gramm-Leach-Bliley
20 Act (15 U.S.C. 6801 et seq.) each permitted
21 payment stablecoin issuer that is a subsidiary
22 of an insured depository institution shall be
23 deemed a financial institution.

24 (2) FEDERAL QUALIFIED NONBANK PAYMENT
25 STABLECOIN ISSUER.—

1 (A) SUBMISSION OF REPORTS.—Each Fed-
2 eral qualified nonbank payment stablecoin
3 issuer shall, upon request, submit reports to the
4 primary Federal payment stablecoin regulator
5 as to—

6 (i) the Federal qualified nonbank pay-
7 ment stablecoin issuer’s financial condition,
8 systems for monitoring and controlling fi-
9 nancial and operating risks; and

10 (ii) compliance by the Federal quali-
11 fied nonbank payment stablecoin issuer
12 (and any subsidiary thereof) with this Act.

13 (B) EXAMINATIONS.—The primary Fed-
14 eral payment stablecoin regulator may make ex-
15 aminations of a Federal qualified nonbank pay-
16 ment stablecoin issuer and each subsidiary of a
17 Federal qualified nonbank stablecoin issuer in
18 order to inform the regulator of—

19 (i) the nature of the operations and fi-
20 nancial condition of the Federal qualified
21 nonbank stablecoin issuer;

22 (ii) the financial, operational, and
23 other risks within the Federal qualified
24 nonbank stablecoin issuer that may pose a
25 threat to—

1 (I) the safety and soundness of
2 the Federal qualified nonbank
3 stablecoin issuer; or

4 (II) the stability of the financial
5 system of the United States; and

6 (iii) the systems of the Federal quali-
7 fied nonbank payment stablecoin issuer for
8 monitoring and controlling the risks de-
9 scribed in clause (ii).

10 (C) REQUIREMENT TO USE EXISTING RE-
11 PORTS.—In supervising and examining a Fed-
12 eral qualified nonbank payment stablecoin
13 issuer, the primary Federal payment stablecoin
14 regulator shall, to the fullest extent possible,
15 use existing reports and other supervisory infor-
16 mation.

17 (D) AVOIDANCE OF DUPLICATION.—The
18 primary Federal payment stablecoin regulator
19 shall, to the fullest extent possible, avoid dupli-
20 cation of examination activities, reporting re-
21 quirements, and requests for information in
22 carrying out this Act with respect to a Federal
23 qualified nonbank payment stablecoin issuer.

24 (E) GRAMM-LEACH-BLILEY ACT.—For
25 purposes of title V of the Gramm-Leach-Bliley

1 Act (15 U.S.C. 6801 et seq.) each Federal
2 qualified nonbank stablecoin issuer shall be
3 deemed a financial institution.

4 (b) ENFORCEMENT.—

5 (1) SUSPENSION OR REVOCATION OF REGISTRA-
6 TION.—The primary Federal payment stablecoin
7 regulator may prohibit a permitted payment
8 stablecoin issuer from issuing payment stablecoins, if
9 the primary Federal payment stablecoin regulator
10 determines that such permitted payment stablecoin
11 issuer, or an institution-affiliated party of the per-
12 mitted payment stablecoin issuer, is—

13 (A) violating or has violated this Act or
14 any regulation or order issued under this Act;
15 or

16 (B) violating or has violated any condition
17 imposed in writing by the primary Federal pay-
18 ment stablecoin regulator in connection with a
19 written agreement entered into between the per-
20 mitted payment stablecoin issuer and the pri-
21 mary Federal payment stablecoin regulator or a
22 condition imposed in connection with any appli-
23 cation or other request.

24 (2) CEASE-AND-DESIST PROCEEDINGS.—If the
25 primary Federal payment stablecoin regulator has

1 reasonable cause to believe that a permitted payment
2 stablecoin issuer or any institution-affiliated party of
3 a permitted payment stablecoin issuer is violating,
4 has violated, or is attempting to violate this Act, any
5 regulation or order issued under this Act, or any
6 written agreement entered into with the primary
7 Federal payment stablecoin regulator or condition
8 imposed in writing by the primary Federal payment
9 stablecoin regulator in connection with any applica-
10 tion or other request, the primary Federal payment
11 stablecoin regulator may, by provisions that are
12 mandatory or otherwise, order the permitted pay-
13 ment stablecoin issuer or institution-affiliated party
14 of the permitted payment stablecoin issuer to—

15 (A) cease and desist from such violation or
16 practice;

17 (B) take affirmative action to correct the
18 conditions resulting from any such violation or
19 practice; or

20 (C) take such other action as the primary
21 Federal payment stablecoin regulator deter-
22 mines to be appropriate.

23 (3) REMOVAL AND PROHIBITION AUTHORITY.—

24 The primary Federal payment stablecoin regulator
25 may remove an institution-affiliated party of a per-

1 mitted payment stablecoin issuer from their position
2 or office or prohibit further participation in the af-
3 fairs of the permitted payment stablecoin issuer or
4 all permitted payment stablecoin issuers by such in-
5 stitution-affiliated party, if the primary Federal pay-
6 ment stablecoin regulator determines that—

7 (A) the institution-affiliated party has, di-
8 rectly or indirectly, committed a violation or at-
9 tempted violation of this Act or any regulation
10 or order issued under this Act; or

11 (B) the institution-affiliated party has
12 committed a violation of any provision of sub-
13 chapter II of chapter 53 of title 31, United
14 States Code.

15 (4) PROCEDURES.—

16 (A) IN GENERAL.—If the primary Federal
17 payment stablecoin regulator identifies a viola-
18 tion or attempted violation of this Act or makes
19 a determination under paragraph (1), (2), or
20 (3), the primary Federal payment stablecoin
21 regulator shall comply with the procedures set
22 forth in subsections (b) and (e) of sections 8 of
23 the Federal Deposit Insurance Act (12 U.S.C.
24 1818).

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

6 (C) INJUNCTION.—The primary Federal
7 payment stablecoin regulator may, in the dis-
8 cretion of the regulator, follow the procedures
9 provided in section 8(i)(1) of the Federal De-
10 posit Insurance Act (12 U.S.C. 1818(i)(1)) for
11 judicial enforcement of any effective and out-
12 standing notice or order issued under this sub-
13 section.

14 (D) TEMPORARY CEASE-AND-DESIST PRO-
15 CEEDINGS.—If the primary Federal payment
16 stablecoin regulator determines that a violation
17 or attempted violation of this Act or an action
18 with respect to which a determination was made
19 under paragraph (1), (2), or (3), or the con-
20 tinuation thereof, is likely to cause insolvency or
21 significant dissipation of assets or earnings of a
22 permitted payment stablecoin issuer, or is likely
23 to weaken the condition of the permitted pay-
24 ment stablecoin issuer or otherwise prejudice
25 the interests of the customers of the permitted

1 payment stablecoin issuer prior to the comple-
2 tion the proceedings conducted under this para-
3 graph, the primary Federal payment stablecoin
4 regulator may follow the procedures provided in
5 section 8(c) of the Federal Deposit Insurance
6 Act (12 U.S.C. 1818(c)) to issue a temporary
7 cease-and-desist order.

8 (5) CIVIL MONEY PENALTIES.—

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

19 (B) FIRST TIER.—Except as provided in
20 subparagraph (A), a permitted payment
21 stablecoin issuer or institution-affiliated party
22 of such permitted payment stablecoin issuer
23 that violates this Act or any regulation or order
24 issued under this Act, or that violates any con-
25 dition imposed in writing by the primary Fed-

1 eral payment stablecoin regulator in connection
2 with a written agreement entered into between
3 the permitted payment stablecoin issuer and the
4 primary Federal payment stablecoin regulator
5 or a condition imposed in connection with any
6 application or other request, shall be liable for
7 a civil penalty of up to \$100,000 for each day
8 during which the violation continues.

9 (C) SECOND TIER.—Except as provided in
10 subparagraph (A), and in addition to the pen-
11 alties described under subparagraph (B), a per-
12 mitted payment stablecoin issuer or institution-
13 affiliated party of such permitted payment
14 stablecoin issuer who knowingly participates in
15 a violation of any provision of this Act, or any
16 regulation or order issued thereunder, is liable
17 for a civil penalty of up to an additional
18 \$100,000 for each day during which the viola-
19 tion continues.

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

1 (E) NOTICE AND ORDERS AFTER SEPARA-
2 TION FROM SERVICE.—The resignation, termi-
3 nation of employment or participation, or sepa-
4 ration of an institution-affiliated party (includ-
5 ing a separation caused by the closing of a per-
6 mitted payment stablecoin issuer) shall not af-
7 fect the jurisdiction and authority of the pri-
8 mary Federal payment stablecoin regulator to
9 issue any notice or order and proceed under
10 this subsection against any such party, if such
11 notice or order is served before the end of the
12 six-year period beginning on the date such
13 party ceased to be an institution-affiliated party
14 with respect to such permitted payment
15 stablecoin issuer.

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

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

21 (a) AVOIDANCE OF DUPLICATIVE REQUIREMENTS.—
22 In implementing this section, and in issuing orders and
23 rules under section 4 applicable to State qualified payment
24 stablecoin issuers, the Board shall, to the fullest extent
25 possible—

1 (1) avoid duplication of examination activities,
2 reporting requirements, and requests for informa-
3 tion, and rely on examination reports made by State
4 agencies relating to a State qualified payment
5 stablecoin issuer and any subsidiary of a State quali-
6 fied payment stablecoin issuer; and

7 (2) use—

8 (A) information available from Federal or
9 State regulatory agencies, including reports and
10 other supervisory information that the State
11 qualified payment stablecoin issuer or any sub-
12 sidiary thereof has been required to provide to
13 other Federal or State regulatory agencies; and

14 (B) information that is otherwise required
15 to be reported publicly.

16 (b) MEMORANDUM OF UNDERSTANDING.—The
17 Board shall—

18 (1) seek to enter into agreements with State
19 payment stablecoin regulators, including memoran-
20 dums of understanding, to—

21 (A) administer this Act with respect to
22 State qualified payment stablecoin issuers; and

23 (B) facilitate information sharing regard-
24 ing any application a State receives with respect

1 to a potential State qualified payment
2 stablecoin issuer;

3 (2) coordinate or alternate with a State pay-
4 ment stablecoin regulator to carry out supervisory
5 functions with respect to State qualified payment
6 stablecoin issuers; and

7 (3) rely on reports and other information pro-
8 vided by the State payment stablecoin regulator to
9 the Board in lieu of requiring the State qualified
10 payment stablecoin issuer to file such reports and
11 other information with the Board.

12 (c) ENFORCEMENT.—

13 (1) RECOMMENDING ACTION BY A STATE PAY-
14 MENT STABLECOIN REGULATOR.—The Board, based
15 on an examination of a State qualified payment
16 stablecoin issuer by the Board or by the State pay-
17 ment stablecoin regulator or on other information,
18 may recommend in writing to a State payment
19 stablecoin regulator that the State take an enforce-
20 ment action against a State qualified payment
21 stablecoin issuer or an institution-affiliated party of
22 such issuer. The recommendation shall be accom-
23 panied by a written explanation of the concerns giv-
24 ing rise to the recommendation.

1 (2) BOARD'S AUTHORITY TO ACT IF A STATE
2 PAYMENT STABLECOIN REGULATOR FAILS TO FOL-
3 LOW RECOMMENDATION.—If a State payment
4 stablecoin regulator does not, before the end of the
5 60-day period beginning on the date on which the
6 State receives a recommendation under paragraph
7 (1), take the enforcement action recommended by
8 the Board or provide a plan acceptable to the Board
9 for responding to the Board's concerns, the Board
10 may take the recommended enforcement action if the
11 Board determines that—

12 (A) the State qualified payment stablecoin
13 issuer is in an unsafe or unsound condition;

14 (B) the State qualified payment stablecoin
15 issuer or institution-affiliated party is violating
16 or attempting to violate this Act, any regulation
17 or order issued under this Act, or any written
18 agreement entered into with the Board or con-
19 dition imposed in writing by the Board in con-
20 nection with any application or other request,
21 and the recommended enforcement action will
22 prevent the issuer or institution-affiliated party
23 from continuing such practices; or

1 (C) the conduct or threatened conduct
2 poses a risk to the financial stability of the
3 United States.

4 (3) EFFECT OF EXIGENT CIRCUMSTANCES.—

5 (A) AUTHORITY TO ACT.—The Board may,
6 after notice to the applicable State payment
7 stablecoin regulator, exercise the authority of
8 the Board described under paragraph (2) with-
9 out regard to the time period set forth in that
10 paragraph.

11 (B) RULEMAKING ON EXIGENT CIR-
12 CUMSTANCES.—The Board shall issue regula-
13 tions not later than 180 days after the date of
14 enactment of this Act to set forth those exigent
15 circumstances in which the Board may act
16 under subparagraph (A).

17 (4) POWERS OF THE BOARD.—For purposes of
18 this subsection, the Board shall have the same en-
19 forcement authority with respect to any State quali-
20 fied payment stablecoin issuer and any institution-
21 affiliated party of a State qualified payment
22 stablecoin issuer as the Board has with respect to a
23 Federal qualified nonbank payment stablecoin
24 issuer.

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

4 **SEC. 8. REPORT ON RULEMAKING STATUS.**

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

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

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

17 (1) accepting or receiving deposits and issuing
18 digital assets that represent deposits;

19 (2) utilizing a distributed ledger for the books
20 and records of the insured depository institution and
21 to affect intrabank transfers; and

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

1 (b) TREATMENT OF CUSTODY ACTIVITIES.—A Fed-
2 eral agency may not require an entity—

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

6 (2) to hold additional regulatory capital against
7 assets in custody, except as necessary to mitigate
8 against operational risks inherent with the custody
9 services, as determined by—

10 (A) the appropriate Federal banking agen-
11 cy (as defined under section 3 of the Federal
12 Deposit Insurance Act (12 U.S.C. 1813); or

13 (B) with respect to an insured credit
14 union, the National Credit Union Administra-
15 tion.

16 **SEC. 10. TREATMENT OF INSOLVENT PERMITTED PAYMENT**
17 **STABLECOIN ISSUERS.**

18 In any insolvency proceeding, including any pro-
19 ceeding under title 11, United States Code, or any insol-
20 vency proceeding by a primary Federal payment stablecoin
21 regulator or State payment stablecoin regulator with re-
22 spect to a permitted payment stablecoin issuer, claims
23 from persons holding payment stablecoins issued by the
24 permitted payment stablecoin issuer shall have priority
25 over all other claims against the payment issuer.

1 **SEC. 11. CLARIFYING THAT PAYMENT STABLECOINS ARE**
2 **NOT SECURITIES.**

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
6 the following: “The term ‘security’ does not include a pay-
7 ment stablecoin issued by a permitted payment stablecoin
8 issuer, as such terms are defined, respectively, in section
9 2 of the **【To be added Act of 2023】**.”.

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

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

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

1 following: “The term ‘security’ does not include a payment
2 stablecoin issued by a permitted payment stablecoin
3 issuer, as such terms are defined, respectively, in section
4 2 of the **【To be added Act of 2023】**.”.

5 (e) SECURITIES INVESTOR PROTECTION ACT OF
6 1970.—Section 16(14) of the Securities Investor Protec-
7 tion Act of 1970 (15 U.S.C. 78lll(14)) is amended by add-
8 ing at the end the following: “The term ‘security’ does
9 not include a payment stablecoin issued by a permitted
10 payment stablecoin issuer, as such terms are defined, re-
11 spectively, in section 2 of the **【To be added Act of**
12 **2023】**.”.