

Negotiations Win Summary (Since Rule 14 Reintroduction)

As the result of hard-fought negotiations, Democrats won major victories on a range of critical issues. We strengthened provisions on anti-money laundering, foreign issuers, national security safeguards, consumer protection, and measures to preserve the safety and soundness of our financial system.

The bill has made substantial bipartisan progress since introduction and especially in the last week, these changes from the Rule 14 version lay the foundation for a safer, more secure framework.

Importantly, there are still a few issues listed below that remain outstanding. We have received assurances from counterparts that they will continue to work with us to resolve these items prior to a vote on the substitute.

1. Big tech language (pg.14-15)
2. Interest prohibition (pg.14)
3. Section 3 timeline for compliance (pg.6)
4. Rule of construction on federal consumer financial laws (pg.28)

Please Note: some of these citations are subject to change as negotiations are finalized and Treasury technical assistance is incorporated. Highlights correspond to citations we need to confirm once we get text. Page numbers correspond to the page numbers in the redline.

Consumer Protections

- **Fortified Federal Consumer Protections:** Secured a broad savings clause guaranteeing the application of existing federal consumer protection laws, including but not limited to protections stemming from the Consumer Financial Protection Bureau and the Federal Trade Commission. This comes in addition to language guaranteeing that traditional securities and commodities are still subject to all existing federal securities laws and cannot use the new stablecoin regime to evade regulation. **CITE:** Added §6(c). Page 28. [final text pending]
- **Protects State Consumer Protection Laws:** Ensures that state consumer protection laws are not preempted and guarantees consumers retain legal remedies against bad actors. This prevents consumers from being left without adequate legal options to sue bad actors within their states. **CITE:** Modified §7(f). Pages 31-32.
- **Strengthens Interest and Yield Prohibition:** Expanded the prohibition on interest-bearing stablecoins to cover all domestic and foreign stablecoin activities. Strengthened the prohibition to bar any interest, yield, credits, or other financial considerations that could be interpreted as yield. **CITE:** Added §4(a)(11); removed from definition of “permitted stablecoin issuer” to better accommodate underlying issue. Page 14. [final text pending]

- **Prohibits on FDIC Insurance Misrepresentation:** Issuers are prohibited from claiming that stablecoins are backed by FDIC insurance or the full faith and credit of the federal government, without any exceptions. **CITE:** *Modified §4(e)(2)(A). Page 19.*
- **Prohibits the Use of the Terms Related to the United States in the Name of Stablecoins:** Issuers cannot use naming terms that include terms like “United States,” “United States Government,” or “USG.” This helps consumers better understand that they are not transacting in U.S. dollars or in an instrument backed by the full faith and credit of the U.S. government. **CITE:** *Modified §4(a)(9). Page 13.*

Banking and Commerce – Protecting Financial Security

- **Limitations on Big Tech Issuers:** Prohibits non-financial publicly traded companies from issuing a stablecoin unless they can meet strict criteria regarding financial risk, consumer data privacy, and fair business practices. This helps prevent companies like Meta, Amazon, Google, and Microsoft from issuing a stablecoin and maintains the separation between banking and commerce. **CITE:** *§4(12)(B). Page 15 [final text pending].*
- **Master Account Guardrails:** Included critical language ensuring this bill does not alter who is legally eligible for Federal Reserve services or deposit access. **CITE:** *Added §4(a)(13). Page 15.*

Enforcement and Ethics

- **Separate Acts of Noncompliance:** Establishes robust enforcement mechanisms for egregious violations, particularly in cases where an issuer's negligence or a non-compliant exchange's misconduct enables a high volume of illicit transactions. **CITE:** *Modified §8(b)(4)(C). Page 33.*
- **Strengthens Enforcement Capabilities:** Secured Treasury’s ability to suspend issuer’s registration after both reckless and willful violations, helping to discourage misconduct and negligence by issuers. Previously it had just been willful violations. **CITE:** *Modified §6(b)(1). Page 26.*
- **Expands Ethics Coverage for Special Government Employees:** Ensures that financial conflict of interest standards, as administered by the Office of Government Ethics, apply uniformly to both regular and special government employees, including Elon Musk. **CITE:** *Modified §4(i)(2). Page 21.*

Bankruptcy Protections

- **Enhances Customer Priority:** Clarifies that if an issuer entered bankruptcy, any person holding a stablecoin has a claim, irrespective of their contractual redemption rights. **CITE:** *Modified §11(a)(1) and added new §11(a)(2) and §11(a)(3). Pages 38-39.*
- **Report on Insolvency:** Requires Federal payment stablecoin regulators to issue a report on gaps in the bankruptcy laws, the ability of consumers to be paid out in full, and alternative bankruptcy administration regimes. **CITE:** *Added new §11(h). Pages 40-41.*

Foreign Issuers

- **Strengthens Standards for Foreign Issuers:** Requires foreign payment stablecoin issuers to have the technological capability to comply with lawful orders *and* meet the standards of a comparable foreign regulatory regime. Previous iterations of the bill only required foreign issuers to meet one of those two factors. **CITE:** *Modified §3(b)(2). Page 6.*
- **Limits Secondary Sales:** Strengthened Treasury Secretary's authority to delist noncompliant foreign issuers. **CITE:** *Modified §8(b)(1)). Page 32.*
- **Enhances Regulatory Oversight:** The Stablecoin Certification Review Committee, comprised of Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation, must consent to a foreign country being determined to have a regulatory and supervisory regime that is comparable to U.S. standards. Previously, this decision was left solely to Treasury Secretary. Under the revised bill, no one person can green-light foreign regimes without proper scrutiny. **CITE:** *Modified §18(b)(1). Page 45.*
- **Ensures Stronger Supervision:** Foreign jurisdictions are held to robust regulatory, supervisory, and BSA/AML standards, in line with the same criteria used to vet state-level regulatory frameworks. **CITE:** *Modified §18(d). Pages 47-48.*
- **Prohibitions on Sanctioned Countries:** Prohibits foreign issuers from trading in the U.S. if they are located in a country that is subject to comprehensive economic sanctions by the United States, or if the Treasury Secretary has determined that a foreign country is a primary money laundering concern. **CITE:** *Added §18(a)(4). Page 45.*

National Security

- **Bank Secrecy Act / Anti-Money Laundering Requirements:** Stablecoin issuers will be held to bank-like standards regarding anti money-laundering requirements, sanctions compliance, and requirements under the Bank Secrecy Act. This change made sure all payment stablecoin issuers were subject to monitoring and reporting of any suspicious transactions related to violation of law. **CITE:** *Modified §4(a)(5). Pages 11-12.*
- **Sanctions Authority Over Offshore Issuers:** Clarifies the Treasury Department's existing authority to apply sanctions on offshore tokens that are backed by U.S. dollars. **CITE:** *Added §8(d). Page 34.*

- **Clarifies Ability to Freeze and Seize:** For domestic issuers, the bill now ensures issuers have the “technical capabilities” to freeze and seize assets from criminals. **CITE:** *Modified §4(5)(A)(iv). Page 11.*
- **DeFi Risk Management:** Directs the Financial Crimes Enforcement Network (FinCEN) to establish risk management standards for financial institutions when interacting with decentralized finance protocols – like mixers, tumblers, and other similar services. **CITE:** *Added §9(d)(4). Page 36.*
- **Recommendations and Reports on DeFi:** Requires Treasury to report to Congress on how distributed ledgers, mixers, tumblers, and other similar services facilitate illicit activity. *Added §9(e). Page 36.*